



Budget, Finance & Economic Development

June 28, 2016

Summary and Motions

Chair Stinnett called the meeting to order at 1:00 p.m. All Committee Members were in attendance: Moloney, Kay, Lamb, Farmer, Scutchfield, F. Brown, Mossotti, Bledsoe, Bledsoe and Hensley.

I. Approval of March 15, 2016 Committee Summary

A motion was made by Kay to approve the March 15, 2016 Budget, Finance & Economic Development Committee Summary, seconded by Bledsoe. The motion passed without dissent.

II. Financials Update

Stinnett changed the order of the agenda to hear the financial update first.

Commissioner O'Mara gave a presentation of the May Financials. Rusty Cook, Director of Revenue, gave a presentation of the May Budget YTD. Melissa Leuker, Director of Budgeting, presented the remaining revenue streams for May.

F. Brown inquired about the revenue schedule and what was sold. Leuker said it was vehicles, no land. F. Brown asked if the \$6 million in fund balance allocations was from the council links. Leuker explained that the links were reviewing FY2017 and that this was from the reallocation done earlier this year.

Moloney asked if the utilities were low because of the weather. Cook stated that weather was part of it but that we were too aggressive on our budget. Moloney inquired about the projected fund balance, adding that it looks like we are on track for a fund balance of \$20 million. Leuker stated that there could be big swings either way and that it would be October or November before we have a good number.

May 2016 Monthly Actual Compared to Amended Budget

| <u>Revenue Category</u> | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> | <u>% Var</u> |
|---------------------------|-------------------|-------------------|------------------|--------------|
| OLT- Employee Withholding | 22,151,355 | 21,243,934 | 907,421 | 4.3% |
| OLT - Net Profit | 7,523,897 | 1,525,528 | 5,998,369 | 393.2% |
| Insurance | 5,332,442 | 4,658,286 | 674,156 | 14.5% |
| Franchise Fees | 2,137,302 | 2,311,468 | (174,166) | -7.5% |
| TOTALS | 37,144,996 | 29,739,216 | 7,405,780 | 24.9% |

May 2016 YTD Actual Compared to Amended Budget

| <u>Revenue Category</u> | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> | <u>% Var</u> |
|---------------------------|--------------------|--------------------|------------------|--------------|
| OLT- Employee Withholding | 168,855,408 | 164,045,796 | 4,809,612 | 2.9% |
| OLT - Net Profit | 37,036,386 | 33,489,909 | 3,546,477 | 10.6% |
| Insurance | 28,537,369 | 27,697,931 | 839,438 | 3.0% |
| Franchise Fees | 21,205,308 | 25,097,170 | (3,891,862) | -15.5% |
| TOTALS | 255,634,471 | 250,330,806 | 5,303,665 | 2.1% |

| <i>For the eleven months ended May 31, 2016</i> | | | | |
|---|----------------------|----------------------|--------------------|-----------|
| | ACTUAL | BUDGET | Variance | |
| Revenue | | | | |
| <i>Payroll Withholding</i> | \$168,855,408 | \$164,045,796 | \$4,809,612 | 3% |
| <i>Net Profit</i> | 37,036,386 | 33,489,909 | 3,546,477 | 11% |
| <i>Insurance</i> | 28,537,369 | 27,697,931 | 839,438 | 3% |
| <i>Franchise Fees</i> | 21,205,308 | 25,097,170 | (3,891,862) | -16% |
| <i>Other Licenses & Permits</i> | 4,403,346 | 4,072,128 | 331,218 | 8% |
| <i>Ad Valorem</i> | 22,191,639 | 22,015,591 | 176,047 | 1% |
| <i>Services</i> | 22,453,851 | 19,666,513 | 2,787,338 | 14% |
| <i>Fines and Forfeitures</i> | 194,499 | 195,742 | (1,243) | -1% |
| <i>Property Sale</i> | 169,673 | 55,000 | 114,673 | 208% |
| <i>Intergovernmental</i> | 443,648 | 454,670 | (11,022) | -2% |
| <i>Investment Income</i> | 626,708 | 413,762 | 212,946 | 51% |
| <i>Other Income</i> | 3,422,064 | 2,849,574 | 572,490 | 20% |
| Total Revenue | \$309,539,899 | \$300,053,785 | \$9,486,114 | 3% |

| <i>For the eleven months ended May 31, 2016</i> | | | | |
|---|----------------------|----------------------|--------------------|--------------|
| | ACTUAL | BUDGET | Variance | |
| Expenses | | | | |
| <i>Personnel</i> | (\$177,370,658) | (\$180,844,365) | \$3,473,707 | 2% |
| <i>Operating</i> | (38,802,275) | (39,991,018) | 1,188,743 | 3% |
| <i>Debt Service</i> | (33,092,301) | (33,417,402) | 325,101 | 1% |
| <i>Partner Agencies</i> | (18,582,332) | (18,446,672) | (135,660) | -1% |
| <i>Insurance - Expense</i> | (8,988,457) | (8,866,452) | (122,005) | -1% |
| <i>Operating Capital Expenditures</i> | (1,153,050) | (1,158,010) | 4,959 | 0.4% |
| Total Expenses | (277,989,075) | (282,723,920) | 4,734,845 | 2% |
| Interfund Transfers | | | | |
| <i>Transfers</i> | (12,442,478) | (11,997,104) | (445,374) | -4% |
| Change in Fund Balance | 19,108,346 | 5,332,762 | 13,775,585 | -258% |
| <i>Year-End Reallocation</i> | | | (6,000,000) | |
| <i>Variance</i> | | | \$7,775,585 | |

Comparison of Economic Indicators 2015 / 2016

| 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% | 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 | - | - | N/A | - | - | N/A | - | - | 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 | - | - | - | - | - | - | - |
| Fayette County New 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 | - | - | - | - | - | - | - |
| 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 | - | - | - | - | - | - | - |
| 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 | - | - | - | - | - | - | - |

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

FY 2016 Code Enforcement Nuisance Abatement/Lien Collections

| Month | Administrative Collection Fees | | Miscellaneous | | Penalty & Interest | | Total Collections | |
|---------------|--------------------------------|---------------|---------------|---------------|--------------------|----------------|-------------------|----------------|
| | FY 2016 | FY 2015 | FY 2016 | FY 2015 | FY 2016 | FY 2015 | FY 2016 | FY 2015 |
| July | 476 | 1,601 | 546 | 1,690 | 18,043 | 29,846 | 19,065 | 33,137 |
| August | 600 | 877 | 308 | 1,432 | 14,984 | 48,014 | 15,892 | 50,323 |
| September | 969 | 1,275 | 2,072 | 993 | 52,780 | 29,689 | 55,821 | 31,957 |
| October | 1,125 | 1,275 | 2,115 | 1,040 | 45,592 | 22,962 | 48,832 | 25,277 |
| November | 525 | 825 | 1,250 | 1,198 | 25,220 | 15,340 | 26,995 | 17,363 |
| December | 1,575 | 525 | 2,626 | 2,157 | 61,590 | 44,938 | 65,791 | 47,620 |
| January | 1,200 | 450 | 2,063 | 351 | 45,565 | 10,678 | 48,828 | 11,479 |
| February | 375 | 1,451 | 1,352 | 936 | 34,201 | 20,104 | 35,928 | 22,491 |
| March | 750 | 450 | 3,499 | 1,092 | 99,525 | 27,280 | 103,774 | 28,822 |
| April | 1,899 | 450 | 1,397 | 1,504 | 43,667 | 38,744 | 46,964 | 40,698 |
| May | 1,451 | 825 | 3,102 | 1,612 | 64,329 | 41,773 | 68,882 | 44,210 |
| Totals | 10,945 | 10,004 | 20,331 | 14,005 | 505,497 | 329,368 | 536,773 | 353,377 |

III. Commerce Lexington Presentation

Stinnett introduced Betsy Drexler of Commerce Lexington to present the Business & Education Network. Drexler presented information on the Ford Motor Company Next Generation Learning Initiative, which is a 3-5 year project.

They use a four phase approach:

Phase 1 – Vision – Getting to know each other

Phase 2 – Planning – Bringing people together

Phase 3 – Implement – Putting the plan into action

Phase 4 – Sustain and Go Further – Look for new ways to improve and mentor others

Three Key Elements of Focus (“Strands”):

1. Transforming Teaching & Learning
2. Transforming the Secondary School Experience
3. Transforming Business & Civic Engagement

Drexler stated that Lexington has completed Phase 1 and are about to enter Phase 2 (a 6-9 month process). This is similar to a strategic business plan. Community leaders will work together to develop a vision/mission statement, strategies for meeting the vision statement, action steps & measurable outcomes. This will be unique to our community and will be guided by the three strands in the Ford NGL framework.

Drexler commented on the three key elements mentioned in the video and the impact on our school systems. The result of community engagement is higher graduation rates and a more relevant learning experience that better engages students, sparks their interest in future possibilities and opens the door to potential career opportunities.

Drexler provided information on Nashville before and after implementation of this program.

Kim Lyon, FCPS Program Manager-Career/Technical Education and Fine Arts, commented on the program and added that the school system has been involved from the start and is excited about the opportunities this will bring.

Scutchfield asked if this would be in all schools. Drexler said that would be decided as a community and Principals will have input as well. Scutchfield is concerned how this will affect current magnet programs and Southside. Lyon stated that this would not have an impact on those programs. The SBDM councils will vote on whether they want their school to participate. They are encouraging them to participate because they feel it is a program that works. They have taken all of their High School Principals to Nashville to see the program in action. She added that this model works very well with the magnet structure. Scutchfield asked if it would become a magnet type program, pulling from all parts of the county, if all schools do not choose to attend. Lyons said that was not currently part of the plan, adding that additional magnet programs are a Board of Education decision.

Mossotti commented on the politics involved, example-site based councils, etc. and asked how this would work with that. Drexler stated that all they can do is educate the councils and hope that they can see the benefits. Mossotti asked about additional funding required to accomplish this. Lyons said it should not require any additional funds.

Bledsoe stated that in Nashville, the Mayor’s office has a Director of Education that acts as a liaison from the Mayor’s office, will the liaison from the City be the new Workforce Development Officer. Kevin Atkins stated that this person would do that. She hopes that they will continue to work with the Summer Youth Training Program to maximize our resources. Lyons said they would certainly do that.

Hensley asked if this would compete with Junior Achievement. Drexler said it would not compete. Hensley asked what the absence rate is in Fayette County. Lyons stated that the average daily attendance in our high schools averages in the 90's. They would like to see a 3-4% increase in that number. Hensley asked if there was additional overhead associated with increased attendance. Lyons said they are able to use Federal Perkins Funds for these programs. Hensley asked if the content would be delivered across the internet. Lyons said that some is now and they will continue to use that going forward. They are not aimed for the delivery method but engaging the kids in what they are doing and offering real world activities for them.

Kay asked for clarification on how this would be implemented, would it impact all students or only students in a particular program. Lyons stated that the goal is to impact all students. This model will allow us to do that better than we have in the past. She offered an explanation of how the process would work, starting in the freshman year.

Lamb inquired about the teacher/counselor to student ratio. Lyons stated that it depends on the program and the school, most high schools have 30-32 students in a classroom. She was not sure about the number of counselors. Lamb stated that a lot of students think they know what they want to do when they grow up and later find that they cannot find a job or aren't happy with it. She feels that maybe if we had more counselors, this would not happen.

Stinnett asked how the council could become engaged and when would that happen. Drexler stated that they would love to have the council involved and will do what works best for the council to accomplish this. Stinnett added that the student can change "paths" one time during their high school career, if they decide the first choice is not right for them.

IV. Workforce Development

Stinnett introduced the item and Kevin Atkins presented. Atkins provided background information on the unemployment rate and job opportunities. He also provided information on where job growth is happening. The Workforce Development Manager hiring process has begun. The position will be advertised the week after July 4th. It will also be advertised with outside groups. The goal is to find someone that can hit the ground day one ready to go.

The primary responsibilities will include:

- Familiarity with workforce development and the employment landscape in Lexington, including educational institutions
- Evaluating employment and training needs as well as the barriers to employment that need to be addressed
- Work with employers and the Bluegrass Workforce Innovation Board that benefit both employers and those seeking employment or to further their job skills
- Monitor labor market demographic statistics to identify trends in skill development within Lexington
- Interact with both state and local agency program professionals

- Become the liaison between the Urban County Government, training providers and employers on workforce issues
- Work to expand Workforce Development opportunities throughout Lexington
- Identify federal and state grant opportunities to assist with specific workforce training needs

Mossotti asked how this was different than the Mayor's Training Center. Atkins stated that this was a difficult question for him to answer because he was not here during that time. It is his understanding that this person will not be running a center but will be out in the community connecting with companies and people providing services. Mossotti asked why we got rid of the Mayor's Training Center. Atkins said he thought it was a funding decision.

Lamb inquired about the position type, civil service or not. Atkins stated that it is a non-civil service position. Lamb would like to see if as a civil service position so that it stays and another administration cannot come in and pick and choose on what to keep. She feels that has been a problem in the past.

Bledsoe asked if the labor force chart included people who have stopped looking for work. Atkins said he will get back to her with that information.

Stinnett asked for the salary range. Atkins stated it is mid \$50's to \$72. Stinnett added that the ESR program is not going to focus on jobs and he feels that should fall under this person.

V. Urban Services Fund

Commissioner O'Mara presented on funding and recommendations for streetlights and street cleaning. O'Mara provided the options presented previously to the committee for each of these services, including pros and cons of each option, and their recommended funding mechanism.

Previous Research – Streetlights

- No Increase in Property Tax Rate
- Increase Property Tax Rate 4% Annually
- Cost of Service Property Tax Rate Increase
- Transition to Streetlight Fee
- Fund with Franchise Fee Increase

Previous Research – Street Cleaning

- Fund Using Water Quality Funds

Recommendation:

- Maintain current property tax/general fund subsidy approach and take time to do further analysis to bring back at a later date

Moloney commented on the options and the recommendation. He feels council needs to make a decision to change and not maintain the status quo. This has been discussed on several occasions and a decision needs to be made.

Farmer offered comments in support of Moloney.

Hensley commented on replacing the lights with LED lights. He supports Moloney's thoughts on a fee based structure but does not think we should increase taxes to pay for streetlights.

Kay supports O'Mara's recommendation.

Mossotti appreciates the recommendation but does not agree with it. She noted that many people do not contribute to streetlights but get the advantage of them (specifically UK and non-profits).

Bledsoe stated that it gives a bad public perception when we talk about raising taxes, while having a fund balance. She would not be in favor of raising taxes while having excess funds.

Stinnett agrees with Mossotti and Bledsoe, adding that this is an antiquated way to pay for this. He feels it would be beneficial to abolish the property tax and cover this expense from the general fund. We have sufficient fund balance to cover the cost.

VI. Items Referred to Committee

There were no changes to the referral list.

A motion was made by Bledsoe to adjourn at 2:51pm, seconded by Kay. Motion passed without dissent.