



Budget, Finance & Economic Development Committee

February 25, 2020

Summary and Motions

Committee chair, Amanda Bledsoe, called the meeting to order at 1:02 p.m. Committee members Steve Kay, Richard Moloney, Chuck Ellinger, James Brown, Susan Lamb, Bill Farmer, Angela Evans, Fred Brown, and Jennifer Mossotti were in attendance. Councilmembers Josh McCurn, Jennifer Reynolds, and Kathy Plomin were in attendance.

I. Approval of January 28, 2020, Committee Summary

A motion was made by CM Farmer to approve the December 3, 2019, Budget, Finance & Economic Development Committee summary; seconded by CM Mossotti. The motion passed without dissent.

II. Economic Development Partner: Lyric Theatre & Cultural Arts Center

Whit Whitaker, Executive Director of the Lyric Theater, reviewed the theater's mission to preserve, promote, present, and celebrate diverse cultures. He talked about the Lyric's impact on the community, first reviewing various black history cultural celebrations such as the Jason Thompson exhibit and Selma the Musical, which received a lot of positive feedback for the type of events people want to see there. He highlighted a variety of events that are free to the public and talked about the back to school carnival held in partnership with the William Wells Brown Community Association where they handed out backpacks for kids. Whitaker described the Lyric as the center point for the Roots and Heritage Festival and said they have big plans for the 2020 anniversary gala. He spoke about the rebranded Miracle on 3rd Street event that partnered with the Divisions of Fire and Police to use a fire-truck sleigh, a red, white, and blue cruiser-Rudolf nose, and black Santa. He highlighted the Kwanzaa Celebration that featured the documentary *The Black Candle* and Dr. Haki R. Madhubuti. The International Women's Festival is on March 7, 2020; Whitaker said the event will celebrate women's' diversity, culture, and successes. Lastly, he talked about Woodsongs Old Time Radio, who celebrated their 1,000th show broadcast in November at the Lyric.

CM J. Brown talked about last year as a transitional year for the Lyric, including the hiring of Whitaker. He mentioned the new board chair and the work to enhance the new director's job description to include strategic planning. He said Whitaker is doing a great job fulfilling the Lyric's mission, particularly through his dedication to community engagement and successful programming, such as bringing Selma to Lexington. He talked about the Lyric being a good steward of the city's funding and a good working relationship with the Department of General Services for maintenance. J. brown talked about Whitaker working to make the Lyric a desired destination for the entire community, not just the black community, while also mentioning Woodsongs and weddings.

CM Mossotti asked for the organization's financial information, which Whitaker said he can get that for the committee. Mossotti said she would like to see their progress over the years and how things are going. CM Evans asked for the seating capacity of the theater. Whitaker said 526 seats. CM Lamb talked about her excitement for Whitaker to join the Lyric, especially with his theatre background and said the Lyric is in good hands.

Bledsoe said the committee would like to see how the organization is leveraging public sector funds through the private sector, whether that be through renting out the facility, private fundraising, or events. She added that they would like to see the progress over the last few years since it has been more widely used. Whitaker said that was in the original information shared with the Council Office but

he will follow up. Bledsoe mentioned this item will be removed from committee and we will find a new way to have the awarded economic development partners come to committee.

CM Moloney talked about other cities using an organizational structure similar to our parking garages for the local theater and entertainment venues. He proposed an idea, which he has made in the past, for our local theater entities to come together under one umbrella that could provide capacity for bonding, particularly for maintenance of the facilities. He eluded to how bad the budget is for LFUCG and how well the Lexpark has done. He describes Lexpark as a prime example to take the entertainment industry to the next level, which he feels is being held back because of the city. He talked about working together and the need to get out of owning these buildings.

Mossotti said we talked about this 20 years ago, providing the example of production and lighting needs at each facility. She said it is something to look at because of the consolidation effort. She told Moloney to roll with it.

J. Brown generally agreed with Moloney and Mossotti but said we need to be careful about how we go about doing that. He talked about taking the first steps by separating the Lyric and LexArts from the newly structured competitive funds that economic development agencies can apply for. He acknowledged how these two organizations are a different type of economic development engine that enhances the quality of life, which works to attract people here. He said we need to have that conversation and believes this item is in committee. He talked about the various organizations operating under different structures such as the Opera House being under the Lexington Convention Center, in addition to LexArts, the Lyric, the Kentucky Theater, and the Pam Miller Downtown Arts Center.

Bledsoe recalled similar conversations in past BFED Committee meetings. She suggested Heather Lyons could look at this under the cultural affairs umbrella. Based on previous discussions, Sally Hamilton, CAO, brought up the idea of the arts being a topic to review as part of the deep-dive review process that the Division and Program Review Process Subcommittee is working on. Hamilton agreed that the city has talked about this before. She added that the idea of an umbrella organization is excellent but is also a huge undertaking because there is a lot of turf out there on this.

Moloney cited the downtown arts center as an example and said we should not be in the business of deciding who uses that space because LFUCG doesn't have that kind of expertise. He emphasized the potential, pointing out the new level of concerts at Rupp Area and the opportunity generated by working together, concluding we need to get out of this business. Hamilton said there is a huge difference between the arts and supervising buildings. She said because it falls within LFUCG arts and buildings have mingled, explaining people who know arts don't know how to do buildings and vice-versus; the goal is to find some way for these two plains to meet for a better product. No further comment or action was taken on this item.

III. Economic Development Grant

Elodie Dickinson, Director of Business and Workforce Engagement, first provided background on the 2018 grant of \$300,000. The Purchase Service Agreements required agencies to complete 75 percent of their placement goal and submit quarterly performance reports. She listed nine grant partners in 2018 and the types of placements; there was a total of 182 placements and 391 individuals enrolled in workforce training. The wages ranged from \$7.25 to \$30.00. Dickinson listed the job sectors in which those positions fall. Next, she reviewed the 2020 grant cycle, awarding \$200,000; applicants could choose between a certification/license model and the traditional model that focuses on entry and re-entry. She said \$50,000 was the max amount an agency could request and that the RFP scoring

committee reported its recommendations to the Economic Development Investment Board, who approved those recommendations. She highlighted the makeup of the scoring committee and reviewed the scoring criteria that focuses on workforce need and the employment entry/re-entry. She talked about the applicant pool and reviewed each of the 2020 grant recipients: Building Institute of Central Kentucky and Community Action Council under the certification/license model; Jubilee Jobs, Lexington Rescue Mission, and Kentucky Refugee Ministries under the entry/re-entry model. Dickinson said 402 grant participants are expected to be placed into employment or attain a certificate from the grant funds. She explained they will begin to execute PSAs with each recipient for them to begin programming in July 2020 (grant cycle ending 2022). She said a new grant cycle would begin in the fall of 2021.

Mossotti confirmed the program subsidizing these agencies with funding and pointed out, under the 2018 grant outcomes, the lowest wage of \$7.25. Dickinson explained the funds subsidize the agency to conduct work readiness programs and job placement with employers. She said they analyze the wages per agency and noted \$7.25 per hour wage was under the food sector. Mossotti asked what percentage of funds went to the food sector. Dickinson said this was a factor in incorporating the certification/license model. She mentioned specific sectors had higher wages such as business, IT, and skilled trades, adding that she can meet with council members to review that analysis. Mossotti concluded her concern about subsidizing folks to make \$7.25 per hour, which is not a living wage. She said the scoring committee looked at wages for the 2020 grant and that the food sector is not represented in the 2020 recipients.

Moloney talked about return on investment for the program, referencing the cost of \$1,000 to \$3,000 for a participant to potentially get a \$40,000 salary. He talked about data that measures how much we put into training and the wages it translates into. Dickinson said they tracked the wages and can make assumptions for salary calculations. She said they will have a better calculation on the ROI in the new grant cycle with improved data collection. She added their perspective to look at this as adding people to the workforce.

Evans talked about wanting more analyzed data and asked about entry and re-entry being the more difficult task but pointed out the category got a smaller amount of funds. She talked about the challenges to place people in jobs who haven't worked for a while and she feels the numbers seem to be off-balance between entry versus certification. She asked who is eligible to apply for the funding. Dickinson said for-profit businesses were eligible this year and pointed out only non-profits were eligible for 2017 and 2018. She is working with Sherita Miller, LFUCG's Minority Business Liaison, and meeting with small business owners. Evans pointed out unions train people and encouraged getting the word out to everyone. She is curious about the rationale in the funding for each workforce model. Dickinson explained the inclusion of the certificate model this year as a pilot so they will pay close attention to understand the difference in the wages.

J. Brown said creating jobs and getting people back into the workforce is exactly what we should be doing to grow our city and economy. He asked for the investment amounts, which Dickinson outlined year one at \$150,000, years two and three at \$300,000, and year four at \$200,000. He said council members need to have a serious conversation about restoring the funding that was cut last year and maybe expanding it, which he described as an investment in our future. They discussed the participants enrolled versus those who will get a certificate or a job; Dickinson explained enrollment just means that they are receiving a service. J. Brown said this work is mission serving and that workforce development requires a lot of capacity to do development, training, and tracking; he said more funds are needed to broaden our reach.

Bledsoe said the intent was never to provide minimum wage training, the goal was to help people who are making a minimum wage get a license or certificate that also fits Lexington's economic needs, today. She talked about the purpose of matching private sector needs with training, how people often don't have the funds to afford training, for example, CDL jobs, and better job placement for individuals that result in a better ROI for LFUCG.

A motion by Mossotti to support the Economic Development Grant recommendations for 2020; seconded by Ellinger. The motion passed without dissent.

IV. Bluegrass Farm to Table

Ashton Potter Wright, Director of Local Food & Agricultural Development, stated the mission of the program and highlighted the advisory committee that helps this initiative move forward. She said a large part of her time is spent on match-making foodservice and businesses who want to source local food with local farmers and described the variety of organizations she helps. She highlighted the contractual partnerships with the University of Kentucky and Aramark, also between Transylvania and Bon Appetit, and most recently the Lexington Convention Center contract with Levy that includes local food commitments, which should start in 2021. She highlighted the impact of the program to date, emphasizing a conservative estimate of \$4.1 million in sales for Kentucky farmers between June 2014 and December 2019.

Wright talked about programs she works with to increase access to local farmers, such as CSA through employers. LFUCG's CSA program has had about 150 employees participate annually the last three years. She cited research on the health benefits to individual CSA participants. She talked about the Kentucky Double Dollars program she helped launch in 2015 as a pilot project with a grant that doubles the benefits for participants of the federal nutrition assistance programs to purchase Kentucky grown farm products. She showed the program's accomplishments in 2017, 2018 and 2019 and talked about her initiatives to expand consumer awareness, such as Beyond Grits and the field to table dinners. She talked about the Mayor's agtech initiative to position Lexington as a hub for high-tech agriculture and intervention, and their partnership with Dean Cox (UK, College of Agriculture, Food, and Environment), Commissioner Ryan Quarrels (Department of Agriculture), Dr. Mark Lyons (Alltech). Cox is assisting with developing objectives and the strategy to make this a reality. Lastly, she mentioned the Kentucky Local Foods Systems Summit, held in February 2020.

Farmer talked about the first Field to Table Dinner, recalling each of the annual dinners to be great. Moloney talked about proposed state legislation for medical marijuana and the impact that could have on people in the community, which he has heard will involve food. Kevin Atkins, Chief Development Officer, said they are watching these bills, that it still has to pass the Senate, and it will come with a lot of regulations. Moloney said he hopes we can stay on top of it, teaching people the right way to do it, and take the lead because Kentucky has the best land to do this. Atkins believes we have the best college of agriculture to address this type of production anywhere in the country.

Evans asked about the Kentucky Double Dollars program. Wright explained it as an incentive program for participants of SNAP, WIC, and the Seniors Farmers Market Nutrition Program (i.e. programs for seniors) to spend a minimum amount of their benefits at participating locations such as the Lexington Farmers Market and then receive an additional amount equal to the benefits used, for free, to buy Kentucky fruits and vegetables. Evans was curious about the data, specifically if it's being used because of eligible individual's access to participating locations. Wright pointed out the challenge to find locations that carry Kentucky grown products and balancing the need with accessibility, which is tracked in the program. Wright said she would share additional data with Evans.

Bledsoe talked about these same concerns being talked about when the program started in 2015. She applauded the 12,000 participants in 2019. No further comment or action was taken on this item.

V. Industrial Authority Update

Craig Bencz, Administrative Officer, Sr., explained the Industrial Authority was created by ordinance in 2018 to aid in the acquisition, retention, and development of land for industrial and commercial purposes. He said the board, which consists of seven members, meets quarterly and listed the names of the members. The total FY2020 budget was \$70,000, which Bencz said is predominantly for legal fees. He reviewed the Memorandum of Understanding between UK and LFUCG for the transfer of 250 acres of land in or adjacent to Coldstream Research Campus and certain campus area streets and alleys. He mentioned 50 percent of proceeds from the 50-acre site will go to improvements costs for the 200-acre site. He mentioned the 200-acre site will transfer to the Industrial Authority no later than July 1, 2022. He showed a map of the two sites. He said the planning committee of the Industrial Authority Board is developing conceptual plans for the site and outlined the plan to issue an RFP for the 200-acre land by the end of FY2020. He showed a conceptual layout of potential streets for the 200-acre site, which could help inform the RFP.

Mossotti talked about the lack of a real estate professional on the board and missing that expertise. Atkins said he agreed, noting that someone from this profession was originally added to the board but that the Law Department eventually determined it presented a conflict of interest, adding that the Ethics Commission also looked at it. She asked about the thought process behind the conceptual layout for the RFP because big companies will want to see the entire property. Bencz said the RFP will include several options, including the entire 200-acre site. Mossotti said it's all about the user. Atkins mentioned a company that was interested in the entire lot but it wasn't going to be ready in time. He added that the final product will be different than the RFP but the goal was to begin the planning process with hard numbers and to begin implementing from those. Mossotti asked how this will be marketed and that it needs to be on websites, which she thinks could be accomplished with \$200 per month. In speaking to competitiveness, Atkins talked about the price of this land is higher than in other places.

Plomin asked about engagement with nearby neighborhoods. Bencz said this has not happened yet but expects it will take place after a consultant is selected, which would mostly consist of community meetings to talk issues such as proposed uses that are adjacent to them and what buffering could look like. He said it would be similar to what we currently ask of any developer in Lexington. Bencz said he would get a list of adjacent neighborhoods to Plomin. Plomin pointed out Commerce Lexington is not on the board.

Moloney talked about the 50-acre parcel requiring UK's approval and if we don't have to do that for the 200-acre parcel. Atkins explained the 50-acres is a P-2 zone – *university research campus*, which requires a relationship between the company and UK; the 200-acre does not have this same requirement. Moloney asked if the 200-acre site could be developed before the 50-acre; he talked about the great location of the land and that he doesn't want this land to be held back while referencing the slow development of the Coldstream campus. Atkins said a few folks are looking at the 50-acre site now and UK has been nothing but supportive.

Lamb asked about engagement with the Council once conceptual ideas are ready to move forward. Bencz said it is up to the board to approve the details to be included in the RFP but that information can be shared with the council. Lamb and Atkins discussed the financial interest statement for the board members relative to the progress of the development. Atkins said funds have not transferred to the

Industrial Authority yet. Lamb talked about previous discussions about the financial interest statements and said this is an easy way to improve transparency.

Evans asked for clarification on who has final authority; Atkins said currently all transactions must go through the council but, later, when the property transfers to the Industrial Authority they will own the property. An ordinance was passed when this initiative started. Evans asked if the process is codified. Atkins said industrial authorities are governed by KRS. David Barberie said until the council approves the transfer of the land to the Industrial Authority the council retains the authority; he added that the appropriate time to add any restrictions to the land would be when the land is transferred. He believes the long-term plan is for the Industrial Authority to handle this. He can send the committee the legislation. No further comment or action was taken on this item.

VI. Items Referred to Committee

No comment or action was taken on this item.

VII. Monthly Financials Update – January 2020

Bledsoe spoke about the new structure of the monthly financial information included in the packet for information only. She highlighted the substantial variance in employee withholding revenue, which is mainly because of one company that processed this information for several employers later than we budgeted for it.

January 2020 YTD Actual Compared to Adopted Budget:

<u>Revenue Category</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%Var</u>
OLT- Employee Withholding	118,974,365	111,422,547	7,551,818	6.8%
OLT - Net Profit	13,498,291	13,703,596	(205,306)	-1.5%
Insurance	19,643,408	21,376,997	(1,733,589)	-8.1%
Franchise Fees	14,593,509	15,399,240	(805,731)	-5.2%
TOTALS	166,709,573	161,902,381	4,807,192	3.0%

January 2020 YTD/January 2019 YDT Current Year to Prior Year:

<u>Revenue Category</u>	<u>Jan '20 YTD</u>	<u>Jan '19 YTD</u>	<u>Variance</u>	<u>%Var</u>
OLT- Employee Withholding	118,974,365	109,146,190	9,828,176	9.0%
OLT - Net Profit	13,498,291	13,927,674	(429,384)	-3.1%
Insurance	19,643,408	19,284,727	358,682	1.9%
Franchise Fees	14,593,509	14,079,545	513,964	3.7%
TOTALS	166,709,573	156,438,136	10,271,437	6.6%

2020 Fiscal Year – Cash Flow Variance Revenue (Actual to Budget):

<i>For the seven months ended January 31, 2020</i>				
	Actuals	Budget	Variance	% Var
<u>Revenue</u>				
Payroll Withholding	118,974,365	111,422,548	7,551,818	6.8%
Net Profit	13,498,291	13,703,596	(205,306)	-1.5%
Insurance	19,643,408	21,376,997	(1,733,589)	-8.1%
Franchise Fees	14,593,509	15,399,240	(805,731)	-5.2%
Other Licenses & Permits	4,225,381	3,671,240	554,140	15.1%
Property Tax Accounts	23,047,463	23,132,591	(85,128)	-0.4%
Services	15,553,023	13,687,031	1,865,992	13.6%
Fines and Forfeitures	144,385	151,783	(7,398)	-4.9%
Intergovernmental Revenue	283,826	236,887	46,939	19.8%
Property Sales	64,444	87,500	(23,056)	-26.4%
Investment Income	768,706	570,027	198,680	34.9%
Other Income	2,278,623	1,670,033	608,590	36.4%
Total Revenues	\$213,075,425	\$205,109,475	\$7,965,950	3.9%

2020 Fiscal Year – Cash Flow Variance Expense (Actual to Budget):

<i>For the seven months ended January 31, 2020</i>				
	Actuals	Budget	Variance	% Var
<u>Expense</u>				
Personnel	137,522,048	138,026,959	504,911	0.4%
Operating	26,748,010	30,846,719	4,098,710	13.3%
Insurance Expense	954,723	968,725	14,002	1.4%
Debt Service	36,142,431	36,142,431	0	-
Partner Agencies	14,312,164	13,147,802	(1,164,362)	-8.9%
Capital	263,819	307,495	43,676	14.2%
Total Expenses	\$215,943,194	\$219,440,132	\$3,496,938	1.6%
Transfers	3,187,981	2,925,886	(262,095)	-6.4%
Change in Fund Balance	(\$6,055,750)	(\$17,256,543)	\$11,200,793	

A motion was made by Evans to adjourn (at 2:31 p.m.); seconded by Ellinger. The motion passed without dissent.