



Budget, Finance & Economic Development

September 27th, 2016

Summary and Motions

Chair Stinnett called the meeting to order at 1:01 p.m. All committee members were in attendance.

Approval of August 30, 2016 Committee Summary

A motion was made by Farmer to approve the August 30, 2016 Budget, Finance & Economic Development Committee Summary & Motions, seconded by Scutchfield. The motion passed without dissent.

I. August Financials General Fund

Bill O'Mara, Commissioner of Finance, gave a presentation of the item.

Rusty Cook, Director of Revenue, presented the Big Four Revenue categories.

Elizabeth McGee, Budget Officer Sr., presented the other Revenue categories for August.

Bledsoe asked what the Interfund transfer number represented and McGee responded that the number represents payments between funds where they transfer money, for example, to Council Capital Projects Fund; it is an accounting issue. McGee will look into it and see if anything is driving that figure.

August 2016 Monthly Actual Compared to Adopted Budget

<u>Revenue Category</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>% Var</u>
OLT- Employee Withholding	22,954,908	22,783,493	171,415	0.8%
OLT - Net Profit	552,406	656,029	(103,623)	-15.8%
Insurance	3,768,275	3,627,539	140,736	3.9%
Franchise Fees	2,344,821	2,372,748	(27,927)	-1.2%
TOTALS	29,620,411	29,439,809	180,602	0.6%

August 2016 YTD Actual Compared to Adopted Budget

<u>Revenue Category</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>% Var</u>
OLT- Employee Withholding	32,913,985	32,650,573	263,412	0.8%
OLT - Net Profit	1,317,679	1,349,884	(32,205)	-2.4%
Insurance	7,363,177	7,167,644	195,533	2.7%
Franchise Fees	4,132,236	4,173,853	(41,617)	-1.0%
TOTALS	45,727,077	45,341,954	385,123	0.8%

Cash Flow Variance - Revenue

<i>For the two months ended Aug 31, 2016</i>				
	ACTUAL	BUDGET	Variance	
Revenue				
<i>Payroll Withholding</i>	\$32,913,985	\$32,650,573	\$263,413	1%
<i>Net Profit</i>	1,317,679	1,349,884	(32,206)	-2%
<i>Insurance</i>	7,363,177	7,167,644	195,533	3%
<i>Franchise Fees</i>	4,132,236	4,173,853	(41,616)	-1%
<i>Other Licenses & Permits</i>	331,436	514,818	(183,382)	-36%
<i>Ad Valorem</i>	180,071	216,116	(36,045)	-17%
<i>Services</i>	3,827,967	3,992,602	(164,635)	-4%
<i>Fines and Forfeitures</i>	45,390	38,076	7,314	19%
<i>Property Sale</i>	28,487	51,167	(22,680)	-44%
<i>Intergovernmental</i>	24,659	25,574	(915)	-4%
<i>Investment Income</i>	(27,992)	96,488	(124,480)	-129%
<i>Other Income</i>	444,130	404,426	39,704	10%
Total Revenue	\$50,581,225	\$50,681,220	(\$99,995)	-0.2%

Cash Flow Variance - Expense

<i>For the two months ended Aug 31, 2016</i>				
	ACTUAL	BUDGET	Variance	
Expenses				
<i>Personnel</i>	(\$29,365,352)	(\$29,442,188)	\$76,836	0%
<i>Operating</i>	(5,762,282)	(6,716,798)	954,516	14%
<i>Debt Service</i>	(4,098,656)	(4,098,656)		
<i>Partner Agencies</i>	(3,545,843)	(3,271,465)	(274,378)	-8%
<i>Insurance - Expense</i>	(967,911)	(967,911)		
<i>Operating Capital Expenditures</i>	(1,119,399)	(902,507)	(216,892)	-24%
Total Expenses	(44,859,444)	(45,399,525)	540,081	1%
Interfund Transfers				
<i>Transfers</i>	(478,293)	(478,293)		
Change in Fund Balance	5,243,489	4,803,402		

Code Enforcement Nuisance Abatement/Lien Collections

Month	Administrative Collection		Miscellaneous		Penalty & Interest		Total Collections	
	Fees		FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
	FY 2017	FY 2016						
July	225	476	253	546	15,545	18,043	16,022	19,065
August	1,125	600	802	308	10,163	14,984	12,090	15,892
Totals	1,350	1,076	1,055	854	25,708	33,027	28,112	34,957

Comparison of Economic Indicators

Economic Indicators		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fayette County	2014	5.6%	6.0%	5.8%	4.8%	5.1%	5.2%	5.1%	4.6%	4.2%	3.9%	4.0%	3.6%
Unemployment Rate	2015	4.3%	4.0%	4.0%	3.7%	4.0%	4.1%	4.2%	3.5%	3.4%	3.1%	3.6%	3.6%
	2016	4.2%	4.3%	4.1%	3.3%	3.6%	3.9%	3.8%	N/A				
Quarterly Fayette County	2014	-	-	180,078	-	-	184,553	-	-	184,658	-	-	191,287
Employment	2015	-	-	184,932	-	-	189,400	-	-	190,800	-	-	198,100
	2016	-	-	N/A	-	-	N/A	-	-	N/A	-	-	N/A
Fayette County Permits Issued	2014	1,157	999	931	1,461	1,815	1,660	1,696	1,529	1,399	1,605	1,058	1,112
	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	-	-	-	-	-
Fayette County New Business	2014	244	280	366	807	279	187	194	213	219	242	158	137
Business Licenses	2015	197	224	330	749	362	198	198	283	264	286	238	160
	2016	203	248	445	564	658	299	173	260	-	-	-	-
Home Sales (MSA)	2014	524	517	693	787	997	1,069	1,006	1,021	854	860	681	794
	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	-	-	-	-	-
Fayette County	2014	31	40	34	53	16	53	35	25	46	25	42	25
Foreclosures	2015	33	20	36	24	18	43	18	41	12	43	41	26
	2016	22	36	25	27	31	21	26	40	-	-	-	-

II. Public Infrastructure Development Fund

Stinnett introduced Derek Paulsen, Commissioner of Planning, Preservation and Development, who gave a presentation of this item.

Paulsen provided background, stating that a transfer of about \$1,000,000 went into the fund last year going in tandem with the ZOTA associated with the ED zone. It was originally designed around Jobs Fund.

Kay asked Paulsen to explain indirect job creation. Kay said this term is often used to talk about a ripple effect, and wanted to clarify that this is not what Paulsen is referring to. Paulsen responded that an example would be projects that may spur other projects which would create other jobs; rather than making a ripple effect, it is more about opening up space to create jobs in the future.

Mossotti followed up asking whether the jobs would be full-time or part-time asking about the \$250,000 for sidewalk repair; she asked him to explain sustainability. He responded that the jobs are not created for creation of infrastructure alone. The application has to be associated with a direct capital

investment; there has to be a new building project taking place where one thing they need assistance on is putting in public infrastructure.

F. Brown asked for a background on Public Infrastructure Fund. Paulsen explained that it was a \$1m bonded infrastructure program, there is \$750,000 remaining. F. Brown asked if there was an ordinance creating the program and Paulsen explained that the purpose of this meeting was to obtain the ordinance. F. Brown asked if there was any duplication; Paulsen said he did not believe so. F. Brown asked about the sustainability of the \$750,000. Paulsen said the program was created to provide funding for job creation and as a way to get infrastructure built. Paulsen would like to disperse the \$750K as quickly as possible in terms of creating good projects and they might submit another request for next year's budget. F. Brown said he was not comfortable with this and he feels like there is duplication of effort.

Farmer asked how they define infill area. Paulsen showed a map, but it was based on old sand-born map from possibly the 1920's. Farmer supports moving forward with the program. Stinnett added that the next step would be to present a draft ordinance at the October Budget, Finance and Economic Development meeting so the committee can review it one last time move it forward or keep it in committee.

Bledsoe asked whether fiber and broadband were considered to be part of infrastructure. Paulsen said he would need guidance and clarification from bond council in terms of utilities. They are looking for reallocation of a bond fund. What they have has to be used for a public infrastructure, not for private use.

Lamb asked about boundaries and Paulsen said he would get her a copy of the map. Lamb asked about committee structure. She feels Commerce-Lex could help get applications brought forward. She also recommended that a Council Member serve on the Economic Development Committee. Paulsen was in agreement as long as the number of members was odd.

Kay asked Paulsen to explain the rationale of \$18.50 per hour salary. Paulsen explained they felt it was necessary to bring in higher quality and higher paying jobs. Kay suggested a median salary rather than a minimum. And he also suggested tweaking the language so it is not misleading regarding the start and stop of a project and penalties that may occur. Paulsen will have the language reviewed and make sure it is consistent. Paulsen added that if the funding for this program was approved in the budget, it would give them more latitude and not so many restrictions on what they can do with the funds. Kay asked if they would be soliciting or if they would wait for people to come forward. Paulsen said they have already had several come forward with projects and they are working with Commerce-Lexington and they are soliciting as well.

Moloney commented that this something we need and he appreciates the presentation. He feels this program is important to bring jobs here. He asked if they looked into getting additional funding. Paulsen responded that he will look into this, but he is not sure it falls in line with funding preferences. He will discuss with Irene before bringing it back before the committee. Paulsen added that there are people

wanting to apply as quickly as possible. Moloney said he supports this program and he commends them for putting this together.

Mossotti asked if this program would provide incentives and Paulsen responded that it could provide incentives or assistance, but it is not meant to be used only for that. He said they don't want it to be strictly for downtown assistance, adding that there are areas just outside of downtown that have infrastructure needs. He said this could be residential, Economic Development or Affordable Housing projects where facilities don't exist and this program could provide assistance to. Mossotti responded that she thinks it is a great program and well needed; she just wanted to make sure it was not limited to certain areas.

Scutchfield said she was not opposed to this program, but since there are similar funds out there, she wants to make sure that we are not creating duplicate funds. She also wants to make sure this isn't funded out of the general fund every year. Paulsen said he feels that it is important to see what applications they receive, what types of infrastructure is being requested and report back to Council to determine if they need additional funding or are there things that can be tweaked. Paulsen said they will really look into whether there are duplication efforts and make sure they reduce that.

Kay asked about preference as far as meeting one or all of the listed preferences and how that determines application approval. Paulsen responded that they would look at the direct capital investment, what they are asking for. He also stated that the cost-benefit is important in determining the approval process. Kay also requested additional historical information regarding the map; when it was adopted; where it came from; and review whether that map should guide decisions being made about policy. Paulsen will review the map with planning and determine boundaries.

Lamb asked if they considered putting a cap on the application limiting the amount of funding they can request. Paulsen said the idea was not to fund all of the infrastructure, but help with the gap. He stated they wanted to keep it flexible and place a limit on it. Lamb asked if there would be a contract or agreement in place and will be there be collateral. Paulsen said the projects would be bonded.

Stinnett asked about the \$500,000 that was put into the downtown incentives as part of the Design Excellence Program. Paulsen will have to check to make sure they are available. Stinnett asked if public safety was included in what these funds can be used for. Paulsen said they would have to see the application and check with bond council to see if it would be used for private or public use. Stinnett asked about parks for public use and Paulsen said it would depend on how they pitch the application and if this is a good use of the funds.

Moloney asked how they grade the application when they only have \$750,000 in funding; how do they determine who gets the funding. Paulsen said it will always be weighed on the cost-benefit. He would have to see the application and what is being requested. Moloney asked how long the application process is open and Paulsen responded that it would be a first come, first served basis.

F. Brown asked about the number of man hours invested since Engineering is overloaded. Paulsen said it should not be more work for Engineering. These are real Capital Projects where they are asking for

assistance. If we do not provide the assistance, the project may go forward anyway and the drawings would have to be reviewed and approved by Engineering anyway and he does not anticipate adding additional staff.

III. Items Referred to Committee

A motion was made by Farmer, seconded by Mossotti to remove Explore possible cost-savings of a city-owned structure at Bluegrass Airport to house aviation assets from committee. The motion passed without dissent.

A motion was made by Farmer seconded by Kay to remove Investigate using storm sewers to install conduit from committee. The motion passed without dissent.

A motion was made by Farmer, seconded by Kay to remove Creation of a Blue Trail with partnering counties and Kentucky River Authority from committee. The motion passed without dissent.

A motion was made by Farmer to adjourn, seconded by F. Brown. The motion passed without dissent.

The meeting was adjourned at 2:16 p.m.

K.T. 9.28.2016