Budget, Finance & Economic Development

January 31, 2017

Summary and Motions

Vice Mayor Kay called the meeting to order at 1:00 p.m. All committee members were in attendance.

I. Election of Committee Chair

A motion was made by Moloney to approve the appointment of Stinnett as Chair, seconded by Evans. The motion passed without dissent.

Stinnett asked Bledsoe to be the Vice-Chair which she accepted.

II. Approval of November 29, 2016 Committee Summary

A motion was made by Farmer to approve the summary, seconded by Scutchfield. The motion passed without dissent.

III. December Financials General Fund

Bill O'Mara, Commissioner of Finance, presented the December Financials. He reviewed the comparative unemployment rates and economic indicators.

Rusty Cook, Director of Revenue, presented the Big Four Revenue categories.

Melissa Lueker, Director of Budgeting, presented the other Revenue categories and expenditures for December.

Bledsoe asked about the -3% variance in Personnel expenditures and if the same type of projections would be used for calculating the FY18 budget. Leuker responded that FY17 was budgeted the same way as FY16 but they're looking at changes for FY18.

Moloney stated that he is concerned about keeping the pace as it is going based on what he sees in the personnel costs. O'Mara responded that Finance sees softness in the two largest revenues streams. They will be watching withholdings as well as net profits very closely. They have been watching personnel expenses since October per pay period and will bring back a review.

Mossotti asked about the variance in investment income, December 2015 compared to December 2016. O'Mara responded that they are required to show investment to actuals each month. If we divested all of our investments where would we be? We're not divesting our investments so the number reflected is a theoretical loss as of December 31st.

No further comment or action was taken on this item.

December 2016 Monthly Actual Compared to Adopted Budget

Revenue Category	Actual	Budget	Variance	%Var
OLT- Employee Withholding	15,165,697	15,220,607	(54,910)	-0.4%
OLT - Net Profit	3,895,093	4,114,822	(219,729)	-5.3%
Insurance	5,370	21,312	(15,942)	-74.8%
Franchise Fees	1,504,326	1,684,104	(179,778)	-10.7%
TOTALS	20,570,486	21,040,845	(470,359)	-2.2%

December 2016 YTD Actual Compared to Adopted Budget

Revenue Category	Actual	Budget	Variance	%Var
OLT- Employee Withholding	93,830,072	94,799,957	(969,885)	-1.0%
OLT - Net Profit	11,213,312	12,523,334	(1,310,022)	-10.5%
Insurance	15,022,911	14,691,777	331,134	2.3%
Franchise Fees	11,645,543	12,095,585	(450,042)	-3.7%
TOTALS	131,711,837	134,110,653	(2,398,816)	-1.8%

Cash Flow Variance - Revenue

For the six months ended Dec 31, 2016				
	ACTUAL	***BUDGET***	***Variance***	
Revenue				
Payroll Withholding	$93,830,072	$94,799,957	($969,885)	-1%
Net Profit	11,213,312	12,523,334	(1,310,022)	-10%
Insurance	15,022,911	14,691,777	331,134	2%
Franchise Fees	11,645,543	12,095,585	(450,042)	-4%
Other Licenses & Permits	3,364,957	3,342,421	22,537	1%
Ad Valorem	18,962,944	18,939,508	23,436	0%
Services	10,056,007	10,502,570	(446,563)	-4%
Fines and Forfeitures	155,825	146,908	8,917	6%
Property Sale	81,557	153,500	(71,943)	-47%
Intergovernmental	153,886	147,681	6,206	4%
Investment Income	(142,297)	238,095	(380,392)	-160%
Other Income	1,407,946	1,715,411	(307,465)	-18%
Total Revenue	**$165,752,663**	**$169,296,747**	**($3,544,084)**	**-2.1%**

Cash Flow Variance - Expense

For the six months ended Dec 31, 2016	ACTUAL	BUDGET	Variance	
Expenses				
Personnel	($103,032,637)	($100,195,610)	($2,837,027)	-3%
Operating	(18,674,225)	(25,700,707)	7,026,482	27%
Debt Service	(18,892,848)	(20,096,150)	1,203,302	6%
Partner Agencies	(9,911,821)	(9,512,783)	(399,038)	-4%
Insurance - Expense	(1,019,253)	(1,170,037)	150,784	13%
Operating Capital Expenditures	(2,237,288)	(2,735,163)	497,875	18%
Total Expenses	**(153,768,072)**	**(159,410,450)**	**5,642,378**	**4%**
Interfund Transfers				
Transfers	(2,799,399)	(1,888,949)	(910,450)	-48%
Change in Fund Balance	**9,185,192**	**8,011,468**	**1,173,723**	**-15%**

Code Enforcement Nuisance Abatement/Lien Collections

Month	Administrative Collection Fees		Miscellaneous		Penalty & Interest		Total Collections	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
July	225	476	253	546	15,545	18,043	16,022	19,065
August	1,125	600	802	308	10,163	14,984	12,090	15,892
September	545	969	2,153	2,072	71,212	52,780	73,910	55,821
October	1,275	1,125	2,132	2,115	39,069	45,592	42,476	48,832
November	975	525	962	1,250	27,457	25,220	29,394	26,995
December	300	1,575	1,456	2,626	48,996	61,590	50,752	65,791
Totals	4,445	5,270	7,757	8,917	212,442	218,209	224,644	232,396

Comparison of Economic Indicators

Economic Indicators		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fayette County Unemployment Rate	2014	5.6%	6.0%	5.8%	4.8%	5.1%	5.2%	5.1%	4.6%	4.2%	3.9%	4.0%	3.6%
	2015	4.3%	4.0%	4.0%	3.7%	4.0%	4.1%	4.2%	3.5%	3.4%	3.1%	3.6%	3.6%
	2016	4.2%	4.3%	4.1%	3.3%	3.6%	3.9%	3.8%	3.3%	3.4%	3.3%	2.8%	N/A
Quarterly Fayette County Employment	2014	-	-	180,078	-	-	184,553	-	-	184,658	-	-	191,287
	2015	-	-	184,932	-	-	189,400	-	-	190,800	-	-	198,100
	2016	-	-	187,600	-	-	192,100	-	-	N/A	-	-	N/A
Fayette County Permits Issued	2014	1,157	999	931	1,461	1,815	1,660	1,696	1,529	1,399	1,605	1,058	1,112
	2015	1,134	1,858	1,019	1,108	1,431	1,551	1,319	1,523	1,595	1,394	1,220	1,158
	2016	937	1,206	1,510	1,631	1,453	2,071	1,042	744	860	737	742	721
Fayette County New Business Business Licenses	2014	244	280	366	807	279	187	194	213	219	242	158	137
	2015	197	224	330	749	362	198	198	283	264	286	238	160
	2016	203	248	445	564	658	299	173	260	219	231	211	153
Home Sales (MSA)	2014	524	517	693	787	997	1,069	1,006	1,021	854	860	681	794
	2015	571	651	884	963	1,140	1,346	1,334	1,165	1,072	1,054	815	919
	2016	640	773	950	1,139	1,313	1,419	1,230	1,338	1,155	1,050	1,012	1,081
Fayette County Foreclosures	2014	31	40	34	53	16	53	35	25	46	25	42	25
	2015	33	20	36	24	18	43	18	41	12	43	41	26
	2016	22	36	25	27	31	21	26	40	14	31	31	16

N/A indicates information not available.
BLS Release Dates for Fayette Co. Quarterly Employment - 6 months after quarter end

IV. FY2016 CAFR Presentation

O'Mara introduced Bill Myers from Strothman & Co to present the 2016 audit results. Myers told the Committee that it was a clean audit opinion this year. They also conducted an audit of the federal funds and that, too, was a clean audit. He stated that the revenues were up as were the expenditures, all in accordance with the budget. 2016 had a positive net change though not as large as 2015. Most of the numbers in the statement are hard numbers but some are estimates then they are audited to make sure they are reasonable. They found no significant misstatements in the books. There were no significant adjustments that they requested management to make.

Moloney asked about big jump in the General Fund balance chart where Public Safety and Energy were listed. Myers wasn't certain so O'Mara clarified that it was a reserve for the special bond associated with the upgrade of the energy efficiency at Corrections.

No further comment on this item.

V. Report on Pools and Golf

Stinnett introduced Monica Conrad, Director of Parks & Recreation. She began with golf operations stating that we operate 5 public golf courses, about 600 acres. Nationally, golf has experienced a 1% growth in rounds played; Lexington Municipal courses have experienced a 17% growth. In 2012, a golf operations plan was developed. Though there is a 17% increase in growth, revenues have remained flat. Parks has managed expenses, decreasing the overall cost of delivery by 2% and improving the bottom line or overall losses by 9%. Brian Rogers and Mike Fields have worked with Budgeting and Accounting to correct budgeting and expense issues that they had in 2011. They now associate the costs with each course.

In 2016, Lakeside experienced the largest amount of rounds played followed by Tates Creek. Kearney Hills tops the revenue at nearly $883,000. While they had less rounds played, the rates are higher yielding improved revenue. Profit and loss by course indicates Gay Brewer performs last at nearly a $258,000 loss.

Golf financial trends indicate increased revenues at all courses in 2016 compared to the two previous years. While the courses continue to operate at a loss, they have continued to decrease expenses. From 2014 to 2016, Lakeside and Tates Creek have improved revenues and managed expenses leading to improved bottom lines. While Meadowbrook's revenues have increased 4%, expenses mainly due to personnel have kept pace growing at 8%. Gay Brewer revenues have increased but the staffing changes have created higher expenses. Revenue has helped the bottom line at Kearney. They are relying more on seasonal employees. The Veterans Rate was added in March 2016. Veterans played over 8,500 rounds from March to December 2016 generating almost $69,000 in revenue.

They are always looking to increase golf opportunities. They need to attract more young people to the game; cross-market with current youth involved in other athletic and community centers, offer more junior clinics. They continue to focus on marketing through emails and improved social media online.

Lamb asked if the foot golf that is offered at the Gay Brewer is separated out to reflect how successful it's been and the revenue from it. Conrad replied that she has the number of rounds for foot golf and that it's down a little bit from the time it was initiated. She stated she could get the revenues associated with foot golf. Lamb asked if there has been any discussion about having it at any of the other courses. Conrad replied that they have not explored that yet. There have been discussions about incorporating a foot golf camp or a lesson or clinic to get people involved.

Moloney discussed the follow up from the Parks Advisory Board which mentioned the possibility of allowing kids under 16 to play free in the summers, provide a camp for them. Conrad replied that they presented to the Board an updated report that was well received and everyone is concerned with how to keep more youth involved. They are looking at adding more clinics. Moloney also asked what the cost is to rent barn for golf cart storage. Conrad stated that the agreement is $30,000 per year. He asked if they had looked at trying to buy the building or possibly build one to avoid continually paying for rent every year.

Farmer asked about Audubon Certified Courses and what that means. Conrad replied that it means we are environmentally responsible, good stewards of the land and protect the natural heritage. Farmer added that he thought the golf clinic for kids is a good idea. Farmer asked for additional follow up on what we're paying for at $30,000 per year. Conrad replied that it's for a cart barn at the Campbell House Inn. They've been trying to work with the Campbell House to purchase the building or try to find additional space, which is difficult, to build on the existing footprint. Farmer asked if we use only the bottom level of the facility. Conrad said that is correct. It's where all the carts are stored, the mechanics work out of there. The hotel uses the upper level for storage.

Bledsoe said that she doesn't see this generation of kids getting involved in golf and that we need to be realistic about the nature of children today. We have to look at the golf course land use as is it the best use of that land today and 20 years from now. She was also looking at the opportunity costs, mostly at

Picadome where we're spending $110,000 more than at the other courses. That's the most opportunistic place to look for decreasing costs and rethinking how we use that space.

Evans stated she was going back to why this issue was put in committee because the numbers reflect that everyone is operating at a loss and that the committee's role is to focus on the loss and what we can do. This committee should be focused on how we make this operate at a profit or at least break even.

Scutchfield asked about the decrease in the Veterans rate. Conrad stated we had a military rate before and we specified it as a Veterans rate and decreased it. There is no data to support the rounds played in 2015 versus 2016. Conrad stated that the assumption could be made that some of the 8,500 veteran rates may have been paying senior rates or some other specialty rate before. Scutchfield asked if we had tried to recruit some high school golf players to come out to our courses. Conrad stated that the golf teams practice at our facilities September through October.

Plomin asked if they know what percentage of our residents play. Conrad stated that they don't have that number.

Mossotti stated that she had been looking at the P & L and we have been operating at a loss since the beginning. Conrad replied that in 2012 the loss was over $1.1 million so it has decreased significantly. They can continue to look at ways to decrease expenses. The majority of expenses are in personnel costs and decreasing that would be difficult. Mossotti asked Conrad if she had any suggestions that may be implemented that would help with revenue. Conrad said she thinks there are opportunities to explore, that we haven't talk about rates since 2012 and that everyone gets sensitive when we talk about rates but our costs increase. If we need to look at more revenue producing opportunities then we need to look at all areas of that. Mossotti asked that we keep this in committee and they can come back with some opportunities that could be looked at for generating more revenue, getting rid of some things that may not be necessary so that we don't have to look at a deficit every year.

Kay said he thought it would be helpful to see the overall budget for Parks and where this fits. We subsidize all our Parks, not just golf and aquatics. It would be helpful to see percentage and dollar wise how these fit into the overall expense of Parks.

Stinnett asked why Tates Creek has the second most rounds but has the second lowest revenues; is it getting hit for some other expense. Conrad said initially they were paying for water at the pool through the golf course but it has been corrected. Stinnett said this looks like an opportunity for land use discussions. He asked if Fayette County Public Schools pays to use the golf courses. Conrad replied that they do not. Stinnett said there should be a mutual agreement because we pay to use a school and it's ridiculous that we are nickel and dimed by the school system and yet we give them the opportunity to let the kids play for free. We charge them for use of the pools but not for golf. Stinnett asked if the debt service for Picadome was in the presented numbers. Conrad replied that it was not included. Stinnett commented that we need to do a rate study and come back to the next meeting, comparing our rates to other courses around town, not just look at our budget. Tates Creek needs to be looked at. We can't sell Lakeside; we're not going to sell Kearney because that's our crown jewel for our major tournaments; Picadome, we know why we bought that one; Meadowbrook's not ours. So Tates Creek's the only one that we need to have a discussion on about land use unless you want to have Gay Brewer be a park and not operate golf there.

Evans gave a directive for Conrad to come back with a number that we should be charging Fayette County Public Schools for teams that use our facilities.

Bledsoe stated that this is a land use conversation as much as a financial one. We're always going to subsidize Parks but to what degree is the question. If the need is so high then the subsidized amount is probably high because we're reacting to their need. She asked Conrad when she thought there would be a Parks Master Plan land use conversation. Conrad replied that there was still some time for Parks Master Plan. The first presentation won't be until summer so she doesn't think there will be a land use conversation until fall.

Stinnett requested that, at the next meeting, we have the overall Parks budget, the rates for other golf courses in the community, the amount that we should be charging FCPS, how much we charge FCPS for aquatics, and marketing opportunities for golf courses.

Conrad proceeded with the aquatics portion of the presentation. She talked about the 2015 Aquatics Master Plan. It received over 3,000 responses and resulted in the top 3 recommendations: restroom improvements, upgrade pool houses and buildings, increase shade. The 2017 budget includes about \$3M in aquatics. 2016 attendance increased 14%, revenue increased 18%; 12,000 swim lessons teaching almost 1,400 kids to swim; provided 100 family scholarships; added new events and extended operating hours. 60% of attendance occurs at Southland and Woodland, 20% at Tates Creek, 9% at Shillito, 7 ½% at Castlewood, 2% at Picadome, about 1% at Douglass. Picadome has seen significant growth due to the usage of summer campers. Revenues have increase in all areas except pool party rentals. They continue to see rising expenses. There was a rise in personnel costs from 2014 to 2015 but remain steady into 2016. The operating supplies – chlorine, maintenance, utilities – rose nearly 48% from 2014 to 2016.

From 2014 to 2016, all pools except Shillito experienced increased revenue. But expenses continue to rise. With aging facilities we should anticipate continued leaks at pools. Administrative costs have decreased slightly mainly due to the retirement of veteran employees.

In 2017, there will be 4 new spraygrounds, design of the regional aquatics center at Shillito, new amenities and safety improvements.

Scutchfield said that at some of the pools free lessons were offered to encourage pool use and asked if those were used. Conrad replied that 50 kids were given swim lessons at Douglass and that usage increased a little bit at Douglass. Scutchfield said we need to partner with FCPS to make sure kids are learning how to swim. She also stated that she's nervous about the Shillito attendance and hoping that the reason isn't location. When looking at the design at Shillito making sure that it is a destination that will make people will be willing to leave their enclave and go somewhere else.

Lamb asked why there was a decrease in pool party rentals. Conrad said that it was pushed to an online rental versus taking the call and selling it. They are developing a plan to highlight pool rentals. Lamb said that Council members need to put information associated with pools into their newsletters. She also asked if they had looked into salt water pools, stating that her understanding is that they are less expensive to operate. Conrad replied that she can't speak to the cost efficiencies associated with them. If they were building a new facility, they should take a look at it.

Bledsoe said we could give everyone scholarships to the YMCA for what we're losing at Picadome. People go to the new Y's and they love it. They're better managed, better efficient and they're inside which a lot of seniors have a hard time swimming outside. People complain about parking at Southland and Woodland. As we build aquatics facilities we need to look at how to make them family friendly and bus friendly so that people will use them in volume. To increase volume, we have to close something or we take existing pools and reformat them to be splash pads which cost a whole lot less, a lot less to maintain and there's no personnel. Then move people who have the water experience to a pool at an aquatics center that can handle the volume and the revenue.

Mossotti went back to the conversation about location. She said she thinks it's not about location; it's more about the other two pools having big retrofits. They have all the bells and whistles. Would that be a fair assessment? Conrad replied that Shillito is a great lap pool but it's not a destination aquatics center. Mossotti asked if they've looked at an indoor facility. Conrad replied that it was recommended in the master plan at a cost of $25M to $30M. They think there is a potential need. But we continue to see more Y's being built that have these.

Evans said that perhaps we need to have different expectations for different pools. She asked Conrad to help them with information related to what the pools are really used for. She thinks transportation is a large part of the problem. We need to work with Lextran trying to get them on board. We need different expectations for different pools because clearly they serve different needs and maybe we could look at that and lower our expectations.

Plomin asked if we have swim teams. Conrad replied that we do. They're not at the level of private swim teams but we have Parks & Rec swim teams and we teach lessons as well. We think that's an important aspect.

Moloney said that to make money we need to shut all the pools down and build two pools – one that has exercise and all of that on one side of town and the other is an aquatic, outdoor where kids would be there. I don't know what it would cost to build those kinds of pools. It's easier to maintain one pool than seven.

J. Brown said that golf and pools are amenities that you don't realize the benefit of the costs to the citizens. A lot of the recommendations came from the Master Plan. It's going to take time to see where we need to refocus what we do with aquatics citywide.

Stinnett stated we would continue this conversation at the next meeting.

No further comment or action was taken on this item.

VI. Unused Capital Funds

Wesley Holbrook made this presentation. He stated that we don't have a policy to address unused dollars in capital funding accounts. The goal would be to establish a mechanism to reauthorize unused capital dollars for other needs during the budget or at other points during a fiscal year. This specifically addresses funds either in capital construction or bond projects. It would not apply to Council capital projects because there is a policy in place for those.

The idea would be to pool remaining funds into an unassigned capital project account if two conditions are met: if within 2 fiscal years of the allocation the project didn't start or equipment wasn't purchased or some part of the funds were spent or if after two years there are no open or active project. The other piece would be following the completion of a project, if we were looking at a project or equipment purchase being complete with the closing of all purchase orders or if a project isn't technically closed but it takes six months or there's six months from the last expenditure or equipment purchase order. Bond funds would follow the same procedure just with the caveat that bond funds have specific covenants that go with them so any funds pooled would have to be spent in the manner that complies with rules regarding municipal bonds.

Proper uses would be for projects or equipment that are non-recurring in nature, capital projects specifically, not operating. So they could be buildings, vehicles infrastructure improvements, land purchases, IT projects. The Council or the Administration could utilize pooled funds during the budgeting process as a funding source for capital needs. Also, at any point during the year a use of pooled capital funds to pay for a capital project could be proposed. It could be additional funds for a current active project or capital needs that come about throughout the course of the year.

Stinnett asked Holbrook to explain what type of capital funds, whether it would be bond or cash or both. Holbrook explained that it would be looking at capital project funds that are General Fund or bond project funds. Stinnett asked if all the stipulations listed were the same for all capital bonds or would that be a factor in what we can do with it. Holbrook replied that bond funds would need to be pooled together and used for the same type of purpose. If it's a smaller dollar capital project it may not be something that bond funds could typically be used for.

O'Mara added one other factor. You can't reallocate bonds to a longer life than what the bond was originally sold for. If you have a 10 year bond you can't use those monies for a 3 year capital project because we've said that it has a 10 year useful life. So there are several more decision factors to use when we pool bond funds to see if they're appropriately used on a new project.

Lamb asked what happens to the unused capital funds now. Holbrook replied that it depends on the project. For bond funds, they're occasionally reauthorized but it isn't done in a uniform process. Stinnett further elaborated that part of the reason this is in committee is because sometimes a Council member reallocates it themselves, sometimes the Administration reallocates it, sometimes it's pooled together and brought to us but there's no uniform method. This is to make in consistent, to prioritize our needs. Lamb said she'd be curious to know how many funds are generated by this.

No further comment or action was taken on this item.

VII. Items Referred to Committee

Stinnett asked to merge items 3 and 4.

A motion was made by Scutchfield to remove item 5 (Funding of a Jobs Training Program), seconded by Moloney. The motion passed with dissent.

Adjournment

A motion was made by Farmer to adjourn, seconded by Bledsoe. The motion passed without dissent.

The meeting was adjourned at 2:54 p.m.

tg 2/8/17