



## Budget, Finance & Economic Development Committee

February 23, 2021

### Summary and Motions

Committee chair, Council Member Amanda Bledsoe, called the meeting to order at 1:02 p.m. Committee members Vice Mayor Steve Kay and Council Members Richard Moloney, Chuck Ellinger, James Brown, Josh McCurn, Susan Lamb, Preston Worley, Fred Brown, and Kathy Plomin were present.

Bledsoe read the following statement: "Due to the COVID-19 pandemic and State of Emergency, this meeting is being held via live video teleconference pursuant to 2020 Senate Bill 150, and in accordance with KRS 61.826, because it is not feasible to offer a primary physical location for the meeting."

#### I. Approval of January 26, 2021 Committee Summary

Motion by Ellinger to approve the January 26, 2021, Budget, Finance, and Economic Development Committee summary; seconded by Lamb. The motion passed without dissent. (Worley and Plomin were absent for the vote.)

#### II. Monthly Financial Update – January 2021

Bledsoe said the PAFR has been delivered to council members' mailboxes. The monthly financial update is for information only but Bledsoe pointed out the \$5M increase in net profit year over year. Taking into consideration investment income losses and debt service savings, she said the two accounts still have a positive variance. No action was taken on this item.

#### January 2021 YTD Actual Compared to Adopted Budget:

<u>Revenue Category</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>% Var</u>	<u>Annual Budget</u>	<u>% Collected</u>
OLT- Employee Withholding	118,387,928	103,467,104	14,920,824	14.4%	185,951,110	63.7%
OLT - Net Profit	19,345,497	12,661,654	6,683,843	52.8%	36,110,870	53.6%
Insurance	18,961,832	20,243,541	(1,281,709)	-6.3%	34,830,660	54.4%
Franchise Fees	14,396,229	15,185,725	(789,496)	-5.2%	25,532,710	56.4%
<b>TOTALS</b>	<b>171,091,486</b>	<b>151,558,024</b>	<b>19,533,462</b>	<b>12.9%</b>	<b>282,425,350</b>	<b>60.6%</b>

#### January 2021 YTD/January 2020 YTD Current Year Compared to Prior Year:

<u>Revenue Category</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>% Var</u>	<u>Annual Budget</u>	<u>% Collected</u>
OLT- Employee Withholding	118,387,928	103,467,104	14,920,824	14.4%	185,951,110	63.7%
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**FY2021 – Cash Flow Variance Revenue (Actual to Budget)**

<i>For the seven months ended January 31, 2021</i>				
	<u>Actuals</u>	<u>Budget</u>	<u>Variance</u>	<u>% Var</u>
<b>Revenue</b>	-	-	-	-
<b>Payroll Withholding</b>	<u>118,387,928</u>	<u>103,467,104</u>	<u>14,920,824</u>	<u>14.4%</u>
<b>Net Profit</b>	<u>19,345,497</u>	<u>12,661,654</u>	<u>6,683,843</u>	<u>52.8%</u>
<b>Insurance</b>	<u>18,961,832</u>	<u>20,243,541</u>	<u>(1,281,709)</u>	<u>-6.3%</u>
<b>Franchise Fees</b>	<u>14,396,229</u>	<u>15,185,725</u>	<u>(789,496)</u>	<u>-5.2%</u>
<b>Other Licenses &amp; Permits</b>	<u>4,084,073</u>	<u>4,132,050</u>	<u>(47,977)</u>	<u>-1.2%</u>
<b>Property Tax Accounts</b>	<u>23,539,946</u>	<u>23,761,747</u>	<u>(221,801)</u>	<u>-0.9%</u>
<b>Services</b>	<u>12,994,855</u>	<u>13,866,957</u>	<u>(872,102)</u>	<u>-6.3%</u>
<b>Fines and Forfeitures</b>	<u>124,900</u>	<u>147,833</u>	<u>(22,933)</u>	<u>-15.5%</u>
<b>Intergovernmental Revenue</b>	<u>165,757</u>	<u>254,096</u>	<u>(88,339)</u>	<u>-34.8%</u>
<b>Property Sales</b>	<u>92,181</u>	<u>162,500</u>	<u>(70,319)</u>	<u>-43.3%</u>
<b>Investment Income</b>	<u>66,768</u>	<u>628,497</u>	<u>(561,729)</u>	<u>-89.4%</u>
<b>Other Income</b>	<u>1,436,157</u>	<u>1,472,324</u>	<u>(36,167)</u>	<u>-2.5%</u>
<b>Total Revenues</b>	<u>\$213,596,123</u>	<u>\$195,984,028</u>	<u>\$17,612,095</u>	<u>9.0%</u>

**FY2021 – Cash Flow Variance Expense (Actual to Budget)**

<i>For the seven months ended January 31, 2021</i>				
	<u>Actuals</u>	<u>Budget</u>	<u>Variance</u>	<u>% Var</u>
<b>Expense</b>				
Personnel	*124,159,074	*129,886,166	*5,727,092	4.4%
Operating	23,370,790	32,982,956	9,612,166	29.1%
Insurance Expense	(1,830,652)	992,050	2,822,702	284.5%
Debt Service	32,217,179	33,082,094	864,915	2.6%
Partner Agencies	12,582,395	12,005,286	(577,109)	-4.8%
Capital	114,907	269,900	154,993	57.4%
<b>Total Expenses</b>	<b>\$190,613,693</b>	<b>\$209,218,452</b>	<b>\$18,604,759</b>	<b>8.9%</b>
<b>Transfers</b>	<b>2,427,317</b>	<b>2,342,150</b>	<b>(85,167)</b>	<b>-2.4%</b>
<b>Change in Fund Balance</b>	<b>\$20,555,113</b>	<b>(\$15,576,574)</b>	<b>\$36,131,687</b>	

\*Coronavirus Relief Money has been fully accounted for both in actual expense and budget as of January 31, 2021.

**III. Residential Assistance Program**

Charlie Lanter, Director of Grants and Special Programs, provided an overview of four programs providing rent assistance. *Healthy at Home Eviction Relief Fund*, a statewide program, distributed more than \$2.5M to Fayette County residents; the program is now closed. He emphasized the importance of matching the client to the most appropriate program to maximize the benefit. *Rental Hardship to Impacted Service Employees* (RHISE), which used CDBG funds, focuses on specific service-type industries for employees or independent contractors who have experienced involuntary job loss. The program has

spent \$238,048 and there are enough applications in the pipeline to account for the remaining funds (\$261,952). LFUCG's *Housing Stabilization Partnership Program (HSPP)*, offers similar benefits to RHISE but it can pay for relocation assistance, which can be more appropriate if folks owe more than what the program can pay for; eligibility includes 80 percent Area Median Income. HSPP has spent \$1.2M; the remaining balance of \$104,459 will be used for relocation expenses only because the new federal rental assistance program cannot pay for relocation.

The *Housing Stabilization Program (Federal)* will use the city's HSPP program name and website to prevent confusion for the public. The total budget is \$9,668,772; these funds must be distributed by December 31, 2021, though there is a three-month extension option. The benefits standards are more flexible and there are no caps on assistance that can be provided to households. Lanter reviewed eligibility, which includes 80 percent AMI and the household must be at risk of homelessness. \$5M has been awarded to Community Action Council to begin implementation and a program administrator has been hired to coordinate the program. Lanter said there will be more money; possibly additional funds from the state and the American Rescue package that is before congress could provide another \$9.6M for this same program. He said distribution of funds under the *Housing Stabilization Program (Federal)* is starting to pick up speed.

Kay asked about the eviction moratorium, which Lanter said renters have to engage a form with the CDC to buy them time. Polly Ruddick is participating in eviction court daily to communicate in real-time if a person has an application filed for rental assistance to help avoid eviction. The only evictions that are moving forward are because people didn't show up for court or for non-payment of rent issues (i.e. causing damage to the property). Kay concluded the moratorium so solely for the lack of ability to pay rent and Lanter added that evictions can also occur when a lease is not renewed.

Lamb and Chris Ford, Commissioner of Social Services, discussed how 253 intakes under RHISE are still in process. For the *Housing Stabilization Program (Federal)* program, 10 percent of the total budget is allowed for administration of the program, which funded the grant position. Lamb asked about the time it takes for an application to get approved; Lanter explained how applications are prioritized into a tiered system so it varies, which is a requirement of the program. They are bringing in temporary workers to increase the processing time.

J. Brown asked if RHISE needs to continue since it targets a specific group. Lanter explained how folks would be better served by the larger program because the benefit standard is more favorable (RHISE has more restrictions, including a maximum for assistance). They discussed how homeowners are not eligible for the *Housing Stabilization Program (Federal)* program, only renters; this is a gap in assistance, though it is not known how significant that gap is. J. Brown is concerned about services for homeowners.

Moloney asked about relocation assistance, which Lanter explained happens when the amount owed is greater than costs associated with relocation. This assistance is often for folks who are already evicted. Relocation funds can help folks who are evicted because their lease is up. Lanter mentioned how "non-renewal of leases" is a loophole in the moratorium. Moloney said people probably don't know they can go to court or get assistance under this circumstance. Lanter said folks need to go to court because the city can't help people who don't.

#### **IV. Proposals for use of Coronavirus Relief Funds and Fund Balance:**

##### **a. Fifth and Chestnut Building (Palmer Pharmacy) RFP Update**

Bledsoe explained this item is to discuss two items proposed for fund balance/coronavirus relief funds. J. Brown said funding was originally approved for the Palmer Pharmacy building based on the RFP finding a community partner to repurpose the building but the RFP didn't receive any responses. Hamilton said several people were interested but that this project is almost too big for anyone to take one, especially in the middle of a pandemic. They are recommending to start remediation of the building with the previously approved \$300,000, which will make the project look not so impossible as it does now. J. Brown said regardless of what happens to the building, the city still needs to be good stewards and do the environmental work, explaining the RFP could be reissued after that. Hamilton added that the roof and foundation need to be stabilized.

Lamb and Hamilton confirmed the total construction costs would be around \$875,000 "to get the whole building back to white box," plus any soft costs such as engineering. \$300,000 would cover environmental remediation (about \$100,000), repairs to the roof (about \$34,000), and anything left over would be used to stabilize the building (outside and inside). Lamb said at a minimum the city should address anything that would be a Code Enforcement violation.

Moloney described a worst-case scenario – the building is torn down and said the environmental work would still have to be done. He added that trying to make the building stable would be an additional expense but he mentioned safety concerns for kids in the neighborhood. Hamilton agreed and said this gives the building a chance for people to develop a vision.

Motion by J. Brown to authorize the administration to move forward with up to \$300,000 allocated to remediate and stabilize the Palmer Pharmacy building; seconded by Worley. The motion passed without dissent.

Motion by J. Brown to report out this action (taken on the Palmer Pharmacy building) today at Work Session; seconded by Plomin. The motion passed without dissent.

##### **b. Small Business Economic Stimulus Program**

Worley talked about his interest in doing a similar program to the Small Business Economic Stimulus Program to support small businesses again; explaining how the city has weathered the pandemic economically better than originally predicted and these businesses pay taxes that are needed to provide basic services. He said he is looking for feedback while mentioning ideas such as using a forgivable loan versus a grant.

Lamb asked who would manage the program and how it would be changed so more businesses could be impacted based on what was learned in the first program. Commerce Lexington is the potential partner. Worley said the reasons why businesses weren't funded will be considered but he would like to provide the program administrator some lee-way so funding wouldn't be guaranteed just because a business didn't receive it last time. Lamb would like non-profits and a set minority-owned business goal to carry over as factors in the new program.

J. Brown said the pandemic's impact on our economy and local businesses is understated. He is supportive of the idea of a loan. He talked about taking advantage of federal funding and taking the proper time to lay this program out.

Kay asked about data on the applications that were received after the funds were allocated and if those businesses would get preference. Worley said this data is available, which Kay would like to see when trying to decide this. Kay asked how the forgivable loan would work with this program. Worley talked about his experience with "hardest hit fund loans" for the Kentucky Housing Corporation and said it would be based on the essential purpose; for the last program that was keeping the doors open. He talked about using something they want to track such as jobs; for example, how many employees a business can sustain or how many are added.

Worley mentioned that Ellinger made this proposal during the October 2020 fund balance/coronavirus relief funds discussion. Bledsoe said they have been thinking about how to look at the program (keeping the doors open and jobs) in a different way than what was done in the previous program, mentioning forgivable loans as an idea to attract jobs. Moloney talked about the state restrictions placed on businesses when this program was done in the summer, which are different now. He mentioned revenue being better than anticipated, other stimulus funds, and making sure we are helping people that need it. Ellinger is supportive of helping businesses and mentioned its impact on our tax base. No action was taken on this item.

#### **V. Allocation of \$30,000 (reduction from FY21 council budget)**

Moloney talked about nonprofits being hurt by the pandemic, which the council's neighborhood development funds (NDF) often helped support. He proposed increasing each council office's NDF back up to \$10,000 (a cost of \$22,500) and allocate the remaining funds to Parks and Recreation.

Motion by Moloney to Approve a portion of the funds to increase NDF for each council office (bring up each office total to \$10,000) and for the remainder to go to Parks and Recreation; seconded by J. Brown. The motion passed without dissent.

Discussion on the motion included the following. Lamb asked for additional details on how the funds would be divided, which Bledsoe said each council office would receive an equal amount to bring their total FY21 NDF budget to \$10,000. Monica Conrad, Director of Parks and Recreation, explained they would use these funds for natural areas.

#### **VI. Items Referred to Committee**

##### **c. Annual Status Review of Committee Referrals**

Motion by Plomin to remove the following items from committee – (#14) *partnering with Fayette County Public Schools athletic facilities*, (#15) *tax increment financing districts*, (#16) *economic development update for the Downtown Lexington Partnership with idea proposal*, (#17) *minority business enterprise program and software update*; seconded by F. Brown. The motion passed without dissent.

McCurn agreed to take over as the new sponsor for the *franchise fees and street light funds* committee item.

Motion by Moloney to remove the *Subcommittee on Partnership with Fayette County Public Schools* from committee; seconded by Ellinger. The motion passed without dissent.

Motion by Lamb to remove items (*#31 Residential Assistance Program, (#32) proposals for use of coronavirus relief funds and fund balance (#33) Allocation of \$30,000*) (amended to exclude item #32); seconded by Plomin. The motion, as amended, passed without dissent.

Motion by Lamb to amend to exclude item (*#32) proposals for use of coronavirus relief funds and fund balance*) from the motion and keep this item in committee; seconded by J. Brown. The motion passed without dissent.

Motion by Plomin to adjourn (at 2:15 p.m.); seconded by Ellinger. The motion passed without dissent.

Materials for the meeting:

<https://lexington.legistar.com/MeetingDetail.aspx?ID=818866&GUID=A90B4656-0F37-4F2C-9E85-0D3788FF9797&Options=info|&Search>

Video recording of the meeting: [http://fucg.granicus.com/MediaPlayer.php?view\\_id=4&clip\\_id=5298](http://fucg.granicus.com/MediaPlayer.php?view_id=4&clip_id=5298)

HBA 3/11/21