



Budget, Finance & Economic Development Committee

June 27, 2023

Summary and Motions

Chair James Brown called the meeting to order at 1:02 p.m. Vice Mayor Dan Wu, and Council Members Chuck Ellinger, Hannah LeGris, Liz Sheehan, Preston Worley, Whitney Baxter, Jennifer Reynolds and Kathy Plomin were present.

I. Approval of March 21, 2023 Committee Summary

A motion by Plomin to approve the March 21, 2023, Committee Summary, seconded by Sheehan, the motion passed without dissent.

II. Monthly Financial Update – June 2023

J. Brown directed the Committee to the June 2023 Monthly Financial update in the packet for information only.

III. Budgeting for Personnel

Commissioner Hensley presented on this item and explained the challenges of budgeting for 3,289 full-time positions. Personnel costs account for half of our total expenditures across all funds. The general fund budget breaks down to 60% or \$305,415,926 in costs spent on personnel in FY24. LFUCG budgets for department/division attrition by using historical review of vacancies and known scenarios. Over \$16 million is budgeted in the general fund for attrition.

Other factors that are considered in budgeting for personnel are increases or reductions in authorized strength, obtainment or loss of grants, collective bargaining cycles, non-sworn employee raises, increase to benefit costs such as health insurance, pension contribution requirements, funding allocations across funds, changes in tax laws, sick checks and retirement payouts, and time accounting changes (paid parental leave).

In summary, personnel is the largest cost to the government and we do not budget for staffing at 100%. Benefits are a significant portion of personnel costs. When asked about payroll recovery, Hensley shared that it is the process of offsetting personnel expenses with grant dollars authorized for staffing.

No action was taken on this item.

IV. Ad Valorem Taxes

Ad Valorem is a tax based on the assessed value of an item, such as real estate or personal property. Ad Valorem taxes are calculated by rate of cost of services received for every \$100 value of property owned. The LFUCG Council has 45 days from date of certification to set property taxes, mandated by KRS 132.0225. LFUCG can collect up to 4% over the statutorily defined "compensating" rate without voter recall or reconsideration. Annual allocation to the Lexington Public Library of 5 cents on each one hundred dollars is also mandated by KRS 173.360.

LFUCG taxing districts consist of general services and urban services (street lights, refuse, and street cleaning). Special taxing districts are Soil and Water Conservation District, Agricultural Extension Service, and the Health Department. LFUCG only receives 20% of collected tax revenues while the rest is allocated to the state, Fayette County Public Schools, and LexTran.

Rate options for consideration by Council: keep the rate the same; compensating rate - same amount of revenue from existing properties (any gains would be from new property); HB 44 rate that will provide a 4% revenue increase from existing real properties; cost of services rate (urban services fund) will provide revenue necessary to provide services (refuse, street lights, and street cleaning).

Lexington has notably lower property tax rates than neighboring cities. Council will be tasked with tax rate decision making at the August 15th Work Session.

No action was taken on this item.

V. Economic Development Partnerships Update

Director of Business Engagement, Amy Glasscock, introduced the 2 economic development partners; Commerce Lexington and Urban League of Lexington.

Commerce Lexington's primary role is to promote economic development, new business recruitment, job creation, entrepreneur development, minority business development, existing business retention and expansion, chief executive roundtables, maintain a database of available properties, and overall business development in Lexington-Fayette County and surrounding counties.

In FY23 Commerce Lexington worked with 66 new business development prospects and 76 existing businesses on retention and expansion efforts. Commerce Lexington also provided community and minority business support with educational assistance programs related to starting, financing, and operating a small business including the Money Smart for Small Business classes, the Access Loan program, and One-on-One Technical Assistance program.

The primary role of the Urban League of Lexington is to serve as the primary coordinator and point of contact for WORK- Lexington. This includes on-site program coordination, support of the offices, and quarterly partner meetings, providing access to workforce programming in various locations for residents, and working with local employers to help connect WORK- Lexington participants to potential job placement.

The Urban League served 112 clients in FY23. These clients helped identify the top 5 barriers to WORK-Lexington participants; drug screening, transportation, childcare, background checks, and knowledge of online job search. The Urban League is revamping to include 5 major components to WORK - Lexington; intake and assessment with barrier removal, career coaching and counseling, job placement, post employment services, next generation training and engagement opportunities.

FY24 funding for economic development partners is budgeted at \$450,000. Of which, \$300,000 will be allocated to Commerce Lexington and \$150,000 to the Urban League.

No action was taken on this item.

VI. Items Referred

A motion by Wu to remove item #6, attracting remote workers to relocate to Lexington, seconded by Sheehan, the motion passed without dissent.

A motion by Reynolds to update item #15, Agriculture Director update, seconded by Baxter, the motion passed without dissent.

A motion by J. Brown to remove item #8, determine a stable funding source for the Affordable Housing Fund, seconded by Ellinger, the motion passed without dissent.

VII. Adjournment

A motion by Plomin to adjourn at 2:00pm, seconded by Baxter, the motion passed without dissent.