



Budget & Finance Committee  
March 18, 2014  
Summary and Motions

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Chair Ellinger called the meeting to order 1:00pm. Committee members Stinnett, Gorton, Kay, Ford, Beard, Farmer, Scutchfield, Mossotti and Henson were present. Council Members Akers, Myers and Clarke attended as non-voting members.

**1. February 25, 2014 Committee Summary**

Motion by Beard to approve the February 25, 2014 summary. Seconded by Scutchfield. Motion passed without dissent.

**2. Monthly Financial Report**

Commissioner O'Mara, Mr. Cook and Ms. Lueker went over the monthly financial report. Unemployment rates are moving downward in Fayette County and Kentucky. Fayette County is under 6 percent. Building permits are up. New businesses are slightly up. Home sales are also up. Foreclosures are down from prior year.

Cook commented on the revenue numbers. We are \$4.4 million above budget, year to date. We had a small growth in employee withholding and franchise fees. However, franchise fees are up due to timing. We have an increase in refunds. We are up year over year as well.

Lueker commented on other revenue areas and explained any variances. We are at budget in personnel. We are ahead of budget in operating, due to professional services, utilities, supplies and equipment and grant match. The partner agency variance is due to timing issues and we are actually on target. Current year over prior year, we are a little ahead but we have a higher budget this year than last year.

Commissioner O'Mara told the committee that we currently have a surplus of \$ due to favorable budget variances and a better revenue forecast. O'Mara proposed that we reallocate the current year budget dollars to alleviate some of the needs coming in the FY15 budget. The approach used was to look at critical needs, sound investments, collective agreement and quick implementation. The total to reallocate is \$10 million.

Farmer asked how different this would be than what we have done on previous years. O'Mara said this would just be doing it sooner rather than waiting to see what happens in the 4<sup>th</sup> quarter. All indicators are showing a good 4<sup>th</sup> quarter. Farmer asked how long it has been since we have done it this was. O'Mara said it was prior to 2008.

Beard asked if the list for Community Corrections, Fire and Police would be purchased now and if that would result in those items being removed from the budget. O'Mara asked to explain during the presentation.

Lane asked if what happens to the rainy day fund if we spend this now. O'Mara said a larger June 30 balance would result in a larger deposit into the rainy day fund. Lane asked what the projected balance would be then. O'Mara said he projected that we would have \$4 to \$5 million more by then and 25% would be added to the economic contingency fund.

Gorton commented on the 25% required to be added to the economic contingency fund. This would be part of that if we waited. O'Mara confirmed.

O'Mara continued the presentation. The reallocation would come from \$5 million in increased revenue and \$5 million would come from operating and personnel. The recommendation is to spend \$2,983,750 in the Division of Police on police body armor, tactical body armor, tasers, mobile data centers, police recruit equipment, vehicles and replacement truck – traffic control. Spend \$2,981,500 in the Division of Fire and Emergency Services on fire air cylinders, fire protective clothing, haz mat communications system, thermal imaging, confined space rescue, fire building repairs and vehicles. Spend \$535,000 in the Division of Community Corrections on a new boiler, water softener system, update plumbing and radios. The final recommendation is to establish a fund for affordable housing and homeless services. The affordable housing fund would be \$3 million and homeless services would be \$500,000.

Farmer asked what types of vehicles and how many on the list of recommendations for police. O'Mara said it is to purchase 65 replacement vehicles for officers.

Stinnett wanted to clarify that O'Mara was proposing using cash to purchase the vehicles rather than bonding them as we have in the past. O'Mara said that was correct. They are trying to use cash for limited capital needs and items that have a shorter life. Stinnett asked if we had done a model to be sure that this made more sense. O'Mara stated that we have \$60 million in capital requests and we cannot afford them all. He feels that the better option is to bond assets that have a longer life.

Council asked the same question about the fire vehicles on the list. Commissioner Mason stated that the funds would be used to purchase 1 ladder truck, 2 engine, 1 EC unit and a couple of small SUVs.

Stinnett asked if this was in addition to what we did in November, 2 engines and 2 EC units. Mason said yes. Stinnett asked if those had been ordered. Mason said they had not. Stinnett asked if we could get a discount by ordering them together. Mason said we would get a 3-5% discount.

Akers asked if there was anything new. Mason said they are all replacements.

Myers asked what happens to the old trucks. Mason said they can be used as backups or training vehicles if they are in good shape, others will go to surplus.

Mossotti asked when the guidelines would be in place. We need a plan before allocating \$3.5M dollars. Commissioner Paulsen stated that there is a presentation coming up in the Planning & Public Works Committee where they will have more info on the guidelines. Mossotti is hesitant to allocate recurring funds without a plan.

Henson asked what the \$500K for homeless services will fund. Henson added that we cut funding for emergency housing at the Hope Center so she is curious what this will cover. Shay Rabold stated that they would have to agree on what the funds would be spent on together. The original idea was to use the funding to support new and innovative programs that were suggested in the homeless report, one in particular was housing first.

Myers asked if there would be additional money in the budget or is the \$3.5 million it. O'Mara said they are proposing that this is a pre FY15 fund, adding that the money would roll over year to year, unlike the General Fund. Myers asked Paulsen if they had started their presentation. Paulsen said they had and are working out a few additional items. Myers asked if the intent was to have a public-private partnership. Paulsen said yes.

Lane commented that they have yet to see the Mayor's budget or start the budgeting process. Does O'Mara think this can wait. O'Mara said they can go forward with the budget and know that this will be a fund balance discussion in October. They tried to pick out items that need to be replaced and are ongoing issues that would need to be addressed and discussed in the budget to bring forward now for approval. Lane asked how vacant positions are impacting this fund balance number. O'Mara stated that the model for next year shows all funded positions going forward. They assume that if a position is vacant now, it will still be vacant as of July 1 (will take some time to fill). Lane asked if there was funding for IT to replace the accounting system. O'Mara stated that there are a lot of needs and they outweigh the budget so they are working to prioritize them and deliver a budget.

Stinnett commented on the list and asked about the timing of the affordable housing issue, why is this on the list today when there are other priorities that we can fund and purchase right now. There is no plan for this at this time and it cannot be funded until July 1 either way so why not wait until the budget address. O'Mara commented on the thought process involved. Stinnett asked if this supersedes the rainy day fund, does that mean less will go into that fund. O'Mara said yes, the fund will be reduced if there is a lower fund balance. O'Mara added that he was

under the impression that the Council did not wish to have a large fund balance. If that is the wish, they can take that approach. Stinnett asked where the personnel fund balance is from. O'Mara said it is all over government. Council was given a total of \$35 million for capital requests in February and they were just told it was \$60 million. Stinnett asked about the variance in the capital list request and how much of that is on this prefunding list. O'Mara stated that he added everything up to get the \$60 million total and that there have been additional items added during the budget hearing process.

Beard asked if there were bonds that could be retired. O'Mara said they are looking at that now. Beard is also uncomfortable allocating \$3.5 million without a plan. Beard also commented on the possible tax increase presented to fund the affordable housing program.

Gorton commented on the recommendations and added that the affordable housing issue could be approved and a plan devised later, similar to what was done with the JOBS fund.

Motion by Farmer to approve the items on pages 4-6, including expenditures for the Division of Police, Division of Fire and Emergency Services and Community Corrections. Seconded by Beard. Motion passed without dissent.

Gorton confirmed that this would result in each of these coming back as budget amendments for a vote.

Mossotti stated that there are many competing needs (parks and HR) and asked how they fell in the hierarchy as many feel they are critical needs. O'Mara stated that this does not say these aren't critical needs but they were looking for items that could be implemented quickly. The requests are larger than the funds available and they are currently working to weigh the needs for the budget.

Stinnett reminded the committee that this will still have to be reported out to the full council for a vote and approval.

Motion by Ford to adopt the recommendation of \$3.5 million for affordable housing. Seconded by Gorton. Motion passed 9 – 1, as amended. Ellinger, Stinnett, Gorton, Kay, Ford, Farmer, Scutchfield, Mossotti and Henson voted yes. Beard voted no.

Motion by Kay to amend the motion to add that no funds are spent until the plan is approved by Council. Seconded by Gorton. Motion passed 9 – 1. Ellinger, Stinnett, Gorton, Kay, Ford, Farmer, Scutchfield, Mossotti and Henson voted yes. Beard voted no.

Stinnett asked if we could have a plan before summer recess. Paulsen said yes.

Motion by Gorton to bring this forward to the work session this afternoon. Seconded by Mossotti. Motion passed without dissent.

### **3. Procurement Task Force**

Todd Slatin provided background on the issues addressed by the task force. This was created as a result of the State Auditors audit. Most of the concerns dealt with personal services and our policies were changed. Other concerns dealt with spending and vendor preferences. The task force addressed these and concluded that our minority and women owned preference is working. The local vendor preference works short term but will eliminate competition in the long run. We spent 49% of our dollars in 2010 and 52% in 2012. The local spend is more in professional services as there are many things you cannot get locally (fire trucks, etc.) Slatin added that the regulations are being revised. The current regulations were created in 1983 and revised in 2003 so they are working to revise and bring them up to speed with current spending levels. He hopes to bring this back to the committee before the break.

Gorton asked about page 22, paragraph 1, local vendor preference, are local payroll taxes paid factored into the equation, does this mean we pay more attention to companies that pay more taxes. Slatin commented on state laws and how we define who is local. When we do RFP selections, we look at degree of local employment.

Stinnett asked if we had a definition of local that we use. Slatin said it depends on the situation and varies by RFP. Some of the water quality RFPs have used Lexington as well as surrounding counties, you have to have a company in Fayette County to offer the service. Stinnett commented on people setting up a local office and calling themselves a local business to get the 5%. Slatin said it is always difficult to assess that. There is no clear cut definition on how to do it.

### **4. Wellness Center**

Stinnett explained that the lease for the wellness center is up this year and feels it is time to decide where this will be located going forward, what type of resources do we want around it, what services will be offered, etc.

CAO Hamilton commented that the first part of the lease is up December 1, 2014 and we have two options to renew for 3 years each. The conversation was generated by the concept of a wellness center that would incorporate our health clinic and pharmacy. The Y came to us with a proposal that perhaps they could add square footage to the front of one of their buildings and we could use that for a wellness center concept. If the council is interested in the concept, they can decide on a location and partner with somebody to do this. If we are interested in this idea, we should only enter into a lease for one additional year and work on what it would look like. We would have to do an RFP and compare to the rent we are currently paying.

Stinnett asked if we would have to rebid the lease if we move. Hamilton said we would have to bid on a new location. Stinnett stated that the concept to have it all included was discussed

previously and it is still a good idea. He feels we need a central location for the medical and pharmacy facility.

Mossotti asked for clarification on the size of the facility as she feels 7,000 square feet would be too small for everything. Hamilton stated that the 7,000 square feet would be added in addition to the exercise facility, for example, on the front of an existing exercise center.

Beard commented on the location and feels we should poll people to get an idea on a location.

Myers asked for a presentation on the CHIPS program. Myers feels that enough companies have been doing this for so long that it should be simple to do.

Motion by Stinnett to proceed with wellness center concept and extend current lease for one year. Seconded by Farmer. Motion passed without dissent.

#### **5. Items Referred to Committee**

Motion by Stinnett to remove wellness center item. Seconded by Gorton. Motion passed without dissent.

Motion by Stinnett to remove urban service property taxes. Seconded by Gorton. Motion passed without dissent.

Motion by Mossotti to adjourn 2:53pm. Seconded by Kay. Motion passed without dissent.

*Submitted by: Stacey Maynard*