

Memorandum

To: Metro Council Members
From: Councilman Brent Ackerson, District 26
Date: March 14, 2019
RE: Budget Shortfall

Dear Colleagues,

Consider our historic Budget Shortfalls:

2008 \$13 million^[1]
2009 \$29 million^[2]
2010 \$14 million^[3]
2011 \$12 million^[4]
2012 \$22.5 million^[5]

In the past, when Louisville Metro faced budget shortfalls, your elected officials confronted that uncomfortable reality with cuts, layoffs, and furloughs, without raising taxes. They were all addressed via the full budget process through hearings and questions of each department. We took the time to look for solutions, efficiencies, possible new revenue sources (excluding taxes), and cuts. We should take that prudent approach again as we confront the current shortfall.

In 2010 Mayor Abramson stated that he handled the 2008 forward budget shortfalls by detailed item by item budget examinations and making tough choices. He said the following:

“We first went through — back in '08 — and looked budget by budget to see what we could do to decrease expenditures internally. You look at travel, you look at purchases, you look at leaving positions open longer. That’s sort of the garden-variety first cut you make, not to have a significant effect on the customers you serve or the personnel working for us. Then you get to the point where the red ink continues to mount and you have to make more aggressive moves. That’s where we closed the community centers on Mondays. That’s where we closed the libraries on Sundays. That’s where we closed the firehouse built when Ulysses S. Grant was president, but was within I think less than a mile of four other firehouses, and we took all those men and women stationed there and put them in other firehouses, thereby decreasing overtime elsewhere. That’s when you decide to sweep the downtown streets three nights a week instead of five. That’s when you decide to sweep the main corridors going out of town — Preston and Dixie and Bardstown Road and Taylorsville Road — twice a year instead of four times a year. You begin to work through cuts that literally save you dollars.

The final step — the step that was the least comfortable — was having to lay people off. First we asked our public sector unions if they would take a freeze on their salaries — they had been getting 2 and 3 percent (raises) over the years. In 2008, the non-union

^[1] 2-8-19 CJ article Louisville Mayor pulls ambush job with budget plea, Council members say.

^[2] 2-8-19 CJ article Louisville Mayor pulls ambush job with budget plea, Council members say.

^[3] Per Beth Stenberg

^[4] 2-15-12 Leo Weekly article The Leo Interview Mayor Greg Fischer.

^[5] 5-26-11 2-8-09 CJ article Louisville Mayor Greg Fischer closes budget gap using diver pools of money.

folks here in city government took no raise whatsoever. My top-35 staff people took a 10 percent cut during a six-month period, and then a follow-up 5 percent cut. I asked the unions if they would go one year without taking their raise, which would have given me sufficient funds to not have to lay anyone off. They chose to turn me down. As a result, we unfortunately had to lay off about 128 people, which means 128 families lose their health insurance, etc. It was tough, but in answer to your question, that's sort of the process we went through to balance the budget."^[6]

In 2012 Mayor Fischer, in a Interview with LEO, stated that the budget shortfalls were caused by the city spending more money than our revenues. "The problem is we have a **structural imbalance** [emphasis added]. Our expenses are growing a lot faster than our revenues. That's a problem all over the country right now. It's primarily being driven in large part by pension costs and healthcare costs, and then we have unplanned overtime costs that are a contributing factor here, too."^[7]

We, as Metro government acknowledged the **structural imbalance** back in 2012 and we are still acknowledging that we have a **structural imbalance** presently that must be fixed. The present fiscal year 2020 shortfall we face is \$35 million. For the foreseeable future, Louisville Metro faces another \$10 million shortfall.

The solution to the current crisis isn't really a choice between cuts to essential services and increasing taxes, it is simply a commitment to making the best use of your tax dollars. One clear example is that in 2010 Louisville Metro's debt service (principal and interest payments) was \$36 million. Our debt service for the next two years is projected to be \$56 million. This shortfall we face is a blessing in disguise, because it should force your government to fully examine each dollar we spend, decide to make that expense, and be able to tell you, the public, why that expenditure is necessary. That is simply what good government does. As shown in 2008 though 2012, when we faced a shortfall, we tightened our belt, we found savings, and we didn't raise taxes. That must be our mantra this time as well.

For these reasons and the reality that our citizens will likely face additional increases in their MSD, LG&E and water bills, raising taxes just isn't fair to those on fixed incomes, low income Louisville families, and those who are just starting to make their way in the world.

I propose the following:

10% across the board cuts for each department, excluding Police, Fire, EMS, Corrections, and Youth Detention. Our operational spending appears to be between \$630¹ to \$674mil (as reflected in the total budget expenditures, which would include external funding sources for designated reasons). Public Safety^[8] expenditures are estimated at 50%-60% of the budget. Using the administration's estimates of \$630 million, expenditures are **\$252 million** (40% of the operating budget) to **\$315 million** excluding public safety. That is roughly 50% of the operating budget. So, 10% of non-public safety operations is about **\$25.2 million** to **\$31.5 million** of the \$35 million projected shortfall. The remaining balance would then come from other means, possibly a public-private partnership for operation of Metro parking garages, a similar consideration for the Louisville Zoo or Belle of Louisville, or even nominal cuts to

^[6] 2-3-10 Leo Weekly article The Leo Interview Mayor Jerry Abramson.

^[7] 2-15-12 Leo Weekly article The Leo Interview Mayor Greg Fischer.

¹ Daniel Frocht at the Louisville Forum on 3-13-19

^[8] The Question is what do we qualify as "Public Safety"? Is it only Police, Fire, EMS, Corrections, and Youth Detention, or do we broaden it to other areas.

Police, Fire, EMS, Corrections, and Youth Detention^[9] if we can find efficiencies in those departments. Mayor Fischer's recommended cuts turn Youth Detention Services back over to the Cabinet for Justice and Public safety, which would yield \$2.4 million, getting event closer to the \$35 million we must find. We could also follow the Mayor's recommended cuts related to issuing bonds for capital projects and save another \$1 million annually.

Once we balance this coming year's projected \$35 million shortfall, we can look for other cost effective means of modernizing our City Government to cover next year's projected \$10 million additional shortfall, as we have historically done in the past. Councilman S. Brandon Coan noted some great efficiency strategies in points #4 and #5 of his proposal to address the shortfall. Clearly there are options available that don't rely on raising taxes.

At a minimum, we must do our due diligence and determine precisely what can be cut before resorting to any percentage increase in the Insurance Premium Tax. Refraining from a tax increase also gives us time to lobby Frankfort for additional tools to solve these issues in the future. At present, the Mayor and those who support blindly going forward with a tax increase are refusing to acknowledge reasonable cuts and alternative revenue sources that could be available if we get to work. As we all know, once a tax is levied, it rarely if ever goes away^[10]. If the cuts don't work then we can honestly go back to the people of this city and say, we need to raise taxes. To date, a good faith effort to avoid tax increases isn't part of the plan for this administration. We owe it to every citizen in our community to try and find cuts first and only increase taxes as a last resort. That's what they expect us to do, and what we must do.

^[9] Mayor Fischer's 2-7-19 cuts plan called for \$13mil in cuts to Police, Fire, EMS, and Corrections. He proposes eliminating/turning Youth Detention back over to the State and save \$2.4mil annually.

^[10] Even though the Sponsors are saying that we shall revisit the tax in the future if Frankfort gives us some help.