



Budget, Finance & Economic Development Committee

January 30, 2024

Summary and Motions

Chair James Brown called the meeting to order at 1:31 p.m. Vice Mayor Dan Wu, and Council Members Chuck Ellinger, Hannah LeGris, Liz Sheehan, Fred Brown, Jennifer Reynolds, and Kathy Plomin were in attendance. Council Members Shayla Lynch, Denise Gray, and Dave Sevigny were also present as non-voting members.

I. Approval of November 28, 2023 Committee Summary

A motion by Ellinger to approve the November 28, 2023 Committee Summary, seconded by Baxter, the motion passed without dissent.

II. Quarter 2 Financial Update – January 2024

Commissioner Hensley introduced the Quarter 2 Financial Update. Notable transfers are \$55.9 million from the FY23 General Fund Balance to the General Capital Fund, Economic Development Fund, and Affordable Housing Fund for Council obligations determined at the October 31, 2023 Budget Committee of the Whole meeting. If these transfers were not accounted for, LFUCG would have a surplus of nearly \$17 million.

Revenues continue to run a positive variance to budget, primarily due to greater than budgeted insurance premium tax collections, investment income, and service fees related to EMS. Net profit collections have not come in as strong this year. March, April, and May will be the true testament to this number. Personnel costs are right at or below budgeted costs and operating costs to budget are underspent.

No action was taken on this item.

III. Annual Comprehensive Financial Review

Jeanna Jones from Strothman and Company presented the results of the June 30, 2023 audit of the annual comprehensive financial review. The Audit was conducted September-November of 2023. LFUCG received an unmodified opinion, fairly presented, in all material respects. Ms. Jones reviewed the General Fund activity from FY22 to FY23. Net change in general fund from FY22 was \$44.80 million versus FY23 at \$46.40 million. General fund balances in FY22 were \$150.26 as compared to \$196.24 in FY23.

Ms. Jones reported having no issues communicating with LFUCG as required as part of the audit. Strothman and Company will provide reports as required by GAGAS for internal control over financial reporting and on compliance and other matters based on the audit. They will also

provide reports as required by OMB Uniform Guidance for opinion on compliance for each major federal award program, report on internal control over compliance, and schedule of expenditures of federal awards. New accounting standards that will go into effect for the FY24 audit are GASB 100, accounting changes and error corrections and GASB 101, compensated absences. Particularly sensitive financial statements disclosures consist of long-term debt, self-insurance program, contingent liabilities and commitments, leases and SBITAS, and defined benefit pension plans and other post-employment benefits.

No action was taken on this item.

IV. Technology Ecosystem Development

Sevigny introduced the Technology Ecosystem Development item and presenter, Nick Such. The Technology Association of the Bluegrass (TAB) is a non-profit member organization with the goal of expanding and improving the technology industry in Lexington/Fayette County. Lexington once was a tech hub that began with IBM in 1956. This led to significant growth in public schools and support for local nonprofits. This also led to the launch of Lexmark in 1991. Lexington was not the only city to land a major IBM office in the 1950-1960s. Other communities have embraced and invested in technology while Lexington has let the once thriving tech industry decline. Location quotient, which is the relative concentration of tech workers, for Lexington is .68 while the average for a US city our size is 1.0.

Tech is a desirable occupation for high wages, diverse workers, minimal land use, low barriers to entry level jobs, above average job growth, and growing diversity rankings. As part of the regional competitiveness plan, tech growth is necessary, a regional plan growth goal, and needs purposeful and focused growth.

Lexington is lacking a tech friendly identity, ease of finding and hiring employees, tech conferences and events, decreased barriers to entry for startups, city help to drive angel-funding, research that drives jobs, and average or above average wages. More than 25% of Lexington's jobs are at risk of automation in the coming decades. UK has been the largest employer for many decades, but there is an impending education enrollment cliff expected in 2025, and Lexmark and IBM continue to lay off employees. TAB is working on employment, supporting future tech professionals, and supporting community building. Funding for TAB would be used on best practices such as creating an employment rich environment, engaging future tech professionals, and accelerating community building.

No action was taken on this item.

V. Adjournment

A motion by LeGris to adjourn at 2:50pm, seconded by Wu, the motion passed without dissent.