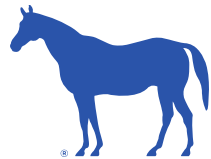


INFRASTRUCTURE FUNDING PLAN

*Shaun Denney, Department of Planning and Preservation
Council Budget, Finance and Economic Development Committee
June 23, 2026*



LEXINGTON

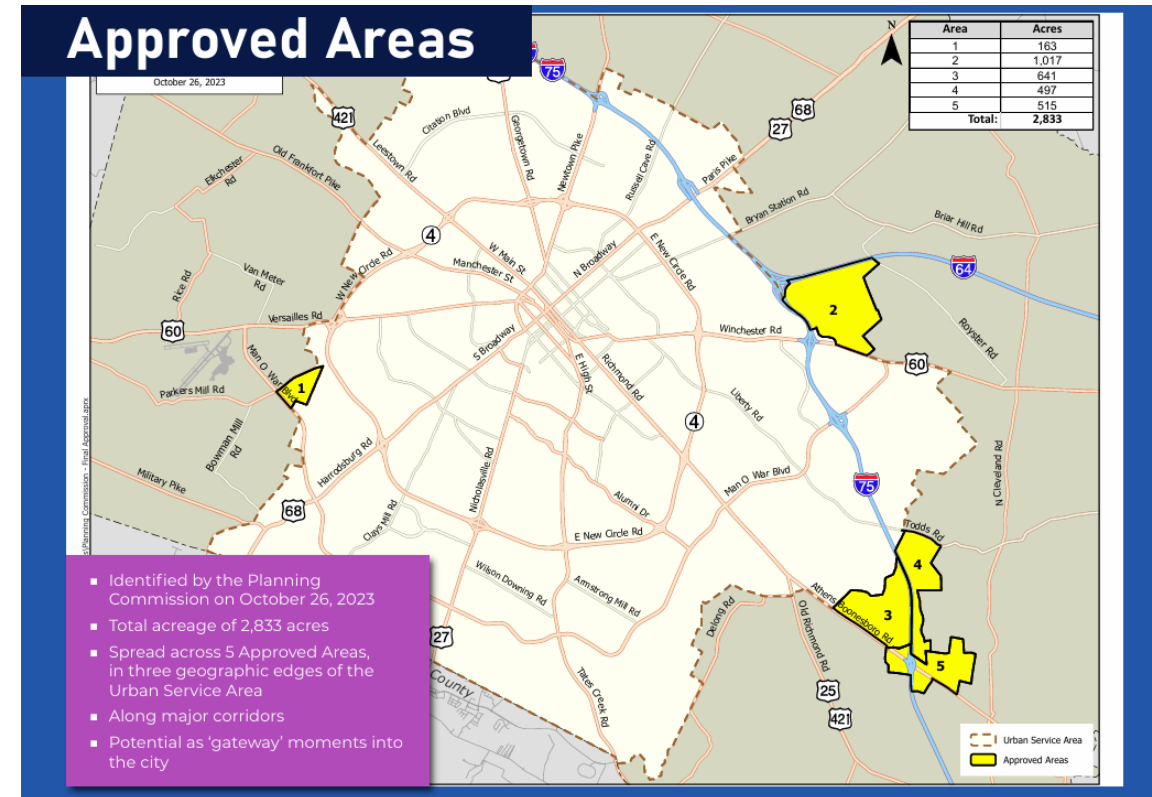
Infrastructure Funding Plan





Urban Growth Master Plan

- The Planning Commission recommended 2,800 acres for expansion of the Urban Service Boundary in 2023 across 5 Urban Growth Areas.
- The Planning Commission adopted the Urban Growth Master Plan as an element of the 2045 Imagine Lexington Comprehensive Plan on **October 31, 2024**.
- The UGMP recommended that LFUCG develop an Infrastructure Funding Program.
- A key finding of the UGMP market analysis was that new development would primarily be residential development.



Infrastructure Costs and Fiscal Impact



Two Main Cost Impacts

- **Fiscal Impact**
 - Operations and Maintenance
 - Re-surfacing roads
 - Trash collection
 - Impact to the General Fund
 - Limited new revenue
 - Community facilities (Parks, Public Safety)
- **Initial Capital Cost**
 - Major infrastructure improvements (i.e. Sewer, Fire Station, Boulevard, etc.)



Fiscal Impact

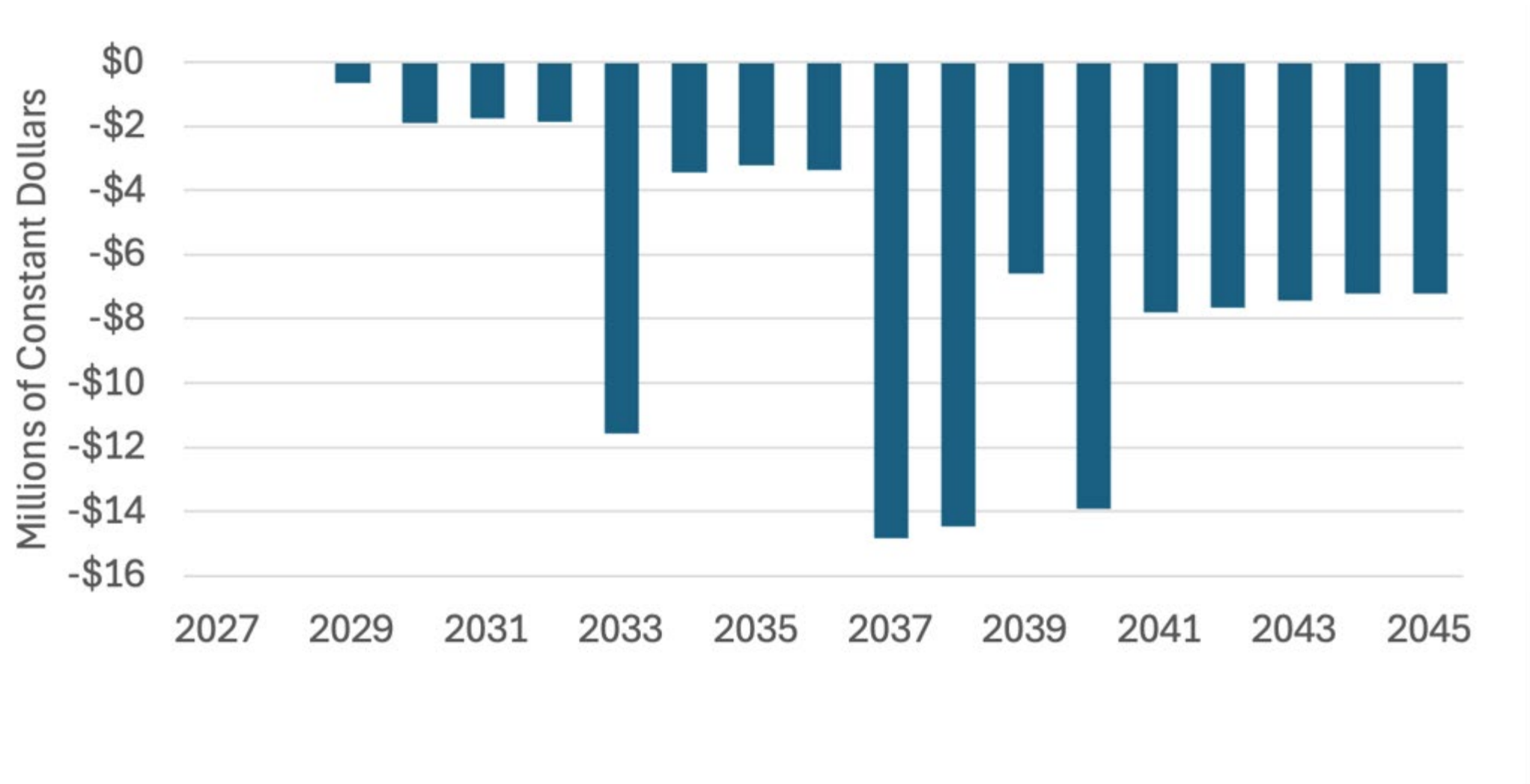
- There are unavoidable costs of growth.
- At full build-out, the expansion of existing services is projected to have a negative General Fund impact.
 - Revenues are not projected to keep up.
 - LFUCG will likely need to consider capital investments (Regional projects and community facilities).
- The Urban Services District Fund does not experience this problem.

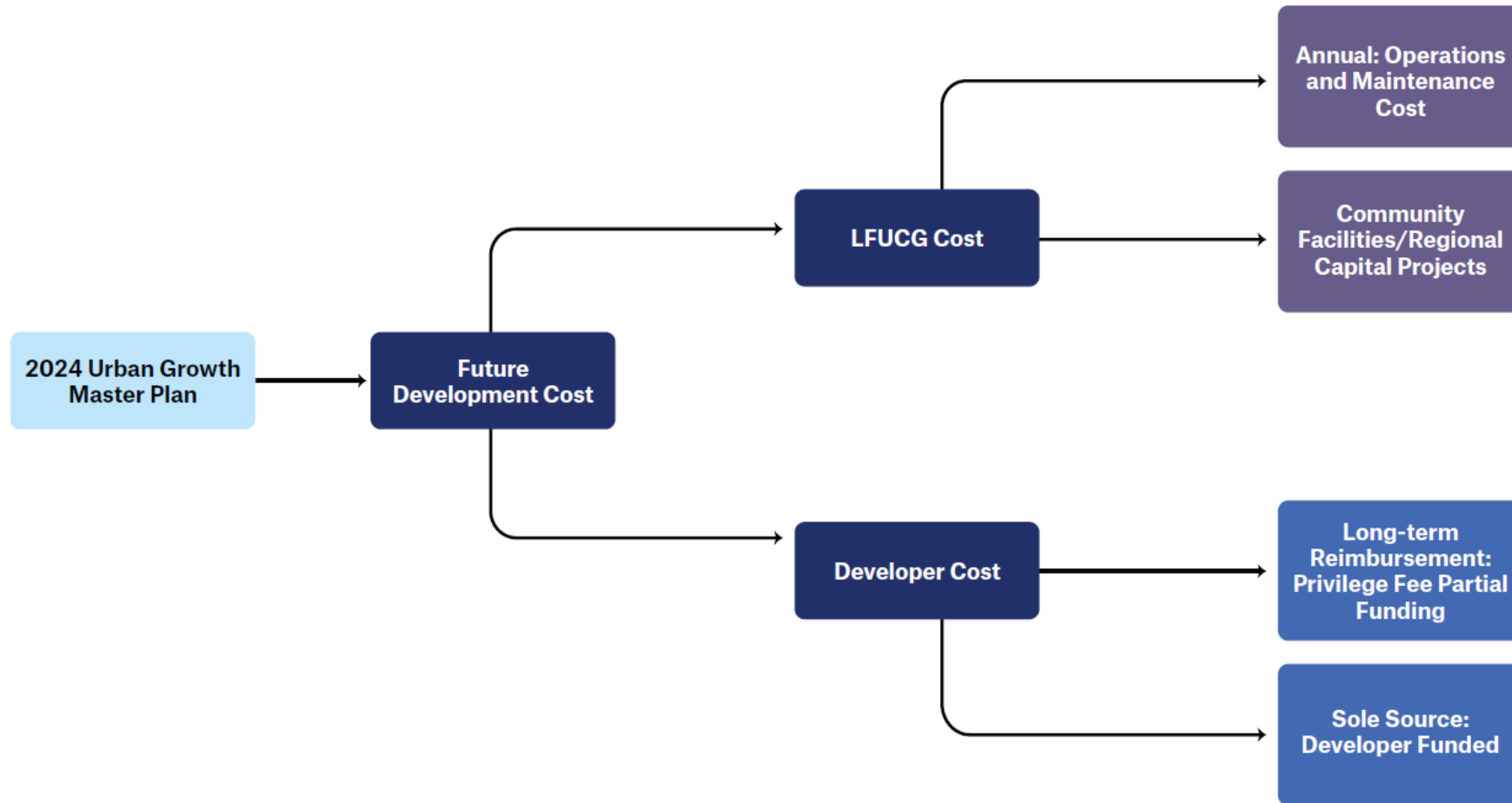
Table ES-3. Annual Incremental LFUCG Revenues and Expenditures Attributable to Urban Growth Area Development, All Urban Growth Areas			
	Lower Density	Higher Density	
Annual LFUCG Revenues			
Real Property Tax	\$1,280,000	-	\$2,018,000
Urban Services District Property Tax	\$8,855,000		\$13,967,000
Occupational License	\$2,490,400	-	\$3,955,200
Motor Vehicle Tax	\$120,300	-	\$137,700
Service Fees	\$3,677,400	-	\$5,552,900
Landfill Fees	\$971,000	-	\$1,636,000
Water Quality Management Fees	\$1,148,000	-	\$1,711,000
Fines and Forfeitures	\$19,000	-	\$28,600
LFUCG Revenues	\$18,561,100	-	\$29,006,400
Annual LFUCG General Fund Expenditures			
Central Government Operations	\$2,158,200	-	\$3,268,500
Project Design, Construction and Maintenance	\$3,039,600	-	\$3,022,400
Justice	\$0	-	\$0
Safety	\$9,467,000	-	\$9,467,000
Development and Special Initiatives	\$204,900	-	\$261,300
Social Services	\$2,585,700	-	\$3,904,500
Parks and Recreation	\$4,055,900	-	\$5,905,400
Housing and Community Development	\$631,900		\$954,200
Total LFUCG General Fund Expenditures	\$22,143,200	-	\$26,783,300
Annual Urban Services District Expenditures			
Waste Management	\$2,223,000	-	\$3,398,000
Streetlighting	\$485,000	-	\$485,000
Street Cleaning	\$17,000	-	\$17,000
Total Urban Services District Expenditures	\$2,725,000	-	\$3,900,000
Net Fiscal Surplus/(Deficit)			
LFUCG General Fund, Urban Services District Fund, Landfill Fund and Water Quality Management Fund	-\$6,307,100	-	-\$1,676,900
LFUCG General Fund Alone	-\$14,556,100	-	-\$15,090,900



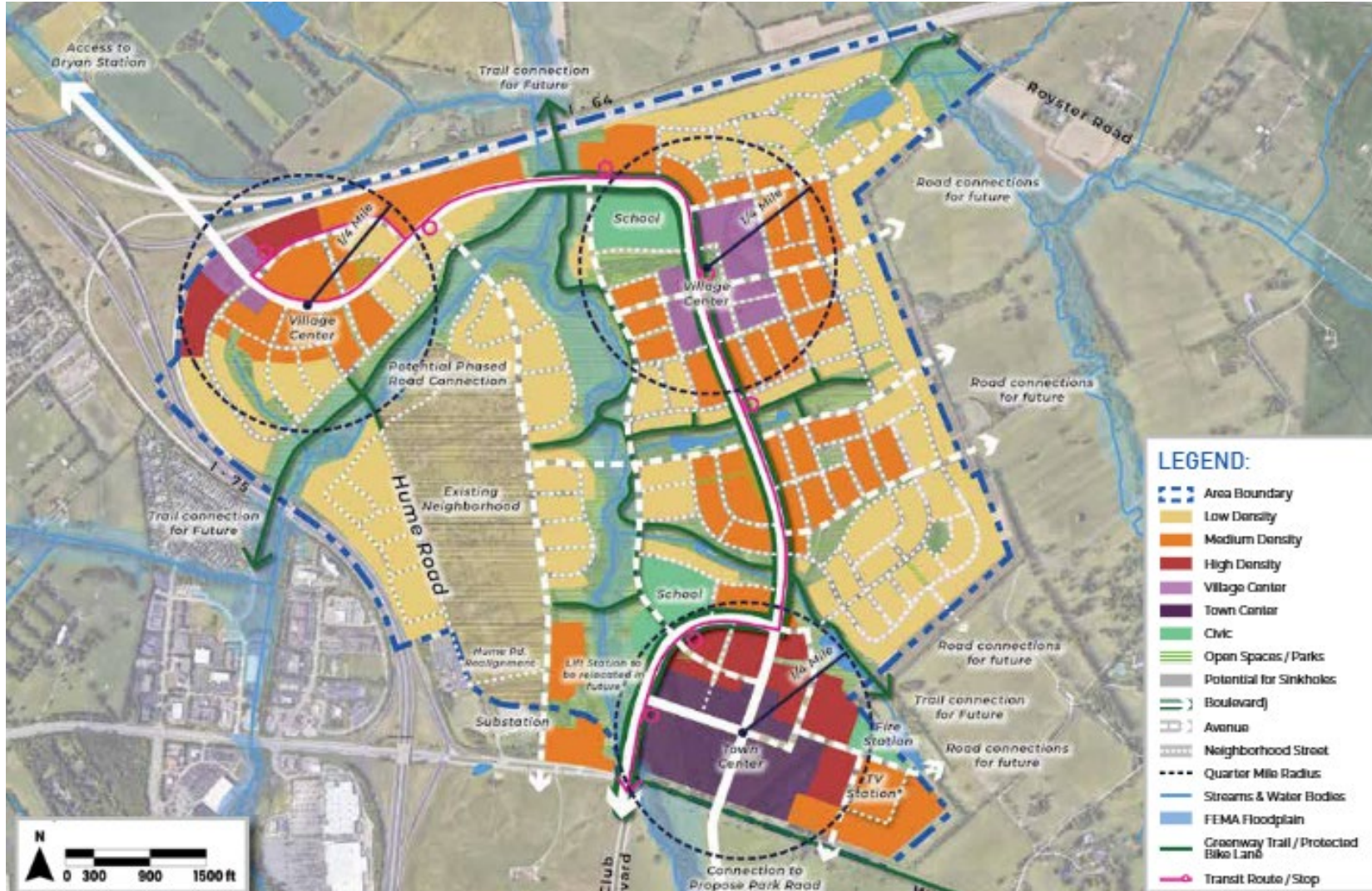
Source: Lexington-Fayette Urban County Government FY2026 Operating Budget, 2025; Partners for Economic Solutions, 2026.

General Fund Impact





Development Cost Breakdown



Key Assumptions

- The cost of infrastructure improvements necessitated by development in Urban Growth Areas will be developer's responsibility.
- Developers will comply with LFUCG standards for constructing improvements.
- LFUCG will bear responsibility for:
 - Regional growth items
 - Neighborhood parks
 - Fire and Police
 - Major transportation network improvements

Capital Costs

Table ES-1. Estimated Probable Costs of Urban Growth Area Infrastructure Improvements						
	Area 1	Area 2	Area 3	Area 4	Area 5	Total
Development Costs						
<i>Consent Decree</i>	N/A	\$6,512,400	N/A	N/A	N/A	\$6,512,400
<i>Sewer Development Required</i>	\$10,701,600	\$19,721,520	\$22,932,000	\$30,576,000	\$12,230,400	\$96,161,520
<i>Internal Roadways and Infrastructure</i>	\$8,215,771	\$66,882,352	\$34,097,079	\$78,612,868	\$2,997,782	\$190,805,852
<i>Existing Roadways</i>	\$19,270,673	\$6,190,278	\$7,654,792	\$9,915,743	\$8,577,180	\$51,608,665
Development Subtotal	\$38,188,044	\$99,306,549	\$64,683,871	\$119,104,611	\$23,805,361	\$345,088,438
Regional Growth Item Subtotal	\$38,418,744	\$18,039,840	\$96,008,640	\$7,727,092	\$0	\$160,194,316
Community Facilities Costs						
<i>Community Facilities</i>	N/A	\$8,140,860	\$11,827,179	N/A	N/A	\$19,968,039
<i>Parks and Open Space</i>	\$5,473,104	\$13,682,760	\$13,682,760	\$8,209,656	\$2,736,552	\$43,784,832
Community Facilities Subtotal	\$5,473,104	\$21,823,620	\$25,509,939	\$8,209,656	\$2,736,552	\$63,752,871
Total	\$82,079,892	\$139,170,009	\$186,202,450	\$135,041,359	\$26,541,913	\$569,035,624

The opinion of probable construction cost for the Urban Growth Plan does not include any right of way acquisition costs. Additional costs may be incurred from utility capacity impact fees or other off-site improvements needed. The estimates use recently constructed projects as the basis for high level estimates. The study only developed conceptual plans that do not provide enough detail for accurate estimation.

Source: Gresham Smith, 2026.

Privilege Fees



Simple and transparent



Allows new development to bear the burden of new infrastructure



Minimizes cost by allowing developers to use private funding and contracting



Responds to market demand



Sets fees based on actual costs



Creates a mechanism to enforce future payment



No cost to property owners before they choose to develop their property

Privilege Fee Ordinance



Developer or LFUCG builds the shared infrastructure (sewer or roadway).



Benefiting properties are identified that must pay a Privilege Fee before obtaining a future Subdivision Plan approval.



Shared infrastructure cost is allocated to benefiting properties based upon gross acreage.



LFUCG audits project costs and design for compliance.

Privilege Fees



A standard agreement sets forth the terms.



Privilege Fees accumulate simple interest at the 10-Year US Treasury +1% for 20 years.



LFUCG collects privilege fees and remits to the original developer.



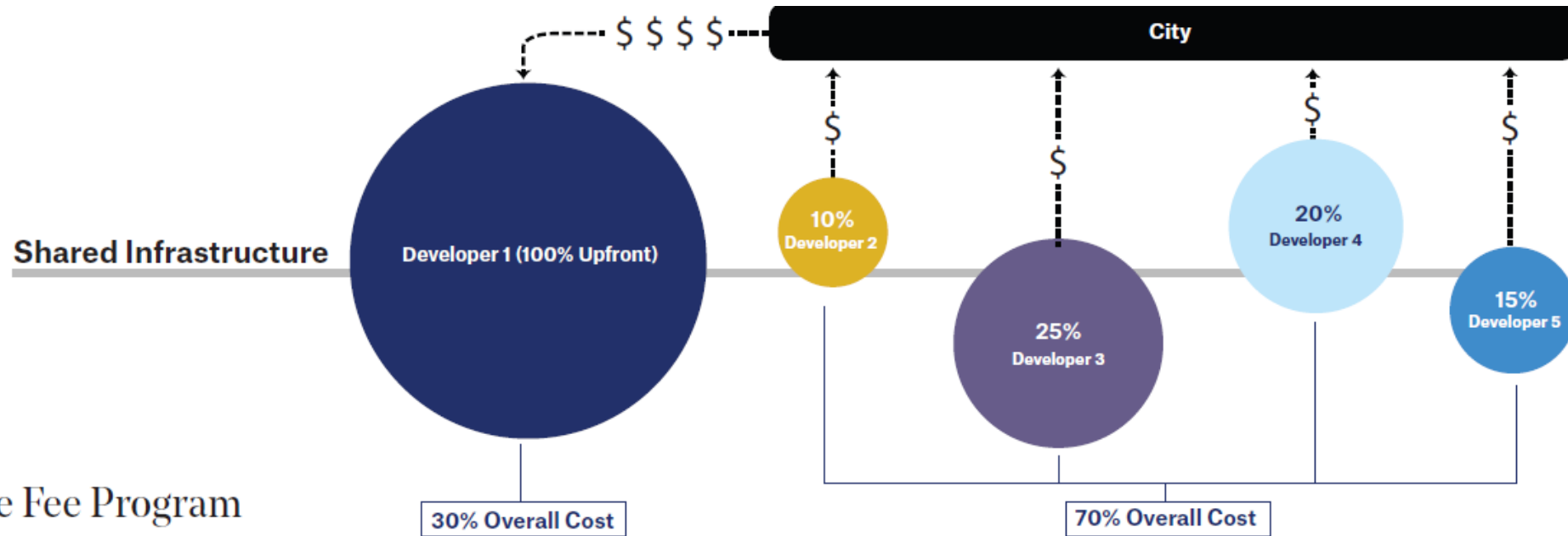
The ordinance includes a 0.5% administrative fee to LFUCG and a 5% management fee for the developer.



Privilege Fees



Privilege Fees



Privilege Fee Program

Next Steps

- Adopt the ordinance and move to the full Council.
- Implementation:
 - Accela modifications
 - Staff training
 - Handbook

Questions?



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