



Budget, Finance & Economic Development Committee

February 27, 2024

Summary and Motions

Chair James Brown called the meeting to order at 1:02 p.m. Council Members Chuck Ellinger, Hannah LeGris, Liz Sheehan, Fred Brown, Whitney Baxter, Jennifer Reynolds, and Kathy Plomin were in attendance. Council Members Tayna Fogle, Shayla Lynch, Brenda Monarrez, Denise Gray, and Dave Sevigny were also present as non-voting members.

I. Approval of January 30, 2024 Committee Summary

A motion by Sheehan to approve the January 30, 2024 Committee Summary, seconded by LeGris, the motion passed without dissent.

II. Monthly Financial Update – February 2024

Commissioner Hensley provided a brief update on the monthly financials. Revenues are running positive to variance with performance better than expected to budget. Personnel cost is very close to budget. Year over year seeing more spending on expenses.

End of the year item is net profit collections that happen April 15th to May 15th. Revenue estimate is conservative based on where we have historically landed. Investment income is from interest earned from investments.

No action was taken on this item.

III. Lexington Economic Workforce & Revenue Update

The Lexington Economic Workforce and Revenue Update was provided by Director of Business Engagement, Amy Glasscock. Workforce development is the number one issue for economic development in Fayette County. Developing, keeping, attracting, and maximizing the potential of people in the community is a huge difference maker for economic development. In 2020, Fayette County had a population count of 322,570 people which amounts to a 30% increase in population growth since 1990. Since 1990, Lexington-Fayette County has added 47,295 jobs.

Local gross domestic product is a comprehensive measure of the economies of counties, metropolitan statistical areas, and some other local areas. GDP measures the value of goods and services produced in an area. Total GDP for Lexington economy in 2022 was \$21,209,754 (measured in \$1,000's) approximately and had a 3.11% growth rate.

Annual unemployment rate for Fayette County as of October 2023, was 3.1%. Unemployment rates have remained stable since quarter 3 of 2020. As of quarter 2 of 2023, there were

approximately 200,000 jobs in Fayette County. Healthcare and education, transportation and trade and utilities, and professional and business services are the top 3 job industries.

Overall, Lexington is growing and our economy is healthy. With workforce being the number one issue for economic development, it is imperative to build talent pipelines, support job retention, remove barriers to employment, and expand our labor force.

No action was taken on this item.

IV. Lexington Economic Outlook & Occupational Tax Forecast

Dr. Mike Clark, Director of the University of Kentucky's Center for Business and Economic Research, presented on the annual Lexington Economic Outlook and Occupational Tax Forecast. The national economy is slowing, inflation pressures have eased, employment continues to grow but at a slower pace and there has been slower wage growth. Lexington has strong employment growth across most major sectors in FY23, but is expected to slow down in FY24 and FY25.

Current Fayette County unemployment rate is very low right now but is expected to rise slightly in the next year. Total non-farm employment has grown by 8.1% since 2020. Financial activity sector has grown by 18.2% since 2020. The manufacturing metropolitan statistical area (MSA) percent change has stayed relatively flat. Construction, mining, and logging employment percent change is at 14.9 % and decreasing.

The sectors that are slowing down are natural resources and manufacturing. Sectors that are growing are construction, trade, transportation, and utilities, professional and business services, education and health services, leisure and hospitality, and government. Drivers of payroll tax in Lexington are employment, average wages, and payroll tax revenue. Growth in payroll tax in revenues in FY23 were from 45% growth in employment and 55% growth in wages. Payroll tax estimated to be \$273.8 million in FY25. Net profit tax revenue for FY25 projected to be \$68.9 million. Net profits do not typically follow payroll tax trends. National growth is predicted to be low.

Farm employment is difficult to measure well which is why the industry is excluded. Employment numbers come from employers self-reporting. Best estimate for these employees is a census conducted by the USDA every 5 years. Total farm employment is a relatively small share of the economy and slowly declining.

No action was taken on this item.

V. Adjournment

A motion by Plomin to adjourn at 2:26pm, seconded by LeGris, the motion passed without dissent.