



**CITY OF MONTGOMERY**

**FY 2022**

**MAYOR'S**

**BUDGET MESSAGE**

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August 17, 2021

Mr. President and members of the City Council, it is my pleasure to come before you as the Mayor of our great City to present the FY 2022 budget message.

I come before you today to present a balanced budget for your consideration; and hopefully, your ultimate adoption.

Although our City's economy did much better in a post-pandemic period than what many economists originally thought it would, the citizens were and are still being affected, significantly, by the variant strain of the coronavirus. Accordingly, Montgomery continues to witness an unprecedented time in its history.

The current budget year began on October 1, 2020. Revenue has continued to grow and especially in Sales and Use Taxes where we are currently seeing double-digit growth.

The FY 2021 budget did not include any positive growth due to the financial position of the City and revenue forecasts in 2020. However, during the second and third quarters of last year, no one knew what was in the "bend around the corner" from an economic standpoint. Consequently, the City had to be proactive in creating the FY 2021 budget and be even more fiscally prudent in doing so.

The federal government assisted citizens by providing stimulus funding, individually, and by providing funding to municipalities and state governments in order to maintain services for its citizens. As a result, Montgomery ended Fiscal Year 2020 in a very good financial position.

This administration managed to increase fund balance by \$1.5 million dollars which would not have been possible without all departments cutting their operating budgets ten (10) percent on unspent balances and

savings created from attrition. Employee vacancies were only filled where the need was critical to operations of the City. Many employees worked hours above their typical work week to ensure that services remained at a standard that citizens are accustomed to having in our City.

Due to the adverse effects of COVID-19 on the City, many of our employees were unable to take time off to spend with their families. I am truly grateful for the fortitude of our employees to serve our citizens. This leads me to what I will tell you about the FY 2022 Proposed Operating and Debt Service Budget.

Over the last six (6) years, employees in the City of Montgomery have not received consistent merit and/or cost-of-living raises. Consequently, this has caused employee wages to lag behind other cities and governmental entities.

Early in the year, I requested from the Personnel Department a study analyzing salaries of employees of other governmental entities similar in size to our City. The department performed the analysis and as a result a pay plan adjustment was provided. The results were quite shocking! The City of Montgomery was lagging far behind other cities when it came to how our employees were being paid. For the City's four (4) pay plans, the study reflected a range of double-digit increases in order to get our employees' salaries to a comparable level of those cities analyzed in the study.

It is with great pleasure and delight that I am able to say that those pay increases have been included in the FY 2022 budget for City employees. Now, you may be wondering, "How is it that the City can afford these double-digit increases in employee salaries?" There are primarily two reasons for being able to afford and sustain the much deserved pay increases for our employees:

First by Restructuring City Debt – Going to the bond market to refund or refinance debt was a “no brainer”. The City refunded debt that had 3-5% bond rates to new lower rates of 1-2.5%. We were able to refund

more than \$152 million dollars over the course of the last year and a half. It was really important to ensure that the City had the lowest level of debt possible because of not knowing how revenue streams would be adversely affected by the coronavirus by the time the current year began.

Secondly, the City can afford the pay increases because of revenue growth. Fortunately, Sales and Use Taxes have surpassed the forecasted growth rate for our local economy. Sales and use taxes constitute more than 50% of this proposed budget. In the current year, the overall increase in this revenue stream is more than 12%. We have also seen growth in ad valorem taxes, business licenses, and lodging taxes this year. Although lodging tax is still reflecting an overall negative growth rate, year-over-year, it is growing significantly compared to where it was last year at this time due to tourism coming back to our City.

Restructuring debt and continued revenue growth are allowing the City to pay off short-term debt. Total debt in the FY 2021 budget is more than \$35 million dollars. In FY 2022, total debt is less than \$21 million dollars. Refunding debt did not increase the life of the debt but allowed for savings due to selling bonds at a premium and acquiring lower interest rates.

I am presenting to you today, a balanced General Fund budget that is \$25 million dollars more than the current year's budget, which includes employee salaries and their accompanying fringe benefits such FICA/Medicare, Retirement and Insurance that are based on the aforementioned pay study. The percentage increase for salaries and fringe benefits is slightly more than 20% compared to the City's current year budget. Additionally, funding for vacancies that was not affordable in the current budget has been included in the FY 2022 budget.

Those City Council members who attended the budget meetings heard Cabinet Members and/or Department Heads express their need for more staffing to continue keeping up the standards for services that are paid for and rightly expected by the citizens of this City. I thank you for your observations and comments that helped with the composition of this budget. As you know, all departments presented increased budgets for

staffing and various other operating needs resulting in an overall total increase of slightly over 10% in the FY 2022 budget. However, compared to FY 2020, we are only looking at an increase of 3.7%.

In prior years, the City has typically seen a two to three percent growth rate in the budget yearly. Had we not been in a global pandemic in FY 2020, the City would have likely seen this growth rather than having to reduce the budget nearly 6% due to the adverse effects of the pandemic.

Revenue collected in the City in the current year is expected to provide a substantial increase to fund balance (reserve) that will help the City grow its savings in order to be better prepared, financially, for unexpected events.

Montgomery has a long history of supporting many outside agencies, which provide valuable services to our citizens. The City has increased the allotments in the FY 2022 budget for many of those agencies who have also been affected by the reality of the pandemic on the local economy.

I want to spend a few minutes acknowledging the hard and demanding work that allowed us to get to this point. Our Cabinet Members, City Department Heads and their staff spent a lot of time during the last few months preparing zero-based budgets and evaluating their operations down to the smallest of details.

Kudos to every employee for their efforts to provide first-class service to the citizenry of Montgomery each and every day. I offer my sincere thanks to all of our employees for their fortitude and dedication in the pursuit of our purpose to restore and enhance lives, communities, and businesses in our City.

We also have a group of employees, deserving of our thanks, who spent many long days and weekends preparing the budget. The Finance Director, Betty Beville, and her staff in the Finance Department have worked relentlessly projecting revenues and screening proposed expenditures for the FY 2022 budget.

Many of the things that this administration was planning in order to build a “better Montgomery” for all residents got off to a slow beginning. We are staying the course and looking forward to our plans coming to fruition. We have plans to ensure that Montgomery is not only a progressive City but more, importantly, it can and will become a “trailblazing” City.

In conclusion, the proposed budget being presented to you today has a dollar value of \$269,609,975 dollars for your approval. I am confident this proposed budget will allow the City to move forward on a path of building a better Montgomery for “all” people.

Presented by:

A handwritten signature in black ink, appearing to read "Steven L. Reed". The signature is stylized and cursive, with a large initial "S" and "R".

Steven L. Reed  
Mayor