



## Budget, Finance & Economic Development Committee

September 20, 2022  
Summary and Motions

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Committee chair, Council Member Amanda Bledsoe, called the meeting to order at 1:03 p.m. Committee members Vice Mayor Steve Kay and Council Members Richard Moloney, Chuck Ellinger, Josh McCurn, James Brown, Fred Brown, Preston Worley, Susan Lamb and Kathy Plomin were present.

### I. Approval of August 30, 2022 Committee Summary

Motion by Ellinger to approve the August 30, 2022, Budget, Finance, and Economic Development Committee summary; seconded by Plomin. The motion passed without dissent.

### II. Monthly Financial Update – August 2022

Bledsoe directed the Committee to the Monthly Financial Update in the packet for information only.

### III. JOBS Fund Update

Administrative Officer, Craig Bencz, presented on behalf of this item and explained JOBS fund is an incentive program to provide funding to businesses who commit to creating and retaining jobs in Lexington. JOBS fund is administered by the Economic Development Investment Board (EDIB).

Available incentives for the JOBS Fund include up to \$100,000 forgivable loan, up to \$250,000 loan, and up to \$50,000 grant. The EDIB recommends removing the grant incentive because companies are interested in more capital when making a request and the goal is to make this program self-sustainable with repayable incentives instead of grants.

Companies are eligible for the JOBS fund if they are in Lexington, current with federal, state and local taxes, and create jobs with average wages greater than or equal to 125% of the county median wage. Companies must also satisfy job creation requirements, produce or provide a tradeable good or service, and agree to the 10-year compliance reporting.

There have been 29 JOBS fund recipients, 25 are current, totaling \$3.83 million in incentives awarded and 281 jobs committed. Payroll committed by recipients is nearly 4.2 times the disbursed incentives at \$15.3 million. Cost per job created is \$12,918. Repaid principal and interest on loans totals \$514,019 and \$91,006 and is reinvested into the program when repaid by participants.

Plomin asked why the EDIB recommended removing the up to \$50,000 grant incentive. Bencz shared it is because the EDIB is interested in making this program self-sustaining and there has been less demand for the grants due to the lower incentive amount. Lamb noted the 281 jobs committed and asked when the additional jobs will be created. Bencz shared as of last week, 229 of the 281 jobs have been created.

No action was taken on this item.

#### **IV. Economic Development Grants Update**

Elodie Dickinson, Director of Business and Workforce Development, presented on behalf of the Economic Development grants program. In FY2022, \$200,000 in grants were rewarded to 5 workforce partners resulting in 346 job placements and 10 commercial driver's licensures (CDLs). The top 3 industry sectors represented were manufacturing (216), skilled trades (53), and hospitality (30) with an average wage of \$12.88 per hour.

The program's FY2023 and FY2024 funding was allocated by Council from the American Rescue Plan Act (ARPA) funds for a total of \$800,000; \$400,000 annually. Dickinson shared 8 agencies were rewarded \$50,000 this fiscal year and are required to report quarterly on their progress. The Economic Development Grant program is in its sixth year of funding and has awarded a total of \$1.15 million in grants to 14 unique agencies resulting in 1,054 job placements and 10 licensures.

Bledsoe commented the JOBS fund targets higher wage demographics and the Workforce Development Grants targets minimum wage earners seeking to transition to a higher wage. Bledsoe stated this is a great investment and that a \$1,091 investment per person resulting in a \$9 an hour wage earner transitioning into a \$12 an hour wage earner could result in \$7,600 more income per year.

Moloney asked if the CDL training programs are struggling to find participants due to current high demand for commercial drivers. Dickinson shared most CDL training programs have waiting lists because of the steady demand for high wages in this field.

Lamb asked why the wages appear to decrease over the last 3 years. Dickinson shared higher wage jobs were captured but the average wage can look smaller depending on the industries participating each year. For example, in 2019 when average wage was \$15.59, nursing was an industry participant that caused the average to be higher. Current wages in manufacturing have been captured as high as \$20 an hour.

J. Brown asked about the competitiveness of the grant process. Dickinson shared the number of applicants has gone down yearly due to the payback clause, low maximize monetary reward, and staff capacity needed to track data and complete the quarterly reports. The Economic Development Grant Scoring Committee is responsible for reviewing applications and determining recipients annually.

J. Brown asked if the award amount increased, could it increase the staff capacity needed to expand the program. Dickinson responded more funding could increase administrative capacity to expand the reach of the program but employers who offer in-house training has also slowed the number of businesses applying for grants/loans.

F. Brown asked if the FY2023 recipients were all that applied. Dickinson clarified that there were 14 applicants and only 8 recipients. F. Brown also asked if these agencies are working with individuals experiencing homelessness. Dickinson responded that Lexington Rescue Mission and Jubilee Jobs works with unhoused individuals and Lexington Rescue Mission specifically provides housing for their dually enrolled participants. All agencies work with recovery centers and their partners.

No action was taken on this item.

## **V. Budget Amendment Revisions**

Melissa Lueker, Director of Budgeting, presented on behalf of this item. Lueker reminded everyone that budget amendments are approved at Council Meetings while budget adjustments are movements within a division for certain personnel or expenses.

These recommendations came from the Budget Process Workgroup to consolidate budget language, streamline processes to better align with Council meeting schedules, provide efficiencies and eliminate duplications, and continue to provide Council transparency. Finance/Budgeting will continue the practice of sending budget amendments and adjustments to the Council weekly.

The Budget Process Workgroup recommended amendments to the 2005 Budget Ordinance to expand qualifications for budget adjustments. The Workgroup has already completed the amendments to the 1979 Grant Ordinance and began budgeting for reoccurring event reimbursements as revenue when budgets are adopted. As a result, during the FY2022 pilot period, 47 grant adjustments were processed, 25 of which would have required Council approval prior to the pilot program.

The current Budget Ordinance says that changes within the adoption control levels (revenue, personnel, transfers, operating, and capital) should be processed as amendments except for personnel accounts for temporary, seasonal, part-time, and overtime, operating accounts within a single division, and account codes budgeted by a single division.

The current ordinance does not allow revenue, capital, and transfers as budget adjustments. The proposed change would allow for the associated taxes and benefits to be adjusted, Council approved personnel actions related to position changes, and the transfer of funds from contingency personnel accounts to division budgets. This moves the budget to where the actuals occur and serves as an accounting clean-up measure.

Currently divisions do not have the ability to adjust for utilities, vehicle fuel and maintenance, insurance, grant costs, and debt service and recovery. The new proposal clarifies that managing divisions would have the authority to reallocate accounts from one division to another if necessary. The proposal would allow operating funds to be moved within a department expanding from only being allowable within a division. Additionally, the proposal would also allow capital accounts to be moved within the same account series and NDFs allocated to departments to be processed as adjustments. Lueker showed examples of current budget amendments as the proposed format.

The final recommendation pertains to budget amendments during the fiscal year transition. Currently in the Council Rules and Procedures prior to the annual audit completion, budget amendments cannot be made if they have an impact to fund balance. Exceptions include: emergencies with certification from the CAO, the request involves personnel actions that do not affect the fund balance, or the request involves a reappropriation of funds. The proposed new language would still allow for emergency allocations and reappropriation of funds but would allow budget amendments before completion of the audit that impact fund balance if there is an unallocated fund balance.

Bledsoe suggested budget amendments and adjustments could be provided in the BFED packet for information only. Lamb asked about the approval process and if any additional review will take place as a result of these changes. Lueker shared adjustments would follow the same approval process and must be vetted by the division director, commissioner, budgeting staff, Director of Budgeting, and CAO.

Lueker emphasized the time saving, supply chain shortages, and ability to streamline these products and services. Maynard clarified that budget amendments are found in the Work Session packets and that budget adjustments could be included in the BFED packet going forward.

F. Brown asked if items will still come to Council for approval. Lueker said yes, and instead of twice, it will only be read once at Council meetings. F. Brown voiced his hesitation to give up the privilege to see the budget amendments. Lueker emphasized Council will still see the budget amendments but the language for what is considered a budget adjustment has been expanded and improved and may reduce the number of budget amendments in the future. F. Brown asked Commissioner Hensley if the changes will impact any outside auditors. Commissioner Hensley said it is within the purview of Council to decide what they would like to see brought before them. Hensley said she agrees with these recommendations and stressed that balance in the process is preserved.

Bledsoe proposed having two annual trend reports in January and July from the administration on how these funds were used. Moloney expressed his support for these changes. Plomin mentioned the change orders and price contracts recently enacted to offer transparency and improve efficiencies. The consent agenda item is on hold until the change orders, price contracts, and budget amendments are actualized. J. Brown asked about grant matches. Lueker said this would give grants the ability to move the match funds to where they are needed. All grant applications are approved by Council. Maynard mentioned that budget adjustments could be added to the Work Session packets for information only. Bledsoe agreed with Maynard's proposal. Lamb mentioned the need to amend the Council Rules and Procedures to reflect this new process. The Law Department will draft the resolution amending the rules to be included in the report out for this item.

A motion by Susan Lamb, seconded by James Brown, to approve the draft budget amendment revisions ordinance and refer to full Council, the motion passed unanimously.

## **VI. Adjournment**

A motion by Kathy Plomin to Adjourn at 1:56pm, seconded by James Brown, the motion passed without dissent.

Link to materials: [https://drive.google.com/drive/folders/1t8GxpdXn7v\\_3MCaC6YA1wcv9Sv-nkHf](https://drive.google.com/drive/folders/1t8GxpdXn7v_3MCaC6YA1wcv9Sv-nkHf)

Video recording of the meeting:

<https://fucg.granicus.com/player/clip/5645?&redirect=true&h=9cc49bdbea20675dad686c59287a3671>

KF 10/18/2022

**August 2022 Financial Information Provided for Summary Only**

**August 2022 YTD Actual Compared to Adopted Budget**

<u>Revenue Category</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>% Var</u>
<b>OLT- Employee Withholding</b>	40,824,289	39,000,000	1,824,289	4.7%
<b>OLT - Net Profit</b>	3,913,057	1,750,000	2,163,057	123.6%
<b>Insurance</b>	9,491,616	8,550,000	941,616	11.0%
<b>Franchise Fees</b>	4,778,903	4,400,000	379,903	8.6%
<b>TOTALS</b>	<b>59,008,865</b>	<b>53,700,000</b>	<b>5,308,865</b>	<b>9.9%</b>

**August 2022 YTD/August 2021 YTD Current Year Compared to Prior Year**

<u>Revenue Category</u>	<u>Aug-22</u>	<u>Aug-21</u>	<u>Variance</u>	<u>% Var</u>
<b>OLT- Employee Withholding</b>	40,824,289	38,741,290	2,082,999	5.4%
<b>OLT - Net Profit</b>	3,913,057	2,308,084	1,604,973	69.5%
<b>Insurance</b>	9,491,616	9,021,541	470,075	5.2%
<b>Franchise Fees</b>	4,779,903	4,273,901	506,002	11.8%
<b>TOTALS</b>	<b>59,008,865</b>	<b>54,344,816</b>	<b>4,664,049</b>	<b>8.6%</b>

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

<i>For the two months ended August 31, 2022</i>				
	Actuals	Budget	Variance	% Var
<b>Revenue</b>				
Payroll Withholding	40,824,289	39,000,000	1,824,289	4.7%
Net Profit	3,913,057	1,750,000	2,163,057	123.6%
Insurance	9,491,616	8,550,000	941,616	11.0%
Franchise Fees	4,779,903	4,400,000	379,903	8.6%
Other Licenses & Permits	834,294	651,620	182,674	28.0%
Property Tax Accounts	438,123	384,667	53,456	13.9%
Services	4,326,364	4,973,101	(646,737)	-13.0%
Fines and Forfeitures	37,325	32,000	5,325	16.6%
Intergovernmental Revenue	34,564	85,172	(50,608)	-59.4%
Property Sales	95,708	16,667	79,041	474.2%
Investment Income	30,745	17,318	13,427	77.5%
Other Financing Sources	40,000	40,000	0	0.0%
Other Income	1,804,081	415,479	1,388,602	334.2%
<b>Total Revenues</b>	<b>\$66,650,069</b>	<b>\$60,316,024</b>	<b>\$6,334,045</b>	<b>10.5%</b>

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

<i>For the two months ended August 31, 2022</i>				
	<b>Actuals</b>	<b>Budget</b>	<b>Variance</b>	<b>% Var</b>
<b><u>Expense</u></b>				
Personnel	29,422,491	30,942,942	1,520,451	4.9%
Operating	8,680,228	13,165,581	4,485,353	34.1%
Insurance Expense	1,566,053	1,481,915	(84,138)	-5.7%
Debt Service	7,862,947	7,862,947	0	0.0%
Partner Agencies	3,812,796	4,200,510	387,714	9.2%
Capital	2,087,968	3,128,529	1,040,561	33.3%
<b>Total Expenses</b>	<b>\$53,432,483</b>	<b>\$60,782,424</b>	<b>\$7,349,941</b>	<b>12.1%</b>
<b>Transfers</b>	<b>5,010,378</b>	<b>5,071,544</b>	<b>61,166</b>	<b>1.2%</b>
<b>Change in Fund Balance</b>	<b>\$8,207,208</b>	<b>(\$5,537,944)</b>	<b>\$13,745,152</b>	