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

A G E N D A
Budget & Finance Committee
November 18, 2014
1:00 P.M.

1. **October 21 Budget Committee of the Whole Summary** (1-4)
   For information only. Summary was approved at the November 11 Work Session

2. **Comprehensive Annual Financial Report**
   The CAFR document will not be available until the meeting

3. **Monthly Financial Report-** (5-18)

4. **Professional Services Increases for Division of Facilities & Fleet FY 15 Budget (General Services Link)** (19-22)

5. **Charles Young Community Center & Lyric Theater FY 15 Maintenance Budgets (General Services Link)** (23-26)

6. **Items Referred to Committee** (27)

“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
September 23
October 21
November 18
December 9

Special Budget Committee of the Whole Committee

October 21, 2014
Summary and Motions

Vice Mayor Gorton called the meeting to order 1:00pm. All Councilmember's except Lawless and Myers were present.

1. September 23, 2014 Committee Summary

Clarke recommended that the summary be amended to accurately reflect comments from Bruce Sahli about the Lyric Theater. He recommended that the summary include the following:

> "*Bruce Sahli stated that the Internal Audit Board has authorized an internal audit of the Lyric, and that this topic could be revisited with the Internal Audit Board after the public accountants have done their work. He further stated that the Board could then decide if they still want an internal audit of the Lyric at some future point, or if they want to drop the Lyric audit from the Internal Audit Plan.*"

<u>Motion by Mossotti to approve the September 23 summary as amended, second Ellinger. Motion passed unanimously.</u>

2. Monthly Financial Report

Rusty Cook, Elizabeth McGee and Bill O'Mara reviewed the monthly financial report for September. Cooked stated that the General Fund revenue is $ 0.6 million over budget through September. He did state that employee withholding revenue was approximately $ 0.4 million under; franchise fees were $ 1.2 million over budget; and services were about $ 0.2 million over budget through September McGee stated that the services category was impacted by excess fees from the Sheriff and the County Clerk. McGee stated that expenses are about $ 4.5 million under budget leaving a positive variance of approximately $ 5.1 million through September.

Gorton asked for examples of the "Other" revenue category. In response McGee identified donations and other unplanned miscellaneous expenses. O'Mara stated that FEMA recently forwarded expense reimbursement funds relative to a storm from almost 10 years ago as an example of "other" revenue.

In response to a question from Henson, McGee described personnel savings in the 1st quarter FY 15 budget.

3. **Fund Balance Discussion**

O'Mara described the purpose of the Fund Balance discussion. He stated that the first step is for reporting as part of the Comprehensive Annual Financial Reporting (CAFR), and the second step is to provide spending the fund balance as authorized by Council. He stated that he would concentrate his efforts on the reporting component.

O'Mara stated that the FY 2014 fund balance for all funds within the General Fund was $ 63.75 million an increase of $ 9.3 million from FY 13.

In response to a question from Farmer, O'Mara provided greater detail on the $ 9.3 million change in fund balance.

In response to a question from Farmer, O'Mara explained the funding mechanism for the Affordable Housing & Homelessness Intervention Fund.

O'Mara stated that $ 25 million is reserved for the Economic Contingency Fund; $ 6.38 million for the 27th pay period in FY 17; and $ 637,000 for the Energy Improvement component.

O'Mara made a recommendation to assign $ 8.5 million in the litigation reserve.

Gorton stated if Councilmembers need more information about the recommended litigation reserve they are prepared to go into closed session.

<u>Motion by Ellinger to go into closed session pursuant to KRS 61.810 (1) (c) for the purpose of discussing potential litigation, second Farmer. Motion passed unanimously.</u>

O'Mara recommended that contingency assignments be made including $ 2 million for health insurance $ 8.1 million in prior project assignments and $ 4.177 million in an unassigned fund balance; leaving $ 2.2 million to be used for non recurring uses as authorization by the Council.

O'Mara stated that in addition to the $ 2 million for the health insurance category he was requesting that the $ 2 million be transferred to the Health Insurance Fund as a fund reserve. He stated that Benefits Marketing Insurance, the employee health insurance consultant, has recommended the creation of a $ 4 million fund reserve.

<u>Motion by Farmer to approve the assignments as proposed by the Administration, seconded by Ellinger. Motion passed unanimously.</u>

Gorton stated that this will allow staff to continue with completion of the CAFR in a timely manner.

4. **FY 2015 Project Bond Issue Adjustment for the Qualified Energy Conservation Bond**

O'Mara briefly discussed the 2015 General Obligation Bond anticipated to be in the amount of $ 26.2 million scheduled to be issued prior to Dec 31. He stated that Kentucky has allocated a $ 2.9 million Qualified Energy Conservation Bond to Lexington that expires Dec 31. It is to be used to reduce energy consumption by at least 20% and there is a rebate of up to 70% of the interest for qualified projects.

<u>Motion by Mossotti to allocate an additional $ 1.5 million to the Fire Station # 2 relocation, seconded by Farmer.</u>

Stinnett stated that he was supportive of the amendment to the bond because 6000 households live within a mile of the new fire station location and that a new high school is also planned for the neighborhood.

Henson discussed operating capital to support Fire maintenance.

Clarke stated that he was supportive of this public safety investment.

In response to a question from Beard Keith Jackson stated that the $ 4 million was just to relocate the existing fire station and he did not anticipate any further capital or staff to support the new station.

<u>Motion by Mossotti to allocate an additional $ 1.5 million to the Fire Station # 2 relocation, seconded by Farmer. Motion passed unanimously.</u>

O'Mara stated that the Administration proposes using that bond to support an energy conservation capital project at the detention center. Due to the low interest and interest rebates the debt service would be covered in the FY 15 adopted budget

<u>Motion by Farmer to direct the Administration to proceed with the $ 2.9 million Qualified Energy Conservation Bond, seconded by Beard. Motion passed unanimously.</u>

Ellinger discussed the process used to allocate the FY 14 Fund Balance. In response Gorton stated that the Council Administrator is compiling a list of projects that the Council considered in the spring as part of the FY 15 budget review. She stated that it included items that the Council 'approved in concept' but didn't include in the adopted budget, items from each Council Link and requests from individual Councilmember's.

O'Mara stated that the Administration is recommending $ 2.2 million to fund non recurring projects. In response to a question from Ellinger, O'Mara stated that the $ 4.177 million is recommended to leave as unassigned to cover things that may come up through the fiscal year.

Stinnett stated that the available fund balance is $ 6.3 million but the Council didn't need to allocate any of it.

In response Ellinger stated that during the FY 15 budget deliberations the Council identified several projects that it wanted to consider, including support for the YMCA.

Motion by Farmer to schedule a Special Budget Committee of the Whole meeting on Tuesday November 13 at 3:00 PM to consider available fund balance, seconded by Ellinger. Motion passed unanimously.

5. **Items in Committee**

Gorton turned the chair over to Ellinger to report on items in Committee. Ellinger and staff reviewed the various items referred to the Committee.

Motion by Gorton to remove the "Economic Development Partner Agencies' Reporting System" item from the Committee referral list, second Stinnett. Motion passed unanimously.

Motion by Stinnett to adjourn at 2:45pm, seconded by Lane. Motion passed unanimously.

PAS 10.27.14

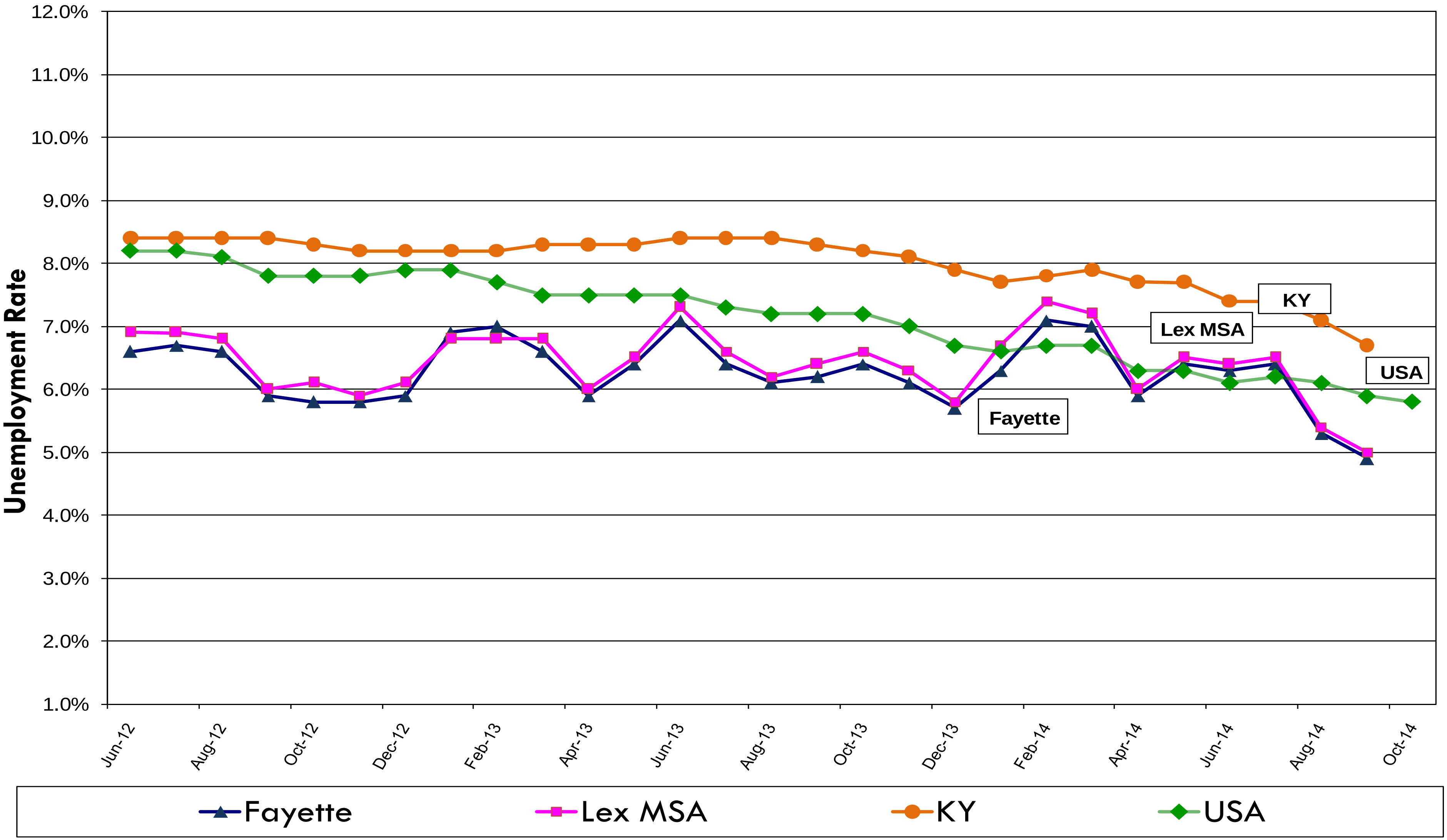
Budget & Finance Committee

Financial Update

November 18, 2014

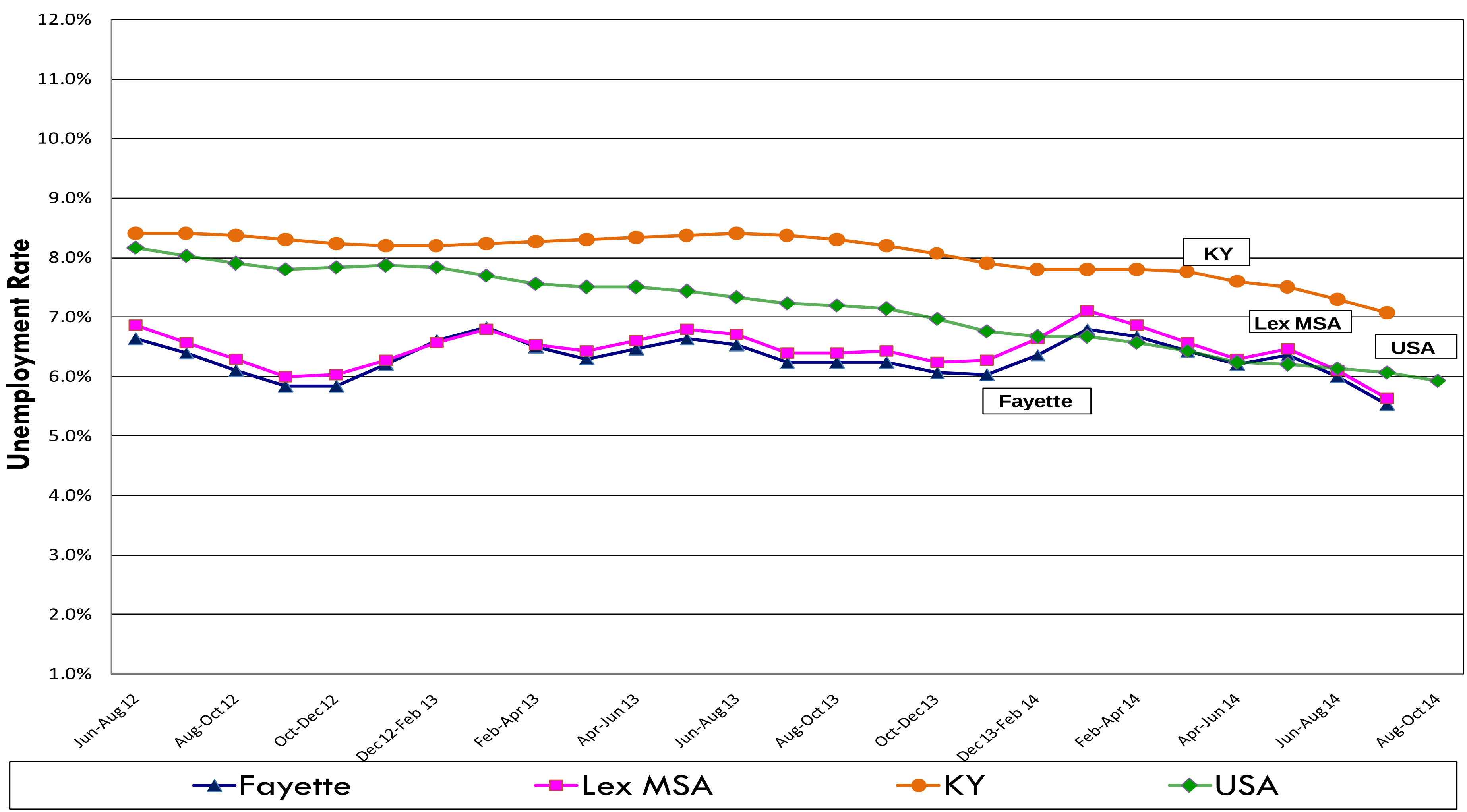
Comparative Unemployment Rates

Fayette County, Lexington MSA, Kentucky, USA



Comparative Unemployment Rates
Three Month Moving Average

Fayette County, Lexington MSA, Kentucky, USA



Comparison of Economic Indicators 2013 / 2014

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%	6.2%	6.4%	6.1%	5.7%
Unemployment Rate	2014	6.3%	7.1%	7.0%	5.9%	6.4%	6.3%	6.4%	5.3%	4.9%	.	.	.
Quarterly Fayette County	2013	.	.	178,300	.	.	180,300	.	.	182,600	.	.	189,300
Employment	2014	.	.	180,000	.	.	N/A	.	.	N/A	.	.	N/A
Fayette County Permits Issued	2013	1,169	955	1,131	1,299	1,781	1,490	1,692	1,411	1,201	1,294	1,163	1,359
	2014	1,157	999	931	1,461	1,813	1,660	1,695	1,529	1,399	1,605	.	.
Fayette County New Business	2013	218	258	339	634	456	222	152	218	183	285	195	164
Business Licenses	2014	244	280	366	807	279	187	194	213	219	242	.	.
Home Sales (MSA)	2013	511	541	758	809	984	956	1,075	1,009	829	790	725	618
	2014	524	517	693	787	N/A	1,069	1,006	1,021	854	.	.	.
Fayette County	2013	79	44	46	42	38	54	89	52	41	47	39	45
Foreclosures	2014	31	40	34	53	16	53	35	25	46	25	.	.

October 2014 MTD
Actual Compared to Adopted Budget

Revenue Category	Actual MTD	Budget MTD	Variance	% Var
OLT- Employee Withholding	6,501,955	9,536,717	(3,034,762)	-31.8%
OLT - Net Profit	1,086,009	1,265,730	(179,721)	-14.2%
Insurance	2,603,208	3,932,541	(1,329,333)	-33.8%
Franchise Fees	1,680,144	1,292,875	387,269	30.0%
TOTALS	11,871,315	16,027,863	(4,156,548)	-25.9%

October 2014 YTD
Actual Compared to Adopted Budget

Revenue Category	Actual YTD	Budget YTD	Variance	% Var
OLT- Employee Withholding	48,924,827	52,334,523	(3,409,696)	-6.5%
OLT - Net Profit	6,429,343	6,246,005	183,338	2.9%
Insurance	9,276,082	10,376,675	(1,100,593)	-10.6%
Franchise Fees	7,124,351	5,559,242	1,565,109	28.2%
TOTALS	71,754,603	74,516,445	(2,761,842)	-3.7%

October 2014 YTD / October 2013 YTD
Current Year Compared to Prior Year

Revenue Category	Oct 2014 YTD	Oct 2013 YTD	Variance	% Var
OLT- Employee Withholding	48,924,827	49,374,464	(449,637)	-0.9%
OLT - Net Profit	6,429,343	5,830,691	598,652	10.3%
Insurance	9,276,082	11,359,643	(2,083,561)	-18.3%
Franchise Fees	7,124,351	5,738,077	1,386,274	24.2%
TOTALS	71,754,603	72,302,875	(548,272)	-0.8%

FY 2015 Code Enforcement
Nuisance Abatement/Lien Collections

Month	Administrative Collection Fees		Miscellaneous		Penalty & Interest		Total Collections	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
July	1,601	1,875	1,690	1,366	37,790	35,459	41,081	38,700
August	877	1,950	1,432	1,489	48,014	53,878	50,323	57,317
September	1,275	1,475	993	1,568	32,299	57,003	34,567	60,046
October	1,275	1,575	1,040	1,305	22,962	38,168	25,277	41,048
Totals	5,028	6,875	5,155	5,728	141,064	184,508	151,247	197,111

2015 Fiscal Year - Cash Flow Variance Revenue (Actual to Budget)

For the four months ended Oct 31, 2014	ACTUAL	BUDGET	Variance
Revenue			
Payroll Withholding	$48,924,827	$52,334,523	($3,409,696)
Net Profit	6,429,343	6,246,005	183,338
Insurance	9,276,082	10,376,674	(1,100,592)
Franchise Fees	7,124,351	5,559,242	1,565,109
Other Licenses & Permits	1,066,463	1,012,067	54,396
Ad Valorem	476,635	847,661	(371,026)
Services	7,791,902	8,393,586	(601,683)
Fines and Forfeitures	87,550	83,064	4,486
Property Sale	49,561	16,364	33,197
Intergovernmental	120,281	132,609	(12,328)
Investment Income	305,508	93,333	212,175
Other Financing Sources	50,000	50,000	
Other Income	1,201,238	711,059	490,179
Total Revenue	**$82,903,742**	**$85,856,186**	**($2,952,444)**

2015 Fiscal Year - Cash Flow Variance Expense (Actual to Budget)

For the four months ended Oct 31, 2014	ACTUAL	BUDGET	Variance
Expenses			
Personnel	($55,846,367)	($58,971,602)	$3,125,236
Operating	(12,138,646)	(14,583,393)	2,444,747
Debt Service	(11,853,727)	(11,873,240)	19,513
Partner Agencies	(5,619,040)	(6,798,448)	1,179,407
Insurance - Expense	(1,014,737)	(1,014,737)	
Operating Capital Expenditures	(195,393)	(155,236)	(40,157)
Total Expenses	**(86,667,911)**	**(93,396,657)**	**6,728,746**
Interfund Transfers			
Transfers	(700,883)	(819,947)	119,064
Change in Net Position	**(4,465,052)**	**(8,360,418)**	**3,895,365**

2015 Fiscal Year - Cash Flow Variance Revenue (CY to PY)

Current YTD Actual compared to Prior YTD Actual	Oct 2014	Oct 2013	Variance
Revenue			
Payroll Withholding	$48,924,827	$49,374,464	($449,637)
Net Profit	6,429,343	5,830,691	598,652
Insurance	9,276,082	11,359,643	(2,083,561)
Franchise Fees	7,124,351	5,738,077	1,386,274
Other Licenses & Permits	1,066,463	1,205,269	(138,806)
Ad Valorem	476,635	906,060	(429,425)
Services	7,791,902	8,685,983	(894,081)
Fines and Forfeitures	87,550	88,410	(860)
Property Sale	49,561	19,250	30,311
Intergovernmental	120,281	556,741	(436,460)
Investment Income	305,508	(33,170)	338,678
Other Financing Sources	50,000	50,000	
Other Income	1,201,238	1,109,792	91,446
Total Revenue	**$82,903,742**	**$84,891,210**	**($1,987,468)**

2015 Fiscal Year - Cash Flow Variance Expense (CY to PY)

Current YTD Actual compared to Prior YTD Actual	Oct-2014	Oct-2013	Variance
Expenses			
Personnel	($55,846,367)	($55,314,399)	($531,967)
Operating	(12,138,646)	(10,961,311)	(1,177,335)
Debt Service	(11,853,727)	(10,805,107)	(1,048,620)
Partner Agencies	(5,619,040)	(6,303,811)	684,771
Insurance - Expense	(1,014,737)	(1,038,600)	23,863
Operating Capital Expenditures	(195,393)	(439,600)	244,207
Total Expenses	**(86,667,911)**	**(84,862,829)**	**(1,805,082)**
Interfund Transfers			
Transfers	(700,883)	(614,783)	(86,100)
Change in Net Position	**(4,465,052)**	**(586,402)**	**(3,878,650)**

- Questions ?

FY 2015 Budget

Budget & Finance Committee

November 18, 2014

General Services

Division of Facilities & Fleet Management

FY 2015 Professional Services Budget Increase

- Facilities Management Group
  - Increase of $225,000
    - Additional temporary labor for custodial to cover vacancies, workers compensation, etc.
    - 15 buildings upgraded custodial contracted services from limited public areas to full service.
    - 11 additional buildings, parking lots, sidewalks for snow removal.

FY 2015 Professional Services Budget Increase

- The Lyric
  - Increase of $10,000
    - All custodial for general and events is now done by price contracted outside labor contractor.
    - Did not request outside labor just increased custodial funding.
- Charles Young Community Center
  - Increase of $5,000
    - All custodial is now done by outside labor contractors on price contract.
      - Increase in custodial funding.

FY 2015 Professional Services Budget Overview – 11/3/14

Account Name	Acct.	Budget Period	Ratified Budget	Available Budget	Percent Available
Prof Srv- Engineering	71205	2015	0.00	-$2,000	0%
Prof Srv- Outside Labor	71207	2015	$200,000	$140,637	70.3%
Prof Srv- Custodial	71211	2015	$348,005	$184,663	53.1%
Prof Srv. – Other	71299	2015	$150,000	$95,237	63.5%
Totals:			**$698,005**	**$418,537**	**60.0%**
Lyric					
Prof Srv- Custodial	71211	2015	$80,000	$50,366.65	63.0%
Charles Young Center					
Prof Srv- Custodial	71211	2015	$20,000	$7,000	35.0%

FY 2014 vs. FY 2015 Comparison

Lyric- FY 2015 vs. FY 2014

Account	2014	2015	Diff ($)
Prof Svc-Custodial	$70,150	$80,000	14.0%
Operating Supplies & Expense	$3,000	$8,500	183.3%
Repairs & Maintenance	$29,400	$35,000	19.0%
Total:	$102,550	$123,500	20.4%

Charles Young Ctr. - FY 2015 vs. FY 2014

Account	2014	2015	Diff ($)
Prof Svc-Custodial	$15,000	$20,000	33.3%
Operating Supplies & Expense	$10,000	$10,000	0.0%
Repairs & Maintenance	$10,000	$20,000	100.0%
Total:	$35,000	$50,000	42.9%

FY 2015 Ratified Operating Budget

Lyric

Account Name	Budget	Available Budget as of 11/3/14	Percent Available
Overtime CERS	$10,000	$10,000	100.0%
Pension	$1,800	$1,800	100.0%
FICA	$600	$600	100.%
Unemployment Insurance	$20	$20	100.0%
Medicare	$100	$100	100.0%
Prof Srv- Custodial	$80,000	$50,367	63.0%
Electric	$45,100	$45,100	100.0%
Water	$1,870	$1,698	90.8%
Sewer User Fee	$1,870	$1,754	93.8%
Landfill User Fee	$200	$200	100.0%
Water Quality Fee	$200	$61	30.6%
Operating Supplies	$8,500	$6,782	79.8%
Repairs & Maintenance	$35,000	$26,949	77.0%
Total:	**$184,140**	**$145,431**	**79.0%**

FY 2015 Ratified Operating Budget

Charles Young Center

Account Name	Budget	Available Budget as of 11/3/14	Percent Available
Prof. Srv. – Custodial	$20,000	$7,000	35.0%
Electric	$7,600	$6,725.19	88.5%
Gas	$3,600	$3,432.83	95.4%
Water	$2,160	$2,048.78	94.9%
Sewer User Fee	$2,160	$2,108.94	97.6%
Landfill user Fee	$200	$200	100.0%
Water Quality Fee	$200	$61.10	30.6%
Operating Supplies	$10,000	$9,153.30	91.5%
Repairs & Maintenance	$20,000	$5,112.74	25.6%
Total:	**$65,520**	**$35,842.88**	**54.7%**

Questions?

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			
Activity Based Costing/Financial Efficiency	Lane	1-16-12	1.31.12
Economic Development Partner Agencies	Scutchfield	1-14-14	Sept Committee Meeting
Wellness Center & Lease	Stinnett	1-28-14	Dec Committee Meeting
AOC Reimbursement Policy	General Services Link	7-10-14	Dec Committee Meeting
Facilities & Fleet Professional Services Increase	General Services Link	7-10-14	Nov Committee Meeting
Lyric & Charles Young Maintenance Budget	General Services Link	7-10-14	Nov Committee Meeting
Lyric Financial Audit	General Services Link	7-10-14	Sept Committee Meeting

PAS 11.12.14