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TO: Department Heads and Elected Officials

FROM: Talia Lomax-O'dneal, Director
Department of Finance

SUBJECT: Fiscal Year 2018 – 2019 Budget

DATE: February 8, 2018

For each of the two previous budgets, this administration has provided budget improvements addressing education, transit, affordable housing, economic and community development, and public safety. The operating budget has increased by more than \$200 million due to strong revenue collections and this administration has allocated those resources to deliver excellent services to the public. While these funding decisions have had a positive impact, there is a need to refocus to ensure we maintain a solid financial foundation. Prudent financial management requires a periodic look for efficiencies and savings opportunities, and there are several fiscal challenges for the 2018-2019 fiscal year including:

- Fund balances for each of the six tax funds are at or are projected to be below policy targets at the end of fiscal year 2017-2018 and those fund balance reserves must be increased;
- Escalating health care costs combined with the General Assembly not acting to expand Medicaid;
- Property tax appeals following last year's reappraisal far exceeded the level of appeals after the last two reappraisals, and the full impact to revenues will not be known until the end of this fiscal year;
- There will be further reductions in revenue from the Hall Income Tax in both the 2017 - 2018 and 2018 - 2019 fiscal years;
- After a couple of years of acceleration – revenue growth in the six tax funds is returning to normal levels; and
- Increased debt service requirements.

Departments will not be asked to prepare and submit budget requests for this budget cycle. Instead, to achieve our goal of maintaining a solid financial foundation, each department and agency will need to work directly with their OMB budget analyst to identify required/mandatory budgetary requirements. These non-discretionary items may include items such as regulatory requirements, newly opening facilities, full year funding for non-discretionary items partially funded last year or contractual increases. We will not consider expanded programming or

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services next fiscal year. In last year's budget cycle, we asked departments to offer budget reallocations for the Mayor's consideration and received very few recommendations. With this in mind, we will also be more thoughtful and deliberate about identifying resource efficiencies in departmental budgets. Finally, we will focus solely on fiscal year 2018-2019 needs.

Revenue Estimates

We are requesting revenue estimates for fiscal year 2018-2019. If you are aware of specific issues that could impact revenues or if you have recommendations for adjustments to fees or other revenues, please discuss them with your OMB budget analyst.

Other

OMB budget analysts will begin contacting each of their assigned departments this week and will provide additional detail to you on what information you will need to provide over the next two weeks.

Meetings with the Finance Department will occur during the weeks of March 5th and March 12th.

The Mayor's Hearings will occur the week of March 19th.

We look forward to working with you during this year's budget process.