Ellinger
Lane
Gorton
Kay
Farmer
Stinnett
Myers
Beard
Lawless
Blues

AGENDA
Budget & Finance Committee
October 25, 2011
1:00 P.M.

1. **Monthly Budget Report** (1-11)

2. **Economic Contingency Ordinance – Farmer** (12-25)

3. **Items Referred to Committee** (26)

"Budget & Finance Committee, to which shall be referred matters relating to the Department of Finance and Administration and its divisions, and any related partner agencies, the urban county courts and constitutional officers, fiscal operations of the government, revenues and expenditures of the government, and organization changers which affect the fiscal operations of the government. Additionally, this committee shall review the final audit report and management letter of the accounting firm recommended by the Mayor and selected by the Council to conduct the annual financial audit of the Urban County Government and shall report its findings concerning the same to the Mayor and Council for appropriate action." Council Rules & Procedures, Section 2.102 (1) Effective January 1, 2011. Adopted by Urban County Council October 14, 2010

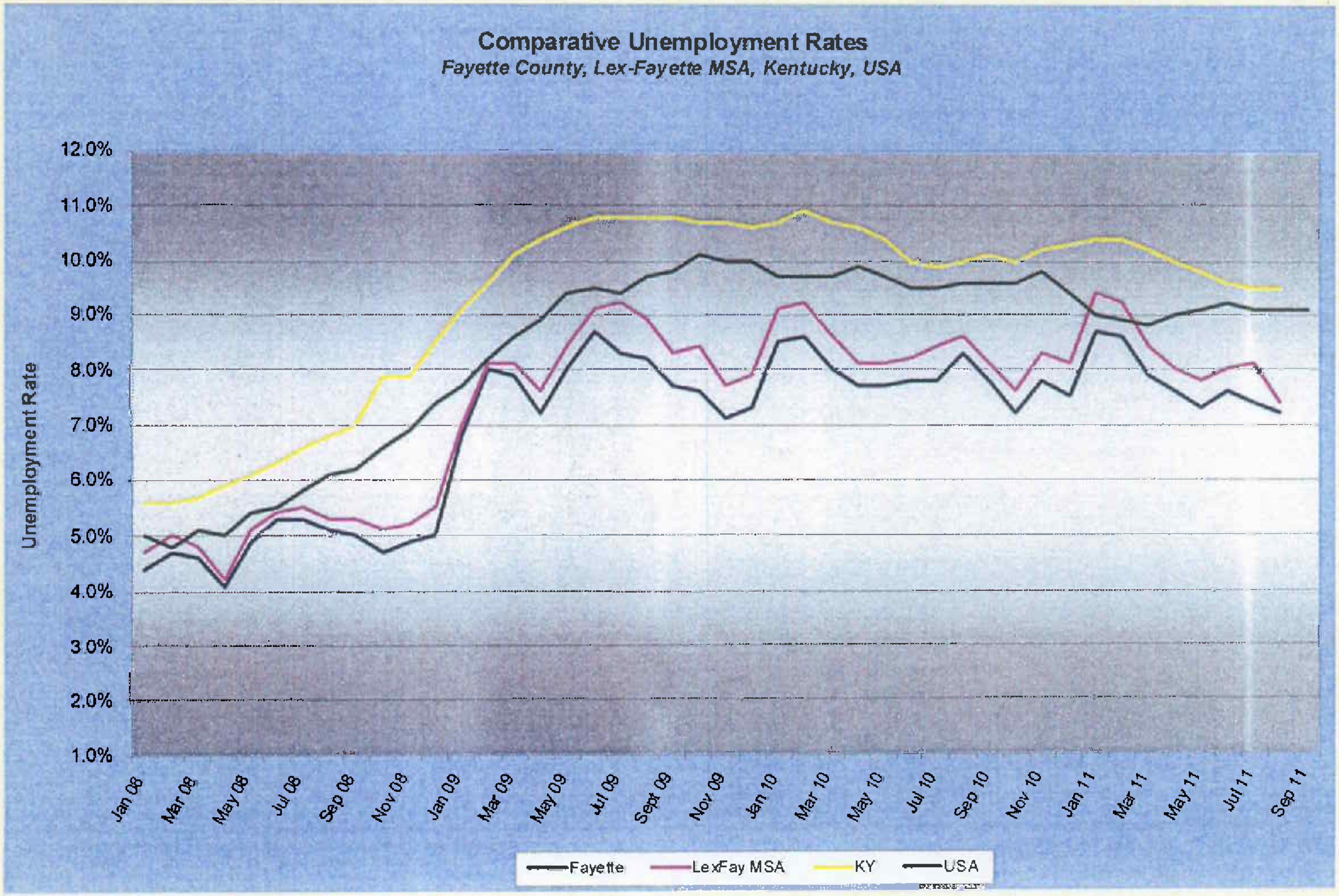
Committee Meeting Schedule
October 25
November 29

Budget & Finance Committee

Financial Update

October 25, 2011

Comparative Unemployment Rates



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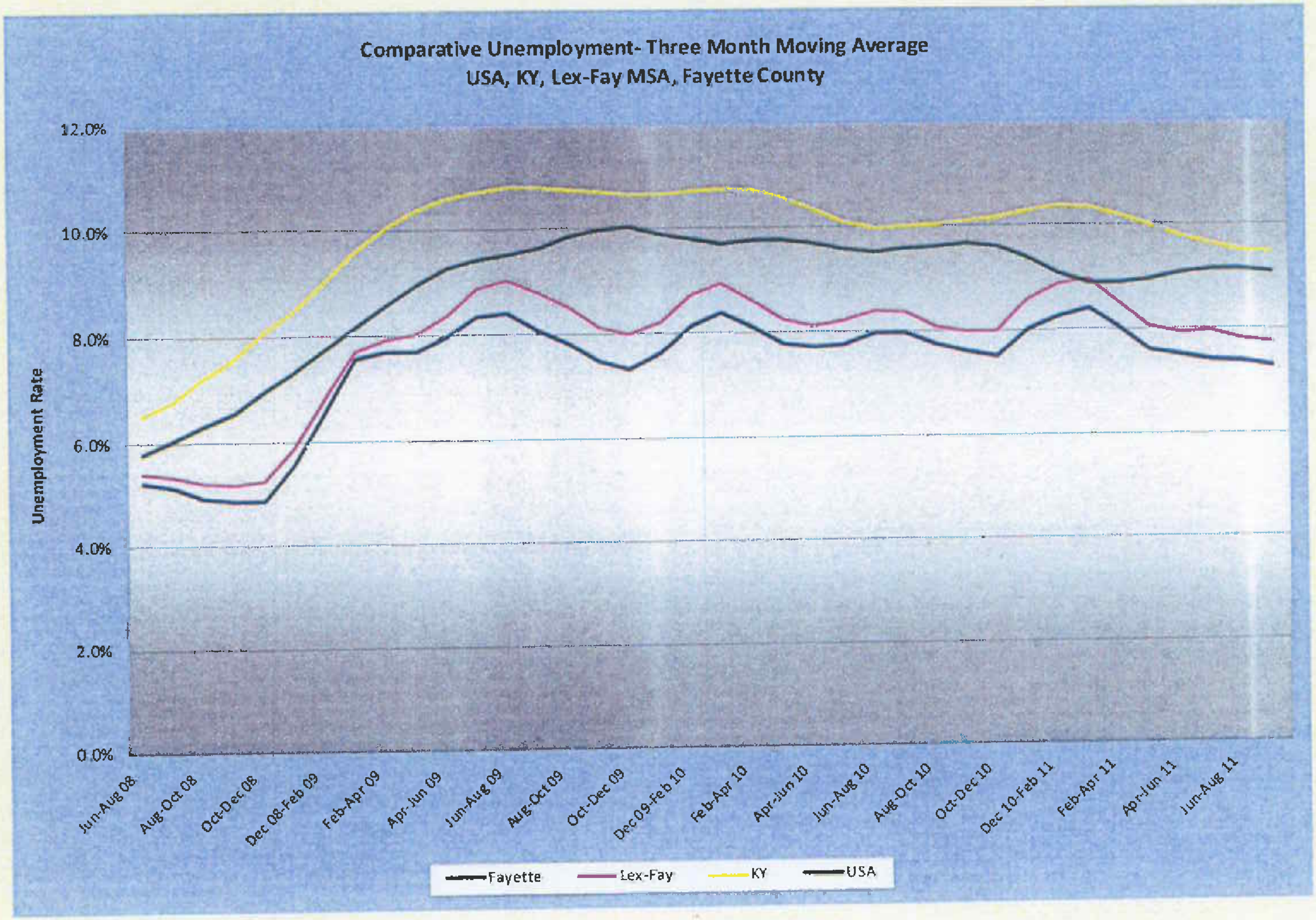
Comparative Unemployment Rates Three Month Moving Average



Comparison of Economic Indicators 2010 / 2011

Comparison of Economic Indicators

Economic Indicators		Apr	May	Jun	Jul	Aug	Sep
Fayette County Unemployment Rate	2010	7.7%	7.7%	7.8%	7.8%	8.3%	7.8%
	2011	7.6%	7.3%	7.6%	7.4%	7.2%	N/A
Fayette County Employment	2010	$ 140,920	$ 140,638	$ 142,196	$ 141,013	$ 140,722	$ 141,820
	2011	$ 145,410	$ 145,985	$ 147,052	$ 145,881	$ 146,076	N/A
Fayette County Permits Issued	2010	1,125	1,298	1,407	1,193	1,434	1,427
	2011	1,169	1,187	1,405	1,195	1,292	1,102
Fayette County New Business Licenses	2010	613	400	243	350	366	203
	2011	873	223	199	223	224	223
Home Sales (MSA)	2010	740	917	871	585	539	465
	2011	586	657	720	614	713	610
Fayette County Foreclosures	2010	47	65	50	50	94	52
	2011	33	33	39	39	53	25

N/A indicates not available.

September Actual/Adopted Budget

	Sept 2011 Monthly Actual Compared to Adopted Budget			
Revenue Category	**Actual**	**Budget**	**Variance**	**%**
OLT- Employee Withholding	11,958,623	12,708,531	(749,908)	-5.9%
OLT - Net Profit	3,407,084	3,337,733	69,351	2.1%
Insurance	7,291	13,920	(6,629)	-47.6%
Franchise Fees	359,179	391,576	(32,396)	-8.3%
TOTALS	15,732,177	16,451,759	(719,582)	-4.4%

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September YTD Actual/Adopted YTD Budget

Revenue Category	Sept YTD Actual Compared to Adopted YTD Budget			
	Actual	Budget	Variance	%
OLT- Employee Withholding	37,887,600	37,680,816	206,784	0.5%
OLT - Net Profit	4,675,940	4,504,785	171,155	3.8%
Insurance	5,446,245	5,224,541	221,705	4.2%
Franchise Fees	3,746,147	3,708,208	37,939	1.0%
TOTALS	51,755,932	51,118,350	637,582	1.2%

September 2011 YTD/September 2010 YTD Less Amnesty Activity

Actual YTD Less Amnesty Compared to Actual Prior YTD Less Amnesty

Revenue Category	Sep '11 YTD	Amnesty	Sep '11 Actual	Sep '10 YTD	Amnesty	Sep '10 Actual	Variance	%
OLT- Employee Withholding	37,887,600	(22,627)	37,864,973	37,140,820	(394,746)	36,746,074	1,118,899	3.01%
OLT - Net Profit	4,675,940	(35,988)	4,639,952	5,306,073	(991,393)	4,314,680	325,272	6.13%
Insurance	5,446,245		5,446,245	5,561,400		5,561,400	(115,155)	-2.07%
Franchise Fees	3,746,147		3,746,147	3,524,040		3,524,040	222,107	6.30%
TOTALS	51,755,932	(58,615)	51,697,317	51,532,333	(1,386,139)	50,146,194	1,551,123	3.01%

2012 Fiscal Year - Cash Flow Variance
Revenue

Fund:	Period:
1101	3
General Fund	September

	ACTUAL YTD	BUDGET YTD	Variance
Revenue			
Payroll Withholding	$37,887,600	$37,680,817	$206,784
Net Profit	$4,675,940	$4,504,785	$171,155
Insurance	$5,446,245	$5,224,541	$221,704
Franchise Fees	$3,746,147	$3,708,208	$37,939
Other Licenses & Permits	$622,473	$586,093	$36,379
Ad Valorem	$493,031	$738,022	($244,992)
Services	$5,850,066	$5,029,517	$820,549
Fines and Forfeitures	$44,470	$42,682	$1,788
Property Sale	$46,445	$0	$46,445
Intergovernmental	$66,094	$743,471	($677,377)
Investment Income	$243,324	$7,500	$235,824
Other Financing Sources	$50,000	$174	$49,826
Other Income	$610,144	$420,058	$190,086
Total Revenue	**$59,781,978**	**$58,685,867**	**$1,096,111**

2012 Fiscal Year - Cash Flow Variance Expenses

Fund:	Period:
1101	3
General Fund	September

	ACTUAL YTD	BUDGET YTD	Variance
Expenses			
Personnel	($42,955,439)	($42,443,448)	($511,991)
Operating	($5,511,655)	($6,053,894)	$542,239
Debt Service	($6,890,898)	($6,890,649)	($248)
Partner Agencies	($4,300,303)	($5,873,419)	$1,573,116
Insurance - Expense	($734,065)	($734,065)	$0
Operating Capital Expenditures	($76,291)	($185,500)	$109,209
Total Expenses	($60,468,651)	($62,180,975)	$1,712,324
Interfund Transfers			
Economic Contingency Draw	$0	$0	$0
Transfers	($273,001)	$0	($273,001)
NET INCOME	($959,674)	($3,495,108)	$2,535,434

Major Budget Assumptions

1) Revenue
2) Health Care
3) Collective Bargaining
4) Efficiency Savings

Revenue Update

- Questions ?

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ORDINANCE NO. 78 -2006

AN ORDINANCE AMENDING ORDINANCE NO. 243-96 RELATING TO AN ECONOMIC CONTINGENCY DESIGNATION POLICY FOR THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT GENERAL SERVICES DISTRICT FUND TO PROVIDE FOR THE TIMING AND TRIGGERING OF ALL CALCULATIONS, CERTAIN DEPOSIT AND WITHDRAWAL PARAMETERS, AND INFORMATION FROM THE DIVISION OF BUDGETING AS PART OF A REQUEST.

WHEREAS, on December 11, 1996, the Urban County Council passed Ordinance No. 243-96 establishing an economic contingency designation policy for the Lexington-Fayette Urban County Government; and

WHEREAS, that Ordinance failed to establish adequate parameters for the funding, use and control of any monies designated for the economic contingency.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT:

Section 1 – That Ordinance No. 243-96 be and hereby is amended in its entirety to read as follows:

> Section 1 - That the following policy relating to the Lexington-Fayette Urban County Government General Services District Fund, be and hereby is approved and adopted:
>
> 1. An Economic Contingency Designation is created in the General Services District Fund to provide the Lexington-Fayette Urban County Government with sufficient working capital and an ability to address emergencies without borrowing.
>
> 2. An Economic Contingency Designation shall be established of not less than $4,000,000.00.
>
> 3. Interest earned on monies in the Economic Contingency Designation will accrue to the designation.
>
> 4. Designated monies would only be used if a shortfall cannot be remedied by reasonable budget changes and/or the use of the budgeted ending fund balance.
>
> Section 2 – That the timing of deposits and/or withdrawals shall be subject to the following:
>
> 1. During each budget preparation year a calculation shall be completed prior to the preparation of the Mayor's Proposed Budget.
>
> 2. During the same budget year another calculation shall be prepared prior to the Council Adopted Budget.
>
> 3. A calculation for withdrawals shall be prepared whenever a budget amendment reduces any one of the three trigger revenue accounts below the current budget adopted level.

Section 3 – That withdrawals from the Economic Contingency Designation shall only relate to revenues and the following specific revenue accounts within the General Services District Fund:

1. The following three (3) revenue accounts shall be included in the calculations that are used to determine if a withdrawal can be proposed for adoption, except in a county wide declared emergency.

a. Licenses – Insurance
b License Fees – Employee Withholdings
c. License Fees – Business Returns

2. The calculation for possible withdrawal shall be done by the Division of Budgeting using the actual revenue for the past three (3) completed fiscal years to determine the annual average percentage change in the three revenues as a group (Calculated Percentage).

3. The percentage calculated in Section 3 (2) will be compared to the percentage change between the Projected Revenues and the Proposed Revenues in the upcoming budget (Proposed Percentage).

4. If the Calculated Percentage is more than the Proposed Percentage a withdrawal from the Economic Contingency Designation may be included for adoption with the budget being prepared.

5. In the case when the budgeted revenues in any one of the trigger accounts is reduced, this same calculation shall be prepared and used to either authorize or deny a withdrawal request.

Section 4 – That deposits to the Economic Contingency Designation shall be handled as follows:

1. A deposit will not be allowed in any fiscal year when a withdrawal is scheduled.

2. A budgeted deposit of $50,000 per month will be required in each fiscal year until the Economic Contingency Designation is a least equal to 10% of the last completed fiscal year total General Service District Fund revenues starting with the 2007 fiscal year.

3. The Lexington Fayette Urban County Council shall, on an annual basis, following the annual audit report, examine the General Service District Fund Available Fund Balance and allocate 25% of the available balance above the Budgeted Fund Balance Carry forward and a reserve for Capital Re-appropriations to be deposited into the Economic Contingency Designation Account.

Section 5 – That withdrawals from the Economic Contingency Designation shall be handled as follows:

1. During budget preparation or adoption the amount of proposed withdrawal from the Economic Contingency Designation will be limited to one half (1/2) of the difference between the Projected Current Year Receipts and the Proposed New Budget Amount for the combined three revenues included in the trigger calculation.

2. During a fiscal year when the budget for any one of the three trigger revenues is reduced below its original adopted level, and the trigger calculation of Section 3 indicates that a withdrawal would be allowed, the withdrawal is limited to one half (1/2) of the difference between the Adopted Budget and the Revised Budget Amount for the combined three revenues included in the trigger calculation.

Section 6 – That all requests for the use of monies in the Economic Contingency Designation shall be submitted in writing and supported by documentation by the requesting councilmember, commissioner or, where appropriate, division director, to the Chief Administrative Officer. Included in the submittal package will be the calculation from the Division of Budgeting showing if the request has met the trigger calculation test that would authorize a withdrawal. Such requests shall be submitted by the Chief Administrative Officer, with a recommendation, to the Urban County council for review at least two (2) weeks prior to the date of the first work session at which the request is to be discussed.

Section 2 – That this Ordinance shall become effective on the date of its passage.

PASSED URBAN COUNTY COUNCIL: March 23, 2006

Teresa Ann Isaac

Mayor

ATTEST:

Liz Damrell

CLERK, URBAN COUNTY COUNCIL

PUBLISHED: March 29, 2006-1t

DJB/ord141

Economic Contingency Designation Information

The Economic Contingency Account (ECA) has the following characteristics:

Revenue Stabilization Concept:

Operates as a safety cushion against sharp downturns in the three major revenues that produce about 75% of the General Fund resources for each fiscal year.

Emergency Reserve Account Concept:

Available when a federal, state, or Fayette County-wide emergency has been declared.

Deposits to the Economic Contingency Account:

1. Goal is to accumulate 10% of the General Fund prior year's total revenue in the account.
2. Budgeted - $50,000 per month deposit each budget year until goal achieved, except when a withdrawal is proposed.
3. Year-end - 25% of available fund balance moved to the ECA.

Withdrawals from the Economic Contingency Account:

1. Emergencies – amount needed to insure the health and safety of residents within Fayette County.
2. Revenue Stabilization Concept.

The Economic Contingency Designation was established by ordinance in 1996 with an initial deposit of $4,000,000. Interest income and deposits have brought the balance up to $14,470,569 as of June 30, 2010. Ten percent of the FY 2011 General Fund Projected Revenues is $27,104,700 which means that LFUCG is at 53% of the goal established by this ordinance.

The Economic Contingency Designation Release calculation on the following page is in full compliance with Ordinance 78-2006, and the calculation does not allow for a withdrawal to help balance the FY 2012 Mayor's Proposed Budget.

Economic Contingency Designation Release Calculation

Fiscal Year Ending June 30, 2012

Information known as of April 8, 2011:

Account		FY 2008 Actual Revenues	FY 2009 Actual Revenues	FY 2010 Actual Revenues
40100	Licenses - Insurances	$ 23,542,069	$ 20,468,353	$ 22,858,208
40010	Licenses - Employee Withholding	148,475,744	148,968,942	148,307,397
40040	Licenses - Business Returns	31,131,789	30,456,095	27,313,254
		$ 203,149,602	$ 199,893,390	$ 198,478,860
	Average % Change between 3 Complete Fiscal Years (Calculated Percentage)			-1.15%

Account		FY 2011 Estimated Collections 6/30/11	FY 2012 Proposed Revenues
40100	Licenses - Insurances	$ 23,000,000	$ 23,230,000
40010	Licenses - Employee Withholding	151,500,000	154,530,000
40040	Licenses - Business Returns	25,400,000	26,400,000
		$ 199,900,000	$ 204,160,000
	% Change between Estimated and Proposed Revenues (Proposed Percentage)		2.13%

If the Proposed Percentage is LESS THAN the Calculated Percentage, a withdrawal may be proposed (Ordinance 78-2006, Section 3,(4)).

	Difference	Maximum Withdrawal (1/2)
Difference between Estimated and Proposed Amounts	$ (4,260,000)	$ (2,130,000)

Amount Proposed for Inclusion in FY 2012 Mayor Proposed Budget $ -

Lexington Fayette Urban County Government

Division of Budgeting

Jerry,
Comments ASAP
Please.
Jim

Agenda Report

TO: Budget and Finance Committee Members

FROM: James E. Deaton, Director of Budgeting

DATE: August 11, 2005

SUBJECT: Economic Contingency Designation Policy Discussion

Recommendation:

It is recommended that the Council adopt changes to the existing Economic Contingency Designation policy as follows:

1. Set a minimum deposit amount of 2.5% of the prior years audited General Fund Revenues for Fund 111 ($5,427,000).
2. Set a maximum deposit amount of 7.5% of the prior years audited General Fund Revenues for Fund 111 ($16,281,000).
3. Require that one tenth of any under funding of the designation, with a minimum of $1 Million be included in any adopted General Fund Budget annually until the maximum deposit is achieved (Funding achieved in 2017).
4. Adopt the 5-year trend line based upon four major revenue categories as the comparison for determining the ability to propose a withdrawal from the designation. The trend line to be adjusted upon the completion of each annual audit.
5. Clearly define emergency declaration with budget impact for authority to make a withdrawal from the designation.
6. Keep the restriction on consecutive fiscal year withdrawals from the designation.
7. Restrict any budget related withdrawal to half of the short fall in revenues.
8. Restrict the use of any money above the maximum deposit amount to one-time capital items.

200 East Main Street • Lexington, Kentucky 40507 • (859) 258-3060 • FAX (859) 258-3612

Issue Statement and Discussion:

A. Money Deposit into Designation of Fund Balance:

1. Recap of Possible Fixed Dollar Deposit Amounts:

This discussion applies only to the LFUCG General Service District Fund #111. The options presented include:

- Prior Year Cost of 2 Months Payroll
- Prior Year Average Expenditures for 2 Months
- Prior Year Average Revenue for 2 Months

Basis of Balance	Amount of Balance
FY 2004 Cost of 2 Months Payroll	$ 8,400,000
FY 2004 Average Expenditures for 2 Months	$ 34,850,000
FY 2004 Average Revenue for 2 Months	$ 36,180,000

2. Minimum/Maximum Percentage Balance Options:

Using a percentage of either revenues or expenditures will set a level of deposit depending on the minimum and maximum levels Council adopts for the Economic Contingency Designation as shown below. The values associated with these options are based upon total FY 2004 actual Revenues of $217,085,390 and Expenditures of $209,101,876:

Percentage:	Revenue $	Expenditure $
2.5%	$ 5,427,000	$ 5,227,000
5.0%	$ 10,854,000	$ 10,455,000
7.5%	$ 16,281,000	$ 15,683,000
10.0%	$ 21,709,000	$ 20,910,000
12.5%	$ 27,136,000	$ 26,138,000
15.0%	$ 32,563,000	$ 31,365,000
17.5%	$ 37,990,000	$ 36,593,000
20.0%	$ 43,417,000	$ 41,820,000

3. Deposit Methods:

Two methods for depositing money into the Economic Contingency Designation have been discussed. They are:

- Budget deposits into the designation, and make quarterly transfers, and
- Deposit a percentage or fixed amount from the audited Available Fund Balance following the closing of the accounting records for any given fiscal year.

First method is to include the deposits in the annual operating budget which assumes that the revenue estimates will eventually meet or exceed the budget. This method would result in steady growth of the designation up to the maximum set by the Council.

The second method is to have a requirement to make a deposit following the completion of the annual audit so that the fund balance amount available is a known factor. This requires that the amount deposited must be after subtracting any budgeted fund balance used to set up the following year's budget. This method usually is based upon a percentage of the available balance.

B. Money Removal from Designation of Fund Balance:

1. Basis for Removal:
Because the Economic Designation is designed to protect LFUCG from unanticipated, severe recessions, not from anticipated, soft economic landings, the removal of money should be restricted.

The policy also should contain a provision to use money from the designation in the case of a declared emergency that will have a financial impact that cannot be covered from the existing adopted budgets.

2. Restriction on Consecutive Use of Draws:
The current policy, set forth in Ordinance 243-96, adopted December 5, 1996, contains a restriction on the use of money in two consecutive fiscal years and this provision should remain in any future policy.

3. Trend Line Procedures:
In the case of recession, a trend line containing four major revenue sources has been created that produces a guide for comparing revenue growth to the proposed budget that could allow money contained in the designation to be used. The four revenue sources within the General Fund are:

- Account 132: Insurance Premiums
- Account 133: Employee Withholdings
- Account 134: Business Returns
- Accounts 150 through 199: Charges for Service

Attachment A, 2006 Trend Lines, gives detail on both a seven (7)-year and a five (5)-year trend line that would have been available for use in preparing the FY 2006 budget. One of these trend lines would need to be adopted into the final policy.

4. Comparison of Trend Lines for Draw Authorization:
The increase in revenue growth, above the original Council Adopted FY 2005 Budget, would have needed to be less than 6.69% for the seven-year trend or 5.05% for the five-year trend before money could have been removed from the Economic Contingence Designation. Because the designation is an economic stabilization process, the use of trend lines limits the withdrawals to fiscal years where budget reductions would impact the delivery of essential basic services.

4. Minimum Balance Restriction:
No draw would be allowed that would take the designation below the minimum balance as set by Council policy.

5. Amount of Withdrawal for Economic Conditions:
The amount of money available for use to balance a proposed budget should be limited to half of the deficit in funding a balanced budget. This amount of money would only be available subject to the limit of not going below the minimum balance set by policy.

6. Maximum Amount Exceeded:
When the designation exceeds the maximum limit set by Council policy, the excess could be used for any of the following:

- General Fund operating expenditures
- One-time capital items
- Reduction in outstanding debt

C. Application of Policy:

1. Budget Year Process:
The trend lines for any given proposed budget would be based upon the last completed fiscal year's accounting data. For example, in preparation of the FY 2006 proposed budget, the trend information would be through FY 2004. When the FY 2007 budget is being prepared, the information used to produce the trend line would be as of June 30, 2005.

2. Example of Budget Year 2006:
Using a trend line of five years, as shown on Attachment A, with a value of 5.05%, neither the Mayor's Proposed nor the Council Adopted Budget would qualify for use of the Economic Contingency Designation as a funding source.

2006 Trend Line, Attachment A	5.05%
Mayor's Proposed Budget	11.7%
Council Proposed Budget	10.1%

Comparison is between FY 2005 Adopted Budget and FY 2006 budgets.

3. Current Balance In Designation:
The Economic Contingency Designation currently contains the following balance prior to the allocation of FY 2005 interest income:

Item	Amount
Initial Deposit in FY 1996	$ 4,000,000
Interest Income FY 1997	34,671
Interest Income FY 1998	317,590
Interest Income FY 1999	650,467
Interest Income FY 2000	300,811
Interest Income FY 2001	303,767
Interest Income FY 2002	138,630

Interest Income FY 2003	79,532
Interest Income FY 2004	52,888
Current Balance	$ 5,878,356

Financial Implications:

There are at least two impacts from the existing policy and any changes made to that policy. The fist impact is that bond rating agencies have a keen interest in seeing that a government has a policy and that it is funded appropriately. As a general rule, the bond rating agencies would like to see such a designation at about 5% of prior year's actual revenues.

The second impact is that this designation will soften the budget disruption of delivery of essential basic services in case of a national or regional sudden economic downturn.

CC: Council Members
Teresa Ann Isaac, Mayor
Milton Dohoney, CAO
Commissioners
Lois Vogel, Director of Accounting
Jerry Southers, Council Administrator
Rochelle E. Boland, Corporate Counsel

Attachments:

File: H\jdeaton\fund balance\Agenda Report Economic Contingency 8.6.5.doc

	Insurance Preminum	Percentage Change Between Years	Employee Withholding	Percentage Change Between Years	Net Profits	Percentage Change Between Years	Charges for Service	Percentage Change Between Years	Combined Percentage Change
1997	13,138,997		84,619,656	2.1912%	14,745,446	11.3840%	8,295,880		3.4583%
1998	12,619,020	-3.9575%	91,918,281	8.6252%	16,101,063	9.1935%	8,964,838	8.0637%	7.2874%
1999	13,434,414	6.4616%	97,972,324	6.5863%	18,018,045	11.9059%	12,202,517	36.1153%	9.2776%
2000	13,481,069	0.3473%	107,370,842	9.5930%	19,597,013	8.7633%	10,556,307	-13.4907%	6.6216%
2001	14,223,768	5.5092%	109,322,956	1.8181%	20,950,513	6.9067%	11,921,820	12.9355%	3.5852%
2002	15,637,777	9.9412%	112,920,413	3.2907%	19,281,744	-7.9653%	12,652,943	6.1326%	2.6044%
2003	17,562,751	12.3098%	116,374,038	3.0585%	18,876,276	-2.1029%	15,164,457	19.8492%	4.6635%
2004	17,873,107	1.7671%	121,562,291	4.4583%	23,258,085	23.2133%	14,678,810	-3.2025%	5.5929%

Back 7 Years = 6.6902%

Back 5 Years = 5.0478%

DRAFT

Lexington - Fayette Urban County Council

TO: David Stevens, Council Member
Donna Counts, Commissioner of Finance
Lois Vogel, Director of Accounting
Jerry Southers, Council Administrator
James E. Deaton, Director of Budgeting

FROM: Ed Lane

DATE: February 7, 2006

SUBJECT: Guidelines for use of Economic Contingency Account (ECA) funds

Upon review of Mr. Deaton's and Dr. Steven's suggested triggers for crediting and debiting the ECA, I have taken a more simplistic approach. Since the Urban County Council has the final say regarding deposits to and withdrawals from the ECA, I believe the basic guidelines as noted below are appropriate and more adaptable to unanticipated future events that may adversely impact LFUCG revenues.

Target ECA balance

An amount equal to 20% of the general fund's budgeted expenditures for the then current fiscal year. (Please note: The ECA fund would provide a financial reserve for all LFUCG Funds; the ECA as a percent of all LFUCG fund expenditures in FY2006 would be about 13%.)

ECA deposits

One half of the year-end general fund surplus in excess of $5 million will be deposited by the LFUCG Finance Department into the ECA until such time that the cash balance in the ECA equals 20% of the general fund's budgeted revenue for the then current fiscal year.

ECA withdrawals

The Urban County Council, upon declaration by majority vote of a shortfall in budgeted revenues, may authorize the withdrawal of funds from the ECA. If ECA funds are withdrawn, the LFUCG Finance Department is authorized to redeposit all general fund surplus revenues in excess of $5 million until the funds borrowed from the ECA have been repaid. The Urban County Council by majority vote may accelerate or modify the repayments to the ECA, as appropriate.

Lexington-Fayette Government Center 200 East Main Street Lexington, KY 40507 (859) 258-3200
Lexington-Fayette County Horse Capital of the World www.lfucg.com fax (859) 258-3838

ORDINANCE NO. 243-96

AN ORDINANCE APPROVING AND ADOPTING AN ECONOMIC CONTINGENCY DESIGNATION POLICY FOR THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT GENERAL SERVICES DISTRICT FUND AND ESTABLISHING GUIDELINES.

WHEREAS, the Council of the Urban County Government wishes to establish a policy relating to the Lexington-Fayette Urban County Government General Services District Fund in order to provide the Urban County Government with sufficient working capital and the ability to address emergencies that arise without borrowing necessary funds; and

WHEREAS, establishment of such a policy and related guidelines will facilitate stable management of government services, provide for fiscal integrity, provide for a stable and equitable tax structure and a high credit rating to minimize borrowing costs;

NOW, THEREFORE, BE IT ORDAINED BY THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT:

Section 1 - That the following policy relating to the Lexington-Fayette Urban County Government General Services District Fund, be and hereby is approved and adopted:

1. An Economic Contingency Designation is created in the General Services District Fund to provide the Lexington-Fayette Urban County Government with sufficient working capital and an ability to address emergencies without borrowing.

2. An Economic Contingency Designation shall be established of not less than $4,000,000.00.

3. It is the ultimate goal of the Lexington-Fayette Urban County Government to have a minimum of five percent (5%) of actual General Fund revenues for the previous fiscal year in the Economic Contingency Designation by the end of FY 2000.

4. Interest earned on monies in the Economic Contingency Designation will accrue to the designation.

5. The Lexington-Fayette Urban County Council shall, on an annual basis, following the annual audit report, examine the General Fund balance to determine an appropriate amount to consider adding to the Economic Contingency Designation fund to build toward the ultimate goal of 5% actual General Fund revenues.

6. The Lexington-Fayette Urban County Government shall, in the next fiscal year following the fiscal year in which Economic Contingency Designation monies are used, increase its General Fund revenues or decrease its expenditures to prevent using the Economic Contingency Designation monies in two consecutive years to subsidize General Fund operations. Designated monies would only be used if a shortfall cannot be remedied by reasonable budget changes and/or the use of the budgeted ending fund balance.

Section 2 - That the use of the monies in the Economic Contingency Designation shall be subject to the following guidelines:

1. The Economic Contingency Designation monies should not be used to support recurring operating expenditures outside of the current budget year.

2. Economic Contingency Designation monies may be used for unanticipated emergencies of an extreme nature that cannot be remedied by reasonable budget changes and/or the use of budgeted ending fund balance.

Section 3 - That all requests for the use of monies in the Economic Contingency Designation shall be submitted in writing and supported by documentation by the requesting councilmember, commissioner or, where appropriate, division director, to the Chief Administrative Officer. Such requests shall be submitted by the Chief Administrative Officer, with a recommendation, to the Urban County Council for review at least two (2) weeks prior to the date of the first work session at which the request is to be discussed.

Section 4 - That this Ordinance shall become effective on the date of its passage.

PASSED URBAN COUNTY COUNCIL: December 5, 1996

Pam Miller

MAYOR

ATTEST:

Liz Damrell

CLERK OF URBAN COUNTY COUNCIL

PUBLISHED: December 11, 1996-1t

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