

FY 2025 BUDGET MESSAGE

August 20, 2024

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 2025 budget message. I am presenting to you today, a balanced budget for your consideration and adoption.

Montgomery has become a vibrant city due to growth from economic development. In recent days, it has been noted that new businesses such as Meta, Amazon, Manna Beverage, the Inland Port, and Hyundai's expansion is expected to boost the city's population dramatically. These companies will not only provide jobs for those who currently reside in the city but for those who will move to the city because of the availability of good paying jobs.

Because of this growth, services that are provided by the city will continue to increase which means that more staffing and equipment will be needed to provide those services. Consequently, due to the increase in expenses, the budget must grow to provide those services.

The City of Montgomery had growth from three primary revenue sources in FY 2023 which has continued in the current year. Namely, sales and use tax, business licenses and lodging tax.

Due to growth from these revenue sources in the previous year, the city paid for or is in the process of paying for mandated upgrades to the Biscuit Stadium, zoo improvements, deferred roof repairs and/or replacements for various community centers, and upgrades at Cramton Bowl for lighting, audio, and the scoreboard, as well as property demolitions that were unbudgeted. Additionally, rolling stock such as open-body trucks, bucket trucks, sport utility vehicles, an excavator, and lawn mowers were purchased to replace equipment whose useful life had expired.

The current budget year began on October 1, 2023. Revenue has continued to grow for sales and use taxes, ad valorem taxes, business licenses, and lodging tax revenues. The current year's revenue projection includes growth based on actual revenue collected through July 31st and forecasted through September 30, 2024.

As the current fiscal year will close on September 30th, the city's sales and use tax revenue is projected to remain stable at 5% over the previous year. Because of projected revenue growth and underspend of budgets by some departments, the city will be able to pay for a new landfill cell, AEDs, computers, copiers, economic development incentives, increase the demolition budget, and continue to purchase additional rolling stock to replace old equipment that stays in disrepair and is unreliable.

Finally, projected savings from the General Fund will support the growth of the city's fund balance or reserves. As the city grows so must the General Fund Operating and Debt Service Budget to provide services to all citizens. Consequently, it is vital that this administration ensures that the reserves keep the same pace and continue to be at least twenty percent of the General Fund budget.

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 2025 whereby zero-based budgeting is used to ensure that employee positions are funded to provide for the needs of those we serve – the citizens of our great city!

Being proactive is crucial 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 being competitive with salaries will allow the city to continue in its efforts of hiring and retaining qualified employees. The FY 2025 budget has a pay increase included in it for every city employee!

First, I will begin by stating that all Montgomery Police Department (MPD) sworn officers will receive a fifteen (15) percent increase in pay. Initially, the significant increase was only going to be used as a recruitment and retention tool for newly sworn officers through the rank of lieutenant. However, the City Council has enacted legislation that will provide the same percentage for retention of sworn officers whose rank is captain and above.

Secondly, I have included in this budget a five (5) percent cost-of-living-adjustment (COLA) for all other city employees. These employees are deserving of a COLA because many of them have willingly taken on additional duties due to vacancies within their departments.

Looking back at the pay history of city employees, a COLA has not been provided to city employees since prior to 2012. Employees have received a couple of pay adjustments to ensure that the pay for their positions are competitive in the job market in this region.

As I have stated before, I am truly thankful for the tenacity of 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 has been included in the FY 2025 Proposed Operating and Debt Service Budget. As I mentioned previously, this proposed budget has a pay increase included in it for all city employees.

Because the projection of certain revenue sources are continuing to show stable growth, the merit increases have also 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 raise for those employees who are eligible. If merit raises are not included in the budget, employee salaries will begin to lag behind salaries of comparable positions in government and private sectors.

Included in this proposed budget are increased allotments 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.

Now, let me explain to you how the city can afford the increases in this proposed budget. In addition to stable growth of certain revenue streams, an increase in business licenses fees has been included in the revenue projections for FY 2025 which will need Council's approval by passage of an ordinance. As some of you know, the City Council increased business license fees in the FY 2009 budget. That was the first time in forty (40) years that the fees had increased. Consequently, it has been nearly fourteen (14) years since the last increase to business licenses. As the city grows, the costs of providing manpower and equipment to provide services to the citizenry also grows which increases the city's budget. Therefore, it is necessary to increase these fees.

Although revenue growth is not as robust in the current fiscal year as it was in the two previous years, we are still seeing revenue growth in those revenue streams that make up the largest percentage of the city's operating budget and it is projected that the growth will continue to be stable during the upcoming budget year. However, that stable revenue growth is not enough to sustain a growing budget.

The city is still benefitting from lowering total debt and not having any short-term debt that needs servicing. The long-term debt in this budget is approximately \$26 million dollars which is significantly less when compared to \$35 million dollars or more in previous years.

Consequently, the increase business license fees and stable revenue growth in the primary revenue streams, 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 in the current year of more than \$50 million dollars that will support many infrastructure and many other programs. The Grants Department's operating budget has minimal funding in the General Fund budget due to certain grant awards covering the payroll and operating expenditures. The availability of grant funding lowers additional increases to the General Fund budget not only for the Grants Department but also for the Office of Violence Prevention.

Additionally, there is an inter-fund transfer amount of \$5.15 million dollars that is less than 1.6% of the total budget. These funds are from special revenue funds that can be transferred to the General Fund to offset the cost of debt service payments.

Sales and use tax revenues constitute approximately 49% of the proposed budget. The overall increase in this revenue stream, year-over-year, is 5%. Nearly 36% of the revenue is derived from ad valorem taxes, business licenses, and sanitation fees. The remaining 15% is derived from lodging taxes, rental taxes and various miscellaneous revenues.

Today, I am presenting to you a balanced General Fund Operating and Debt Service Budget that is \$20.3 million dollars more than the current year's budget which includes pay increases, merit raises and accompanying fringe benefits such as FICA/Medicare, Retirement and Health Insurance expenditures. The percentage increase for the total proposed budget is 6.5% more than the current year's budget. The current year's total budget is 7.5% over the previous year. Consequently, the percentage increase in the FY 2025 proposed budget is one percent less than that of the current year's percent over FY 2023.

Those City Council Members who attended the budget meetings heard Cabinet Members and Department Heads express their requests and

justification for the increases in their departmental operating budgets to continue providing high standards of services that are paid for and rightly expected by the citizens of this city. Consequently, the increases in the proposed budget are due to the aforementioned reasons which has resulted in the 6.5% increase over the current year budget. Thank you for your observations and comments that helped with the composition of the FY 2025 proposed 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 unforeseen emergency situations. Plus, increasing the reserve will keep the city in a good posture to maintain its current bond rating or be upgraded by rating agencies such as Moody's, Standard and Poor's, or Fitch.

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 to prepare their budgets.

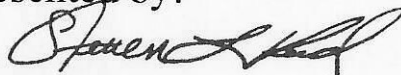
Many thanks to every employee for their hard, and often, difficult work that they do every day to provide first-class services to the citizens of Montgomery. Again, I offer my sincerest thanks to all city employees for their hard work and dedication to the pursuit of our purpose to restore and enhance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

Also, deserving of our thanks are those employees who spent many long days, nights, 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 related to the FY 2025 proposed budget.

This administration will continue to move forward to build a "better Montgomery" for all residents where everyone can live, learn and earn. My plan is to continue to move forward until that plan becomes a reality.

In conclusion, the proposed FY 2025 General Fund and Debt Service Budget being presented to you today is \$331,625,628 dollars for your approval. I have confidence that this proposed budget will allow the city to move forward in building a better Montgomery for its citizens.

Presented by:

A handwritten signature in black ink, appearing to read "Steven L. Reed", is written over a light gray rectangular background.

Steven L. Reed
Mayor