



Budget, Finance & Economic Development

September 25, 2018
Summary and Motions

Chair Stinnett called the meeting to order at 1:04 p.m. Committee members Bledsoe, Kay, Moloney, J. Brown, Lamb, Farmer, Evans, F. Brown and Mossotti were in attendance. Council Member Henson was also in attendance as a nonvoting member.

I. Approval of August 28, 2018 Committee Summary

A motion was made by CM Bledsoe to approve the August 28, 2018 Budget, Finance & Economic Development Committee Summary, seconded by CM Lamb. The motion passed without dissent.

II. Financials Update – August 2018

Bill O'Mara, Commissioner of Finance, presented the item with data up to August 31. He reported the comparative unemployment rates for Lexington at 3.8, Lexington MSA at 3.9, Kentucky at 4.3 and the U.S. at 3.9. In June the rates were 4.0, 4.1, 4.2 and 4.0, respectively. O'Mara reviewed the economic indicators comparing this time last year to this year, highlighting the unemployment rate is lower, the number of permits issued is down from the previous month but up compared to the year before, the number of business licenses is down, home sales are down and the number of foreclosures are down. Rusty Cook, Director of Revenue, reviewed the top four revenue sources and pointed out the variances year to date. He noted that the city is about \$900,000 above where we were this time last year. Melissa Lueker, Director of Budgeting, reviewed the other revenue streams and cash flow, pointing out an increase in EMS fees and decrease in bed fees that are contributing to the positive variance for charges for services. When reviewing the expenses, she said operating is below budget by \$2.8M, which is down for the first two months compared to last year's year to date, and explained some of the contributing factors. She finished the presentation comparing this year's revenue and expenses to last year.

CM F. Brown asked about the variance for net profit. Cook said quarterlies are received in September and pointed out a similar variance last year. He added that they average out revenue throughout the year. CM F. Brown and Lueker discussed property sales estimates and how they are budgeted. He asked about the operating variance and Lueker explained a pattern that divisions are slow to spend at the beginning of the year but hurry up at the end of the year. They discussed the total budget for partner agencies, which includes the Lexington Public Library who receives a large portion of partner agency funding. The negative fund balance compared to budgeted growth was discussed briefly.

CM Moloney expressed concern about the drop in net profit. He asked if there are situations when expenses are held or delayed when revenues are not meeting projections. Lueker said they meet monthly with each division to review their budget. She pointed out the use of an encumbrance journal to controlled spending in FY17 but that it is not necessary to do that at this time. CM Moloney asked to see the department that has the largest variance and Lueker said she would provide that information.

CM Stinnett asked why the code enforcement numbers are so much higher this year compared to last year and O'Mara said they would follow up. No further comment or action was taken on this item.

August 2018 MTD Actual Compared to Adopted Budget:

<u>Revenue Category</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%Var</u>
OLT- Employee Withholding	26,585,285	27,294,128	(708,843)	-2.6%
OLT - Net Profit	1,039,392	1,445,750	(406,358)	-28.1%
Insurance	4,754,335	4,785,927	(31,592)	-0.7%
Franchise Fees	1,820,213	1,956,230	(136,017)	-7.0%
TOTALS	34,199,225	35,482,035	(1,282,810)	-3.6%

August 2018 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	34,356,052	35,071,873	(715,821)	-2.0%
OLT - Net Profit	1,635,732	2,153,783	(518,051)	-24.1%
Insurance	8,151,750	8,108,468	43,282	0.5%
Franchise Fees	4,178,785	4,323,500	(144,715)	-3.3%
TOTALS	48,322,319	49,657,624	(1,335,305)	-2.7%

2019 Fiscal Year – Cash Flow Variance Revenue (Actual to Budget):

For the two months ended August 31, 2018				
	<u>Actuals</u>	<u>Budget</u>	<u>Variance</u>	<u>% Var</u>
<u>Revenue</u>				
Payroll Withholding	34,356,052	35,071,873	(715,821)	-2.0%
Net Profit	1,635,732	2,153,783	(518,051)	-24.1%
Insurance	8,151,750	8,108,468	43,282	0.5%
Franchise Fees	4,178,785	4,323,500	(144,715)	-3.3%
Other Licenses & Permits	417,357	584,150	(166,793)	-28.6%
Property Tax Accounts	190,520	216,564	(26,044)	-12.0%
Charges for Services	3,993,821	3,846,149	147,672	3.8%
Fines and Forfeitures	42,700	39,833	2,867	7.2%
Intergovernmental Revenue	17,983	23,652	(5,669)	-24.0%
Property Sales	19,197	41,667	(22,469)	-53.9%
Investment Income	195,275	78,167	117,108	149.8%
Other Income	397,594	483,874	(86,280)	-17.8%
Total Revenues	\$53,596,767	\$54,971,680	(\$1,374,913)	-2.5%

2019 Fiscal Year – Cash Flow Variance Expense (Actual to Budget):

<i>For the two months ended August 31, 2018</i>				
	Actuals	Budget	Variance	% Var
<u>Expense</u>				
Personnel	31,979,563	32,372,854	393,291	1.2%
Operating	6,933,568	9,785,880	2,852,313	29.1%
Insurance Expense	936,562	1,018,728	82,166	8.1%
Debt Service	12,566,217	12,568,551	2,334	0.0%
Partner Agencies	3,392,224	3,890,483	498,259	12.8%
Capital	14,019	317,118	303,099	95.6%
Total Expenses	\$55,822,152	\$59,953,614	\$4,131,462	6.9%
Transfers	847,154	778,297	(68,857)	-8.8%
Change in Fund Balance	(\$3,072,539)	(\$5,760,231)	\$2,687,692	

Comparison of Economic Indicators 2017/2018:

Economic Indicators		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fayette County	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%
Unemployment Rate	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%
	2018	3.0%	3.5%	3.4%	3.0%	3.2%	4.0%	3.8%	N/A				
Quarterly Fayette County	2016	-	-	188,039	-	-	192,063	-	-	194,300	-	-	196,500
Employment	2017	-	-	191,760	-	-	193,695	-	-	195,800	-	-	199,800
	2018	-	-	191,400	-	-	N/A	-	-	N/A	-	-	N/A
Fayette County Permits Issued	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
	2018	914	927	979	993	1,547	1,432	1,260	N/A				
Fayette County New Business	2016	203	248	445	564	658	299	173	260	219	231	211	153
Business Licenses	2017	201	253	418	468	621	328	206	281	205	247	213	140
	2018	219	250	379	751	535	286	166	264				
Home Sales (MSA)	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
	2018	728	700	1,042	1,085	1,281	1,380	1,294	N/A				
Fayette County	2016	22	36	25	27	31	21	26	40	14	31	31	16
Foreclosures	2017	27	17	16	19	16	17	20	22	19	16	26	16
	2018	21	0	22	21	21	22	16	25				

FY19 Code Enforcement Nuisance Abatement/Lien Collections:

Month	<u>Administrative Collection Fees</u>		<u>Miscellaneous</u>		<u>Penalty & Interest</u>		<u>Total Collections</u>	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
July	675	825	1,430	603	15,407	6,936	17,512	8,364
August	75	1,125	2,068	1,711	61,150	35,892	63,293	38,728
Totals	750	1,950	3,498	2,314	76,557	42,828	80,805	47,092

III. Job Placement Outcomes Related to Year 1 of Economic Development Grant

CM Bledsoe explained why the grant was developed. Elodie Dickinson, Workforce Development Manager, provided a brief background of the program and highlighted the agencies who participated in the first year of the grant. She reviewed training, placement and wage outcomes for year-one, as well as the workforce sectors that were covered in the year-one grant. Dickinson showed a video about the impact this grant is having in the community. She provided details about year-two of the grant program, highlighting the agencies impacted.

Dickinson explained how partners are held accountable with onsite meetings and quarterly reports. CM Bledsoe highlighted the investment this grant plays in the economy while changing the lives of individuals.

CM Henson asked about retention and whether certain agencies are having better success with retention than others. She added that some participants may be eligible for vocational rehabilitation services. Dickinson explained that agencies are required to track employment for one year and that they don't have this information yet since the first placements are just reaching one year now. CM Henson suggested incremental or step financing so agencies would receive financing as individuals successfully work through the programs.

CM J. Brown asked if there was a need for additional funding for the grant program. Dickinson explained that some applicants did not receive funding. Kevin Atkins, Chief Development Officer, pointed out the low unemployment rate and said that it might require more funding as we move forward because the people that need this type of service are often facing more difficult employment barriers. He also highlighted Dickinson's efforts to encourage more collaboration between agencies. CM J. Brown emphasized job training, placement and accountability, and questioned if programs could be separated by job training only programs and programs with training and placement.

VM Kay asked if the funded agencies are the same each year or if there are new partners, particularly because of the gap between jobs available and skills of unemployed individuals. Dickinson explained ways to focus training programs towards the sectors that need more workers and that agencies currently receiving funding are focused on individuals who are entering or reentering the workforce. She also explained how the grant funding is applied between fiscal years. VM Kay noted some sectors, like hospitality or building trades, don't require high-level skills but are chronically short of workers. CM Bledsoe explained how this program can focus on Lexington's workforce priorities and needs and has the ability to shift overtime as the economy grows and workforce demands change.

CM F. Brown asked if other agencies in the community, like Commerce Lexington, are providing similar services that the city's program provides. Dickinson explained some of the different focus areas and models for workforce development in Lexington. CM Henson commented on the average wage of \$11.29 that individuals in the grant funded programs are being paid, compared to the significant barriers that many of the participants are probably facing. CM Lamb said she looks forward to seeing some evaluation on the agencies that received more funding the second year compared to the first year versus the new agencies receiving funding for the first time.

CM Stinnett emphasized the benefit of the \$150,000 grant investment in year-one by calculating the payroll tax generated by this program of about \$50,000 as well as the value of directly addressing the community's specific workforce needs. No further comment or action was taken on this item.

IV. Travel and Learning Update: Kentucky Institute for Economic Development Course

Hilary Angelucci, Research Analyst, presented information from her attendance of the Kentucky Association for Economic Development, Institute for Economic Development Course. She described the importance of retaining talent and how so much of economic development is sales. She explained how data and technology feeds into economic development and described marketing as an organized effort to project who we are. She said economic development organizations serve three audiences; customers, stakeholders and the community. She highlighted statistics regarding the nation's changing workforce and the power of entrepreneurial skills. Lastly, she talked about the importance of partners and relationships for economic development success.

CM Lamb asked whether there is a follow up process for businesses after they relocate to Lexington or expand to learn about their experience. Atkins said that through the city's funding, Commerce Lexington provides a very extensive business retention program that reviews their needs, much of which takes place through a lot of straightforward and honest conversation. CM Lamb said it's good to think outside the box and think from a different lens. CM Evans said she has thought about what a person in their 20s would think about Lexington if they were researching cities to potentially live in, particularly while working through the comprehensive plan. She said we need to think about what is unique about our city and how we market ourselves.

CM J. Brown mentioned the Neighborhoods in Transition Task Force and how this information flows into neighborhoods and where people decide to live within our community. CM Bledsoe emphasized the need to encourage the freelance community to grow in Lexington and the idea being a pilot city to test autonomous cars to leverage our already intense infrastructure. She pointed out the importance of forecasting and thinking about our strengths as we make policy decisions to move forward. She asked for the top four or five things that we should be looking at but also what our city is doing well.

Stinnett asked about the top 10 companies as way to gauge your city and if that excluded public entities since a handful of Lexington's top employers are public. Angelucci said she would look into this with Commerce Lexington. Stinnett commented on the importance of sales and the need to have a 30 second pitch readily available to sell Lexington, and that this is something the council should work on. No further comment or action was taken on this item.

V. Items Referred to Committee

A motion was made by CM F. Brown to remove *Urban Services Funds – recommendations for street lights and street cleaning funds* from committee, seconded by CM Farmer. The motion passed without dissent.

A motion was made by CM F. Brown to remove *the review of local tax incentives for economic development* from committee, seconded by CM J. Brown. The motion passed without dissent.

A motion was made by VM Kay to remove *the creation of energy project assessment districts* from committee, seconded by CM Mossotti. The motion passed without dissent.

A motion was made by CM F. Brown to remove *the review of all LFUCG funds* from committee, seconded by VM Kay. The motion passed without dissent.

A motion was made by CM Farmer to remove *the review of the exaction program* from committee, seconded by CM F. Brown. The motion passed without dissent.

Item 12, *job placement outcomes related to year one of the economic development grant*, was removed from committee at the request of the chair.

No further comment or action was taken on this item.

A motion was made by CM Bledsoe to adjourn, seconded by CM F. Brown. The motion passed without dissent.

The meeting was adjourned at 2:12 p.m.

HA
10-8-18