**Budget, Finance & Economic Development**
January 30, 2018
Summary and Motions

Chair Stinnett called the meeting to order at 1:05 p.m. Committee Members in attendance: Bledsoe, Moloney, Kay, J. Brown, Farmer, Evans, F. Brown and Mossotti. Smith, Gibbs and Plomin were present as non-voting. Lamb was absent.

## I. Approval of November 28, 2017 Committee Summary

Motion by Farmer to approve the November 28, 2017 Budget, Finance & Economic Development Committee Summary. Seconded by Bledsoe.

Kay had a question about the minutes. There was an exchange between CM Gibbs and Gina (Greathouse) about the mean, the median and the mode and how we'd like to have that reported and it does not seem to have been included in the minutes. He would like to postpone approval of the minutes until that tape can be reviewed and the exchange can be included. He then asked about the way in which the minutes generally are being produced. Stinnett asked Kay what the question is. Kay replied by first making a motion.

Motion by Kay to postpone the approval of the minutes until that section can be included. Seconded by Farmer. Motion passed without dissent.

Kay continued that, more generally, he'd like an explanation of how the minutes are produced from the tape and how something like that could have been eliminated or omitted. How are these minutes produced? Stinnett said they're produced like every other committee with our Core Staff. If our Council Administrator wants to take a stab at it now or we can have a discussion off-line as well. Stacey Maynard, Council Administrator, said we can discuss off-line. There's a balance, if you will, between, summarizing conversations on presentations and doing a verbatim summary. All of the tapes are watched and re-watched and the minutes are compiled doing that then sent to the (committee) chairs for approval. Kay asked how decisions are made about parts that are included and not included. Your judgement? Whoever's making the notes, their judgement about relevance? Maynard responded that we typically just do a verbatim summary. Kay asked they're then reviewed by the Chair? Maynard said how that got left out, she can't say for sure. But we typically try to get all of the questions and comments and conversation back and forth. Sometimes it starts to get a little repetitive so we might not repeat things but usually we try to capture everything. Kay said that he presumed that if any topic is raised that that would be included. The minutes are already detailed enough. He's not looking for more detail. But he wants to make sure that whatever questions got asked or issues got raised that they get reflected somewhere in the minutes.

## II. Financials Update

Commissioner O'Mara gave a presentation of the FY18 December financials. He spoke about comparative unemployment rates and it's a great story to tell both locally and nationally. We have lower than 5% unemployment across the country. For the country as a whole, December was 4.1%, unchanged from November. For Kentucky, it was 4.7%, down from 5.0% the month before. The MSA was 3.2%, 1/10th down from the month before at 3.3%. And Lexington was at 3.1%. That's a pretty low unemployment rate. The Economic Indicators shows Fayette County permits issued at 965 in the month of December. That compares to 721 the same time last year. So that's an increase. Our Business Licenses issued was at 140. That compares to 153 in December of the year before. Home Sales were at 1,000. That compares to 1,081 in December of the year before. Fayette County foreclosures were at 16, the same level as December of the prior year. So, we have good economic indicators, we have good unemployment right now.

Rusty Cook, Director of Revenue, gave a presentation of the December Top 4 revenue sources, Employee Withholding, Net Profit, Insurance and Franchise Fees. The first slide is December Month-to-Date to Actuals. It's for informational purposes. In the Top 4 Year-to-Date versus budget, currently we're sitting at $1.8M below budget. All four categories are below. Net Profit is half million below. We're going to make that ground up in January as we head into the tax season. He's already seeing some positive growth there through January. Franchise Fees, of course, is down. We had a very mild fall going into the month of December so we could eat some of that up with the continuance of cold weather. Employee Withholding is slightly down .3% versus budget. Then Insurance is down. All these are showing growth except for Franchise Fees. We're seeing growth, we're just not seeing the growth that our budget….we're currently $3.4M ahead of prior year. Employee Withholding, though, is only showing $1.9M and that's kind of a little different than what you should really see. We had a payment last year for $563,000 to hit in December of 2016. If you take that out, because this year we received it in January, to make things apples to apples, we're at 2.7% ahead of prior year which is pretty strong growth. Net Profits at 9.8% above prior year. He thinks that will actually grow some through the months of January and February before we get into tax season. Insurance is up 3% which is strong but just not up to what we had budgeted. And Franchise Fees are basically flat to prior year.

Melissa Lueker, Director of Budgeting, presented the remaining revenues and cash flow variances for December. If you notice, the Services category is typically one where we have a positive variance. We are currently running a negative variance. That's due to our EMS billing. They're down. So we definitely have pressure there. The Detention Center Bed Fees are still up. We're behind two months of payments. That's a timing difference. The rest of them are just about right at budget, no big variances. But we are watching the budget overall because we're down 1.7% in total revenue for the first 6 months of the year. So there is pressure that we're keeping an eye on. On the Expense side, we are over budget in Personnel. That is actually due to health insurance claims. The last six months of the calendar year – first six months of our fiscal year – has seen an increase in claims. We're working with our health care consultants. We're tracking that on a monthly basis. We're comparing our claims month over month to prior year. We have a close eye on that but I will say that we've already expended our entire subsidy that we budgeted for health insurance during the first six months of the year. It's not necessarily in our salaries. It's on the health insurance side. On the Operating side, we have large variances in professional services, operating supplies, and repairs. Debt Service – we've done some refunding so there is some savings there. She pointed out that the variances seen in operating and debt, partner agencies and transfers – this is the first year that we've had divisions put in their spread on how they thought they would spend their money throughout the year. Our new budgeting system allowed us to do that. Those variances are overstated, either positive or negative. The operating and debt service is a little inflated, they're not as positive as they look. The transfer is not as negative as it looks. So while we're 6 months in and we're showing these large variances, we know that there's some fluctuations there based on the timing of actuals and how the budget spread was in there. Overall our change in fund balance for the first six months is $5.1M. That's not to project out. We can't double that and say we're going to have $10.2M by the end of the year because we know there are variations and the timing of certain things to come in and out and change that around. As you can see on our revenue over prior year we're up. We have revenue growth year over year. So overall our revenues are 2.6% higher than the first 6 months of FY17. On the expense side, you'll see our expenses are also up but we have a higher budget so that plays into that.

F. Brown said on the debt service, the variance, he thought we were pretty well right on. We knew the numbers on debt service. What changed in that again? Lueker replied that we had some refunding so there's a little bit of savings with that. With debt service, it's a tricky one with timing because payments are due on the first or the thirtieth. If that falls on a weekend we may have booked it to be paid in a month but if the first falls on a weekend, it may not be paid until the next month. Brown asked so what we budgeted originally is going to be pretty close or should be because we knew what our payments were going to be. He said he wasn't sure about what she got on the refund. O'Mara responded that between the refunding and the actual, we sold our bonds for this year early. It was in September and we beat the budgeted interest rate. So between the savings from projected interest rates and the refunding, we feel that we'll have a debt service savings of a little over $1M this year. But it's not the $1.9M. That's the timing difference. Brown replied that that was good management and he appreciated that. Operating – the other expense you indicated there that we are under there. Are we going to keep that trend? Sally (Hamilton), our CAO, may be able to explain that a little bit more but that's a good number right now. Lueker said it is a good number. She thinks that we're going to have a positive variance there. She's just not sure it's going to be at that level because, as she said, this is the first year that divisions have spread out their budgets. It was a good exercise the first year and we're working with them for the next fiscal year on getting that a little closer. We've provided them with actuals so she thinks some it that will stay but we will lose some of it based on timing of whenever people actually have expenditures. Brown continued by stating that some of that can be controlled by the Administration if the revenues don't come in in May and June. Lueker said it can and that they did that last year when they were running into problems.

Bledsoe stated she had a question about personnel. That includes overtime as well, right? Lueker replied yes. Bledsoe said she believed it was this time last year when we started to look at Police and Fire and Public Safety overtime in general started to get at a higher percentage and she was curious if this was a trend of being $900K over or if Lueker felt like we had good control on that specific category in personnel. Lueker responded that on overtime we are actually under budget by about $300K year to date. Bledsoe said fantastic. She was just double checking.

Moloney said the question he had is on personnel. Was it said that the reason we're up there is the health numbers are coming back well over what we budgeted for and have already spent the whole year in six months? Lueker replied yes. Our health insurance – we're actually about $1.2M over budget for the first six months. Moloney said we've got the remaining six more months and right now flu season and everything…..are you all concerned about this? Lueker replied we are. We're working with the health care consultant. But something to remember also is that the first half of the fiscal year is actually the second half of the calendar and plan year. People have met their deductibles so then we're paying full cost for a lot of things whereas the first six months of the year, people are still paying the out of pocket costs and haven't met their deductible. That may take the pressure down slightly. Moloney continued, asking if we've already spent – maxed out- and we continue this pace, where will we take that money from. Are we going to have to cut from expense? Lueker said our first attempt would be to make that variance up within our regular budget. But, as you all recall, back when the fund balance discussion happened, we set a health insurance reserve if we needed to go that route. But our first attempt would be to manage it within our current budget expenses. Moloney said he hopes they keep on that. He assumes they'll have to take some money out eventually because this is a sick time of year right now with the flu and everything. Sally Hamilton, CAO, followed up by saying that they're watching is to leave the personnel vacant longer to start to balance that number out if it doesn't come back and get it out of that line, not out of someplace else.

Stinnett asked what the revenue number was ending June 30th. Were we down $5M like we predicted in our revenue, in the big four? We're comparing actuals to last year and last year we ended up negative. Did we finish above budget, on budget, below budget in the big four? O'Mara said it was all over the board. On total for the entire General Fund we were higher than our forecast, lower than our budget. Stinnett asked how much lower than our budget. O'Mara said he would have to get back to him with that.

<u>No further action or discussion on this item.</u>

**December 2017 MTD Actual Compared to Adopted Budget**

| Revenue Category | Actual | Budget | Variance | %Var |
|---|---|---|---|---|
| OLT- Employee Withholding | 14,855,182 | 15,597,635 | (742,453) | -4.8% |
| OLT - Net Profit | 4,158,606 | 4,393,029 | (234,423) | -5.3% |
| Insurance | 3,986 | 17,171 | (13,185) | -76.8% |
| Franchise Fees | 1,652,027 | 1,604,339 | 47,688 | 3.0% |
| **TOTALS** | 20,669,801 | 21,612,174 | (942,373) | -4.4% |

**December 2017 YTD Actual Compare to Adopted Budget**

| Revenue Category | Actual | Budget | Variance | %Var |
|---|---|---|---|---|
| OLT- Employee Withholding | 95,753,646 | 96,058,740 | (305,094) | -0.3% |
| OLT - Net Profit | 12,314,176 | 12,826,065 | (511,889) | -4.0% |
| Insurance | 15,468,531 | 15,797,138 | (328,607) | -2.1% |
| Franchise Fees | 11,599,174 | 12,264,511 | (665,337) | -5.4% |
| **TOTALS** | 135,135,527 | 136,946,454 | (1,810,927) | -1.3% |

**2018 Fiscal Year – Cash Flow Variance Expense (Actual to Budget)**

*For the six months ended December 30, 2017*

| | Actuals | Budget | Variance | % Var |
|---|---|---|---|---|
| **Expense** | | | | |
| *Personnel* | 104,522,785 | 103,619,217 | (903,568) | -0.9% |
| *Operating* | 20,741,869 | 28,117,446 | 7,375,577 | 26.2% |
| *Insurance Expense* | 1,061,145 | 987,779 | (73,366) | -7.4% |
| *Debt Service* | 22,744,192 | 24,707,903 | 1,963,711 | 7.9% |
| *Partner Agencies* | 9,876,630 | 10,881,399 | 1,004,769 | 9.2% |
| *Capital* | 1,238,804 | 1,334,472 | 95,668 | 7.2% |
| **Total Expenses** | **$160,185,425** | **$169,648,216** | **$9,462,791** | **5.6%** |
| **Transfers** | **2,443,232** | **995,224** | **(1,448,008)** | **87.3%** |
| **Change in Fund Balance** | **$7,510,620** | **$2,388,187** | **$5,122,433** | |

## 2018 Fiscal Year – Cash Flow Variance Revenue (Actual to Budget)

*For the six months ended December 30, 2017*

| | Actuals | Budget | Variance | % Var |
|---|---|---|---|---|
| **Revenue** | | | | |
| *Payroll Withholding* | 95,753,646 | 96,058,740 | (305,094) | -0.3% |
| *Net Profit* | 12,314,176 | 12,826,065 | (511,889) | -4.0% |
| *Insurance* | 15,468,531 | 15,797,138 | (328,607) | -2.1% |
| *Franchise Fees* | 11,599,174 | 12,264,511 | (665,337) | -5.4% |
| *Other Licenses & Permits* | 3,136,477 | 3,274,043 | (137,566) | -4.2% |
| *Property Tax Accounts* | 20,016,810 | 19,692,657 | 324,153 | 1.6% |
| *Services* | 9,757,368 | 10,982,624 | (1,225,256) | -11.2% |
| *Fines and Forfeitures* | 79,700 | 119,608 | (39,908) | -33.4% |
| *Intergovernmental Revenue* | 131,123 | 172,573 | (41,451) | -24.0% |
| *Property Sales* | 140,624 | 100,000 | 40,624 | 40.6% |
| *Investment Income* | 242,693 | 258,425 | (15,732) | -6.1% |
| *Other Income* | 1,498,955 | 1,485,242 | 13,713 | 0.9% |
| **Total Revenues** | **$170,139,276** | **$173,031,626** | **($2,892,350)** | **-1.7%** |

## Comparison of Economic Indicators 2016/2017

| Economic Indicators | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fayette County | 2015 | 4.2% | 4.2% | 4.1% | 3.6% | 4.1% | 4.2% | 4.2% | 3.6% | 3.6% | 3.5% | 3.6% | 3.8% |
| Unemployment Rate | 2016 | 4.2% | 4.3% | 4.1% | 3.3% | 3.6% | 3.9% | 3.8% | 3.3% | 3.4% | 3.3% | 2.9% | 3.1% |
| | 2017 | 4.0% | 3.9% | 3.9% | 3.6% | 3.6% | 4.4% | 4.5% | 3.9% | 3.2% | 3.2% | 3.1% | N/A |
| Quarterly Fayette County | 2015 | - | - | 185,062 | - | - | 189,584 | - | - | 191,038 | - | - | 197,966 |
| Employment | 2016 | - | - | 188,039 | - | - | 192,063 | - | - | 194,300 | - | - | 196,500 |
| | 2017 | - | - | 192,000 | - | - | 193,700 | - | - | N/A | - | - | N/A |
| Fayette County Permits Issued | 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 |
| | 2017 | 876 | 739 | 924 | 899 | 1,357 | 995 | 1,207 | 1,283 | 1,054 | 1,053 | 994 | 965 |
| Fayette County New Business | 2015 | 197 | 224 | 330 | 749 | 362 | 198 | 198 | 283 | 264 | 286 | 238 | 160 |
| Business Licenses | 2016 | 203 | 248 | 445 | 564 | 658 | 299 | 173 | 260 | 219 | 231 | 211 | 153 |
| | 2017 | 201 | 253 | 418 | 468 | 621 | 328 | 206 | 281 | 205 | 247 | 213 | 140 |
| Home Sales (MSA) | 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 |
| | 2017 | 776 | 794 | 1,060 | 1,067 | 1,411 | 1,428 | 1,353 | 1,311 | 1,084 | 1,115 | 951 | 1,000 |
| Fayette County | 2015 | 33 | 20 | 36 | 24 | 18 | 43 | 18 | 41 | 12 | 43 | 41 | 26 |
| Foreclosures | 2016 | 22 | 36 | 25 | 27 | 31 | 21 | 26 | 40 | 14 | 31 | 31 | 16 |
| | 2017 | 27 | 17 | 16 | 19 | 16 | 17 | 20 | 22 | 19 | 16 | 26 | 16 |

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

## FY18 Code Enforcement Nuisance Abatement/Lien Collections

| Month | Administrative Collection Fees | | Miscellaneous | | Penalty & Interest | | Total Collections | |
|---|---|---|---|---|---|---|---|---|
| | FY 2018 | FY 2017 | FY 2018 | FY 2017 | FY 2018 | FY 2017 | FY 2018 | FY 2017 |
| July | 825 | 225 | 603 | 253 | 6,936 | 15,545 | 8,364 | 16,023 |
| August | 1,125 | 1,125 | 1,711 | 802 | 35,892 | 10,163 | 38,728 | 12,090 |
| September | 800 | 545 | 1,260 | 2,153 | 55,540 | 71,112 | 57,600 | 73,810 |
| October | 375 | 1,275 | 536 | 2,132 | 50,654 | 39,069 | 51,565 | 42,476 |
| November | 525 | 975 | 1,664 | 962 | 40,359 | 27,457 | 42,548 | 29,394 |
| December | 600 | 300 | 572 | 1,456 | 31,407 | 48,596 | 32,579 | 50,352 |
| Totals | 4,250 | 4,445 | 6,347 | 7,758 | 220,787 | 211,942 | 231,384 | 224,145 |

## III. FY17 CAFR Presentation

O'Mara began by stating that annually we have a report from our outside auditors. He welcomed Bill Myer and Jennifer French from Strothman + Company who have been doing our audit. This is part of their compliance to have the discussion with management on how the audit went.

Bill Myer stated that the audit opinion was, in their world they call it an unmodified but it's also referred to as a clean audit opinion. Overall, the audit went well. There were 162 pages in the Comprehensive Annual Financial Report (CAFR). In addition, there was an audit of federal funds that also had a clean audit opinion. So the audit went smoothly and they got everything they needed on a timely basis. These financial statements are prepared by management. They do an excellent job in putting those together. Our job is to audit those. The audit opinion basically says that it was a clean opinion. This is a standard opinion that you would hope to get. Because you don't have one set of numbers, you have different types of financial statements. We talk about opinions in the plural but they were all clean opinions.

Myer presented a summary of the net change in fund balance. It was a decrease of $21M but as you probably know from previous presentations, nearly $18M of that related to the firefighters' settlement and you also had a $9M one-time capital expenditures pool of monies that you spent. So actually when you count for those two things, the actual operations were up about $5M in the General Fund this year. So that's the components of the $21M decrease. An unusual year but hopefully it won't recur. If you didn't have the capital expenditures, if you didn't have the firefighters' settlement, you would have been up $5M is another way of saying it.

Myer then presented a summary of the General Fund balances. He thinks Commissioner O'Mara went over this with Council before but obviously a significant decrease but it was for those reasons that I explained. Your fund balance is in total $65.31M at the end of last year, most of which is committed for different specialized things but there is unassigned $5.4M compare to $4.79M last year so it's fairly consistent. There are a lot of footnotes in these financial statements. This is my attempt to basically say none of them changed as far as the format except there was some additional disclosures related to the pensions. You might recall last year you had to start recording a pension liability in certain of your financial statements for the first time so there were some tweaks to that footnote which runs on for many pages and has a lot of disclosures in it. There are some things that we're supposed to affirmatively discuss with a committee such as this. Basically your accounting principles that you followed as a government were consistent with the prior year, nothing significantly changed. We had no errors that we found, proposed adjustments and that type of thing that came up in our audit. We had not difficulties in dealing with management or disagreements. We got everything we needed all up and down the line. The staff here is very helpful in getting us what we need. Myer continued with presenting Required Communications. It pointed out that the financial statements to require some estimates in Compensated Absences, Unfunded Post-Retirement Health Benefits, Net Pension Liability, Landfill Closure and Postclosure Care Liability, Claims and Judgments Payable, Depreciation Expense and Allowance for Doubtful Accounts. Not all the numbers in financial statements are hard numbers. Some of them are estimates.

F. Brown asked if Myer had a slide with him that broke down the $65M fund balance. Myer responded that the numbers up above (on the slide) are the general breakdown. Brown replied he thinks it was broke down a little bit more in another schedule within the CAFR. Myer said Commissioner O'Mara made a presentation that may have broken it down more. Brown said that the $5.4M unassigned is really what our fund balance is that's free so to speak. It's not reserved and we've got the ability to do something with that if we want to, the Council does, on that. He then said the $14M in General Government wasn't broke down. Myer replied that it's a $4M health insurance reserve and a $10M….O'Mara presented a slide from his previous fund balance presentation that showed $4M in health insurance reserve and $10M in budget stabilization reserve. O'Mara said the auditors are presenting the same numbers, just going back to the presentation he made the first of December. Brown said there's a little bit more detail to it. Brown asked if they were going to present this to the Internal Audit Board. Myer replied yes, there's a meeting next week. Brown asked if they do a management letter now. Myer said if there's something that's considered by the auditors to be what's defined as a material weakness or significant deficiency, they have to put that in writing. They did not have any of those findings in those two categories. There were some other things that were communicated to management verbally but nothing that was required to be put in writing. Brown responded that that was good to hear. Myer continued that in FY16 there was one finding in the federal funds audit that was corrected so there weren't any findings in the federal funds audit either. Brown said the only other thing he had was when he looked through the CAFR he didn't see anything about litigation that was pending or anything significant. The previous year we had the pension that was in litigation and you do that financial footnote. Myer said they met with our counsel and went through all of the outstanding cases. There are several levels of disclosures. One is no disclosure if nothing is deemed to be significant and out of the ordinary in the normal course of business; another option is to disclose the fact that there are some general litigation going on and on page 84 we did recognize that there is litigation going on but we didn't go into any significant detail. If it rises to a higher thing like the firefighters, you would disclose additional information about that particular case. You do have litigation. We did include that as part of our audit. But we thought that the general disclosure on page 84 was sufficient. Brown said looking through the report and having a background of being able to audit government it looked like a good report for us. Myer said he's audited a number of governmental organizations and your finance staff is way up there. They do a good job. They're very knowledgeable about the numbers and the accounting standards.

Farmer asked if this was the second year we've been engaged with this auditing firm. Myer replied third year actually. Farmer said Myer's comment about the staff being cooperative and professional answered his question in reference to making sure communication was good because it's key with auditors. Myer said some clients kind of hold things close to the vest and are a little reluctant to tell them things. But we don't feel like we have that at all here. They met with the Mayor, Sally (Hamilton), the Internal Audit staff, the technology folks so a lot of meetings and no reluctance and nothing being held back.

<u>No further action or discussion on this item.</u>

**IV. Local Economic Development Tax Incentives**

Stinnett introduced Wes Holbook, Administrative Officer Sr. in the Department of Finance to begin with the TIF update.

Holbrook began by saying that at the last meeting he presented a high level overview of some of the economic development programs that LFUCG operates, both programs that we operate internally and programs that we partner on the State with. Tax Increment Financing is one of the two economic development programs we participate with the State on. We go into an agreement with the developer and the Cabinet for Economic Development in crafting these agreements.

The way that TIFs work – they take an underdeveloped or a blighted parcel of land and/or building and they look at what the baseline revenue is there so businesses that are already in place, taxes that are already paid; they look at what jobs are coming in and what public infrastructure is coming in. With the new revenue that's generated over what was already there, 80% of that goes back to the developer to pay for those approved public infrastructure costs. That typically happens over the course of 20 to 30 years depending on what type of TIF is done. When we talk about public infrastructure, and that's what the money goes back to the developers for, it varies by project but typically includes things like sewers, storm drainage, roads, street lighting, parking, public spaces, things like that, a wide variety of things but all things that are necessary for public use of the property. Right now, we currently have 6 TIFs in Lexington, 5 of them are active and 4 of those have reached their minimum capital threshold so they're eligible to receive local and state money to be reimbursed for the public infrastructure that they've put in place. The TIFs are 21c, Centrepointe, Midland, Red Mile, The Summit and Turfland Mall. The Public Infrstructure and Total Capital Investment slide shows what the different TIFs have to report at least annually to the state and LFUCG about what public infrastructure they've put into place and the capital investment. The numbers shown are of the last reporting period – the amount of public infrastructure per their agreement they had put in and what the total capital investment that they had done at any given time. Just to note – each of these projects are audited 3 times to determine that they've achieved this minimum capital threshold so that they're eligible to receive state and local money to be reimbursed for their public infrastructure. They're audited again once they either reach their public infrastructure maximum or stop producing public infrastructure. They're audited a third time to confirm all the costs as we close out the project. Most of these with the exception of Midland and Centrepointe have been audited at least one time and we recently received the second audit report for The Summit. All of the numbers shown with the exception of Centerpointe and Midland have been audited at least once by an independent CPA.

The next slide shows what we have seen in some of the increment payments over the last two years. Some of the numbers are a little off. On the local side, all of these local increments are for two years of increments. In calendar year 2015 and 2016, that's the total amount we have reimbursed to the developers for public infrastructure. On the state side, we've received two years of increment payments for 21c and The Summit. We haven't received the two years of increment payments for Turfland or the second increment payment for Red Mile. There's a little bit of lag in the State Department of Revenue as they go through and confirm their numbers in order to get the payment to us.

Mossotti said the TIF projects all seem pretty healthy if they didn't have the TIF. She hears a lot from her constituency saying that we're talking about everything from The Summit to 21c that's obtaining these funds. How are they determined, that these particular developments receive these funds? Are they in contention with other developments that maybe don't have as much deep pockets as some of these developers do? How does that work out? Holbrook replied that it's an application to the state for each of these. Mossotti said so they're the body that determines this. Holbrook replied yes. The Kentucky Economic Development Finance Authority, an application goes to that body, which is a committee appointed by the Governor that operates at the Cabinet for Economic Development. They will review a consultant's report and other information about the public infrastructure spends. Then they set an approved amount that each of these developments can be reimbursed for. Mossotti asked if Holbrook said it's given in two year increments. Holbrook said increments accrue over the calendar year so for the past two years we've been receiving increments. Mossotti said she gets a lot of questions about this from neighborhoods wanting to know, you know someone who has such deep pockets, how are they able to be chosen over other projects that may not be able to go forward because they just don't have the money. So she assumes a lot of this is a draw to bring them here and an incentive for them to come here but she was curious how it's determined which ones are the ones to chosen for TIF and which ones aren't. Holbrook said that as part of their application they'll break down what their estimated public infrastructure costs are. For instance, The Summit has the highest number up there. They looked at $3.5M for sewer infrastructure, $4.6M for sidewalks and curbs, $2.1M for roads. So there's a lot of that public infrastructure that's part of it. And it's to make sure that those costs are covered since they do serve a public purpose. Mossotti said certainly, but they're also charging $50 and $60 a square foot for rent so they're doing pretty well with that. Her concern is that it's such a high end developer that he is being able to generate this type of revenue. Maybe these type developers aren't the ones in need of the increment financing. Holbrook said they only get reimbursed if they can produce the payroll and property tax revenue. If you bring in not a lot of jobs or jobs that are maybe only paying $10, $12, $15 an hour then you're not going to generate enough revenue to be able to reimburse for those public expenses.

Bledsoe said she would think public spaces and public parks would be the least amount of projects that have been used with tax dollars. Holbrook said we typically haven't seen a lot of that. It was placed in the presentation as an example. Bledsoe said we just had the Parks Master Plan and she thinks there are opportunities to use more for public infrastructure like parks. She then commented that Holbrook said they reported three times a year both to the state and to us. Who monitors if they hit their numbers of jobs, not just the payroll tax, not just the revenue, but don't they have a number of jobs they have to hit as well? Holbrook stated he didn't recall in the agreements there being a number of jobs. There may be in individual agreements. But if they don't generate their estimated revenue then the developers who have put the money into the infrastructure that they're anticipating reimbursement for, they're not going to see that money come back. Bledsoe asked if we enforce the individual agreements. Holbrook said yes, he monitors those and works with our Division of Revenue and the developer to pull together that information on who's in the development, how much of the year they were in the development, what was their revenue in the year the TIF baseline was set and how much is in there now in order to come up with that calculation.

Kay said he needs a little more detail. On these TIFs, does the amount of time they have to recapture those capital expenditures vary or is it set for all of them? Holbrook said its 20 years for almost all of them except Centrepointe and that's because Centrepointe did a Signature TIF program which allows for 30 years recapturing those expenses. Typically it is a 20 year time period. Kay said so Centrepointe has a different time frame? What is that? Holbrook replied 30 years. Kay said the reason again for that? Holbrook said there are two TIF programs that are operated at the state level and Centrepointe did one called a Signature TIF. It's just a longer time period and allows for different state revenues to be recaptured. Kay said so they have that amount of time to recapture their capital investment. Holbrook said for their public infrastructure, yes. Kay said mechanically how does this work? They pay their payroll tax, they pay their property taxes and then the city reimburses them for part of that. Is that correct? Holbrook said right. We look at how much was there, I think for them it was in 2009, and then every year we look at how much new over what was there in whatever their baseline year was generated and then 80% of that goes back to the developer. Kay asked how the payroll tax breaks down. If our payroll tax is 2.5......Holbrook said 2.25…..Kay said they pay that all and then we reimburse them 80% of that. Holbrook said yes, less whatever was already in place when the district was formed. It's 80% of any new money that's generated. Kay said so it's what it was generating taken off first and then 80% of the balance. Holbrook said right. Kay continued that the total to be recaptured, does that include from both local and state? Holbrook said that's correct. Kay asked what typically the balance of state and local is. Holbrook said it would depend on which taxes are pledged in each of the TIFs. For instance, Summit is one where we received both years payments so that's an example we can look at but again it just depends on the amount of payroll withholding revenue that goes into the district and how much property tax there is. A ratio like that, at least our experience in the program right now, is probably fairly accurate. Kay said a part of the key, he thinks, to make sure that we're doing the right thing is that when projects are identified, even if the state has approved them, he thinks we need to look to see if this is a property that otherwise would not be or could not be developed. Is it really a property that is in danger of just sitting there? He thinks that's the question in the mind of some people in the public that say "well it would have been developed anyway" and what we're doing is we're paying for something that would have happened anyway. He thinks that's where we need to be clearer about.

Gibbs said he had questions about CenterPoint and Midland. On CenterPoint, the total capital expenditure of 57 and public infrastructure is 24. That's roughly 40% so he guesses we're counting the parking on that? Holbrook replied that for the CenterPoint project the public infrastructure is the parking garage and the financing costs for the project. Gibbs asked in the eyes of the people that do these TIFs, parking is parking? Because the people at The Summit got a bunch for parking and at CenterPoint it seems like…would it not be different since they're eventually going to get their costs back since that's not going to be free parking he imagines. The Summit will be free, serving their customers but people will be paying for parking at CenterPoint. So that doesn't make any difference? Holbrook said he doesn't necessarily know how the state considers that because they're the ones that set the approved number for what that infrastructure….the developer will typically ask for a larger amount and the state will approve a lower amount. So he's not sure what their thought process is on how to value the parking garage that may be repaid versus lot parking in front of a store. He can't comment on that. Gibbs continued that on Midland, where did the numbers come from? He doesn't see any public infrastructure over there yet. Holbrook said he have to go back and see exactly what it was. That's the number he pulled from the most recent filing we did from the state. Gibbs said he'd be curious because it's right across the street from his district.

Stinnett asked if the total capital investments were from all sources and parties, not just from that developer. It's from LFUCG money, etc..? Holbrook said that's whatever money was spent on redeveloping the project. Stinnett asked if he couldn't break down where that money comes from. He knows that 21c did not put 45M of their own dollars in that. Holbrook said in an instance like that there is other money that went in so any capital investment would include that money. Stinnett said do we ask that, where the other funds are coming from. Holbrook said we get a financing plan for the TIFs to see what their plan is to put together the development. Stinnett asked if Holbrook can go through there and see how much of those dollars in capital are 100% their money and how much they've really invested in our community. Holbrook said some of it we may not have exactly how much is bank loan versus equity or something like that. We can certainly look at how much public money we had put in up front. Stinnett responded that there are some other incentives in there besides TIF like historic tax credits and other things that taxpayers are still on the bill for. On the previous slide under payments, those are payments that we're paying out? Holbrook said on the local side, that's what we're paying. The state side would be what we received from the state to pass through to the developer. Stinnett asked what account we pay those out of. Holbrook said it's a revenue pass through account. On the local side, we take it directly out of payroll and property tax where it was generated. On the state side, it's a pass through account. Stinnett asked if we have a breakdown between payroll and property on the local. Holbrook said we do that as part of our analysis to put together the increment number every year. Stinnett asked if he could do that for the committee and give the breakdown of the 117 and 271. Obviously payroll is the big one. Holbrook agreed. Stinnett continued saying Holbrook said they all were on different time frames and asking if he could tell them what time frame each of them are on in terms of the increment, when do we actually start making money. Holbrook said yes.

Holbrook proceeded with the Jobs Fund presentation. As a refresher as to what the Jobs Fund is: in 2013, the Administration wanted to put together an incentive program to provide funding for businesses that are creating and retaining jobs in Lexington. Council passed Ordinance 153-2013 that December that allowed establishment of the Jobs Fund Program and set aside $1M. They started putting together the policies and guidelines and started to notify companies that we had this program available to help them grow here in Lexington. This program is administered between Kevin Atkins, Holbrook and other members of the Finance Department. We also have a board that reviews every single application that we get. That includes the Chief Development Officer, Kevin Atkins, as the Chairperson; two Council members – the Budget, Finance & Economic Development Chair or designee and a second member of the Urban County Council. The board also consists of members of Commerce Lexington, a Housing Industry representative, two financial investment or banking industry representatives, a private equity/venture capital representative and three members from the community who are identified as having expertise that would be beneficial to evaluating applications from businesses for incentives. The available incentives we have are for up to $50,000 for a grant, up to $100,000 for a forgivable loan agreement, up to $250,000 for a regular loan agreement and our default is for all of these to have terms of up to 10 years. This is different from how we originally structured the program. We had a $100,000 grant and a $250,000 loan. We wanted to lower the grant threshold to make sure some of those funds recycled through so we'd have funds available for the program later on. Every company that we look at, we look at their eligibility. They have to be located in or moving to Lexington; be current with all federal, state and local taxes; they must be creating jobs with mean average wages greater than or equal to 125% of the county median ($18.09) and the board adjusts that number annually; we work with them to establish and meet job creation requirements; they have to produce a tradeable good or tradeable service; agree to a pre-determined compliance reporting period. We ask all of our companies to report to us annually once they hit their job number and then more frequently if we find some need to do so.

A current report of the Jobs Fund: we've had 27 applicants, 20 awarded. The incentive total is $2.2M that's been awarded. We've only disbursed $1.6M because we've started to setup this milestone based disbursement. A company doesn't get $250,000 or $100,000 up front. They have to create a certain number of jobs to be able to access the next tranche of money as a layer of taxpayer protection. So far, we've been able to verify of our 19 companies we've incentivized, we've had 176 jobs created that translates into $10.3M of new payroll which is about 6.4 times the amount of incentives disbursed. That translates into annually $233,000 in additional payroll tax revenue. Because we've started to have more loans and forgivable loans, we've had repaid principal of $39,000 and interest of $13,000. We had an issue of non-compliance with a company where we requested and received a penalty payment of $7,000 and we're trying to move away from the grant program to the loan program so the money continues to cycle through. The mean wages for the program for those 176 jobs is $29.10 an hour. The median is $26.75 an hour. Of the 176 jobs only 8 of those are C level people (executive) and 4 of those C level people are companies that were relocating from outside the county or outside of the state. Only 4 were growing locally.

F. Brown said current incentives awarded 2.2M, how much of that is cash or loans that we've put out? Holbrook replied we've had 3 loans approved through Council and they've all been the full $250,000 so it's $750,000 of principle and interest loans. We have $100,000 partially forgivable loan and another forgivable loan that's fully forgivable so $750,000 that we're anticipating principle and interest back. Brown asked what the budgeted amount was that we put in that fund, $1M. Holbrook said we've had $3.25M of allocations from the Council. Brown asked if that's been carried over, that we didn't budget that much last year. Holbrook said that's carryover money. It's maintained in a separate fund so it rolls from year to year. Brown asked if it is known whether or not there will be a request for budgeted amounts this next fiscal year. Holbrook said yes they will. Brown asked if the other incentives are where they discounted the payroll tax. Holbrook said yes. Brown continued by pointing out that it was said new payroll created is $10M. Is that an actual $10M creation? Holbrook said that's going through and looking at all the wages of every single job we have. Brown asked if that every actual cash that's coming in as revenue. Holbrook replied that they confirm with Director Cook whenever they get compliance reports to make sure that companies are compliant and current on their payroll withholdings.

Kay said on the new payroll created, what you're saying is that we've awarded a couple million bucks that created $10M in payroll and then we're getting basically the 2.25 off that payroll, that's what we're generating in income from those jobs. Is that right? Holbrook replied over the course we're generating over $233,000 annually. Kay said on the difference between a loan, a forgivable loan and a partially forgivable loan…..Holbrook said that's a matter of thresholds and what's set by the board. Our goal is to have as many companies that come and apply to the program and loans as possible just so we can keep that money cycling back through and in addition to what we've seen as a return to new jobs to get additional funding through the interest. If a company is in an in between stage, they can request a forgivable loan and the board sets that forgivable percentage. For the two forgivable loans that we have, one is 90% forgivable and the other is totally forgivable. They just pay interest every three months and as long as they're compliant and they continue to have their jobs in place then over the course of 10 years the total principle will be forgiven. Kay asked if the forgivable loan is proportionately forgiven as it rolls through the years. Holbrook said yes, a portion of that is forgiven every single year. Kay asked if one of the criteria for awarding grants or loans, the amount of capital that the applicant is putting in, it's not clear to me, what they have when they come before the board. Are they saying we're going to invest X and we need another $100,000 in order to make this thing work. Is that how it goes? Holbrook replied they put together what the cost of their growth is and then they'll list what other private or public sources of funding that they'll have in there. Occasionally that can be something like a state program that they have access to but more often than not its either private equity or private financing. Kay said on the Affordable Housing Board when we get applications typically what we're saying is our dollars are the last dollars in. This is was actually makes that project possible. Is that the same principle applied? Holbrook said that's correct and we designed the program with that in mind to make sure that all the other financing they needed to have in place was in place before they came to us.

Plomin said on the eligibility section it says "to establish and meet job creation requirements'. Does that vary by the business or is that something we put out there? Holbrook says it does. Typically before a company applies they'll meet with us and express an interest in submitting an application and let us know the job numbers and wages that they're thinking about. We'll discuss with them, because we have had a company that didn't meet their job numbers, we make sure that they're giving a reasonable number, a number that they feel comfortable with but not something that's so conservative that they're automatically going to meet it. We want to make sure we're helping them grow and not being overly punitive. We'll meet with them and help establish that and then they'll come to the board with their full application. We'll typically work with the board on setting what those milestones are so you'll have access to X amount of dollars when you've created 2 jobs and you'll get the next tranche when you've created 4 and the next tranche at 6 and so on. We'll negotiate as part of the contract what length of time you have to put these jobs in place. We always err on the earlier side of the contract so about a year, year and a half is typically what we shoot for so they have plenty of time to get people hired, get the jobs in place and retain those. Plomin said so that does change from company to company. Holbrook said it does. We've had anything from 1 job to 100 and it all depends on what the business is and what their needs are. One of the things we had in mind when we designed this was the state KBI program. They have a minimum threshold of 10 jobs and we know with some of our technology companies, that's probably more than they're going to be creating. They have people that can work anywhere. They're not very capital intensive but they are wage intensive. We wanted to make sure would could serve whatever types of companies that would be growing in Lexington at whatever size.

Stinnett added the CM Bledsoe and CM Lamb sits on the Jobs Board for the Council.

Bledsoe wanted to reference a couple of items on individuals on the Jobs Board in terms of 2 financial investment, banking individual, housing individual, private equity. They're exceptionally careful on that board. They're extremely cautious in terms of approach. There's been a number of times when they've said in a meeting "you're not ready, you'll have to come back". They have been very cautious with companies to make sure that what they say they're going to put in on their own side is an us making it work not you're first in, see who else can come join us approach. She's been very pleased with how intense some of them are at that table. She just wanted to make it public that they take their job very seriously and have been very cautious and very successful with companies coming back and saying "you're right. We need to do some more homework". She's very pleased with the median to get what it is. $26 is well above the $18 goal. She thinks it's exceptional and it says a lot about the work of Kevin Adkins and Holbrook's work.

Evans said she's curious. These are the numbers since implementation in 2013 or I2014 since that's when the work actually started. Is the payroll tax number of $233,000, that's the accumulation since 2014 or…..? Holbrook said that's the current number of jobs that we verified over the course of one year. That doesn't include what may have been generated in 2015 or 2016. Evans asked if there was a way to get that number. Holbrook said yes. Evans said she was wondering if that was the average of this past year. Holbrook said it was for one year. Not all of the companies have met their job creation thresholds. We have two that have really exceeded those. One is 13 over what they had originally estimated and one that's 24. Both are technology companies that are paying very good wages.

Mossotti said there are 27 applicants. Is there typically more than that and are these the ones that met the criteria? How many people apply for this? Holbrook replied that the 27 is for the life of the program. Mossotti said have you had 50 applicants and you……Holbrook said we've only had 27 and we've awarded 20. Some of the ones that haven't been awarded have withdrawn because they didn't agree with some of the contract terms that we had such as we asked for a guarantee on one instance and the company backed out. We work with the Law Department to put in terms to make sure the money is protected. We've had companies come in that haven't paid their payroll taxes when they apply so we automatically kick them out. Then there are companies that withdraw or just don't go for whatever reason. Mossotti stated she was just curious if more had applied and these were the only ones that met the criteria. Holbrook said the 27 were the only ones that had submitted a full application. We've had partial applications but we don't consider those until everything is complete.

Stinnett said it's a testament to create $10M worth of payroll in our community is a very difficult thing to do to attract a new company or even help our current ones get to it. So this is helping leverage some of those efforts.

Bledsoe introduced Sarah Smith. She was an intern in the Finance Department and is currently a PhD student at the Martin School. For her capstone project she worked with the Finance Department to highlight a full picture of the city's economic development efforts.

Smith started with what she called the Big Picture. In observing LFUCG at work, she had a lot of questions about the activities the city engages in and how it fits into the economic development landscape. There are lots of different groups that are doing this work and how do we know if we're being successful. She came up with four questions that drove her research: (1) what are the city's informal economic development priorities? (2) Who is most impacted by the partnerships and programs? (3) What other entities are working in the same policy area and what do their programs look like in comparison? (4) What performance metrics might be used to define a return on investment?

The two key priorities that the city has identified is increasing wages and increasing jobs. The city has also adopted the key sector industries that Commerce Lexington has identified, things like advanced manufacturing, clean technologies, etc. She looked at the programs that LFUCG is implementing and executing. She categorized and looked through budgeting documents to identify the different programs that the city is providing that are targeting stimulation in the local economy. She then looked at the state incentives that are active in Fayette County. Some are jointly produced between the county and the state such as TIF for example. She was overwhelmed when she started looking at external actors. There are a lot of things going on and to help make sense of that, she looked at the different types of activities going on both internally and externally then categorized them to see what can be learned from what's happening in Lexington and what programs both LFUCG and non-profits are executing. There seems to be an inverse relationship between internal and external actors. The built environment is dominated in terms of appropriation of resources by internal actors so it's no surprise that the city is executing TIF projects or putting down roads, providing parks and recreation. Human capital and business development are dominated by external actors. You look at our universities, school systems and there are a number of non-profits that also operate in these areas. Activity is a little sparse on both sides in the neighborhood component. There are things that the city is doing to target neighborhoods but there isn't a cohesive, concerted effort in the internal environment or within the external actors to look at all of our neighborhoods and come up with an approach that's going to make sure that all of the boxes are ticked for each neighborhood.

Smith also completed a strengths, weaknesses, opportunities and threats analysis. Educational attainment is a huge success story in Lexington. Four in ten adults have a BA or better. The growth sectors we have are high wage sectors, things like finance and real estate, health education, social services and professional/business services. In the weaknesses she highlighted, neighborhood variation again was one. She researched census data she found that you can live in one of several different Lexingtons. There are neighborhoods where less than 1 in 5 adults are participating in the labor force or where the education level is 4 ½ or 5% of adults have a BA or better. That's really telling. There are neighborhoods that don't reflect those averages and those are things that may be worth looking at and paying attention to and an opportunity for us to help everyone in our community. In terms of opportunities, she highlighted university students. UK did an analysis in 2006 of in-state and out-of-state students and found that the out migration of in-state students was out pacing the in migration of out-of-state students. This is an opportunity to take a close look at whether or not we're keeping our top talent in the city. The threat is in the export markets. As a state, it's continued to grow over time but Lexington hasn't kept up with that. That may warrant further attention and strategy.

After doing the analysis, Smith honed in on the performance metrics. The goal is to collect meaningful information that will drive conversation about investments. She created metrics dashboards that LFUCG is currently implementing to track information about inputs, outputs and outcomes. We have information about what we're putting in. What are the immediate outputs so what are the programs that are being put on and what are we trying to impact. Things like that are labor force participation or poverty rates. To drive the numbers toward a return on investment calculation, she used the Jobs Fund as an example.  She used the numbers from the contracts.  As of last year, we had invested $1.7M into job creators.  Those companies agreed to create 209 jobs.  If you look at the jobs they say they'll create over the decade that they will create them in, how much are the generating in payroll taxes and how does that compare to how much we invested.  She found that there would be a positive return cumulative in payroll taxes of around $1M.  You don't create programs to generate profit but it's an important number to have. A similar look can be taken at the Workforce Grant.  Information is collected from the Workforce Grant recipients about the types of jobs that participants are receiving, how much they're making, etc.  Analysis can be done to determine how much they'll have to earn on top of what they were earning before their program to recoup that money in payroll taxes.

Smith went through the process with all of the economic development partners.  She considered the programs and the audience that they were engaging in and created metrics to track those programs and outcomes.  She then created a unique metrics that can be rolled up into a dashboard to take a look at the programs being implemented across the board as appropriations are considered in the future.

In the end, she had policy recommendations that came out of the research.  She recommends that LFUCG at least consider devising an economic development strategic plan.  Other cities have created strategic planning documents that help drive the conversations and stay focused on what the goals are and appropriating resources toward those goals.  She recommends considering a neighborhood based approach that would be appropriate.  We are already focusing on outcomes in contracting and implementing those performance dashboards and considering a regional approach where appropriate.

Mossotti asked what Smith is thinking in respect to the neighborhoods.  Smith replied that she thought the first thing would be to look at the data.  If she was going to build on this, she would start with benchmarking some of the metrics compared to other cities, looking at neighborhood variation across metropolitan areas.  A neighborhood based approach, thinking about the key assets in some of those areas, what are goals we may have for different neighborhoods.  Smith asked if Holbrook and Atkins if they had any comments.  Holbrook said as we put together the workforce development program that's something that was considered when thinking about what our target areas around town that may have very high unemployment.  As we think about our economic development efforts we want to start diving in to look at more sight based approaches rather than programs that deal more broadly with the whole city.  Mossotti said so you really haven't gone into this any deeper, going into specific neighborhoods to find specific issues.  Smith replied that she took a much higher bird's eye view.  Mossotti asked if we plan to do it.  Kevin Atkins said that we've already done a very initial kind of phase of it.   Elodie (Dickinson) has done research to figure out, based on census tracks, where there are higher unemployment levels, lower income levels to see if we can develop some kind of plan we can bring up.  Mossotti said so basically you've identified these locations and now your plan is to go further in trying to see if you can somehow supplement or work with them to see if you can make these part-time to full-time, accessibility to transportation or whatever barriers there may be that's causing them to be in this particular position.  Atkins said it may be something as simple as the bus service not starting in time to get me to work.  So that is an issue.  There are a lot of hurdles we still need to work through.

Henson said she likes the idea of targeting areas in Lexington that have higher unemployment numbers.  Our overall unemployment is extremely low.  As we talking about bringing in jobs, is the workforce there?  Are we going to be able to fill those jobs?  Smith said the capacity of the workforce was a little outside of the scope of her project.

J. Brown said he sees a lot of information in this that we could start to implement.  He thinks what we might want to look at as a city is an economic development strategic plan.  We could then carry some of the information down to the small area plans that already exists and need updating. Those speak to specific neighborhoods and can make specific recommendations on how we can impact and engage these communities to improve the economic development opportunities that exist.

Kay said he thinks it's a good start on helping us think about the questions we raised when we got the report from Commerce Lexington about priorities and whether there aren't some higher level priorities within the six or seven priorities that they have established or we have established with them. He thinks there may be some that we want to emphasize more. It's also worth repeating, our unemployment rate is very low but not in certain neighborhoods and not in certain sectors. He likes the notion of thinking about what neighborhoods would be most impacted by and benefit from economic development. He really likes the idea of developing human capital because we have low unemployment. We know from certain sectors that they cannot find enough people to take the jobs that already exist. So there's a mismatch and it isn't just about creating jobs, it's about training people who need the jobs to take the jobs that already exist but this is a good start.

No further action or discussion of this item.

**V. Partnership with Fayette County Public Schools**

Moloney introduced Derek Paulsen, Commissioner of Planning, to start the presentation.

Paulsen began by saying that the three divisions that probably have the most coordination with Fayette County Public Schools are Parks & Rec, Planning and Building Inspection. The relationship varies over time in terms of how closely they work together and how much they need to work together. Building Inspection works with them more during the Comprehensive Plan, Planning works with them when they're redistricting. Parks & Rec works them during certain times of the year.

Parks & Rec partners with FCPS mostly in golf, aquatics, extended school programs. The Division of Planning works with FCPS in school locations. When they're looking for new locations, Planning has worked with them to varying degrees depending on the size of the school; they have very different land use needs. High schools need much more land than grade schools. We try to work with them in both data collection and siting of schools. We work with them closely in redistricting. They've also been a good partner in the comprehensive and long range planning. They have been involved in some of the small area plans. They are a physical partner in the comprehensive plan, not just an intellectual partner. We have hosted some events at public schools. They have provided information to us about what their long term needs are from a comprehensive plan stand point. They are exempt from zoning. They are not exempt from building permits but they do what we call a public facilities review which is when they pick a school site, they go through a process with the Planning Commission where we provide information about that and talk about whether or not it is compatible with the comprehensive plan. They are exempt from zoning law. They are also exempt from exaction fees as are other local, state and federal agencies. They are not exempt from building permits. They still have to comply with all of the housing and building rules but they are exempt by policy from paying for their permits. They still have to receive their building permits from us. They have to get their inspections. The have to get a C.O. from us and there have been times in the past when they've started construction projects without first receiving a building permit.

One of things that were asked for was what the total amount of money that would be as we exempt them from paying for permits. The permit fees and plan review fees for 2012-2017 totaled just under $300,000 that Fayette County was exempt from. A minimum of six times in that same time period where they would have been subjected to a fine had they been a normal private sector where they started a project without first receiving a permit. With those fines added it would have been almost $400,000 in fees. The estimated permit and plan fees based on average school sizes are $15,850 for an elementary school, $23,761 for a middle school and $61,927 for a high school. Those are general figures we exempt currently.

Moloney said the reason he brought this to the table is because every county and city in Kentucky pays for their permits for inspectors to go out and look at that. He is providing the committee with how much money has not been picked up. He knows we do some sharing. We have the golf course at Meadowbrook but we also give them free practice rounds. There's a lot of partnership with Parks and he commends them for that. But there are a lot of programs we still have to pay for. What he wants to bring to the Council is a partnership, or if we don't want a partnership, where we'd be like all the other cities and counties where we start charging for the permits. He thinks there should be more meetings. There are lots of things that we could partner with, a lot more than we have right now. With these building permits that we've not been getting money for, there is a golden opportunity for more partnership. Or we cannot partnership and continue what we're doing but we start paying the fees. He thinks the divisions need direction. He thinks there should be immediate fines if they're going to continue disregarding the permit process. It's a lot of money in fees and the school has a lot more money than we have. This is an opportunity to work with FCPS. He wants the opinions of Council members in regards to partnership with the schools.

F. Brown said he agrees with Moloney that we need to look into this because a partnership goes both ways. He hasn't been convinced that we're getting a good partnership from the schools side. He's tried to reach out to FCPS and they've not been encouraging. He has Tates Creek High School, middle school and elementary in his district along with Millcreek and he's tried to form some type of partnership, get involved with the principals and PTAs and it's been a little difficult. He hasn't had a "welcome aboard" type of thing. He would suggest we have a subcommittee chaired by Moloney where we actually bring school people, maybe the board, to the table. Bring Planning to the table, maybe 2, 3, 4 Council members, sit down and actually have a discussion. One of the points that we need to look at is it doesn't make for a good thing when they're not paying their permit fees when everybody else is. The other thing is he thinks we have several properties out there that we might look at and, we did this about 15 years ago, we traded some land. It was better for the city, it was better for the school system. He thinks that should be a topic.

Stinnett said FCPS is the second largest employer and asked if they pay payroll tax to us. Stinnett said the answer is yes. So if you want to trade that payroll tax for the $200 and some thousand a year then so be it. But he thinks they're a huge employer for our community and thinks that carries a lot of weight and volume. He agrees with some of Moloney's comments about working together better. But with the Business Education Network that recently brought career academies here, that's a huge partnership that they worked with us on and the payroll tax, they're a big asset to our community and they are future workers going through that school system.

Moloney said it's not comparing apples to apples. UK is our biggest payroll and we work with them a lot. We're getting ready to trade property with them. When we've got our staff going out making sure the kids are safe every day and the schools make more money than us, he disagrees with Stinnett. He sees there's potential for partnership. He thinks there are a lot of problems with our schools. If you talk to Council members with schools in their districts and you have fields not being used there's potential to fix it and it should have been done a long time ago.

Motion by Moloney to create a subcommittee to address the partnership with the Fayette County Public Schools. Seconded by F. Brown.

Stinnett asked Moloney if he wanted to share a list of what he wanted to address. Moloney said he thinks in order to do this committee Paulsen, someone from Parks & Rec and Council members with lots of schools need to be on it. We can put a list together as we meet.

Motion passed without dissent.

**VI. Review of LFUCG Funds**

Henson said we only have 12 minutes left in the committee. This was put together primarily for our budget process to educate Council members about what funds are available. She requests that, to be fair, it be moved to the agenda in February. Stinnett said it will be placed first on the agenda for the next meeting.

No further action or discussion of this item.

**VII. Items Referred to Committee**

Motion by Bledsoe to remove Short Term Residential Rentals (Air BNB). Seconded by Farmer. Motion passed without dissent.

Motion by Farmer to adjourn. Seconded by Bledsoe. Motion passed without dissent.

The meeting adjourned at 2:55 p.m.

TG 2.6.18