

SHELBY COUNTY, TENNESSEE

ADOPTED BUDGET Fiscal Year 2017



Mark H. Luttrell, Jr., Mayor

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Shelby County Government Adopted Budget for Fiscal 2017

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Shelby County Government

MARK H. LUTTRELL, JR.
MAYOR

August 15, 2016

The Honorable Van Turner, Budget Chairman
The Honorable Terry Roland, Commission Chairman
Members of the Shelby County Board of Commissioners

Dear Commissioners:

I am pleased to present the Fiscal 2017 Adopted Budget for Shelby County Government. The operating budget is balanced with total appropriated sources and uses of funds in the amount of \$1.2 billion, with no changes to the total tax rate or fund allocations.

Property tax projections are fundamental to the County budget because this funding source represents 65% of all revenues. Our property tax base continues to reflect the moderate growth and stability of economic indicators within Shelby County, despite a stagnant population trend. The Administration worked closely with the Trustee and the Assessor to accurately forecast property tax revenue generated at the \$4.37 rate. The projected penny value of \$1,702,000 represents growth of 1% over current year collections.

Education is the County's highest priority and our largest investment. As we expected, funding for Education was also our biggest financial challenge for FY17. Shelby County Schools continue to face budgetary pressures created by:

- Continued erosion of student enrollment and revenue related to municipal school districts, charter schools and the Achievement School District.
- Facility capacity that significantly exceeds enrollment.
- The need for services to address the poverty within our community that negatively impacts student achievement.
- Unfunded OPEB liability of \$1.5 billion with an actuarial Annual Required Contribution that requires increased funding of \$80 million.

To support the schools in meeting these challenges, an unprecedented increase of \$28.2 million has been allocated to the Education Fund for FY17 for a total amount of \$419.5 million. This additional funding was made possible due to several factors:

- Growth from strong property tax collections allocated to Education in excess of the Maintenance of Effort base from prior year.
- Shifting 100% of the Wheel Tax (\$33 million) from Debt Service directly to the Education Fund for public school operations.
- A transfer from the General Fund in the amount of \$2.5 million.

All school systems within Shelby County will share this increase based on attendance ratios. Continued funding of \$3 million for Pre-Kindergarten programs has also been included as an important foundation for the future educational attainment of our students.

For many years Shelby County has adhered to a long term Debt Reduction Plan. That shared discipline on the part of the County Commission and Administration has now made significant funding options possible, including the increased financial support for Education. Savings accrued from long term debt reduction have also enabled us to move a portion of the Local Option Sales Tax (\$3 million) from Debt Service to the Roads and Bridges Fund for additional road paving. This will provide sufficient funds to improve the current 40 year repaving cycle to a 20 year cycle within a ten year period.

Revenue growth and cost containment measures have also allowed the inclusion of some carefully considered increases in the General Fund, including:

- Blight abatement efforts to improve the quality of our neighborhoods (\$1.3M)
- Annual contract escalation for inmate medical services, jail food services, building security and maintenance (\$1.3M)
- A 2% salary increase for employees and funding for market study adjustments as an investment in maintaining a competitive workforce, offset by other position control savings (\$3.0M)

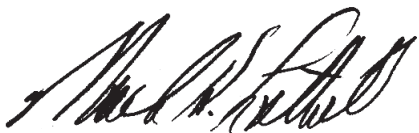
Elected Officials submitted “Increase Requests” in the amount of \$8.4 million for staffing and service enhancements that were not included in the Proposed Budget. The County Commission approved most of these increases with use of reserves as the funding source. It has long been the guiding principal of this Administration to “live within our means” – a policy that often requires difficult choices. While the current level of General Fund balance will accommodate this usage, a recurring source of funding or other reductions must be identified in the next fiscal year.

The five year Capital Improvement Plan emphasizes the growing need for maintenance and renovations to aging County buildings and infrastructure. The FY17 CIP budget allocates \$24.2 million in total for CIP projects. Investment in information technology is recognized in that amount as a critical component of efficient and secure operations, with all projects reviewed and prioritized by the IT Steering Committee. Funding for school capital projects has not been included in the FY17-21 plan, pending completion of a long term facility plan.

The County’s outstanding bonded debt at June 30, 2015, was \$1.14 billion and will decline to about \$1.05 billion at June 30, 2016. As long as we comply with our Debt Plan that limits county funding for capital projects to a maximum of \$75 million per year, debt will continue to decline to a level below \$1 billion by June 30, 2018. The major bond rating agencies have recognized our strong financial management by awarding Shelby County the second highest ratings of AA+/AA+/AA1 over the past five years.

I want to sincerely thank the Commissioners, Elected Officials and Division Directors for their partnership and support in the development of the Fiscal 2017 Budget. As a financial plan, it reflects our shared sense of fiscal integrity and commitment to making Shelby County a great place to live, work, play and invest for the future.

Sincerely,



Mark H. Luttrell, Jr.
Mayor