Draft

Special Budget and Finance Committee
October 1st, 2013
Summary and Motions

Chair Charles Ellinger called the meeting to order at 1:00pm. Vice Mayor Linda Gorton and Committee members Kevin Stinnett, Steve Kay, Chris Ford, Julian Beard, Bill Farmer, Jennifer Scutchfield, Jennifer Mossotti, and Peggy Henson were in attendance. Council Members Shevawn Akers, Diane Lawless, George Myers, Harry Clarke, and Ed Lane attended as non-voting members.

1. Approval of August 27th, 2013 Committee Summary

Motion by Farmer to approve the summary from the August 27th, 2013 Budget and Finance Committee meeting. Seconded by Scutchfield. Motion passed without dissent.

2. Monthly Financial Report

William O'Mara, the Commissioner of Finance, came to the podium to present the monthly financials for the first two months of the fiscal year. O'Mara said that unemployment rates are down. The Lexington MSA is at 6.2%. Fayette County is at 6.1% compared to 6.4% in July. The trend is going down.

Fayette County permits are down from the same time last year. The new business licenses are flat but home sales are up from last year. Foreclosures are down from last month.

O'Mara said that all four of the major revenue streams are below the monthly budget. He said that there is a timing difference in the franchise fees. The actual franchise payments are less than anticipated in the budget. Employee withholdings are down and net profits are down.

Melissa Lueker, Budget Director, came to the podium to explain the cash flow variance revenue. She said that there was a favorable variance in the other licenses and permits category. Services were also up due to bed fees at the Detention Center. The other income category was also up. In total, revenue is down $1,081,119 for the year.

Lueker said that the cash flow variance expenses are down in the personnel and operating categories. The expenses are down $1,447,402 from budget. The change in net position is $402,226 for the first two months of the fiscal year.

Lueker said that the LFUCG had budgeted for higher expenses this year than last.

3. Fund Balance Discussion

O'Mara began his presentation on the Preliminary Fund Balance for FY13. He said that the first step is reporting. They can concur or amend approach. They will then proceed to complete the Comprehensive

Financial Report (CAFR). The second step is spending authorization. The Council will decide on use of non-recurring Fund Balance assignment.

FY13 revenues exceeded expenses by $10.4MM. This was because of multiple factors:

- Revenue exceeded the budget
- Personnel less than budget
- Operating less than budget
- Use of fund balance

O'Mara said that the total fund balance in FY13 is $54,534,500 less $1,154,300 of non fund 1101 reserved and $1,405,200 that is unspendable.

O'Mara mentioned ordinance driven requirements (recommended):

- Economic Contingency $18,829,100
- Additional Per Council (Recalculation of 2012) $1,372,600
- Additional 2013 Calculation $1,379,500
- 27th Payroll $5,458,300
- Energy Improvement $459,200

O'Mara then spoke about the assignments for contingencies:

- Litigation Reserve $5,500,000
- Health Insurance $2,000,000
- Pension Contribution $2,000,000

O'Mara told Council Members that he was only going to present on how to report the fund balance, not the details on how to spend it. O'Mara said they could spend $12,500,000 on non-recurring uses leaving an unassigned fund balance of $2,476,300. He said they could also approach it the opposite way, by deciding what they want the unassigned fund balance to be and the amount left could be spent on non-recurring uses in FY14.

O'Mara asked the Council for an agreement that these numbers are appropriate for reporting of fund balance assignments. Specifically:

- Additional 2013 Calculation (Economic Contingency) $1,379,500
- Litigation Reserve $5,500,000
- Health Insurance $2,000,000
- Pension Contribution $2,000,000

Farmer asked Ellinger if it would be appropriate to make a motion at this time.

Motion by Farmer to allocate the items on pages 22-23, that would, in essence, drop the balance to $14,976,300 by putting money aside for economic contingency, 27th payroll, energy improvement, litigation, pension and health reserves of different forms. Seconded by Gorton.

Friendly amendment by Stinnett to add assignments of non-recurring uses of $12,500,000 and the unassigned fund balance of $2,467,300.

Lane asked how much the LFUCG bonded and put into operational income for FY13. O'Mara said that he is only talking about the General Fund which has a different set of reporting requirements and does not include debt proceeds and depreciation.

Lane said that he is concerned that the General Fund has been structurally out of balance for the past four years because we borrowed money to fund it. Lane said that much of it was for the pension fund. Lane asked how we ended with such a surplus.

O'Mara said that we exceeded our revenue budget and we spent less than was budgeted for personnel and operating. Overall, we spent less and took in more. O'Mara said the LFUCG issued a bond for paving that is considered capital.

O'Mara said the CAFR will be published in November.

Lane said that he does not mind to spend surplus money if it exists. He said he would like to see the audited reports before he spends the money.

Mossotti asked about the increase in the Litigation Reserve. O'Mara said that the number is a function of pending litigation and what the funding sources are. They want to plan prudently. Mossotti asked when insurance kicks in. Janet Graham told her that there are some things that are not covered by the Litigation Fund, like wage and hour claims. She said that they may need to go into closed session to discuss some of the cases.

Lawless asked if the Federal Government shutdown would need to be considered as they move forward. O'Mara said that he got an email from the Department of Justice saying that they have funds for certain things until October 4, 2013. O'Mara said that local governments in Kentucky do not have a lot of federal money as a funding source, but there are things like the COPS Grant that will be impacted on a case by case basis.

Akers asked why O'Mara chose to put $12,500,000 in non-recurring and $2,476,300 in the unassigned Fund Balance. O'Mara said that he felt that there was a desire to address deferred maintenance and infrastructure. He said that he did not want to have a fund balance below $2,500,000.

Motion passed without dissent.

Scutchfield expressed concern that we are adding taxes and franchise fees but we continue to have fund balances. She said that she is concerned what type of message we are giving people because we are not budgeting appropriately in certain categories.

O'Mara said that fund balance is unpredictable. O'Mara said to have recurring expenses we have to have recurring revenues. He said that it is separate discussion from the fund balance discussion. Fund balance is unpredictable.

O'Mara told Scutchfield that there are several things we can do to better predict fund balance. He said that it is a comparison to actual, not to last year's budget. He said that he meets monthly to discuss variances to actuals with divisional directors. O'Mara said he is also upping the game on producing monthly budgets. The third thing that O'Mara wants to do is introduce and have a dialogue with Council on the personnel budget. He said that this needs to be discussed. The personnel budget is the largest expense for the LFUCG. He said that budgeting for all positions when you know there will be employees coming and going is over-budgeting.

Ellinger asked the Council Members how they wanted to proceed with individual Council Member requests for use of the fund balance.

Ford thanked O'Mara, the finance team, and the Administration for turning around the financials at the Council's request. O'Mara said that the recommendations from the Administration do not equal $12,500,000.

Ford asked about the ordinance on the docket about Council related projects. Ford asked where the proposed capital projects are and how do they play into this discussion.

O'Mara said that since it has not received second reading, it is not an ordinance yet. O'Mara said that secondly, it is quite appropriate to allocate however Council wishes because it is a spending decision.

O'Mara said that he would have to consult with the CPA about which years CAFR would reflect the expense.

Ellinger told Council Members that if it receives second reading, they would subtract the $2,250,000 from the $12,500,000.

Kay said that he is bothered by the notion that there is somehow a surplus; that there are extra funds that they are trying to spend. Kay said that they had budgeted a certain amount of money and spent a certain amount of money and that there were needs that never got funded. Kay said that he is now thinking about needs that did not get into the budget last year. He said he is thinking about repairs and infrastructure. For example, if the fleet is aging, and we know it costs more to repair them, we should invest now in new vehicles.

Stinnett thanked O'Mara and his staff. Stinnett said that the discussion about allocation in April was put on hold and the Council made wise decisions last spring that the paper did not report. He mentioned putting more money into the healthcare, addressing brownouts, buying a fire engine, and addressing streetlights. He said that they did the right things.

Stinnett said that we need to proceed with caution. Stinnett said that we could raise the fund balance to $4,000,000 and call it something different. He said that the money is still in play. He wants to see them address district needs. He said it was not reported because it does not sell papers.

Lawless said that this money did not fall out of the sky. She said that it was wise budgeting and spending. She said many of the projects on the list are infrastructure projects.

Mossotti said that it would be a disservice not to look at these projects. Mossotti said that she makes no apologies for wanting to do projects in her district.

Ellinger said that between the requests of the Council and the Administration, there were close to $55,000,000 in requests. He said in order to go through the process there must be a system.

Gorton said that in years past the LFUCG had a fund balance, they sent the list with requests from Council and Administration to the Council for them to rank them for purposes of future discussion. Gorton said that it would be near impossible to merge both lists and have anything less than a four hour discussion. She said that they should be rank ordered and that would be the order for discussion.

Kay suggested taking a total amount and each Council Member essentially allocated $100,000 increments across the list they would get the same kind of result. They could start with the projects that received the greatest amount of money.

Clarke said he had concerns about how the Council goes about ranking. Clarke said that he does not want it to be a complete division between the Council and the Administration because they are essentially on

the same team. He said that Jonathan Hollinger had created and distributed a list of both Council and Administration projects. Clarke asked that the list be placed on the overhead.

Clarke asked Ellinger which committee he thought it should be discussed in.

Ellinger said that it needed to be in the next Budget and Finance Committee meeting or a special Committee of the Whole.

Stinnett said that he liked the list from Hollinger and believed it should be a starting point. Stinnett said that he wants the Council Members to have an opportunity to explain their items.

Motion by Stinnett to use Hollinger's list and then come back after they narrow it down, because some items can be removed, and then go back and rank them if they chose to do it that way after they hear from everyone regarding their recommendations on the list. Seconded by Mossotti. Motion passed without dissent.

Stinnett said that Parks projects make up the largest portion of the requests. Stinnett said that they could narrow the list down quickly.

Ellinger asked Council Member to keep their explanations short.

Henson asked for a hard copy of the list. Jenifer Benningfield brought copies of the list for Council Members.

Ellinger began with the Economic Contingency allocation. Ellinger asked the Administration to give an explanation for their request. O'Mara said that they suspended the allocation for 2010 and 2011. He said that this year they are recommending an additional $2,500,000 to make up for the years that they did not contribute.

Gorton and Henson agreed to the $2,500,000.

Gorton said that they should keep our debt at 10%. It is currently higher than that, so she recommended putting $4,100,000 into debt reduction. Gorton said that she recognized that that some of the bonds cannot be paid off early.

Mayor Jim Gray came to the podium to explain the Economic Development Fund allocation of $2,000,000. Gray said that the consultant was coming to Lexington the next week and they would set up a workshop for Council Members.

Farmer expressed his desire to add $3,000,000 for the fund balance reserve. He said that these monies would be more accessible.

Stinnett said that the contingency fund is a revenue softening fund for budgeting purposes. Stinnett wants a true rainy day fund to have its own budget line. He does not want it to be part of the General Fund.

Gorton said that in the past if a fire engine broke, they would look to the General Fund balance. Farmer said that some of this is semantics. Farmer said that the idea behind having a new line item like this is just to have monies available in case of emergency.

Stinnett said that if they do not spend it, it could roll over into the next year like the Healthcare Reserve.

Lawless said that she agrees with Stinnett.

Beard said that when they talk about target and debt, they should not be satisfied with 10%. He said that the target should be closer to 7.5% or 8%.

Stinnett said that bond debt is different from credit card debt. Some bonds cannot be retired early. If you retire one early, you may have to pay a penalty. Second, the LFUCG has refinanced to lower rates. Stinnett said that some of this cash could be used to pay for things that are 6%, 7% or 8% interest. He urged them to make use of the money wisely. Thirdly, in a few years, there will be huge sums of debt dropping off. He said that it does not necessarily make sense to pay bonds off and then keep adding.

Graham said that the Administration feels that an Affordable Care Act expert is needed. Graham also said that the 20 year water franchise agreement will expire in 2015. They have use outside assistance for other franchise agreements.

Farmer spoke about his request for a Public Art match grant. He changed his request to $100,000.

O'Mara spoke about the facilities HVAC and roofing projects. He said that they are needs that were not budgeted in the last budget. O'Mara also spoke about the Old Courthouse and said that the $250,000 would get the LFUCG started on serious conversations. They need to look at structural issues with the building as well as talk to potential tenants.

Clarke said he is recommending $1,000,000 for facilities upgrades and repairs. Clarke expressed concern about the aging fleet. He said that he also thinks the city center should not contain a negative, and he also has a desire to allocate monies for the Old Courthouse. Jeff Fugate said that the Old Courthouse project could be $11,000,000-$12,000,000.

O'Mara said that there might be a capacity issue to get $1,000,000 in facilities repairs done.

Gorton asked Clarke if he would be willing to change his $1,000,000 to $750,000. Clarke agreed.

Ellinger told Council Members that they could explain their Division of Parks and Recreation requests. (See APPENDIX A)

Lawless listed her requests:

- Aquatic Climbing Wall and Shade Structure – Woodland Park
- Lap Pool Liner – Woodland Pool
- New Parking Lot – Carver Center
- Playground Renovation – Woodland Park
- Renovate Bathrooms – Carver Center
- Replace Basketball Court – Johnson Heights Park
- Sandblast and Repaint Recreation Pool – Woodland Pool
- Slide – Woodland Pool

Myers listed his requests:

- Walking Trail - Berry Hill Park
- Ball Fields – Idle Hour Park
- Move Playground – Berry Hill
- Rehab Bath House for Year Around Use – Berry Hill

Akers removed the following requests from the list:

- Basketball Court – Highlands Park
- Benches – Meadowthorpe Park Walking Path
- Parking Lot Expansion – Highland Park
- Picnic Shelter – Masterson Station Park
- Painting of Community Building – Meadowthorpe Park
- Replace Ceiling with Drywall – Whitney Young Park Community Building
- Resurface Parking Lot – Meadowthorpe Park
- Walking Path – Meadowthorpe Park

Akers' requests:

- Basketball Court – Highlands Park
- New Basketball Court
- New Half Court Basketball
- New Parks – Belmont Farms and Coldstream Station
- New Tot Lot
- Replace Ceiling – Whitney Young Park Community Building
- Restrooms – Masterson Station Park
- Tennis Court Repair and Paint – Meadowthorpe Park

Kay listed his requests:

- Cardinal Run North Shared
- Therapeutic Camp ADA Improvements – Castlewood Park
- Splash Pad – East End

Ford listed his requests:

- Park Expansion – Charles Young Park
- Park Expansion – Douglass Park
- Window Replacement – Dunbar Community Center

Stinnett listed his request:

- Trail Replacement that was removed when pool was removed – Constitution Park

Sally Hamilton spoke on behalf of the Administration:

- Field and Playground – Idle Hour

Stinnett asked Hamilton if they would still be asking for a full $10,000,000 next year. Hamilton said that she was not ready to provide a figure but is hoping that it would be below that number. O'Mara said that they can use some of the $5,000,000 but it will be through a budget amendment. O'Mara said that Hamilton wants the $300,000 from the Fund Balance.

Henson listed her requests:

- Installation of Solar Lighting – Cross Keys Park
- Repurpose a Basketball Court to Parking – Valley Park

Gorton listed her request:

- Legacy Trail Completion

Beard listed his requests:

- Repair/Replace Trail/School Route – Meadowbrook Park
- Picnic Pods – Belleau Woods, Kirklevington, Veterans, Meadowbrook, Wildwood, and Zandale Park

Scutchfield listed her request:

- Repaving (Phase 1) – Jacobson Park

Mossotti listed her request:

- Park Bridge – Wellington

Farmer listed his request:

- Parks Infrastructure

Clarke listed his request:

- Pool and Park Improvements – Clarke

Ellinger asked Stacey Maynard and Benningfield to construct a master list.

Ellinger asked Council Members to list their Public Safety requests.

Myers listed his request:

- Bullet Proof Vest Replacements – Division of Police
- Fire Air Tanks

Clay Mason spoke on behalf of the Administration:

- Kitchen Floor – Corrections
- Fire Air Tanks
- Fire Engine Replacement
- Police Recruit outfits
- Police Vehicles

Henson asked Mason about the strategic plan for replacing apparatus (fire and police). Mason said that they do have a plan in writing that they could present. Henson said that she would like to see the plan.

Ellinger asked Myers to explain his Social Services and Technology requests:

- Fit-Up – Senior Citizens Center
- Technology Upgrades – Building Inspection, Code Enforcement, Zoning Enforcement, and Engineering (Accela)

Ellinger asked Henson and Mossotti to explain their Traffic Engineering requests:

- Improve Pedestrian Accessibility – Waller Avenue, Mason Headley, South Broadway
- Traffic Controls – Reynolds Road Roundabout

Ellinger asked Council Members for their Transportation requests:

Kay listed his request:

- Bike Lane Striping and Signage – Various Locations

Farmer listed his request:

- Curb, Gutter, and Sidewalk Match Grant

Stinnett listed his request:

- Design for Traffic Improvement / Widening – Man O War

O'Mara spoke on behalf of the Administration:

- Pothole Patcher

Gorton removed her request:

- Resurfacing Tates Creek to Buckhorn – Man O War

Gorton said that she would instead co-sponsor Stinnett's request.

Henson listed her request:

- Restore Bus Shelter and Sign – Alexandria Drive in Gardenside Shopping Center.

Mossotti removed her request:

- Culvert Expansion / Replacement – Buckingham Lane

Mossotti modified her request:

- Resurfacing for 9th District

Akers listed her request:

- Quiet Zone Railroad Upgrades – Spurr and Greendale

Motion by Stinnett to have a Special Committee of the Whole (COW) meeting on October 10th at 4:00pm. Seconded by Myers.

Henson said that there is a Neighborhood Parks Task Force meeting at the same time that day. She said that she would reschedule it.

Gorton asked Ellinger if the projects should be ranked. Ellinger asked Maynard, Benningfield, and Hollinger to provide a list to Council Members and the Council Members should rank the projects 1-50 with 1 being the first up for discussion.

Benningfield said that the packet will not be distributed until Monday. Ellinger asked that the Council Members submit their rankings by Friday at 5:00pm.

Scutchfield suggested voting up or down the concept behind each project and then deliberate the numbers. Ellinger said that they will be ranked based on concept and then will discuss them.

Ford said that he does not have enough information on each project. Ford said that he would like to vote the validity of each project up or down. Ellinger said that they will do this at the COW.

Motion passed without dissent.

Motion by Gorton to adjourn. Seconded by Stinnett. Motion passed without dissent.

Submitted by Jenifer Benningfield, Council Administrative Specialist.