

Special Budget Committee of the Whole Committee

October 21, 2014
Summary and Motions

Vice Mayor Gorton called the meeting to order 1:00pm. All Councilmember's except Lawless and Myers were present.

1. September 23, 2014 Committee Summary

Clarke recommended that the summary be amended to accurately reflect comments from Bruce Sahli about the Lyric Theater. He recommended that the summary include the following:

“Bruce Sahli stated that the Internal Audit Board has authorized an internal audit of the Lyric, and that this topic could be revisited with the Internal Audit Board after the public accountants have done their work. He further stated that the Board could then decide if they still want an internal audit of the Lyric at some future point, or if they want to drop the Lyric audit from the Internal Audit Plan.”

Motion by Mossotti to approve the September 23 summary as amended, second Ellinger.
Motion passed unanimously.

2. Monthly Financial Report

Rusty Cook, Elizabeth McGee and Bill O'Mara reviewed the monthly financial report for September. Cook stated that the General Fund revenue is \$ 0.6 million over budget through September. He did state that employee withholding revenue was approximately \$ 0.4 million under; franchise fees were \$ 1.2 million over budget; and services were about \$ 0.2 million over budget through September. McGee stated that the services category was impacted by excess fees from the Sheriff and the County Clerk. McGee stated that expenses are about \$ 4.5 million under budget leaving a positive variance of approximately \$ 5.1 million through September.

Gorton asked for examples of the “Other” revenue category. In response McGee identified donations and other unplanned miscellaneous expenses. O'Mara stated that FEMA recently forwarded expense reimbursement funds relative to a storm from almost 10 years ago as an example of “other” revenue.

In response to a question from Henson, McGee described personnel savings in the 1st quarter FY 15 budget.

3. Fund Balance Discussion

O'Mara described the purpose of the Fund Balance discussion. He stated that the first step is for reporting as part of the Comprehensive Annual Financial Reporting (CAFR), and the second step is to provide spending the fund balance as authorized by Council. He stated that he would concentrate his efforts on the reporting component.

O'Mara stated that the FY 2014 fund balance for all funds within the General Fund was \$ 63.75 million an increase of \$ 9.3 million from FY 13.

In response to a question from Farmer, O'Mara provided greater detail on the \$ 9.3 million change in fund balance.

In response to a question from Farmer, O'Mara explained the funding mechanism for the Affordable Housing & Homelessness Intervention Fund.

O'Mara stated that \$ 25 million is reserved for the Economic Contingency Fund; \$ 6.38 million for the 27th pay period in FY 17; and \$ 637,000 for the Energy Improvement component.

O'Mara made a recommendation to assign \$ 8.5 million in the litigation reserve.

Gorton stated if Councilmembers need more information about the recommended litigation reserve they are prepared to go into closed session.

Motion by Ellinger to go into closed session pursuant to KRS 61.810 (1) (c) for the purpose of discussing potential litigation, second Farmer. Motion passed unanimously.

O'Mara recommended that contingency assignments be made including \$ 2 million for health insurance \$ 8.1 million in prior project assignments and \$ 4.177 million in an unassigned fund balance; leaving \$ 2.2 million to be used for non recurring uses as authorization by the Council.

O'Mara stated that in addition to the \$ 2 million for the health insurance category he was requesting that the \$ 2 million be transferred to the Health Insurance Fund as a fund reserve. He stated that Benefits Marketing Insurance, the employee health insurance consultant, has recommended the creation of a \$ 4 million fund reserve.

Motion by Farmer to approve the assignments as proposed by the Administration, seconded by Ellinger. Motion passed unanimously.

Gorton stated that this will allow staff to continue with completion of the CAFR in a timely manner.

4. **FY 2015 Project Bond Issue Adjustment for the Qualified Energy Conservation Bond**

O'Mara briefly discussed the 2015 General Obligation Bond anticipated to be in the amount of \$ 26.2 million scheduled to be issued prior to Dec 31. He stated that Kentucky has allocated a \$ 2.9 million Qualified Energy Conservation Bond to Lexington that expires Dec 31. It is to be used to reduce energy consumption by at least 20% and there is a rebate of up to 70% of the interest for qualified projects.

Motion by Mossotti to allocate an additional \$ 1.5 million to the Fire Station # 2 relocation, seconded by Farmer.

Stinnett stated that he was supportive of the amendment to the bond because 6000 households live within a mile of the new fire station location and that a new high school is also planned for the neighborhood.

Henson discussed operating capital to support Fire maintenance.

Clarke stated that he was supportive of this public safety investment.

In response to a question from Beard Keith Jackson stated that the \$ 4 million was just to relocate the existing fire station and he did not anticipate any further capital or staff to support the new station.

Motion by Mossotti to allocate an additional \$ 1.5 million to the Fire Station # 2 relocation, seconded by Farmer. Motion passed unanimously.

O'Mara stated that the Administration proposes using that bond to support an energy conservation capital project at the detention center. Due to the low interest and interest rebates the debt service would be covered in the FY 15 adopted budget

Motion by Farmer to direct the Administration to proceed with the \$ 2.9 million Qualified Energy Conservation Bond, seconded by Beard. Motion passed unanimously.

Ellinger discussed the process used to allocate the FY 14 Fund Balance. In response Gorton stated that the Council Administrator is compiling a list of projects that the Council considered in the spring as part of the FY 15 budget review. She stated that it included items that the Council 'approved in concept' but didn't include in the adopted budget, items from each Council Link and requests from individual Councilmember's.

O'Mara stated that the Administration is recommending \$ 2.2 million to fund non recurring projects. In response to a question from Ellinger, O'Mara stated that the \$ 4.177 million is recommended to leave as unassigned to cover things that may come up through the fiscal year.

Stinnett stated that the available fund balance is \$ 6.3 million but the Council didn't need to allocate any of it.

In response Ellinger stated that during the FY 15 budget deliberations the Council identified several projects that it wanted to consider, including support for the YMCA.

Motion by Farmer to schedule a Special Budget Committee of the Whole meeting on Tuesday November 13 at 3:00 PM to consider available fund balance, seconded by Ellinger. Motion passed unanimously.

5. Items in Committee

Gorton turned the chair over to Ellinger to report on items in Committee. Ellinger and staff reviewed the various items referred to the Committee.

Motion by Gorton to remove the "Economic Development Partner Agencies' Reporting System" item from the Committee referral list, second Stinnett. Motion passed unanimously.

Motion by Stinnett to adjourn at 2:45pm, seconded by Lane. Motion passed unanimously.