

Lexington-Fayette Urban County Government Council Meeting

Lexington, Kentucky April 10, 2012

The Council of the Lexington-Fayette Urban County Government, Kentucky convened in regular session on April 10, 2012 at 3:00 P.M. Present were Mayor Jim Gray in the chair presiding, and the following members of the Council: Council Members Myers, Stinnett, Beard, Blues, Crosbie, Ellinger, Farmer, Ford, Gorton, Henson, Kay, Lane, Lawless, Martin, and McChord.

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The Mayor gave his FY 2012 Budget Address as follows:

Thank you, Vice Mayor, Councilmembers and Friends. I often say about this job that even on a bad day, it's a great job. And that's the way each of our councilmembers feel as well, they tell me. Even on a day when we're presenting the tough and challenging news of a budget, it's a great job because this is such a great city. And we were of course reminded of that just last week when our team won the national championship, confirming the gold standard for college basketball.

Today I'm outlining our budget plan for next year. This plan provides steps to claiming Lexington's Gold Standard, to hanging our city's banner. Just like the newest banner hanging from the giant structural joists of Rupp Arena proclaims UK as the "NCAA Champion 2012," our City's banners proclaim Lexington as **THE** next Great American City.

We all know the Big Blue Nation demands the "gold standard" from its coach and from its players. Fans are uncompromising and unforgiving. Getting to the gold standard, achieving excellence requires sacrifice, dreaming big, careful planning and passionate execution. Our citizens demand the gold standard from us - their city leaders. And each of you councilmembers knows they can be just as uncompromising and unforgiving, for good reason. Citizens expect economic opportunity that's wrapped around a high quality of life and place, a safe city, a rich arts and cultural tapestry, a vibrant urban core and neighborhoods that preserve our extraordinary rural landscape, the Bluegrass heritage. They expect us to preserve our history and use it to leverage our future, to become the City imagined by Henry Clay and our founders, not just a hamlet or a town or a village, but a Great American City.

Creating that Great American City often requires sacrifice, as many have made and it requires that we think big, often start small, but move swiftly. And that we plan well, inclusively, as a team, as we work to implement and execute flawlessly every step of the way.

So here's our budget plan. It represents the steps we're taking to build our great city, the investments we're making – many at the recommendation of councilmembers. It focuses on the administration's Top 3 goals:

- Create Jobs
- Run Government Efficiently
- And Build A Great American City

This budget includes cost reductions and organizational efficiencies expected of an institution living within its means; plans to build on our strengths and successes; and adequate provisions for the challenges ahead. Any budget, from the family checkbook to the payroll of the largest corporation, begins with a revenue projection - what do we have to spend?

We've got some good news here. For the first time in several years, we are expecting revenue to grow. Now, I said "*good*" news, not "*great*" news! Our revenue growth is based on a consensus forecast involving several respected University of Kentucky economists headed by Dr. Ken Troske along with our Director of Revenue Bill O'Mara and Budget Director Ryan Barrow. This year we expect growth of 3 percent in employee withholding and 4 percent in net profits. As you can see, it's an improvement over recent years, but we're not out of the woods. There is a long way to go.

While we may be seeing the bare beginnings of economic recovery, our revenue growth is offset by increases in many recurring costs. So, we will need to continue to be conservative and demand accountability for every dollar spent. Jane Driskell and members of our Finance team are doing just that, closely reviewing spending year-round, with city divisions at ground level - a first for our city and a big improvement in financial management.

But the modest growth we predict in revenue, the emphasis we are putting on good financial management, and the structural balance and efficiency in last year's budget, will allow us to make some targeted investments this year. That's a big deal!

Last year we exposed our city's financial condition to the bright light of day, and dealt with it responsibly. We knew we needed a budget that positioned our city to come out better and stronger on the other side of the recession. That made progress toward a real balance to the city's finances.

So last year we: Kept borrowing to a minimum and reallocated existing bond dollars to new needs. We have done the same thing this year. Last year we did not raise taxes, and we're not this year. We are proposing only an increase in the franchise fee, a plan proposed to Council earlier in the year to allow us to support our neighborhoods by shoring up our streetlight deficit, instead of cutting streetlights or other services.

And most importantly, last year the Council showed leadership and the courage to make some tough choices that allowed us to save \$8.3 million in employee health insurance; eliminate over 200 vacant positions; and achieve \$3 million in savings through union contracts in fire and corrections in the first year alone.

I want to thank employees across government, particularly our civil servants and those in Fire and Corrections, who sacrificed and supported the city in its need to reduce costs and live within our means. We have some employees who have gone years now without a real raise, while seeing their health care costs rise and their numbers dwindle. And while for many it hasn't been easy, these employees understand shared sacrifice. But, yet, even in lean times, public safety has been our top priority.

What's the evidence of that? Over the 10 years since 2002, nine of every ten dollars of the city's increased revenue have gone to public safety. \$63.5 of \$70 million. Clearly, insisting upon financial discipline and pushing for reasonable union contracts is essential in supporting public safety. Public safety accounts for 55% of the General Fund budget I am proposing today. A full 10 percent more, or almost \$30 million more, than 10 years ago. This budget includes two new police classes and two new fire classes, adding to the classes already underway.

While there is some funding for new positions, our focus is on keeping pace with retirements and attrition, which results in a measureable increase in the number of officers on the street. And remember, in addition to the money we spend on active duty public safety needs, since 2009, \$232.5 million has been put into the police and fire

pension to shore it up. That includes the funding I am proposing for next year. For some perspective, \$232.5 million is equivalent to almost a year's General Fund Revenue. That confirms top priority. As we continue to work toward a long-term solution for the pension, we are taking the fiscally responsible approach, increasing the amount of cash we're using, plus bonds. Our administration, the Council and our local Pension Task Force led by Tim Kelly and Gene Vance are anxious to work with our Lexington state legislative delegation to address this major financial crisis. It grows worse each year as efforts to reach solutions stall, but by working together, I am hopeful.

I want to recognize and thank the leadership of our Firefighters and Corrections officers for showing the kind of leadership of our Final Four Champions: leadership that arises from shared sacrifice. All across America, and right here in Lexington, these difficult economic times created the opportunity for sharing and contributing, for sacrificing. Thank you.

Now a word about the economy. We have reasons to be optimistic, but cautiously so, about the strength of this recovery. The jobs report on Friday came with a message: don't get ahead of yourself. The country's employers added a disappointing 120,000 jobs in March, about half the net gains posted in each of the preceding three months. Economists suggest employers remain cautious about hiring as they digest the impact of rising gas prices, especially on consumers, and they face uncertainty about health care and the economy in Europe.

Our city's General Fund budget is directly tied to our city's economy. It's pretty simple: When employment goes up, so do our revenues; When employment goes down, so do our revenues. So, even though our unemployment has come down to 7.1%, finding and hanging onto a good job, just like in the rest of nation, remains a challenge in Lexington.

The slow improvement in job growth nationwide is a clear reminder of the importance of creating an atmosphere that helps Lexington attract and retain good jobs. My primary focus over the past year has been on jobs. Lexington's unemployment peaked in June 2009 at 8.7 percent, almost three times its low point of 3%. By January this year, we had made progress - a 7.1 percent unemployment rate. Working with

Commerce Lexington and the University of Kentucky, we've created over 1,000 new jobs and three headquarters operations: Florida Tile, TempurPedic, and A&W.

We're looking at job creation over the long term, too, through our partnership with Mayor Greg Fischer of Louisville. Our BEAM project is working with Brookings and our state's leaders to position Central Kentucky as a world-class advanced manufacturing region -- a galvanizing force for jobs and investment. Despite these successes, we all know a lot of people who still need jobs, and that demands improved investment in economic development. Our economic development budget is just over \$800,000 dollars a year. Compare it to Louisville's at almost \$3 million a year. We've made progress with our modest staff, but we need more resources. So we will continue to expand our focus on economic development within the Mayor's Office.

So how about some good news? This morning, 21c. A. Big. Deal. Or as Councilmember Steve Kay put it, "a game-changer." Tom Blues: "Fantastic!" Chuck Ellinger: "That's awesome!" Councilmember Farmer: "Farmer's Jewelry may need an outpost down there."

100 years ago this month, April 1912, The Fayette National Bank announced plans for the tallest building in the south outside Louisville, to be designed by McKim, Meade, and White, perhaps the leading architects in the world at the turn of the 20th Century with buildings in their portfolio like Pennsylvania Station, the Brooklyn Museum, and the Boston Public Library. For preservationists, this is a win. For the downtown and historic neighborhoods, it's a win. For those who value our Bluegrass brand and recognize that preserving the rural landscape and creating a world-class urban business center, this is a win. For creating jobs, not just through the 150 jobs at 21c itself, but through the power of the 21c brand, a brand that announces to the nation, "Lexington is a Great American City." This. Is. A. Home. Run!

And it's all about connecting the dots. Steve Jobs in his now famous Stanford University graduation speech in 2005, said, "Again, you can't connect the dots looking forward; you can only connect them looking backwards. So you have to trust that the dots will somehow connect in your future. You have to trust in something -- your gut, destiny, life, karma, whatever. This approach has never let me down, and it has made all the difference in my life."

Going forward requires courage, risk and imagination. Audacity. And determination. Dogged determination. Connecting the dots looking back, as a City we set the stage for 21c by taking risks, making public investments, investments in our downtown, new streetscapes for example, and private-sector investments like the Fifth Third Pavilion at Cheapside. And private investments in the Rupp District Task Force and the extraordinary plan that has emerged from it. And not to forget investments in the purchase of development rights program that has preserved the rural countryside that represents our brand to the nation and the world.

Going forward, what does 21c represent? As Councilmember Kay said, “It’s a game changer.” It stimulates and activates. Even across the street, CentrepoinTE’s developer Dudley Webb, said just yesterday, “It’s a great project that lifts our spirits; it’s a giant tide that raises all boats.” Can’t be said better.

21c is moving into a downtown where outstanding architecture and excellence in urban planning are already having an enormous impact. The exciting plans announced earlier this year by Rupp Arena Arts and Entertainment District Task Force Chair Brent Rice and master planner Gary Bates convinced Governor Beshear to call the District one of the top economic development projects in the state, and to include it in his budget. The Senate and House agreed, and many thanks to Majority Floor Leader Rocky Adkins, who is with us today. I would also like to thank Speaker of the House Greg Stumbo, House Majority Caucus Chair Bob Damron, House Appropriations and Revenue Chair Rick Rand, Senate President David Williams and Senate Minority Floor Leader R. J. Palmer. Thanks too for support from our local delegation.

Today, I am asking you to allocate \$1.25 million in existing bond proceeds to leverage the state dollars we have been offered. If anyone had questions about the importance of investing in Rupp to bring it up to the gold standard, they were answered by the economic activity surrounding the NCAA championship. The economic impact of the Final Four in New Orleans was \$135 million. With the sea of blue that overtook the Superdome, imagine how much of that total must have come from UK fans!

We have only begun to grasp the potential of the Rupp District to create economic potential for our city. Many of you know from your business and professional experience that it is all about playing to your strengths. Leveraging competitive

advantage. With this investment we link the historic tradition and legacy of our city with that of the University of Kentucky Wildcats Basketball brand. It makes all the business sense in the world. It is all about building a Great American City. We have a unique asset. Fans are crazy about it. It's the anchor for a vibrant downtown

Now I want to stop for just a minute and speak to the councilmembers. Many of you have been on the council since the revitalized downtown was first imagined some 5, 10, 15 years ago. You have not just been a part of it, you have been the architects of it. So I want to offer a little gift of commemoration on 2012's newly announced projects. Stacey has one for each of you, behind the horse shoe.

These projects clearly illustrate the importance of design excellence, and in this budget I am asking you to support the work of Councilmember Chair Tom Blues, Diane Lawless, Julian Beard, and Vice Mayor Gorton and the Downtown Design Task Force to develop design excellence guidelines for our city. I am also asking you to support this commitment to design excellence through the University of Kentucky's Design Center that is proposed for a new location on Third Street in the East End.

Now, admittedly, that's a lot of talk about our downtown, but most of the investments I'm proposing today are city-wide, neighborhood broad. Public safety demands that we improve our Emergency Operations Center, and this year Commissioner Mason and I are proposing an investment of \$800,000. We will be leveraging federal dollars and reusing a city building for this facility. Now this compares to asking for more than \$40 million for a new building a few years ago, an approach Council backed away from. Several of you will remember that plan. Again, this is all about one common goal: to run government efficiently. We expect this building will house the Division of Emergency Management, LexCall and 9-1-1. We'll find efficiencies by centralizing these services.

Despite the slow economic recovery and the many needs we must balance, we are including a 2 percent raise for non-union employees in the budget. It has been 3 years since they received a raise, 1 percent in 2009. Employees who are paid less than the city's median salary will receive a 2.5 percent raise. I won't be taking a raise. My Chief of Staff, Commissioners, others at the Commissioners level and the CAO won't

get a raise. Lead from the front. We're not out of the woods, yet. On another employee issue, the supplement for employee health care will remain in place through the year.

Let's talk now about senior citizens. Work is progressing on a new senior citizens center, and thanks to so many who are helping us get this project moving – including Vice Mayor Gorton, Commissioners Mills and Hamilton, as well as the members of our Senior Service Commission. The Senior Citizens Center is a big priority.

To protect our farms, I have reallocated \$1 million of existing bond proceeds to continue our Purchase of Development Rights program, again leveraging federal dollars.

For a second year in a row we're investing \$600,000 in our Rainy Day Fund. We continue to invest in our infrastructure. As you heard earlier today from Commissioner Hamilton, transferring our parking garages to the Lexington Parking Authority will allow for proper repair, maintenance and management of our garage system. This budget includes funds to pay for employee parking, which will be reinvested into our garages.

Our jail requires capital maintenance as well. We listened to employees and our new Director Rodney Ballard. This budget includes funding for improvements, for example, the kitchen.

Other than pensions, the only debt in this budget is a short-term note focused on life-safety, basic maintenance, repairs and ADA compliance.

Let me say this twice: Requests from Councilmembers have been included. Requests from Councilmembers have been included: \$3.9 million in funds for paving across the Districts, in downtown, in the neighborhoods and in rural areas. To improve our parks, we've included \$388,000 for parks improvement funding. We'll be working with council, administration and the community on parks reprogramming and improvements. Councilmembers Stinnett and Myers have committed to fund private sector matching support for their projects, a good model. \$200,000 for our corridors, as requested by Councilmember Henson and Councilmember Blues, focused on improving and beautifying the city's main arteries, the approach to the city and our precious neighborhoods. Councilmembers Ford and Beard worked with Commissioner Mills to design a collaborative new system for allocating funds to Social Service partner agencies that is more performance based and less subjective.

Now in closing, let me throw out some thanks...to Jane, Bill, Ryan, Melissa and their team for pulling together the budget, and to my own staff and commissioners. You guys are great - I don't say it often enough. And to all our directors and employees throughout the City. Employees like Jon Tucker who I can't help but quote him again this year. Jon joined our police division six years ago after working at Toyota. He loves his job like so many of you do, and he often says, "Still can't believe I get a paycheck for this job! It's a front row seat on the best show in America."

And thanks to employees like the late Jerry Boyd, a weekend and night security guard. Jerry passed away on March 23, a little over two weeks ago. Jerry was a bright shining light that everyone knew as salt of the earth, with a big and generous spirit, always looking at the bright side, but knowing life's ups and downs, the tough and difficult side as well. Whenever I'd see him, he'd look at me and say, "Things will be alright. Keep smiling, Mayor. It's all good! It's all good!" What a spirit! I promised Jerry's mother I'd mention him...and why? Because Jerry's spirit represents all that is good and uplifting and inspiring about Lexington. This Great American City.

Thank you.

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The Council adjourned at 3:35 p.m.

Clerk of the Urban County Council