Budget, Finance & Economic Development (BFED) Committee

June 23, 2026

Summary and Motions

Chair James Brown called the meeting to order at 1:01 p.m. Vice Mayor Dan Wu and Committee Members Chuck Ellinger, Shayla Lynch, Liz Sheehan, Lisa Higgins-Hord, Joseph Hale, Dave Sevigny, and Jennifer Reynolds were in attendance as voting members. Committee Member Whitney Baxter was absent. Council Members Tyler Morton, Emma Curtis, Amy Beasley, and Hil Boone were in attendance as non-voting members.

I. APPROVAL OF MARCH 24, 2026, COMMITTEE SUMMARY

<u>A motion by Sevigny to approve March 24, 2026, Committee Summary, seconded by Hale, passed without dissent.</u>

II. MONTHLY FINANCIAL UPDATE – MAY 2026

Commissioner Erin Hensley, Director Wes Holbrook, and Director Melissa Lueker presented the May financial update for FY26. Revenues continue to outperform expectations, expenditures are tracking below budget, and the city is projecting a year-end surplus of $21.1 million. Through May, FY26 revenues totaled $491.85 million, exceeding the amended budget by $5.03 million (1%). The City's four largest revenue sources are collectively $2.5 million above budget; a trend anticipated earlier in the fiscal year and reflected in the Council-approved Budget Amendment on June 9. Expenses through May total $464.58 million, which is $29.07 million (5.9%) below budget. Personnel costs are 3.6% under budget, partly due to vacancies and timing of staffing changes. Approximately $5 million associated with personnel savings has already been reallocated through the June 9 Budget Amendment.

III. INFRASTRUCTURE FUNDING PLAN UPDATE

Shaun Denney, Administrative Officer Senior, presented Lexington's Infrastructure Funding Plan that outlines how the city will support future growth in newly designated Urban Growth Areas while protecting the long-term financial health of the community. As the city prepares for growth, financial analysis shows that new development brings unavoidable costs—especially for operations, maintenance, and major capital projects. While developers will be responsible for many required improvements, the city must still fund regional infrastructure, neighborhood parks, public safety, and major transportation connections. Revenues from new development are not expected to fully cover these long-term costs, meaning careful planning is essential.

To ensure infrastructure is funded fairly and sustainably, Lexington is proposing the use of Privilege Fees. These fees ensure that properties benefiting from new shared infrastructure—such as upgraded roads or sewers—pay their share when they choose to develop. The system is designed to be simple, transparent, and cost-effective, with fees based on actual infrastructure costs and no charges applied until property owners move forward with development. Next steps include adopting the Privilege Fee ordinance, updating city systems, completing staff training, and releasing implementation guidance. This approach allows Lexington to grow responsibly, ensuring that new development contributes to the infrastructure it relies on while safeguarding the city's general fund and preserving high-quality services for all residents.

A motion by Sheehan to approve the draft Infrastructure Fund Ordinance, seconded by Higgins-Hord, passed without dissent.

IV. TECHNOLOGY ECOSYSTEM DEVELOPMENT

Director of Agriculture Development, Erica Rogers, presented on the Technology Internship Pilot Program. Lexington is launching a new Tech Internship Pilot Program to strengthen the city's tech talent pipeline and help local employers meet growing workforce needs. This effort follows a 2025 TEConomy Partners study that recommended expanding connections between students, educators, and tech employers to grow Lexington's tech-enabled workforce.

The pilot program is designed to connect students from local colleges and universities with Lexington employers through meaningful, tech-focused internships. Participating employers can receive partial reimbursement for intern wages—up to 50%, capped at $15/hour and $3,000 per intern. Internships must last at least 120 hours, and the program aims to support 30–40 interns across a diverse range of tech and tech-enabled roles. Internships must be performed in-person in Lexington, and eligible students must be enrolled full-time and nearing completion of their degree. Applications will open in July and continue on a rolling basis until funds are fully used. The city will also host networking events—such as kickoff gatherings, tech breakfasts, and project showcases—to help students build lasting connections in the tech community.

V. E911 FUND REVENUE SOURCES

Revenue Director, Wes Holbrook, presented on E911 Fund revenue sources. Today, E911 is funded mainly through fees on landline phones, but landline use has dropped sharply, while most emergency calls now come from wireless phones and VoIP services that generate very little local E911 revenue. As a result, the dedicated E911 fund has shrunk, and the City now relies on annual General Fund subsidies to maintain this essential service. The landline fee rises each year and is set to reach $4.64 per month in July 2026, yet revenue still falls short.

Emergency call data shows landline calls declining every year, while wireless calls make up the overwhelming majority of the nearly 180,000 calls received annually. Rising personnel, operating, and capital costs further widen the funding gap, making subsidies unavoidable. Many Kentucky communities have already moved away from landline-based fees. Campbell County now charges a flat annual fee per property unit, while Madison County recently shifted to a monthly fee on water meters—structures that have been upheld in court and ensure more equitable cost-sharing across residents and businesses. Lexington is exploring similar options to make E911 funding more stable and fairer. Key questions ahead include whether fees should differ for residential and commercial users, how to plan for long-term capital needs, and what structure—monthly or annual—best supports reliable emergency response.

VI. REVIEW OF ITEMS REFERRED

No revisions or removals were made.

The meeting adjourned at 2:51pm.