

# **FY 2024 BUDGET MESSAGE**

August 15, 2023

Mr. President and Members of the City Council, it is my pleasure to come before you as the Mayor of the City of Montgomery to present the FY 2024 budget message. I come before you to present a balanced budget for your consideration and adoption.

Because of Fiscal Year 2022 growth from a few revenue sources; namely, sales and use tax, business licenses and lodging tax, the City was able to handle some costly emergency needs. Some of those needs included landfill equipment repairs, dry docking the riverboat for engine repairs and/or replacement, park improvements, and purchase of rolling stock for many City departments.

Additionally, the City was able to assist with the shortfall of revenue for the newest city venue that opened last month - White Water Park. More importantly, the City participated in bringing new economic development to the City that required monetary incentives. The most recent companies locating in Montgomery will bring more than \$1.7 billion dollars in new capital investments and approximately 2,000 new great paying jobs.

The current budget year began on October 1, 2022. Revenue has continued to grow in Sales and Use Taxes, Ad Valorem Taxes, Business Licenses, and Lodging Tax Revenues. The current year's revenue includes positive growth based on actual revenue collected through July 31<sup>st</sup> and forecasted through September 30, 2023.

As the current fiscal year will close on September 30<sup>th</sup>, the City's sales and use tax revenue is projected to remain stable at almost 6% over the previous year. Because of projected revenue growth and under-spend of budget by some departments, the City will be able to pay for much needed audio and lighting improvements at Cramton Bowl, upgrade some park facilities, and improve alarm systems in various city facilities.

Finally, projected savings from the General Fund will support the purchase of various departmental equipment needs (i.e., computers, copiers, and rolling stock).

This administration continues to take a proactive approach when constructing the General Fund Operating and Debt Service budget. That approach is no different for FY 2024 whereby zero-based budgeting is used and ensuring that employee positions are funded to provide for the needs of those we serve – the citizens of our great City.

Being proactive is very important when hiring and retaining qualified employees. City department heads continue to fill vacancies due to this administration ensuring that the salaries of employee positions are competitive.

This administration knows that continuing to be competitive with salaries will assist the City in hiring and retaining qualified employees. It is my belief that we have been able to be more competitive due to the pay adjustment that was implemented in FY 2022.

I am truly thankful for the resiliency shown by our employees, citywide, to ensure that services are provided to the citizens of Montgomery that they have become acclimated to receiving. We still have employees who are working above a normal work schedule to ensure that services are being provided to citizens. Due to the shortfall in some departments to fill vacancies, this administration has been proactive in taking various measures to provide services to its citizens.

Next, I am going to present to you what is in the FY 2024 Proposed Operating and Debt Service Budget.

First, this proposed budget has a pay increase included in it for all City employees. This increase is due to a pay study that was completed in April to ensure that the City's employees were being paid an equitable wage for the services they provide to the City of Montgomery. The Personnel Department re-calculated all pay grades on the current pay

plan starting at step one of each pay grade with a three percent increase and compounding each step through step fifteen.

Secondly, although early into the budgeting process, it didn't appear that the City would be able to afford both a pay increase and employee merit raises. **However, it has been projected that since certain revenue sources are continuing to show stable growth, the merit raises have been included in this budget.** Just as pay increases for the entire City workforce will allow the City to remain competitive for hiring and retaining employees, so will the merit raises for those employees who are eligible. If merit raises are not included in the budget, employee salaries will lag behind salaries of comparable positions in government and private sectors.

Finally, increased allotments have been included in this budget for various agencies that provide needed and valuable services to the citizenry of Montgomery. Increases are also included that will bring more economic development to our City.

So, let me explain to you how the City can afford the increases in this proposed budget. The City is still seeing revenue growth in various revenue streams and it is projected that the growth will continue to be stable during the upcoming budget year.

Also, due to debt restructuring in a prior year, the City is still benefitting from lowering total debt and not having any short-term debt that has to be serviced. The long-term debt in this budget is approximately \$22 million dollars which is significantly less when compared to \$35 million dollars or more in previous years. Consequently, the increase in revenue plus debt savings will support the increases in this proposed budget.

The Grants Department created by this administration has been able to procure grant funding to offset not only the department's operating budget but also that of the Office of Violence Prevention. The availability of grant funding lowers additional increases to the General Fund budget for these two departments.

Additionally, there is an inter-fund transfer amount that is less than 2% of the total budget. These funds are from special revenue funds that can be used in the General Fund to offset the cost of debt service payments.

Sales and use tax revenues constitute approximately 50% of the proposed budget. The overall increase in this revenue stream, year-over-year, is 6%. Nearly 34% of the revenue is derived from ad valorem taxes, business licenses, and sanitation fees. The remaining 16% comes from lodging taxes, rental taxes and various miscellaneous revenues.

Today, I am presenting to you a balanced General Fund and Debt Service Operating Budget that is \$21.6 million dollars more than the current year's budget which includes a pay adjustment, merit raises and accompanying fringe benefits such as FICA/Medicare, Retirement and Health Insurance expenditures. The percentage increase for all departmental operating budgets is 9.1% more than the current year's budget.

Those City Council Members who attended the budget meetings heard Cabinet Members and Department Heads express their concerns for hiring more staff in order to continue providing high standards of services that are paid for and rightly expected by the citizens of this City. 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 increase of nearly 7.5% in the total FY 2024 proposed budget over the current year's budget.

It is projected that revenue collected in the City in the current year will provide an additional increase to fund balance (reserve) that will help the City grow its savings so that it can be better prepared for emergency situations. Plus, increasing the reserve will keep the City in a good posture to maintain or be upgraded by bond rating agencies.

I want to spend a few minutes acknowledging the hard work that allowed us to get to this point. Our Cabinet Members, City Department Heads and their staff members spent a lot of time over the course of the

last few months preparing zero-based budgets and evaluating their operations down to the smallest details in order to prepare their budgets.

Many thanks to every employee for their hard, and often times, difficult work that they do each and every day to provide first-class services to the citizenry of Montgomery. Again, I offer my sincerest thanks to all of our City employees for their hard work and dedication to the pursuit of our purpose to restore and enhance lives, businesses and communities.

Also, deserving of our thanks are those employees who spent many long days and weekends preparing the final budget document. The Chief Financial Officer, Betty Beville, and her staff in the Finance Department have worked relentlessly projecting revenues, screening expenditures, answering questions, emails and text messages for the FY 2024 proposed budget.

This administration is moving ahead to build a “better Montgomery” for all residents where everyone can live, learn and earn. My plan is to stay the course and move forward until that plan becomes a reality.

In conclusion, the proposed FY 2024 General Fund and Debt Service Budget being presented to you today is \$311,308,522 dollars for your approval. I have confidence that this proposed budget will allow the City to move forward in building a better Montgomery.

Presented by:



Steven L. Reed  
Mayor