



Budget, Finance & Economic Development Committee

January 31, 2023

Summary and Motions

Vice Mayor Dan Wu called the meeting to order at 1:00 p.m. Vice Mayor Dan Wu, and Council Members James Brown, Chuck Ellinger, Hannah LeGris, Liz Sheehan, Preston Worley, Fred Brown, Whitney Baxter, Jennifer Reynolds and Kathy Plomin were present.

I. Election of Committee Chair / Selction of Vice Chair

A motion by F. Brown, seconded by Ellinger, to elect J. Brown as the Budget, Finance, and Economic Development Committee Chair, the motion passed without dissent.

Chairmen J. Brown appointed Ellinger as Vice Chair of the Committee.

II. Approval of November 29, 2022 Committee Summary

A motion by Plomin, seconded by Wu, to approve the November 29, 2022, Budget Finance, and Economic Development Committee Summary, the motion passed without dissent.

III. FY23 Quarter 2 Financial Update

Commissioner Hensley introduced the FY23 Quarter 2 Financial Update. Financials are ahead of schedule on 6 month performance review and top 4 revenue sources. January is a large personnel cost month due to sick and retirement pay outs.

Director Holbrook highlighted payroll withholding actuals and emphasized approximately 55 percent of overall general fund revenue comes from payroll withholdings. There are 46,000 registered businesses in Lexington, two-thirds of which pay net profit taxes, typically in April. Overall, top 4 revenue sources show strong growth. 12,000 businesses pay payroll taxes over the course of the year. Insurance is the 3rd largest revenue source and franchise fees are the smallest.

Other areas to note, bank deposits have gone down during the annual tax assessment, the first time since the pandemic began which could be an indicator of pressure from inflation. EMS service fees have increased this year and Corrections fees have decreased. When bond rates go up, the value of the investment goes down and makes it more difficult for the City to sell investments. Year over year, top 4 revenue sources are performing well.

Director Lueker stated that revenue and expenses are not evenly distributed over the course of 12 months. There are spikes in expenses throughout the year from 3-pay months and retirements and sick checks that typically occur in January. The City is spending more on personnel and remains below budget but is catching up to estimates. Operating budget has

seen savings in salt expenses from the mild winter. Looking at actuals for first 6 months of the year, there are savings from personnel vacancies, but over budget in overtime category. Divisions are budgeted for attrition at an average of 93 percent but actual attrition is 86 percent for filled positions.

Seeing savings in professional services category, contracts at the Detention Center, and supply savings. Insurance claims expense is over anticipated number. A budget amendment will be processed to cover the difference in insurance overage. Capital in this fiscal year is larger than previous years but existing variance will be spent by the end of the year. When comparing FY23 actuals to FY22 actuals, more has been spent than previous year due to personnel enhancements. Overall, the City is under budget but well above prior year actuals.

IV. Annual Comprehensive Financial Review (ACFR)

Jeanna Jones from Strothman and Company presented on the Annual Comprehensive Financial Review. Jones mentioned this year's audit format is different than prior year due to changes in professional standards. Jones highlighted the General Fund activity total revenues and expenditures compared to FY21. Net change in general fund was \$22.6 million from FY21 to FY22. General Fund balances from FY21 to FY22 had a net change of \$44.77 million.

There were no uncorrected misstatements and no difficulties in dealing with management this fiscal year. Significant financial statement estimates that are considered "sensitive" due to the possibility of actuals differing from expected include; compensated absences, unfunded post-retirement health benefits, net pension liability and net OPEB liability, landfill closure and postclosure care liability, claims and judgements payable, depreciation expense, and allowance for doubtful accounts.

Jones shared new Governmental Accounting Standards Board (GASB) accounting standards that go into effect this year which include; GASB 91 – Conduit Debt Obligations, GASB 94 – Public-Private and Public-Public Partnerships and Availability Arrangements, GASB 96 – Subscription-Based Information Technology Arrangements, and GASB 99 – Omnibus 2022.

F. Brown highlighted page 75 of the report that explains government debt and obligation bonds and noted the ordinance that keeps government bonding below 10 percent of previous years revenue. J. Brown asked about reporting assets. Jones shared that leases should be counted as related liabilities/expenses. Operating leases in the past would be a disclosure as opposed to an asset/liability. Hensley shared that how we present our longterm liabilities will be determined later.

Sevigny asked when moving into the new GASB regulations, should those estimates be included in upcoming budget planning? Hensley shared these fees are typically found in operating costs and will be presented differently next year based on these new regulations.

V. Items Referred to Committee

The following items were removed from Committee:

- Efforts to Reduce Barriers for Second-Chance and Reentry Employees
- Consideration of 2-year Budget Cycle
- Revenue Sources
- Franchise Fees and Street Light Funds
- Review of Current Tax District Change Policy
- Local Small Business Economic Recovery Program 2021
- Budgeting Models and LFUCG Budgeting
- Review of Financing Options for Coldstream
- Council Budget Review Process

VI. Adjournment

A motion by LeGris to Adjourn at 2:07pm, seconded by Plomin, the motion passed without dissent.