



Budget, Finance & Economic Development Committee

February 8, 2022

Summary and Motions

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, Susan Lamb, Fred Brown, and Kathy Plomin were present. Council Members James Brown and Preston Worley were absent. Council Members Jennifer Reynolds, Whitney Baxter, and Liz Sheehan attended as non-voting members.

I. Approval of January 25, 2022 Committee Summary

Motion by Ellinger to approve the January 25, 2022, Budget, Finance, and Economic Development Committee summary; seconded by Lamb. The motion passed without dissent (Kay and McCurn were absent for this vote).

II. Economic Development Partnerships Update

Euphrates International Investment Co.

Chair Bledsoe welcomed Erran Persley, President and CEO of Euphrates International Investment Co., for the annual economic development partnership update. Mr. Persley stated that Euphrates International Investment Co.'s goal is to use economic tools to help people live healthier and more productive lives by focusing on companies that provide good-paying jobs and who hold corporate goals that align with the values of our community. Mr. Persley shared Euphrates' 17 sustainable development goals developed as a strategic plan for 2022-2025. This tool is utilized to narrow the focus as they identify potential partners.

Euphrates announced an international grant, the Carbon Neutral Policy Grant, in partnership with Shanghai Global (China). Grants will be initiated for companies producing carbon neutral policies and products, and this funding will be held and administered out of Lexington. Mr. Persley highlighted JDL Environmental, a foreign client, recruited to Lexington – the Coldstream campus is being evaluated for their new US operations, a \$100 Million manufacturing project with 30-40 jobs for the city. Euphrates partnered with JDL for the Kentucky Clean Water Project to provide wastewater treatment systems to Eastern Kentucky and Appalachia. For the second year in a row, Euphrates has been named one of Goldman Sachs 10,000 Small Businesses.

Euphrates currently has \$1.25 Billion in new business in their pipeline, has identified \$3 Million of funding for small and minority businesses, and assisted 239 businesses. Mr. Persley highlighted a return on investment of 331.9% based on the initial investment by LFUCG of \$133,719.20. Mr. Persley noted businesses that have thrived in the pandemic including Beautiful You Medical Spa and startups which have succeeded.

Mr. Persley spoke about the dollar match program, GrowInLEX. This initiative has achieved approximately \$2.17 Million in contracts. Euphrates and partners have invested \$2.95 for every dollar invested by LFUCG. He noted that some of the biggest connections have been matches among local companies to do business together. They have extended this platform to be used for training and

webinars for the LFUCG Minority Business Enterprise Office, an event with AT&T for small and minority businesses, and to increase the number of live events on the GrowInLEX platform. Mr. Persley shared information on the city-wide essay contest, in partnership with Partners for Youth, on how to improve racial equality in Lexington.

CM Moloney asked where Euphrates' clients are coming from. Persley said the bulk of companies are local, home-grown companies. CM Ellinger referred to the Return on Investment (ROI) and asked about the calculation. Persley said this is an annualized return based on the two years. Persley sent the Committee the ROI calculation.

Commerce Lexington

Next, Chair Bledsoe welcomed Gina Greathouse and Tyrone Tyra of Commerce Lexington. Greathouse highlighted the core functions of Commerce Lexington: Business & Education Network, Community & Minority Business Development, and Economic Development. Commerce Lexington focuses on business retention and expansion, business recruitment, and entrepreneurial support to increase per capita income, increase the amount of income entering the community, and create greater capital investment in our region. They also support minority business development and workforce development.

Mr. Tyra shared about the scope of the Community & Minority Business Development survey. This survey asked how many businesses currently use minority contractors. The survey revealed that finding these contractors was difficult. As a result of the survey, Commerce Lexington has partnered with the University of Kentucky and Turner Construction for a set of sessions to share what is needed from minority contractors. This event will be held in March 2022. Commerce Lexington has also expanded the Minority Business Accelerator. Six members added \$10.2 Million to bottom-line sales in 2021.

Next, Betsy Dexter gave an update on the Business & Education Network. Some of her highlights include: a partnership with the UK Economic Development Collaborative to promote micro-internships, a federal work study program with UK, the FCPS Strategic Plan and the new Technology Center, and the Accelerate Lexington program to provide free training and job placement for certified nursing assistants at BCTC. Then, Ms. Greathouse provided an update on the scope of work for the Business Retention and Expansion program, including current challenges and opportunities. She provided a list of recent locations, expansions, and ribbon cuttings adding approximately 900 jobs. At the same time, she reported four closures that will result in 2,300 displaced jobs by the end of 2023. Finally, she provided results from Commerce Lexington's investments to date.

CM Moloney asked for more information about the Business Accelerator. Mr. Tyra said the Minority Business Accelerator targets companies with revenues of at least \$250,000 per year. In 2021, they worked with several businesses to help generate more than \$10.4 million in new business. CM Lamb inquired why some businesses didn't participate in the Business Retention and Expansion program. Greathouse clarified that this is primarily for those who indicated having a current need. They regularly contact businesses, members and non-members, to assist with creating jobs and reducing barriers to expansion. CM Plomin asked about the progress for a directory of minority-owned businesses. Tyra said this was not the responsibility of Commerce Lexington, but he was sure that Ms. Higgins-Hord is exploring it. CM Plomin asked what kind of outreach is being provided to diversity employment for those businesses who would like to diversify. Tyra said networking events will provide connection opportunities. CM Plomin noted that a job fair for minorities and businesses that want to diversify could provide an opportunity for connection.

CM Bledsoe noted that lack of available land is a barrier to building and expansion. Outside of land, she asked what the other barriers are that can help with expansion and recruitment. Ms. Greathouse said some companies don't want to build. Others find that available I-1 space is missing. She noted that Commerce Lexington likes to keep business in the region even if they decide not to locate in Lexington. CM Moloney asked how Lexington might take advantage of individuals relocating after the pandemic, similar to other cities. He asked if the development of Coldstream and the development of property along the interstate could help their efforts. Greathouse said she thought infrastructure funding for Coldstream would be helpful to show business prospects that Lexington has available land for growth.

EHI Consultants

Next, Ed Holmes and Annissa Franklin of EHI Consultants presented. They provided an update on Lexington Opportunity Zones. Opportunity Zones were created by the Tax Cuts and Jobs Act of 2017. Each governor nominated census tracts for eligibility. Census tracts had to have at least a 20% poverty rate and a median family income of no more than 80% of the statewide median family income. Lexington identified seven zones that met the criteria. Each zone was broken down with a vacant zoning analysis and demographic summary. He provided an overview of each census tract.

Ms. Franklin shared about community benefits agreements, agreements between developers and community members to partner to provide what community members would like to see in opportunity zone areas. Affordable childcare, groceries, healthy food options, access to mental health providers, jobs with living wages, the ability to provide input on multi-use facilities, affordable housing, and support for Kindergarten preparedness were areas of need identified from community members. Developers and investors were concerned about how to access funding. Further reports will be shared with the Economic Development Investment Board.

Vice Mayor Kay inquired whether the City would know if someone purchased a property or had plans to do so. Mr. Holmes said this was one of his biggest concerns about the Opportunity Zone fund. Since it is a private investment with capital gains write-off, this is difficult to track. He noted engagement with the community has to be developer-initiated. VM Kay asked if there was a precedent for any locality to add regulations to require notification of the developer's intention. Mr. Holmes said he is not aware of any. CM Plomin asked about the total acreage of the seven zones; Holmes said he would get that information. CM Plomin asked about next steps. Holmes said marketing and communication about the availability of lands and zones is important. He also cautioned being careful in order not to displace anyone in the process. CM McCurn asked how we can get true community input moving forward? Mr. Holmes said they have to reach out to a variety of stakeholders impacted in each Opportunity Zone and the potential impact. CM McCurn reiterated the importance of facilitating community conversations to increase awareness and educate people. CM Moloney asked if there is a big difference in today's findings compared to a study from several years ago. Holmes said that some of these indicators have gotten worse – median income, unemployment. However, the Housing Authority and Urban League are positive developments. CM Moloney asked if anyone looked at other cities to see what kinds of programs they are utilizing to buy homes and sell them to non-profits. Mr. Holmes said this was not part of the scope of this work. Chair Bledsoe thanked Mr. Holmes and Ms. Franklin for their work in Lexington.

No action was taken on this item.

III. Division & Program Review – 2022 Evaluations Selection

On behalf of the committee, Chair Bledsoe selected an overview of the Arts for review. The committee will be looking at how the city has used and spent money on arts investment, holistically, not just in one area.

No action was taken on this item.

IV. Items Referred to Committee – Annual Status Report of Referrals.

A motion was made by Lamb to remove Item 7, relating to Legislation Impacting the Budget, Item 13, relating to one-time salary supplemental pay for non-ARPA qualified personnel and Item 18, Central Kentucky Job Club. The motion was seconded by Plomin. Motion passed without dissent.

CM Bledsoe noted that the January financials were not available in time for this meeting. They will be shared by the Finance Team once they are available mid-February. (Updated financials are included below.)

Motion by Kay to adjourn at 2:41 p.m. Seconded by Plomin. Motion passed without dissent.

January 2022 Financial Information Provided for Summary Only

January 2022 YTD Actual Compared to Adopted YTD Budget

<u>Revenue Category</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>% Var</u>
OLT- Employee Withholding	129,797,007	122,260,000	7,477,007	6.1%
OLT - Net Profit	20,272,669	14,570,000	5,702,669	69.1%
Insurance	18,746,662	19,970,000	(1,223,338)	-6.1%
Franchise Fees	15,216,649	14,650,000	566,649	3.9%
TOTALS	183,972,987	171,450,000	12,522,987	7.3%

January 2022 YTD/January 2021 YTD Current Year Compared to Prior Year

<u>Revenue Category</u>	<u>Dec '21 YTD</u>	<u>Dec '20 YTD</u>	<u>Variance</u>	<u>% Var</u>
OLT- Employee Withholding	129,737,007	118,387,928	11,349,079	9.6%
OLT - Net Profit	20,272,669	19,345,497	927,172	4.8%
Insurance	18,746,662	18,961,832	(215,170)	-1.1%
Franchise Fees	15,216,649	14,396,229	820,420	5.7%
TOTALS	183,972,987	170,921,486	12,881,501	7.5%

FY2022 – Cash Flow Variance Revenue (Actual to Budget)

<u>For the seven months ended January 31, 2022</u>				
	<u>Actuals</u>	<u>Budget</u>	<u>Variance</u>	<u>% Var</u>
<u>Revenue</u>	-	-	-	-
Payroll Withholding	129,737,007	122,260,000	7,477,007	6.1%
Net Profit	20,272,669	14,570,000	5,702,669	39.1%
Insurance	18,746,662	19,970,000	(1,223,338)	-6.1%
Franchise Fees	15,216,649	14,650,000	566,649	3.9%
Other Licenses & Permits	4,661,555	4,569,410	92,145	2.0%
Property Tax Accounts	24,973,896	25,524,639	(550,743)	-2.2%
Services	15,933,259	16,662,011	(728,752)	-4.4%
Fines and Forfeitures	163,835	147,833	16,002	10.8%
Intergovernmental Revenue	218,255	310,511	(92,256)	-29.7%
Property Sales	139,933	58,333	81,600	139.9%
Investment Income	(84,359)	122,689	(207,048)	-168.8%
Other Financing Sources	40,000	40,000	0	-
Other Income	1,944,491	1,464,031	480,460	32.8%

Total Revenues	\$231,963,852	\$220,349,457	\$11,614,395	5.3%

FY2022 – Cash Flow Variance Expense (Actual to Budget)

<i>For the seven months ended January 31, 2022</i>				
	Actuals	Budget	Variance	% Var
<u>Expense</u>				
Personnel	134,390,941	140,640,143	6,249,202	4.4%
Operating	27,417,108	36,913,679	9,496,571	26.2%
Insurance Expense	1,265,324	1,236,923	(28,401)	-2.3%
Debt Service	31,755,962	33,399,718	1,643,756	4.9%
Partner Agencies	12,936,422	12,896,358	(40,064)	-0.3%
Capital	913,007	1,403,091	490,084	45.7%
Total Expenses	\$208,678,764	\$226,489,912	\$ 17,811,148	7.9%
Transfers	\$ 6,694,874	\$ 6,432,214	(\$262,660)	-2.8%
Change in Fund Balance	16,590,214	(\$12,572,669)	\$ 29,162,883	

Materials for the meeting:

<https://lexington.legistar.com/MeetingDetail.aspx?ID=909881&GUID=BED8F5B3-879D-4605-9CD5-23402EFAF04&Options=&Search=>

Video recording of the meeting: https://lfucg.granicus.com/player/clip/5516?view_id=4&redirect=true

SD 6/6/22