



## **Budget, Finance & Economic Development**

November 28, 2017

### **AMENDED Summary and Motions**

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Chair Stinnett called the meeting to order at 1:02 p.m. Committee Members in attendance: Bledsoe, Moloney, Kay, J. Brown, Lamb, Farmer, Evans, Scutchfield and Mossotti. Smith, Gibbs, F. Brown and Plomin were present as non-voting.

#### **I. Approval of September 26, 2017 Committee Summary**

Motion by Scutchfield to approve the September 26, 2017 Budget, Finance & Economic Development Committee Summary. Seconded by Farmer.

Kay requested an amendment on page 8, paragraph 3 to change the sentence “Kay has no idea how much we are actually spending to do these programs” to read “WE have no idea”.

Motion to approve as amended passed without dissent.

#### **II. Financials Update**

Commissioner O'Mara gave a presentation of the FY18 October financials. He spoke about comparative unemployment rates and economic indicators. Unemployment is continuing to be low. As for economic indicators, we have increased building permits about flat to the previous month but higher than the same time last year. New business licenses are up over the prior month and year over year. Home sales are up over the prior month and over the same time last year.

Rusty Cook, Director of Revenue, gave a presentation of the October Top 4 revenue sources, Employee Withholding, Net Profit, Insurance and Franchise Fees. Year-to-date actuals versus budget, we are up \$2.1M with Employee Withholding and Insurance both being up. We are just under \$3M ahead of prior year. Three of the four categories are up over prior year.

Melissa Lueker, Director of Budgeting, presented the remaining revenues and cash flow variances for October. She stated that the only other revenue of note is Services. They're up about \$152,000 due to Detention Center bed fees and the medical reimbursements out there. We are within 1% of our budget in Personnel for the first four months. This is the first year that we've had divisions spread their budgets on a monthly basis so people may have anticipated spending money faster than what their actually spending. She stated that she thought this would level out as the year goes on.

Moloney complimented the Administration on keeping the personnel costs down this year. He requested to ask a question about the bonds. Is the normal time to issue bonds in September/October? O'Mara stated the bonds were sold in September this year. That's about as quick as they can do it after the Council comes back from break. We got a very favorable interest rate.

Bledsoe asked didn't we predict a 3 ½ % growth for our budget. Lueker replied, for our revenue, yes. Bledsoe continued stating we're at 2.7%. Lueker clarified that is was a 4% growth. Cook responded that we are not at 4% yet. When he sets up the budget, he can't say at the beginning of the year that we're

going to be at 4% and know that there will be pressure at the end of the year. In April, we get our big tax returns for the Net Profits and we pick up hiring through the winter for the holiday season. Bledsoe asked if we are at about the same percent right now as in previous years. Does anything about it make him nervous? He said it does make him nervous but he isn't ready to panic yet. Bledsoe also asked if we have looked at categorizing our payroll withholdings by industry or market. Cook replied that there are reports he can create, that he does this with Net Profits. Bledsoe stated that she thought it would be interesting to see, as the city grows, where monies are coming from and opportunities for growth.

F. Brown asked if our budget already has the 4% built in to it. Cook replied yes, we budget a 4% growth year over year. Brown responded that the 2.7% is above the 4%, is that a fair statement? Cook replied that the 2.7% is over the prior year and our budget is 4% over prior year. Brown continued stating that we put the bonds out in September and asked how much of that money do we have left and where are we keeping that particular block of money. O'Mara replied that we budgeted at one rate, we issued at a lower rate, and that variance will show up in debt service as we report it out throughout the year. Brown said we're not using all of it immediately. The money is still sitting there for some of the bond projects? O'Mara said the proceeds are still there and we did reimbursement resolutions. All of the capital projects have been approved and can progress along with the project. Brown asked if the money is just in regular General Fund or are you drawing interest on it? O'Mara said they segregate bond funds individually.

No further action or discussion of this item.

**October 2017 MTD Actual Compared to Adopted Budget**

<u>Revenue Category</u>	<u>Actual MTD</u>	<u>Budget MTD</u>	<u>Variance</u>	<u>%Var</u>
OLT- Employee Withholding	11,295,989	10,599,868	696,121	6.6%
OLT - Net Profit	1,033,012	1,525,040	(492,028)	-32.3%
Insurance	5,738,415	4,216,068	1,522,347	36.1%
Franchise Fees	2,323,875	2,011,655	312,220	15.5%
<b>TOTALS</b>	<b>20,391,291</b>	<b>18,352,631</b>	<b>2,038,660</b>	<b>11.1%</b>

**October YTD Actual Compared to Adopted Budget**

<u>Revenue Category</u>	<u>Actual YTD</u>	<u>Budget YTD</u>	<u>Variance</u>	<u>%Var</u>
OLT- Employee Withholding	59,530,174	58,460,605	1,069,569	1.8%
OLT - Net Profit	7,274,777	7,665,996	(391,219)	-5.1%
Insurance	13,249,117	11,938,204	1,310,913	11.0%
Franchise Fees	8,372,039	8,285,123	86,916	1.0%
<b>TOTALS</b>	<b>88,426,107</b>	<b>86,349,928</b>	<b>2,076,179</b>	<b>2.4%</b>

**2018 Fiscal Year – Cash Flow Variance Expense (Actual to Budget)**

<i>For the four months ended October 31, 2017</i>				
	<b>Actuals</b>	<b>Budget</b>	<b>Variance</b>	<b>% Var</b>
<b><u>Expense</u></b>				
<i>Personnel</i>	62,732,785	63,218,869	486,083	0.8%
<i>Operating</i>	14,750,909	19,097,911	4,347,003	22.8%
<i>Insurance Expense</i>	1,060,340	987,766	(72,574)	-7.3%
<i>Debt Service</i>	21,279,804	21,377,384	97,581	0.5%
<i>Partner Agencies</i>	7,106,351	7,731,460	625,109	8.1%
<i>Capital</i>	737,034	1,012,245	275,211	27.2%
<b>Total Expenses</b>	<b>\$107,667,223</b>	<b>\$113,425,636</b>	<b>\$5,758,413</b>	<b>5.1%</b>
<b>Transfers</b>	<b>1,630,088</b>	<b>81,265</b>	<b>(1,548,824)</b>	<b>70.0%</b>
<b>Change in Fund Balance</b>	<b>(\$10,227,143)</b>	<b>(\$16,221,022)</b>	<b>\$5,993,879</b>	

**2018 Fiscal year – Cash Flow Variance Revenue (Actual to Budget)**

<i>For the four months ended October 31, 2017</i>				
	<b>Actuals</b>	<b>Budget</b>	<b>Variance</b>	<b>% Var</b>
<b><u>Revenue</u></b>				
<i>Payroll Withholding</i>	59,530,174	58,460,605	1,069,569	1.8%
<i>Net Profit</i>	7,274,777	7,665,996	(391,219)	-5.1%
<i>Insurance</i>	13,249,117	11,938,204	1,310,913	11.0%
<i>Franchise Fees</i>	8,372,039	8,285,123	86,916	1.0%
<i>Other Licenses &amp; Permits</i>	903,558	1,174,279	(270,721)	-23.1%
<i>Property Tax Accounts</i>	572,519	775,614	(203,095)	-26.2%
<i>Services</i>	7,728,671	7,575,930	152,741	2.0%
<i>Fines and Forfeitures</i>	53,805	79,739	(25,934)	-32.5%
<i>Intergovernmental Revenue</i>	64,690	103,923	(39,233)	-37.8%
<i>Property Sales</i>	124,957	66,667	58,290	87.4%
<i>Investment Income</i>	177,166	172,283	4,883	2.8%
<i>Other Income</i>	1,018,696	987,517	31,179	3.2%
<b>Total Revenues</b>	<b>\$99,070,168</b>	<b>\$97,285,879</b>	<b>\$1,784,289</b>	<b>1.8%</b>

### Comparison of Economic Indicators 2016/2017

Economic Indicators		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fayette County	2015	4.2%	4.2%	4.1%	3.6%	4.1%	4.2%	4.2%	3.6%	3.6%	3.5%	3.6%	3.8%
Unemployment Rate	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%
	2017	4.0%	3.9%	3.9%	3.6%	3.6%	4.4%	4.5%	3.9%	3.2%	N/A	-	-
Quarterly Fayette County	2015	-	-	185,062	-	-	189,584	-	-	191,038	-	-	197,966
Employment	2016	-	-	188,039	-	-	192,063	-	-	194,300	-	-	196,500
	2017	-	-	192,000	-	-	N/A	-	-	N/A	-	-	N/A
Fayette County Permits Issued	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	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	-	-
Fayette County New Business	2015	197	224	330	749	362	198	198	283	264	286	238	160
Business Licenses	2016	203	248	445	564	658	299	173	260	219	231	211	153
	2017	201	253	418	468	621	328	206	281	205	247	-	-
Home Sales (MSA)	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	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	-	-
Fayette County	2015	33	20	36	24	18	43	18	41	12	43	41	26
Foreclosures	2016	22	36	25	27	31	21	26	40	14	31	31	16
	2017	27	17	16	19	16	17	20	22	19	16	-	-

N/A indicates information not available.

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

### FY18 Code Enforcement Nuisance Abatement/Lien Collections

Month	Administrative Collection		Miscellaneous		Penalty & Interest		Total Collections	
	Fees							
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
July	825	225	603	253	6,936	15,545	8,364	16,023
August	1,125	1,125	1,711	802	35,892	10,163	38,728	12,090
September	800	545	1,260	2,153	55,540	71,112	57,600	73,810
October	375	1,275	536	2,132	50,654	39,069	51,565	42,476
<b>Totals</b>	<b>3,125</b>	<b>3,170</b>	<b>4,111</b>	<b>5,340</b>	<b>149,022</b>	<b>135,889</b>	<b>156,257</b>	<b>144,399</b>

### III. FY17 Fund Balance Discussion

O'Mara stated our recurring revenues were in excess of recurring expenses by about \$5.1M. Our revenues were half million dollars less than budget. The major impact to that was Net Profits, being under budget by \$4.5M. But we were over in other areas that made up \$4M of the \$4.5M deficit. We were over budget in Personnel \$4.9M. We managed through that by putting the brakes on and managing our operating expenses and we had a favorable operating expense variance of \$6.4M. We refinanced some of our bonds and issued bonds at lower rates than budgeted and so we anticipated a \$3M favorable variance in Debt Service. When we closed the books, we had a favorable variance in our Insurance Fund of \$1.1M. When you take all of those together, the negatives with the positives, we spent \$5.1M less than we took in for FY17.

Kay asked what was the revenue forecasted to increase last year? We have a 4% projected increase this year, what was that figure last year? O'Mara replied it was 4% last year, 4% this year. Kay asked, on the insurance, that's our health self-insurance fund or is that other factors in the insurance? O'Mara stated that it's the General Fund support of our self-insurance fund and it was \$1.1M less than what we had budgeted. He further clarified that the insurance fund is separate from the General Fund but the

funding of that insurance fund comes from General Fund, Urban Service Fund and the other funds of that operation. Kay asked for health insurance we basically are self-insured? O'Mara made a correction stating this was risk insurance, not health insurance. He stated that we ran a deficit in our health insurance and had to subsidize it.

O'Mara went back to the prior slide. He said recurring revenues over recurring expenses - that we had a favorable variance of \$5.1M. We, however, spent more last year than we took in. That was because of non-recurring expenses that we incurred. We started FY17 with a fund balance of \$87M. We used \$17.7M in the Litigation Reserve for a firefighter settlement and we spent down \$9M of the Cash Capital Reserve, what we call the 1105 Funds. We started out the year with \$13.9M and we spent \$9M of that. So those were negative impacts on our cash position. Then we added \$5.1M from the activities of 2017 which brings us to our current June 30, 2017 fund balance of \$65.3M. He wanted to show the FY16 and FY17 fund balance as a percent of revenue. This is a metric that the rating agencies look at and consider whenever they're looking at our bond rating. In 2016, our total fund balance was almost 26% of revenue. At the end of 2017, we're just under 19%. The number that he is very cognizant of is 15%; below 15% is going to be a major pressure point on our bond rating. So that's something we have to keep in mind while we're managing our cash flow.

O'Mara went through the fund balance assignments. He explained if you start with our fund balance of \$65.3M, the first thing we must bring out is what's considered nonspendables. Those are prepaids, commitments we've already made and basically already paid for. That amount is \$3.6M. Our economic contingency is sitting at \$31.4M. That is 9.1% of revenue. It raised \$720,000 this year. That was comprised of the \$50,000 per month that we set aside and then interest on the balance. We have an ordinance that requires us to put aside an amount each year for the 27<sup>th</sup> payroll. The 10<sup>th</sup> year was up in 2017 so we're starting over with that reserve. That's at \$921,000. Then he grouped "other" in the Committed. These are also funds committed by ordinance and that's \$5M. Most of that are the Jobs Fund, Affordable Housing and Homelessness. After you take those committed funds by ordinance that leaves you a balance of \$24.3M. Assigned – these are the things that the Administration and the Council have latitude in order to say we intend at this point in time to assign these dollars. Health insurance reserve was \$3.5M last year and we're recommending making that \$4M this year. We did have to subsidize last year out of current revenues. Prescriptions seem to be going up higher than the cost of services so we felt it prudent to ask for \$4M health insurance reserve. That's also the amount that is recommended by our consultants for the size of our self-insurance fund. We're recommending a \$10M Budget Stabilization Reserve. We are looking at a very unusual uncertainty in the next two years in our budget whether it is pension, capital, growth, commitments that we want to make. We feel that \$10M is appropriate and is recommended. The Fund Balance Capital Projects he talked about where we spent down \$9M, there's currently a \$4.9M balance. The Council has already approved and committed for those capital projects. If those assignments and commitments are done that would leave an unassigned fund balance of \$5.4M. The footnote at the bottom is that unassigned is best if it can fund all of the rolled purchase orders which were \$3M at the end of June 30 and our budgeted fund balance of \$1.5M. So the unassigned needs to be at least \$4.5M and we're recommending it to be \$5.4M.

F. Brown asked if the Budget Stabilization Reserve isn't new. O'Mara said that terminology is new. Brown asked how much we put in there last year. O'Mara replied that it wasn't in last year's. Brown asked if it was hidden some other way, stating it's a \$10M cushion. O'Mara stated that he didn't use the word cushion and that he has a slide that shows two years combined. In the middle column are the assignments that we did in 2016; on the left side is what we're recommending for 2017 with the change. Each year we start with zero assigned balance and then we decide what to do with it. So it's not that last year was zero and 2017 grew to this amount (\$10M). We start from zero and start all over each

year. Again, it was presented in the order of commitment. We've already passed ordinances for the Economic Contingency, the 27<sup>th</sup> Payroll, and Jobs Fund – those types of things. That's why they're grouped together. As you see, the 27<sup>th</sup> Payroll Reserve, every 10 years we have 27 payrolls instead of 26. Back in 1994, there was pressure on cash flow and Council said that it would be prudent to reserve over the course a little bit each year so that when the 27<sup>th</sup> payroll occurred there is cash on hand to meet the commitment. That occurred in FY17. We did not have that cash pressure and did not have to use that \$8.2M to pay that 27<sup>th</sup> payroll. So most of the \$10M Budget Stabilization is coming from those funds that were released because the 10 years are over and we start over establishing that fund with a one year deposit. The rest came from the \$5M that we added to the coffers with revenues over expenses in 2017. Brown asked how much of the Health Insurance Reserve did we use in the past couple of years. We reserved \$3.5M in 2016. Have we been using all of that? O'Mara responded that we subsidized the health insurance fund last year \$3M. We did not use the reserve. We used revenues from that year. Brown said, to keep it simple, this is money set aside like a savings account in case we need it for those particular items. O'Mara said that's correct. Brown asked if we rolled purchase orders last year. O'Mara said yes, every year. Brown asked how old the purchase orders are. O'Mara said that they were commitments on June 30 that had not been delivered or had not been paid and we do that every year. They run \$3M and \$3.5M each year. Brown asked how much is left over if we want to do something from the Council's standpoint, a million dollars? O'Mara said he recommends not spending any. He recommended adopting what's been presented.

Moloney began with the Litigation Reserve. It was billed \$17.7M. How long will it take to build the account back up? Do you continue to build the account up or was this a one time? O'Mara responded that they built the Litigation Reserve for whatever it might be needed for. It was needed for the settlement of the firefighters' lawsuit. Moloney asked if we still have money in that account in case of another lawsuit. O'Mara replied that it's zero at this point. Moloney said he was glad to see the \$10M Budget Stabilization and agreed that we shouldn't spend any right now because we don't know what's going to happen with the pension.

Mossotti commented that the word "cushion" was used in the Budget Stabilization conversation. What are the parameters that would be necessary for this cushion to be used? Who's going to determine that? O'Mara replied that it would be a budget amendment which would be recommended by the Administration and approved by Council. Mossotti requested an example of what it would be used for. O'Mara said the first example would be capital pressures that are in the FY18 budget. Those are one-time expenses. If the revenues aren't sufficient to cover those, we might recommend using fund balance to cover those cash capitals. Mossotti asked it wouldn't be anything new but something that was already in the mix? O'Mara said it would be a new budget item in FY18. Mossotti said yes, a new budget item but not a new capital expenditure so if we decided we would purchase a New City Hall? O'Mara replied that this is not the intent of this. Mossotti said this is again to cushion in case there is a negative somewhere then we would use this to help. O'Mara said he sees this as prudent budgeting and cash management rather than cushion.

Stinnett asked O'Mara to clarify what he just said -use it only for non-recurring expenses, not operating. O'Mara replied that that is correct. Stinnett said okay, I just want to make sure we all understand that.

Bledsoe said that it seemed if there was a capital expense, you could use this money for that, freeing up other money in General Fund dollars. O'Mara said that is correct.

Scutchfield asked what was included in the "Other" category. O'Mara replied Jobs Fund at \$1.8M; Affordable Housing & Homeless at \$1.9M; Donation Fund at \$460,000; Tenant Relocation at \$220,000;

Family Care Center Fund at \$546,000; Miscellaneous at \$45,000. Scutchfield asked if they shouldn't have already been in the budget. O'Mara said that these are fund balances not budgeted expenses. These are funds that have not been spent as of June 30.

Stinnett asked for a list of nonspendables that we started off with. Aren't they the same at the purchase orders? O'Mara replied that the difference in prepaids and rolled POs, he would have to get that from Accounting. Stinnett asked for an example of a nonspendable at \$3.6M. O'Mara said you sign a 12 month lease in January so you're committed to paying all the way through December. But at the end of June, only 6 months of that contract has occurred. Stinnett then asked for a list of Fund Balance Capital Projects as well.

Motion by Bledsoe to accept the FY17 Fund Balance recommendation from the Administration.  
Secoded by Lamb.

F. Brown said that he is a non-voting member. He thinks it is a little premature to accept this without a little bit more discussion in the Budget Committee, Council of the Whole or Work Session because there is nothing in this fund balance that gives us anything that we can do for our districts. We've had that before and there's money in there and with this \$10M set in there as a contingency cushion – remember we have \$31M in there as a contingency – If I was in Mr. O'Mara's place I would have given the same story because he's good in the financial end and I would have done the same thing because that really protects his cash flow. But that doesn't mean that we don't have some projects out there and specifically we under-budgeted our paving and you all know where I stand on paving and we under-budgeted it by \$4M - \$5M. If we could release a million or two to get in more paving, which is a capital item, then I think we need to consider that. That's my plea. I can't vote though I'd vote against the motion.

Farmer said what you're presenting to us is something you want us to sanction so that you can use it for printable purposes, is that correct? O'Mara replied that's correct. We would have normally presented this in October. It's now November. We'd like to go to the printer tomorrow if we can get guidance from Council and still make our December 31<sup>st</sup> requirement for issuing the CAFR. He pointed out that Council can still do budget amendments to fund balance throughout the year if they deem it necessary. Farmer said what you're painting is a picture for the outside world to look at which we could change basically at any meeting we decided to. He appreciates O'Mara trying to paint the best picture. We've discharged a lot of funds in the past year and he thinks it's important to look as strong as we can. We can be nimble with our votes and our motions but this is in order at this time.

Moloney stated that he supports this motion because he feels, as we've seen for the last 3 months with what's going on in Frankfort, the pension is going to be put on the city. The good news is that we have the cushion and a lot of cities don't have that luxury. He commended the Administration for doing that. Going back to what CM Brown said, a million here and there. If we start that we start a game and I don't want to get into the game. You may say paving is important, I still think a second salt barn is more important than anything right now. But I don't want to get into that battle. The battle we've got right now is waiting to see what happens in the next few months and he's got a feeling it's not going to be good news.

Lamb said she also appreciated the work and effort that the Administration put forward to bring this to the Committee today. With as much as she'd love to be able to spend it in her district as well, she thinks this is going to be a city, as a whole, issue and she thinks we have to be proactive about this. She would

appreciate that everybody could consider supporting this because, at the end of the day, when we find out what the real picture is, she thinks we'll be happy that we have this option in our purview.

Stinnett asked O'Mara, about the Health Insurance Reserve of \$4M, is that in addition to the other money that we're subsidizing the health insurance in the budget? O'Mara replied yes it is, a \$2M subsidy in the budget and this would be in addition to \$2M subsidy that's already budgeted. Stinnett responded saying \$6M total in addition to the money we have budgeted for claims. O'Mara replied that's correct, at \$25M. Stinnett stated we're talking about \$31M for health care and those costs were supposed to remain level and flat but like everyone else in the country, we have a huge increase. And somehow that has to be paid for in the next 12 months.

Motion passed without dissent.

#### **IV. Appropriate Types of Economic Development**

Kay began with a brief reminder that after a related conversation, he moved to put this in committee last December. He hoped this would come forward before we had the full discussion on the Urban Service boundary and related issues because he thinks it's relevant. He hopes that this is the start of a conversation that the Council will have about the ways in which we need to think about economic development for the community in the long run starting with what we're doing now. He introduced Gina Greathouse of Commerce Lexington.

Gina Greathouse started by saying that, for the record, she presented to each Council Member individually on the strategic targets over the past year.

Commerce Lexington is the BBDP, the Bluegrass Business Development Partnership, where we partner with you (LFUCG) and the University of Kentucky to do our economic development. In 2010, Commerce Lexington embarked on a strategic plan with multiple partners to help analyze and establish the strategic targets with the intention of transforming economic development into higher levels of performance through greater focus on certain priorities. It's common to do these plans about every 10 years. We received multiple view points from a survey of 3,000 people. There were 10 to 15 focus groups where we included people from all diverse sets of the economy. In the results of the survey, 5 prevalent themes kept coming up: generating and attracting high wage jobs, which is everybody's goal; improving and supporting our existing businesses, entrepreneurs and minority businesses; retaining more young people as they graduate from regional universities; improving and preserving the Bluegrass's unique quality of life and our downtown; and fostering regional collaboration. They have come up with a key strategic target and niche industries. The largest sector in our economy today is health care at 18%; business and professional services at 16%; and educational services followed by retail and manufacturing.

Greathouse discussed the Strategic Targets: Software and Information Technology which includes software publishers, telecommunications, data processing/hosting, computer systems and design; Business and Professional Services provides professional, scientific and technical services; Life Sciences and Biotech that includes pharmaceutical, medical equipment and medicine manufacturing, scientific research, veterinary and ambulatory health care services, hospitals, nursing and residential care facilities; BEAM/Advanced Manufacturing and Foreign Direct Investment; the Animal Science/Equine Industry; Visitor Industries; and Renewable Energy/Clean Tech. Key market segments, assets and market niches were highlighted relative to each category.



Kay asked if the targeted industries were in priority order or are they all equally targeted. Greathouse replied that they're all equal. Kay asked if their thinking about which ones to prioritize, if any, has changed in the last few years as our circumstances have changed and if there were other areas they are thinking about targeting. Greathouse said they spend most of their time with start-ups or companies spinning out of UK. The team spends more time holding the hands of entrepreneurs than they do on a large business and professional services companies or manufacturers. Kay asked Kevin Atkins if the thinking was changing. Atkins replied that they're always watching the trends. It's a continually moving target and look at what other opportunities are available. Kay said in the long term we'll have to change the way we think about land for development because eventually we won't have any and asked if there is any thinking at all about the appropriate mix or shifting priorities that reflect that land is a finite resource. Greathouse replied that business and professional services will still need land and buildings, too. She thinks there is a perception that they're only recruiting manufacturing and they're not. When they discuss available acreage it isn't only for manufacturing.

Bledsoe said we at some point have to decide what kind of city we're going to be and what payroll is going to support our city. Is that going to be, as some have commented, if you're going to make a \$22 an hour job, we don't want you to be here; we would like for you to work someplace else where land is cheaper and there's manufacturing. In the BEAM region, that's okay, you can move from county to county and have a variety of jobs that pay different amounts of scale. For us, we have to run our city of the payroll that's here. So how do we make the best use of what we have? What are we targeting and do these seven match that ability? Greathouse said she thinks they match or they wouldn't be doing this, if she hadn't gone through this process in 2010 and had an independent person help her with this. She said she thinks it's a little elitist to think that \$20 an hour jobs in Fayette County aren't important. Everybody needs a job. It's a rising tide for everybody. Bledsoe said she agrees and that the point she was making was in these seven, we're looking at a variety of different job ranges. As we think about how we grow as a city, what we target – health care, IT are all no-brainers for us and whether or not attracting manufacturing to Lexington makes sense given the high cost of land and other constraints. She applauds entrepreneurship because that's what comes out of our university-city mentality. Greathouse added that they'll tell a company who approached them with 100 \$8 per hour jobs that they won't be able to hire anybody here. So we're not sure this will work for you here.

Evans thinks that there should be some prioritization based on discussions had about the Urban Service boundary. She feels that people think there are some industries that are Kentucky, Lexington specifically and should that be a priority. Do we need to incorporate that more? Atkins replied that he doesn't think it changes whether you're talking about Lexington or the region around us. He would not prioritize and have all of them at equal value. You never want to get overly dependent on one industry. When they're out talking to businesses, they talk about horses and bourbon, etc.

Gibbs commented that we've talked about this before. He assumes that when Greathouse gave them average figures, she's talking about the mean. Greathouse replied it's the average. Her research director did this and if she put average, it's average. Gibbs responded that there are different types of averages. There's mean, there's median, there's mode and there's a significant difference. Greathouse apologized, stating she would have to go back and talk to the research director about what number's in there. Gibbs said okay but just to make the point there's a very big difference. The Herald Leader in their Sunday editorial talked about the bakery that was proposed for here. In that, they said that the mean salary was about \$45,000 but most of the folks working on the line would be making \$25,000 to \$30,000. So if the median is the point where you have equal numbers of people above and below, the median salary is probably some place, his guess, would be in the low 30s; the mode is the number with the greatest number of people working, the greatest number. Greathouse said she would get the

number for him. Gibbs continued that the mode was probably in the mid to high 20s. So, when you say average, it could be 45,000, it could be 27,000, depending upon how you're looking at it. So, for somebody sitting here, me sitting here, and you tell me that the average is \$50,000, that doesn't give me a clear idea of what people are making in that business. There could be a handful of people making hundreds of thousands of dollars while most of the people are making minimum wage. We just can't get a feel for what's going on unless we have those sorts of numbers. If you could get those numbers to us the next time, that would be appreciated. Greathouse said she will get them to him.

Plomin asked about the pie chart on page 28, looking at the total percentage of employees and noticed that agricultural is 1%. We recently had a study on the influence of the agricultural cluster on the Fayette County economy. She believed it said when you pull in everything 1 out of 12 is what it said. She was wondering what was included in that category. Greathouse replied that she would get a breakdown. These numbers are from the USBLS. So the breakdown on these numbers came from the Bureau of Labor Statistics. Plomin said she didn't know if it included the horse farms or not. Plomin also said she was curious that when you look through all the presentation materials you see the landscape and the horse farms mentioned over and over again as a draw. Do we have any numbers or some type of value of what that means? People say it over and over again and she didn't know if we had any record or what that looks like in the other responses. Greathouse replied that she didn't know the answer to it. Plomin said she was just curious what kind of numbers could be put to that. Stinnett said to Plomin that the 1% is strictly Ag in the Bureau of Labor Statistics. Whereas that number included tourism, the number does not. Plomin responded okay because it was those that were impacted by the.....Stinnett continued that it's probably a little larger than that if you take up the whole industry.

Moloney said he knows \$22 an hour doesn't sound like a lot but when he looks at some of the non-profits, that's a lot of money. So \$22 sounds good to some of those employees. Everybody needs to understand that finding a job like that does help. He wants it to be on record to know that that's more money than a lot of places he knows makes around here. He continued that Lexington is a beautiful place, a great place and one statement made was 600 miles for the majority of the population. We have a tool we've never used before and that's the interstate. He's a big, huge interstate fan. When you look at the people in New York and places where they have jobs and it takes 4 hours to get to work on a train or the cost of living is outrageous, it seems to him that Lexington would be a great place to live and know that we put something like that on the interstate. We have two great universities. He wants to bring people to Lexington, wants jobs to come here more than anybody because he knows that 60% of our payroll is paid out to public safety, Police and Fire. If we don't fix that problem, we're going to be in trouble in the next few years. He thinks Lexington could be better, could improve. We need to bring more jobs to Lexington. He hopes that when they sell things, he liked to see them go after places where people have to commute 4 hours a day to get to work and the cost of living is a lot cheaper down here. For the record, he's fine with \$22 an hour for a lot of people especially in the areas that he's represented for many years with low income. Greathouse added that it's not all about recruiting. It's keeping what you have. We've had some recent acquisitions and some companies that have laid people off. You have to be prepared to find jobs for the people who were laid off. So it's not all about recruiting. We spend more of our time with our existing companies in making sure that we can do what we can to keep them here whether it's through a workforce grant or whether it's through finding them an incentive to grow or to just retain what we had. What would we have done if we'd lost Valvoline?

J. Brown asked what Plan B is if the UK agreement doesn't go through. He's supportive of the plan. A big part of the conversation with the Comp Plan was how do we help industry and economic development as a city government and if that doesn't go through, what is Plan B? He thinks what some of the Council Members are asking for and the reason for asking is to prioritize these industries that we

may need to target is going to be based on the availability of land to bring some of these jobs in. He believed the Comp Plan, Goals & Objectives and the UK land swap are all tied in together. Greathouse said she thought Plan B was a two and a half year study to understand that. Brown replied that the study was Plan A. That directs how you go out and recruit businesses whether or not you're going to have that land that's going to be available in the next couple of years. You might not be ready to answer that but it's what we're going to be up against. He thinks that's why Council Members are asking if there's a priority list as far as industries that we're trying to attract to our city and region. Greathouse replied that when they went through and made their pitches and presentations, we did not have any argument on expanding the Urban Service boundary or not. Our common conversation was we want a city owned economic development park. If we can find it inside the urban service boundary, it is the best of all worlds. If we can't get the UK deal done, then we've got to figure out what's next. We didn't say anything about any type of expansion. She thinks it was in the Goals and Objectives.

Mossotti asked if they work with retailers to fill vacancies. Retail and fast food establishments can't keep employees. Not only because of the wages but she's not sure that we have the labor that's interested in doing that. Greathouse said they do not focus on that. They're not a retail organization at all. If someone called and asked us for 10 acres of land for Dicks Sporting Goods, she would say Jennifer Mossotti is someone to call because she (Greathouse) doesn't have access to those kinds of things. Retail comes if you bring new jobs. It's the indirect effect of bringing major corporations or when you grow the others.

Farmer asked if the economic development partnerships strong. Greathouse said yes, they are very fortunate. They're proud of the companies that come here. Farmer asked if they provide a regional consciousness of some sort. Greathouse replied that she is proud of the Bluegrass Alliance partnership. There are not very many in the state. There is a very strong camaraderie. Farmer asked if they have all the resources they need. Greathouse said never. They're currently in the middle of an \$850,000 a year campaign over the next five years.

Kay asked Atkins if he would go over the relationship between LFUCG and Commerce Lexington. Atkins said we contract with the economic development arm of Commerce Lexington. They manage our day-to-day traditional economic development activities, whether it's recruiting, existing business, those types of programs and maintaining the contact with the State Economic Development Cabinet. Kay asked what the budget was for that. Atkins replied \$457,000. Kay said it was important for people to understand that we contract a set of services that have to do with economic development, that LFUCG doesn't provide general support.

Stinnett added that he was happy to see the questions from other Council members. There are three ways that we can control economic development outside of Commerce Lexington: 1 – tax structure; 2 – quality of life; and 3 – infrastructure. We control those and can make good policy decisions. What we decide up here effects what she (Greathouse) does in her daily job.

No further action or discussion of this item.

#### **V. Presentation of Workforce Development Awards**

Elodie Dickinson brought forward the recommendations for the Economic Development Grant. \$300,000 was authorized for FY18. Up to \$75,000 could be awarded in this cycle to partnership applications. Individual applications could be awarded up to \$30,000. Agencies must be located and provide services in Fayette County.

A total of 14 agencies applied and \$522,950 was requested. Ten agencies are being recommended for a total of \$300,000 in funding. The following were recommended: Jubilee Jobs - \$59,500; The Plantory/Food Chain - \$55,000; Opportunity for Work & Learning - \$26,000; Community Action Council - \$26,000; Building Institute of Central Kentucky - \$26,000; Bluegrass Care Navigators - \$25,000; Dress for Success - \$22,500; Urban League of Lexington - \$22,500; Build Inclusion Inc. - \$20,000; Community Ventures - \$17,500.

Kay congratulated the organizations. This prepares people to be successful in careers. Did the organizations get funded their full requests? Dickinson replied that none of them were awarded their entire request. Kay talked about whether or not full funding for fewer organizations should be considered.

Mossotti asked if there are any stats on how many people have come to Dickinson's office requesting help or funding. Dickinson said they didn't want each agency to have to serve the number they proposed. Based on the percentage cut, they also cut the number of people they would serve. Mossotti asked if people that can't be served fall through the cracks. Dickinson said that the current grant recipients will be recommended for funding again. They cross-refer programs and services to each other.

No further action or discussion of this item.

**VI. Items Referred to Committee**

No further action or discussion of this item.

Motion by Farmer to adjourn. Seconded by Bledsoe. Motion passed without dissent.

The meeting adjourned at 2:57 p.m.

tg 1.31.18