Budget and Finance Committee
Kevin Stinnett - Chair
Ed Lane – Vice Chair
Jim Gray
Linda Gorton
Chuck Ellinger
Andrea James
Tom Blues
Julian Beard
George Myers
Peggy Henson

AGENDA

BUDGET AND FINANCE COMMITTEE

October 27th, 2009

1:00 P. M.

1. Review and Discussion of FY 2010 Financials – Fister

   - General Fund FY 2010 Revenue and Expenditures as of September, 2009 – Fister (p 1 - 3)

2. Quarterly Update of Commerce Lexington – Robert Quick, President & CEO

   - 1st Quarter – Fiscal Year 2010 Update (p 4 - 9)

3. Presentation of Overtime for Fire - Chief Hendricks

   - Power Point Presentation Overtime (P 10 - 21)

AGENDA - CONT'D

BUDGET AND FINANCE COMMITTEE

October 27th, 2009

1:00 P.M.

4. Internal Audit Quarterly Update – Sahli

   - Internal Audit Process (p 22)
   - Division of Revenue Tax Gap Audit Summary of Audit Results (p 23 - 24)

5. General List of Recommendations From Council Links - Stinnett

   - Recommendations Schedule II (p 25 - 27)

LEXINGTON FAYETTE URBAN COUNTY GOVERNMENT
GENERAL FUND 1101

	Year to Date Actual					Annual Budget Comparison		
	Current YTD	Prior Year YTD	Variance $	Variance %	Encumbrances	Annual Budget	Remaining Budget	% Prior YTD to Prior Yr End
REVENUES								
Licenses and Permits:								
Employee Withholdings	36,240,130	36,801,406	(561,276)	-2%		156,500,000	120,259,870	23%
Business Returns	4,970,902	5,351,802	(380,900)	-7%		31,500,000	26,529,098	16%
Individual Returns	697	247	450	182%		100,000	99,303	1%
Insurance Premiums	4,833,994	5,092,456	(258,462)	-5%		21,800,000	16,966,006	22%
Bond Deposits	-	500	(500)	0%		2,000	2,000	0%
Regulated License Fee	316,902	281,296	35,606	13%		833,900	516,998	38%
Franchise Fee	3,482,670	3,434,231	48,439	1%		17,552,000	14,069,330	20%
Bank Franchise Fee	-	-	-	0%		1,270,000	1,270,000	0%
Vehicle License	-	-	-	0%		167,000	167,000	0%
Vacant Building License	-	-	-	0%		-	-	0%
Deed Tax Fee	210,463	436,167	(225,704)	-52%		1,300,000	1,089,537	16%
Contractor Registration Fee	49,325	47,095	2,230	5%		348,000	298,675	14%
Filing Fee - Planning & Zoning	27,660	44,973	(17,313)	-38%		140,000	112,340	20%
Animal License	7,695	11,175	(3,480)	-31%		55,000	47,305	14%
Hotel - Motel License Fee	3,949	6,895	(2,946)	-43%		125,600	121,651	3%
Total Licenses and Permits	**50,144,387**	**51,508,243**	**(1,363,856)**			**231,693,500**	**181,549,113**	
Taxes:								
Realty Taxes	-	-	-	0%		17,476,000	17,476,000	0%
Personalty Taxes	-	-	-	0%		1,588,000	1,588,000	0%
PSC Taxes	33,030	257,914	(224,884)	-87%		710,000	676,970	5%
Property Tax Discount	13	(4,818)	4,831	-100%		(324,000)	(324,013)	0%
Property Tax Commission	(1,403)	(10,785)	9,382	0%		(811,000)	(809,597)	0%
Delinquent - Realty & Personal	1,852	3,570	(1,718)	-48%		53,000	51,148	3%
Motor Vehicle Ad Valorem Tax	232,503	316,712	(84,209)	-27%		1,528,000	1,295,497	15%
County Clerk Com - Mtr Veh	(7,932)	-	(7,932)	0%		(61,000)	(53,068)	0%
Supplementary Tax Bills	-	660	(660)	0%		8,000	8,000	0%
Omitted Tax	64,615	137,940	(73,325)	-53%		77,000	12,385	84%
Improvement Assessment Taxes	-	-	-	0%		-	-	0%
Total Taxes	**322,678**	**701,193**	**(378,515)**			**20,244,000**	**19,921,322**	
Charges for Services:								
Accident Report Sales	1,402	2,125	(723)	-34%		15,000	13,598	9%
Administrative Collection Fees	2,425	4,211	(1,786)	-42%		10,000	7,575	24%
Adult Probation Fees	19,912	21,273	(1,361)	-6%		85,000	65,088	23%
Animal Shelter Collections	6,137	10,190	(4,053)	-40%		35,000	28,863	18%
Building Permits	163,363	271,750	(108,387)	-40%		1,000,000	836,637	16%
Computer Services Fees	4,040	13,523	(9,483)	-70%		74,000	69,960	5%
Debt Service Lease Rental	-	-	-	0%		-	-	0%
Detention Center	774,867	784,452	(9,585)	-1%		4,762,000	3,987,133	16%
Developer Landscape Fees	730	1,480	(750)	-51%		11,000	10,270	7%
District Court Jail Fees	152,392	(157,817)	310,209	-197%		144,000	(8,392)	106%
Domestic Relations Collection	1,556	1,909	(353)	-18%		15,000	13,444	10%
EMS	1,364,575	1,143,186	221,389	19%		5,400,000	4,035,425	25%
Excess Fees And Collections	1,411	1,531	(120)	-8%		2,150,000	2,148,589	0%
Golf Course Collections	1,287,518	1,447,911	(160,393)	-11%		3,825,300	2,537,782	34%
Lexington Store	-	135	(135)	0%		-	-	0%
Park Land Acquisition	66,500	135,431	(68,931)	-51%		400,000	333,500	17%
Parking	7,925	8,589	(664)	-8%		35,000	27,075	23%
Parks & Recreation Programs	492,659	427,289	65,370	15%		1,423,500	930,841	35%
Rent Or Lease Income	151,049	100,439	50,610	50%		192,470	41,421	78%
Total Charges for Services	**4,498,461**	**4,217,607**	**280,854**			**19,577,270**	**15,078,809**	
Fines and Forfeitures	**46,875**	**55,710**	**(8,835)**	-16%		**192,000**	**145,125**	24%
Intergovernmental	**18,317**	**154,355**	**(136,038)**	-88%		**457,000**	**438,683**	4%
Property Sales	**235,471**	**462,011**	**(226,540)**	-49%		**179,550**	**(55,921)**	131%
Investments	**12,610**	**117,742**	**(105,132)**	-89%		**300,000**	**287,390**	4%
Other Income:								
Premiums	-	112	(112)	0%		-	-	0%
Assistance Repayment	38,867	56,437	(17,570)	-31%		-	(38,867)	
Casualty Loss Recoveries	-	-	-	0%		-	-	0%
Contributions	40,225	1,680	38,545	2294%		37,681	(2,544)	107%
Penalties And Interest	421,668	372,389	49,279	13%		1,200,000	778,332	35%
School Board Tax Fee	-	1,000	(1,000)	0%		12,000	12,000	0%
Tourist Commission Fee	-	-	-	0%		-	-	0%
Payment in Lieu of Taxes	52,768	-	52,768			30,000	(22,768)	176%
Miscellaneous	207,366	87,233	120,133	138%		178,126	(29,240)	116%
Total Other Income	**760,894**	**518,851**	**242,043**			**1,457,807**	**696,913**	

LEXINGTON FAYETTE URBAN COUNTY GOVERNMENT
GENERAL FUND 1101

	Year to Date Actual					Annual Budget Comparison		
	Current YTD	Prior Year YTD	Variance $	Variance %	Encumbrances	Annual Budget	Remaining Budget	% Prior YTD to Prior Yr End
Total Revenues	56,039,693	57,735,712	(1,696,019)	-3%		274,101,127	218,061,434	
EXPENDITURES								
Personnel								
General Government	1,034,110	943,599	90,511	10%	-	6,090,120	5,056,010	17%
Administrative Services	157,748	237,909	(80,161)	-34%	-	1,181,770	1,024,022	13%
Chief Information Officer	1,031,391	1,044,976	(13,585)	-1%	-	5,449,840	4,418,449	19%
Finance	1,250,252	1,226,047	24,205	2%	-	6,905,360	5,655,108	18%
Public Works	2,141,512	2,581,863	(440,351)	-17%	-	11,773,285	9,631,773	18%
Public Safety	920,117	960,634	(40,517)	-4%	-	5,502,110	4,581,993	17%
Police	9,822,185	9,826,855	(4,670)	0%	-	52,400,960	42,578,775	19%
Fire and Emergency Services	9,289,490	9,587,177	(297,687)	-3%	71,954	48,539,270	39,249,780	19%
Community Corrections	4,591,961	4,381,031	210,930	5%	-	23,064,920	18,472,959	20%
Social Services	1,128,565	1,224,647	(96,082)	-8%	-	6,339,750	5,211,185	18%
Environmental Quality	-	(8,217)	8,217	0%	-	-	-	0%
General Services	1,729,875	1,492,928	236,947	16%	-	9,741,970	8,012,095	18%
Parks and Recreation	2,671,322	2,961,764	(290,442)	-10%	-	11,745,254	9,073,932	23%
Law and Risk Management	475,902	551,859	(75,957)	-14%	-	2,477,190	2,001,288	19%
Outside Agencies	-	-	-	0%	-	-	-	0%
Total Personnel	36,244,430	37,013,072	(768,642)		71,954	191,211,799	154,967,369	
Operating								
General Government	572,618	683,751	(111,133)	-16%	364,234	(3,327,806)	(3,900,424)	-17%
Administrative Services	27,094	7,955	19,139	241%	25,825	327,460	300,366	8%
Chief Information Officer	418,808	421,781	(2,973)	-1%	1,274,677	2,496,946	2,078,138	17%
Finance	340,174	243,607	96,567	40%	273,718	1,599,949	1,259,775	21%
Public Works	452,271	911,435	(459,164)	-50%	332,399	3,344,757	2,892,486	14%
Public Safety	1,185,909	990,652	195,257	20%	42,147	4,569,113	3,383,204	26%
Police	843,420	911,657	(68,237)	-7%	341,075	4,531,593	3,688,173	19%
Fire and Emergency Services	1,114,644	1,081,979	32,665	3%	196,[illegible]90	5,749,057	4,634,413	19%
Community Corrections	1,893,094	1,796,915	96,179	5%	1,032,271	7,733,419	5,840,325	24%
Social Services	188,210	1,152,020	(963,810)	-84%	52,886	1,727,160	1,538,950	11%
Environmental Quality	-	96,768	(96,768)	0%	76,379	76,379	76,379	0%
General Services	201,041	880,126	(679,085)	-77%	667,326	3,736,713	3,535,672	5%
Parks and Recreation	1,352,474	1,678,782	(326,308)	-19%	561,405	6,737,167	5,384,693	20%
Law and Risk Management	610,041	546,496	63,545	12%	193,442	6,381,156	5,771,115	10%
Outside Agencies	3,809,080	4,004,264	(195,184)	-5%	1,964,528	16,785,324	12,976,244	23%
Total Operating	13,008,878	15,408,188	(2,399,310)		7,398,500	62,468,385	49,459,507	
Debt Service								
Principal	380,000	-	380,000			20,365,571	19,985,571	2%
Interest	2,295,463	401,314	1,894,149	472%		8,975,329	6,679,866	26%
Other Debt Service	396	416	(20)	-5%		507,270	506,874	0%
Capital								
Equipment	16,236	203,077	(186,841)	-92%	14,356	181,810	165,574	9%
Acquisitions and Constructions	8,644	90,147	(81,503)	-90%	407,402	592,250	583,606	1%
Total Expenditures	51,954,047	53,116,214	(1,162,167)		7,892,212	284,302,414	232,348,367	
Excess (Deficiency) of Revenues over (under) Expenditures	4,085,646	4,619,498	(533,852)	-12%		(10,201,287)	(14,286,933)	
OTHER FINANCING SOURCES (USES)								
Debt Proceeds (net of bond refunding)	-	-	-	0%		-	-	0%
Transfers In	-	-	-	0%		4,989,000	4,989,000	0%
Transfer to State	-	-	-	0%		-	-	0%
Transfers Out	122,234	251,782	(129,548)	-51%		2,741,000	2,618,766	4%
Total Other Financing Sources (Uses)	122,234	251,782	(129,548)			7,730,000	7,607,766	
Net Change in Fund Balance	4,207,880	4,871,280	(663,400)	-14%		(2,471,287)	(6,679,167)	-170%

General Fund	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10
Employee Withholdings												
YTD Actual												
License Fees	8,873,135	24,753,536	36,240,130									
YTD Budget	7,663,376	24,665,089	38,112,787	45,890,593	63,709,154	77,230,542	84,167,392	105,278,016	117,541,707	125,170,929	142,379,019	156,500,000
Variance	1,209,759	88,447	(1,872,657)									
PYTD Actual	7,208,135	24,302,027	36,801,406	43,558,410	62,745,553	74,435,386	79,459,366	102,229,591	112,982,489	119,956,599	135,975,249	148,968,942
Monthly Actual												
License Fees	8,873,135	15,880,401	11,486,594									
Monthly Budget	7,663,376	17,001,713	13,447,698	7,777,806	17,818,561	13,521,388	6,936,850	21,110,624	12,263,691	7,629,222	17,208,090	14,120,981
Variance	1,209,759	(1,121,312)	(1,961,104)									
Prior Year Monthly Actual	7,208,135	17,093,892	12,499,379	6,757,004	19,187,143	11,689,833	5,023,980	22,770,225	10,752,898	6,974,110	16,018,650	12,993,693
Total Revenues												
YTD Actual	14,598,078	38,044,338	56,039,693									
YTD Budget	13,140,757	39,081,608	58,183,291	73,018,264	106,090,864	134,510,057	150,709,407	180,851,006	198,716,661	225,389,918	251,766,193	274,101,127
Variance	1,457,321	(1,037,270)	(2,143,598)									
PYTD Actual	13,680,107	39,051,198	57,735,712	71,694,418	110,290,232	133,989,570	149,413,091	179,823,498	196,661,354	220,896,848	245,242,391	275,911,919
Monthly Actual	14,598,078	23,446,260	17,996,365									
Monthly Budget	13,140,757	25,940,851	19,101,683	14,834,973	33,072,600	28,419,193	16,199,350	29,941,599	18,065,655	26,673,257	26,376,275	22,334,934
Variance	1,457,321	(2,494,591)	(1,106,328)									
Prior Year Monthly Actual	13,680,107	25,371,091	18,684,514	13,858,706	38,695,814	23,699,338	15,423,521	30,410,407	16,837,856	24,235,494	25,345,543	29,669,528
Personnel Expenses												
YTD Actual	9,332,580	22,986,821	36,244,430									
YTD Budget	10,218,503	24,100,636	37,966,138	54,868,661	72,000,292	85,974,579	104,409,717	117,820,240	131,266,408	144,807,874	164,674,278	191,211,799
Variance	(885,923)	(1,113,815)	(1,721,708)									
PYTD Actual	9,674,991	23,373,674	37,013,072	56,713,934	70,425,659	84,397,308	102,999,106	115,829,801	128,624,894	141,733,430	160,590,750	186,919,412
Monthly Actual	9,332,580	13,654,241	13,257,609									
Monthly Budget	10,218,503	13,882,133	13,865,502	16,902,523	17,131,631	13,974,287	18,435,138	13,410,523	13,446,168	13,541,466	19,866,404	26,537,521
Variance	(885,923)	(227,892)	(607,893)									
Prior Year Monthly Actual	9,674,991	13,698,683	13,639,398	19,700,862	13,711,725	13,971,649	16,601,798	12,830,695	12,795,093	13,108,536	18,857,320	26,328,662
Operating Expenses												
YTD Actual	4,142,948	7,266,928	13,008,878									
YTD Budget	3,390,931	8,850,461	14,278,095	19,344,942	23,995,864	27,263,958	30,398,682	36,881,828	42,548,215	45,234,757	49,803,011	62,468,387
Variance	752,017	(1,583,533)	(1,269,217)									
PYTD Actual	3,577,641	9,994,795	15,408,188	20,734,575	25,849,549	30,682,835	33,165,580	37,318,299	42,596,559	45,773,403	49,335,444	60,624,611
Monthly Actual	4,142,948	3,123,980	5,741,950									
Monthly Budget	3,390,931	5,459,530	5,427,634	5,066,847	4,650,923	3,268,094	3,134,724	6,483,147	5,666,387	2,686,542	4,568,255	12,665,376
Variance	752,017	(2,335,550)	314,316									
Prior Year Monthly Actual	3,577,641	6,417,155	5,413,392	5,326,387	5,114,974	4,833,286	2,482,745	4,152,719	5,278,260	3,176,844	3,562,041	11,289,167
Net Change in Fund Balance												
YTD Actual	(1,436,161)	5,218,793	4,207,880									
YTD Budget	(1,119,551)	4,994,225	6,683,528	53,830	8,930,209	16,918,042	11,823,414	18,366,556	17,647,864	26,806,068	16,845,994	(2,471,290)
Variance	(316,610)	224,568	(2,475,648)									
PYTD Actual	247,480	5,408,232	4,871,280	(6,320,939)	12,073,924	14,043,072	8,286,983	19,501,071	17,951,740	25,590,329	19,717,844	134,022
Monthly Actual	(1,436,161)	6,654,954	(1,010,913)									
Monthly Budget	(1,119,551)	6,113,776	1,689,303	(6,629,697)	8,876,379	7,987,833	(5,094,628)	6,543,142	(718,692)	9,158,204	(9,960,074)	(19,317,284)
Variance	(316,610)	541,178	(2,700,216)									
Prior Year Monthly Actual	247,480	5,160,752	(536,952)	(11,192,219)	18,394,863	1,969,148	(5,756,089)	11,214,088	(1,549,331)	7,638,589	(5,872,485)	(19,583,822)

First Quarter – Fiscal Year 2010
July 1 – September 30, 2009
Lexington Fayette Urban County Council Update

Economic Development

First Quarter – FY 2010 only, Commerce Lexington's Economic Development Division has responded to calls from the following:

- Prospects: 27 (these are companies looking to locate or expand)
- Start-up/Entrepreneurial High-Tech Companies: 10
- Existing Business Visits: 49

Special Events, Tradeshows and Marketing

Alltech European Equestrian Games

August 24 through 30, Gina Greathouse with the Commerce Lexington Economic Development team, Niki Heichelbech with the Lexington Convention & Visitors Bureau, and Anthony Wright with the Mayor's office traveled to London and Windsor, England to attend the Alltech European Equestrian Games. The games were a huge success! The purpose of the event was to participate in "the Kentucky Experience," an event Alltech and the Commonwealth of Kentucky hosted for the European Equestrian Games. Kentucky was showcased to 60,000 spectators at the games. Interest was strong from the visitors to attend the 2010 Alltech World Equestrian Games. It was Lexington's chance to begin cultivating these relationships in advance of 2010. *Note: This was announced in our August update to LFUCC.*

Manufacturers' Networking Group Luncheon

Commerce Lexington hosted the annual Fall Luncheon for the Manufacturers' Networking Group on September 22 at Webasto Roof Systems. Kentucky Cabinet for Economic Development Commissioner Jim Navolio spoke to the group about the recent incentives changes and David Freibert with Kentucky Utilities discussed cap and trade legislation. More than 50 people attend the event.

DC Fly-In – Come Back Home

During the DC Fly-in in July, Commerce Lexington hosted a reception for high-level government officials, the Kentucky Society of Washington D.C., a group of ex-patriots of Kentucky, and local alumni. Over 150 attended the event. During the reception, attendees heard from Mayor Jim Newberry and Bob Quick. The event was a great way to showcase all of the great happenings in Central Kentucky and give the attendees a reason to think about coming home!

Engineering Summer Program

Commerce Lexington participated in UK's ESP program in June. The week-long engineering camp is for high school seniors. During the program the students work in teams on developing a new product – they design the prototypes and present their model at the end of the week. Commerce Lexington attended the end of the week cookout to talk to the students about the importance of engineering and entrepreneurship and attending the University of Kentucky. Kudos to Dr. Bruce Walcott and the UK College of Engineering for these efforts.

UK Clinician Innovation Day
UK hosted the first annual Clinician Innovation Day on August 4. Commerce Lexington's economic development team attended and heard from several experts on how to commercialize medical ideas. UK's Office of Commercialization & Economic Development announced a streamlined process for clinicians to explore their ideas, which may lead to commercialization. UK also announced the formation of Therix Medical, a for profit company for medical devices. Commerce Lexington's economic development division has a focus on medical devices as a target industry for Lexington because of the presence of UK. *Note: This was announced in our August update to LFUCC.*

Advantage Kentucky
Commerce Lexington, GLI and Northern KY Tri-ED visited Chicago at the end of September for the third Advantage Kentucky Marketing trip. A project manager from the Cabinet for Economic Development also attended the trip. The purpose was to meet with site selection consultants to market the three areas as a great place to do business. During the trip, the delegates learned of two new leads for the region! This partnership has been extremely successful and we continue to plan future mission trips.

The Advantage Kentucky group also met September 16 at Fidelity Investments in Northern Kentucky to discuss possible legislative agenda items for 2010 and to plan future trips and initiatives.

New Cabinet Secretary
The Kentucky Cabinet for Economic Development recently named Larry Hayes as Secretary of the Cabinet. He was previously serving as Interim Secretary.

To welcome the new Secretary, Commerce Lexington held a Public Policy After Hours event at Buffalo Trace. Secretary Hayes addressed the group about the new state incentives. Mayor Jim Newberry also spoke at the event.

Marketing & Advertising
Commerce Lexington's economic development division recently placed an ad in *Area Development*'s August/September issue which features Rebecca Ryan's Next Generation Cities, which Lexington ranked as 13th and a Kentucky profile. In the summer issue of the *Kentucky Alumni* magazine, we featured Todd Vincent, founder of xmlLegal, in our "Come Back Home" article.

We recently completed a redesign of our Greater Lexington Bluegrass Business Prospectus. Cover sheets now tie in to our theme of "Visionaries, Mavericks, Dreamers" direct mail and advertisements.

Kentucky Cabinet for Economic Development – State Incentives
Incentives are an important tool in helping recruit, retain and grow businesses. One of the major components of Governor Steve Beshear's Special Session Call was to revise Kentucky's economic development incentives. House Bill 3 streamlines Kentucky's programs and provides incentives that will help our region create jobs and increase economic activity. The legislation includes new tools to help existing businesses expand, a new tax credit for small businesses, and incentives to encourage new-economy jobs.

These new enhancements and additions will help Commerce Lexington attract and retain businesses, create jobs and increase investment, all critical to helping our community emerge from the economic downturn poised for growth.

Cool & Interesting happenings supported and coordinated by the team

Geeks Night Out

Geeks Night Out held its sixth event on September 11 at Soundbar on South Limestone. The group has been meeting every other month for a year. The networking event for high-tech employees and companies draws around 75 people each event. Geeks Night Out is an initiative of the in2lex group. The in2lex committee continues to meet on a regular basis to discuss how to promote Lexington as a high-tech city and retain our high-tech jobs and employees in Lexington.

Pecha Kucha

Pecha Kucha Lexington presented Vol. 2 of its 20 images x 20 seconds format showcasing a variety of local talent through multiple speakers on September 10 at Natasha's Bistro & Bar. Pecha Kucha (peh-chak-cha) derives from the Japanese language meaning chit chat. This event provides a platform for people to share a unique talent without the pressure of long presentations and questions. We are proud of what Lexington represents in horses, bourbon and basketball but now it is time to show off talent through design, technology, travel and idea creation.

Awesome Inc. Mobile Conference

Commerce Lexington sponsored & co-hosted a mobile phone application conference with Awesome Inc. Over 100 attendees from throughout the region, 10 speakers, 4 tracks (General, Technical, iPhone Beginner, iPhone experienced), 2Keynote Speakers, iPhone development Workshop Mobile Application Pitch Contest. Brian Raney, Luke Murray, and the other partners of Awesome Inc are really gaining traction. We encourage you to visit the Awesome Inc space adjacent to CLX. *Note: This was announced in our August update to LFUCC.*

Hot Growth Companies & Announcements of projects we worked on

Florida Tile, Inc.

Commerce Lexington is excited to announce that Florida Tile, Inc. is relocating its corporate headquarters to Lexington, KY! The company is relocating from Lakeland, FL to Lexington to be closer to their manufacturing and distribution facility in Lawrenceburg, KY. The company designs, manufacturers, and distributes porcelain and ceramic wall tiles. The new location will create 51 jobs with an average wage of $47,000/year. The capital investment will be close to $4M. Florida Tile is currently fitting up space in Beaumont for their new offices and expects to move by the end of this year or early next year. KEDFA approved Florida Tile for incentives under the new program, Kentucky Business Investment (KBI). Welcome to Lexington! *Note: This was announced in our August update to LFUCC.*

Baker Iron & Metal Company

Baker Iron & Metal Company held a ribbon cutting and grand opening event to announce their expansion in Lexington in July! The company, founded in 1921, has purchased 20 acres on Old Frankfort Pike for a new recycling facility. The expansion is estimated to be between $6 and $8 million in capital investment. The project will add 5 to 10 new jobs and will make Baker more efficient. Several key figures attended and spoke at the event including Congressman Ben Chandler, Mayor Jim Newberry, Kentucky Cabinet for Economic Development Deputy

Commissioner Ken Robinson, and Commerce Lexington's President & CEO Bob Quick. Owners Wilbur and Ken Cohen attended the event and Ken Cohen spoke, as well as Greg Dixon, General Manager.

Equine Diagnostic Solutions

You may remember Equine Biodiagnostics that was most recently located in the Coldstream Research Campus. A few years ago, it was acquired by IDEXX Laboratories. IDEXX decided to close the location in January 2009. Senior staff Jennifer Morrow and Amy Graves saw the closure as an opportunity to open their own lab and continue to provide service to the many local customers. Thanks to the dedication of Jennifer Morrow and Amy Graves along with help and guidance from our ED division, the Small Business Development Center and the Acce$$ Loan Program, Equine Diagnostic Solutions officially opened in July 2009. They received $340,000 in debt financing from Community Trust Bank. *Note: This was announced in our August update to LFUCC.*

Lexington Partnership for Workforce Development

The 3rd Annual Lexmark Teacher Institute Opens Educators' Eyes

Here's what the teachers said:

"I feel I just tipped the iceberg of learning about business in our community."

"I would say that this experience was exactly what I was looking for in terms of real life experiences. I would also say that it was surprising how many businesses seemed willing and excited to work with teachers."

"It was a phenomenal and valuable experience. I would highly recommend that all staff participate. I am one of those who have done school my whole life and I didn't realize how much I didn't know about what the business world is like."

This year's Lexmark Teacher Institute was another eye-opening and informative professional development opportunity for 51 central Kentucky educators. Middle and high school teachers from Fayette, Jessamine & Scott County public schools participated along with two faculty members from Bluegrass Community & Technical College took part in all the week's offerings. The majority of the teachers were in the science, math, English and career-tech disciplines.

The week began with a workshop in which the teachers learned *about Jung's Eight Mental Functions and Their Impact on Learning.* Basically this session examined how individual biases affect how a teacher teaches, how students perceive and how teachers can adapt their style to reach as many students as possible. The remainder of the week was spent in sessions with business representatives who worked with smaller groups of teachers. The intent of the institute is to provide a forum for teachers to directly connect to business expertise to see how what they teach in the classroom is applied in the workplace. After working with these business professionals, the teachers then had the opportunity to tour several different companies.

Lexmark once again provided significant financial support as well as expertise and talent. The Bluegrass Workforce Investment Board/Central Kentucky Job Center also financially supported the LTI, which again allowed teachers from outside of Fayette County to participate. The week culminated with a full agenda at Lexmark, which included various lab tours and hands on activity stations focused on heat, sound, static electricity, polymers and plastics. All the teachers were recognized at a luncheon at which Rama Dhuwaraha, Chief Information Officer, LFUCG spoke to the group. A thank you goes to Columbia Gas for sponsoring the recognition luncheon.

Many thanks go to all the businesses and professionals who gave of their time. This support is the critical element that makes the institute a success! Companies that hosted teachers or had representatives work with a teacher group included:

Kentucky American Water Company Visit (John Mark Hack)
Mersive Technologies Visit (Randall Stevens)
Jeff Bradshaw, GISP, Senior Systems Analyst, Plan Graphics)
Dr. James Pierce, Alltech Biotechnology, Center for Animal Nutrigenomics & Applied Animal Nutrition
Tim Savage, Founder/President, T2T2
Van Kirk, Collision Reconstruction Associates
Elizabeth McCullough, Corrin Gulick & Becky Barrick, KEEN-KY Dept. of Highways
Gwen Vujakovich, CEO, Fayette Heating & Air
Sargent & Greenleaf Visit (Bill Dempsey)
Toyota Motor Manufacturing Kentucky Tour
BCTC/KCTCS workshops at TMMK-NAPSC
Dianne Leveridge, UK College of Engineering/PLTW
Rose Patrick and team @ St Joseph Healthcare
Mary Ellen Slone, President, Meridian Chiles
Christina Riley, Clinic Manager & **Greta Bondurant**, Director of Marketing & Patient Recruitment Central KY Research Associates
Kim Zeidler, Director K-12 Math & Science Outreach, Univ. of Kentucky
Neogen Visit (Brent Mayer)
Valvoline (Daryl Love)
Lexmark—Juli Gaworski, Linda Hollembaek and team.

Community & Minority Business Development

The first quarter of the fiscal year was filled with educational opportunities for minority and women-owned business owners. In July we sponsored and attended the 1st annual Partners for Entrepreneurship Advancement in Kentucky, (PEAK) Conference. Our department conducted a lending and business plan development seminar in partnership with our partner, the Small Business Development Center. Our seminar had 27 businesses and practitioners in attendance. The one day conference had over 130 businesses and practitioners from around the state, according to the report from the PEAK board. It was a good lever for our department, and the potential growth of the Access Loan Program. Staff also participated in a Lenders summit sponsored by Fifth Third Bank and the Northern Kentucky Chamber. The goal is to participate in more events that focus on commercial lending and minority business development with Northern Kentucky. These events are essential parts of our programming. They allow us to continue working with other groups to teach and learn best practices, so we are always imparting the best information that we can to Lexington area potential and existing entrepreneurs.

In August CMBD began the month as one of the lead sponsors for the *Lexington- Fayette County Minority Business Expo*. The event boasted its largest attendance of over 480 participants. Large companies conducted one-on- one conversation with minority businesses that wanted to do business with them. There were also two keynote speakers that brought great reviews through survey evaluations.

The Minority Business Development Advisory Committee met in August. We conducted discussions on several topics. Many of the committee members attended the minority business expo. Staff also attended the Governor's Minority Empowerment Seminar to showcase the services of the Bluegrass Business Development Partnership. CMBD is partnering with the Small Business Development Center to bring Dr. Melvin Graveley to Lexington on September 29th. Dr. Melvin Gravely, II, is an expert on the subjects of minority business development and supplier diversity initiatives. He is the founder of the Institute for Entrepreneurial Thinking, the leading think tank on issues related to minority business development.

Commerce Lexington also hosted the Messer Construction/National Diversity Solutions Construction Economic Inclusion Outreach session. The featured project was the $30 million dollar LFUCG Public Safety Operations Center.

The ACCESS Loan Program has facilitated $350K in Loans during the first quarter. Staff has also identified over $390K in procurement either completed or executed by minority businesses.


LEXINGTON
KY
FIRE
HAZMAT
RESCUE
1775
"Horse Capital of the World"
EMS

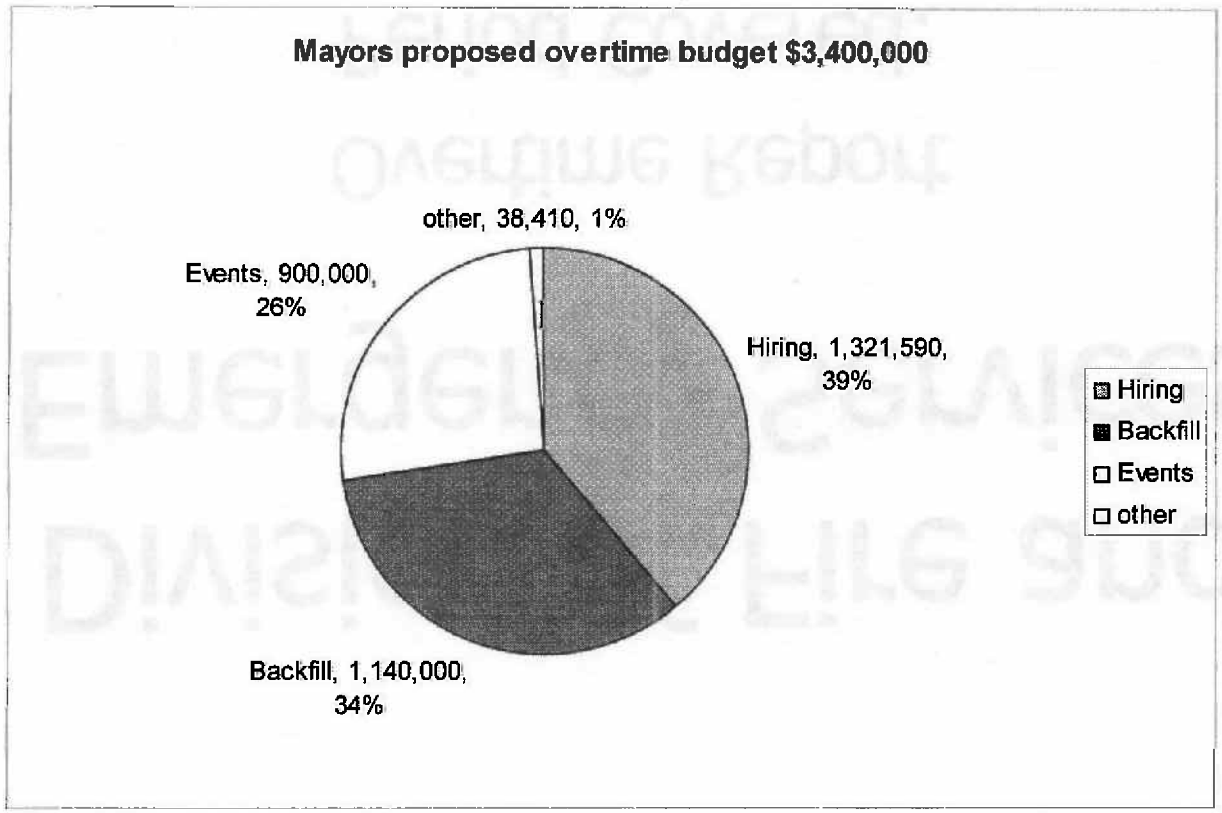
Division of Fire and Emergency Services

Overtime Report

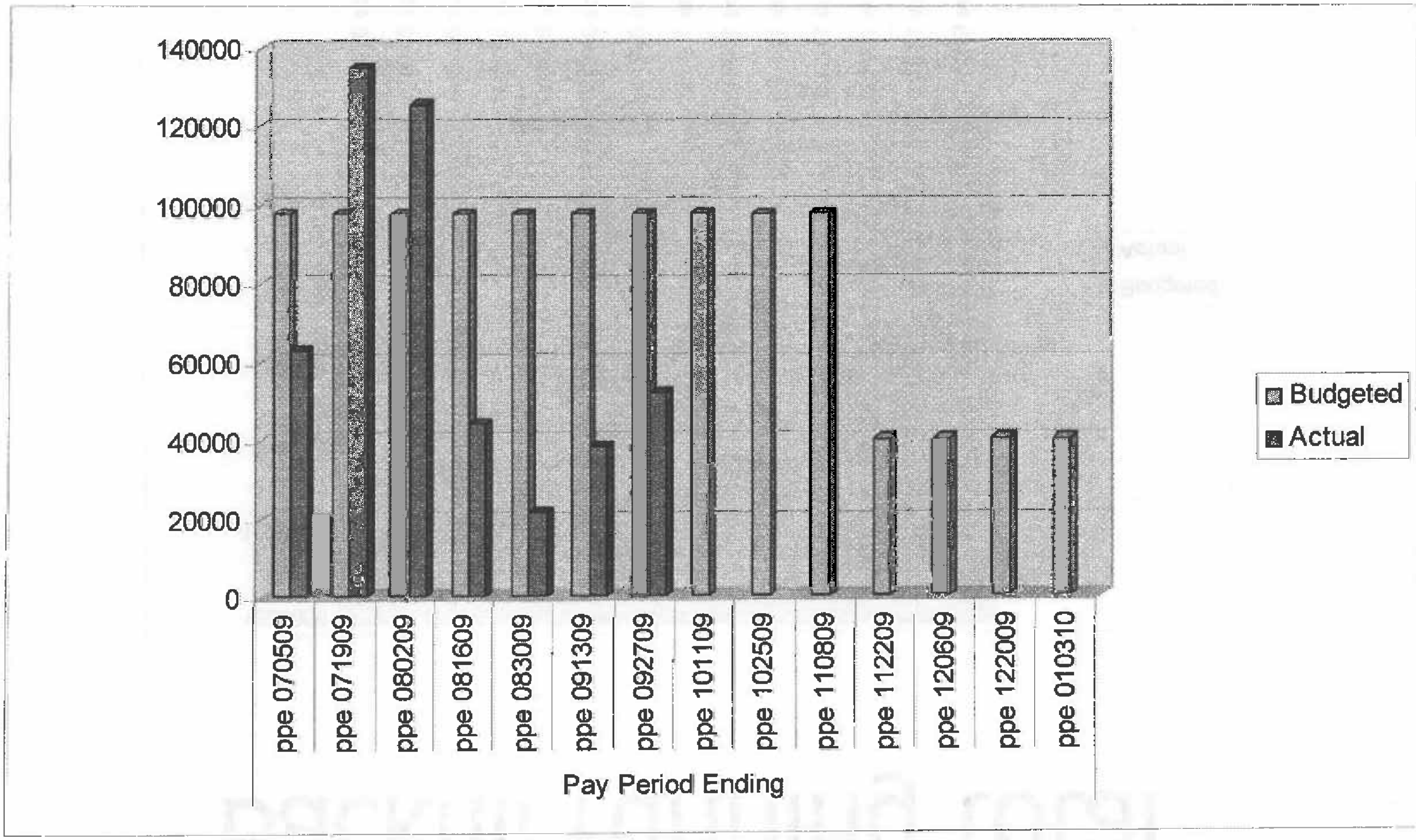
Period Covered:

07/01/2009 – 9/27/2009

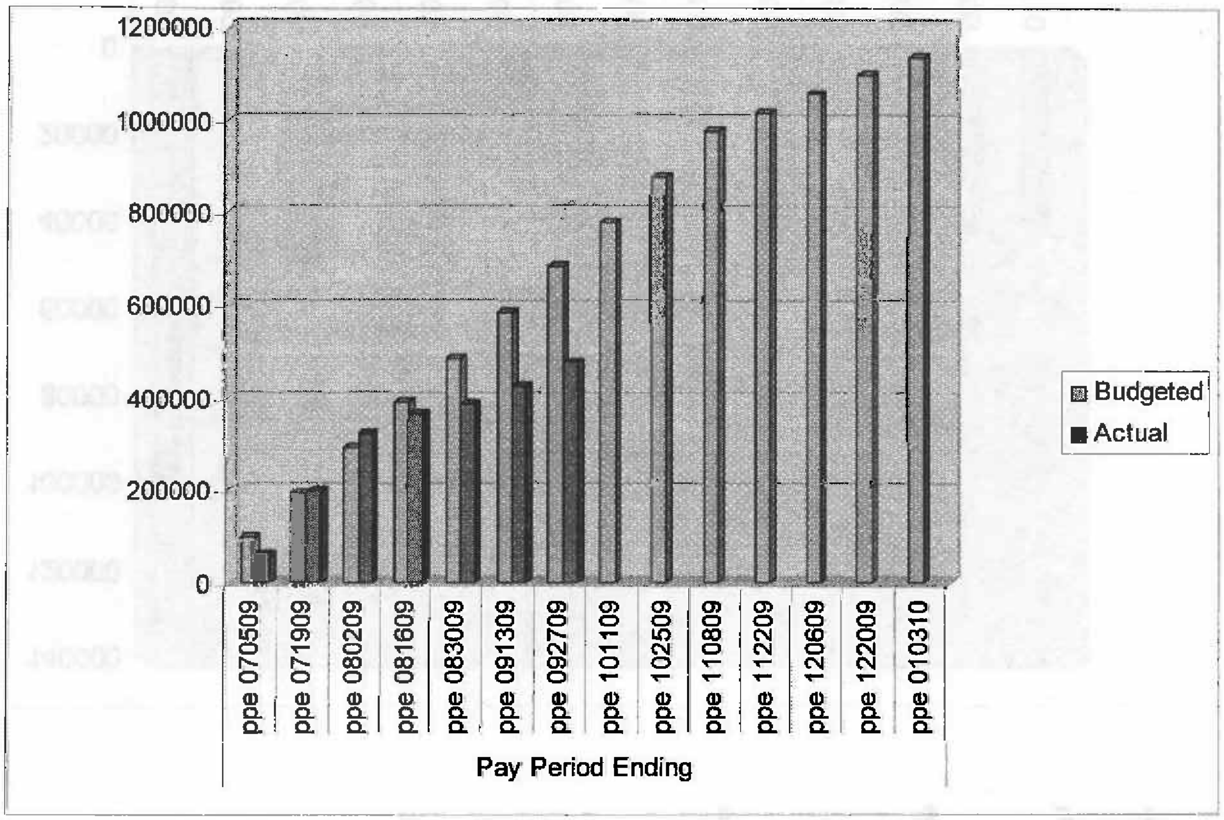
Breakdown of Mayors proposed FY 2010 overtime budget



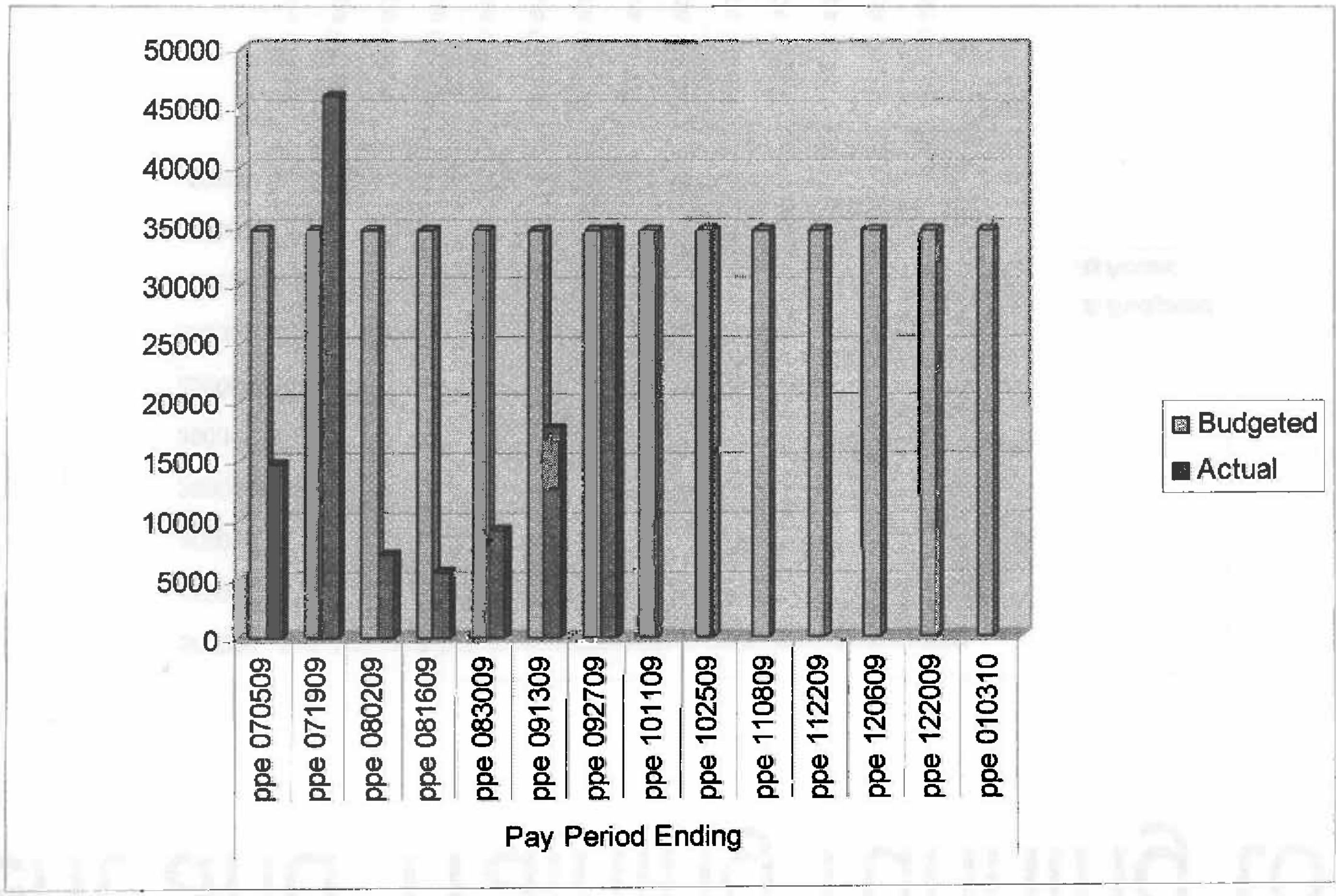
Backfill overtime per pay period



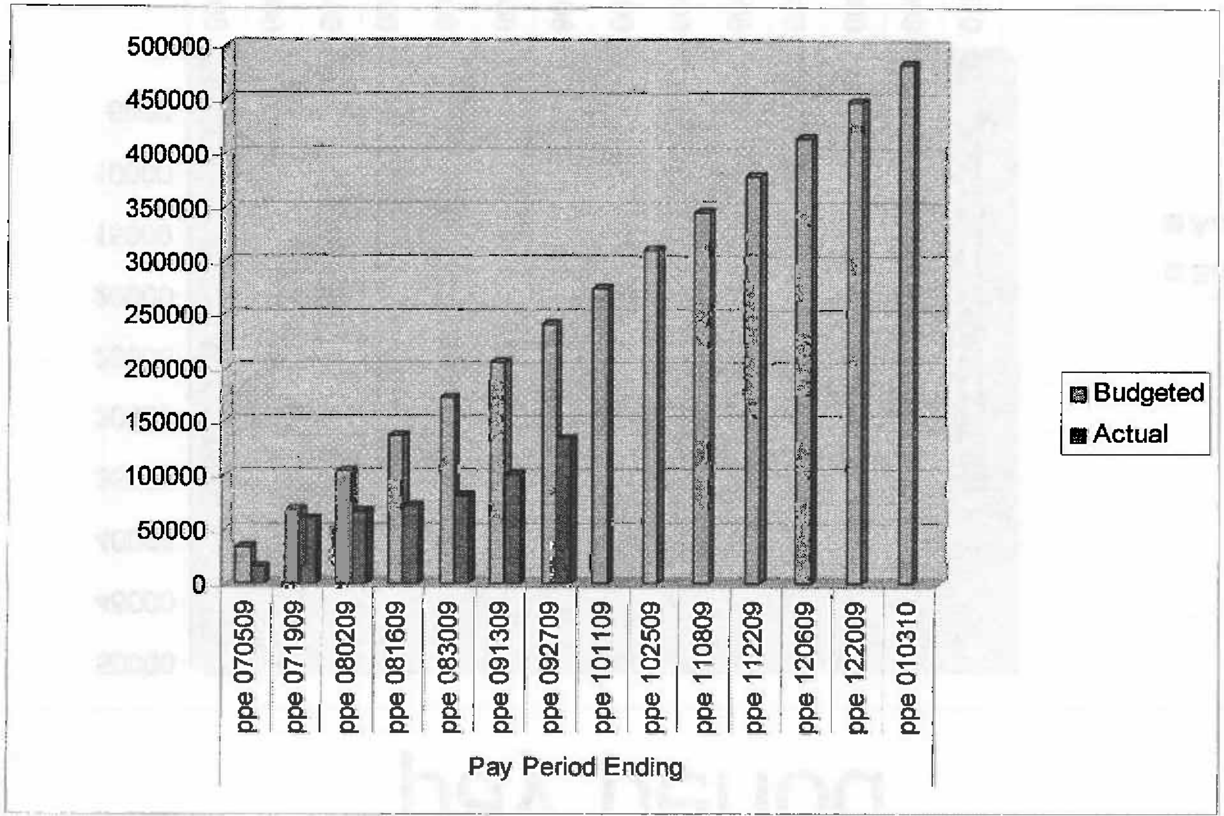
Backfill running total



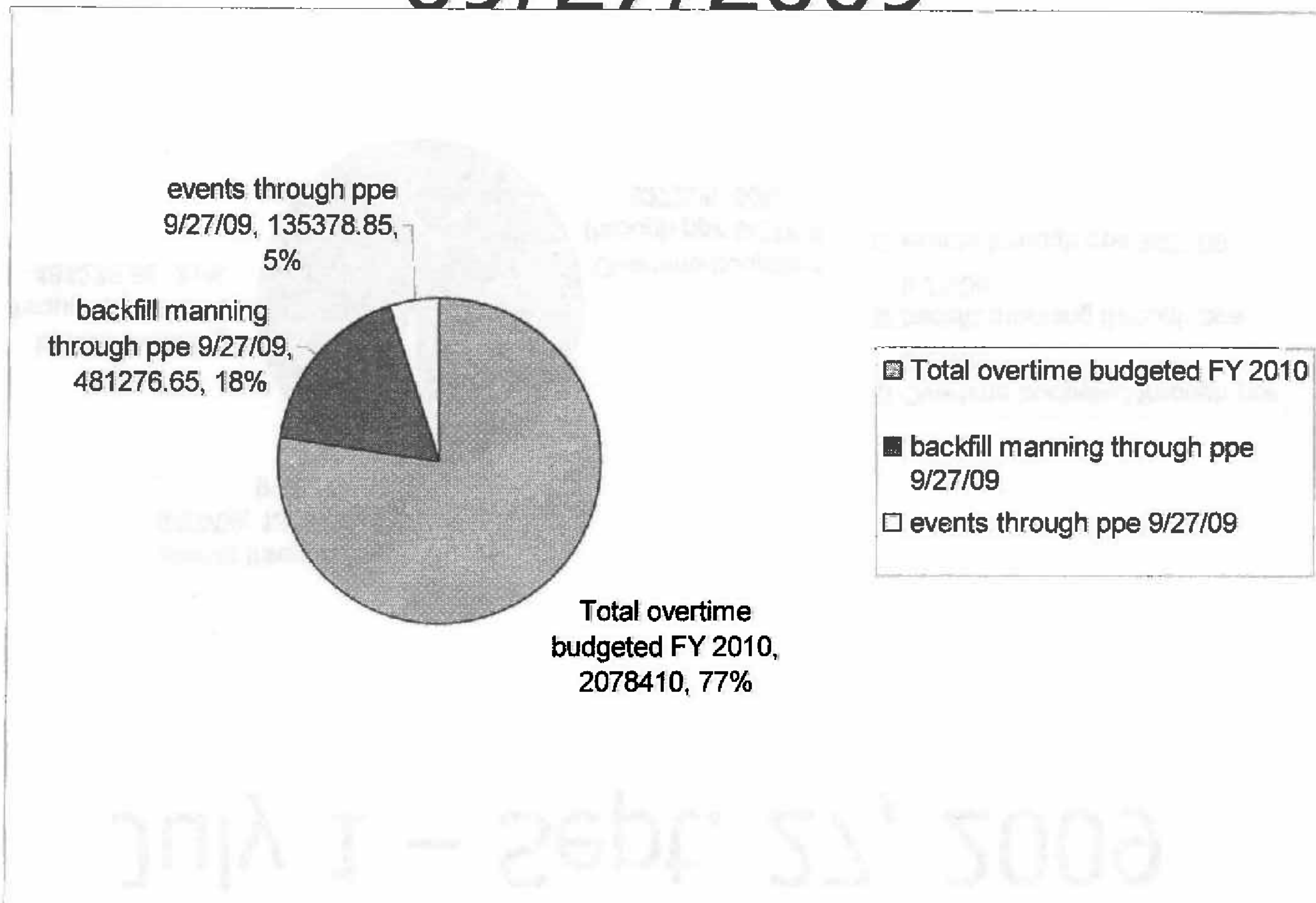
Training and Event overtime per pay period



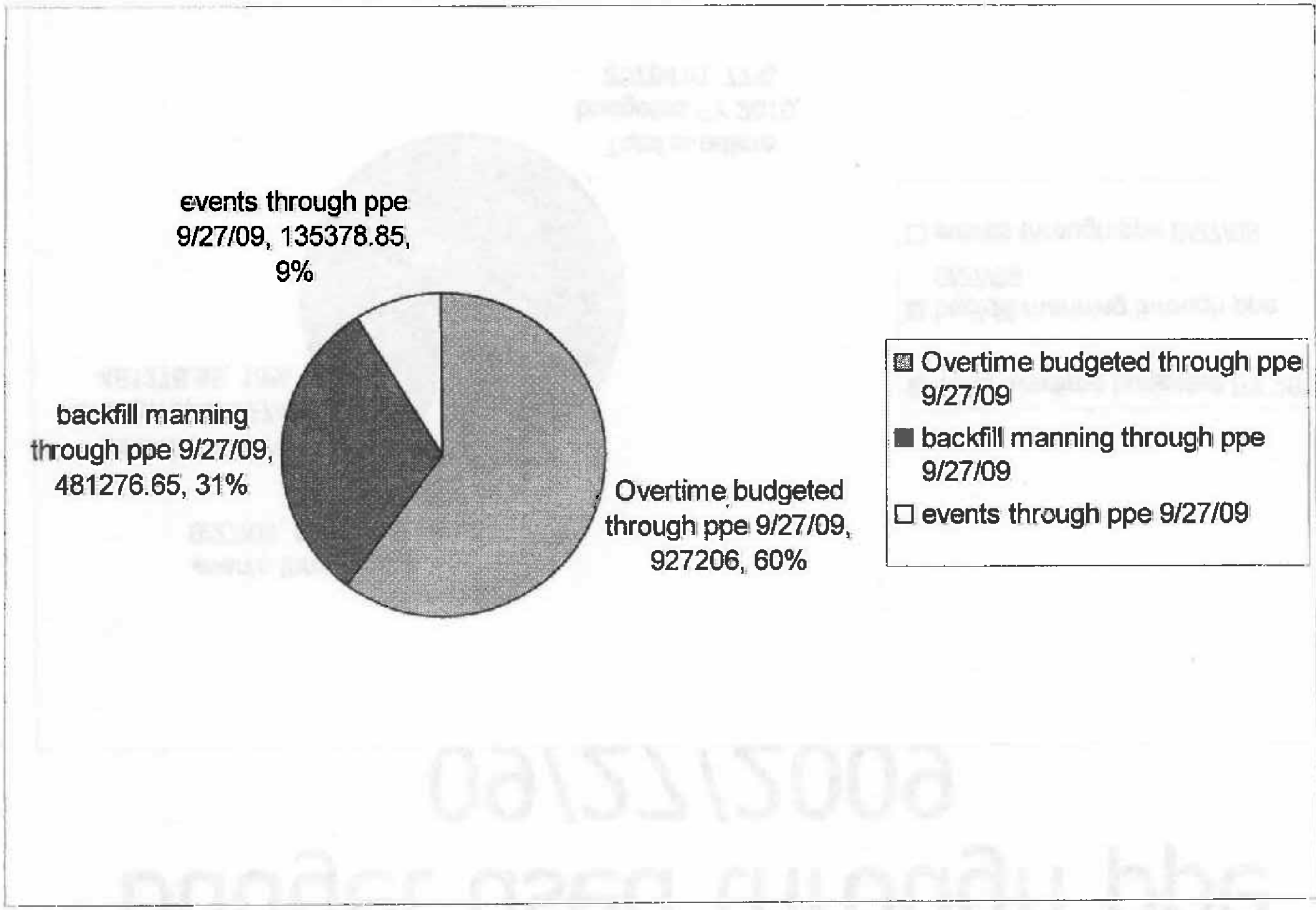
Event and Training running total



Percentage of total FY 10 overtime budget used through ppe 09/27/2009



Total overtime used July 1 – Sept. 27, 2009



Summary

- **Mayors proposed FY 2010 overtime budget: $3,400,000**
- **Moved from proposed budget to hire new recruits: $1,321,590**
- **Projected in backfill overtime while recruits are in training: $1,140,000**
- **Projected unreimbursed overtime for events and training: $900,000**
- **Projected other manning overtime (late runs, etc): $38,410**

Total Recruit Original Budget for backfill: (based on **$36.40** per hour)

•**20** weeks at 8 / 24 hour slots = $978,432 (1st group and partial 2nd group)

•**8** weeks at 3 / 24 hour slots = $161,441 (2nd group finishing)

Total needed: **$1,139,873**

Actual cost estimate based on current trends and recruit training plan:

Total Recruit Budget for backfill: (based on **$40.06** per hour)

•**18** weeks at 8 / 24 hour slots = $969,132 (1st group and partial 2nd group)

•**12** weeks at 3 / 24 hour slots = $242,283 (2nd group finishing)

Total needed: **$1,211,415**.

Difference of $71,542 due to new projection on overtime rate average, 18 and 20 week recruit classes.

We still feel we will be in budget overall with the latest information.

As with all divisons with LFUCG we too are susceptible to the effects of the H1N1 flu affecting this proposed budget.

Sickness due to the flu will create more manning shortfalls than this proposal takes into account.

We have plans to monitor the effect of the flu on the division and respond accordingly.

THE INTERNAL AUDIT PROCESS

The mission of the Office of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the Urban County Government's operations. It helps the local government accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

It is important to understand that internal controls are the responsibility of management. Each individual Department and Division has the basic responsibility for establishing, maintaining, and periodically reviewing its internal control systems. The objectives of the Office of Internal Audit are to assist members of the Urban County Government in the effective discharge of their responsibilities by furnishing them with analyses, recommendations, counsel, and information concerning the activities reviewed and by promoting effective internal control at a reasonable cost. This is achieved via the internal audit process described below.

Once an activity within a Division is selected for an audit, meetings are held with responsible management to obtain an overview of the activity's internal controls and to identify any process concerns management may have. The next step is the evaluation of specific procedures developed by management to provide sufficient internal control over the activity being audited to ensure it is meeting management's objectives. This step is followed by detail testing of transactions to determine the controls are in fact functioning as intended.

From these steps audit findings identifying opportunities for improvement in the control structure, and in some instances opportunities to improve the operational effectiveness and efficiency of the activity being audited, are developed. The findings are described in a draft version of the audit report, along with recommendations for correcting the control deficiencies, which are then discussed with management in an exit conference. Management is then given a reasonable amount of time to provide a written response to the findings describing how the deficiencies are being addressed, which will be included in the final version of the audit report. The audit report is then issued to the Mayor, the Urban County Council, the Internal Audit Board, the Senior Advisor for Management, and other senior management (Commissioner, Director, etc.) with direct authority to correct the deficiencies and to provide oversight of the correction process. The finalized audit report is then posted on the Office of Internal Audit web page for public information, generally within one to two weeks after issuance.

Some findings are quite minor in nature and are communicated to responsible management verbally, while others considered more significant are included in the audit report. **It should be noted that findings are a common result of an audit, and do not in and of themselves indicate carelessness or negligence on the part of management.** Deficiencies identified during an audit can be the result of many factors, some of which may be only partly controllable by management. In addition, internal audit reports are designed to draw attention to opportunities for improvement and therefore do not address the areas of satisfactory performance that may be noted during an audit. Therefore, Council is encouraged to maintain a balanced perspective regarding the nature and extent of internal audit findings.

DIVISION OF REVENUE TAX GAP AUDIT
SUMMARY OF AUDIT RESULTS

The Office of Internal Audit completed an audit of the Division of Revenue Tax Gap Processes on September 24, 2009. Our audit focused on the Tax Gap of the Occupational License Fee. Tax Gap is defined as the difference between what taxpayers should have paid and what they actually paid on a timely basis. Understanding and monitoring the Tax Gap allows management to make better decisions about tax policy, allocation of resources for tax administration, and to manage fiscal challenges and responsibilities.

The general control objectives for the audit were to determine that:

- Written procedures exist for monitoring the Tax Gap
- The collection process is sufficient to identify businesses who have not filed taxes
- Underreported taxes are identified and collected in a timely manner
- Interest and Penalties are appropriately applied and collected

The following findings were reported to senior management:

- Significant technological improvements are needed to address Tax Gap issues. The Division of Revenue should seek funding to obtain a tax software program with the capability to manage large amounts of data. This software package needs, at a minimum, the ability to employ system logic to identify delinquent taxpayers, maintain an accurate accounts receivable database that generates reports enabling Division of Revenue personnel to track the aging of tax accounts receivable and to effectively manage delinquent accounts, have the capability to automatically generate notices to taxpayers who have missed filing deadlines, track the filing status of businesses that have been granted filing extensions, and automatically calculate penalties and interest.
- The Computer Services Mainframe system report of all entities or individuals who have not paid taxes contained significant inaccuracies and omissions. This is the same report that Computer Services provides to the Division of Revenue to assist them in collecting unpaid taxes.
- More than 10,000 blank period-end dates were found in the License Year-to-Date Table that contains all returns filed and/or paid. We also noted 249 data validity errors in the related Mainframe Master File. This indicates edit checks were either non-existent or ineffective in the License Year-to-Date Table and Mainframe Master File.
- Penalties and/or interest charges were not consistently applied against late payments of Net Profit returns and Employee Withholding returns. The purpose of this finding was to raise management's awareness of the potential effect of unapplied interest and penalties on late returns. It was outside the scope of this audit to evaluate the circumstances surrounding specific instances of unapplied penalty and/or interest, or to provide a list of specific accounts to be re-billed, or

of specific collectable amounts. The Division of Revenue performed their own detailed examination of the circumstances surrounding the top 55 Net Profit transactions and top 115 Withholding transactions identified in our tests, and extrapolated approximately $1,000,000 in uncollected interest and penalties over the three-year period covered by our tests.

- The Revenue Compliance Section receives checks for the late payment of taxes, for amounts other than the actual tax due, or for other reasons such as address changes. Once the related account is researched, they forward these checks to the Revenue Processing Section for processing and deposit. These checks should be logged, endorsed, and deposited by the Compliance Section to increase security of funds. Copies or scanned images of such checks should be forwarded to the Revenue Processing Section for processing purposes.
- The Division of Revenue external website contains License Fee Regulations that have not been updated since November 1, 2000. This website should be updated to inform the public of all fees, penalties, and interest related to Ordinance 13-7, which became effective on December 6, 2007.
- Occupational License fee tax forms must be manually filed by taxpayers and manually reviewed by Division of Revenue auditors. The Division of Revenue should consider a timetable to automate Occupational License fee tax filing and review.

Management's responses to the findings indicated appropriate action would be taken to correct the deficiencies identified. Management and staff were very courteous and cooperative throughout the course of the audit.

GENERAL LIST OF RECOMMENDATIONS FROM COUNCIL LINKS FY 2010

I. Public Works & Environmental Quality - Andrea James, Chair

a. Motion to place the issue of Nepotism into the Intergovernmental Committee for discussion

b. Request for a presentation to the Council Regarding the Urban Services Fund

c. Request a list of ordinance and laws that require funds to be allocated

d. PDR highlighted matching grant opportunity for additional $1M. Recommendation was to ask the Mayor to add this as a late item to the MPB

II. General Services - Parks and Recreation - Ed Lane, Chair

a. Park and Recreation's reorganization plan to increase operational efficiency (3 vs. 5 operational entities). In accordance with master plan for parks.

b. Cross-marketing promotions between parks, businesses and non-profit organizations, (advertising, prizes, signage, events, underwriting fees, etc.)

c. Budget increase to add deputy director of enterprise position ($95.0K include benefits). This job position is authorized but was not funded in the mayor's recommended budget

III. General Services - Facilities and Fleet Management - Ed Lane, Chair

a. Evaluate of all real properties to determine highest and best use, condition of the property (deferred maintenance), and current utilization

b. Review all existing lease agreements – many properties do not have written agreements

c. Enter into a written lease agreement with all non-LFUCG tenants occupying city owned buildings

d. Estimate the market rental value of the real property asset being used by a non-LFUCG tenant

e. Allocate (using cost accounting) all operating expenses applicable to each real estate property-utilities, repairs, maintenance, security, insurance, management, accounting capital investment, interest, consulting and brokerage services, etc.

f. Have each user of LFUCG real estate pay its occupancy costs (insurance, management, utilities, janitorial, repairs, maintenance, and renovations). Creates management opportunities to reduce costs and improve operational efficiencies.

GENERAL LIST OF RECOMMENDATIONS FROM COUNCIL LINKS FY 2010

g. Dispose of surplus properties – saves $5-$7 per s.f. in occupancy costs, puts property back on the tax roll, creates employment opportunities.

h. Create criteria which define surplus property. Prepare a list of recommended properties for disposal.

i. All public safety vehicles be serviced by fleet services – except for heavy and specialized equipment (EMS, Fire engines, mobile units, etc.) which may be excluded upon the request of the Chief of Police or Fire Chief.

j. Link existing communication services for public safety, police, fire, 911, DEEM, EMS, etc., and coordinate equipment, facilities, etc. with centralized control. New system would make direct communications between all Public Safety divisions possible.

k. Centralize accounting for <u>all</u> fleet maintenance and fleet operating costs so maintenance and operating efficiencies can be evaluated and analyzed by managers.

l. Chargeback full fleet maintenance costs to each department

m. Approve $4 million capital line item for soft costs (site, size, design, etc.) for new City Hall. All budgeted expenditures must be approved by Council.

n. Acquire PeopleSoft real estate and fleet management accounting modules so Department of Finance/Accounting can establish accurate cost centers for each real property and the Division of Facilities and Fleet Management will have the tools necessary to manage maintenance and operational expenses.

o. Support of CIO recommendation to purchase PeopleSoft real estate and fleet management software and accounting programs.

IV. Finance, Budgeting, Social Services, Outside Agencies - Peggy Henson, Chair

a. Motion by CM George Myers that all partner/outside agencies that are currently covered under the LFUCG health care plan move to their own health care plan effective July 1, 2010, with the exception of the Health Department, Housing Authority and County Attorney to have an effective date of January 1, 2010. This motion was seconded by CM Andrea James. CM Myers asked that this motion be discussed before the full Council

V. Public Safety - K. C. Crosbie, Chair

i. Division of Police - Purchase of 6 radar trailers for use by districts funding will come from asset forfeiture account. The purchase price will be $69K

II. Division of Police - Request that a formal recommendation on the COPS program be made to update funding and the number of police officers that may be funded from the Stimulus Program. If funding is not provided then a discussion needs to be held regarding the hiring of additional police officers.

iii. Division of Emergency Management - pull out proposals for radio system upgrade and PSOC to have a separate Conversation to discuss all options

GENERAL LIST OF RECOMMENDATIONS FROM COUNCIL LINKS FY 2010

VII. Other Recommendations as submitted by CM George Myers

i. Downtown development - road blocks to completing projects (get list from Bill Lear).

ii. Right of Way Signs Administrative Hearing's Board Enabling Legislation from Frankfort

iii. Healthcare ordinance tying benefits to W-2 removing outliers

iv. Authorized strength – Once Council places positions in the budget and attaches funding, does a Mayor have the discretion to not fill those positions?

v. LexTran – revisit expectations tied to the referendum by taskforce

vi. Boards and commissions – implement training program that incorporates State Auditor's recommendations for all appointed boards and commission members.

vii. Policy outlining the process for determining how police department spends revenue from confiscated property.

viii. Legislation requiring audit on all dedicated funds.

ix. I would like to hear a presentation from Michael Allen regarding his Wellness Plan, if he is ready to present.

x. Any other policies / legislation that has been discussed or recommended this year, particularly outside agencies.