



## **Budget, Finance & Economic Development Committee**

August 30, 2022

### **Summary and Motions**

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Committee chair, Council Member Amanda Bledsoe, called the meeting to order at 1:01 p.m. Committee members Vice Mayor Steve Kay and Council Members Richard Moloney, Chuck Ellinger, Josh McCurn, James Brown, Fred Brown, Preston Worley, and Kathy Plomin were present. Council Member Susan Lamb was absent.

#### **I. Approval of February 8, 2022 Committee Summary**

Motion by Ellinger to approve the February 8, 2022, Budget, Finance, and Economic Development Committee summary; seconded by Plomin. The motion passed without dissent.

#### **II. Monthly Financial Update – July 2022**

Bledsoe directed the Committee to the Monthly Financial Update in the packet for information only. There were no questions from the Committee on this item.

#### **III. Adoption Assistance Program**

Human Resources Director, Tammy Walters, presented on the enhancements and additions to the Adoption Assistance Program. Walters shared updates to be made to CAO Policy 60 to increase reimbursement benefits for adoption assistance. The FY2022 budget for this program was \$6,000 and was dispersed in \$2,000 increments. This allowed for up to three employees to access this benefit annually.

Last year, one employee was unable to access this benefit due to the budget being expended before their application submission. Walters proposed increasing the FY2023 adoption assistance annual budget to \$8,000 and increase the benefit per eligible child to \$5,000 and up to \$7,000 for children with special needs which better aligns with the state adoption benefit program.

Employees can apply for reimbursement through Human Resources within 6 months of adoption being finalized. LFUCG may allocate additional funds in the event funds are insufficient for reimbursement. There is no change to employee classification or to the adoption assistance eligible expenses. There was no action taken or questions from the Committee for this item.

#### **IV. Price Contract Approval Process**

Plomin introduced the item and the presenter, Director of Central Purchasing, Todd Slatin. Slatin explained that bids to establish price contracts are typically issued for items or repetitive services (janitorial supplies, office supplies, etc). Fixed bids are for a large ticket items or construction project and are listed as separate line items in the annual budget.

The current price contract approval process is similar to the fixed bid process. Price contract bids are entered into Legistar, placed on the docket under Resolutions, require two readings, and then a resolution is created for each bid. Central Purchasing processes 80 – 120 price contract bids annually.

The proposed process is to remove the price contract approvals from the resolution section of the docket. Instead, acceptance, approval, and establishment of each price contract will be placed under the Mayor's Report for Council approval. This would eliminate the requirement for two readings, shorten the overall bid process by one to two weeks, and does not impact the bid appeal process. Slatin shared a sample of what this would look like on a docket and a draft ordinance that would establish this alternative process for price contracts.

F. Brown asked if there will be any restrictions on dollar amounts for price contracts and if this will impact financial controls. Slatin said there is not a cap on price contracts because needs are different between divisions and that this will not impact financial controls. F. Brown also asked if Law had been involved in the process. Dave Barberie commented, stating Law has been involved and this would have been one of the items previously discussed as part of a consent agenda. Barberie added that the Law Department felt this was a very clean item to move in this direction and that if there were any issues with the price contracts it could be removed from the Mayor's Report by Council.

J. Brown asked if the disparity study was referenced and if any minority or small business contracts would be impacted. Slatin clarified that there are several small and minority owned businesses currently participating and these changes will not impact the bid process only the approval process.

A motion by Kathy Plomin to Approve Price Contract Approval Process and report out at the September 20th work session, seconded by Steve Kay, the motion passed without dissent.

## **V. Exactions Program Update**

Michael Cravens, from the Department of Law, presented on the Exaction Program background, dissolution update, and next steps. In 1996 the Urban Services Boundary was expanded and it opened up 3 areas for development. Expansion area 1 remains 100% undeveloped and area 3 has 86% of undeveloped acres remaining. Expansion area 2 is divided into sections 2-A, 2-B, and 2-C and has 46%, 59%, and 10% of undeveloped acres remaining.

The goal of the Exactions Program is to provide equitable means to allocate a fair share of infrastructure costs (system improvements) needed to serve new growth and development in the expansion areas. Exactions must be proportional to the cost of capital facilities and assessed at the time of plat or development plan on a per-acre basis. Rates are set by the Urban County Council and updated to reflect actual project costs.

Exactable infrastructure includes: sanitary sewer capacity and transmission, collector roads, multi-neighborhood parks, non-flood plain greenways, rural open space, and stormwater management facilities. Total Exaction Program costs are estimated at \$108.75 million. Collections are calculated by plat and are paid at the time of building permit. Total collections on platted land are estimated to be \$55.82 million (51%). Total remaining exaction collections are \$54.27 million (49%).

The Expansion Area Master Plan lists three main goals: new development should be served by adequate facilities, new development should bear a proportionate share of infrastructure costs, allocation of a fair

share of the capital costs of infrastructure needed to serve new growth and development between stakeholders. In lieu of comprehensive development exactions, stakeholder infrastructure agreements could be used to accomplish these objectives.

The goal is to dissolve the exactions program by engaging with expansion area stakeholders. Cravens said they would like to move forward with the dissolution of exactions in area 1 and 3 because they are the least complex, undeveloped, and have fewer stakeholders. Expansion area 2 is more complex due to development activity.

Next steps include gathering information, negotiating with stakeholders, executing agreements with stakeholders, cleaning up zoning ordinance text amendments, cleaning up amendments to the Code of Ordinances, and implementation in administrative databases. They are in the information gathering stage of the dissolution process and have created a detailed checklist to assist with goal-setting. As an alternative cost recovery mechanism for exaction fees, tap-on fees are being considered.

A drafted timeline was shared for expansion areas 1 and 3 with intent to bring final stakeholder agreements back to Council in November or December of this year. There is also a drafted timeline for expansion area 2 but is not expected to be completed by the end of this year. The ultimate goal is to dissolve the exaction program by Fall 2023.

F. Brown asked where the money is being kept from cash collections and for future stakeholder agreements. Ashley Simpson shared that the funds are kept in a restricted account and totals just over \$10 million.

Kay asked about the \$55.82 million in program costs and if the money has been collected. Cravens said they will have to investigate and reconcile the total amount collected and credited on platted land in the coming months. Kay went on to ask if land already platted and assessed an exaction fee would be subject to these negotiations. Cravens responded affirmatively and commented that future negotiations could change plat plans.

Kay also asked if the intent of the program is to collect the \$108.75 million or to prevent General Government from paying for the development fees in these exaction areas. Cravens said that the intent is to develop these areas and to fairly allocate costs of development. By making the agreements with expansion area stakeholders, there will not be a need for the exaction program because the agreements will cover previous requirements.

J. Brown asked about the components of a stakeholder agreement and if the City will have the responsibility to attract stakeholders to the expansion area for development. Cravens said that the City has an interest in making sure these areas are developed and resources are adequately shared.

Kay asked how many potential agreements will come out of the expansion areas. Cravens believes that there would be less than a dozen stakeholder agreements that would need to be executed and approved by Council in expansion areas 1 and 3. He clarified that 51% of the expansion area has been platted, not developed in the expansion areas. Council involvement is needed for upcoming actions regarding stakeholder agreements and cleaning up the zoning ordinance text amendments and Code of Ordinances.

Bledsoe commented on the calendar and said she would like to see this completed in this calendar year. She then opened the floor to members of the audience to speak. Nick Nicholsons spoke in support of the change and made it clear that no private responsibility to develop is being shifted to the public. Darby Turner commented that stakeholders are in support of this resolution and that the exaction program was meant to be a zero-sum solution. Dick Murphy, representing the Clark Family in expansion area 2, commented that public funds were not spent to develop the exaction areas and that the program succeeded in making that possible.

No action was taken on this item.

#### **VI. Items Referred to Committee**

A motion by Steve Kay to remove adoption assistance, seconded by Chuck Ellinger II, the motion passed without dissent.

A motion by Steve Kay to remove FY21 Economic Development funding, seconded by Chuck Ellinger II, the motion passed without dissent.

#### **VII. Adjournment**

A motion by Kathy Plomin to Adjourn at 1:56pm, seconded by Chuck Ellinger II, the motion passed without dissent.

#### **July 2022 Financial Information Provided for Summary Only**

##### **July 2022 YTD Actual Compared to Adopted Budget**

| <b><u>Revenue Category</u></b>          | <b><u>Actual</u></b>     | <b><u>Budget</u></b>     | <b><u>Variance</u></b>  | <b><u>% Var</u></b> |
|-----------------------------------------|--------------------------|--------------------------|-------------------------|---------------------|
| <b><u>OLT- Employee Withholding</u></b> | 13,130,008               | 14,000,000               | (869,992)               | -6.2%               |
| <b><u>OLT - Net Profit</u></b>          | 1,442,380                | 750,000                  | 692,380                 | 92.3%               |
| <b><u>Insurance</u></b>                 | 1,854,383                | 2,550,000                | (695,617)               | -27.3%              |
| <b><u>Franchise Fees</u></b>            | 2,376,097                | 2,400,000                | (23,903)                | -1.0%               |
| <b><u>TOTALS</u></b>                    | <b><u>18,802,868</u></b> | <b><u>19,700,000</u></b> | <b><u>(897,132)</u></b> | <b><u>-4.6%</u></b> |

##### **July 2022 YTD/July 2021 YTD Current Year Compared to Prior Year**

| <b><u>Revenue Category</u></b>          | <b><u>Jul-22</u></b>     | <b><u>Jul-21</u></b>     | <b><u>Variance</u></b>    | <b><u>% Var</u></b> |
|-----------------------------------------|--------------------------|--------------------------|---------------------------|---------------------|
| <b><u>OLT- Employee Withholding</u></b> | 13,130,008               | 14,376,233               | (1,246,225)               | -8.7%               |
| <b><u>OLT - Net Profit</u></b>          | 1,442,380                | 1,468,398                | (26,018)                  | -1.8%               |
| <b><u>Insurance</u></b>                 | 1,854,383                | 2,450,488                | (596,105)                 | -24.3%              |
| <b><u>Franchise Fees</u></b>            | 2,376,097                | 2,376,097                | 0                         | 0.0%                |
| <b><u>TOTALS</u></b>                    | <b><u>18,802,868</u></b> | <b><u>20,671,216</u></b> | <b><u>(1,868,348)</u></b> | <b><u>-9.0%</u></b> |

**FY2023 – Cash Flow Variance Revenue (Actual to Budget)**

| <i><b>For the one month ended July 31, 2022</b></i> |                       |                      |                        |                     |
|-----------------------------------------------------|-----------------------|----------------------|------------------------|---------------------|
|                                                     | <u><b>Actuals</b></u> | <u><b>Budget</b></u> | <u><b>Variance</b></u> | <u><b>% Var</b></u> |
| <b><u>Revenue</u></b>                               | -                     | -                    | -                      | -                   |
| Payroll Withholding                                 | 13,130,008            | 14,000,000           | (869,992)              | -6.2%               |
| Net Profit                                          | 1,442,380             | 750,000              | 692,380                | 92.3%               |
| Insurance                                           | 1,854,383             | 2,550,000            | (695,617)              | -27.3%              |
| Franchise Fees                                      | 2,376,097             | 2,400,000            | (23,903)               | -1.0%               |
| Other Licenses & Permits                            | 474,799               | 325,810              | 148,989                | 45.7%               |
| Property Tax Accounts                               | 43,193                | 167,333              | (124,140)              | -74.2%              |
| Services                                            | 2,296,333             | 2,239,291            | 57,042                 | 2.5%                |
| Fines and Forfeitures                               | 11,380                | 16,000               | (4,620)                | -28.9%              |
| Intergovernmental Revenue                           | 18,591                | 38,668               | (20,077)               | -51.9%              |
| Property Sales                                      | 14,276                | 8,333                | 5,943                  | 71.3%               |
| Investment Income                                   | 18,841                | 8,659                | 10,182                 | 117.6%              |
| Other Financing Sources                             | -                     | 40,000               | (40,000)               | -100.0%             |
| Other Income                                        | 1,535,086             | 191,215              | 1,343,871              | 702.8%              |
| <b>Total Revenues</b>                               | <b>\$23,215,367</b>   | <b>\$22,735,309</b>  | <b>\$480,058</b>       | <b>2.1%</b>         |

**FY2023 – Cash Flow Variance Expense (Actual to Budget)**

| <i><b>For the one month ended July 31, 2022</b></i> |                       |                      |                        |                     |
|-----------------------------------------------------|-----------------------|----------------------|------------------------|---------------------|
|                                                     | <u><b>Actuals</b></u> | <u><b>Budget</b></u> | <u><b>Variance</b></u> | <u><b>% Var</b></u> |
| <b><u>Expense</u></b>                               | -                     | -                    | -                      | -                   |
| Personnel                                           | 10,597,479            | 10,384,556           | (212,923)              | -2.1%               |
| Operating                                           | 4,660,591             | 6,630,521            | 1,969,930              | 29.7%               |
| Insurance Expense                                   | 226                   | 226                  | 0                      | 0.0%                |
| Debt Service                                        | 3,486,416             | 3,486,416            | 0                      | 0.0%                |
| Partner Agencies                                    | 2,186,198             | 2,100,254            | (85,944)               | -4.1%               |
| Capital                                             | 36,136                | 237,746              | 201,610                | 84.8%               |
| <b>Total Expenses</b>                               | <b>\$20,967,046</b>   | <b>\$22,839,719</b>  | <b>\$1,872,673</b>     | <b>8.2%</b>         |
| <b><u>Transfers</u></b>                             | <b>495,385</b>        | <b>544,044</b>       | <b>48,659</b>          | <b>8.9%</b>         |
| <b>Change in Fund Balance</b>                       | <b>\$1,752,936</b>    | <b>(\$648,454)</b>   | <b>\$2,401,390</b>     |                     |

Video recording of the meeting:

<https://lfucg.granicus.com/player/clip/5634?&redirect=true&h=f701e0f75812c1a8b5ed7faa7a519ba7>