

Lexington-Fayette Urban County Government Council Meeting
State of the Merged Government Address
January 28, 2008

The Council of the Lexington-Fayette Urban County Government, Kentucky convened in regular session on January 28, 2007 at 6:00 p.m., in the Lexington Opera House, 401 West Short Street, Lexington, Ky. Present were Mayor Jim Newberry in the chair presiding, and the following members of the Council: Council Members Gray, Henson, James, Myers, Stevens, Stinnett, Beard, Blevins, Blues, Crosbie, DeCamp, Ellinger and Gorton. Absent were Council Members Lane and McChord.

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

I. Introduction

My fellow Lexingtonians:

In his book on the history of Lexington, Transylvania professor John Wright reviewed Lexington's first 200 years of existence, and then he posed the question to which I have referred in the past: "Will Lexington in its third century produce leadership . . . cognizant of the total community in all its aspects: the human needs as well as physical growth; cultural creativity as well as economic expansion; and a shared sense of purpose in a burgeoning urban environment?"

Tonight, we need to look back at the progress which we have made in 2007 to address Lexington's human, economic, physical and cultural needs, but we must also look ahead – to evaluate what else we must do to leave our children and future generations a better home than that which was left to us by prior generations of Lexingtonians.

I say "we" intentionally. When I talk this evening about what "we" have done, I want our community to know that the successes we have achieved are joint successes which are the result of the Council, our administration, and the career employees of the Lexington-Fayette Urban County Government working together to make positive things happen for our community.

Last year I said, "I continue to be impressed with the caliber of the councilmembers who are serving this community and with their commitment to Lexington." I feel even more strongly about that statement this year. This Council has been a superb partner throughout 2007, and I have every reason to expect that our productive relationship will continue. To all of our councilmembers, please know how personally thankful I am for

all that you have done in 2007 to enable Urban County Government to make so much progress. And I want to say a special word of thanks to Vice Mayor Jim Gray for the efforts he has made to promote a positive working relationship between the Council and our administration.

I know that two of our councilmembers will not be sitting on this stage next year. David Stevens, after 15 years of service, and Dick DeCamp, after 12 years of service, will both be concluding their Council careers at the end of this year, and both will be missed. A third councilmember, Richard Moloney, just recently resigned after almost 14 years of Council service to accept a position in Governor Beshear's administration. All three have served our city in exemplary fashion, and on behalf of a grateful community, I thank David, Dick and Richard for their service to Lexington.

I must also acknowledge that I am blessed to work with a remarkable collection of people serving as Urban County Government commissioners and as members of the Mayor's Office staff. Lest there be any confusion, being mayor is a team sport, and I am fortunate to have so many great players on my team. Our successes in the last year are a direct result of their initiatives and dedicated effort. Thanks to each of you.

Finally, the career employees of LFUCG have once again made positive contributions to the quality of life in Lexington, despite having too often to work under significant financial constraints or with antiquated systems and processes. To all of those employees, thanks for all you do every day to make Lexington a better place.

II. 2007 Review

Reflecting on 2007, we have made good progress in delivering basic services to the taxpayers of Lexington. Here are a few statistics:

- We did A LOT of paving in 2007. Thanks to some significant state funds we were able to attract with the help of Public Works and Development Commissioner Don Kelly, and as a result of the Council's decision to put some extra resources into paving, we were able to pave some 52 miles of roadways last summer. The total investment was approximately \$18 million. By contrast, in 2006, the city paved 17.5 miles of roadways.
- We also supported alternative forms of transportation. We held a Bike Summit, added 6 miles of bike lanes, opened 2 miles of recreational trails, and started construction on four other sections of trails. The Council and our administration

invested \$2 million in recreational trails as part of our budget, and we were also able to attract \$5 million in state funds and grants. The city now has 19 miles of bike lanes and 10 miles of shared use trails. In 2007, our efforts were recognized by the League of American Bicyclists which has designated us as a bronze level Bike Friendly Community.

- We launched a clean-up campaign under the direction of Public Safety Commissioner Tim Bennett, unleashing the Division of Code Enforcement. We expanded the Division's hours to increase pick-up of those illegal signs that seem to spring up like dandelions in our medians. By December, Code Enforcement had picked up 10,000 signs. In addition, Code Enforcement issued nearly 1,000 notices of violations related to safety and clean-up in trailer parks. And, we used inmates from the Detention Center to pick up 48,000 pounds of trash at 171 sites.
- Through the leadership of Social Services Commissioner Marlene Helm, we greatly expanded the Summer Youth Employment program. We involved 184 young people in 2007, compared to 120 in 2006; increased the length of the program; increased city support; and involved 80 different companies, as compared to approximately 40 in 2006. We specifically focused on our horse, healthcare and high tech industries, places where young people may find jobs with a bright future.
- We increased city support for the arts, renewing our \$350,000 pledge from 2006 and adding a \$150,000 challenge grant. The arts community met the challenge, and as a result, arts organizations now have 1,118 new donors and a total of \$650,000 as consequence of our combined efforts in 2007 – an increase of about 85% over the 2006 funding level.
- I can't talk about 2007 without talking about our new Christmas attraction -- the Celebration of Lights. It attracted hundreds of people downtown to welcome Santa and enjoy the light display consisting of almost 4 miles of lights and two miles of garland, not to mention fireworks and a new light display projected onto downtown buildings!

- We topped 20,000 acres of farmland preserved in our Purchase of Development Rights rural land preservation program. It's a significant achievement, especially since the program began only eight years ago.
- Finally, we did these new things while we have cut the overall size of the city payroll. On December 31, 2007, LFUCG had 74 fewer employees than we had on December 31, 2006 – even after adding 25 new police officers and three key senior level positions in our administration. Those reductions have not been easy, but they have saved taxpayers approximately \$4.4 million annually.

As you can see from these few examples, 2007 was a momentous year, but January was perhaps the most momentous month. That month, members of the Council and key members of our administration spent a day identifying areas of common interest. The end result of that effort was our joint commitment to work on Six Pillars of Progress for Lexington: improving our environment, building our economy, developing a shared vision for our community's future, planning with more innovation, communicating better and governing more effectively and efficiently. Looking back on 2007, the creation of that agenda was an enormously significant day in the history of our Urban County Government. These six pillars have formed the foundation of what we have accomplished in 2007 and what we will accomplish in the future as we work to help Lexington achieve its potential.

While there are countless steps which have been taken in the last year to improve Urban County Government, I want to focus this evening on how we have addressed the Six Pillars we established last year.

A. Environment

First, we made a strong commitment to improving our environment. The establishment of Lexington's first Department of Environmental Quality was a huge step toward making LFUCG a better environmental citizen and toward improving the quality of our city's environment. We are close to successfully reaching an agreement on the terms of a consent decree to end the EPA's enforcement action against Urban County Government, and more significantly, to maintain the quality of the water in our local streams through increased monitoring and expanded enforcement. As a result of those efforts, future generations of Lexingtonians will have a far cleaner place to call home.

B. Economic Development

Second, we fundamentally changed the way we work to bring jobs to the community by creating a public/private partnership with Commerce Lexington and the University of Kentucky called the Bluegrass Business Development Partnership. We have provided substantially greater financial support of our efforts to bring high quality jobs to Lexington so that our young people will be able to find attractive, high-paying jobs in our horse, health care and high tech industries without having to leave Lexington. That increased support ensures that we can do a more professional job of promoting our economy.

One exciting example of our economic development strategy was some news released last week. In 2007, 55 high tech companies based in our area attracted \$64.5 million in investment capital – an 82% increase over 2006. Significantly, that new funding included \$37 million in venture capital – an indication that our Lexington businesses are now being recognized in the financial capitals as businesses that can compete for investment capital in a highly competitive global market. In 2007, the employment at these 55 businesses grew by 162 new jobs. Those companies now employ 422 people – 344 full-time and 78 part-time, and the average full-time salary at these 55 companies was \$61,000. That is great news for all of Lexington!

C. Community Vision

Third, last year, our administration recommended and the Council approved financial support for a broad-based effort to develop a shared sense of direction for Lexington. Earlier this month, we kicked off the Destination 2040 campaign – a look ahead to the time when today's 18 year old high school seniors will be 50 and will be leading our community. Destination 2040 will fundamentally change the way that we think about Lexington's future, and I will talk about it more a little later this evening.

D. Innovative Planning

Fourth, last year, the Council approved the financial support necessary to be more creative and innovative in our planning efforts. As you recall, last January, the Planning Commission decided not to expand the Urban Service Area. As more people live in the same Urban Service Area, we will have more traffic and a greater need for affordable housing. We simply must make better planning decisions in the future than we have in the past, and we can and will do precisely that. Together, we expanded our planning staff, and we created a \$2 million fund to support our infill and redevelopment efforts to

more effectively utilize the limited land resources which exist inside the urban service area, and on top of that, I expect the details of our first land bank will soon be finalized.

E. Improved Communication

Fifth, last January, we committed to improving our communications efforts, and in June, the Council approved our request for greater financial support for our communications efforts. I am pleased to announce that effective today, LexCall is available from 7:00 a.m. until 8:00 p.m. so that Lexingtonians will be able to access their local government both prior to the normal start of the workday and in the early evening hours. We will soon be making changes to materially enhance the quality of programming on GTV3, and next month, we will be announcing some major changes to our website.

In addition to communicating better with our constituents, we are also communicating better with our federal and state officials. We are blessed with a congressional delegation dedicated to helping us achieve our goal of creating a great Lexington, and they are well positioned to do so. In 2007, Lexington received more than \$2.5 million in federal assistance for key projects as a direct result of the efforts of Congressman Ben Chandler and Senators Mitch McConnell and Jim Bunning. Last week in Washington, I had the chance to personally thank all three of them for their assistance and to chart with them a very vigorous program of federal objectives for the year ahead. We all owe them and the other members of the Kentucky delegation a debt of gratitude for their service.

Moreover, we are working closely with the University of Kentucky, Commerce Lexington, the Horse Park, Bluegrass Airport and other partners to communicate Lexington's interests more effectively in Frankfort. Last week, Governor Beshear announced that he was arranging for \$28.6 million in improvements at the Horse Park as well as the inclusion of a budget request to support the construction of a new runway at Bluegrass Airport – two of our highest priorities in Frankfort. We are extremely grateful for the Governor's assistance with both projects.

We are making progress in our efforts to advance Lexington's interests in both Frankfort and Washington, and we will continue to explore ways to improve our communication with our legislative and executive branch friends in both cities.

F. More Efficient, Effective Government

Last, we have made some significant strides in making our local government more efficient and effective. While I mentioned several administrative issues in last year's speech, the depth and breadth of those problems really did not become fully evident until the second half of 2007.

Looking back, on January 1, 2007, far too many of LFUCG's systems and processes were dysfunctional. Certainly some aspects of local government worked well, such as the public safety functions. As evidence of that, I am very proud of our announcement last Friday that our incidence of major crimes in 2007 is the lowest in 33 years! That announcement is a tribute to the hard work of many people in our Division of Police and many others in our criminal justice system, and we need to recognize their accomplishment. In addition, we have a large number of career employees who work hard each day to deliver our services to the public. However, during the course of preparing last year's budget, it became evident that there were multiple systems and processes of Urban County Government which were not working well.

The hiring process of the civil service system and the financial reporting systems – vital elements of any local government – were both in deplorable condition and functioned in only the most limited fashion. For example, it takes between 125 and 268 days to create a new position and to hire an employee to fill it. To change one line item in our draft budget last March required a 45 minute wait since the \$400 million budget was being prepared on an Excel spreadsheet. Due to massive software problems which confronted us upon our arrival last year, we were unable to generate monthly financial statements.

Our relationships with the social service agencies with which we work were haphazard with virtually no oversight or accountability. There was no comprehensive list of our boards and commissions – let alone a list of the current members of those boards. Some of our facilities were literally falling apart, and many of those facilities that were not falling apart were in an embarrassing state of disrepair. There was no comprehensive list of the real estate owned by LFUCG. I could go on, but I hope the point is clear. The situation was totally unacceptable.

Addressing these behind the scenes problems is not glamorous business, and there have never been any mayors or councilmembers re-elected just because they did a good job of making the accounting or other back office systems work. However, I

choose to talk about these problems tonight because inefficient administrative systems and processes cost time and money and ultimately impede our ability to accomplish our bigger and more visible goals. In many cases, we are working under rules established more than 30 years ago – some of which are good, but some of which are nothing less than crippling. So, there comes a time when we have to stop and take care of our core business. Last year was the start of that time for Urban County Government.

To address these concerns, the Council agreed with our request last spring to retain Management Partners to perform a comprehensive management audit of every aspect of LFUCG. We asked Management Partners to look under the hood, to kick the tires and to tell us what they found so that we could fully understand both the scope of the problems and how to fix those problems. Their report will be released shortly, but after receiving preliminary updates over the last several months, I know that the audit findings will enable us to make vast improvements in the way we do the people's business.

Together, the Council and our administration restructured Urban County Government last year, and without a doubt, those changes are permitting us to better identify problems and to use taxpayers' dollars more wisely. Having said that, we have an enormous amount of work remaining before we are operating at maximum efficiency, but we are at least making significant progress.

III. Our Future Challenges

As pleased as I am with the accomplishments in 2007, it was merely a good start on a big job. Much work lies ahead. As we begin to look at our future, I have asked students from Dixie Elementary School, the Mayor's Youth Council, Partners for Youth, and participants in last year's Summer Youth Program to join us. Please stand so that everyone can see you. Thanks for joining us and thanks to your parents for coming with you!

These young people come from schools across our community, and I am pleased to have these talented, thoughtful and delightful students present tonight. Since they made a special effort to attend, I want to say a special word to these vital members of our community.

You will soon be asked to take leadership roles in this community. Some of you may serve on the Council or be mayor someday, but sooner than you think, those of us on

the stage will be gone, and you will be responsible for taking care of our home – this great city called Lexington.

Tonight, we've been talking about some problems in our city. I know that I have already bored some of you – well, more than likely, all of you - but everyone on this stage is trying to solve those problems now so that you'll have a great place to live and work as you grow up. In the next few minutes, I'm going to talk about what we need to do to make Lexington's future brighter. You see, when time comes for you to take control of Lexington, we want our city to be an even better place than it is today. And we want you and all of your friends to improve our community so that when you turn it over to your children, they will have an even better Lexington than the one we leave for you. Improving Lexington while it is under your control will be your responsibility just as that task has been the responsibility of each prior generation of Lexingtonians.

But for now, improving Lexington is my responsibility and that of the Council and the rest of the adults in our community. We have some tough decisions ahead as we determine how best to improve our home – our city. To those of us now responsible for Lexington, may these young faces remind us of our enormous responsibility because, whether we are involved as leaders in government or whether we are citizens with no particular title or office, the decisions we soon make will affect these young people for better or for worse. As we consider our decisions in the weeks and months to come, may we all remember the faces which sit before us this evening and all of the young Lexingtonians they represent.

A. Preparing for World Equestrian Games

Looking ahead, we all eagerly await the arrival of World Equestrian Games in 2010. Every preliminary indicator suggests that the Games will have a far more significant economic impact on Lexington than originally contemplated, and that is great news for our community. Between now and September 2010, I will be asking many of you to help with our preparations, and I know that you will respond magnificently. Together, all Lexingtonians are about to experience one of the most remarkable periods in Lexington's history, and I will be working hard in the coming months to be sure that everyone who wishes to enjoy the pageantry of the Games will be able to do so.

B. Making LFUCG Better

As we await the excitement and fun of the Games, we have some significant work to do. Your Urban County Government is in far better condition now than when I reported to you a year ago, but make no mistake – much work remains to be done. With the Council's continued support, we will continue to make progress.

1. Six Pillars

In late 2007, the Council and key members of our administration met to review the progress which had then been made on addressing the Six Pillars. Based on that meeting and subsequent discussions, we must continue in 2008 to emphasize the environment, economic development, our community vision, planning, communication and effective government. I look forward to working with both the Council and our administration to identify ways to make all of those Six Pillars become even stronger foundations for Urban County Government.

2. Management Audit Recommendations

However, 2008 will be a time at which we focus extensively on that Sixth Pillar -- making Urban County Government work more effectively, or as I like to say, faster, better and cheaper.

If nothing else, our local government election in 2006 told us all that Lexingtonians wanted to change the way Urban County Government does business. We are now at the point where it is time to bring about the changes that voters demanded of this mayor and this council. Our revenue is slowing. Our national economy is sluggish, and the local impact of that sluggishness is being felt here in Lexington, yet we have no less, and perhaps even greater, demand on the services we provide. Despite these difficult economic times, we cannot and will not permit our city to step backward.

So, something has got to give, and as we are preparing for the Fiscal Year 2009 budget, something's got to give sooner rather than later. As I mentioned earlier, the management audit will soon be released. It will literally have hundreds of recommendations for improving local government. Since this audit is the first comprehensive look at our local government operations since the 1974 merger, the recommendations, when adopted, will result in widespread change. Many of these recommendations will be controversial, and many of them will not be popular with some people. However, on the whole, the implementation of these recommendations will enable those of us in elective office to be far better stewards of the tax dollars which

have been entrusted to us, and the recommendations will allow our employees – who often have thankless jobs – to do their jobs faster, better and cheaper.

I look forward to working with the Council in the coming months to implement the changes necessary for LFUCG to operate more effectively and efficiently. While we want to protect those current systems and processes which serve us well, we must thoughtfully change those systems and processes which impede our ability to effectively serve the citizens of Lexington. With the Council's help, we will achieve that goal.

3. Purpose of Making LFUCG Better – Making Lexington Better

Making our Urban County Government work better is a desirable goal simply because it makes for better use of the resources which taxpayers have given us, but there's another reason that objective is important. If LFUCG works better, Lexington works better, and for all of us, Lexington becomes a better place to live, work and raise a family. During 2008, we have a chance to do some extraordinary things in our city. Let me suggest just a few ideas in connection with Destination 2040.

C. Making Our City Better by Developing a Shared Sense of Direction

I have said previously that Lexington has often reminded me of a great symphony with wonderful musicians and instruments but with no sheet music. The result has been that our city's musicians, so to speak, have often played wonderful music without regard to the music being played by other members of the symphony. By developing a common sense of direction through Destination 2040, we will provide Lexington with the sheet music it needs to produce better harmony, less dissonance and a much better feeling about our collective performance. This sheet music will outlast my tenure as mayor and the tenure of my colleagues on this stage. You see, this project is larger than any one person, and it is larger than all of us here tonight. It is about where we and all of Lexington are headed – *together*.

To develop Lexington's sheet music, we will be looking at our physical growth, economic expansion, cultural creativity and human needs – the same four areas that Professor Wright outlined a quarter century ago. Specifically, in each of those four areas, we will ask the core question, "How will we protect all that we value while continuing to grow?" – a question which has confronted Lexington for decades but one which we have had a difficult time answering.

1. Physical Growth

Let's begin by talking about the area where the core question most often confounds us – the *arena* of our physical growth. If we are all honest with ourselves, we would acknowledge that our land use planning process has historically generated a lot of heat, but far too little light. Consequently, we must use Destination 2040 as a chance to generate more light and less heat on the questions of how, when and where we grow.

Please note – not growing is not an option. Anyone who believes that we can somehow put a limit on how many people come to Lexington is sadly mistaken. People will continue to come here because Lexington is a great place to live, so we must face that fact and plan to effectively address that growth in the years to come. If we plan our growth creatively, it will enhance every aspect of our community. If we fail to plan creatively, our land use will be far less effective, and more and more farmland will be needlessly gobbled up.

So what is creative planning? Let me offer a few suggestions. We must find ways for us to bring magnificent landscapes similar to those found in our rural areas to our urban core through improved use of landscaping techniques that make our urban areas even more attractive over the course of the next 30 years.

We must promote more mixed use development so that we can minimize traffic congestion and improve air quality by allowing people to shop and run basic errands closer to home.

We must find ways to insure that new developments are energy efficient and that old developments become more energy efficient so that we can minimize our contribution to global warming in coming years.

We must grow in ways that encourage the use of mass transit – buses now and perhaps street cars and light rail in years to come.

Thoughtful and innovative planning is the key to protecting all that we value while we continue to grow. I ask the Council to work with our administration to make sure that is precisely the kind of planning we have so that our physical growth becomes one of our community's strengths and not a weakness.

2. Economic Expansion

The second area for Destination 2040 to consider is economic expansion. Anyone who has talked with me knows that I believe our economic future lies with our horse, health care and high tech industries. Everything I have seen in the last year reinforces

that belief, so we must promote these industries at every opportunity, and we must involve both the business community and our postsecondary institutions in all of our economic development efforts.

As we consider how best to expand our economy, we must take steps both in the short-term and in the long-term to promote Lexington's minority-owned businesses in a far more aggressive way than we have done in the past. The world economy is highly competitive, and we simply cannot afford to have any segment of our local economy underperforming. In my judgment, Lexington has far too few minority owned businesses, and we must do what we can to stimulate entrepreneurial activity in every segment of our community.

3. Cultural Creativity

We have to maintain and enhance our cultural creativity – the third area for Destination 2040. Local government certainly can take steps to promote our local artists and performers so that the nation and the world recognize Lexington for what it is -- the home for many gifted artists and performers and a center for cultural creativity. We must team with our university faculties to foster an environment where the arts can blossom, and we must encourage the private sector to do all that it can to support our efforts in the arts.

The World Equestrian Games provide us with an unparalleled opportunity to showcase our arts to the world, and I know that we will surprise many of our guests with what remarkable arts and cultural offerings we have to share.

4. Human Needs

Last, and perhaps most important, we must be sure that we address the human needs which exist in our community.

a. Social Service Needs Assessment

Last year, our Department of Social Services initiated an effort to determine what human services are critical to our community. The results of that needs assessment will tell us much about what services we need to provide and how we can provide them in the most cost-effective fashion. Unfortunately, we will never have enough financial resources in the public sector to meet all the needs which exist, but by working closely with our partner agencies in the private sector, we can at least make sure that Lexington's social safety net is strong enough to catch those who need it.

b. Support for our Educational Institutions

Another basic human need is a solid education, and Lexington is blessed to have many wonderful educational institutions. UK, Transy, Bluegrass Community and Technical College and other institutions in our city add so much to our community as employers, as providers of cultural offerings, and as generators of graduates who provide Lexington businesses with the skilled workforce that they need. Our elementary, middle and high schools do a great job of providing our children with the fundamental education they need to succeed in life.

As a community, we must cherish these institutions, and we must do all that we can to help them maintain and enhance their reputations as academic institutions. Ever since Transy arrived in the early 19th Century, Lexington has long been known as an educational center, and we must jealously guard that reputation so that the young people here tonight will have the opportunity to obtain a quality education without having to leave our community. At every opportunity, we must be advocates for our educational institutions locally as well as in Frankfort and in Washington.

c. Scholarships

There are undoubtedly many ways we can support our educational institutions and our children, but in 2008 and for many years to come, I want to see our community make a commitment to assure our children who want to pursue careers in science, technology, engineering and math that they will have no financial impediment to obtaining the postsecondary education they need. As a part of the fiscal year 2009 budget, I will ask the Council to fund scholarships for Lexington high school graduates who wish to major in the sciences and math. Last year, I postponed funding these scholarships, and I regret that delay. This year, we will delay no longer.

IV. Conclusion

The state of our merged government is more promising now than one year ago, but our organization has enormous work to do before I will be prepared to say that the state of our local government is good. But be assured, being “good” is not good enough. Our goal is making local government as great as the rest of Lexington and its people. In due time, we will achieve that goal, and when we do, Lexington will achieve its full potential. Then our city will be the kind of place that these young citizens will want to call home for many years to come.

In the meantime, let us not lose sight of our place in time. Our potential is enormous as a result of the strength of a great university, an economy that is poised to grow, an industrious workforce, and a vibrant arts and cultural community. In fact, those are the very same elements that 200 years ago made Lexington known as the “Athens of the West”.

In future years when historians write about this era of Lexington’s history, I am confident they will conclude that our time is a special time in our community’s history – perhaps rivaled only by those early 19th Century years when Transylvania University located here and Henry Clay provided national leadership. Given the blessing of living in this special town in this special time, may each of us work diligently to make the most of our remarkable opportunity. One day historians who follow Professor Wright will ask, “Did Lexington in its third century produce leadership cognizant of the total community in all its aspects?” If we seize this special moment in our history as I know we can, the answer will be a resounding, “Yes!”

May God bless our city and our efforts in 2008!

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The Council adjourned at 6:52 p.m.

Clerk of the Urban County Council