

Budget Town Hall

Councilman Markus Winkler

February 26th, 2019



Agenda

- Our Budget
- The Problem
- The Tax
- The Cuts
- The Choice



Capital vs. Operating Budget



Capital

- Funded via long-term debt
- Metro has appropriate debt levels and maintains the highest credit ratings
- Used for capital projects with multi-year lifespans such as paving, sidewalks, bike paths, libraries, community facilities
- Paid back over 30+ years

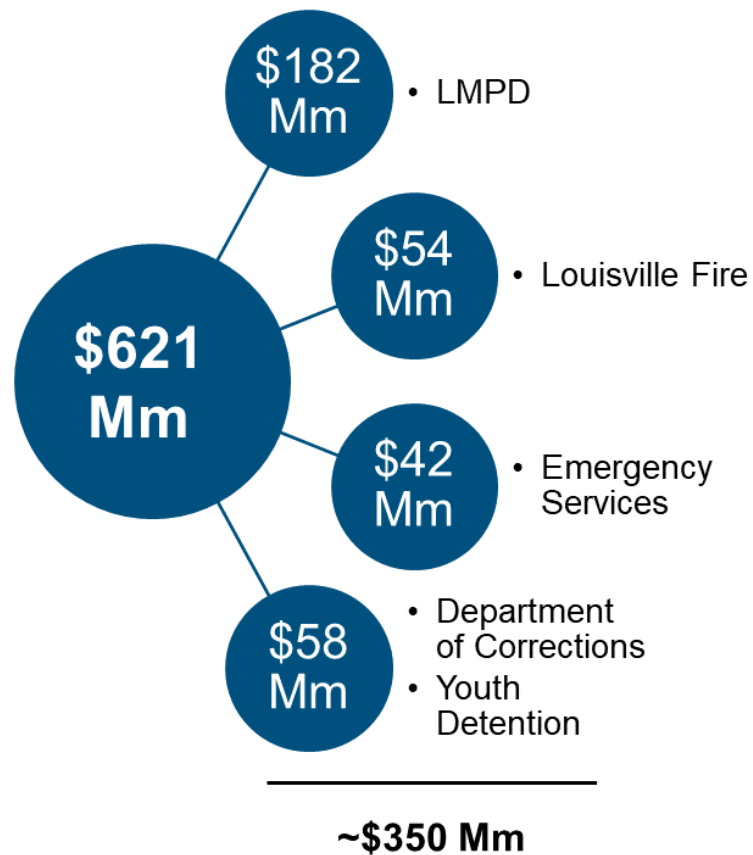


Operating

- Funded via taxes, state and federal funds, grants and fees
- Used for annual operating expenses such as payroll, pensions, healthcare, utilities, etc.
- Pays principal and interest of past capital projects amortized over 30 years
- Operating budgets represent our actual cash flow – cuts in capital projects are spread over 10-30 years (e.g. cutting a \$500K bike path only saves about \$50K in operating expense)



Our Budget

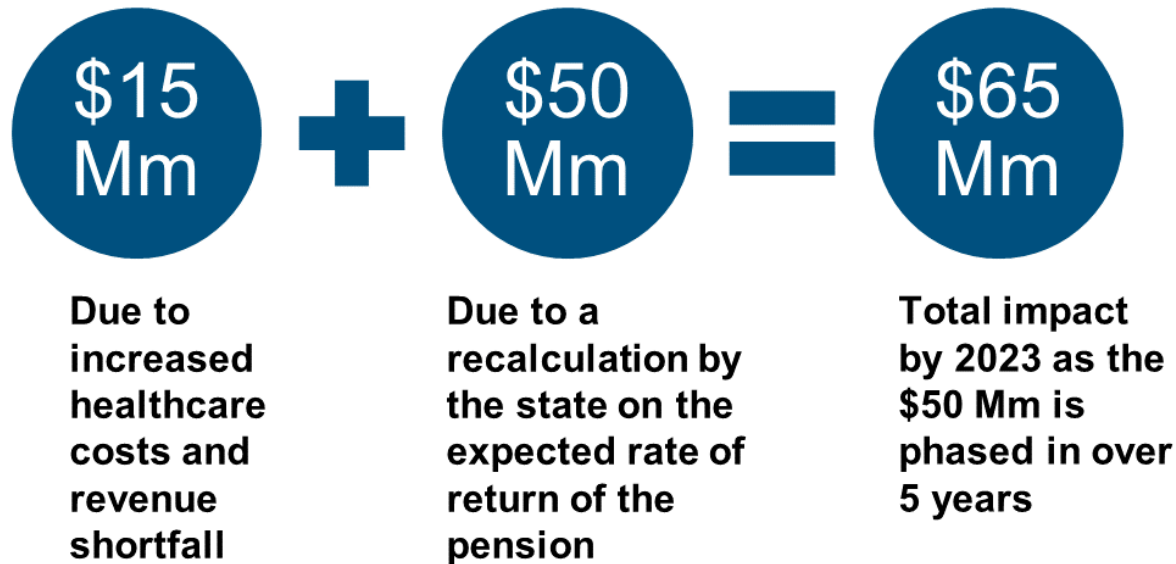


The Remainder:

- \$50 Mm for Public Works
- \$36 Mm for OM&B
- \$18 Mm for Libraries
- \$18 Mm for Public Health
- \$18.5 Mm for Parks
- \$17 Mm for Economic Development
- \$12 Mm for Develop Louisville
- \$10 Mm for Code Enforcement
- \$8 Mm for Metro Council
- \$6 Mm Criminal Justice Commission

Our budget is balanced and fiscally sound

The \$65 Mm Problem



Note: This is a permanent increase - one time measures cannot address the problem

Metro Employees Benefits

- County employees' retirement is governed by CERS - the state employee retirement system
- Metro Government cannot unilaterally move employees to a 401K - benefits and eligibility are governed by the state
- Average pension for non-hazardous retirees is ~\$11K annually
- Employees already bear a significant cost for healthcare

PY19 Monthly Medical Plan Costs			
	High Deductible	Mid-Level	High-Coverage
Employee	\$0	\$75	\$212
Employee + Family	\$300	\$617	\$1300

- Government salaries are at or below comparable work performed in private sector
- Significant changes to employee benefits would likely result in higher payroll costs as new hires would require higher salaries to make up for the loss in value

Why Tax Insurance?

The state limits what we can tax to the following:

Property Tax	<ul style="list-style-type: none">• Capped at 4% without ballot measure
Occupational Tax	<ul style="list-style-type: none">• Rate established by state
Rental Car Tax	<ul style="list-style-type: none">• Would not apply to most airport rentals• Would only generate \$500K-1 Mm
Restaurant Tax	<ul style="list-style-type: none">• Restricted to 4th and 5th class cities
Franchise Fee	<ul style="list-style-type: none">• Payable by LG&E on natural gas distribution• Would be passed on to consumers and is volatile based on weather
Insurance Tax	<ul style="list-style-type: none">• Small cities have pre-emption rights – they take their percentage first (not on top of) Louisville Metro

Insurance Tax Notes:

- **Oldham County (and some small cities in Jefferson County) already charge 10%**
- **Proposed tax is not just on homeowners – renters insurance is included**
- **Average homeowners policy will increase ~\$12/month over the next 4 years**

Cuts Have a Cost

- Proposed cuts will impact every area of city service – these are not just jobs being cut, they are jobs that perform a service
- Programs like the Family Scholar House and Code Louisville train/retrain workers for jobs where they become producers of tax dollars vs. consumers of tax dollars
- The homeless issue downtown is one of the major barriers to increasing tourism and conventions - both tax producers
- Programs like the Living Room intervene in crisis situations to keep at risk persons out of jail (where they cost the taxpayer approximately \$76/day)
- Paving roads, lower crime rates, open and accessible libraries, a vibrant Arts and Culture scene, and well-kept parks are critical to attracting workers and employers



The Choice

- We have two bad choices before us - raise revenue or cut service
- No one likes a new tax but the costs of the cuts may be even larger
- Increases in taxes have real impacts on real people - I do not take that lightly
- I decided to co-sponsor the legislation because I want to be part of crafting the ultimate solution that I think balances new revenue with cuts while preserving the long-term economic vitality of our community
- We have many other priorities in our District that we want addressed - we cannot do that alone or after cutting \$65 Mm out of the budget

