

Lexington-Fayette Urban County Government Council Meeting

State of the Merged Government Address

January 22, 2013

The Council of the Lexington-Fayette Urban County Government, Kentucky convened in regular session on January 22, 2013 at 11:30 a.m., in the Hyatt Regency Hotel, 401 W. High Street, Lexington, Kentucky. Present were Mayor Jim Gray in the chair presiding, and the following members of the Council: Council Members Clarke, Ellinger, Farmer, Ford, Gorton, Henson, Kay, Lane, Lawless, Mossotti, Myers, Scutchfield, Stinnett, and Akers. Absent was Council Member Beard.

The Mayor gave his State of the Merged Government Address as follows:

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Good afternoon. And thanks to all of you for being here today! Members of the Lexington Forum, friends, citizens thank you. And first things first, thanks to our Council. Let's give them all a hearty round of applause. Thank you.

I am here today to share something you may already sense, and that is that Lexington is onto something special. There is action in the air. Getting things done. Our citizens feel it. Spirits are high. They love their city - its rhythm, tone, pace and style. Our sense of community is contagious and our sense of pride, as well. Enthusiasm. Folks want to be supportive and active and involved, creating an exciting, vigorous city, one that invites risk-taking and opportunity. Yes, Lexington is onto something special. Lexington is the place to be.

And perhaps there's no better demonstration of it than what happened, just last week. The city, the police and fire unions, and members of the pension board negotiated an agreement that puts our police/fire pension on a sustainable path, and puts the city on a path to restored financial strength. The agreement immediately cuts in half our unfunded liability and aggressively attacks the remaining liability, and no more pension bonds. We were on a Titanic-like course, heading directly into a deadly iceberg and we are now avoiding it.

Detective Mike Sweeney, President of our Police Union, said, "This is pretty historic when a city and a group have gotten together to save a pension, and that's in essence what we've done. The alternative was pretty ugly." And Captain Chris Bartley,

President of our Firefighters Union, said, "I wouldn't say this is a day for joy ... but it is a day we can be proud of."

Even though cities and states across America have similar pension problems, our experts on the issue, Public Financial Management, out of Philadelphia (PFM) said this is the first consensus-driven settlement they're aware of, and I especially want to thank Commerce Lexington and the Industrial Foundation for providing half of the funding to hire PFM. This agreement was a tall challenge - two task forces - more than five years - weeks of intense negotiation. Then finally last Thursday, close to midnight, agreement.

There were many who said consensus couldn't be reached on an issue as thorny as our pensions. Well, consensus, it could be reached. It could be done. Agreement, only in Lexington, solution reached by consensus, shared sacrifice, an affordable path for the pension, a city that can afford basic services and to invest in the future, a dignified retirement for our police officers and firefighters.

Thanks to our union representatives, our retirees, our pension board members and Jamie Emmons and Scott Shapiro from my staff for building this consensus. This is the kind of comprehensive, honest and responsible compromise that would have made our forefathers proud, including the Great Compromiser himself, Henry Clay. Let's keep this coalition together.

And let me speak to the men and women in our Police & Fire retirement system today, actives and retirees. As you consider the plan: we won't allow this under-funding condition to occur again. The city will now write into law that, regardless of who's Mayor, regardless of who's on the Council, Lexington WILL fully fund the annual required contribution. That funding, along with the benefit adjustments proposed, will help ensure your retirement is secure. I ask for your support for this agreement because it's the right thing to do for the pension fund and it's the right thing for our City. Our next step is to ask the Legislature to approve this plan, and then for Governor Beshear to make it official by signing it into law.

And there's that other financial burden - the recent recession - the worst recession of our lifetimes. The recession has been tough, but we've been tougher. And we have learned: We have learned that in times of adversity, the human spirit triumphs,

it doesn't fail. We have learned that a recession presents important opportunities for self examination and improvement.

And we set priorities. What are they? First, Create Jobs. Second, Run government efficiently. Third, Build a Great American City.

First, Creating jobs. Creating the environment for jobs - good-paying jobs. Our city is coming out of the recession ready to grow and attract good jobs. So flash back to 2009: 8.7 percent unemployment right here. We developed a plan to attract new employers, and encourage existing employers to stay and grow. A plan to position our community for a vigorous recovery.

In 2012, Lexington had the largest labor force since 2008, 6 years ago, our employment numbers are now back to pre-recession levels. Our current unemployment rate is 6%. We must stay the course. Pursue every opportunity. Creating jobs: it is our top priority. Now, of course we all know city government itself doesn't create jobs. But a lot of YOU in this room do!

Anyone here who is part of an enterprise, a profession that has created jobs recently, or helped make the decision to move an operation to Lexington, or helped make a decision to stay and grow a business in Lexington, raise your hands right now, come on, raise your hands. To mention just a few of you: Mike Franceschelli, Chief Executive Officer of Florida Tile, a headquarters operation that moved here in 2011. Kevin Bazner, CEO of A&W, another headquarters operation, moved back here in 2012. Transposagen - a bio-tech company on Jefferson Street connecting the dots between education, downtown, research, and business. Eric Ostertag, congratulations! Todd Johnson with our resurging homebuilding industry. And our hospitals - a major growth sector for us: Central Baptist: Derek Horde, Karen Hill, Patricia Mason, Skip Alexander, Gail Abbott and Gary Barns here today. A major addition under construction. St. Joseph expansion, Barry Stumbo, thanks for being here. University of Kentucky - new hospital and now managing the new Eastern State Hospital.

For the city's part, we've enjoyed success in recruiting good jobs: Bingham-McCutchen, an international law firm - a firm that could have chosen any city in the nation chose Lexington as the site for its global services center, bringing along 250 good jobs. Tracee Whitley, Bingham's chief operating officer, said Bingham chose

Lexington after considering 300 other cities. And when asked what set Lexington apart she said it boiled down to a single word - "optimism." For the 9th year in a row, Fortune Magazine just named Bingham one of the nation's 100 Best Companies to Work For! 21C Museum Hotel is coming to town with 150 jobs and new life for a building that has been part of our skyline for 100 years - the old Fayette National Bank Building. For years it was the tallest building in Kentucky and it continues to grace our skyline. James Edward Bassett, the Bank's president in 1912, oversaw the building's design and construction, hiring the world's leading architects, New York's McKim, Mead and White. His grandson, our very own "Ted" Bassett, is with us today to recognize the 21C project, as is another special guest at his table. And we've created allies and alliances, working with Louisville on the BEAM project to strengthen our economic and political muscle.

Next priority, Run Government Efficiently, creatively, through imagination and innovation, and with backbone. To compete successfully, we all know we needed a financial, business-like transformation of city hall. And that meant tough decisions, strong will. political will, BACKBONE. You all know, there is great machinery - powerful machinery - always at work *against* progress. It's called business as usual, politics as usual, bureaucracy as usual. The powerful machinery of the status quo. But together we are overcoming it, our citizens, Council and administration, working together and making tough decisions.

I want to thank Councilmembers today, publicly, for standing firm in the face of "business as usual": Vice Mayor Gorton, At-Large Councilmembers Chuck Ellinger and Steve Kay, District Councilmembers Chris Ford, Diane Lawless, Julian Beard, Bill Farmer, Kevin Stinnett, George Myers, Peggy Henson and Ed Lane. And we can't forget the contributions of our recently retired councilmembers Tom Blues, K.C. Crosbie, Doug Martin and Jay McChord. This is also a good time to welcome our new councilmembers. Shevawn Akers, Jennifer Scutchfield, Jennifer Mossotti and Harry Clarke - you're a talented group and we're all glad you will be helping us as we keep moving forward.

Because of these tough decisions our financial house is back on track - we're not out of the woods yet - but we are back on track. And what were these tough decisions? Reformed and improved employee health care - a 180-degree turn around. We project

city costs were reduced by \$10 million in 2012, from \$37 million to \$27 million. The city, employees and retirees have opportunities to save at the city pharmacy and health clinic, an approach that has earned positive reviews locally and nationally, including praise just last week at the U.S. Conference of Mayors. The city saved \$83,629 in the first full quarter of operation of the pharmacy by buying drugs at-cost. Reduced drug prices are passed on to employees, who also save at least 50% on each co-pay. At the clinic, in the first year, the city and employees together saved over \$1 million.

Employees will tell you it's working. Cal Powell, who's here, a veteran in our Division of Code Enforcement, gave me permission to share his story. Cal lost 35 pounds, and counting, through wellness counseling at our clinic. And, although he couldn't join us today, firefighter Drew Short reports he and his family are saving \$650 a year through the employee pharmacy. Dr. David French is here today from our health center and Ashley Stewart joins us from our pharmacy.

We also made tough decisions that involved shared sacrifices in new collective bargaining contracts with police, fire and corrections employees. And we focused resources on essential services to overcome our own fiscal cliff - a \$9 million deficit in 2011, and a \$27 million deficit in the 2012 budget year.

Today our budgets are balanced. In fact, we ended 2012 with \$3.3 million surplus AFTER adding \$3.4 million to the Rainy Day Fund and more to other reserve funds. Improvements in financial management focused on big cuts, small cuts and everything in-between, for example: City golf courses now cost the public about half as much as last year. We've increased revenue: more people are playing golf on city courses. And we've reduced expenses. And the transfer of the downtown parking garages to the Lexington Parking Authority has allowed us to make desperately needed improvements without spending tax dollars.

In my first State of the City speech, two years ago, I said: All successful businesses recognize there are times when we have to save money to make money – that is to reduce our costs. And there are times when we have to spend money to make money by investing in our city. Two years later we have a solid start on reducing our cost basis, and we're working on the investments, that means thinking big, which brings us to our third priority, building a Great American City.

I often refer to Henry Clay because Clay was so important to our city. In the early 1800s he thought of Lexington, not just as a hamlet or a village or a town, but as a Great American City. His dreams for our city were national in scope. His goal was excellence, not just getting by. Clay and his contemporaries set a standard for 19th Century Lexington. And that standard applies for 21st Century Lexington as well.

So what does it mean to think big in 2013? Well, reinventing Rupp Arena is thinking big, honoring the history it represents, activating the fan experience and energizing the surrounding blocks to create an Arena, Arts and Entertainment District. We have earned initial funding for the project, thanks to Governor Beshear and state legislators, and work on a financial package is well underway. Work is steadily advancing, thanks to Brent Rice, chair of the LCC Board, Frank Butler, Kevin Atkins, the Lexington Convention and Visitors Bureau, and many others.

And Julian Tackett, I want to thank you for being here today. We treasure the chance to host the KHSAA Boys Sweet 16 each year. The changes coming to Rupp will enhance the tournament.

Leveraging history along Town Branch is also thinking big. Constructing a memorable experience - the Town Branch Commons - a linear park that will wind through downtown along the path of the Town Branch. Lexington was founded on its banks 238 years ago, in 1775. It would inspiringly connect our world class rural landscape with our historic and authentic urban core. And with that park we can build a great reason to work downtown, to move a business downtown, live downtown, visit downtown or have fun downtown, building the experience economy. It's been done before in San Antonio, Providence, Oklahoma City and today Yonkers, New York. A design competition for Town Branch Commons is underway, involving outstanding design talent from around the world. Downtown Development Authority President Jeff Fugate is coordinating this competition. Jeff is here today.

And to evaluate the proposals we're relying on expertise from: UK's College of Design, Dean Michael Speaks, and its Chairman of Landscape Architecture, Ned Crankshaw; Plus local developer Holly Wiedemann. Michael, Ned, Holly, we appreciate you being here today!

Now, I don't want to put any pressure on you, or on other members of the design jury, but there's a little girl's hopes and dreams riding on this. Six-year-old Lilli Chamblen is here today with her mom, Laura D'Angelo. Lilli wrote me a letter just last week, offering to raise money for the project through her friends at school. Here's part of the Letter: "Dear Mayor Gray, I love the idea of uncovering the river down town. Because I think it's such a good idea I'm donating this money to you." And here's Lilli's sack full of change! Thanks, Lilli!

Finding new life for the Old Courthouse is also thinking big. Jeff Fugate is leading a team in search of new life for the Historic Courthouse on Main Street. The Courthouse has graced the center of our city since 1898. Ten years ago, new courthouses opened on Limestone and the obvious question became, what are we going to do with the Old Courthouse? The Old Courthouse, now empty, needs considerable work and fixing it will be costly. The Bluegrass Trust has put the courthouse on their endangered list. As a first step, Jeff is developing a request for proposals, with the goal of finding new life for the building through a public-private partnership. And thanks to the Lexington History Museum for working with us in this difficult time.

Enhancing neighborhoods is also thinking big. With the hiring of the city's first Commissioner for Planning, Derek Paulsen, we're working to create safe neighborhoods, not just subdivisions. Our goal is to make neighborhoods function as small towns, not bedroom communities. In urban neighborhoods, we are working to stop demolition by neglect. There has been a change in *business as usual* where blighted properties are concerned. Our Department of Law is teaming with Planning and Code Enforcement - we don't want to lose historic properties to neglect and we don't want neighbors to have to live with neglect. We're also targeting larger-scale developments that are dilapidated and threaten to compromise the quality of life in surrounding neighborhoods, in this case neighborhoods in the Richmond Road corridor.

We're especially proud of the work being done at Pennington Place - congratulations, Don Brown on 300 At the Circle. Don's company specializes in fixing up abandoned properties. They considered three other cities for their investment and they chose Lexington. This project, located at the intersection of Richmond Road and

New Circle, again demonstrates the importance of finding the right developer and the right plan for the benefit of the neighborhood and the city.

We're also excited about the work on Sonnet Cove, now called Lakewood Park. There are some parallels here with Pennington Place. Allen Schubert has taken dilapidated buildings and rehabilitated them. This area is also welcoming a new campus for Southland Christian Church - congratulations, Gordon Walls here today representing Southland.

Beyond thinking big, it's important to think outside the box. Lexington needs new ideas, new approaches, new thinking and innovation, now more than ever. And we've turned to our citizens to find it - to Lexington ingenuity. We're working on CitizenLex.org, a new system designed to engage citizens in problem-solving and planning. Through CitizenLex we are encouraging citizens to become digital miners, digging-in and connecting the dots among studies, reports and ideas. The CitizenLex idea grew out of the Bloomberg Mayors Challenge, a national competition. In preparing our proposal we asked citizens for their ideas and we got 440 good ideas, demonstrating that when democracy is stretched, it is strengthened. 305 cities entered the competition. And today Lexington is among the top 20 finalists. Thanks to Nick Such for working with us on CitizenLex.

In another demonstration of innovative, outside-the-box thinking, last year our citizens volunteered to build Lexington's first mountain bike trail saving \$120,000 in costs. The four-mile trail meets international mountain bike standards, is located in Veterans Park and its getting lots of use today. To protect our Bluegrass brand and promote local agriculture, we are establishing a new position to expand marketing of local foods. Honoring Lexington's Bourbon heritage, Alltech opened Town Branch Distillery, the first new distillery to be built in Lexington in more than 100 years. And, continuing to think outside the box, urban pioneers are transforming Jefferson Street and North Limestone Street, with new businesses, restaurants and galleries. From Al's Bar to the Grey Goose; North Lime Coffee and Donuts to Don and Barb Wathen's Nick Ryan's Saloon; from advertising agency Bullhorn to Renee and Seth Brewer's Wine + Market, new investments are reinventing urban neighborhoods.

These new ideas, new approaches and new thinking and investments are also very real. They are original, organic and exciting, and we all want to be a part of it. Our community's investments in local arts are paying off with exciting creativity that elevates quality of life. Consider the thrilling growth of Lexington's reenactment of Michael Jackson's Thriller video. The national spotlight on UK's Opera Theatre program, and the Lexington Art League and the Philharmonic. And the ongoing work to maintain one of our cultural jewels, the Kentucky Theatre.

Looking for new initiatives? Lots of progress here, as well. Consider the "I Do" programs for young people. Laura Hatfield and a group of citizens showed us all how to GET IT DONE when they put these programs together. Or the rapidly growing cycling community - we even have one of the top Bike Polo leagues in the nation. There's always improvement at the Arboretum. Southland Drive - a center of activity, with music festivals, the Farmers Market and popular restaurants. The rebirth of the East End continues, as residents look forward to new programming at the Charles Young Center and to the Isaac Murphy Memorial Art Garden. And watch for news of a new senior citizens center designed for today's seniors, more space, more activities, and convenience.

Change is good, change is important. But government must also get the basics, the nuts-and-bolts city services, right. That requires continuous improvement, starting each day with a question: How can we improve today what we did yesterday? Continuous improvement is raising today's standards, even when today's standards are high, we can *always* improve.

Evidence of continuous improvement can be found throughout government: In Police, dramatic *decreases* in the number of violent crimes last year. In fact, federal figures show we are 27 percent below average in the violent crime rate for cities our size. But we are not stopping there - we're adding 35 officers in a class planned for February, with that addition, we've hired 93 police officers in the past two years. In Fire, Working with local hospitals, our paramedics now diagnose critical heart attack cases in the field. Our emergency medical run volume was up almost 7 percent in 2012, but response times still met national standards, and we're adding another ambulance with 24-hour coverage - it's coming on-line in February. Since 2011 we've hired 37 new

firefighters, with plans for 30 more this spring. In Corrections - Overtime spending has been reduced by \$80,000 a month. Improvements are underway in the handling of repeat offenders who suffer from mental illness or substance abuse. And we had 32 more corrections officers at the end of the year than at the beginning. In Traffic Engineering - On-going work to re-time traffic signals along every major road will soon trim travel time. In Streets and Roads - We're paving more roads and re-negotiated our paving contract, saving money. In Waste Management - recycling increased 17% between 2011 and 2012, bringing in \$2.3 million in revenue. In LexCall - over the past five years over 1 million calls have been processed and the call center staff has entered over 400,000 requests for service and then tracked them to completion. And perhaps the largest continuous improvement project we have underway today, in Water Quality - system-wide sanitary sewer work to clean up our streams continues. And thanks to our citizens for helping us with continuous improvement serving on task forces working on Homelessness, the Pension and Design Excellence. The significant work of Co-Chairs Steve Kay and Debra Hensley along with many others on the Homelessness Commission will be presented next week to the Council.

I'm coming around the bend now to the closing. The U.S. Census Bureau has updated its numbers on Lexington, and there is some news involved. Lexington's population is over 300,000 - actually it's 301,569. Some of you have heard me tell this story, but it fits and I'm telling it again, of a friend whose mother describes Lexington affectionately as "just an extry large Mayberry!" Perhaps so. And perhaps we are rethinking it. We have outgrown uniformity, we are a larger city, rich in diversity, different people, different food, different festivals, here for all to enjoy.

We have outgrown "roll up the sidewalks at 5 o'clock" and are creating an exciting arts and cultural community. We are creating jobs, improving efficiency, and becoming an even Greater American City. So scoot over, Andy Griffith and Aunt Bee. From an extry large Mayberry, we are becoming a shining city on the hill, 301,569 citizens of Lexington know, they know, you know, that Lexington is onto something special, Lexington is just the place to be.

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The Council adjourned at 12:55 p.m.

Clerk of the Urban County Council