



City of New Orleans 2020 Operating Budget

Administration of Mayor LaToya Cantrell

October 17, 2019

Contents

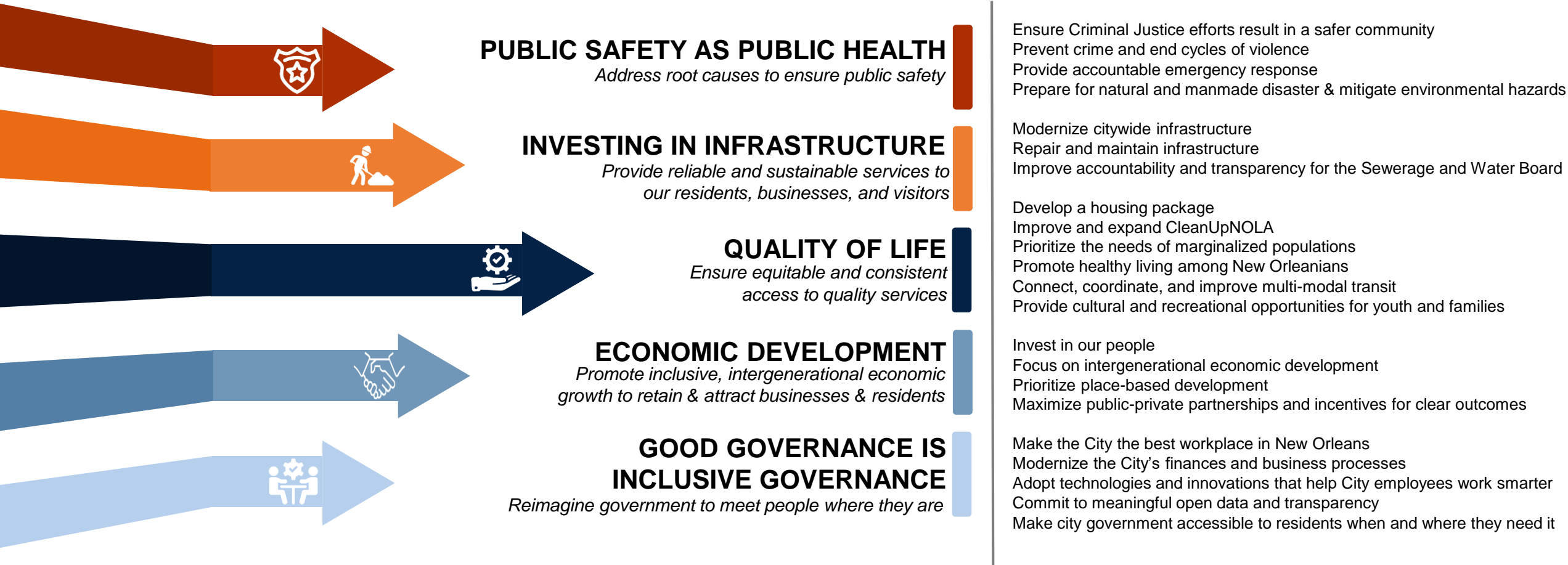
1. Cantrell Administration's Strategic Framework
2. 2020 Budgetary Considerations
3. 2020 Revenue
4. 2020 Expenditures

1

Cantrell Administration's Strategic Framework

Forward Together - Strategic Framework

The Cantrell Administration's Strategic Framework was designed to prioritize the issues that matter most to New Orleanians





Prevent Crime and End Cycles of Violence

Generational Plan to Reduce Gun Violence | Office of Youth and Families | Investment in Early Childhood Education | Summer Success Program

Provide Accountable Emergency Response

311/911 Merger | Upgrades to the City's Emergency Operations Center | NOPD's Strategic Plan | \$5K hiring bonus for NOPD recruits



Ensure Criminal Justice Efforts Result In a Safer Community

Jail Population Reduction Efforts | Safety & Justice Challenge Dashboard | Bail Reform | Re-Entry Services | Office of Criminal Justice Coordination

Prepare for Natural & Manmade Disaster & Mitigate Environmental Hazards

ALERT Flood Warning System | 2020 Hazard Mitigation Plan | Updated City-Assisted Evacuation plan | NOLAReady

**PUBLIC SAFETY AS
PUBLIC HEALTH**





INVESTING IN INFRASTRUCTURE

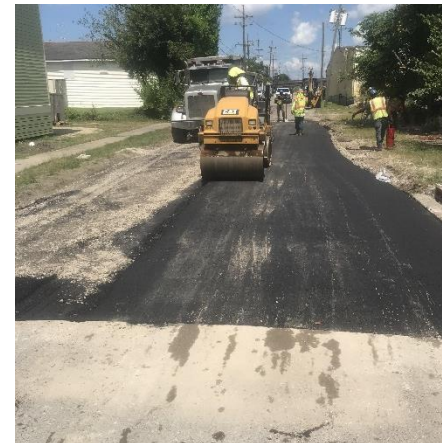
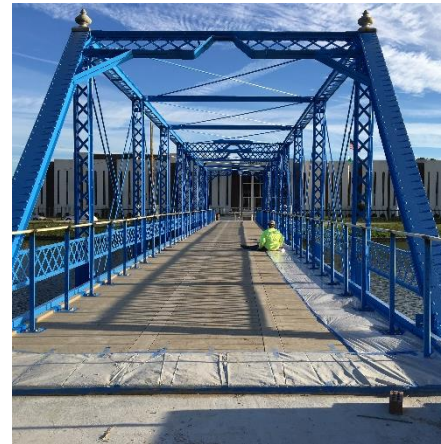


Improve Accountability & Transparency for SWBNO

*Fair Share Infrastructure Advisory Board |
New Leadership | Joint Infrastructure
Recovery Program*

Modernize City-wide Infrastructure

*Bourbon Street Project | Green
Infrastructure | 88 Capital Projects | 5
Bridges in New Orleans East | Office of
Utilities | Fleet Replacement Strategy |*



Repair & Maintain Infrastructure

*Bond Sales | Fair Share Deal |
RoadWork NOLA | Catch Basin
Cleaning and Repair | Max Pave |
Improved Fleet Maintenance*



Improve & Expand



Removed Litter from 68 miles of Road | Hosted 23+ CleanUpNOLA Events | 98 miles of Road Mechanically Swept | Graffiti Removal



Prioritize the Needs of Marginalized Populations

Sobering Center | Opioid Task Force | Healthcare for the Homeless | LEAD | Community Health Assessment



Develop a Housing Package

Nightly Impact Fee | \$28M in CDBG and Tax Credits for Affordable Housing | Affordable Housing Listening Tour



Connect, Coordinate, & Improve Multi-modal Transit

RTA Leadership | Transportation Action Plan | Installation of Protected Bike Lanes | School Safety Initiatives



Provide Cultural & Recreational Opportunities for Youth & Families

NORD-C Programming | FitNOLA | Junior Civil Leadership Academy



ECONOMIC DEVELOPMENT



Prioritize Place-Based Development

Fresh Food Retailer Initiative | Restoration Tax Abatement & ITEP Programs | Drive Shack | Dixie Brewery | Jazzland Assessment

Invest In Our People

Technology Associates | 20+ Business Information Sessions | JOB1 Adult Services | Summer Youth Employment | HireNOLA | Workforce Innovation Fund Grant



Maximize Public-Private Partnerships & Incentives for Clear Outcomes

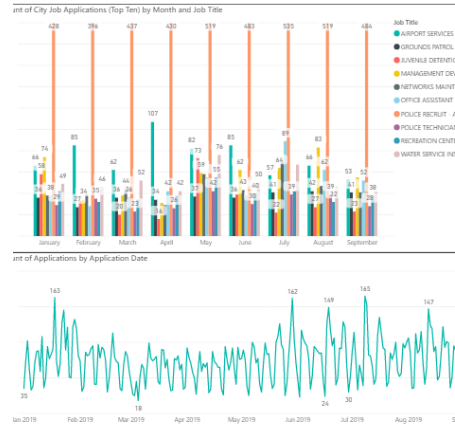
Health Corner Store Collaborative | Online Incentive Matrix | Supported Business through Bourbon St. Construction | What Works Cities | Harvard Bloomberg Partnership | NOLABA

Focus on Intergenerational Economic Development

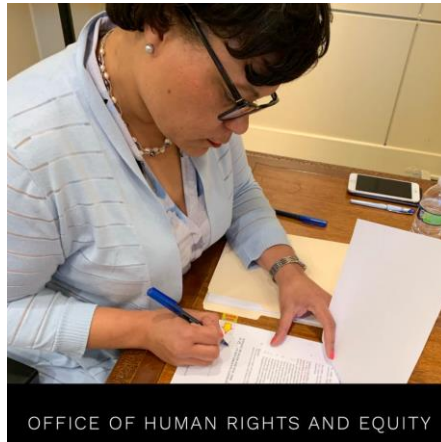
Creation of a Generational Economic Development Plan | BuildNOLA Mobilization Fund | Youth Demonstration Project | Lower 9th Ward Opportunity Zone



Make City Government Accessible to Residents When & Where They Need It
 Office of Neighborhood Engagement | Tele-Town Halls | Affordable Housing Listening Tours | 24/7 311 Service | Coffee with a Cop



Commit to Meaningful Open Data and Transparency
 data.nola.gov | Digital Equity | Civil Service Hiring Dashboard | ReConnect NOLA



Make the City the Best Workplace in New Orleans
 Living Wage | Ban the Box | Civil Service Reform | Innovation Stipend | Establishment of the HRC



Adopt Technologies and Innovations That Help City Employees Work Smarter
 Project BRASS | lasWord | RTCC



Modernize the City's Finances & Business Practices
 Zero-Based Budgeting Pilot | Updated Procurement Policies | Internal Audit

GOOD GOVERNANCE IS INCLUSIVE GOVERNANCE



2

2020 Budgetary Considerations

One-Time Revenue Used for Recurring Expenses

In prior budgets, these expenses were funded with one-time revenues that are no longer available. Recurring funds are needed for these recurring expenses in 2020

| Expense | Projected Cost | Recurrence Timeline |
|--|----------------|---------------------|
| Police Pay Increases for CURRENT NOPD Officers only | \$13.2M | Perpetual |
| NOMERS Pension Settlement Payment | \$800K | 4 years |
| Legacy Lawsuits | \$939K | 3 years |
| Employee Education Pay Incentive (Phase 7 of Pay Plan) | \$799K | Perpetual |
| Employee Merit Pay Increases (Salary Only) | \$2M to \$4M | Perpetual |
| Public Safety Radio Lease Payments | \$2M | 3 years |
| 2020 Projected Total: \$19.7M to \$21.7M | | |

Ongoing Financial and Operational Initiatives

The Administration has already undertaken efforts to improve the operational and financial capacities of the City

Financial

- Shifting Pressures from Operating to Capital Budget
- Diversifying the City's Funding Sources
 - GOMESA Securitization
- Better Management of Reserve Funding
- Assessed and diversified the City's investment portfolio
- Auditing the City's special funds

Operational

- Zero-Based Budgeting
- Enterprise Resource Planning (ERP) System Implementation
- Analyzing Shift Deployment Structures for Public Safety Agencies
- Re-establishment of the Internal Audit Division
- Increasing Accountability and Responsibility Among City Leaders
- Updated business process, policies, and procedures

Improved Bond Ratings

Moody's and Standard and Poors' upgraded the City's bond rating ahead of the recent \$50M bond sale

| City's Bond Ratings | | | |
|---------------------|---------|---------|-------|
| Year | Moody's | S&P | Fitch |
| 2019 | A2 | AA | A+ |
| 2018 | A3 | AA- | A+ |
| 2017 | A3 | AA- | A+ |
| 2016 | A3 | AA- | A+ |
| 2015 | A3 | A- / A+ | A- |
| 2014 | A3 | BBB+ | A- |
| 2013 | A3 | BBB+ | A- |
| 2012 | A3 | BBB | A- |
| 2011 | A3 | BBB | A- |
| 2010 | A3 | BBB | A- |

"The city's recent history of conservative budgeting, improved financial performance, and financial policies will likely support a stable financial profile" – **Moody's Rating Summary**

"The stable outlook reflects our view of New Orleans thriving economy, recent positive general fund results, and overall growth in the general fund balance. " – **Standard and Poors' Rating Summary**

"The city's positive performance during the current economic recovery has enabled it to boost reserves and increase pension contributions. These actions indicate a commitment to bolster the city's financial profile..." – **Fitch Rating Summary**

Identified Savings and Revenue Opportunities

The CAO is leveraging on-going budget hearings, the Zero-Based Budgeting pilot, and other measures to identify budgetary efficiencies

Savings Opportunities

- Identified savings in health care costs **[\$2M]**
- Identified savings in workers' compensation costs **[\$2M]**
- Identified budget surpluses in CAO budget hearings **[\$1.5M]**
- Shifting expenses from the General Fund to Special Funds or the Capital Budget **[\$1M]**
 - Special Funds such as the French Quarter Improvement Fund
 - Capital Budget
- Savings from 311/911 Merger **[\$900K]**

Revenue Opportunities

- Smarter investment strategies for City funds **[\$1M]**
- Audubon Transfer **[\$1M]**
- Proposed Special Event, Permit, and Other Fee Structure Changes **[\$500K]**
- Support adding properties with expired ITEP/IDB exemptions to tax rolls
- Support efforts to ensure non-profit exemptions are aligned with national norms

Zero-Based Budgeting

The zero-based budgeting (ZBB) pilot has allowed the City to examine Department budgets at the line item level through detailed cost analysis

Benefits of ZBB

- Establishes cost per service/unit metrics
- Provides greater insight into impact of funding decisions
- Aligns budget categories to the correct expense categories
- Provides greater accountability in personnel spending
- Highlights cost of shared services for further analysis

Future of ZBB

- The goal is that by 2021, all City Departments will be utilizing the ZBB framework
- To accomplish this, the CAO will assign additional staff to manage the continued transition of all Departments to the ZBB model
- Additionally, we will further explore the **\$2.5M** in potential city-wide savings identified by consultants

Proposed Partial Roll Forward

| Dedication | 2019 Base | | 2020 Roll Back | | | 50% Roll Forward | | | 2020 Millage | Revenue Total |
|--------------------------------|-----------------------------------|----------------------|---|---------------------------|-------------------------------|-----------------------------|--|--|----------------------------|--------------------------------|
| | Baseline Millage Before Roll Back | 2019 Implied Revenue | ROLL BACK REVENUE <i>Neutrality Target (excludes new construction)</i> | Implied Millage Roll Back | Total Millage after Roll Back | Roll Forward Millage Change | Roll Forward Revenue DUE TO REASSESSMENT | Total Revenue Including Roll Forward DUE TO NEW CONSTRUCTION | Millage After Roll Forward | Roll Forward Change in Revenue |
| City Alimony | 13.91 | \$51,511,881 | \$4,860,484 | 1.20 | 12.71 | 0.60 | \$2,430,242 | \$3,187,627 | 13.31 | \$5,617,869 |
| City Alimony (ex-Assessors) | 1.19 | \$4,406,840 | \$415,814 | 0.10 | 1.09 | 0.05 | \$207,907 | \$272,701 | 1.14 | \$480,609 |
| Fire/Police (1) | 4.27 | \$15,812,777 | \$1,492,039 | 0.37 | 3.90 | 0.18 | \$746,020 | \$978,517 | 4.09 | \$1,724,537 |
| Fire/Police (2) | 2.13 | \$7,887,872 | \$744,273 | 0.18 | 1.95 | 0.09 | \$372,135 | \$488,113 | 2.04 | \$860,249 |
| Police w/o Homestead Exemption | 5.26 | \$21,847,684 | \$1,854,718 | 0.41 | 4.85 | 0.21 | \$927,359 | \$1,265,497 | 5.05 | \$2,192,856 |
| Fire w/o Homestead Exemption | 5.21 | \$21,640,006 | \$1,837,087 | 0.41 | 4.80 | 0.20 | \$918,544 | \$1,253,468 | 5.01 | \$2,172,012 |
| Fire w/o Homestead Exemption | 2.50 | \$10,383,880 | \$881,520 | 0.20 | 2.30 | 0.10 | \$440,760 | \$601,472 | 2.40 | \$1,042,232 |
| Parks & Recreation | 3.00 | \$11,109,679 | \$1,048,271 | 0.26 | 2.74 | 0.13 | \$524,136 | \$687,483 | 2.87 | \$1,211,618 |
| Street and Traffic Control | 1.90 | \$7,036,130 | \$663,905 | 0.16 | 1.74 | 0.08 | \$331,953 | \$435,406 | 1.82 | \$767,356 |
| REC SUBTOTAL | 39.38 | \$151,636,749 | \$13,798,112 | 3.29 | 36.08 | 1.65 | \$6,899,056 | \$9,170,283 | 37.72 | \$16,069,339 |

Proposed Partial Roll Forward – Impact to Tax Payer

REC and Special Fund Millages - excluding Board of Liquidation

Based on Preliminary Assessment Data

| Annual Taxes Based On Assessed Value* | | | | | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|
| Assessed Value Of Home/Property | \$100,000 | \$200,000 | \$250,000 | \$300,000 | \$350,000 | \$400,000 | \$450,000 | \$500,000 | \$750,000 | \$1,000,000 |
| Residence With Homestead Exemption | \$8 | \$25 | \$33 | \$41 | \$49 | \$58 | \$66 | \$74 | \$115 | \$157 |
| Residence Without Homestead Exemption And Commercial Land | \$17 | \$33 | \$41 | \$50 | \$58 | \$66 | \$74 | \$83 | \$124 | \$165 |
| Commercial Structures And Personal Property | \$25 | \$50 | \$62 | \$74 | \$87 | \$99 | \$111 | \$124 | \$186 | \$248 |
| Public Service Property | \$41 | \$83 | \$103 | \$124 | \$144 | \$165 | \$186 | \$206 | \$309 | \$413 |

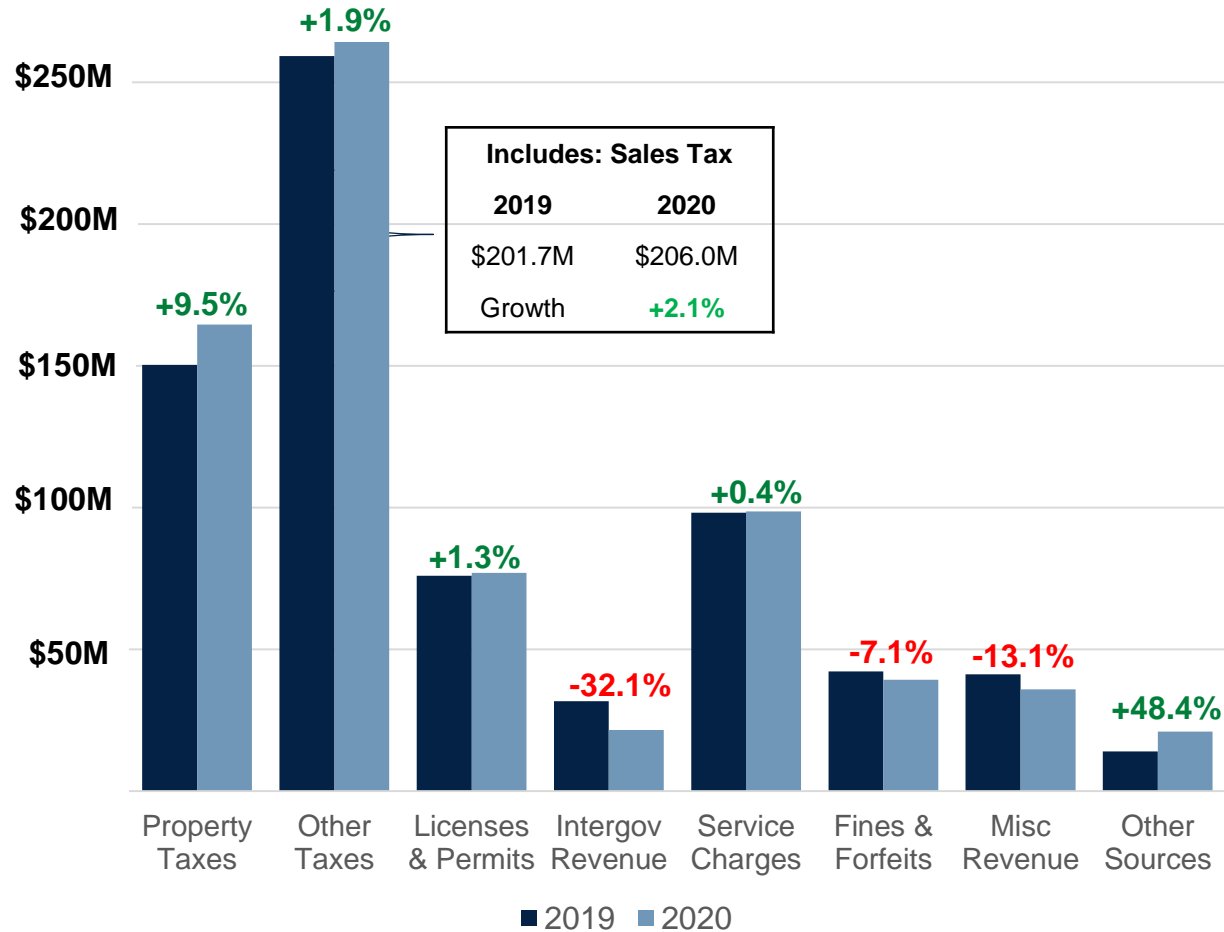
| Monthly Taxes Based On Assessed Value* | | | | | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|
| Assessed Value Of Home/Property | \$100,000 | \$200,000 | \$250,000 | \$300,000 | \$350,000 | \$400,000 | \$450,000 | \$500,000 | \$750,000 | \$1,000,000 |
| Residence With Homestead Exemption | \$0.69 | \$2.06 | \$2.75 | \$3.44 | \$4.12 | \$4.81 | \$5.50 | \$6.19 | \$9.62 | \$13.06 |
| Residence Without Homestead Exemption And Commercial Land | \$1.38 | \$2.75 | \$3.44 | \$4.13 | \$4.81 | \$5.50 | \$6.19 | \$6.88 | \$10.31 | \$13.75 |
| Commercial Structures And Personal Property | \$2.06 | \$4.13 | \$5.16 | \$6.19 | \$7.22 | \$8.25 | \$9.28 | \$10.31 | \$15.47 | \$20.63 |
| Public Service Property | \$3.44 | \$6.88 | \$8.59 | \$10.31 | \$12.03 | \$13.75 | \$15.47 | \$17.19 | \$25.78 | \$34.38 |

* Assumes no savings to the taxpayer from the phase-in; eligible taxpayers will pay less from 2020-2022

3

2020 Revenue

General Fund Revenue Forecast

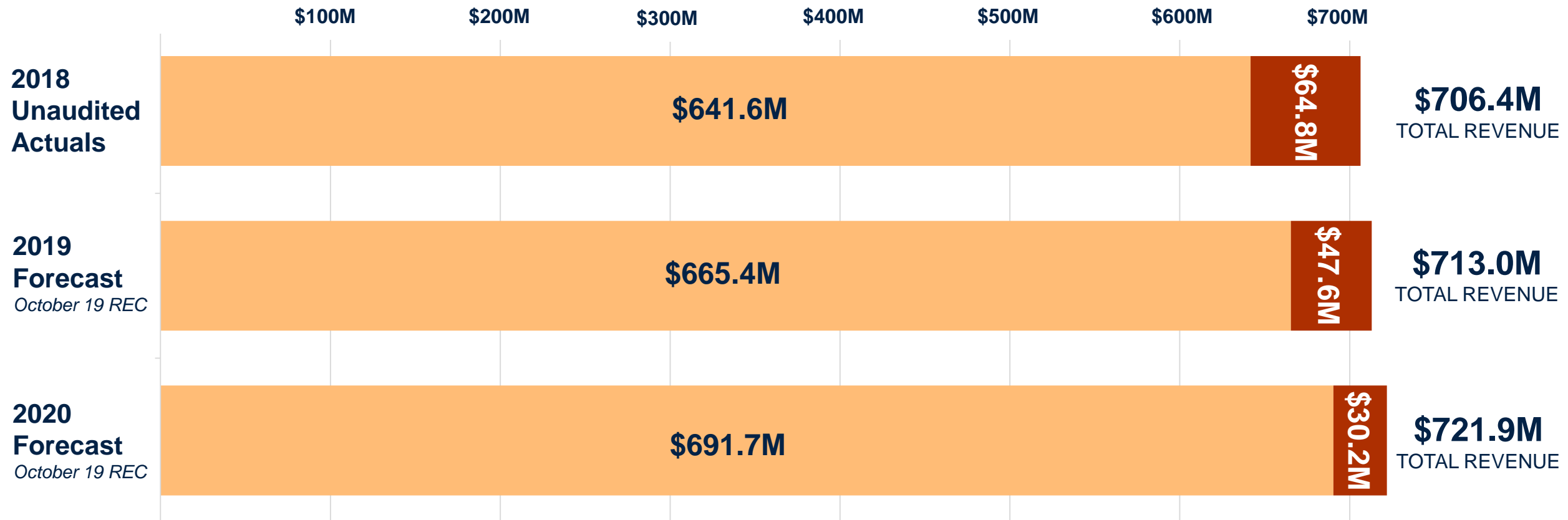


| | 2019 Forecast | 2020 Forecast | Annual Change |
|-----------------------------------|-----------------|-----------------|---------------|
| Property Tax | \$150.3M | \$164.6M | +14.3M |
| Other Taxes | \$259.3M | \$264.3M | \$5.0M |
| Licenses & Permits | \$75.9M | \$76.9M | +970K |
| Intergovernmental Revenue | \$31.7M | \$21.5M | -10.2M |
| Service Charges | \$98.2M | \$98.6M | +396K |
| Fines & Forfeits | \$42.2M | \$39.2M | -3.0M |
| Miscellaneous Revenue | \$41.2M | \$35.8M | -5.4M |
| Other Financing Sources | \$14.0M | \$20.9M | +6.8M |
| Total General Fund Revenue | \$713.0M | \$721.9M | +8.84M |

*Columns may not add due to rounding

Recurring vs One-Time Revenue

The City's availability of one-time revenue will decrease by over 36% in 2020, while recurring revenue will increase by 3.9%

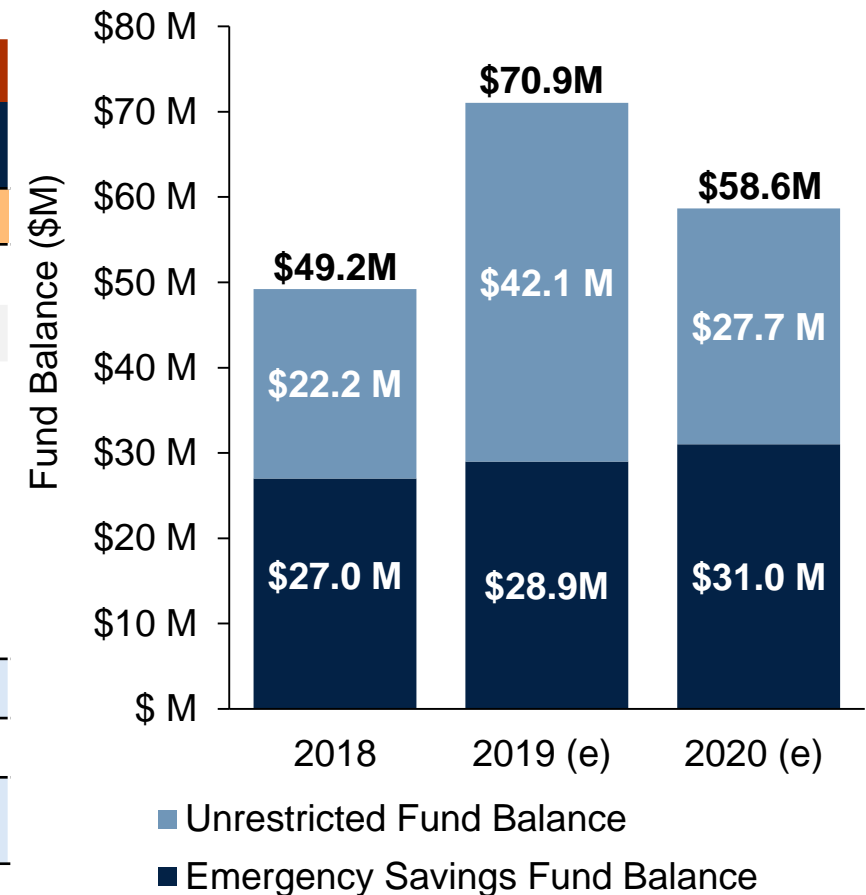


Fund Balance

The Administration continues to work to meet reserve goals while decreasing the reliance on budgeted fund balance year over year

General Fund Balance Planning Outlook

| | 2019 Forecast | 2020 Forecast | 2021 Projected | 2022 Projected | 2023 Projected |
|--|--------------------|---------------------|---------------------|---------------------|---------------------|
| Anticipated GF Surplus/(Deficit) | 10,623,585 | 0 | (11,450,414) | (6,831,170) | (3,158,904) |
| Beginning Balance | 65,870,663 | 70,987,748 | 56,681,248 | 41,724,334 | 29,386,664 |
| USE OF FUND BALANCE | | | | | |
| Appropriated from Fund Balance | 0 | (6,800,000) | 0 | 0 | 0 |
| To Judgment Fund | (2,000,000) | (2,000,000) | (2,000,000) | (2,000,000) | (2,000,000) |
| BP Fund Direct Appropriation | (3,506,500) | (3,506,500) | (3,506,500) | (3,506,500) | (3,506,500) |
| TOTAL USE OF FUND BALANCE | (5,506,500) | (12,306,500) | (5,506,500) | (5,506,500) | (5,506,500) |
| NET CHANGE TO FUND BALANCE | 5,946,515 | (12,306,500) | (16,956,914) | (12,337,670) | (8,665,404) |
| Adjusted Fund Balance | 70,987,748 | 58,681,248 | 41,724,334 | 29,386,664 | 20,721,260 |
| Obligated to Savings Fund | (28,932,578) | (31,022,632) | (32,678,571) | (34,158,101) | (35,460,781) |
| Adjusted Fund Balance Less Savings Fund | 42,055,170 | 27,658,615 | 9,045,763 | (4,771,437) | (14,739,522) |

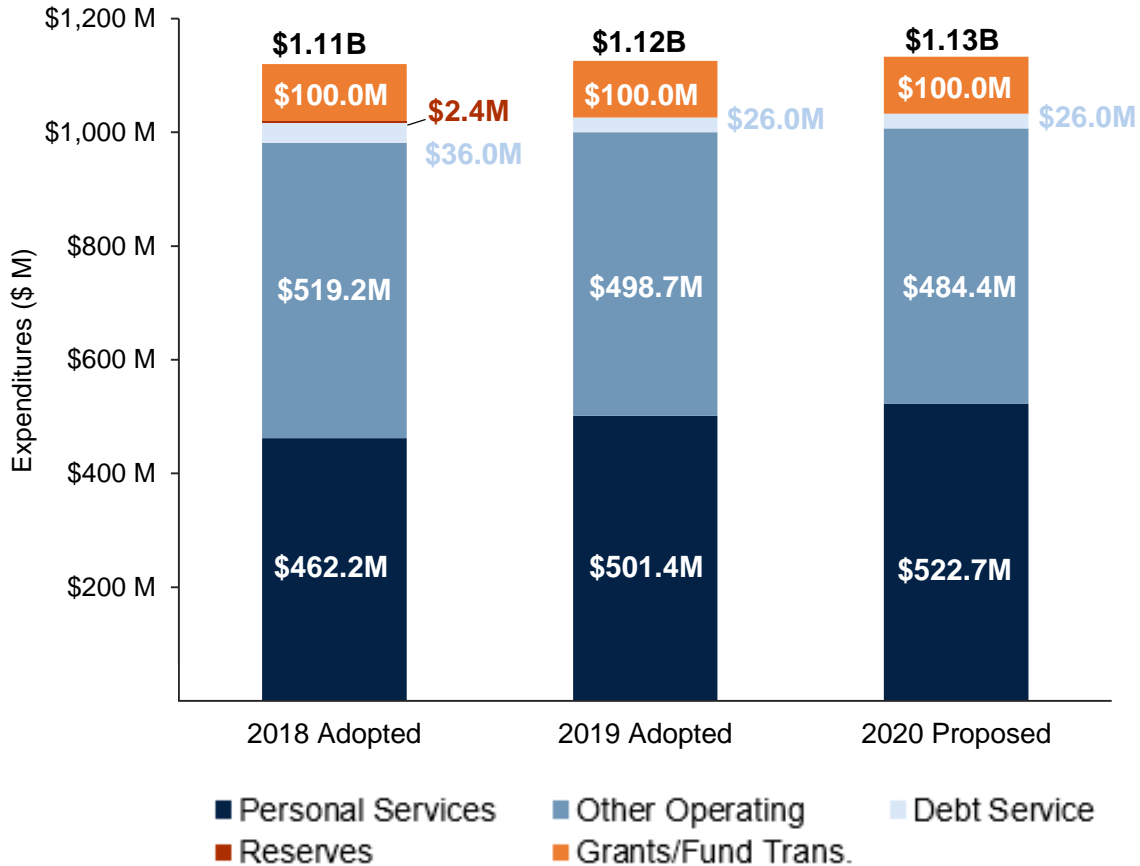




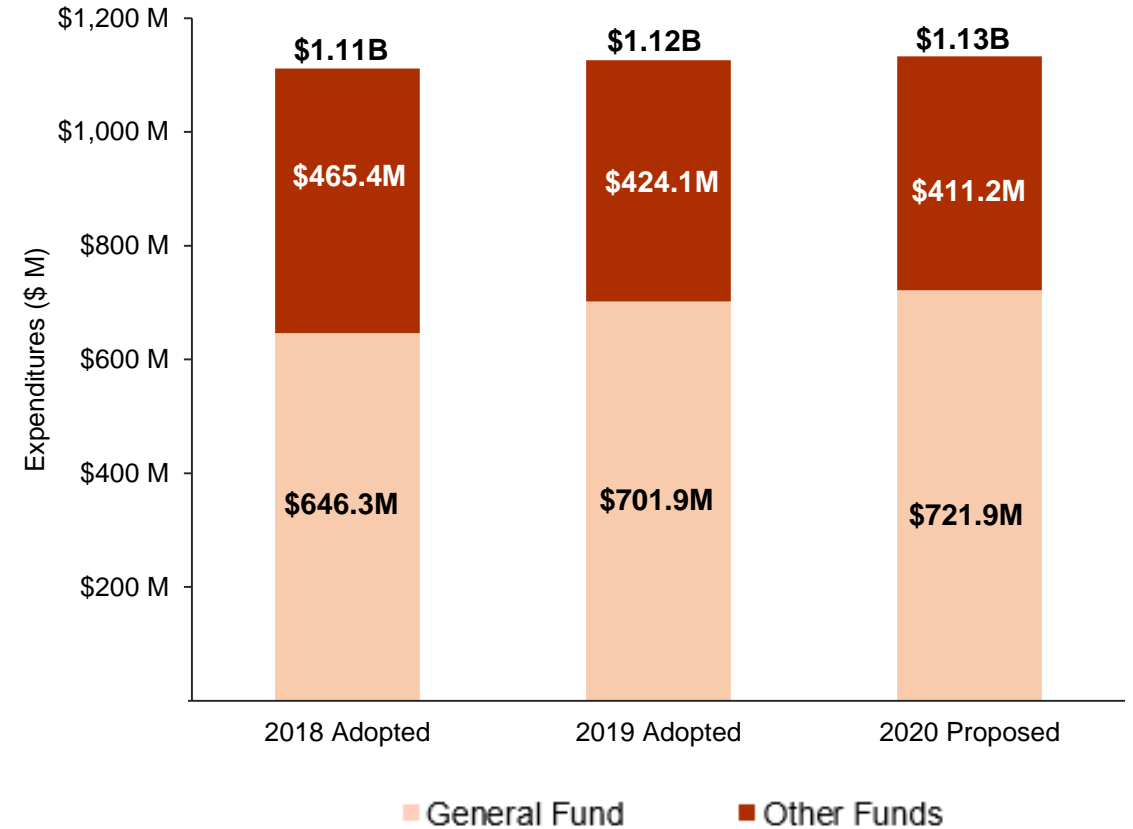
2020 Expenditures

2020 Proposed Budget

EXPENDITURES



FUNDING SOURCES



Key Increases in General Fund Expenditures for 2020

| | Proposed Increase |
|---|-------------------|
| NOPD <i>Additional 27 personnel; additional funding for recruiting; 5K hiring bonus</i> | \$2.0M |
| NOFD <i>Reach full complement of 48 superintendent and executive office staff members; award education benefits</i> | \$1.9M |
| NOEMS and Health Department <i>Additional 8 personnel; funding to cover positions paid for by expired grants</i> | \$1.3M |
| New Orleans Office of Homeland Security & Emergency Preparedness <i>City Hall security contract; Motorola contract; \$500K set aside to be immediately available during emergencies</i> | \$1.2M |
| Juvenile Justice Intervention Center <i>Additional 8 personnel; moving facility security in-house; increased medical costs</i> | \$841K |
| NORD-C <i>Provides funding for summer programming</i> | \$800K |

Potential General Fund Expenditures in 2020

The following expenditures are currently under review and may be included in the 2020 budget at a later date

| | Expense |
|--|-----------------------|
| Sheriff <i>Operations and medical services</i> | \$3M to \$6M |
| Juvenile Justice Intervention Center <i>Phase II of the planned expansion</i> | \$3M to \$3.5M |
| Hard Rock Hotel Collapse <i>Personnel, over-time, and equipment costs accrued during the emergency</i> | Unknown |
| Pending Lawsuits <i>DDD, School Board Pension, etc</i> | Unknown |