



Budget, Finance & Economic Development Committee

August 27, 2019

Summary and Motions

Amanda Bledsoe, chair, called the meeting to order at 1:01 p.m. Committee members Steve Kay, Richard Moloney, Chuck Ellinger, James Brown, Susan Lamb, Bill Farmer, Fred Brown, and Jennifer Mossotti were in attendance. Committee member Angela Evans was absent. Councilmembers Jake Gibbs, Jennifer Reynolds, and Kathy Plomin were in attendance as non-voting members.

I. Approval of April 30, 2019, Special Committee Summary

A motion was made by CM Mossotti to approve the April 30, 2019, Special Budget, Finance & Economic Development Committee Summary, seconded by CM Farmer. The motion passed without dissent.

II. Financials Update – July 2019

Bill O'Mara, Commissioner of Finance, said unemployment rates remain historically low and pointed out the seasonality to decrease towards the end of the summer. He reported July rates as follows: Fayette County at 3.9 percent, Lexington MSA at 4.0, Kentucky at 4.3, and the U.S. at 3.7. He summarized the economic indicators and he said they anticipate home sales to flatten. He said the economy is on the edge, describing as a Goldilocks economy. Farmer confirmed the unemployment rate in April 2019 was 3 percent (not 9 percent). Rusty Cook, Director of Revenue, reviewed the top four revenue sources that are a total of \$217,775 below budget, mostly under franchise fees. He said compared to prior-year, year-to-date, the city is down \$1.4 million; he pointed out the variance is mostly under employee withholdings and that the second and third months in a quarter provide better data to analyze this category.

CM Moloney expressed concerns about the low numbers for current-year compared to prior-year describing them as red-flags, particularly because of how early it is in the year, and mentioned the possibility of a recession. CM Lamb referenced the code enforcement abatement and collections data and asked about the difference between FY20 and FY19 under *penalty and interest*. Cook said this category experiences a lot of peaks and valleys but that he would follow up on this.

CM Bledsoe described the variance in employee withholding of \$1 million that compares current-year to prior-year as a significant change. Cook explained that this can frequently happen in the first month of a quarter; he said he is concerned about it and watching it closely. VM Kay eluded the timing issues that impact variances throughout the year, which Cook explained often takes place quarterly. He explained how he looks at data from two to three months at a time instead of using a single month.

Melissa Lueker, Director of Budgeting, reported the total revenue with a 1 percent positive variance for the first month of the fiscal year; a total of \$145,352. She said the positive variance in services is primarily from bed fees at the Fayette County Detention Center and most other categories are down slightly. She reviewed expenses, highlighting a positive variance of \$249,639 in personnel but more significantly the variance under operating with a total of \$1.3 million, which she said mostly consists of underspending in professional services, repairs and maintenance, and utilities. Lueker said the total change in fund balance is \$1.76 million. She concluded the presentation noting LFUCG is collecting about \$900,000 less in revenue when comparing current-year to prior-year.

Mossotti asked about the variance under investment income, which Lueker described as an accounting entry because they have to book what is there at the time. CM F. Brown asked about actual revenues for July (\$15 million); he and Lueker discussed how the city's budget is based on estimations when revenue and expense will occur while he pointed out both revenues and expenses for July are not one-twelfth of the budget. F. Brown talked about funds in reserve or the cash balance that is used to cover expenses until revenue comes in and Lueker explained employee withholding, the largest expense category, is only showing one and a half pay periods. F. Brown concluded we can't put too much confidence in one month's data but that the trend is not good when compared to FY19; he said trends will be better served with three to six months of data. No further comment or action was taken on this item.

July 2019 YTD Actual Compared to Adopted Budget:

<u>Revenue Category</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>% Var</u>
OLT- Employee Withholding	6,734,459	6,767,192	(32,733)	-0.5%
OLT - Net Profit	536,220	553,532	(17,313)	-3.1%
Insurance	3,126,764	3,138,836	(12,072)	-0.4%
Franchise Fees	2,375,100	2,530,758	(155,658)	-6.2%
TOTALS	12,772,542	12,990,317	(217,775)	-1.7%

July 2019 YTD/July 2018 YDT Current Year to Prior Year:

<u>Revenue Category</u>	<u>Jul '19 YTD</u>	<u>Jul '18 YTD</u>	<u>Variance</u>	<u>% Var</u>
OLT- Employee Withholding	6,734,459	7,770,767	(1,036,308)	-13.3%
OLT - Net Profit	536,220	596,340	(60,120)	-10.1%
Insurance	3,126,764	3,397,415	(270,651)	-8.0%
Franchise Fees	2,375,100	2,358,572	16,527	0.7%
TOTALS	12,772,542	14,123,094	(1,350,552)	-9.6%

2020 Fiscal Year – Cash Flow Variance Revenue (Actual to Budget):

<i>For the one month ended July 31, 2019</i>				
	<u>Actuals</u>	<u>Budget</u>	<u>Variance</u>	<u>% Var</u>
<u>Revenue</u>				
Payroll Withholding	6,734,459	6,767,192	(32,733)	-0.5%
Net Profit	536,220	553,532	(17,313)	-3.1%
Insurance	3,126,764	3,138,836	(12,072)	-0.4%
Franchise Fees	2,375,100	2,530,758	(155,658)	-6.2%
Other Licenses & Permits	128,822	120,733	8,090	6.7%
Property Tax Accounts	2,217	(3,250)	5,467	-168.2%
Services	2,193,017	1,775,307	417,710	23.5%
Fines and Forfeitures	1,985	21,683	(19,698)	-90.8%
Intergovernmental Revenue	9,636	10,663	(1,027)	-9.6%
Property Sales	4,812	12,500	(7,688)	-61.5%
Investment Income	(12,938)	62,157	(75,095)	-120.8%
Other Income	246,156	210,787	35,369	16.8%
Total Revenues	\$15,346,250	\$15,200,898	\$145,352	1.0%

2020 Fiscal Year – Cash Flow Variance Expense (Actual to Budget):

<i>For the one month ended July 31, 2019</i>				
	Actuals	Budget	Variance	% Var
Expense				
Personnel	14,350,699	14,600,338	249,639	1.7%
Operating	3,210,450	4,547,003	1,336,552	29.4%
Insurance Expense	931,339	931,089	(250)	0.0%
Debt Service	3,764,809	3,764,809	0	-
Partner Agencies	1,410,359	1,480,042	69,683	4.7%
Capital	12,098	40,759	28,661	70.3%
Total Expenses	\$23,679,755	\$25,364,040	\$1,684,285	6.6%
Transfers	421,096	353,425	(67,671)	-19.1%
Change in Fund Balance	(\$8,754,601)	(\$10,516,567)	\$1,761,966	

Comparison of Economic Indicators 2017/2018/2019:

Economic Indicators		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fayette County	2017	4.0%	3.9%	3.9%	3.6%	3.6%	4.4%	4.5%	3.9%	3.2%	3.2%	3.1%	2.8%
Unemployment Rate	2018	3.0%	3.6%	3.4%	3.0%	3.2%	4.0%	3.8%	3.2%	3.2%	3.3%	2.7%	2.8%
	2019	3.3%	3.3%	3.5%	9.0%	3.2%	3.9%	N/A					
Quarterly Fayette County	2017	-	-	192,217	-	-	194,097	-	-	196,127	-	-	199,897
Employment	2018	-	-	191,558	-	-	193,808	-	-	194,533	-	-	194,634
	2019	-	-	N/A	-	-	N/A	-	-	N/A	-	-	N/A
Fayette County Permits Issued	2017	876	739	924	899	1,357	995	1,207	1,283	1,054	1,053	994	965
	2018	914	927	979	993	1,547	1,432	1,260	1,187	999	1,243	952	760
	2019	1,017	846	986	1,316	1,528	1,350	1,379					
Fayette County New Business	2017	201	253	418	468	621	328	206	281	205	247	213	140
Business Licenses	2018	219	250	379	751	535	286	166	264	209	279	174	149
	2019	216	259	446	736	557	297	267					
Home Sales (MSA)	2017	776	794	1,060	1,067	1,411	1,428	1,353	1,311	1,084	1,115	951	1,000
	2018	728	700	1,042	1,085	1,281	1,380	1,294	1,339	1,010	1,086	953	887
	2019	619	805	1,088	1,180	1,412	1,322	N/A					
Fayette County	2017	27	17	16	19	16	17	20	22	19	16	26	16
Foreclosures	2018	21	0	22	21	21	22	16	25	28	14	0	15
	2019	11	16	14	18	13	18	11					

N/A indicates information not available.

BLS Release Dates for Fayette Co. Quarterly Employment - 6 months after quarter end

FY20 Code Enforcement Nuisance Abatement/Lien Collections:

<u>Month</u>	<u>Administrative Collection Fees</u>		<u>Miscellaneous</u>		<u>Penalty & Interest</u>		<u>Total Collections</u>	
	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2019</u>
July	450	675	5,057	1,430	89,751	15,407	95,258	17,512
Totals	450	675	5,057	1,430	89,751	15,407	95,258	17,512

III. Downtown Lexington Management District Update & Budget Approval

Bledsoe explained that the Downtown Lexington Management District is required by ordinance to seek council approval of their annual budget, which she will ask for at the conclusion of this item. She said she will report this item to the full council on September 10 and schedule a public hearing on their budget at the council meeting on September 26.

Jim Frazier, Board Chair of DLMD, presented the fiscal year 2019-2020 budget. Frazier said the board approved the budget at the last board meeting. He highlighted the changes from the previous year, including an increase of 5 percent in the payment to the Downtown Lexington Partnership, who manages their organization. After pointing out a large increase in property improvement grants, he reported DLMD awarded \$22,000 in grants last year that resulted in \$112,000 of actual improvements, emphasizing the benefit for all. He talked about the due diligence of the board to be good stewards of the money and the use of some surplus funds. He highlighted the people in purple shirts, plus small capital expenditures such as pressure washers. Frazier reviewed DLMD's achievements over the last few years, including a grant from the Office of Homelessness, Prevention, and Intervention and an effort to set aside money for cultural arts and public art projects. He said they have retained the Fayette County Sheriff's Office for enhanced security in downtown, noting the Sheriff's deputies recorded 270 hours in July alone. He finished his presentation explaining their initiative to *light-up downtown*.

F. Brown asked about the increase for the property improvement grants from \$15,000 to \$70,000 and whether this is a one-time cost. Frazier explained a lot of the increase will be for lighting and that he expects these grants being funded for many years. F. Brown asked about DLMD's involvement with special events that are organized by DLP. Frazier explained the only involvement they have with DLP is under the management of the district and \$12,000 under merchant marketing, which is a new initiative the DLMD is doing in conjunction with DLP.

Lamb talked about the impact DLMD has had improving the vibrancy of downtown. She asked about merchant marketing and the wayfinding signs downtown. Frazier said VisitLex handles the wayfinding signs and that the merchant marketing funds are specifically earmarked to market any of the merchants in the district. She asked if the property improvement grants are only for businesses and Frazier explained they are open for anyone who is within the district's boundaries.

Farmer spoke about the light-up downtown project and highlighted the accomplishments of DLMD, which show that we care about the downtown. He said it's a great list of accomplishments that DLMD needs to make reference to.

CM J. Brown said there is a noticeable difference from the years before the district existed and now. He asked about the funds for merchant marketing. Frazier explained how DLMD collects their funds from a tax and DLP is based on membership so the merchant marketing funds were originally going to supplement those who are paying twice, something DLMD wasn't comfortable with. Instead, Frazier said DLMD agreed to designate these funds to go towards merchants within their district to help drive business. J. Brown asked about what to expect from this program and said he is interested in learning more. He asked about the partnership with the Sheriff's Office and what drove that initiative. Frazier explained the importance of safety and pointed out the cost difference between the Lexington Police Department and the Sheriff's Office, who were much more affordable. He said the added security is a big help to keep the area safe.

Mossotti asked what percentage of properties within the district are residential. Frazier said he doesn't have the exact number but he believes it's at most 15 percent; he highlighted the two largest properties are at Main and Rose and the Nun building. They discussed the impact of the tax on the residential properties because of the assessed value. Mossotti questioned how to keep the grants fair with this in mind. Frazier said the grants are open anyone but said DLMD does focus on the street-level.

CM Plomin asked about electric scooters that will likely come to Lexington and how that could impact DLMD. Frazier explained his Parking Authority perspective and how they are discussing this issue heavily, including safety, enforcement, and the landscape. He said this has not been a discussion point for DLMD; he added that the two groups communicate and engage with each other regularly. He said the purple shirts could potentially assist with reporting.

Lamb asked about the plan to renew the district next year and if it must be renewed every five years. Frazier said DLMD will present another petition to renew the district for another five years and that the board believed board members and property owners alike would be more comfortable with five years. He said they launched the petition last week.

A motion was made by Farmer to approve the Downtown Lexington Management District FY 2019-2020 Budget, seconded by CM Ellinger. The motion passed without dissent.

IV. Downtown Projects Update: City Center

Bledsoe explained her intent to bring Lexington's private sector partners to the council to find out what they are doing to increase their payroll and net profits downtown. Dudley Webb, Board Chairman of the Webb Companies, said downtown has never been better. He talked about the economic impact, recalling property taxes from the City Center block prior to its redevelopment at \$177,000 (with 30 full-time employees). He said the block is projected to bring an additional \$4 million in revenue to the state and city by 2021, plus \$1 million for schools. Webb said the office building has the potential to be 80 percent full in a couple of months and highlighted the businesses included in the project. He talked about how the parking garage would not have been possible without the support of tax increment financing. He said the first leg of the Town Branch Commons project in front of City Center will open this fall and highlighted their future development projects. He concluded the presentation mentioning the city's commitment to work on infill and redevelopment and agreed with the need for consensus.

J. Brown asked if the future development projects are in the City Center TIF zone, which Webb said no. Webb talked about the city's use of TIFs, the lack of future participation from the state, and how TIFs are almost revenue neutral for developers but they are valuable for creating sewer infrastructure. No further comment or action was taken on this item.

V. Economic Development Partner: LexArts

Nan Plumer, President and CEO of LexArts, first talked about how funds from LFUCG help LexArts execute their mission that in turn improves the quality of life in Lexington. She reported they raised \$557,000 in their last campaign, which was distributed to 39 organizations and artist in Fayette County. She explained their reach to over 200,000 children across Kentucky in a variety of disciplines. She said a big part of their mission is communicating the arts, pointing out the Gallery Hop – in its 25th year and other means of reaching the community such as a magazine publication, weekly e-blasts, and their campaign kickoff event. She highlighted education programs, which includes partnering with FPCS and a

youth arts council, and recent public art projects such as Unlearn Fear and Hate and Breaking the Bronze Ceiling. They offer sales opportunities for local artists and provide fiscal agency services for 20 organizations, plus an advocacy voice for the arts in Frankfort. Lastly, she reported their efforts are creating 1,185 full-time jobs and \$32 million annually in local spending. She said economic development is more than numbers and that this represents healthy, happy, educated, and fun to be with people.

J. Brown talked about his involvement with the LexArts board and commended Plummer's vision for the organization, emphasizing their equitable support and success throughout the community to improve Lexington's quality of life through the arts. Lamb talked about the variety of ways art can be incorporated into all aspects of life and encouraged their hard work to continue.

CM Reynolds asked about the direction Plummer hopes to grow LexArts. Plummer talked about challenges with fundraising and their ability to grow their donor base; she mentioned their intent for public art to expand beyond downtown. Nathan Zammeron, Community Arts Director, talked about how the arts can help support the community, to think and talk abstractly about solving human services issues that our community faces.

Moloney talked about the opportunity to get outside of downtown, referencing the Moondance Theatre because of how many people use that space and coordination with the Division of Parks and Recreation. Bledsoe talked about Zammeron's involvement with the Southland Drive sidewalk project as well as a huge voice in the Corridors Commission and several art projects in the corridors. She said Moondance averages 1,800 people on Friday nights. She confirmed LexArt's total budget is about \$1.5 million, which Plummer explained comes from grants, earned revenue, sponsorships and other fundraisers. No further comment or action was taken on this item.

VI. Items Referred to Committee

No comment or action was taken on this item.

A motion was made by Ellinger to adjourn at 2:19 p.m., seconded by Kay. The motion passed without dissent.