

We have set up a schedule to go over the entire budget with time to discuss edits and priorities in open meetings. There must be clear communication, in these open meetings where all stakeholders and citizens know where their tax dollars are being spent. We cannot afford another budget passing four months late with numerous uncommunicated edits as these cuts affect so many things.

### Impacts, Issues and Operational Problems Resulting from Delayed or Purposefully Late Municipal Fiscal Budgets

Alabama municipalities operate on a traditional fiscal budgetary year versus the traditional calendar year. When municipal legislative bodies fail to pass a timely budget by October 1<sup>st</sup>, or there about, it results in many unforeseen impacts, issues and operational problems. These unintended consequences of poor financial discipline of legislature's run the gambit from day to day problems to long-term declines in morale and efficiency.

When a budget is not passed by the fiscal anniversary the City begins to operate under a "continuing resolution" scenario. Meaning, City Departments are "stuck" in the past, and may only operate to the prior year's spending level for operational cost. Capital Funding for projects, equipment and personnel are non-existent. Since Capital Funds are an annual appropriation tied to the budget they are not present or available to during the "continuing resolution" period. During this period, no strategic planning or preparation may occur due to the unknown nature of Capital Funding. In many years the Fairhope City Council has delayed passing a budget for as much six months past the State

recommended date. This results in a “dead” period where City Staff cannot be proactive in planning, procuring and prepping Capital Projects, Equipment and Personnel.

Examples of this is the annual road paving and new ADA compliant bathrooms at North Beach Park. Since the FY2018 Budget was not passed until March of 2018, half the fiscal year was lost. Funding for these two Capital projects were approved. The tardy budget did not leave enough time to design, bid, let and build the new bathroom by the start of the summer season at the park. We could not operate the park during the summer down one of two bathrooms. So, the project letting was delayed so the demolition and construction will begin after Labor Day. Because of the late budget, Citizens and Visitors alike were forced to use a non-ADA compliant and dilapidated bathroom for one more season.

On the road paving we had a similar issue. Ideally, it is desirable to resurface streets during the summer months when school is out and the contractor has longer work days. We begin plans and specifications as soon as the capital project was funded in March of 2018. Since this work was done “in house”, it required three months to complete the plans and specifications. The City has an unnecessarily lengthy and cumbersome letting process and the Contract was not awarded until the middle of August 2018. Thus, paving will occur while school is in session and the days grow shorter. If the budget was passed on time this paving would have been completed by now.

One key issue resulting from a delayed budget is employee morale. Fiscal budgets typically contain COLA and Merit Raises

for employees. When there is no new budget, employees go through the holiday season and into the new year without any knowledge of their personal financial future. This waiting causes unnecessary frustration with employees and brings down departmental morale. Employee evaluations can occur before a budget is passed, but no calculation or granting of Merit Raises can be done until the budget is approved. It is difficult for managers to have a subordinate who has performed and been evaluated at a high level that cannot be told any information about compensation because a budget has not been passed. This is a morale buster.

Typical equipment procurement is affected as well. State Bid List and National Purchasing Cooperatives are set up on the fiscal year. They have all their bids in place by September of each year with anticipation of equipment and durable good orders being placed October through December. Dealerships and Equipment Vendors who have won the bids stock up on typical vehicles and equipment ordered by the governmental entities in anticipation of the slew of end of the year orders. When a budget is passed months late, there is rarely stock vehicles left and many are going through the model year change adding months to the final delivery date. Most of the sanitation equipment that was ordered in April & May will not be delivered until January or February 2019. These long delivery times negatively impacts operations.

To understand the budgetary process, consider this: The department identified the need in the Spring of 2017 during departmental planning and budgeting; the budget containing the identified Capital need was presented to Council in the summer

of 2017; the Council chose to delay the approval of the budget until Jan 22, 2018; the procurement pass through Council a second time (required by Council rules in addition to unnecessary self-imposed process to procure) in April 2018; the equipment was ordered in May of 2018 with a hopeful delivery date of February 2019. This represents 24 months (two years) from the identification of the need to the fulfillment of the need. At least six months, 25% of the total time, can be attributed to unnecessary delay of passing the budget. These long delays render a department's ability to plan and execute operations nearly an impossible task.

These are just a few examples of many impacts, issues and operational problems that result from an unnecessarily delayed budget. There is a reason that the majority of Alabama Municipalities and Counties pass their Fiscal Budgets on or about October 1<sup>st</sup> of every year. It is responsible, efficient and delivers the best service to the constituents of the government entity. To delay a budget for no good reason is a disservice to the taxpayer and those public servants that represent them.