

Louisville Metro
MAYORAL BUDGET ADDRESS TO METRO COUNCIL
FISCAL YEAR 2014-2015

Good afternoon!

It's always an honor to meet with Metro Council. I want to thank all of you for the deliberate and collaborative approach you demonstrate toward public service.

I want to especially thank Tina Ward-Pugh, Attica Scott, Ken Fleming and Jerry Miller for their service to our community. They are leaving the council later this year, but I know they will continue to be citizen leaders in many ways and for many years to come.

We have great momentum in our city, with \$3.5 billion in public/private investment underway. In the past 12 months alone....

- We announced a \$261 million, four-star 600-room Omni Hotel deal that broadens our reach, both in the kinds of conventions we host and the visitors we serve. It will improve housing and retail options as well with the first full-service grocery store in our central business district.
- We announced the largest new investment in West Louisville in many years, the \$25 million Wal-Mart retail center that will provide both jobs and convenience in the neighborhood.
- We watched the Ohio River Bridges Project take shape on the riverfront, cheered the 21st Century Southwest Regional Library as it rises on Dixie Highway and announced plans to redevelop Colonial Gardens near the fantastic Iroquois Amphitheatre.
- We have multiple new plans and actions in place to increase the already growing year-round tourism we are seeing with visitors to our world-class restaurants and bourbon experiences – what Fortune magazine calls the Billion Dollar Bourbon Boom – growing jobs all along the way.
- We are upgrading our metro-owned buildings and furthering our sustainability efforts through reduced energy consumption with \$27 million of HVAC upgrades at no net new cost to the city, due to our unique Johnson Controls partnership.
- And we realigned and amped up our economic development efforts, creating **Louisville Forward** – a more aggressive approach to real estate and economic development.

Building our annual budget is always a dynamic process, as this document represents the priorities of our community, within the financial constraints we face.

The first time I presented a budget to you in 2011, I told you point blank: tough decisions had to be made. We faced a structural budget imbalance of about \$25 million, and our long-term debt was at \$450 million. We were still in the national economic recession, which had hit Louisville hard.

But I also told you that we would collaborate and work together to make the necessary decisions to move forward as one city, one community, one family.

We would regroup, reprioritize, and regain our financial security. And we've done that.

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So this year's budget is an improvement in many ways. The plan I'm presenting reflects a journey that we have been on together over the course of four budgets. In every line of this budget, you see evidence of the progress we've made and of our commitment to our strategic plan's five priority areas:

- developing excellent city services;
- solving our systemic budget issues;
- taking job creation to the next level;
- investing in our neighborhoods;
- and creating plans for a vibrant future.

Those goals come to life in this budget. Because of the solid financial decisions we made in the past few years, we are now able to start making small investments that are long overdue.

So first, the big picture:

- This budget reflects some of the economic recovery we've experienced since the end of the Great Recession. We continue to climb out of the recession with occupational tax receipts and other key sources of revenue up about 3.5 percent, with property tax remaining flat.
- This is a budget that reflects the unprecedented balanced labor contracts that better align projected revenue increases with sustainable raises to employees – union employees will receive raises as spelled out in their contracts and non-union employees will receive a 2 percent raise.
- This is a plan that further brings us into structural budget alignment. The structural deficit was \$25 million in 2011, but through efficiencies, LouieStat-related improvements and more balanced labor contracts, we have brought that imbalance to what should be zero. This represents hard work and cooperation on the part of Labor and the administration. We are still at the mercy of what happens on pensions in Frankfort, but on the issues we control, we have made huge strides that will change the face of future budgets.
- This is a budget that further invests in public safety and neighborhoods.

First, let's talk about public safety. This spring was Louisville at its best – with a record-setting Give A Day week, perfect Derby Festival Events – and ultimately a Derby Day for the ages.

But on March 22, the youth violence near the Big 4 Bridge and throughout downtown created unease and uncertainty. The resulting concerns and calls to increase public safety – coming from our citizens and the Metro Council – are reflected in this budget.

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The good news is that Louisville IS a safe city. FBI crime stats validate that. Our police do a great job; citizens value, trust and respect our police officers. Our residents tell us they feel safe and they show us they feel safe by showing up for great events in record-setting crowds. But we can always improve and this budget provides those resources.

This budget creates a Real Time Crime Center staffed by 9 professionals, who will be responsible for monitoring the Metro Watch cameras throughout our community.

The budget also provides for 5 additional crime analysts to enhance the analytic capabilities of the police department's Crime Information Center. This means we will have people using information and data to spot connections, trends and patterns so we can anticipate and stop crime before it happens – all across the city.

This budget calls for the hiring of 96 police officers – enough to cover expected retirements and put 24 extra officers on the street.

Nine of those officers will work in neighborhoods around the community where data show more resources are needed. Fifteen will be assigned to the downtown area to protect key gathering spots for our community, including Waterfront Park and the convention center. Downtown is the largest business park in the state, responsible for 70,000 jobs, and is a vital economic and tourism engine for our city and the entire state. We must protect this important investment.

But we cannot address public safety through police personnel alone. Parents must take responsibility for their children and we must look at how the city is allocating resources to youth development. We need to make sure all children have enrichment opportunities. This budget includes \$1 million to improve our outdated community center buildings and equipment, as well as \$1 million to add youth development programming, expanding activities and hours of operation.

We will also allocate additional funds for our Safe and Healthy Neighborhoods initiatives, Restorative Justice, and the Gentleman's Academy – which targets at-risk youth and puts them through a rigorous summer and follow-up program so they can spend more time building their future, and less time facing temptation on the street.

All told, between the additional police and youth development resources, we are investing an additional \$6.8 million in the short-term and long-term safety of our community.

Of that \$6.8 million, \$4.7 million will be recurring costs – we're not going to solve public safety this year and move on. And those new costs are significant, representing about one percent of our General Fund Budget.

This kind of permanent increase in our commitment to public safety – without additional revenue – would limit our ability to move forward in other key ways throughout our community. That's \$4.7 million a year that we can't spend on other important projects, from street paving, to park improvements, to quality of place initiatives.

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We have a collaborative approach with Metro Council when we develop the budget. Therefore I have consulted with President King, and other council members, about the best approach to responsibly improve public safety. Based on this feedback, for about \$20 per year for most families, we can make the public safety investments I've outlined with the funds generated by a small franchise fee on LG&E, for natural gas only.

This revenue will allow us to commit long term to the investment we are making in public safety.

This is a fee that most Kentucky communities already have – Lexington residents pay four percent versus our proposed three percent.

Enacting this fee is not something I do lightly, but I believe this is in the best interest of our community – to increase police protection, keep our city growing, maintain a balanced budget and invest in the quality of our neighborhoods. And when I say invest in the quality of our neighborhoods, I mean basic things like park bathrooms and basketball courts – amenities our citizens certainly deserve.

Over the past four years, we have reduced our long term principal debt by \$65 million – almost 15 percent! Because of that reduction, we can comfortably handle \$30 million in new investments for needs that simply cannot be put off any longer.

Families across the community responsibly borrow money to buy a new car or put a roof on the house. As a community we must also make these kinds of decisions. This budget includes a \$19.9 million note to fund purchases with a five-year life, with \$10 million of that for police cars, ambulances, fire apparatus, snow plows and sanitation trucks.

We will spend \$500,000 that will be leveraged 22 times with federal and private sources – a total of \$11 million to buy 10 zero-emission buses for downtown, making us a cleaner, greener city and helping air quality. Another \$2.7 million in short term investment will go to emergency breathing equipment for our firefighters.

I'm also recommending issuing \$10 million in bonds to begin tackling long-term deferred maintenance, including repairs to Metro Hall, one of our community's most historic and valuable properties. The ongoing moisture leaking through the historic limestone has deteriorated to the point that large pieces of plaster continue to fall.

In addition repairs are needed at the Belvedere to prevent crumbling concrete, which creates a serious safety issue. We will also make improvements at City Hall to renovate the old property tax area to useable office space for facilities.

Many of our parks are falling behind with basic upkeep to our courts, playgrounds and fields. We will be spending \$3 million on deferred maintenance, general repairs and infrastructure improvements, including work at Waverly, Shawnee, Cherokee, Boone Square, Chickasaw, Central, and Shelby parks. We aren't talking about bold new facilities. The basic improvements that will be made are about health, wellness and safety – it's also about being a community that we can be proud of!

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As I said, the budget is a collaborative process, so I've set aside 13 percent or \$1.3 million of this bond issue for capital projects that you, the Metro Council, have prioritized within your districts.

An important step we took with last year's budget was to stop the debilitating decrease in basic responsibilities like road paving. Since merger, we had been spending about \$2.5 million a year on paving – and we were getting further and further behind as evidenced by poor road conditions throughout the community.

Last year, we increased the road paving budget to more than \$6 million. I'm pleased that we are able to continue at that level this year, making our roads smoother and safer while including \$300,000 for new bike lanes and \$250,000 for bike share stations.

Providing cycling options is part of being a healthy and clean city. I hope one day there will be many parts of the city where you can live without needing an automobile for daily transport.

We will also spend \$1 million to upgrade our worst sidewalks.

While waiting for the results from our tree canopy assessment, we will also be investing \$100,000 in tree plantings this year. Trees are the easiest, cheapest way to raise value in a neighborhood, curb the heat island effect, improve air quality, and improve storm water run-off.

We are facing more severe weather changes than we have seen in the past, and our city must address the accompanying challenges. More trees are one piece of the larger strategy seen in our Sustainability Plan.

And we will make \$581,000 in improvements to Slugger Field that will enable it to be used for professional soccer - a significant new quality of life addition to our city. We have been working with a group of investors who plan to bring a professional team to Louisville. Soccer is a sport of the future; important to our growing international community; important to young people and to companies recruiting talent from around the world.

I'm especially pleased with one last capital investment. As you know, we have made tremendous progress toward becoming a city of lifelong learners. A record percentage of Louisvillians now have an associate's degree or higher; 41.3% versus the national norm of 39.4%.

Educational attainment and our 55,000 Degrees initiative are critical factors to driving the increased wages that are part of our strategy to build a better 21st Century economy, one fed by innovation, technology and research. Libraries are ground central for community learning.

In this age of information, libraries are more important than ever.

Our citizens check out 16 percent more books and e-books NOW than they did 15 years ago! And that doesn't even count the other services libraries now provide, including 700 computer stations for public internet use, job research and applications.

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Our citizen leaders and members of the Library Foundation recently lobbied the General Assembly to include in the FY 15-16 state budget funds for local library construction. If we combine that state money with private money, we have the rare opportunity to build a new regional library for 40 cents on the dollar.

So we have included \$400,000 in short term borrowing for planning and design for the South Central Library in Okolona. Bonds for construction will be included in the FY 16 budget.

The investments I have just mentioned are modest for a city with our size and capability, but they are sound projects to maintain the assets we have and add a few new amenities to maintain our city as a great place to live.

Earlier I mentioned the revamping and re-visioning of our economic development efforts – creating Louisville Forward. We are moving “in-house” tasks we previously outsourced to GLI, as well as aligning our traditional job creation efforts with neighborhood development and sustainability.

In today’s economy – you’ve heard me say this before -- people don’t follow jobs, jobs follow people. We need to be a place where the best and the brightest want to build their life – whether they were born here in Louisville, moved here as a child from Pakistan or Cuba, or are a talented leader working abroad that one of our local companies is trying to recruit.

By realigning our economic development and real estate development efforts – a budget neutral proposal– we are signaling that almost everything we do, from how we plan for transportation changes, to the way we handle vacant and abandoned properties, to improving our appeal to bourbon and food tourists – all of this is part of our answer to the same question. Is Louisville a great place to live, work, create and innovate?

The answer? Yes, but we need to constantly improve to keep up with competitive cities and move past them. This is a budget that makes some key investments, but we must be honest with ourselves: We still have much to do. We will work on that challenge every day and in future budgets.

By getting our budget into structural alignment and reducing our debt, we have made good progress over the course of the past few budgets. But now we sit at a crossroads. We must decide if we will be content with “a little better than a few years ago?” Or will we decide to capitalize on our momentum?

Will we become a city that captures the imagination of our children, grandchildren and new residents? Will they see Louisville as their home base to do anything in the world?

That is the question before us. And to me the answer lies within the name of our realigned effort. Louisville Forward! Let’s go!

You can see that theme, that refrain, that vision reflected in every aspect of this budget, because everything we do in Louisville is aimed at being the most livable, appealing, and interesting city in the world! A city that is connected, creative, competitive, and compassionate!

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Let's move forward together! Thank you.