



Budget, Finance, and Economic Development Committee

January 27, 2015
Summary and Motions

Vice-Mayor Kay called the meeting to order at 1:01 p.m. All committee members were present: Bledsoe, Brown, Kay, Lane, Moloney, Mossotti, Stinnett, Ford, Scutchfield, Farmer, and Evans. Council Members Gibbs was also in attendance.

1. Election of Committee Chair

A motion to approve Stinnett as Chair was made by Moloney, seconded by Farmer. Motion passed without dissent.

2. Appointment of Vice Chair

Stinnett asked Moloney to serve as Vice-Chair. Moloney accepted.

3. Summary: Special Budget & Finance Committee: December 9, 2014

Stinnett stated that there was a typo on the last page of the summary which states that "Lexington *can* assess a surcharge on all court fees." Stinnett stated that this is incorrect as Lexington *does* currently assess a surcharge.

A motion to approve the Special Budget & Finance Committee summary from December 9th 2014, was made by Mossotti, seconded by Farmer. Motion passed without dissent.

4. Presentation: Monthly Financials; By: Bill O'Mara, Commissioner of Finance

Mossotti inquired about Fayette County's recent decline in unemployment, and asked if it could be inferred from the data that individuals who are no longer counted as unemployed could also be individuals who have gone back to school or who have stopped looking for jobs. O'Mara, Commissioner of Finance, says he does not have data to support this statement, but that typically when the economy begins to recover more individuals who had not previously been searching for jobs begin to search again. He stated It is common that after a recession is over that the unemployment rate increases again. O'Mara states that we saw this last year and are now seeing several months of trending lower jobs. He gave an example of people may have taken on two jobs to bring home the same amount of pay as one. Overall, he stated, earnings are flat over the last several years and when earning power increases, it can create inflation.

Lane added that the unemployment rate is not as important the amount of people who are employed. He stated that in June 2013 there were 180,300 people working in Fayette Co. and in June 2014 there were 184,700, an increase of 4,400 more people or a 3% of the workforce increased in a single year. Lane stated that if this trend continues it would mean Fayette County will have more people working.

Stinnett asked if this information was from the Department of Labor and inquired if they had wage data for Fayette County. Stinnett requested that this information be presented to Council. O'Mara stated that he was not sure if the data was available by county, but would look into the request.

Rusty Cook, Director of Revenue, gave a presentation of the top 4 revenues of the General Fund. Melissa Leuker, Budget Director, presented the 2015 Cash Flow Variance Revenue. Brown inquired about the revenue and cash flow, stating that the actual had doubled over the budget, and asked for further exploitation. Leuker stated that \$224,000 of the increase is due to penalties and interests, wherein

more was collected than was anticipated. Brown inquired as to what the penalties and interests were from and inquired if this increase were a trend that could continue into the next six months. Leuker answered that she could not project this early into the year if the first 6 months would be an accurate representation of the next six month period. She stated that \$705,000 is from miscellaneous income, \$146 million came from electronic monitoring fees and \$95,000 was from drug testing fees. Brown asked if there had been an increase in the fees amount or in the volume of these items. Leuker stated a House bill which was passed in 2013 pushed for more electronic monitoring of inmates, rather than incarceration, and has possibly attributed to the increase. Brown also inquired about the Operating Capital Expenditures in the Cash Flow Variance Expense Report. He asked if the increase were onetime expenses. Leuker said that these were onetime expenses, and gave the example of computer purchases, that would "true up" throughout the year. Brown also inquired about the Cash Flow Variance Revenue, asking what the percentage increase was. Leuker says 3%. Brown asked about the percentage for the total expense, also, and Leuker stated it was 6%. Brown stated his interest in the first six months were due to the upcoming budget, and asked if this is used to determine Districts' yearly budget, and to anticipate revenue and expenditures. Leuker stated that recent forms sent to the Districts included the previous year totals, to use for comparison. Brown asked if his perceptions that revenues were up and expenses were down as compared to the previous 6 months were correct. Leuker stated that this is correct.

Moloney asked about the \$12 million increase over the past 6 month term, and inquired if Council could expect this surplus trend to continue. Leuker stated she did not expect this trend to continue, due to personnel expenses in the prior six months are higher than the first 6 months, including sick checks and pay outs to Fire and Police retirees. Leuker stated that personnel variances will come closer to the budget, and stated that the City has been fortunate with a mild winter and low gas prices. Moloney asked if there had been an incidence when there was a similar large surplus in the first 6 months. Leuker says she would have to check on this information, but the previous year's first 6 months had a surplus of \$7.8 million. Moloney asked about the surplus at the end of last year, and if it could be seen in the first 6 months of the year. He stated that if the prior and current year trends were compared he felt they would be similar, but should reflect a higher increase from last year, due to a stronger economy in the current year. Moloney stated that he wants to ensure money is being budgeted wisely and hopes to avoid a large surplus at the end of the fiscal year.

Farmer says it is wise to keep an eye on the funds committed to the economic contingency funds which are deposited monthly. Farmer would like a report of monthly contributions in each upcoming packet. Stinnett said this has been done in previous years and could be added to monthly financials in the future.

5. Committee Referrals

1. Solid Waste Costs/Revenue/Tax Structure

Stinnett stated there are vacancies for the Waste Management Task Force and that interested parties would be forwarded to the Mayor for appointment.

2. Activity Based Costing/Financial Efficiency

Lane reported that he spoke with the Chief Financial Officer, Chief Information Officer and CAO and they will be working on better cost accounting. Lane stated he would like to leave in committee. There was no disagreement from the Committee.

3. Wellness Center & Lease

Stinnett stated that there is an RFP that is going out and will be back before the Committee in spring.

4. Lyric Financial Audit

Ford stated the Lyric Board met last week and has completed their first independent audit, and has come back with favorable findings. Ford stated that the Lyric Board will be presenting at the General Government Committee meeting about its strategic plan, which is a Budget Links recommendation. Ford asked if the Committee would like the audit presented formally to the committee. Vice-Mayor Kay stated it would be appropriate to have the findings circulated to Council Members, and if there are questions at that time it can be brought back to the Committee.

Brown asked if the Lyric is on the outside agencies list and if they receive money from the City. Stinnet replied that they are not on the partner agencies list, but they are funded by the City. Brown said his understanding was that each of the agencies on the list are required to have an audit by an outside agency, and if Council reviews audit findings of other agencies. Stinnet stated this has not happened in the past, and that that the social service partner agencies committees who distribute their monies and make their recommendations to the committee. O'Mara clarified that the Lyric is not a component unit of the government, and as such they are not required to submit an audit, and the City is not required to incorporate them into their financial statement. Because the Lyric does receive funding they undergo a process of review each year to continue receiving funds. Brown stated that if other outside agencies are not required to present their audits to Council, he does not feel there is any need for the Lyric to do so.

A motion was made to remove the Lyric Financial Audit from Committee, made by Vice-Mayor Kay, seconded by Ford. Motion passed without dissent.

5. Quarterly Development Report from Commerce Lexington

Stinnett stated that Commerce Lexington gives a quarterly report which will be available in February.

6. Collaboration Strategy Among Economic Development Agencies

A motion to remove Collaboration Strategy Among Economic Development from Committee was made by Ford, seconded by Scutchfield. Motion passed without dissent.

7. Jobs Program Review

Mossotti asked Jamie Emmons, Chief of Staff from the Mayor's Office, to provide an update on the Jobs Program Review. Emmons said he would have to report back regarding the financials, but that there have been two applicants so far that have been approved. Emmons stated this is approximately \$350,000 out of the \$1 million that was appropriated. Stinnett offered that this could be on the agenda in February. Moloney stated he would also like an update. This item will be kept in Committee.

8. DDA 10-Year Development Plan

Stinnett stated that the DDA 10-Year Development Plan was added by the General Services Links. Emmons stated they were working on an addition to the master plan and offered that this might be something they would like to bring forward to Committee later in the year.

A motion to remove DDA 10-Year Development Plan from Committee was made by Ford, seconded by Brown. Motion passed without dissent.

A motion to adjourn was made by Scutchfield, seconded by Farmer. Motion passed without dissent.

The meeting adjourned at 1:34 p.m.