

Ellinger, Chair
Stinnett, Vice Chair
Gorton
Kay
Ford
Beard
Farmer
Scutchfield
Mossotti
Henson

A G E N D A

Budget & Finance Committee

August 26, 2014
1:00 P.M.

1. **March 18 Committee Summary** *(For information only)*
Originally approved at 4.8.14 Work Session (1-6)
2. **Monthly Financial Report – O’Mara** (7-18)
3. **Rupp Arena Renovation Expenses – Stinnett** (19)
4. **AOC Courthouse Reimbursement Policy- General Government Link** (20-28)
5. **Items Referred to Committee** (29)

“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

2014 Meeting Schedule
August 26
September 23
October 21
November 18
December 9



Budget & Finance Committee
March 18, 2014
Summary and Motions

Chair Ellinger called the meeting to order 1:00pm. Committee members Stinnett, Gorton, Kay, Ford, Beard, Farmer, Scutchfield, Mossotti and Henson were present. Council Members Akers, Myers and Clarke attended as non-voting members.

1. February 25, 2014 Committee Summary

Motion by Beard to approve the February 25, 2014 summary. Seconded by Scutchfield. Motion passed without dissent.

2. Monthly Financial Report

Commissioner O'Mara, Mr. Cook and Ms. Lueker went over the monthly financial report. Unemployment rates are moving downward in Fayette County and Kentucky. Fayette County is under 6 percent. Building permits are up. New businesses are slightly up. Home sales are also up. Foreclosures are down from prior year.

Cook commented on the revenue numbers. We are \$4.4 million above budget, year to date. We had a small growth in employee withholding and franchise fees. However, franchise fees are up due to timing. We have an increase in refunds. We are up year over year as well.

Lueker commented on other revenue areas and explained any variances. We are at budget in personnel. We are ahead of budget in operating, due to professional services, utilities, supplies and equipment and grant match. The partner agency variance is due to timing issues and we are actually on target. Current year over prior year, we are a little ahead but we have a higher budget this year than last year.

Commissioner O'Mara told the committee that we currently have a surplus of \$ due to favorable budget variances and a better revenue forecast. O'Mara proposed that we reallocate the current year budget dollars to alleviate some of the needs coming in the FY15 budget. The approach used was to look at critical needs, sound investments, collective agreement and quick implementation. The total to reallocate is \$10 million.

Farmer asked how different this would be than what we have done on previous years. O'Mara said this would just be doing it sooner rather than waiting to see what happens in the 4th quarter. All indicators are showing a good 4th quarter. Farmer asked how long it has been since we have done it this was. O'Mara said it was prior to 2008.

Beard asked if the list for Community Corrections, Fire and Police would be purchased now and it that would result in those items being removed from the budget. O'Mara asked to explain during the presentation.

Lane asked if what happens to the rainy day fund if we spend this now. O'Mara said a larger June 30 balance would result in a larger deposit into the rainy day fund. Lane asked what the projected balance would be then. O'Mara said he projected that we would have \$4 to \$5 million more by then and 25% would be added to the economic contingency fund.

Gorton commented on the 25% required to be added to the economic contingency fund. This would be part of that if we waited. O'Mara confirmed.

O'Mara continued the presentation. The reallocation would come from \$5 million in increased revenue and \$5 million would come from operating and personnel. The recommendation is to spend \$2,983,750 in the Division of Police on police body armor, tactical body armor, tasers, mobile data centers, police recruit equipment, vehicles and replacement truck – traffic control. Spend \$2,981,500 in the Division of Fire and Emergency Services on fire air cylinders, fire protective clothing, haz mat communications system, thermal imaging, confined space rescue, fire building repairs and vehicles. Spend \$535,000 in the Division of Community Corrections on a new boiler, water softener system, update plumbing and radios. The final recommendation is to establish a fund for affordable housing and homeless services. The affordable housing fund would be \$3 million and homeless services would be \$500,000.

Farmer asked what types of vehicles and how many on the list of recommendations for police. O'Mara said it is to purchase 65 replacements vehicles for officers.

Stinnett wanted to clarify that O'Mara was proposing using cash to purchase the vehicles rather than bonding them as we have in the past. O'Mara said that was correct. They are trying to use cash for limited capital needs and items that have a shorter life. Stinnett asked if we had done a model to be sure that this made more sense. O'Mara stated that we have \$60 million in capital requests and we cannot afford them all. He feels that the better option is to bond assets that have a longer life.

Council asked the same question about the fire vehicles on the list. Commissioner Mason stated that the funds would be used to purchase 1 ladder truck, 2 engine, 1 EC unit and a couple of small SUVs.

Stinnett asked if this was in addition to what we did in November, 2 engines and 2 EC units. Mason said yes. Stinnett asked if those had been ordered. Mason said they had not. Stinnett asked if we could get a discount by ordering them together. Mason said we would get a 3-5% discount.

Akers asked if there was anything new. Mason said they are all replacements.

Myers asked what happens to the old trucks. Mason said they can be used as backups or training vehicles if they are in good shape, others will go to surplus.

Mossotti asked when the guidelines would be in place. We need a plan before allocating \$3.5M dollars. Commissioner Paulsen stated that there is a presentation coming up in the Planning & Public Works Committee where they will have more info on the guidelines. Mossotti is hesitant to allocate recurring funds without a plan.

Henson asked what the \$500K for homeless services will fund. Henson added that we cut funding for emergency housing at the Hope Center so she is curious what this will cover. Shay Rabold stated that they would have to agree on what the funds would be spent on together. The original idea was to use the funding to support new and innovative programs that were suggested in the homeless report, one in particular was housing first.

Myers asked if there would be additional money in the budget or is the \$3.5 million it. O'Mara said they are proposing that this is a pre FY15 fund, adding that the money would roll over year to year, unlike the General Fund. Myers asked Paulsen if they had started their presentation. Paulsen said they had and are working out a few additional items. Myers asked if the intent was to have a public-private partnership. Paulsen said yes.

Lane commented that they have yet to see the Mayor's budget or start the budgeting process. Does O'Mara think this can wait. O'Mara said they can go forward with the budget and know that this will be a fund balance discussion in October. They tried to pick out items that need to be replaced and are ongoing issues that would need to be addressed and discussed in the budget to bring forward now for approval. Lane asked how vacant positions are impacting this fund balance number. O'Mara stated that the model for next year shows all funded positions going forward. They assume that if a position is vacant now, it will still be vacant as of July 1 (will take some time to fill). Lane asked if there was funding for IT to replace the accounting system. O'Mara stated that there are a lot of needs and they outweigh the budget so they are working to prioritize them and deliver a budget.

Stinnett commented on the list and asked about the timing of the affordable housing issue, why is this on the list today when there are other priorities that we can fund and purchase right now. There is no plan for this at this time and it cannot be funded until July 1 either way so why not wait until the budget address. O'Mara commented on the thought process involved. Stinnett asked if this supersedes the rainy day fund, does that mean less will go into that fund. O'Mara said yes, the fund will be reduced if there is a lower fund balance. O'Mara added that he was

under the impression that the Council did not wish to have a large fund balance. If that is the wish, they can take that approach. Stinnett asked where the personnel fund balance is from. O'Mara said it is all over government. Council was given a total of \$35 million for capital requests in February and they were just told it was \$60 million. Stinnett asked about the variance in the capital list request and how much of that is on this prefunding list. O'Mara stated that he added everything up to get the \$60 million total and that there have been additional items added during the budget hearing process.

Beard asked if there were bonds that could be retired. O'Mara said they are looking at that now. Beard is also uncomfortable allocating \$3.5 million without a plan. Beard also commented on the possible tax increase presented to fund the affordable housing program.

Gorton commented on the recommendations and added that the affordable housing issue could be approved and a plan devised later, similar to what was done with the JOBS fund.

Motion by Farmer to approve the items on pages 4-6, including expenditures for the Division of Police, Division of Fire and Emergency Services and Community Corrections. Seconded by Beard. Motion passed without dissent.

Gorton confirmed that this would result in each of these coming back as budget amendments for a vote.

Mossotti stated that there are many competing needs (parks and HR) and asked how they fell in the hierarchy as many feel they are critical needs. O'Mara stated that this does not say these aren't critical needs but they were looking for items that could be implemented quickly. The requests are larger than the funds available and they are currently working to weigh the needs for the budget.

Stinnett reminded the committee that this will still have to be reported out to the full council for a vote and approval.

Motion by Ford to adopt the recommendation of \$3.5 million for affordable housing. Seconded by Gorton. Motion passed 9 – 1, as amended. Ellinger, Stinnett, Gorton, Kay, Ford, Farmer, Scutchfield, Mossotti and Henson voted yes. Beard voted no.

Motion by Kay to amend the motion to add that no funds are spent until the plan is approved by Council. Seconded by Gorton. Motion passed 9 – 1. Ellinger, Stinnett, Gorton, Kay, Ford, Farmer, Scutchfield, Mossotti and Henson voted yes. Beard voted no.

Stinnett asked if we could have a plan before summer recess. Paulsen said yes.

Motion by Gorton to bring this forward to the work session this afternoon. Seconded by Mossotti. Motion passed without dissent.

3. Procurement Task Force

Todd Slatin provided background on the issues addressed by the task force. This was created as a result of the State Auditors audit. Most of the concerns dealt with personal services and our policies were changed. Other concerns dealt with spending and vendor preferences. The task force addressed these and concluded that our minority and women owned preference is working. The local vendor preference works short term but will eliminate competition in the long run. We spent 49% of our dollars in 2010 and 52% in 2012. The local spend is more in professional services as there are many things you cannot get locally (fire trucks, etc.) Slatin added that the regulations are being revised. The current regulations were created in 1983 and revised in 2003 so they are working to revise and bring them up to speed with current spending levels. He hopes to bring this back to the committee before the break.

Gorton asked about page 22, paragraph 1, local vendor preference, are local payroll taxes paid factored into the equation, does this mean we pay more attention to companies that pay more taxes. Slatin commented on state laws and how we define who is local. When we do RFP selections, we look at degree of local employment.

Stinnett asked if we had a definition of local that we use. Slatin said it depends on the situation and varies by RFP. Some of the water quality RFPs have used Lexington as well as surrounding counties, you have to have a company in Fayette County to offer the service. Stinnett commented on people setting up a local office and calling themselves a local business to get the 5%. Slatin said it is always difficult to assess that. There is no clear cut definition on how to do it.

4. Wellness Center

Stinnett explained that the lease for the wellness center is up this year and feels it is time to decide where this will be located going forward, what type of resources do we want around it, what services will be offered, etc.

CAO Hamilton commented that the first part of the lease is up December 1, 2014 and we have two options to renew for 3 years each. The conversation was generated by the concept of a wellness center that would incorporate our health clinic and pharmacy. The Y came to us with a proposal that perhaps they could add square footage to the front of one of their buildings and we could use that for a wellness center concept. If the council is interested in the concept, they can decide on a location and partner with somebody to do this. If we are interested in this idea, we should only enter into a lease for one additional year and work on what it would look like. We would have to do an RFP and compare to the rent we are currently paying.

Stinnett asked if we would have to rebid the lease if we move. Hamilton said we would have to bid on a new location. Stinnett stated that the concept to have it all included was discussed

previously and it is still a good idea. He feels we need a central location for the medical and pharmacy facility.

Mossotti asked for clarification on the size of the facility as she feels 7,000 square feet would be too small for everything. Hamilton stated that the 7,000 square feet would be added in addition to the exercise facility, for example, on the front of an existing exercise center.

Beard commented on the location and feels we should poll people to get an idea on a location.

Myers asked for a presentation on the CHIPS program. Myers feels that enough companies have been doing this for so long that it should be simple to do.

Motion by Stinnett to proceed with wellness center concept and extend current lease for one year. Seconded by Farmer. Motion passed without dissent.

5. Items Referred to Committee

Motion by Stinnett to remove wellness center item. Seconded by Gorton. Motion passed without dissent.

Motion by Stinnett to remove urban service property taxes. Seconded by Gorton. Motion passed without dissent.

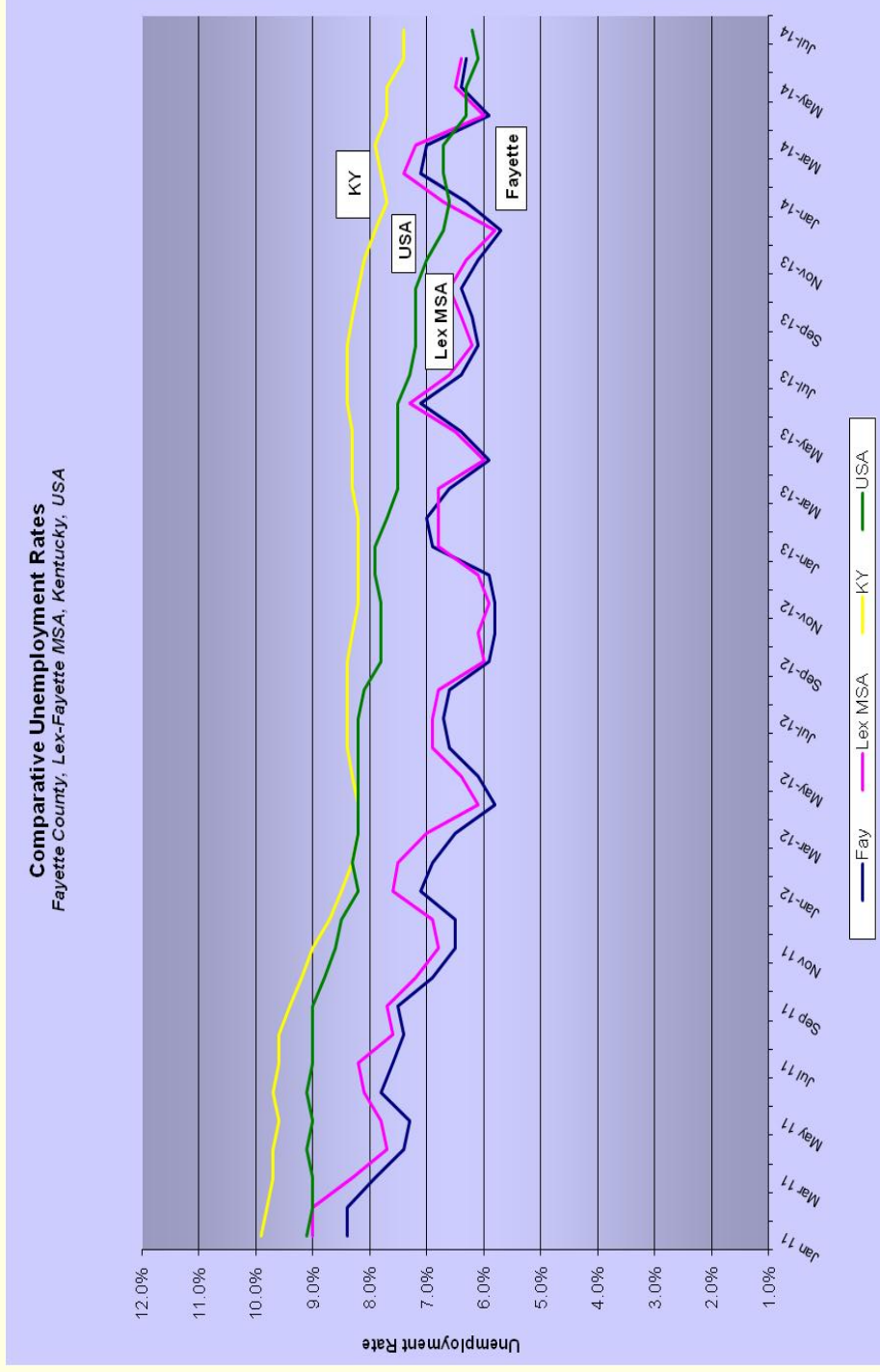
Motion by Mossotti to adjourn 2:53pm. Seconded by Kay. Motion passed without dissent.

Submitted by: Stacey Maynard

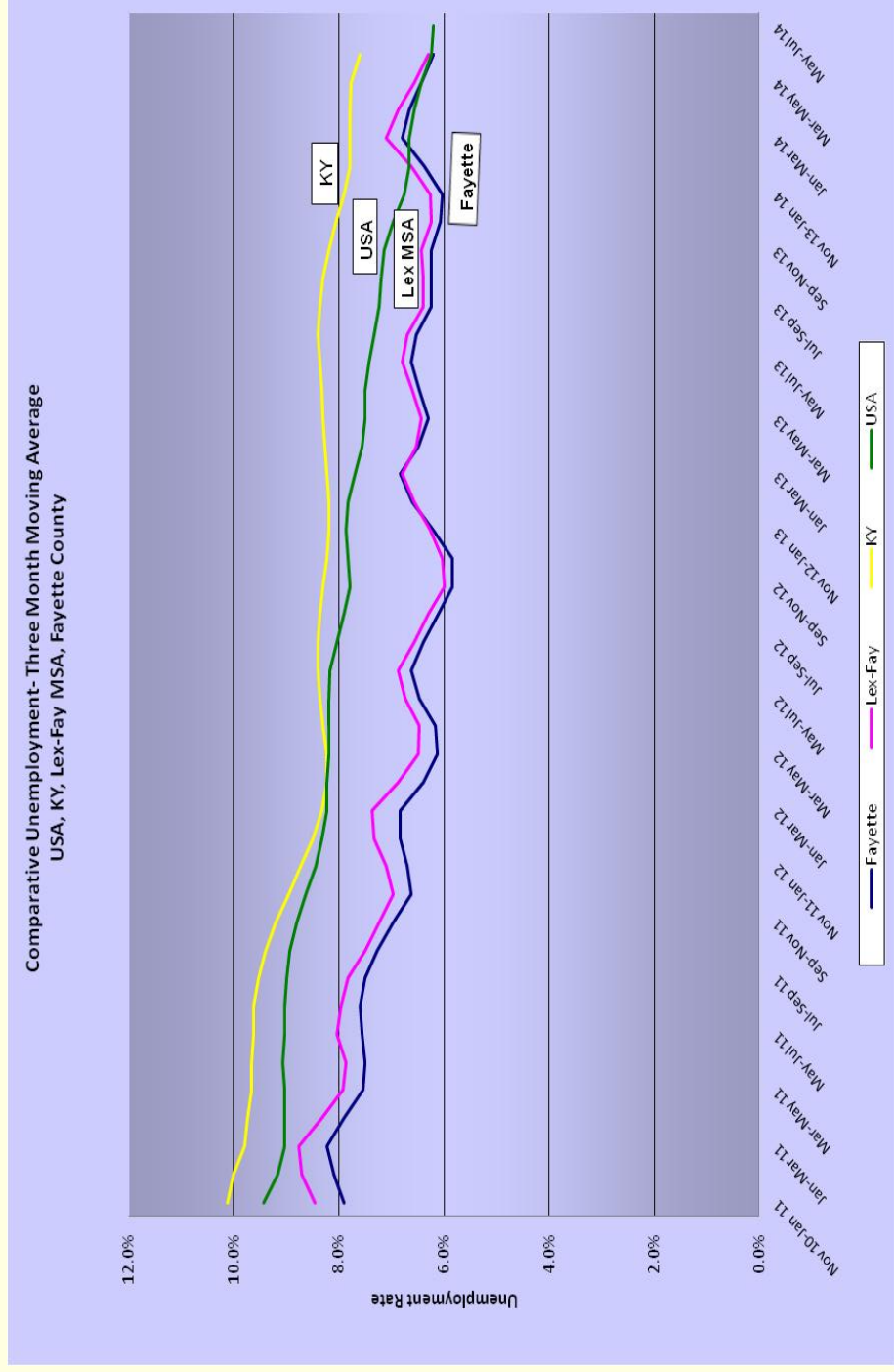
Budget & Finance Committee

Financial Update
August 26, 2014

Comparative Unemployment Rates



Comparative Unemployment Rates Three Month Moving Average



Comparison of Economic Indicators 2013 / 2014

Comparison of Economic Indicators

Economic Indicators	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fayette County	2013	6.9%	7.0%	6.6%	5.9%	6.4%	7.1%	6.4%	6.1%	6.4%	6.1%	5.7%
Unemployment Rate	2014	6.3%	7.1%	7.0%	5.9%	6.4%	6.3%	-	-	-	-	-
Quarterly Fayette County Employment	2013	-	-	178,300	-	180,300	-	-	182,600	-	-	189,300
	2014	-	-	N/A	-	N/A	-	-	N/A	-	-	N/A
Fayette County Permits	2013	1,169	955	1,131	1,299	1,781	1,490	1,692	1,411	1,294	1,163	1,359
	2014	1,157	999	931	1,461	1,813	1,660	1,695	-	-	-	-
Fayette County New Business	2013	218	258	339	634	456	222	152	218	285	195	164
Business Licenses	2014	244	280	366	807	279	187	194	-	-	-	-
Home Sales (MSA)	2013	511	541	758	809	984	956	1,075	1,009	790	725	618
	2014	524	517	693	787	N/A	1,069	1,006	-	-	-	-
Fayette County Foreclosures	2013	79	44	46	42	38	54	89	52	41	39	45
	2014	31	40	34	53	16	53	35	-	-	-	-

N/A indicates information not available.

BLS Releases Date for Fayette Co. Quarterly Employment - 6 months after quarter end

July 2014 MTD Actual/Adopted Budget

<u>July 2014 Monthly Actual Compared to Adopted Budget</u>			
<u>Revenue Category</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
OLT- Employee Withholding	6,990,993	8,511,226	(1,520,233)
OLT - Net Profit	597,204	705,266	(108,062)
Insurance	3,252,989	4,018,634	(765,645)
Franchise Fees	1,643,133	1,237,075	406,058
TOTALS	12,484,320	14,472,201	(1,987,881)
			-13.7%

July 2014 MTD/July 2013 MTD

<u>Revenue Category</u>	<u>Actual Monthly Compared to Prior Year</u>		
	<u>Jul '14</u>	<u>Jul '13</u>	<u>% Var</u>
OLT- Employee Withholding	6,990,993	8,789,033	-20.5%
OLT - Net Profit	597,204	644,223	-7.3%
Insurance	3,252,989	4,423,763	-26.5%
Franchise Fees	1,643,133	1,192,422	37.8%
TOTALS	12,484,320	15,049,440	-17.0%

FY 2015 Code Enforcement Nuisance Abatement/Lien Collections

Code Enforcement Lien Collections

<u>Month</u>	<u>Administrative Collection Fees</u>		<u>Miscellaneous</u>		<u>Penalty & Interest</u>		<u>Total Collections</u>	
	<u>FY 2015</u>	<u>FY2014</u>	<u>FY 2015</u>	<u>FY2014</u>	<u>FY 2015</u>	<u>FY2014</u>	<u>FY 2015</u>	<u>FY2014</u>
July	1,777	1,875	1,976	1,366	37,790	35,459	41,543	38,700
<u>Totals</u>	1,777	1,875	1,976	1,366	37,790	35,459	41,543	38,700

2015 Fiscal Year - Cash Flow Variance

Revenue (Actual to Budget)

<i>For the one month ended Jul 31, 2014</i>			
	<i>ACTUAL</i>	<i>BUDGET</i>	<i>Variance</i>
<u>Revenue</u>			
<i>Payroll Withholding</i>	\$6,990,993	\$8,511,226	(\$1,520,233)
<i>Net Profit</i>	597,204	705,266	(108,062)
<i>Insurance</i>	3,252,989	4,018,634	(765,645)
<i>Franchise Fees</i>	1,643,133	1,237,075	406,058
<i>Other Licenses & Permits</i>	103,267	76,852	26,415
<i>Ad Valorem</i>	47,742	117,258	(69,516)
<i>Services</i>	2,626,780	2,542,171	84,610
<i>Fines and Forfeitures</i>	14,880	15,520	(640)
<i>Property Sale</i>		4,091	(4,091)
<i>Intergovernmental</i>	11,652	17,855	(6,203)
<i>Investment Income</i>	(14,876)	23,333	(38,209)
<i>Other Financing Sources</i>			
<i>Other Income</i>	203,099	139,716	63,382
<i>Total Revenue</i>	\$15,476,864	\$17,408,997	(\$1,932,134)

2015 Fiscal Year - Cash Flow Variance

Expense (Actual to Budget)

<i>For the one month ended Jul 31, 2014</i>			
	<i>ACTUAL</i>	<i>BUDGET</i>	<i>Variance</i>
<u>Expenses</u>			
Personnel	(\$6,573,875)	(\$7,665,459)	\$1,091,584
Operating	(2,141,426)	(2,732,641)	591,215
Debt Service	(3,396,355)	(3,415,863)	19,508
Partner Agencies	(1,325,663)	(1,524,072)	198,409
Insurance - Expense	(957,642)	(957,642)	
Operating Capital Expenditures	(23,661)	(38,809)	15,148
Total Expenses	(14,418,622)	(16,334,486)	1,915,864
<u>Interfund Transfers</u>			
Transfers	(369,835)	(204,987)	(164,848)
Change in Net Position	688,407	869,524	(181,118)

2015 Fiscal Year - Cash Flow Variance

Revenue (CY to PY)

<i>Current YTD Actual compared to Prior YTD Actual</i>			
	<i>Jul 2014</i>	<i>Jul 2013</i>	<i>Variance</i>
<u><i>Revenue</i></u>			
<i>Payroll Withholding</i>	\$6,990,993	\$8,789,033	(\$1,798,040)
<i>Net Profit</i>	597,204	644,223	(47,019)
<i>Insurance</i>	3,252,989	4,423,763	(1,170,773)
<i>Franchise Fees</i>	1,643,133	1,192,422	450,711
<i>Other Licenses & Permits</i>	103,267	290,768	(187,500)
<i>Ad Valorem</i>	47,742	165,186	(117,444)
<i>Services</i>	2,626,780	2,547,811	78,969
<i>Fines and Forfeitures</i>	14,880	20,650	(5,770)
<i>Property Sale</i>		17,238	(17,238)
<i>Intergovernmental</i>	11,652	17,133	(5,481)
<i>Investment Income</i>	(14,876)	(75,838)	60,962
<i>Other Financing Sources</i>			
<i>Other Income</i>	203,099	253,050	(49,951)
<i>Total Revenue</i>	\$15,476,864	\$18,285,438	(\$2,808,574)

2015 Fiscal Year - Cash Flow Variance

Expense (CY to PY)

Current YTD Actual compared to Prior YTD Actual			
	Jul-2014	Jul-2013	Variance
<u>Expenses</u>			
Personnel	(\$6,573,875)	(\$6,922,851)	\$348,976
Operating	(2,141,426)	(2,157,717)	16,291
Debt Service	(3,396,355)	(3,337,603)	(58,752)
Partner Agencies	(1,325,663)	(1,521,203)	195,540
Insurance - Expense	(957,642)	(982,560)	24,918
Operating Capital Expenditures	(23,661)	(11,939)	(11,722)
Total Expenses	(14,418,622)	(14,933,872)	515,250
<u>Interfund Transfers</u>			
Transfers	(369,835)	(356,338)	(13,496)
Change in Net Position	688,407	2,995,228	(2,306,821)

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■ Questions ?

Rupp District Renovation Expenses

As of July 14, 2014

<u>Revenue</u>	<u>Amount</u>	
Kentucky Department of Local Government	\$ 2,170,000	
City of Lexington	\$ 2,111,375	
Lexington Center Corp	\$ 375,000	
Total	\$ 4,656,375	
<u>Expenditures</u>	<u>Amount</u>	<u>Purpose</u>
NBBJ	\$ 2,782,375	Schematic Design
PC Sports	\$ 625,000	Program Manager
Urban Collage*	\$ 300,000	Program Planning
Frank Butler	\$ 300,000	Program Director
CS&L	\$ 253,000	Financial Advisor
Hunt Construction	\$ 110,000	Construction Management
Cornett	\$ 100,000	Team Rupp
Dinsmore	\$ 83,000	Legal Fee
CSI	\$ 43,000	Geo-tech Consulting
CS&L	\$ 30,000	Convention Center Feasibility
Commonwealth Economics	\$ 30,000	TIF & Project Financing
Total	\$ 4,656,375	

* Via Downtown Development Authority

Administrative Office of the Courts

Fayette County Judicial
Center
120 & 150 N Limestone
Street



Historical Overview:

Operation & Maintenance of Courthouses

- LFUCG utilizes Meridian Management to provide services for operation & maintenance of the courthouse facilities, including:
 - Custodial, materials & supplies, repair & maintenance
 - Expenditures < \$5,000 are included in management costs
- Historically the AOC reimburses LFUCG for a pro-rata share (93.5%) of actual operating expenses (excluding plaza maintenance)
- An annual reconciliation of expenses is performed (LFUCG & AOC Auditor meet to review expenditures for the FY)
- In the recent past, audits have resulted in only minor adjustments in favor of the city or the AOC

AOC Changes:

Reimbursement for Operation & Maintenance

- AOC notification letter regarding reimbursement of O&M costs
 - Letter sent by Laurie Dudgeon, Director at AOC to Mayor Gray and dated April 8, 2014
- Operation cost and use allowance payments are driven by state statute KRS 26A.100 – 26A.115
- **Lease Agreement – ARTICLE 1. DEFINITIONS Section 101.**
Definitions: states “*Operating Cost Allowance*” means compensation equivalent to the annual expenses borne by the Issuer or Entity for utilities, janitorial services, property insurance and necessary maintenance, repair and upkeep of the Project, which do not increase the permanent value or expected life of the Project, but keep the Project in efficient operating condition, including, at the election of the AOC, capital costs of interior mechanical renovations for benefit of the court, which costs shall commence with occupancy of the Project facility by the AOC. Operating costs shall remain constant except where a subsequent audit by the AOC shows any required increase or decrease in the amount of the operating cost allowance.
- The letter advised of change beginning FY 2015 in how LFUCG will be compensated for operating and maintaining the courthouses
- The change standardizes reimbursement per s/ft for janitorial & maintenance services at a set rate of **\$4.00 s/ft**, rather than reimbursement for the pro-rata share of the actual LFUCG cost of facility operation

Statewide Effect of Changes: Operation & Maintenance of Courthouses

- The AOC's recommendation impacts 20 counties whose current court operation expenditures exceed \$4.00 per s/ft
- The change became effective July 1, 2014
- Calculated AOC savings are over FY13 costs
- Total estimated annual impact is \$864,219.09

Current Statewide Centers being changed include:

FACILITY	IMPACT
Rockcastle County Annex	\$52,004.27
Anderson County Courthouse	\$14,882.83
Boyd County Justice Center	\$184,662.29
Trimble County Courthouse	\$17,892.23
Perry County Hall of Justice	\$71,794.72
Jackson County Judicial Center	\$87,701.23
Knox County Courthouse	\$30,441.61
Harlan County Justice Center	\$47,904.12
Jessamine County Annex	\$23,344.22
Johnson County Judicial Center	\$50,426.47
Oldham County Courthouse	\$32,138.30
Woodford County Annex	\$21,266.85
Knott County Justice Center	\$40,676.12
Leslie County Annex	\$9,382.60
Bath County Courthouse Annex	\$11,130.46
Fulton County Courthouse	\$8,110.13
Fayette County Circuit & District Court Buildings	\$135,940.74
Bell County Farmer Helton Judicial Center	\$17,333.11
Gallatin County Courthouse	\$3,230.11
Cumberland County Justice Center	\$2,957.68

Historical Financial Impact for Fayette County Judicial Center (FY 2013)

- Total of **221,380.7** s/ft of space
- Actual FY 2013 contracted costs = **\$1,030,913.97**
 - Contract costs include labor, benefits, materials & supplies
 - Includes repair & maintenance costs of \$5,000 or less
 - Equals **\$4.66** s/ft
- AOC approved reimbursement for pro-rata share of costs are @ 93.5% (*excluding plaza*)
- **93.5% of actual contracted cost = \$963,904.56**

New Financial Impact for Fayette County Judicial Center

- 221,380.7 s/ft of space
- New AOC standardized reimbursement rate = **\$4.00 s/ft**
 - \$4.00 s/ft X 221,380.7 s/ft
 - Capped reimbursement = **\$885,522.80**
- AOC pro-rata share of Cap @ 93.5% = **\$827,963.82**

Comparison:

- | | | |
|----------------------------------|---|-----------------------|
| • AOC actual FY13 pro-rata share | = | \$963,904.56 |
| • New pro-rata share | = | \$827,963.82 |
| • DIFFERENCE | = | (\$135,940.74) |

Steps Taken

- LFUCG held meetings to review the changes
- Corresponded with AOC staff via e-mail with questions & to seek clarification
 - How did they arrive at the \$4.00 s/ft?
 - What recommendations do they have to help meet the new policy?
- Chief Judges Clark, Thornton, & the Circuit Court Clerk were made aware of the changes
- Advised the Director of KACo about the AOC change and to seek guidance on how LFUCG should proceed
- Letter dated July 14, 2014 was sent to Laurie Dudgeon, Director at AOC regarding:
 - Courthouse Parking Garage discussions
 - Requesting a meeting date to discuss the change in AOC policy regarding reimbursement for the O&M at the court facilities

Next Steps

- Meet with the AOC to consider options and discuss the new policy (a letter has been sent to AOC Director requesting available meeting times/dates)
- Discussion items will include developing a mutual understanding of the impact the AOC policy change will have on reimbursement to our county
- Potential solutions may include:
 - Adjusting management contract to align expenditures with the \$4.00 s/ft reimbursement cap established for services at the facilities
 - Requesting AOC guidance on how to continue to provide the current services for less expense without compromising the service
 - Involve the state Legislative Delegation in seeking a solution for how we address this issue going forward

Budget & Finance Committee Referrals

Item	Referred By	Date Referred	Status
Solid Waste Costs/Revenue/Tax Structure	Gorton	2-1-11	Waste Management Task Force
Cost Per Ton; Cost Per Customer			
Impact of User Fee Structure			
Local Vendor Preference	Gorton	10-14-10	11.29 WS
Minority/Women Business Recruitment	Stinnett	10-7-10	Procurement Task Force
Activity Based Costing/Financial Efficiency Lane		1-16-12	1.31.12
Affordable Housing Trust Fund Report	Gorton	4-10-12	9.25.12 & 11.27.12
Financial Implications of the			
Mayor's Homelessness Commission	Kay	1-29-13	2.19.13
Refunding Urban Services Property Tax	Stinnett	11-5-13	
Reduce/Eliminate LexArts Financial Support			
In Exchange for Allowing DAC to Keep			
Program Revenue	Gorton	12-3-13	
Economic Development Partner Agencies	Scutchfield	1-14-14	
Wellness Center & Lease	Stinnett	1-28-14	
Rupp Arena District Expenditures	Stinnett	6-19-14	
AOC Reimbursement Policy	General Services Link	7-10-14	
Facilities & Fleet Professional Services Increase	General Services Link	7-10-14	
Lyric & Charles Young Maintenance Budget	General Services Link	7-10-14	
Lyric Financial Audit	General Services Link	7-10-14	

PAS 7.14.14