Budget, Finance & Economic Development (BFED) Committee

February 24, 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. Council Members Tyler Morton, Tom Eblen, Emma Curtis, Amy Beasley and Hil Boone were in attendance as non-voting members.

I. APPROVAL OF JANUARY 27, 2026, COMMITTEE SUMMARY

<u>A motion by Ellinger to approve January 27, 2026, Committee Summary, seconded by Wu, passed without dissent.</u>

II. MONTHLY FINANCIAL UPDATE – FEBRUARY 2026

Commissioner Hensley and Director Holbrook presented the FY2026 February 2026 Financial Update. The January report provides a seven-month snapshot of Lexington-Fayette Urban County Government revenues, expenditures, and cash flow compared with the adopted budget. Overall, the report indicates the City's finances remain generally in line with expectations, with most variances attributable to accounting adjustments or timing differences rather than structural budget issues.

Revenue variances were influenced by GASB-required accounting entries for subscription-based IT arrangements (SBITA) and leased services that were not included in the adopted budget. A forthcoming budget adjustment will reconcile these items. Excluding these entries, the adjusted revenue variance is approximately $2.92 million. Payroll-related revenues may also have been affected by workplace closures late in the month, which can shift the timing of collections.

Personnel expenditures remain within approximately 3% of budget despite January including three payroll cycles and employee sick leave buyback payments. Several operating variances reflect delayed or encumbered spending rather than overspending, including approximately $500,000 in road salt not yet used, $900,000 in detention center medical contract expenses not yet incurred, and more than $1 million in contracted software services. <u>No action was taken.</u>

III. LEXARTS ARTS AND CULTURAL ECONOMY AUDIT

Ame Sweetall, CEO and Executive Director of LexArts, and Sound Diplomacy consultants, presented the LexArts Arts and Cultural Economy Audit. The audit evaluates the size, impact, and needs of Lexington's creative sector and identifies strategies to strengthen the arts ecosystem and its role in economic development. The study draws on economic data, surveys, interviews, and stakeholder roundtables to assess the sector and identify opportunities for growth.

The report finds the arts and cultural sector is a significant contributor to Lexington's economy, supporting thousands of jobs and generating substantial economic activity. The sector demonstrates strong specialization in areas such as cultural education, retail, and audiovisual and interactive media. Stakeholder feedback identified several structural challenges, including limited coordination and longterm strategy, insufficient funding streams, infrastructure and accessibility issues at cultural venues, and transportation barriers affecting access to events. Participants also noted the need for clearer communication regarding the role of LexArts and greater transparency in funding and grant processes.

The audit recommends actions to strengthen governance, funding, and economic development connections. Key proposals include updating and publicly communicating LexArts' strategic plan, increasing cultural funding through mechanisms such as the hotel tax, integrating arts into Lexington's broader economic development strategy, and recruiting creative businesses and talent to fill gaps in the local arts ecosystem. The report positions the arts as both cultural assets and drivers of economic growth, workforce development, and community identity. No action was taken.

IV. VISITLEX TOURISM IMPROVEMENT DISTRICT

VisitLEX presented a proposal to establish a Tourism Improvement District (TID), or Lodging Management District, to strengthen tourism marketing, attract major events, and increase overnight visitation. Tourism currently supports 11,851 jobs in Fayette County, generates approximately $1.7 billion in visitor spending, and produces $131 million in state and local tax revenue.

The proposal notes that Lexington's tourism promotion resources are relatively limited compared with peer destinations. Budget comparisons show that cities such as Nashville, Savannah, and Memphis operate with significantly larger destination marketing organization (DMO) budgets, often supplemented by Tourism Improvement District funding. Establishing a TID would provide an additional funding source to expand marketing, event recruitment, and destination development efforts to enhance Lexington's competitiveness.

Under the proposed model, qualifying lodging properties would pay a 2% assessment on gross short-term room revenue. Funds would be collected by the City and managed by a district board of directors composed primarily of property owners to ensure revenues are used specifically for tourism promotion and related economic improvements. The district would operate for seven years with an estimated annual budget of approximately $2.1 million to support marketing, destination development, special events, and administration.

The presentation also outlined the legal framework and timeline for establishing the district under Kentucky law. Formation requires a petition supported by at least 33% of property owners representing 51% of the assessed property value within the proposed district. If those thresholds are met, the proposal would proceed through ordinance readings, public notice, and a public hearing prior to final approval. Upon adoption, a board of directors would be appointed, and assessments could begin shortly thereafter. No action was taken.

V. REVIEW OF COMMITTEE REFERRALS

A motion by Wu to remove the LexArts Finance and Equity Review from the items referred list, seconded by Ellinger, passed without dissent.

VI. ADJOURNMENT

A motion by Chair Brown to adjourn at 2:51p.m., seconded by Ellinger, passed without dissent.