



## Internal Memorandum

**Finance & Management**  
Chief Financial Officer (0100)

**TO:** Mayor-President Guillory **DATE:** July 17, 2020

**THRU:** Cydra Wingerter

**FROM:** Lorrie R. Toups

**SUBJECT: Proposed FY 2020-2021 Budget Message**

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In accordance with Section 5-02 of the City-Parish Home Rule Charter and the guidelines established by your office, I am pleased to present to you the Proposed Operating and Five-Year Capital Improvement Budget for Lafayette Consolidated Government for FY 2020-21. This document reflects a balanced budget totaling \$599.4 million including inter-fund transfers and capital expenditures other than the Five-Year Capital Improvement Program. This is approximately \$32.8 million less than the budget adopted for FY 2019-20. In addition, the City of Lafayette Non-Utilities Five-Year Capital Improvement Program budget totals \$168.3 million and the Utilities System Five-Year Capital Improvement Program budget totals \$101 million. The following is an explanation of some highlights with comparisons to the FY 2019-20 current budget as well as FY 2018-19 audited financials.

### **FUND BALANCE POLICY**

Since the City General Fund is the primary operating fund for governmental activities, it is recommended that fund balance be maintained at a level that allows for flexibility and protection against temporary revenue shortfalls and unexpected one-time expenses. To that end, this administration adopted an ending fund balance policy requiring a minimum maintenance level of 20% of annual operating expenditures. In FY 2017-18 and FY 2018-19, unexpended appropriations totaled \$7.1 million and \$8.9 million, respectively. Unexpended appropriations increase the fund balance above the budgeted amount. To ensure that decisions included in this budget can be funded beyond this budget year, the same limitation was applied to the additional three projected years on the City General Fund Pro Forma included in the Budget Overview & Highlights section of this budget. This proposed budget and three year projections are in compliance with this policy as shown below.

	Proposed	Projected		
	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Total Expenditures	\$98,657,300	\$98,416,240	\$101,402,201	\$101,896,046
Net Increase/(Decrease)	(4,586,026)	(1,717,437)	(1,979,290)	351,612
Ending Fund Balance	\$33,240,487	\$31,523,052	\$29,543,761	\$29,895,372
Ending Fund Balance as a Percent of Expenditures	33.69%	32.03%	29.14%	29.34%

## REVENUES

Total estimated revenues excluding inter-fund transactions, grants, and use of prior year fund balance in this proposed FY 2020-21 budget total \$518.6 million compared to \$541.8 million in the original adopted FY 2019-20 budget. The \$23.1 million difference is primarily due to estimated decreases in sales tax revenues of \$21.5 million and decrease of \$7.5 million in Utilities System revenues. Once again, revenues from federal and state grants that have not yet been awarded are not included in this budget; however, we will continue to pursue these grants and will present budget revisions as they are awarded.

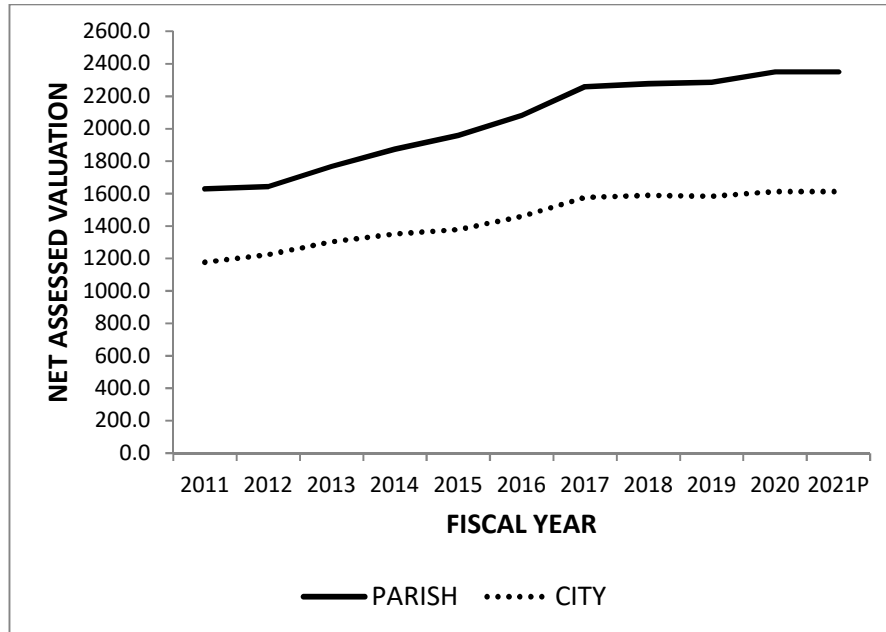
### Comparative Summary of Recurring Revenues

Amounts in Thousands

	FY 20-21 Revenues	FY 19-20 Revenues	Increase/ (Decrease)	Percent Change
General Property Taxes	\$ 85,337	\$ 83,771	\$ 1,566	1.87%
Sales Tax	64,482	86,018	(21,536)	-25.04%
Gross Receipts Business Tax	3,584	3,703	(119)	-3.21%
Licenses & Permits	6,396	6,459	(63)	-0.98%
Intergovernmental		24	(24)	-100.00%
Charges For Services	53,545	52,619	926	1.76%
Fines & Forfeits	2,304	2,534	(231)	-9.10%
Utilities System Revenues	229,007	236,497	(7,490)	-3.17%
Communications System Revenues	44,581	42,854	1,727	4.03%
Interest On Investments	6,587	6,711	(125)	-1.86%
Contribution fr Public Enterprises	2,365	2,888	(523)	-18.11%
Miscellaneous Revenues	20,439	17,687	2,751	15.55%
Total	<u>\$ 518,626</u>	<u>\$ 541,766</u>	<u>\$ (23,140)</u>	

General Property Taxes (Ad Valorem) are budgeted based on actual collections for the first seven months of the current fiscal year. The ten-year history of assessed valuation for the Parish and the City are shown in the graph below.

**Parish & City Property Tax History**  
**Net Assessed Valuations**  
 (in millions)



City and Parish sales taxes in this budget are based on actual collections for the first eight months of the current fiscal year with a decrease in the monthly trend projected for the remainder of the year due to COVID-19. Based on this calculation, the City of Lafayette sales taxes are budgeted to decrease approximately \$14.8 million or 17.7% in the current fiscal year and \$7.2 million or 11.3% in the proposed FY 2020-21. In total, City of Lafayette proposed sales taxes are budgeted to decrease 27% from actual FY 2018-19 due to COVID-19. Parish sales taxes collected in the unincorporated areas of the Parish of Lafayette are projected to decrease \$415 thousand or 8.5% in the current fiscal year and \$562 thousand or 12.5% in the proposed FY 2020-21. In total, Parish of Lafayette proposed sales taxes are budgeted to decrease 20% from actual FY 2018-19 due to COVID-19.

City court fines have decreased from a high of \$1.9 million in FY 2011-12 to an estimated \$865 thousand for next fiscal year. A corresponding decrease in city court fines is also reflected in the Coroner’s fund thereby increasing the operating subsidy to the Coroner by the Parish General Fund.

Twenty-five percent (25%) of the City General Fund’s revenue is attributable to the transfer of in lieu of tax (ILOT) by the Utilities System Fund. The amount of ILOT included in this budget is \$24.1 million. However, the actual ILOT transfer could be substantially reduced if the operational expenses of LUS increase greater than operating revenues or coal inventory increases beyond current needs.

There are two parts to the ILOT calculation. The first part of the calculation is the identification of taxable revenues and the second part of the calculation is often referred to as “the test”. For the test, the amount of money left over after all the operating expenses and debt service are paid is compared to the amount of calculated ILOT. Increases in debt service, operating expenses, or inventory without a corresponding increase in revenue will have a negative effect on the amount of ILOT available. For example, an increase in debt service could cause a reduction in the amount available to pay ILOT as well as a decrease in the amount available for capital improvements. Continued monitoring of this fund’s operations will be necessary to reduce the impact of ILOT fluctuation on the City General Fund.

### APPROPRIATIONS

Proposed expenditures, including inter-fund transactions and capital outlay, total \$599.4 million compared to \$632.2 million adopted for the current fiscal year. Net operating expenditures total \$383 million compared to \$387.8 million for the current fiscal year.

Comparative Summary of Expenditures & Other Financing Uses  
Amounts in Thousands

Department	Total Appropriations			Net Operations		
	FY 2020-21	FY 2019-20	Increase/ (Decrease)	FY 2020-21	FY 2019-20	Increase/ (Decrease)
Finance	\$ 34,442	\$ 34,438	\$ 3	\$ 4,188	\$ 4,509	\$ (321)
General Accounts	60,707	81,907	(21,200)	5,158	8,140	(2,982)
Elected Officials & Related Offices	35,730	34,927	803	29,598	28,203	1,394
Legal	2,027	2,050	(23)	2,027	2,050	(23)
Information Services & Technology	10,908	12,635	(1,727)	6,092	5,989	103
Police	39,817	36,076	3,741	36,637	33,131	3,506
Fire	29,897	27,899	1,999	28,923	25,349	3,573
Public Works	59,551	90,100	(30,549)	27,356	47,437	(20,081)
Drainage	14,723		14,723	12,488		12,488
Traffic, Roads & Bridges	11,007		11,007	9,374		9,374
Parks & Recreation	8,179	12,977	(4,798)	6,560	9,964	(3,405)
Community Development	3,769	6,501	(2,732)	3,341	5,717	(2,376)
Development & Planning	4,666	5,593	(927)	4,529	5,142	(613)
Others	14,845	14,537	308	14,835	14,243	592
Utilities System	230,769	237,112	(6,343)	166,440	174,909	(8,469)
Communications System	38,319	35,471	2,848	25,440	23,048	2,392
Total	\$599,358	\$632,225	\$ (32,868)	\$382,986	\$387,834	\$ (4,848)

The decrease in Public Works is due to the separation of Drainage and Traffic, Roads & Bridges from the Department of Public Works. The decrease in Parks & Recreation and Community Development are related to the operating reductions and decrease in staff of both of these departments. General Accounts decreased \$2.9 million primarily due to \$1.8 million decrease in the internal appropriation to the Transit Fund and \$1.6 million decrease for city street lights. These decreases were offset by an increase in the internal appropriations to the Adult Correctional Center Fund to fund additional staff.

The increase in Drainage and Traffic, Roads & Bridges is due to the reorganization made by the administration dividing these two departments out of the Public Works Department.

The City General Fund is budgeting \$958 thousand to cover the 2% COLA for retired police and firefighters who were merged with the various state retirement systems. This payment started in 2008 when the state systems did not grant a full 2% COLA. Since 2008, the City General Fund has paid \$6.0 million to retired police and firefighters. The amount proposed in this budget is \$494 thousand for retired firefighters and \$464 thousand for retired police.

Both the City General Fund and the Parish General Fund provide operating subsidies to other funds. These subsidies reduce the funds available to provide general governmental services.

The Adult Correctional Center Fund has not been fully self-funded since the mid 1990's. The Courthouse Complex Fund and the Parish General Fund have provided over \$22.3 million and \$7.4 million, respectively, in operating subsidies to the Correctional Center Fund. Included in this proposed budget is another \$4.2 million expected to come from the Courthouse Complex Fund to the Correctional Center Fund for FY 2020-21. The Courthouse Complex millage is sufficient to cover the operating expenses of the fund and support some of the operating expenses of the Correctional Center Fund in this proposed budget. Capital improvements and increased operating expenses in the Courthouse Complex Fund will limit the amount of funds available to provide future operating subsidies to the Correctional Center Fund.

The following table shows the various funds receiving operating subsidies from the City General Fund, the Parish General Fund and the Courthouse Complex Fund:

**Current and Future Operating Subsidies from General Funds  
(In Thousands)**

FUND	Budget 2019-20	Proposed 2020-21	Projected if costs increase 2% annually		
			2021-22	2022-23	2023-24
Parks & Recreation	\$ 3,747	\$ -	\$ -	\$ -	\$ -
Science Museum	1,180	363	370	378	385
Transit	2,838	892	2,800	2,856	2,913
HPACC	527	-	-	-	-
Combined Golf Courses	645	-	-	-	-
Parking Fund	117	61	62	63	64
Development & Planning	2,523	1,580	1,612	1,644	1,677
Fire Pension Fund	466	494	494	494	494
Police Pension Fund	439	464	464	464	464
War Memorial	279	333	339	346	353
Coroner	651	660	674	687	701
Correctional Center*	2,360	4,241	4,326	4,412	4,501
<b>TOTAL</b>	<b>\$ 15,772</b>	<b>\$ 9,088</b>	<b>\$ 11,141</b>	<b>\$ 11,344</b>	<b>\$ 11,552</b>

\*From Courthouse Complex Fund

The Parish General Fund is the funding source for the mandated expenses of the District Attorney and 15<sup>th</sup> Judicial District Court (15<sup>th</sup> JDC). This proposed budget includes \$4 million for personnel, benefits, and operating expenses of these two offices. Expenses related to the building and utilities of housing these offices are recorded in the Courthouse Complex Fund. Also available to defray the cost of the District Attorney and 15<sup>th</sup> JDC are the revenues of the

Criminal Court Fund. This proposed budget includes \$1 million of revenue from various court fines for the Criminal Court Fund. The revenues of the Criminal Court Fund are used at the discretion of the District Attorney and the District Court. These revenues, by written order of the District Attorney and District Court, may also be used to defray the operating costs of the 15th JDC. In this proposed budget, the revenues of the Criminal Court Fund are divided equally between contractual services for the District Attorney and contractual services for the District Court. Any balance remaining in the fund at the end of the calendar year should be split equally between the Parish General Fund and the Criminal Court Fund. This proposed budget does not project that there will be sufficient fund balance to transfer half to the Parish General Fund. As these offices determine what amounts shall be paid from the Criminal Court Fund, not to exceed the revenues received, appropriate budget revisions may be made to move budgeted expenses from one contractual services account to the other.

Federal grants for the Municipal Transit System have been decreasing from a high of \$2.2 million in 2010 to \$1.4 million last year. The City General Fund has subsidized the Municipal Transit System an average of \$2.6 million annually over the past five years. In FY 2019-20 Lafayette was granted an additional \$7.1 million for public transit through FY 2020 CARES Act. This funding can be used for operations and maintenance as well as capital improvements. This budget includes a projected reduction to FY 2019-20 operating subsidy from the City General Fund of \$1.6 million. The proposed operating subsidy for FY 2020-21 is budgeted at \$900 thousand. It is projected that the subsidy will return to \$2.6 million in FY 2021-22. Since 2000, the City General Fund has subsidized the Municipal Transit System by \$37.9 million through fiscal year ended October 31, 2019.

Employer contribution rates to the statewide retirement systems continue to increase. There are many different statewide systems included in LCG's payroll. The Municipal Employees Retirement System, the Parochial Employees Retirement System, the Firefighters Retirement System, and the Municipal Police Employees Retirement System are the four with the largest participation. This budget assumes contribution rates for these four systems at 29.50%, 12.25%, 32.25%, and 33.75%, respectively.

## **FUND BALANCE**

The widespread reductions seen throughout most of the funds in this proposed budget were made with three goals in mind: (1) to reduce the continued use of fund balance in the City General Fund, (2) to leave a working fund balance in the Parish General Fund, and (3) to ensure that core governmental services continue. In order to achieve these goals, most funds have reductions to temporary employees, contractual services, and other line-items. Where staff was reduced, expenses related to supporting these positions, such as transportation, training, and utilities, were also reduced. Across the board reductions were made sparingly and only in cases where those identified core services were not affected. Due to funding constraints, the request for funding increases for the Parish Veterans Service Officer and the Cajundome were not included in this proposed budget.

The City General Fund is budgeted to end the year with a fund balance of \$33.2 million or 33.69% of budgeted annual expenditures and is projected to use \$4.6 million of fund balance. The ending fund balance and the use of fund balance for this proposed budget and the projected three years thereafter fall within the acceptable range according to the administration's ending fund balance policy discussed at the beginning of this memorandum.

The Parish General Fund is budgeted to use \$607 thousand of fund balance for operations and to end the year with a fund balance of \$94 thousand. Total revenues in the Parish General Fund are \$204 thousand less than actual total revenues in 2010. Total Parish General Fund revenue has not kept up with the growth of the Parish. Parish General Fund revenues are predominantly used to fund state mandates, which make up approximately 53% of total expenditures. New revenue sources or decreases in expenditures will be required in the next few years.

All revenues and existing fund balance in the City Sales Tax Capital Improvement Fund are budgeted for capital projects. As projects are completed, any unused appropriations will be returned to fund balance during the year through budget amendments adopted by the City Council. Any additions to projects included in this proposed budget will require a corresponding decrease in current or proposed projects.

**PERSONNEL**

Total personnel is expected to decrease by 67. The changes in the various departments are summarized below.

Department	Net Change #
Elected Officials Executive - Mayor-President's Office	-1
Elected Officials Executive - CAO-311 C/P Comm Services	-6
Finance & Management	-7
Information Services & Technology	-1
Police	-1
Public Works	2
Drainage	11
Parks & Recreation	-37
Community Development	-24
Development & Planning	0
Others - Library	-2
Utilities	-13
Communications	12
<b>Total</b>	<b>-67</b>

Promotions and new positions presented throughout this proposed budget were included at the request of each department director. Budget Management works with Human Resources and Civil Service to insure that no promotion or new hire is granted without the approval of Civil Service.

Salaries and related benefits do not include a general pay increase for employees except for the mandated 2% longevity increase for eligible firefighters. Other raises included in this budget under the promotion line items are the result of recommendations by Civil Service based on Civil Service Rule IV Section 1.9 and one is due to changes in market conditions.

**GROUP HEALTH/LIFE INSURANCE FUND**

The employer and employee contributions are expected to increase by 3.1%. An employee with single coverage will pay an additional \$0.60 per pay period and an employee with family coverage will pay an extra \$5.09. The cost of the increase in the premium to LCG is offset by the reduction of employees. Without the reduction in employees, LCG would have paid an additional \$532 thousand. Total premium contributions are projected to generate \$22.2 million for self-insured group hospitalization insurance expenses.

The proposed premium structure for group health insurance is shown in the following table.

	Monthly Premium	Per Pay Period Premium		Monthly Premium
<b>Employee Coverage</b>			<b>Retiree Family Coverage</b>	
Employee Cost	42.97	19.83	Employee Cost	799.14
LCG Cost	<u>428.29</u>	<u>197.67</u>	LCG Cost	<u>428.29</u>
Total Cost	471.26	217.50	Total Cost	1,227.43
 <b>Family Coverage</b>				
Employee Cost	366.54	169.17		
LCG Cost	<u>860.89</u>	<u>397.33</u>		
Total Cost	1,227.43	566.51		

**FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM**

The City of Lafayette Non-Utilities Five-Year Capital Improvement Program totals \$168.3 million. Of that amount, \$48.8 million is financed with new bond proceeds over a five-year period. We have been balancing our capacity to issue bonds with our ability to pay for them from sales tax proceeds while maintaining adequate coverage ratios and pay-as-you-go capital funds. Our capacity to issue bonds is effected in this budget from the reduction in sales taxes resulting from COVID-19. However, the new bond issues in this proposed budget maintain a strong 2.0 coverage ratio of sales tax revenues to debt service payments before entering into any debt restructuring.

The Utilities System Five-Year Capital Improvement Program totals \$101 million. Of that amount, \$56 million is financed with bond proceeds over a five-year period. This budget includes important projects such as those necessary to respond to the growth of the City, mandates placed upon the Utilities System by state and federal requirements, and cost for system renewals. The Utilities System will need to balance the need for normal, special, and pay-as-you-go capital along with the cost of operations and new debt service to insure that it will have the capacity to issue the new bonds included in this proposed budget. This budget does not include funding for additional debt service. The operating cost of the Utilities System Fund will require close monitoring to insure that expenses remain in line with available revenue.



### **AD-VALOREM MILLAGES**

The following ad valorem millages will expire in 2022:

Purpose		Millage Amount	Expiration Year
Police	City	3.00	2022
Fire	City	2.00	2022
Drainage	Parish	3.34	2022
Library	Parish	2.00	2022
Airport	Parish	1.71	2022

### **EXCELLENCE IN BUDGET PRESENTATION**

The Budget Management Division of the Office of Finance and Management continues to demonstrate its commitment to providing high quality service and excellence in financial reporting. For seven consecutive years through FY 2019-20, the Office of Finance and Management has received the “Distinguished Budget Presentation Award” from the Government Finance Officers Association (GFOA) of the United States and Canada for our Annual Operating & Five-Year Capital Improvement Budget. This national award is the highest professional recognition in governmental budgeting. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and a communications device. We believe our current budget continues to conform to the program requirements, and we are submitting it to GFOA upon adoption to determine its eligibility for another award.

### **CLOSING**

The proposed budget for the City General Fund is \$21.8 million less than the current FY 2019-20 budget. Attaining this level of budgetary reductions as well as other factors has made the FY 2020-21 budget process extremely challenging. The prior Consolidated Council adopted the FY2019-20 budget with an \$18 million use of fund balance. The recurring expenses related to that use of fund balance continue and must be absorbed into future year’s budgets beginning with this proposed budget. Additionally, the negative economic effects of the COVID-19 pandemic must be considered and monitored closely. COVID-19 related reductions in sales tax revenue must be offset by comparable reductions in expenses making it harder to rebound from the prior year’s adopted use of City General Fund Balance. Too, it falls to a new form of government through the separate City and Parish Councils and a new Administration to present and adopt a budget that meets current year’s expectations and adapts to changes into this new economic environment. The reductions in the budget will have a significant effect on the way this government operates. It will require us to look for efficiencies in operations at the same time ensuring that we maintain compliance with regulatory requirements.

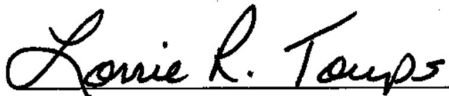
We continue to see many changes in the regulatory environment for governments issuing municipal bonds. We are subject to increased surveillance and monitoring by the rating

agencies and increased disclosure requirements. It is important that we continue to maintain a strong bond rating in order to obtain the best interest rates as we continue our capital improvement plan. The financial policy regarding fund balance in the City General Fund is one tool that will help us obtain the best bond rating for our government. Future recommendations regarding the sustainable use of fund balance should be considered.

Increasing operating subsidies and unfunded mandates on the City and Parish General Funds are causing financial pressure on the revenues available to provide general governmental services. As mentioned in previous budgets, the proposed Parish General Fund is austere. Several important services continue to be reduced to balance the Parish General Fund budget. Importance must be placed on balancing the needs of the community and the funds available to serve those needs.

I wish to thank you, CAO Cydra Wingerter, Controller Melinda Felps, the Directors, CFO staff, and the award winning Budget Management staff for their assistance in preparing this document. We look forward to working with you and both the City and Parish Councils in implementing this financial plan for the upcoming fiscal year.

Sincerely,

A handwritten signature in cursive script that reads "Lorrie R. Toups". The signature is written in black ink and is positioned above a thin horizontal line.

**Lorrie R. Toups, CPA**  
*Chief Financial Officer*