



Budget, Finance & Economic Development Committee

December 1, 2020

Summary and Motions

Committee chair, Council Member Amanda Bledsoe, called the meeting to order at 1:02 p.m. Committee members Vice Mayor Steve Kay and Council Members Richard Moloney, Chuck Ellinger, James Brown, Susan Lamb, Bill Farmer, Fred Brown, and Jennifer Mossotti were in attendance; Council Member Lisa Higgins-Hord was absent. Council Members Josh McCurn, Mark Swanson, Preston Worley, Jennifer Reynolds, and Kathy Plomin attended as voting members (by way of a motion made in committee on August 25.)

Bledsoe read the following statement: "Due to the COVID-19 pandemic and State of Emergency, this meeting is being held via live video teleconference pursuant to 2020 Senate Bill 150, and in accordance with KRS 61.826, because it is not feasible to offer a primary physical location for the meeting." She acknowledged that the council received written public comments submitted for December 1st (some related to agenda item IV.), which will be recorded with the permanent record of the December 1st Work Session materials. Those signed up for verbal public comment were heard at Work Session.

I. Approval of October 27, 2020 Committee Summary

Motion by Farmer to approve the October 27, 2020, Special Budget, Finance, and Economic Development Committee summary; seconded by Lamb. The motion passed without dissent.

II. Monthly Financials Update – October 2020

Bledsoe acknowledged the materials in the packet provided for information only. The next quarterly financial update will be in January. She pointed out the four-month performance of revenue and expenses showing a \$13M deficit. No action was taken on this item.

October 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	61,922,965	54,730,868	7,192,097	13.1%
OLT - Net Profit	9,765,365 *	6,847,186	2,918,179	42.6%
Insurance	10,862,753	12,950,450	(2,087,697)	-16.1%
Franchise Fees	8,634,038	8,809,388	(175,350)	-2.0%
TOTALS	91,185,121	83,337,892	7,847,229	9.4%

**excludes \$7.3 million in anticipated FY21 end of year adjustment to revenue for Accounts Receivable balance adjustment.*

October 2020 YTD/September 2019 YTD Current Year Compared to Prior Year:

Revenue Category	Oct-20	Oct-19	Variance	% Var
OLT- Employee Withholding	61,922,965	64,095,362	(2,172,397)	-3.4%
OLT - Net Profit	9,765,365 *	7,903,179	1,862,186	23.6%
Insurance	10,862,753	12,134,785	(1,272,032)	-10.5%
Franchise Fees	8,634,038	8,793,011	(158,973)	-1.8%
TOTALS	91,185,121	92,926,337	(1,741,216)	-1.9%

FY21 – Cash Flow Variance Revenue (Actual to Budget)

<i>For the four months ended October 31, 2020</i>				
	Actuals	Budget	Variance	% Var
Revenue				
Payroll Withholding	61,922,965	54,730,868	7,192,097	13.1%
Net Profit	9,765,365*	6,847,186	2,918,179	42.6%
Insurance	10,862,753	12,950,450	(2,087,697)	-16.1%
Franchise Fees	8,634,038	8,809,388	(175,350)	-2.0%
Other Licenses & Permits	1,198,533	1,146,019	52,514	4.6%
Property Tax Accounts	611,275	380,847	230,428	60.5%
Services	7,171,980	8,271,577	(1,099,597)	-13.3%
Fines and Forfeitures	58,960	84,333	(25,373)	-30.1%
Intergovernmental Revenue	83,375	95,002	(11,627)	-12.2%
Property Sales	50,222	80,000	(29,778)	-37.2%
Investment Income	1,117	363,784	(362,667)	-99.7%
Other Income	780,593	757,655	22,938	3.0%
Total Revenues	\$101,141,176	\$94,517,109	\$6,624,067	7.0%

FY21 – Cash Flow Variance Expense (Actual to Budget)

<i>For the four months ended October 31, 2020</i>				
	Actuals	Budget	Variance	% Var
Expense				
Personnel	67,284,616	74,979,642	7,695,026	10.3%
Operating	13,146,288	18,577,397	5,431,108	29.2%
Insurance Expense	1,016,316	991,993	(24,323)	-2.5%
Debt Service	25,063,175	27,961,987	2,898,812	10.4%
Partner Agencies	5,839,429	6,517,903	678,475	10.4%
Capital	108,150	63,118	(45,032)	-71.3%
Total Expenses	\$112,457,974	\$129,092,040	\$16,634,066	12.9%
Transfers	1,817,129	632,550	(1,184,579)	99.8%
Change in Fund Balance	(\$13,133,927)	(\$35,207,481)	\$22,073,554	

III. Local Small Business Economic Stimulus Program

Elodie Dickinson, Workforce Development Manager, outlined the small business economic stimulus grant program criteria and requirements for businesses to participate. The entire program was executed in about 10 weeks (July to September). She reviewed a breakdown of over \$2.3M awarded to 168 applicants; the average grant was \$14,154; the total request from these applications was \$3.6M; 234 applications were received. She provided a breakdown of women, minorities, men, and non-profit entities that received funding in recognition of the program's goal that 50 percent of funds go to women and minority-owned small businesses. When ownership is broken down by race and ethnicity, white-owned businesses represented 58 percent; 30 percent were minority-owned. The majority of awarded businesses also received Federal Payroll Protection Program loans. The average awarded company had seven employees and 56 percent of awarded companies employed five people or less. There were nine employment sectors represented in the grant recipients, the highest being accommodation and food service. When reviewing the payroll impact, Dickinson reported the city losing a yearly cost of \$300,000 from the 168 grant recipients. She reviewed the next steps for the program including working with companies who weren't funded and Commerce Lexington's Access Loan Program's final review of payroll and employment data in 2021. She showed a video that featured the business impacted by the program.

Worley spoke about the council wanting to see the impact and accountability of government funds while emphasizing the program's true impact on the community. He mentioned doing this program again given new shutdowns. Mossotti confirmed 66 applicants, which requested \$1.4M, were not funded. Dickinson said the application window was closed after a couple of weeks because of the volume of applications. Applications were received first come first serve; the Division of Revenue vetted them to ensure businesses were in good standing with the city, passing those that were in good standing on to the Loan Access Committee to review and determine the award. The applicants that did not receive funding were either not in good standing with the city or did not provide the necessary documentation to prove the need for funding. Mossotti and Dickinson discussed how applicants from the first round would factor into a second round of the program, such as excluding first-round grant recipients from the second round.

J. Brown referenced the maps that are in the final report that show every grant recipient's location and the impact throughout the whole city. He mentioned original discussions for the program to reach businesses that didn't get the PPP loan but a large percentage of grant recipients received both. J. Brown and Kevin Atkins, Chief Development Officer, discussed the first round being a big time commitment for the Loan Access Committee and being unsure of their availability for a second round. Atkins mentioned the additional commitment from Traditional Bank to distribute the funds to the businesses. The final report and video will be posted on the city's economic development website.

Moloney confirmed some applicants weren't funded because of tax liability issues. The inability to provide receipts, proof of ownership, or other necessary documents was another reason why a business might not have been funded. Moloney and Atkins discussed tracking \$40M that the governor recently dedicated to supporting restaurants; understanding how much of those funds reach Lexington depends on how the state reports its recipients. Plomin confirmed minority women-owned businesses fell under the women category, not the minority category. Worley said the state restaurant relief will likely have a \$10,000 maximum and that the city needs to continue to monitor this. Ellinger referenced his proposal (agenda item 7) for a second round of this program and that he doesn't want to wait long to move forward with it. No action was taken on this item.

IV. Implicit Bias Training Proposal

Sally Hamilton explained how the mayor listened to the community and is no longer proposing the use of tenant relocation funds to fund implicit bias training for LFUCG employees; instead, they proposed the use of \$120,000 of budget stabilization. She affirmed that they will come to the council if more eviction assistance is needed.

Arthur Lucas, Officer of Diversity and Inclusion, referenced the Mayor's Commission for Racial Justice and Equality, of which four subcommittees recommended implicit bias and diversity training for all LFUCG employees, emphasizing the need to set the example for the community. He described implicit bias, which can influence our judgment, and how diversity and inclusion go hand in hand. He talked about making employees feel supported and respected, having an educated workforce, and understanding where your cultural competency comes from. The training is for all full-time employees to participate in the training, with part-time employees participating in module training. They will issue an RFP to hire a consultant to conduct the training on implicit bias, diversity and inclusion, and cultural competency. Lucas reviewed the potential structure and options for the training. The consultant will be tasked with developing and recommending a sustainable, long-term plan. He outlined the design and methodology, including digital resources that represent the demographics in Lexington, and an assessment to gauge effectiveness. Lucas said the project team includes himself and Eric Howard, led by Glenn Brown. He described the cost of \$25-35 per employee which he views as an investment. If approved, they hope to finalize the RFP by January 1, approve a contract in March, and begin the virtual training in May or June. He outlined anticipated outcomes and said this is about education.

Moloney referenced a potential shortfall for residential assistance and the need for those funds. He asked if Police can help fund this training with their asset forfeiture funds. Lamb suggested all employees, regardless of their status, receive the same training and referenced a mandatory anti-harassment workplace violence training done around 2016. The project team will make sure everyone gets the training. Lucas plans to recommend that this becomes part of the new employee training.

Kay expressed interest in being involved in the process and developing the RFP. Specifically, he asked for the RFP to ask for three to five references that former clients, which would be explored thoroughly to confirm the consultant's experience and that their work has made an impact. He spoke to the difficulty to execute this training well and the importance of it being done well.

F. Brown asked if this training is done elsewhere, questioning the background of "implicit bias", the role of government to do this, and if everyone has implicit bias. Lucas said this is a national term and type of training that is done in other organizations; the goal is for our training to be relevant to LFUCG. Lucas explained biases can be favorable or unfavorable. F. Brown questioned whether the training should be mandatory and whether all people are biased.

J. Brown explained how this training helps you identify your own biases and that you have to be open to those conversations. He and Lucas talked about mixing up employees from different divisions so folks can learn from each other but the information would not vary. Lucas said one entity would be awarded the RFP while J. Brown mentioned the idea of settling on one consistent curriculum but potentially having multiple people in the community do the training. Hamilton confirmed the administration would like the committee to approve a budget allocation for the proposal. She said police's asset forfeiture funds can only be used for law enforcement. She has asked them to ask the federal government about using these funds to pay for Police employees' training.

Farmer talked about the idea that implicit biases are not accessible through introspection (referencing a bullet on page 32 of the packet). Lucas explained this is an examination of one's thoughts and feelings, some questions asked today stress the importance of doing this training; some people don't understand the issues happening in our society and this is part of educating the importance of diversity and inclusion. Farmer said the anticipated outcomes are a lot given the interpretive nature of these times (i.e. the pandemic overlaid with social unrest). He replaced the words 'implicit bias' with 'sin' and said the introspection part is a tough thing to open up about; ultimately describing this as a grand reset.

Mossotti talked about education as a great first act but it won't make a difference until diversity is incorporated into the workplace. Reynolds said lots of organizations conduct this kind of training, explaining that everyone sees the world differently and this compares to continuing education. She doesn't believe 1.5 hours is enough time but said it's a noble start in response to the commission's work. Kay talked about this discussion showing how people respond differently to words and that we don't want to act on unconscious biases in a way that is detrimental to people around us. He hopes the training will alert people that they have biases that influence the way they make decisions while stressing the importance that it is done well.

J. Brown recalled when Lucas' position was created, arguing this training is a step towards a diverse workplace, which will make the community stronger. He said biases are not always negative but that they can prevent us from getting to a more diverse workplace. Tyler Scott, Chief of Staff, explained this ties into the implementation of the Commission on Racial Justice and Equality's recommendations as LFUCG works with diverse sectors of our population; adding that it sets an example by starting at "home". J. Brown concluded this training will help us have an open mind and look at things from a different perspective. The committee agreed to take any motions to approve funding for the proposal at Work Session and Bledsoe confirmed the item will remain in committee. No action was taken on this item.

VI. Council Budget Review Process FY2022

This item was heard before agenda item V. Bledsoe reviewed the calendar, breakdown of links, and budget committee of the whole calendar included in the packet, pointing out one correction that the Mayor's Budget Address will be on April 13th. It was confirmed that link committees will be assigned ahead of the mayor's budget hearings, to allow them to follow their respective hearings more closely; a process that started last year.

Motion by Kay to approve the calendar and FY22 budget review process; seconded by Plomin. The motion passed without dissent.

V. Revenue Sources

Kay acknowledged the team of experts who created the Mayor's Finance and Economic Advisory Work Group Report (included in the packet), which is a pre-pandemic analysis of our financial situation. He highlighted the following areas to focus on: the bottom line to have a vibrant community (p.45), revenue enhancement options that are currently available (p.46), where our revenue comes, which is mostly payroll (p.48); Lexington's rising costs and slowing revenue p.50-51; insufficient revenue and limitations to provide services that people are accustomed to (p.52); service cuts (p.53); Lexington's revenue sources compared to other municipalities (p.56); revenue options (p.59) – Kay takes exception to the section of the report that suggests raising payroll and net profit tax could have a damaging impact.; insurance fees options (p.60); and franchise fees options (p.62). He concluded we need to raise revenue to maintain

our quality of life. Without diving into a revenue source or how much is needed, he identified three proposed uses for additional revenue: preventing further cuts, replenishing the economic contingency fund, and additional funds for investments to address racial justice and equality and related longstanding challenges in the community.

Moloney recognized revenue issues before the pandemic while mentioning a hypothetical example that raising the payroll tax could have encouraged the new Baptist Health project to be done in Winchester. He is not supportive of raising the payroll tax. No action was taken on this item.

VII. Proposals for use of Coronavirus Relief Funds and Fund Balance

Bledsoe confirmed this item would remain in committee for consideration in January. No action was taken on this item.

VIII. Legislation Impacting the Budget (for information only)

Bledsoe talked about all the items in the charter, ordinance, and resolutions that impact the budget, as well as state legislation. The document in the packet is a working document that will return to committee but the purpose to be able to see these items in one place. No action was taken on this item.

IX. Items Referred to Committee

No action was taken on this item.

Bledsoe acknowledged the hard work of the Department of Finance to create LFUCG's first Popular Annual Financial Report (PAFR) last year for FY19, which was awarded by the GFOA (Government Finance Officers Association).

A motion was made by Farmer to adjourn (at 2:44 p.m.); seconded by Kay. The motion passed without dissent.

Materials for the meeting:

<https://lexington.legistar.com/MeetingDetail.aspx?ID=798578&GUID=CF424E81-0B06-4882-923F-D89CDC786624&Options=info|&Search>

Video recording of the meeting: http://lfucg.granicus.com/MediaPlayer.php?view_id=4&clip_id=5256

HBA 1/15/21