Budget, Finance & Economic Development (BFED) Committee

January 27, 2026

Summary and Motions

Chair James Brown called the meeting to order at 1:01 p.m. Vice Mayor Dan Wu, and Committee Members Chuck Ellinger, Shayla Lynch, Liz Sheehan, Lisa Higgins-Hord, Joseph Hale, Whitney Baxter, Dave Sevigny, and Jennifer Reynolds were in attendance as voting members.

I. APPROVAL OF OCTOBER 21, 2025, COMMITTEE SUMMARY

A motion by Ellinger to approve October 21, 2025, Committee Summary, seconded by Baxter, passed without dissent.

II. FY26 QUARTER 2 FINANCIAL UPDATE

Commissioner Hensley and Director Lueker presented the FY26 Quarter 2 financial update. Through December 31, 2025, General Fund revenues total $261.8 million and expenses total $243 million. Overall revenues are 3.2% above budget and 6.5% above the prior year. Payroll withholding and property tax collections are performing above budget. Net profit collections reflect timing shifts due to the federal tax deadline change; when adjusted for that shift, net profits are slightly under budget but flat compared to prior year. Investment income is below budget projections.

On the expenditure side, total expenses are 6.5% below budget at the mid-point of the fiscal year. Personnel expenses remain within 2% of budget. Operating variances are largely attributable to timing, particularly within Public Safety departments where several budgeted expenditures, including software, equipment purchases, and medical contracts—are expected to occur later in the fiscal year.

The Committee also received updates on other major funds. The Urban Services Fund shows revenues above budget and expenditures below budget, resulting in a positive variance in fund balance. The Sanitary Sewer Operating Fund reflects revenues slightly below budget but expenditures significantly below budget, producing a favorable fund balance variance. The Water Quality Operating Fund is largely on budget for revenues and below budget on expenditures. The Landfill Fund reflects revenues below projections but lower-than-expected expenditures, resulting in a smaller-than-anticipated draw on fund balance. No action was taken on this item.

III. ANNUAL COMPREHENSIVE FINANCIAL REVIEW (ACFR)

The Committee received the FY25 Annual Comprehensive Financial Review (ACFR) and audit report from Crosslin Certified Public Accountants. Auditors issued an unmodified opinion, indicating a clean audit. There were no findings, no material weaknesses, and no significant deficiencies identified. Additionally, no audit adjustments were required as part of the review. As part of the required Single Audit of federal grant activity, approximately $58 million in federal expenditures were tested. The Single Audit resulted in no findings.

The Committee was also advised of a major accounting standard implementation under GASB 101 (Compensated Absences). This change shifts the methodology for accruing sick leave liability from a one-year estimate to a five-year average accrual method. The implementation resulted in an approximate $14 million adjustment to beginning net position and is intended to improve the long-term accuracy and reliability of liability reporting. No action was taken on this item.

IV. INFRASTRUCTURE FINANCING PLAN

The Committee received a presentation from Partners for Economic Solutions and Gresham Smith regarding the proposed Infrastructure Financing Plan (IFP) framework and implementation strategy. The presentation outlined the project timeline and the development of baseline capital cost estimates using the Urban Growth Master Plan (UGMP) as the policy foundation.

The IFP framework distinguishes between one-time capital costs and ongoing operating and maintenance (O&M) costs. Proposed funding components for capital infrastructure include impact fees, privilege fees, development districts, special assessment districts, expanded user fees, and in some cases private ownership structures such as HOAs.

A significant portion of the presentation focused on the proposed privilege fee structure. Under this approach, a developer would fund, and construct oversized or regional infrastructure improvements—such as sewer pump stations, force mains, boulevards, or off-site road improvements—that serve additional properties beyond the subject development. Future developers who benefit from those improvements would reimburse the original developer. The process includes developer initiation, identification of benefiting properties by LFUCG, execution of a contract, construction, cost auditing by LFUCG, and establishment of reimbursement with interest.

The presentation emphasized that the privilege fee structure is intended to be simple, transparent, legally sound, and responsive to market demand while aligning with government-established growth policies. Private construction is anticipated to reduce both costs and delivery time. The Committee also discussed ongoing annual O&M costs associated with expanded growth areas, including waste management, street maintenance, streetlighting, stormwater facilities, parks, greenways, and shared-use paths. Three potential funding approaches were identified: creation of new fees, use of existing fee structures, or private responsibility. Any ongoing costs not covered by dedicated fees would be paid from the General Fund.

Next steps include development of a draft ordinance, preparation of an implementation handbook, evaluation of staffing levels and governance structure, identification of process and software needs, and software procurement to support administration of the program. No action was taken on this item.

V. ANNUAL REVIEW OF COMMITTEE REFERRALS

The following committee referrals were unanimously approved for removal from Committee: Downtown Projects Update, City Hall Feasibility Study, Disparity Study, Micro transit and Medical Debt Relief.

VI. ADJOURNMENT

A motion by Reynolds to adjourn at 2:47 p.m., seconded by Curtis, passed without dissent.