

**LOUISVILLE METRO
BUDGET BACKGROUND, PROCESS, AND FINANCIAL POLICIES
FISCAL YEAR 2014-2015**

1. Organization

In the 2000 General Election, local voters approved consolidation of the governmental and corporate functions of the City of Louisville, Kentucky (the City) and the County of Jefferson, Kentucky (the County) into a single political entity, and pursuant to legislation enacted by the Kentucky General Assembly, the Louisville/Jefferson County Metro Government (the Metro Government or Louisville Metro) commenced operations effective January 6, 2003, replacing and superseding the governments of the City and the County. Neither the City nor the County continues to exist as an independent governmental entity and the boundaries of the City of Louisville and Jefferson County are now co-extensive.

All executive and administrative power of the consolidated local government is vested in the office of the Mayor. The Mayor of the consolidated local government possesses substantially all the power and authority possessed by the Mayor of the City of Louisville and the former Jefferson County Judge/Executive prior to the effective date. The legislative authority of the consolidated local government is vested in the Metro Council, composed of one member elected from each of twenty-six (26) council districts for staggered four-year terms.

2. Budgeting and Amending Procedures

An annual appropriated budget is adopted for the General Fund on a cash basis separate from generally accepted accounting principles (GAAP) in the United States of America. The Governmental Fund Statements presented in the Comprehensive Annual Financial Report (CAFR) are prepared using a modified accrual basis in accordance with GAAP. An example of a difference between the budget and CAFR includes the elimination of non-economic transactions such as a charge for service by the Fleet Division of the Office of Management & Budget to maintain a vehicle for a specific department (budgetarily recorded as a revenue to the Fleet Division and an expense to the department, but eliminated in the CAFR presentation). Other examples include not budgeting for the mark-to-market accounting entry made at fiscal year-end to record any market rate change to Metro's investment portfolio or budgeting for specific levels of inventories throughout Metro Government.

All annual appropriations from the General Fund lapse at year-end, unless otherwise noted. The Revised Budget totals for FY14 presented herein may be minimally out of balance due to aggregate rounding of budget revisions that occur throughout the year; all budgets are balanced throughout the year at the smallest reporting level within Louisville Metro's financial system (the unit activity level).

On or before June 1 of each year, pursuant to state statute, the Mayor proposes an Executive Budget to the Metro Council, incorporating an estimate of revenues and recommended appropriations from the General Fund as well as a Capital Budget incorporating available sources of funding. The Metro Council may hold hearings and amend the Executive Budget. On or before June 30 of each year, as required by state statute, the Metro Council adopts the Executive Budget, as it may have been amended, as the approved budget for the fiscal year beginning July 1. An affirmative vote of a majority of the Metro Council is required to change the proposed appropriations or to revise revenue estimates contained in the Executive Budget. An affirmative vote of a majority of the Metro Council is also required to amend the budget once it has been approved or to approve any supplemental appropriations, unless delegation is provisionally included in the annual budget ordinance(s).

**LOUISVILLE METRO
BUDGET BACKGROUND, PROCESS, AND FINANCIAL POLICIES
FISCAL YEAR 2014-2015**

All budget adjustments at the department level must be approved by the Chief Financial Officer consistent with the approved budget.

3. Definition of Fiscal Year, Capital Expenditures, and a Balanced Budget

Louisville Metro Government operates on a fiscal year which commences July 1 and ends June 30. Metro Government defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

The accompanying Summary of Annual Fund Balances table identifies resources and appropriations for the fund sources that are predominantly locally driven in terms of appropriation authority (as opposed to a specific grant fund for a specific purpose). The funds identified include the General Fund, Capital Fund, Municipal Aid/County Road Aid, and Community Development Fund. Metro Government's definition of a balanced budget is one in which each of those identified funds is balanced based on adopted current year revenue and entitlement projections. Such a budget would, at a minimum, maintain the Unassigned General Fund balance at the conclusion of the fiscal year.

Items identified as a non-recurring funding source are generally directed into capital project appropriations. Beyond maintaining an annually balanced budget, Metro Government has made strides to progress to a structurally balanced budget where appropriation needs and growth are consistent with revenue growth. The Mayor has made that objective a key part of Metro Government's Strategic Plan (Solve Systemic Budget Issues). This budget continues to build on the progress of the first three years of the Fischer Administration by:

- Matching growth in compensation to projected growth in revenues
- Enacting a two percent (2%) gas franchise fee to support expanded public safety and youth programming in the operating budget
- Increasing Metro Government's efforts to collect property-fine related civil penalties

4. Strategic Planning and Budget Process Timeline

In 2012, the Mayor's Office of Performance Improvement launched a comprehensive strategic planning process designed to translate the Mayor's multi-year vision and goals into a comprehensive strategic plan that cascades throughout Metro Government and aligns the strategic goals and initiatives of all Metro Departments and Agencies with the Administration's goals. The new planning cycle:

- Establishes a single, coordinated, strategic planning cycle for all of Metro Government aligned to the fiscal year
- Enables the Mayor's vision and goals to inform department-level strategic, budgetary, and operational plans on an annual cycle
- Ensures required decisions are made at the right time, by the right people, with the right information

**LOUISVILLE METRO
BUDGET BACKGROUND, PROCESS, AND FINANCIAL POLICIES
FISCAL YEAR 2014-2015**

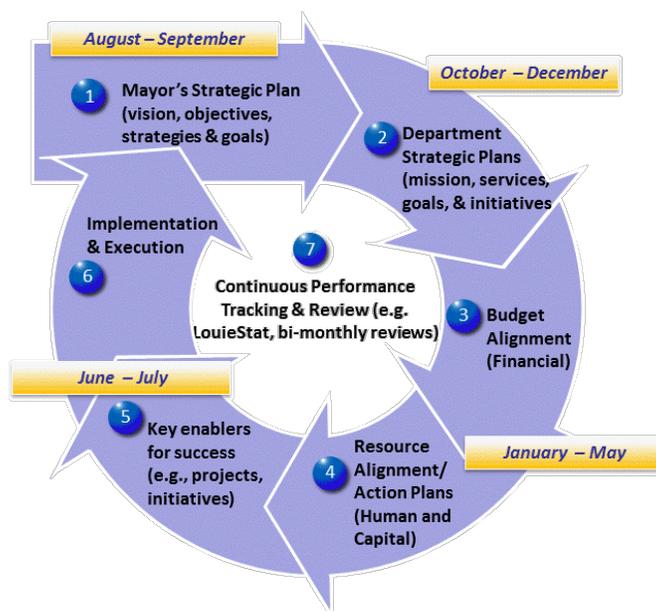
The planning cycle begins each year in August when the Mayor, Chiefs, and Directors review the local (city and state) and national trends affecting cities, the initiatives positively impacting other municipalities, the findings of recent reviews or audits (e.g., Merger 2.0 Report), the results from various citizen surveys, and the feedback received at monthly "Talk to Greg" sessions and other community venues. They then meet to discuss the internal strengths and weaknesses of Louisville Metro Government as well as the external opportunities and threats facing Louisville at present and in the future. Together, the Mayor and his leadership team distill the priorities for the city and develop the plan to capitalize on Louisville's strengths, take advantage of the opportunities before the city, address weaknesses, and mitigate the potential barriers of success in creating a city of life-long learning and great jobs, wellness and compassion.

Once drafted, the Louisville Metro Government Strategic Plan is shared with each department and agency for an assessment of feasibility and completeness. Upon finalization, departments and agencies use the plan to inform the development (or refinement) of their own strategic, budgetary, and operational plans.

Progress against the strategic plan is assessed through LouieStat (<http://www.louiestat.louisvilleky.gov/>) sessions.

The annual budget process begins in January upon completion of each department's strategic plan. Questionnaires related to each department's strategic plan, service delivery plans, revenues, contracts, organizational structure, grants, and capital plans are distributed. Follow-up meetings between the Office of Management & Budget and each department take place in February and March. Detailed budget reviews are presented to the Mayor and his leadership team in April and early May along with legislative briefings to Metro Council. The Mayor's Recommended Budget is presented to Metro Council in late May and Metro Council conducts budget hearings during the month of June to review and adopt Louisville Metro's operating and capital budgets prior to July 1.

**LOUISVILLE METRO
BUDGET BACKGROUND, PROCESS, AND FINANCIAL POLICIES
FISCAL YEAR 2014-2015**



Timeline:

August-September:	Mayor's Strategic Plan developed
October-December:	Department Strategic Plans developed
January:	Budget development questionnaires distributed
February-March:	Budget development meetings
April-May:	Budget reviews with Mayor and legislative briefings
May:	Mayor's Recommended Budget presented
June:	Metro Council budget hearings and adoption

5. Department Goals, Objectives, and Performance Measurements

Department goals and objectives are directly related to the Mayor's Strategic Plan. Each specific department's strategic plan and related goals and objectives may be found on the departmental website listed on each department's narrative page in the budget document. Each goal supports one of the Mayor's objectives in the overall Strategic Plan. The goals are divided into short-term (up to two years) and long-term (two to six years). Specific initiatives are listed to attain each goal. The Mayor's Strategic Plan may be found at: <http://mayor.louisvilleky.gov/strategicplan>

Progress on the Mayor's Strategic Plan is reported publicly each January with interim internal reports every four months. The following are hyperlink updates by goal from January 2014 (another update will be forthcoming in January 2015):

Objective 1: Deliver Excellent City Services

[Goal 1: Upgrade sidewalks and roadways](#)

**LOUISVILLE METRO
BUDGET BACKGROUND, PROCESS, AND FINANCIAL POLICIES
FISCAL YEAR 2014-2015**

[Goal 2: Improve EMS service delivery](#)

[Goal 3: Reduce crime](#)

[Goal 4: Make more services available online](#)

[Goal 5: Deliver better fire protection](#)

Objective 2: Solve Systemic Budget Issues

[Goal 6: Balance the budget](#)

Objective 3: Take Job Creation to the Next Level

[Goal 7: Create more jobs](#)

[Goal 8: Increase college graduation rates](#)

[Goal 9: Improve wages](#)

[Goal 10: Promote our local economy](#)

Objective 4: Invest in our People and Neighborhoods

[Goal 11: Revitalize our parks](#)

[Goal 12: Develop affordable housing](#)

[Goal 13: Help our citizens get healthy](#)

[Goal 14: Invest in the art community](#)

[Goal 15: Advance inclusion and diversity](#)

[Goal 16: Resolve abandoned properties](#)

Objective 5: Create Plans for a Vibrant Future

[Goal 17: Plan for our future](#)

[Goal 18: Recycle more](#)

[Goal 19: Support Ohio River Bridges Project](#)

[Goal 20: Plant 10,000 new trees](#)

[Goal 21: Promote volunteerism and giving](#)

**LOUISVILLE METRO
BUDGET BACKGROUND, PROCESS, AND FINANCIAL POLICIES
FISCAL YEAR 2014-2015**

The Office of Performance Improvement (OPI) has initiated the LouieStat program to measure each department's success in reaching its goals. LouieStat, short for Louisville Statistics, is based on the successful CompStat (Computer Statistics) model started by the New York Police Department and used by the Louisville Metro Police Department. Under the vision and direction of Mayor Fischer, LouieStat builds off of successful adaptations of CompStat for cities such as Baltimore and the Mayor's own experience in driving continual improvement in the private sector.

Through LouieStat, OPI helps departments and agencies evaluate how well they are doing on meeting their mission and goals and supports managers in making more informed, data-driven decisions. This is accomplished through the identification, tracking, and analysis of key performance indicators (KPIs) of success specific to the department or agency. In LouieStat, information is gathered on an array of performance indicators. For example, Public Health & Wellness includes a KPI on addressing food facility inspections. This information is analyzed to identify root causes driving performance. Managers from each department meet with the Mayor and his Senior Leadership Team to discuss results and work together to identify solutions to challenges and opportunities to continually improve. The LouieStat reports may be found at: <http://louiestat.louisvilleky.gov/>. Each individual department's LouieStat performance updates are hyperlinked on that department's narrative page within the operating section of this document.

6. Short-Term Factors in Budget Development

Short-term factors that influenced the FY14 base budget include weather-driven expenses associated with the unusually cold and snowy winter such as salt usage, overtime for road clearing operations, and utility expenses in Metro's facilities. These items were normalized for the FY15 base budget. Additionally, there were items such as the planned completion of the Southwest Regional Library and economic incentive packages that represent operational and contractual requirements that will continue from FY14 into FY15.

7. Long-Range Factors in Budget Development

Louisville Metro is focusing attention on community investments which will enhance our ability to attract businesses as well as our quality of place. To achieve this long-range goal, the Mayor has focused on gaining legislative authority for the residents of Jefferson County to be allowed to vote for a local option sales tax to fund infrastructure improvements. This legislative initiative has been termed Local Investments for Transformation, or LIFT. It is anticipated that this initiative will come before the state's General Assembly in the 2015 session.

The operating portion of this budget contains an expansion of public safety services and youth programming. To support this expansion this budget includes the anticipated enactment of a three percent (3%) franchise fee on natural gas.

This budget includes the issuance of approximately \$32 million of debt, comprised of General Obligation Notes (\$21M) and Bonds (\$11M), primarily to address deferred infrastructure maintenance. The issuance of this debt was made feasible by reducing long-term debt principal by more than \$65 million

**LOUISVILLE METRO
BUDGET BACKGROUND, PROCESS, AND FINANCIAL POLICIES
FISCAL YEAR 2014-2015**

since FY10. Once the FY15 Notes and Bond are issued, Louisville Metro will amortize approximately 50% of its debt in the next five fiscal years, as indicated in the debt service section summary. Louisville Metro is in the process of implementing a 25-year vision plan that prioritizes long-term community goals.

8. Service Level Changes & Reorganizations

The FY15 budget includes the following service level changes and reorganizations:

- 24 additional police officers, nine additional Real Time Crime Center analysts, five additional crime analysts, and additional overtime patrols have been funded within the Louisville Metro Police Department to address crime in the community
- One additional HR generalist and one OSHA supervisor have been funded in Human Resources to improve Metro's safety record
- An assistant medical director position has been funded in EMS
- Seven additional Home Incarceration Program (HIP) positions have been funded in Department of Corrections to provide additional alternative sentencing capacity
- One executive administrator has been funded in Youth Detention Services to assist with administration, strategic planning, and performance improvement
- Four additional positions for animal care and animal adoption along with \$100K in emergency veterinary services has been funded in Metro Animal Services
- A medical director position along with an additional Safe Neighborhoods project coordinator have been funded in Public Health & Wellness; additionally, funding for youth-oriented programs such as Restorative Justice and the Gentleman's Academy has been included
- Two full-time, 24 part-time, and additional seasonal positions have been funded in Parks & Recreation to expand youth programming through community centers
- A water filtration specialist position at the Louisville Zoo has been funded
- A Chief Administrative Officer and five additional economic development officers have been funded in Economic Development to focus in business attraction, expansion, and retention (note: these positions are being funded from the in-sourcing of a substantial portion of the Greater Louisville, Inc. (GLI) contract)
- A director position has been funded in Develop Louisville through the aforementioned GLI contract savings; additionally, funding of contractors to assist with plan development reviews has been included as well as additional funding for the Vacant and Abandoned Properties (VAP) initiative; \$500K for market rate housing has also been funded in Develop Louisville

**LOUISVILLE METRO
BUDGET BACKGROUND, PROCESS, AND FINANCIAL POLICIES
FISCAL YEAR 2014-2015**

- An additional corporate tax auditor and an additional civil penalty collection specialist have been funded in the Office of Management & Budget (OMB) to increase tax and penalty revenue collection
- A senior analyst and a senior quality consultant have been funded in the Office of Performance Improvement to improve training and efficiency throughout the government
- An IT specialist position has been funded in Metro Technology Services to assist Develop Louisville with increasing the availability of online permitting activities
- An additional narcotics prosecutor has been funded in the Commonwealth Attorney's Office
- Two new departments have been formed from the re-organization of the former departments of Economic Growth & Innovation (EGI), Community Services & Revitalization (CSR), and Codes & Regulations. Economic Development primarily encompasses the former EGI including the function of business attraction, retention, and development (formerly contracted with GLI), micro-lending from CSR, and the Chief of Civic Innovation. Develop Louisville encompasses advanced planning, housing and revitalization from CSR, real estate permitting & construction (from Codes & Regulations), transportation plan review and planning & design services (from Codes & Regulations), as well as Brightside from Parks & Recreation. Code enforcement activities and vacant lots will remain in Codes & Regulations and social services will be retained by Community Services (formerly a division of CSR).
- The Fleet & Facilities function from Public Works & Assets has been assigned to OMB

9. Financial Policies

Metro Government maintains numerous financial policies related to revenue collection, risk management, procurement, investments, accounting procedures, payroll, budgeting procedures, and accounts payable. Three policies (briefly quoted here) of note are:

Unrestricted Fund Balance Policy:

In managing its Unrestricted General Fund Balance (Financial Stabilization Fund), it is Louisville's policy to:

- Maintain a Financial Stabilization Fund balance between one and two months of monthly average current year general fund budgeted expenditures
- Generate additional revenues or reduce expenditures to maintain or replenish the Financial Stabilization Fund balance to meet the policy amount

**LOUISVILLE METRO
BUDGET BACKGROUND, PROCESS, AND FINANCIAL POLICIES
FISCAL YEAR 2014-2015**

Debt Policy:

In managing its debt, it is Louisville’s policy to:

- Achieve the lowest cost of capital
- Ensure the highest credit ratings possible consistent with the current economic and demographic conditions of the community
- Assure access to the capital credit markets at all times
- Preserve financial flexibility as it relates to the timing and structure of debt
- Manage interest rate risk exposure

Statement of Investment Policy:

These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

It shall be the policy of the Metro Government that all investments and investment practices meet or exceed all statutes governing the investment of public funds in Kentucky and investment restrictions imposed by bond covenants. Further, accounting for the investments of the Metro Government shall be consistent with guidelines of the Governmental Accounting Standards Board (GASB).

10. Fund Balance Information

Fund balance is defined as the difference between assets and liabilities. Louisville Metro presents four primary governmental funds in its CAFR each year: General Fund, Special Revenue Fund, Capital Projects Fund, and Non-major Governmental Funds. The fund balance totals are then identified into the following categories: Non-spendable, Restricted, Committed, Assigned, and Unassigned. A full definition of each category may be found in Note 1. (Summary of Significant Accounting Policies) Part P (Fund Balances) of the [FY13 Louisville Metro CAFR](#). The only fund to have an Unassigned Fund Balance is the General Fund. A summary of the FY13 CAFR along with projected changes to the Unassigned Fund Balance is provided here:

FUND BALANCE SUMMARY (In millions)					
	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
6/30/13 Fund Balance	\$75.4	\$57.6	\$59.2	\$12.0	\$204.2

**LOUISVILLE METRO
BUDGET BACKGROUND, PROCESS, AND FINANCIAL POLICIES
FISCAL YEAR 2014-2015**

UNASSIGNED GENERAL FUND BALANCE PROJECTED ACTIVITY (In millions)		
	Amount	Note
6/30/11 Fund Balance	\$61.5	
6/30/12 Fund Balance	62.4	
6/30/13 Fund Balance	61.0	
Ordinance No. 106, Series 2013	0.5	FY14 Budget authorization to replenish Fund
Est. 6/30/14 Fund Balance	\$61.5	
Budgeted FY15 Change	0.5	FY15 Budget proposal to replenish Fund Balance
Budgeted FY15 Fund Balance	\$62.0	

The Metro Government reports the following major governmental funds:

The **General Fund** is the Government's primary operating fund which accounts for all of the activities of the general operations of the Government, except those required to be accounted for in another fund.

The **Special Revenue Fund** is used to account for the collection and disbursement of earmarked money, primarily federal and state grant money.

The **Capital Projects Fund** is used to account for the acquisition or construction of general capital assets.

The Metro Government reports the following non-major governmental funds:

The **Debt Service Fund** is used to account for resources set aside to meet current and future debt service requirements on general long term debt.

The **Capital Projects Fund** of certain blended component units accounts for the acquisition or construction of general capital assets.

The **Special Purpose Capital Fund** is used to account for the acquisition of assets such as vehicles and data processing equipment.

Proprietary funds distinguish operating revenues and expenses from non-operating items.

The **Internal Service Fund**, a proprietary fund, accounts for the cost of purchased insurance, the operation and administration of the Metro Government's self-insurance programs, and the cost of administering and collecting the Metro Government's occupational tax.

**LOUISVILLE METRO
BUDGET BACKGROUND, PROCESS, AND FINANCIAL POLICIES
FISCAL YEAR 2014-2015**

All other Metro Government proprietary activities qualify and are reported as discretely presented component units.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments. Metro Government reports the following fiduciary funds:

Agency Funds, which are custodial in nature, are used to account for assets held by elected officials and other departments as agents for individuals, governmental entities and others.

The **Private Purpose Trust** is used to account for a discount loan program.

Pension Benefit and Trust Funds are used to account for the Firefighters' Pension Fund and the Policemen's Retirement Fund.