**Stinnett, Chair**
Moloney, Vice Chair
Kay
Lamb
Farmer
Scutchfield
Brown
Mossotti
Bledsoe
Hensley

# A G E N D A
# Budget, Finance & Economic Development Committee
# October 27, 2015
# 1:00 P.M.



**"The Budget, Finance and Economic Development Committee, to which shall be referred matters relating to the Department of Finance and Administration and the Office of Economic Development respectively, including but not limited to accounting; budgeting; purchasing; revenue; the urban county courts and constitutional officers; fiscal operations of the government; revenues and expenditures of the government and organization changes which affect the fiscal operations of the government (consideration limited to operational aspects only). Additionally, this committee shall review the final audit report and management letter of the accounting firm selected 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, 2015. Adopted by the Urban County Council September 25, 2014.

<u>2015 Meeting Schedule</u>

| | |
|---|---|
| January 27 | June 23 |
| February 24 | August 25 |
| March 17 | September 22 |
| April 28 | October 27 |
| May 26 | December 1 |

**Budget, Finance & Economic Development**
September 22, 2015
Summary and Motions

---

Chair Stinnett called the meeting to order at 1:00 p.m. All Committee Members were in attendance.

**I. August 25, 2015 Committee Summary**

A motion was made by Farmer to approve the August 25, 2015 Budget, Finance & Economic Development Committee Summary, seconded by Bledsoe. The motion passed without dissent.

**II. August Monthly Financials General Fund**

Bill O'Mara, Commissioner of Finance, gave a presentation of the August Monthly Financials General Fund. Rusty Cooke, Director of Revenue, also presented the top four funds.

Kay inquired why there has been a drop in abatement and lien collections. Cooke stated he could return with this information.

F. Brown had a question about operating capital expenditure and O'Mara stated he will respond with this information via email.

Moloney inquired if they anticipate a continued surplus in coming months. O'Mara stated he was not prepared to project a 12 month trend from 2 month information and stated they budged for more revenue to come in.

Lamb inquired if a fund balance discussion will be help at next month's meeting, to which Stinnett replied that it will, as soon as the numbers are available.

F. Brown inquired about the reported Fund Balance and O'Mara clarified the line items. F. Brown further inquired about using the Fund Balance for the Snow Plan. Stinnett stated they have previously received an answer from Melissa Leuker. F. Brown stated his desire to revisit this issue, to consider changing the guidelines for this fund.

Stinnett inquired how much of the $31.4M is in each fund: street cleaning, street lights and garbage. O'Mara stated there is only one fund, the Urban Services Fund, and this amount is used to determine the amounts for each of those programs. O'Mara further noted they are working on these determinations and will bring them to Council. Stinnett inquired from a legal standpoint if they can use money from any of the three programs for the Fund Balance. O'Mara stated he would defer to Law. Stinnett stated he would like this information to be returned to Council. Stinnett noted he would like to discuss why they are taking $2M out of the General Fund for streetlights, if this money could be used.

Mossotti noted the usage of these funds is hampered by tax rates. O'Mara affirmed and noted previous conversation about changing those rates.

Kay stated his desire to see this list of the funds at the next meeting and law available to answer these questions.

Moloney stated he believes the money can only be used for solid waste and that to use it for snow removal would not be legal.

**III. Monthly Budget Report Other Funds**

**IV. Economic Contingency Fund**

Tyler Scott, from Finance, gave a presentation of the Economic Contingency Fund.

Farmer stated they went through the largest economic downturn of our lifetimes and feels it is time to discuss the amount and its usefulness. Scott stated it is a middle ground of the best practices across the country. Farmer noted the majority is in bonds. O'Mara stated the likelihood of using these funds quickly is very slim and noted they can be sold at any time and 50% will yield conservative growth over time. Farmer further noted he feels they are approaching a point where they can begin doing something different. O'Mara stated it difficult to determine a standard to recommend to Council at this point. Farmer inquired if the ordinance states what to do once the 10% goal is reached, to which O'Mara stated it does not. Farmer stated he would like to see options for this brought back to Council. Stinnett informed the reason they chose 10% was to match debt service. Stinnett affirmed they are close to this goal.

F. Brown stated he believes the fund should be capped. He further noted the returns they receive are not much and that it costs more to bond them. O'Mara stated this is correct. F. Brown noted the City's infrastructure needs and stated he would like to cap this fund and use the remainder for infrastructure.

Kay inquired about the Projection Illustration numbers and how the Fund Balance is estimated. O'Mara stated they looked at the average growth in the past few years, and used this assumption to calculate. Noting the cost of delayed maintenance of the City's infrastructure, Kay stated he would like to see Council look at changing the basis of the Economic Contingency Funds.

<u>A motion was made by Kay to bring a proposal forward for alternative options for the Economic Contingency Funds, seconded by Mossotti. The motion passed without dissent.</u>

Hensley inquired if the high amount helps to get lower interest rates for borrowing and bonding. O'Mara stated Lexington does get some marks because there is a standing ordinance with calculations tied to it. Hensley inquired if there are benchmarks to aim for to get lower interest rates. O'Mara stated he was not privy to all of that information but noted other factors are also weighted into the decision. Hensley inquired if they could explore ideas to keep the funds intact but also render them more appealing to investors, to which O'Mara replied investors like the money to be hard to access.

Moloney inquired if there is a target percent that will allow them to receive a better rate for bonding. O'Mara stated this is not something he can answer definitely. Moloney stated he hopes they do not touch this money.

Bledsoe stated three areas of citizens' concerns are paving, safe parks and public safety. She noted that none of these things have a dedicated funding, and at some point they will need to catch up to these needs.

**V. Kentucky World Trade Center**

Bledsoe introduced Sherri Mulkin and Ed Webb, Director of World Trade Center Kentucky, who gave a presentation of the Kentucky World Trade Center.

F. Brown inquired if the only location is in Lexington KY. Webb stated there is a satellite office in Louisville. F. Brown further inquired if Louisville contributes money or grants and Webb replied that they give roughly $75,000 a year and provide office space.

**Items Referred**

<u>A motion was made by F. Brown to remove Activity Based Costing/Financial Efficiency from Committee, seconded by Mossotti. The motion passed without dissent.</u>

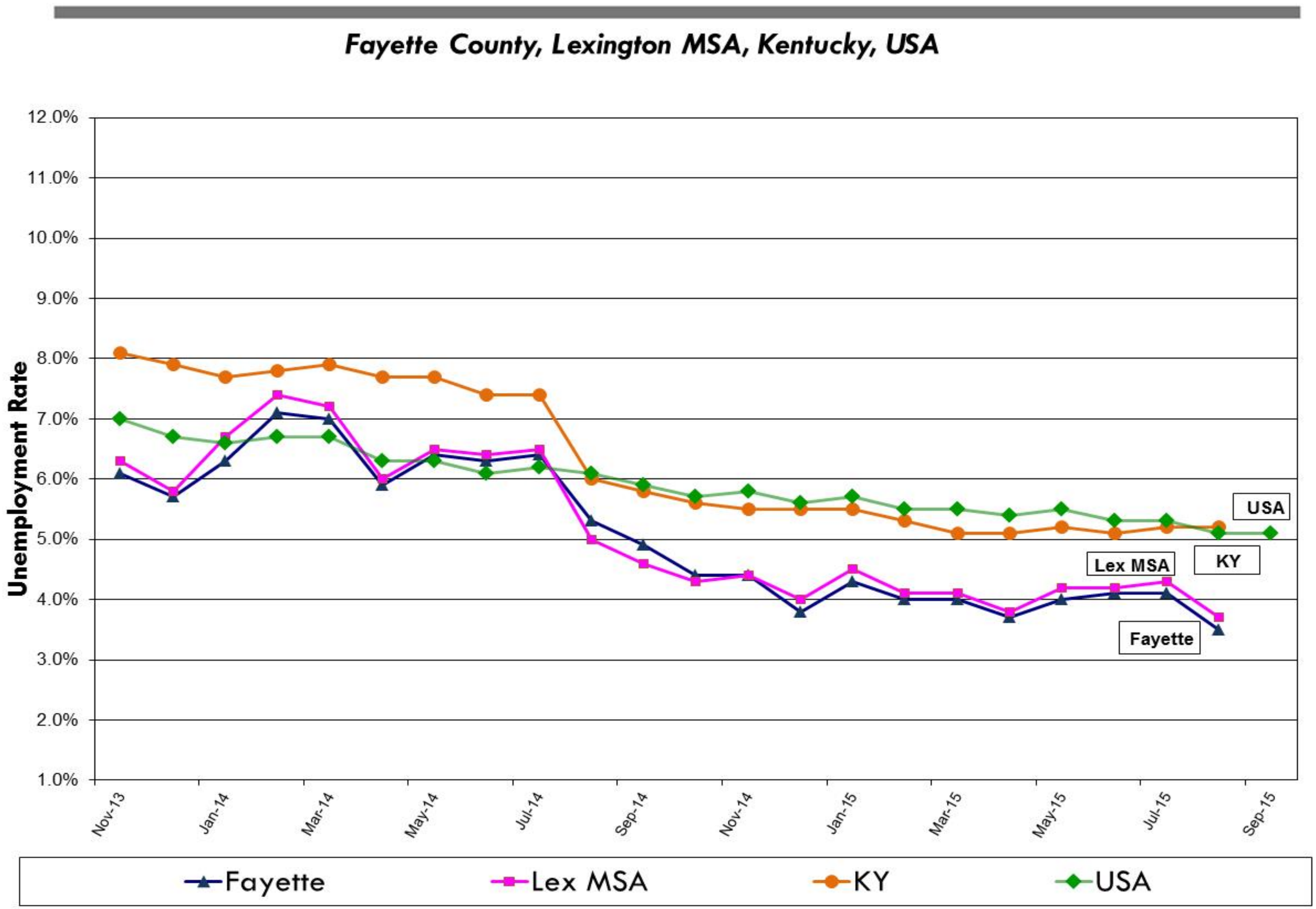
<u>A motion was made by Bledsoe to adjourn, seconded by Mossotti. The motion passed without dissent.</u>

# Budget, Finance & Economic Development Committee

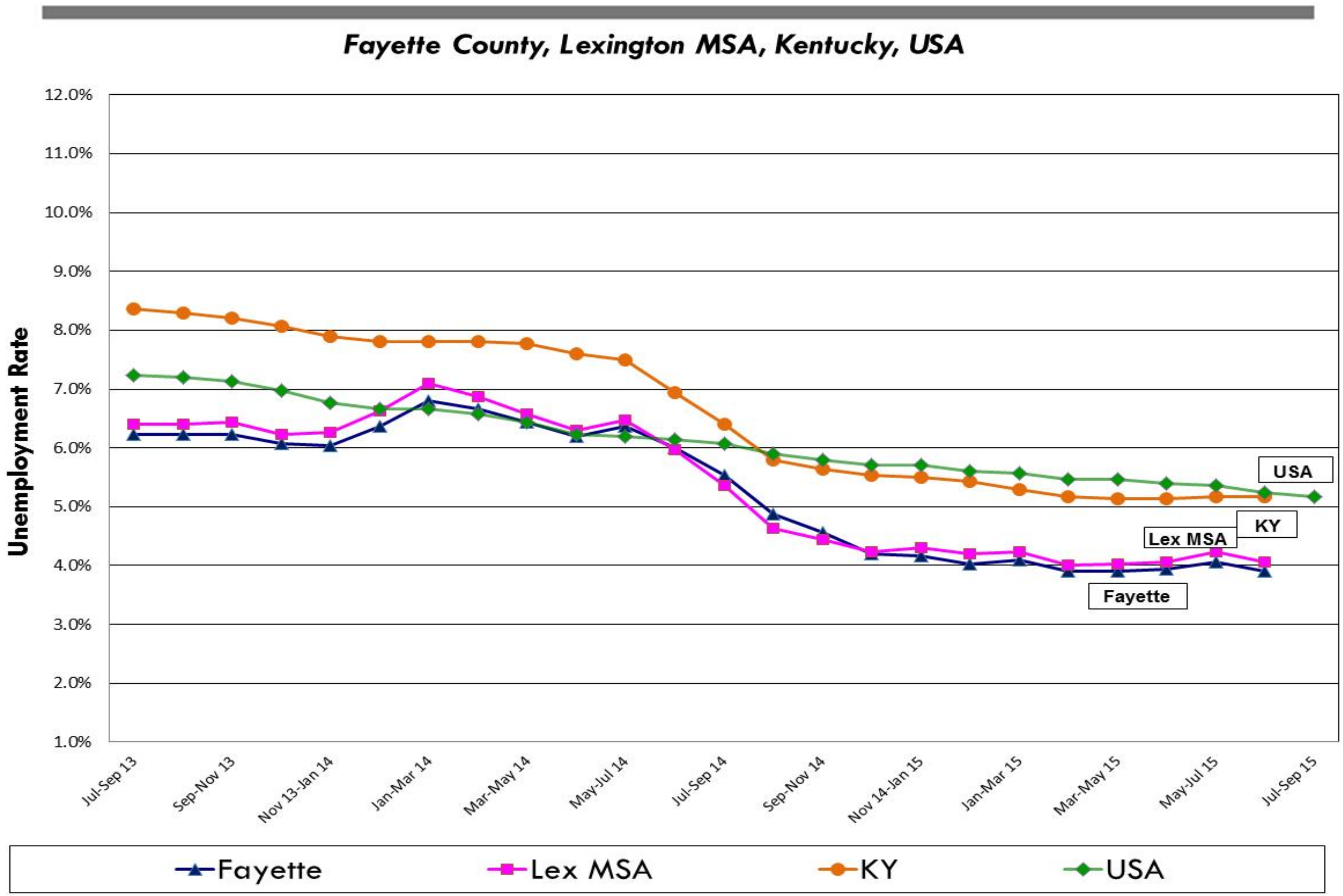
Financial Update

October 27, 2015

# Comparative Unemployment Rates



# Comparative Unemployment Rates
## Three Month Moving Average



# Comparison of Economic Indicators 2014 / 2015

**Comparison of Economic Indicators**

| Economic Indicators | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fayette County Unemployment Rate | 2013 | 6.3% | 6.3% | 6.1% | 5.5% | 5.9% | 6.5% | 6.0% | 5.8% | 5.7% | 5.6% | 5.3% | 4.9% |
| | 2014 | 5.6% | 6.0% | 5.8% | 4.8% | 5.1% | 5.2% | 5.1% | 4.6% | 4.2% | 3.9% | 4.0% | 3.6% |
| | 2015 | 4.3% | 4.0% | 4.0% | 3.7% | 4.0% | 4.1% | 4.2% | 3.5% | N/A | | | |
| Quarterly Fayette County Employment | 2013 | - | - | 178,300 | - | - | 180,245 | - | - | 182,935 | - | - | 189,560 |
| | 2014 | - | - | 180,078 | - | - | 184,553 | - | - | 184,658 | - | - | 191,287 |
| | 2015 | - | - | 184,932 | - | - | 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 | 1,815 | 1,660 | 1,696 | 1,529 | 1,399 | 1,605 | 1,058 | 1,112 |
| | 2015 | 1,134 | 1,858 | 1,019 | 1,108 | 1,431 | 1,551 | 1,319 | 1,523 | 1,595 | - | - | - |
| Fayette County New Business Business Licenses | 2013 | 218 | 258 | 339 | 634 | 456 | 222 | 152 | 218 | 183 | 285 | 195 | 164 |
| | 2014 | 244 | 280 | 366 | 807 | 279 | 187 | 194 | 213 | 219 | 242 | 158 | 137 |
| | 2015 | 197 | 224 | 330 | 749 | 362 | 198 | 198 | 283 | 260 | - | - | - |
| Home Sales (MSA) | 2013 | 511 | 541 | 758 | 809 | 984 | 956 | 1,075 | 1,009 | 829 | 790 | 725 | 618 |
| | 2014 | 524 | 517 | 693 | 787 | 997 | 1,069 | 1,006 | 1,021 | 854 | 860 | 681 | 794 |
| | 2015 | 571 | 651 | 884 | 963 | 1,140 | 1,346 | 1,334 | 1,165 | 1,072 | - | - | |
| Fayette County Foreclosures | 2013 | 79 | 44 | 46 | 42 | 38 | 54 | 89 | 52 | 41 | 47 | 39 | 45 |
| | 2014 | 31 | 40 | 34 | 53 | 16 | 53 | 35 | 25 | 46 | 25 | 42 | 25 |
| | 2015 | 33 | 20 | 36 | 24 | 18 | 43 | 18 | 41 | 12 | - | - | - |

N/A indicates information not available.
BLS Releases Date for Fayette Co. Quarterly Employment - 6 months after quarter end

# September 2015 MTD
# Actual Compared to Adopted Budget

**September 2015 Monthly Actual Compared to Adopted Budget**

| Revenue Category | Actual | Budget | Variance | % Var |
|---|---|---|---|---|
| OLT- Employee Withholding | 14,289,214 | 15,499,005 | (1,209,791) | -7.8% |
| OLT - Net Profit | 4,654,443 | 4,103,751 | 550,692 | 13.4% |
| Insurance | 1,663 | 5,595 | (3,932) | -70.3% |
| Franchise Fees | 1,723,843 | 1,794,814 | (70,971) | -4.0% |
| **TOTALS** | 20,669,163 | 21,403,165 | (734,002) | -3.4% |

# September 2015 YTD
# Actual Compared to Adopted Budget

**September YTD Actual Compared to Adopted YTD Budget**

| Revenue Category | Actual | Budget | Variance | % Var |
|---|---|---|---|---|
| OLT- Employee Withholding | 45,568,660 | 44,098,424 | 1,470,236 | 3.3% |
| OLT - Net Profit | 5,915,127 | 5,150,831 | 764,296 | 14.8% |
| Insurance | 7,131,064 | 6,864,693 | 266,371 | 3.9% |
| Franchise Fees | 5,626,527 | 6,190,606 | (564,079) | -9.1% |
| **TOTALS** | 64,241,378 | 62,304,554 | 1,936,824 | 3.1% |

# September 2015 YTD/September 2014 YTD
# Current Year Compared to Prior Year

**Actual YTD Compared to Actual Prior YTD**

| Revenue Category | Sep '15 YTD | Sep '14 YTD | Variance | % Var |
|---|---|---|---|---|
| OLT- Employee Withholding | 45,568,660 | 42,422,872 | 3,145,788 | 7.4% |
| OLT - Net Profit | 5,915,127 | 5,343,334 | 571,793 | 10.7% |
| Insurance | 7,131,064 | 6,672,874 | 458,190 | 6.9% |
| Franchise Fees | 5,626,527 | 5,444,207 | 182,319 | 3.3% |
| **TOTALS** | 64,241,378 | 59,883,288 | 4,358,090 | 7.3% |

# FY 2016 Code Enforcement Nuisance Abatement/Lien Collections

**Code Enforcement Lien Collections**

| Month | Administrative Collection Fees | | Miscellaneous | | Penalty & Interest | | Total Collections | |
|---|---|---|---|---|---|---|---|---|
| | FY 2016 | FY 2015 | FY 2016 | FY 2015 | FY 2016 | FY 2015 | FY 2016 | FY 2015 |
| July | 476 | 1,601 | 546 | 1,690 | 18,043 | 29,846 | 19,065 | 33,137 |
| August | 600 | 877 | 308 | 1,432 | 14,984 | 48,014 | 15,892 | 50,323 |
| September | 969 | 1,275 | 2,072 | 993 | 52,780 | 29,689 | 55,821 | 31,957 |
| Totals | 2,045 | 3,753 | 2,926 | 4,115 | 85,808 | 107,549 | 90,779 | 115,417 |

# 2016 Fiscal Year - Cash Flow Variance Revenue (Actual to Budget)

| For the three months ended Sep 30, 2015 | ACTUAL | BUDGET | Variance |
|---|---|---|---|
| **Revenue** | | | |
| Payroll Withholding | $45,568,660 | $44,098,424 | $1,470,237 |
| Net Profit | 5,915,127 | 5,150,831 | 764,296 |
| Insurance | 7,131,064 | 6,864,693 | 266,371 |
| Franchise Fees | 5,626,527 | 6,190,606 | (564,079) |
| Other Licenses & Permits | 664,758 | 665,967 | (1,209) |
| Ad Valorem | 517,531 | 312,468 | 205,063 |
| Services | 6,109,143 | 5,791,226 | 317,917 |
| Fines and Forfeitures | 31,530 | 56,845 | (25,315) |
| Property Sale | 61,120 | 15,000 | 46,120 |
| Intergovernmental | 96,945 | 50,959 | 45,986 |
| Investment Income | 270,905 | 109,316 | 161,589 |
| Other Income | 1,120,467 | 675,751 | 444,715 |
| **Total Revenue** | **$73,113,776** | **$69,982,085** | **$3,131,691** |

# 2016 Fiscal Year - Cash Flow Variance Expense (Actual to Budget)

| For the three months ended Sep 30, 2015 | ACTUAL | BUDGET | Variance |
|---|---|---|---|
| ***Expenses*** | | | |
| *Personnel* | ($44,077,049) | ($44,535,481) | $458,432 |
| *Operating* | (9,747,428) | (8,899,594) | (847,833) |
| *Debt Service* | (9,205,231) | (9,205,231) | (0) |
| *Partner Agencies* | (3,474,231) | (4,471,071) | 996,840 |
| *Insurance - Expense* | (994,644) | (994,644) | 0 |
| *Operating Capital Expenditures* | (329,954) | (258,230) | (71,724) |
| ***Total Expenses*** | **(67,828,536)** | **(68,364,250)** | **535,714** |
| ***Interfund Transfers*** | | | |
| *Transfers* | (243,222) | (254,638) | 11,416 |
| ***Change in Net Position*** | **5,042,017** | **1,363,196** | **3,678,822** |

# 2016 Fiscal Year - Cash Flow Variance Revenue (CY to PY)

| | Sep 2015 | Sep 2014 | Variance |
|---|---|---|---|
| ***Revenue*** | | | |
| ***Payroll Withholding*** | $45,568,660 | $42,422,872 | $3,145,788 |
| ***Net Profit*** | 5,915,127 | 5,343,334 | 571,793 |
| ***Insurance*** | 7,131,064 | 6,672,874 | 458,190 |
| ***Franchise Fees*** | 5,626,527 | 5,444,207 | 182,319 |
| ***Other Licenses & Permits*** | 664,758 | 678,208 | (13,450) |
| ***Ad Valorem*** | 517,531 | 324,598 | 192,933 |
| ***Services*** | 6,109,143 | 6,202,418 | (93,275) |
| ***Fines and Forfeitures*** | 31,530 | 57,930 | (26,400) |
| ***Property Sale*** | 61,120 | | 61,120 |
| ***Intergovernmental*** | 96,945 | 39,127 | 57,818 |
| ***Investment Income*** | 270,905 | 118,152 | 152,753 |
| ***Other Financing Sources*** | | 50,000 | (50,000) |
| ***Other Income*** | 1,120,467 | 689,654 | 430,813 |
| ***Total Revenue*** | **$73,113,776** | **$68,043,374** | **$5,070,402** |

# 2016 Fiscal Year - Cash Flow Variance Expense (CY to PY)

| | Sep 2015 | Sep 2014 | Variance |
|---|---|---|---|
| ***Expenses*** | | | |
| ***Personnel*** | ($44,077,049) | ($41,874,281) | ($2,202,767) |
| ***Operating*** | (9,747,428) | (8,196,542) | (1,550,886) |
| ***Debt Service*** | (9,205,231) | (8,323,870) | (881,361) |
| ***Partner Agencies*** | (3,474,231) | (4,476,620) | 1,002,389 |
| ***Insurance - Expense*** | (994,644) | (959,646) | (34,997) |
| ***Operating Capital Expenditures*** | (329,954) | (49,054) | (280,900) |
| ***Total Expenses*** | **(67,828,536)** | **(63,880,013)** | **(3,948,524)** |
| ***Interfund Transfers*** | | | |
| ***Transfers*** | (243,222) | (586,088) | 342,866 |
| ***Change in Net Position*** | **5,042,017** | **3,577,273** | **$1,464,745** |

- Questions ?

# Fund 4002 Sanitary Sewers Operating Fund

Revenue & Expenditures Statement

Year to Date Through September 30, 2015

| Title | Original Budget | Amended Budget | YTD Through 9/30/2015 | Remaining Budget | Percent Collected/Used |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Charges for Services | 54,283,000 | 54,283,000 | 14,369,159 | 39,913,841 | 26.5% |
| Fines and Forteitures | 5,000 | 5,000 | 1,290 | 3,710 | 25.8% |
| Property Sales | | | 4,500 | 4,500 | 0.0% |
| Investment Income (non-op) | 256,000 | 256,000 | 150,987 | 105,013 | 59.0% |
| Other Income | 20,000 | 20,000 | 16,919 | 3,081 | 84.6% |
| Total Revenue | 54,564,000 | 54,564,000 | 14,542,855 | 40,030,145 | 26.7% |
| | | | | | |
| Expenses: | | | | | |
| Personnel | 10,417,830 | 10,417,830 | 2,345,669 | 8,072,161 | 22.5% |
| Operating Expenses | 23,938,820 | 24,114,067 | 6,014,925 | 18,099,142 | 24.9% |
| Capital | 5,727,000 | 9,195,426 | 1,715,050 | 7,480,376 | 18.7% |
| Total Expenditures | 40,083,650 | 43,727,323 | 10,075,644 | 33,651,680 | 23.0% |
| | | | | | |
| Net Difference | 14,480,350 | 10,836,677 | 4,467,212 | | |
| | 14,480,350 | 10,836,677 | | | |

FUNDS 4002-4004:

**Unrestricted Fund Balance 6.30.15 $0 M**

**Capital Reserves $46.9 M**

# Fund 4003 Sanitary Sewers Construction Fund

Revenue & Expenditures Statement

Year to Date Through September 30, 2015

| Title | Original Budget | Amended Budget | YTD Through 9/30/2015 | Remaining Budget | Percent Collected/Used |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Charges for Services | | | 47,481 | | 0.0% |
| Intergovernmental Revenue | | | 5,606,286 | | 0.0% |
| Other Financing Sources | 63,901,520 | 63,901,520 | | 63,901,520 | 0.0% |
| Total Revenue | 63,901,520 | 63,901,520 | 5,653,767 | 63,901,520 | 8.8% |
| | | | | | |
| Expenses: | | | | | |
| Operating Expenses | 1,490,000 | 7,457,501 | 287,628 | 7,169,873 | 3.9% |
| Transfers | | 950 | | 950 | 0.0% |
| Capital | 43,730,400 | 105,304,129 | 6,980,834 | 98,323,295 | 6.6% |
| Total Expenditures | 45,220,400 | 112,762,580 | 7,268,462 | 105,494,119 | 6.4% |
| | | | | | |
| Net Difference | 18,681,120 | -48,861,060 | -1,614,695 | | |
| | 18,681,120 | -48,861,060 | | | |

FUNDS 4002-4004:

**Capital Reserves** **$46.9 M**

# Fund 4051 Water Quality Operating Fund

Revenue & Expenditures Statement

Year to Date Through September 30, 2015

| Title | Original Budget | Amended Budget | YTD Through 9/30/2015 | Remaining Budget | Percent Collected/Used |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Charges for Services | 13,758,800 | 13,758,800 | 3,383,718 | 10,375,082 | 24.6% |
| Fines and Forteitures | 10,000 | 10,000 | 12,842 | -2,842 | 128.4% |
| Investment Income (non-op) | 25,000 | 25,000 | 33,325 | -8,325 | 133.3% |
| Other Income | 1,500 | 1,500 | 55 | 55 | 0.0% |
| Total Revenue | 13,795,300 | 13,795,300 | 3,429,940 | 10,363,970 | 24.9% |
| | | | | | |
| Expenses: | | | | | |
| Personnel | 5,197,840 | 5,197,840 | 1,176,771 | 4,021,069 | 22.6% |
| Operating Expenses | 3,437,400 | 4,084,681 | 488,895 | 3,595,786 | 12.0% |
| Capital | 1,550,200 | 1,608,060 | 151,932 | 1,456,128 | 9.4% |
| Total Expenditures | 10,185,440 | 10,890,581 | 1,817,597 | 9,072,984 | 16.7% |
| | | | | | |
| Net Difference | 3,609,860 | 2,904,719 | 1,612,343 | | |
| FY Available Fund Balance | 0 | 0 | | | |
| | 3,609,860 | 2,904,719 | | | |
| **Unrestricted Fund Balance 6.30.15** | **8.8 M** | | | | |

# Fund 4052 Water Quality Construction Fund

Revenue & Expenditures Statement

Year to Date Through September 30, 2015

| Title | Original Budget | Amended Budget | YTD Through 9/30/2015 | Remaining Budget | Percent Collected/Used |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Intergovernmental Revenue | | | 342,046 | | |
| Total Revenue | 0 | 0 | 342,046 | 0 | 0.0% |
| | | | | | |
| Expenses: | | | | | |
| Operating Expenses | 4,052,000 | 9,348,070 | 359,609 | 8,988,461 | 3.8% |
| Capital | 2,715,000 | 5,873,676 | 392,712 | 5,480,964 | 6.7% |
| Total Expenditures | 6,767,000 | 15,221,746 | 752,320 | 14,469,426 | 4.9% |
| | | | | | |
| Net Difference | -6,767,000 | -15,221,746 | -410,274 | | |
| FY Available Fund Balance | 8,700,000 | 8,700,000 | | | |
| | 1,933,000 | -6,521,746 | | | |
| **Unrestricted Fund Balance** | | | | | |
| **6.30.15** | **8.8 M** | | | | |

# Fund 4121 Landfill Operating Fund

Revenue & Expenditures Statement

Year to Date Through September 30, 2015

| Title | Original Budget | Amended Budget | YTD Through 9/30/2015 | Remaining Budget | Percent Collected/Used |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Charges for Services | 7,095,830 | 7,095,830 | 1,670,653 | 5,425,177 | 23.5% |
| Investment Income (non-op) | | | | 0 | 0.0% |
| Other Income | | | 687 | 687 | 0.0% |
| Total Revenue | 7,095,830 | 7,095,830 | 1,671,340 | 5,425,864 | 23.6% |
| | | | | | |
| Expenses: | | | | | |
| Personnel | 836,460 | 836,460 | 189,373 | 647,087 | 22.6% |
| Operating Expenses | 4,442,420 | 4,589,214 | 532,536 | 4,056,678 | 11.6% |
| Capital | 2,529,660 | 2,548,038 | 127,225 | 2,420,813 | 5.0% |
| Total Expenditures | 7,808,540 | 7,973,712 | 849,134 | 7,124,578 | 10.6% |
| | | | | | |
| Net Difference | -712,710 | -877,882 | 822,206 | | |
| FY Available Fund Balance | 16,000,000 | 16,000,000 | | | |
| | 15,287,290 | 15,122,118 | | | |
| **Unrestricted Fund Balance 6.30.15** | **18.8** | | | | |

# Fund 4122 Landfill Construction Fund

Revenue & Expenditures Statement

Year to Date Through September 30, 2015

| Title | Original Budget | Amended Budget | YTD Through 9/30/2015 | Remaining Budget | Percent Collected/Used |
|---|---|---|---|---|---|
| Expenses: | | | | | |
| Operating Expenses | | 12,566 | | 12,566 | 0.0% |
| Total Expenditures | 0 | 12,566 | 0 | 12,566 | 0.0% |
| | | | | | |
| Net Difference | 0 | 12,566 | 0 | | |
| | 0 | 12,566 | | | |

# Fund 1115 Urban Svc Operating Fund

Revenue & Expenditures Statement

Year to Date Through September 30, 2015

| Title | Original Budget | Amended Budget | YTD Through 9/30/2015 | Remaining Budget | Percent Collected/Used |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Licences and Permits | 1,450,000 | 1,450,000 | | 1,450,000 | 0.0% |
| Taxes | 33,897,670 | 34,028,000 | 194,331 | 33,833,669 | 0.6% |
| Charges for Services | 2,143,500 | 2,143,500 | 356,296 | 1,787,204 | 16.6% |
| Fines and Forteitures | 800 | 800 | 354 | 446 | 44.3% |
| Intergovernmental Revenue | 64,920 | 64,920 | | 64,920 | 0.0% |
| Property Sales | | | 68,320 | 68,320 | 0.0% |
| Investment Income (non-op) | 260,000 | 260,000 | 134,013 | 125,987 | 51.5% |
| Other Income | 100,000 | 100,000 | 8,518 | 91,482 | 8.5% |
| Total Revenue | 37,916,890 | 38,047,220 | 761,832 | 37,422,028 | 2.0% |
| | | | | | |
| Expenses: | | | | | |
| Personnel | 14,245,230 | 14,235,692 | 3,144,433 | 11,091,259 | 22.1% |
| Operating Expenses | 22,656,710 | 23,186,703 | 4,849,860 | 18,336,843 | 20.9% |
| Transfers Out | -2,200,000 | -2,200,000 | | -2,200,000 | 0.0% |
| Capital | 5,918,480 | 10,243,315 | 1,894,807 | 8,348,508 | 18.5% |
| Total Expenditures | 40,620,420 | 45,465,710 | 9,889,100 | 35,576,610 | 21.8% |
| | | | | | |
| Net Difference | -2,703,530 | -7,418,490 | -9,127,268 | | |
| FY Available Fund Balance | 33,380,200 | 33,380,200 | | | |
| | 30,676,670 | 25,961,710 | | | |

FUND 1115:

**Restricted for Urb Svc** **$31.4M**

Lexington-Fayette Urban County Government
DEPARTMENT OF LAW

Jim Gray
Mayor

Janet M. Graham
Commissioner

TO: Kevin Stinnett, Chair
Budget and Finance Committee

FROM: Department of Law

DATE: October 5, 2015

RE: Use of Special Taxes or Fees to Supplement the Costs of Snow Removal or Paving

The Council Budget and Finance Committee has requested an opinion regarding the legality of using Urban Service taxes or a special fee (i.e., a user fee) to supplement the cost of snow removal or road repaving.

As further explained below, it would be difficult to expend these types of funds on either snow removal or road paving in a manner that is legally defensible; therefore it is the opinion of the Department of Law that such funds should not be used for these proposed purposes.

Attached is a March 20, 1997, memorandum from Commissioner of Law Mary Ann Delaney to Council Member Robert Jefferson which provides a general detailed legal analysis of the various issues that arise from this proposal. The supporting law provided in the attached memorandum remains the same. A brief summary of the legal issues follows.

There are significant legal limitations placed upon the use of both special taxes and user fees. First and foremost, neither source of funding can lawfully be spent for a purpose other than that for which it was adopted. (see, e.g., Section 180 of the KY Const.; KRS 67A.150; KRS 68.100; KRS 91A.510, et. seq.; and KRS 92.340). With respect to special taxes, there is both statutory authority and case law making public officials ***personally liable*** for such misappropriations. (see, e.g., City of Newport v. McLane, 77 S.W.2d 27 (Ky. App. 1934)(holding city council members liable for the temporary transfer of funds from a sinking fund to the general fund); KRS 68.110; KRS 92.340).

The 3 special urban services taxes were specifically adopted for street lighting, street cleaning, and garbage and refuse collection (see Section 2.06 of the Urban County Charter, as amended). None of these purposes are related to snow removal or street paving. Additionally, the Department of Law is not aware of a user fee (e.g., sewer fee, water quality management fee, landfill user fee) that was adopted for the purpose of removing snow or paving.

There are additional limitations on the use of special taxes or user fees. Special taxes can only be spent to benefit the properties which are located within the boundaries of the special taxing district (see, e.g., KRS 67A.150; Section 2.01 and 2.02 of the Urban County Charter). Those citizens who pay a user fee, or the properties located within a special taxing district, must receive or be entitled to receive a benefit or service over and above that received by others (Id.; McQuillin Municipal Corp. Sec. 44.24; C.J.S. Taxation Sec. 3; Barber v. Commissioner of Revenue, 674 S.W.2d 18 (Ky. App. 1984). In other words, neither a special tax nor a user fee is intended to confer a benefit to the general public. Additionally, both a special tax and a user fee are supposed to provide for a uniformity of services within the taxing district or among those paying the fee (KRS 67A.150; Section 2.01 and 2.02 of the Urban County Charter; Barber).

Because of these limitations, it would be difficult to design and operate a defensible snow removal or paving plan using these types of funding sources -- even if the Urban County Council adopted a tax or fee for these specific purposes.[1] Instead, snow removal and paving are treated and provided as the types of services that benefit the general public (see, e.g., the listing of general services provided in Article 2.05 of the Urban County Charter, which includes streets and highways).

Please contact me should you have any additional questions related to this matter.

David J. Barberie
Managing Attorney

cc: Paul Schoninger, Legislative Aide
Sally Hamilton, Chief Administrative Officer
William O'Mara, Commissioner of Finance
Janet M. Graham Commissioner of Law
Melissa Lueker, Director of Budgeting

00503549

[1] It should be noted that "flat" taxes or fees have been deemed unconstitutional in Kentucky (see Barber).

Lexington
Fayette
Urban
County
Government

DEPARTMENT OF LAW

TO: Robert Jefferson, Chair
Budget & Finance Committee

FROM: Mary Ann Delaney, Acting Commissioner of Law

DATE: March 20, 1997

RE: Urban Services District Funds

This is in response to your March 3 memorandum asking various questions relating to Urban Services Districts funds. Those questions were as follows:

1. Can ad valorem taxes from the Full and Partial Services Districts be used to pay for the disposal of solid waste? If not, please give the basis of this ruling.

2. Does privatization have any impact under number 1 on either collection or disposal?

3. Can ad valorem taxes collected for one service within the Full or Partial Service Districts be used for another service within that fund? For example, ad valorem taxes paid for street lights be used for the refuse collection?

4. Can the moneys in the fund balance in Fund 115 be used to roll back the Landfill User Fee?

The answer to each of the foregoing questions is in the negative and the basis for this response is set forth below.

**BACKGROUND**

In 1969, the Kentucky Constitution was amended to add Section 172A, which provides in pertinent part as follows:

> The General Assembly may provide for reasonable differences in the rate of ad valorem taxation within different areas of the same taxing districts on that class of

property which includes the surface of the land. Those differences shall relate directly to differences between non-revenue-producing governmental services and benefits giving land urban character which are furnished in one or several areas in contrast to other areas of the taxing district.

Based upon that provision, the Kentucky General Assembly in 1970 enacted KRS 82.085, which provides in pertinent part as follows:

(1) The legislative body of each city of the first, second, third, fourth, fifth, and sixth class may provide by ordinance, for reasonable differences in the rate of ad valorem taxation within different areas of the same taxing district on that class of property which includes the surface of the land. Those differences shall relate directly to differences between nonrevenue-producing governmental services and benefits giving the land urban character which are available in one or several areas of a taxing district in contrast to other areas of the same taxing district in which those services and benefits are not available.

(2) These nonrevenue-producing governmental services and benefits shall include, but shall not be limited to, police protection, fire protection, streets, street lighting, sidewalks, water service, and sewer facilities.

This statute gave cities the authority to vary property tax rates depending upon the public services that are available to the property in question. OAG 70-258.

Based upon the fact that urban county governments were by KRS 67A.060(1) given the powers of the highest class of city within the county prior to merger, the drafters of the Urban County Charter utilized the foregoing authorities to include provisions in Article 2 providing for "service districts" whereby property owners would "pay an ad valorem tax rate reasonably based upon the services provided." Section 2.01. Initially, the "additional" urban services provided by those services districts were sanitary sewers, street lighting, street cleaning, garbage and refuse collection, and such additional fire and police services as might be required. Section 2.06. However, the Council was given authority to redefine, add or reduce the services and functions within the services districts pursuant to the procedures in the Charter. Section 2.08. The Charter further provided that the

Council was to levy an ad valorem tax on the property within each services district and the "rate shall be based upon a reasonable estimate of the cash revenues required" to cover the appropriations for the costs of providing the services as set forth in the annual budget. Section 8.06.

Following adoption of the Charter by the voters on November 7, 1972, the Charter was tested in the courts in the case of Holsclaw v. Stephens, Ky., 507 S.W.2d 462 (1974). One provision specifically under attack was the authorization for services districts. The Court at page 476 upheld the services districts and stated as follows:

> We hold that Section 172A of the Constitution expressly authorizes the General Assembly to provide for reasonable differences in the rate of ad valorem taxation within different areas of the same taxing district on that class of property which includes the surface of the land. Those differences shall relate directly to differences between nonrevenue-producing governmental services and benefits giving land urban character which are furnished in one or several areas in contrast to other areas of the taxing district. KRS 82.085 expressly authorizes cities of the second class to levy ad valorem taxes at a different rate pursuant to that section of the Constitution. Since urban county government in Fayette County possesses all statutory powers granted to second-class cities it has authority to levy ad valorem taxes at different rates depending upon governmental services rendered.

After the initial Holsclaw decision was handed down on December 28, 1973, the Charter went into effect on January 1, 1974. In the ensuing 1974 General Assembly, specific statutes were adopted relating to the establishment of services districts by urban county governments. One, KRS 67A.150, provides in pertinent part as follows:

> Each service district shall constitute a separate tax district within which the urban-county government shall levy and collect taxes in accordance with the kind, type, level and character of the services provided by the urban county government in each of these districts.

Another, KRS 67A.850, states in pertinent part as follows:

> The taxing powers must be exercised by the urban-county government consistent with the Kentucky Constitution, Section 172A.

Finally, KRS 67A.860 establishes notice and hearing procedures for establishment of services districts which apply any time the Government intends to "extend urban services which may result in a tax increase to the property owner."

Later, in the 1970's, a suit was filed challenging the application by the Urban County Government of differentials in tax rates to personal property and severed mineral interests. The Court held in Jacobs v. LFUCG, 560 S.W.2d 10, 14 (1978) that the tax ordinances of the Urban County Government were unconstitutional and void to the extent they applied different tax rates from one services district to another on personal property and severed mineral interests based upon whether the property received one or more of the urban services. In other words, the Court held that the variable rates authorized by Constitution Section 172A and KRS 82.085 could only be applied to real property. Once again, as it had in Holsclaw, the Court made clear that the services districts authorized in the Charter were premised upon Constitution Section 172A. (The Court did not address whether the provisions of KRS Chapter 67A cited above replaced KRS 82.085 as to urban county governments, but continued to cite the latter.)

In 1978, KRS 67.650 was enacted to authorize the establishment of services districts by counties.

The decisions in Holsclaw and Jacobs relating to services districts were upheld in City of Louisville v. Fiscal Court of Jefferson County, Ky., 623 S.W.2d 219, 223 (1981).

## TAX RATES BASED UPON COST OF PROVIDING SERVICES

As set forth above, Kentucky Constitution 172A and KRS 82.085 require that the differentials in tax rates "relate directly" to the "difference" between furnishing services in one or several areas of the taxing district, in contrast to the remaining areas of the taxing district in which the urban services are not furnished. KRS 67A.150 and Charter Section 2.02 provide that in the services districts the government shall levy and collect taxes in accordance with the kind, type, level and character of the services provided by the Merged Government in each of the services districts.

Section 8.03 of the Charter requires the Urban County Government budget be divided into two parts. Part I deals with the General Services District and Part II deals with the Urban Services Districts. Each part, with respect to the operating funds, is to show a reasonable estimate of the cash revenues to be received, classified by source and proposed expenditures, by each office, department, agency and activity. As stated above, the tax rates shall be based upon a reasonable estimate of the cash revenues required to cover the appropriations for the costs of providing the services as set forth in the annual budgets. Sections 8.03 and 8.06.

Based on the foregoing, the Law Department in Opinions dated May 17, 1979 and December 16, 1981 opined that the rate of ad valorem taxation in the services districts must be reasonably related to the services provided and that all property owners receiving the same services must be charged the same ad valorem tax rate. The high court of Kentucky acknowledged in City of Louisville, supra, at 223 that:

> Although section 172A imposes the safeguard that any difference in tax rate must relate directly to the difference in service, it is conceded that the exact cost of a governmental service is difficult to compute and equally difficult to challenge.

## TAXES LEVIED FOR ONE PURPOSE CANNOT BE USED FOR ANOTHER PURPOSE

Section 180 of the Kentucky Constitution states as follows:

> Every act enacted by the General Assembly, and every ordinance and resolution passed by any county, city, town or municipal board or local legislative body, levying a tax, shall specify distinctly the purpose for which said tax is levied, and no tax levied and collected for one purpose shall ever be devoted to another purpose. (Emphasis added.)

Along the same lines, KRS 92.330 states in pertinent part as follows:

> All taxes and license fees levied or imposed by cities of the second to sixth class shall be levied or imposed by ordinance. The purpose for which each tax is levied or license fee imposed shall be specified in the ordinance, and the revenue therefrom shall be expended for no other purpose than that for which the tax was levied or the license fee imposed. (Emphasis added.)

In the same vein, KRS 68.100(1) provides in pertinent part as follows:

All county taxes shall be levied by order or resolution of the fiscal court. The purpose for which each tax is levied shall be specified in the order or resolution, and the revenue therefrom shall be expended for no other purpose than that for which the tax was levied. (Emphasis added.)

Also relating to county taxes, KRS 68.110(2) provides in part as follows:

The fiscal court shall not expend, or permit or authorize to be expended, any county revenue raised by taxes levied for one (1) purpose, for any other purpose than that specified in the order or resolution levying the tax. (Emphasis added.)

Finally, Charter Section 8.04 specifies as follows relating to Urban County Government revenues:

In no case shall the Council authorize the transfer of funds from one services district appropriation to another as specified in Parts I and II of the annual operating budget.

While there have been no judicial determinations with regard to Charter Section 8.04, the high court of Kentucky has determined that Constitution Section 180 and the foregoing statutes prevent the diversion of funds collected for one purpose to a different purpose.

In City of Ashland v. Board of Education of City of Ashland, 286 Ky. 69, 149 S.W.2d 728 (1941), the Court allowed the Board of Education of Ashland to use the excess amount created by a school bond to pay interest and principal on those bonds. The Court carefully noted at page 729, however, "... as a general proposition, a diversion to an entirely different and distinct purpose would encounter the force of § 180 of the Constitution."

The Court in Lawrence County v. Lawrence Fiscal Court, 130 Ky. 587, 113 S.W. 824, 825 (1908) explained Section 180 with this example:

What section 180 means is revenue raised for road purposes, for example, cannot be applied to educational purposes; and that a tax levied to build a courthouse cannot be used to repair a bridge....

In City of Frankfort v. Fuss, 235 Ky. 143, 29 S.W.2d 603, 606 (1930), a case dealing with the legality of indebtedness of the city, the Court stated:

> The ordinance levying taxes must distinctly specify the purpose for which it is levied, and the money may not be applied to any other, leaving unpaid the purpose so specified.

In Unemployment Compensation Commission v. Savage, 283 Ky. 301, 140 S.W.2d 1073 (1940), the Court disallowed an attempt by the Commonwealth to transfer unemployment funds of the state to the federal fund that served the same purpose. The Court also discussed Board of Education of Covington v. Board of Trustees of Public Library, 113 Ky. 234, 68 S.W. 10 (1902), a case in which it was held that a tax levied by a city for school purposes could not be used to maintain a public library. The Savage Court stated at page 1076 "[i]t may be observed that the purpose to which the Legislature attempted to divert the fund was a purpose closely akin to and allied with the general purpose for which the tax was levied, namely, education." However, the Court went on to say:

> We consider it no valid answer to this position to say that the transfer of the fund, if effected, would be for the same general purpose and effect as that for which it was levied, namely, the payment of unemployment compensation benefits. As pointed out above, the attempt to transfer by the Legislature of a tax levied by a city for school purposes to a fund to maintain a public library was for an educational purpose, closely akin to and allied with the purpose for which the tax was raised, nevertheless it was held that such an attempt to transfer was a violation of section 180 of the Constitution.

In City of Newport v. McLane, 256 Ky. 803, 77 S.W.2d 27, 31 (1934), the Court stated as follows:

> The courts, indeed all authorities, seemingly without an exception, agree that when a tax is levied whether by a fiscal court, city council, or a board of commissioners of a city, or trustees of a town, or other legislative body, by a resolution, ordinance, or other legislative procedure, specifying distinctly the purpose for which it is levied, the legislative body making the levy, after the tax shall have been collected, does not thereafter have any legislative authority over it for the purpose of diverting it so long as the purpose for which it was

> collected exists. A fortiori those administrative officials into whose custody and control the law entrusts the same with the authority to invest, preserve, or pay it out, are without authority to divert it. There is no manner in which or any purpose for which a tax levied and collected for a distinctly specified purpose may thereafter be diverted so long as the purpose exists for which it was levied, without violating section 180 of the Constitution. The levying it for a distinctly specified governmental purpose is, ex necessitatas, an appropriation for a protected use, and a tax levy so appropriated is beyond the power of officials, in their discretion, to divert it.

Subsequently, in Daily v. Smith's Adm'x., 297 Ky. 689, 180 S.W.2d 861 (1944), the Court examined the situation where a taxpayer sued the City of Owensboro to recover moneys diverted from a fund dedicated to acquiring and operating an electric plant, in order to pay past due bills of the city, during a time of financial crisis. The Court held that neither the good faith of the city councilmembers nor the hard times justified the action taken and stated at page 863 as follows:

> But neither the exigencies of the situation nor the good faith of the officials can make proper and legal that which is improper and illegal.

The Court at 864 went on to note that the members of the city legislative body were "trustees" of an "express trust" to use the funds only for the purposes for which they had been paid.

In Thompson v. Bracken County, Ky., 294 S.W.2d 943 (1956), the Court addressed a situation where four citizens and taxpayers brought an action against the county, the individuals comprising the fiscal court, and the county treasurer to prevent use of proceeds from a special tax levy for improving and constructing roads and bridges, for the purpose of repairing and maintaining roads and bridges. The Court ruled in favor of the taxpayers and issued a permanent injunction against the defendants, saying at page 946 as follows:

> The fiscal court has no discretion in determining whether special tax levy funds may be spent for any purpose other than a specified statutory purpose. The statute is a mandate insofar as the purpose for which the money must be used is concerned.

In OAG 74-368, the Attorney General advised the Hickman City Attorney that for the City of Hickman to levy a tax to create a sinking fund to retire refunding bonds and then divert the money to the city's general fund would be a violation of KRS 92.330. Likewise, the Attorney General said in OAG 77-37 that the City of Maysville must reduce its tax rate when the purpose for which the a special tax was levied no longer exists and that to levy such a tax and divert it to the general municipal fund violated KRS 92.330. In OAG 82-466, the Attorney General advised the Fleming County Attorney that taxes levied for the county road fund could not be diverted to other expenses of the county, because that would be in violation of Constitution Section 180 and KRS 68.100. *

Conclusion

The Kentucky Constitution, the Kentucky Revised Statutes, the Urban County Charter and Kentucky case law prohibit the use of tax revenue collected for one purpose from being expended for a different purpose. Since Ordinance No. 182-96, as well as all prior ad valorem tax levying ordinances of the merged government, levied an ad valorem tax for "refuse collection", an ad valorem tax for "street lights", and an ad valorem tax for "street cleaning", it would be improper to use the revenue from any one for any other purpose.

Mary A. Delaney
Mary Ann Delaney
Acting Commissioner of Law

cc: Pam Miller, Mayor
Donna Cantrell, Commissioner of Finance
Mary Helen Casey, Director of Budgeting
Office of Urban County Council

# Contingency Fund Analysis

Budget and Finance Committee

October 27, 2015

Commissioner of Finance

# Presentation Outline

- Research Methodology
- Components to Consider
  - Funding contribution
  - Accessibility and use of fund
  - Replenishment of fund
- Recommendations
- Questions

# Research Methodology

## LFUCG

- Conducted detailed review of current LFUCG contingency fund
  - Opportunities to improve current policy

# Research Methodology

## Benchmarked Cities

- Reviewed other municipalities
  - University cities
  - Regional cities
  - Distressed cities
- Gathered basic demographic and financial data
- Researched their contingency fund sources
  - CAFRs, ordinances, emails / phone calls

# Research Methodology

## Benchmarked Cities

**University Cities**

- Ann Arbor
- Chapel Hill
- Durham
- Fort Collins
- Lincoln
- Madison

**Comparable Cities**

- Austin
- Chattanooga
- Cincinnati
- Columbia
- Columbus
- Indianapolis
- Knoxville
- Louisville
- Nashville

**Distressed Cities**

- Baltimore
- Birmingham
- Detroit
- Orange County

# Research Methodology

## Summary

- Standard, comprehensive best practices do not exist
  - Every municipality structures their contingency fund based on own needs, revenue sources and risks
- Commonalities of importance
  - Considered good governance
  - Consideration by Bond Ratings agencies
  - Utility of funds

# Components to Consider

## Overview

- Funding contribution
- Accessibility and use of fund
- Replenishment of fund

# Components to Consider

## Funding Contribution - LFUCG

- Current Policy
  - Goal of 10% of prior FY revenue
    - FY2014 was 8.3%
    - Deposit a minimum of $600,000/yr, plus 25% of change in general fund balance at FY end, and interest earned
    - Would cover slightly over one month of operating and personnel expenses

# Components to Consider

## Funding Contribution - Benchmarked Cities

- There are no significant trends
- Many have a goal based on number of days of operating expenditures, or a percentage of revenues/expenditures
- No other cities cap this fund
- Many have established separate funds for specific purposes
  - I.e. emergency fund or capital reserve fund
- Benchmarked cities do not list contingency fund separately
- Its included in total fund balance

# Components to Consider

## Funding Contribution - Benchmarked Cities

| University Cities | | | Comparable Cities | |
|---|---|---|---|---|
| **City** | **% of Rev** | | **City** | **% of Rev** |
| Ann Arbor* | 18% | | Austin* | 22% |
| Chapel Hill* | 20% | | Chattanooga* | 27% |
| Durham* | 12% | | Cincinnati* | 6% |
| Ft. Collins* | 5% | | Columbia* | 5% |
| Lincoln* | 20% | | Columbus* | 9% |
| Madison* | 16% | | Indianapolis* | 13% |
| Lexington | 8% | | Knoxville** | 15% |
| * Total Unassigned Fund Balance | | | Louisville* | 10% |
| **Unassigned, 5% for contingencies | | | Nashville* | 9% |

Percentages shown represent actual fund sizes, not fund goals.

# Components to Consider

## Average of Benchmarks by Bond Rating

| | |
|---|---|
| Current LFUCG Goal | 10% |
| AAA Cities | Average of 18% |
| AA1 Cities | Average 9% |

Averages based only on University and Comparable cities in study

# Components to Consider

## Accessibility and Use - LFUCG

- Two defined uses
  - When revenue decreases
    - Requires calculation
      - In FY 2010, revenue shortfall caused need to utilize calculation
      - Allowed access to only 50% of funding needed
  - Emergency declaration
    - Vague on uses
      - Provide "sufficient working capital and an ability to address emergencies without borrowing" or;
      - "In a countywide declared emergency"

# Components to Consider

## Accessibility and Use - Benchmarked Cities

- Administrative analysis and proposal to Council for vote
- Outline uses and amount
- Revenue shortfall or emergency are not automatic triggers
  - Requires reasonable adjustment of budget first
- Outline reasonable steps to adjust current budget

# Components to Consider

## Replenishment of Funds – Benchmarked Cities

- Recommend:
  - A clear, but flexible and affordable policy
  - Would include amount to withdrawal, proposed timeline for review, sources and sizes of refunding, annual update on progress
- Considerations after a withdrawal
  - If too strict, may deter usage when needed
  - Must be flexible to adjust to economic conditions that triggered the withdrawal

# Recommendations

- Maintain 10% goal
- Adopt a methodology to reach and maintain 10%
  - Will recommend $4.6m contribution from FY 2015 Fund Balance
- Change the access requirement from a calculation test to Council approval
  - Replenishment plan included in analysis
- Identify allowable cost categories
  - Guidelines for allowable costs

# Questions?

# Ratings and Percentages

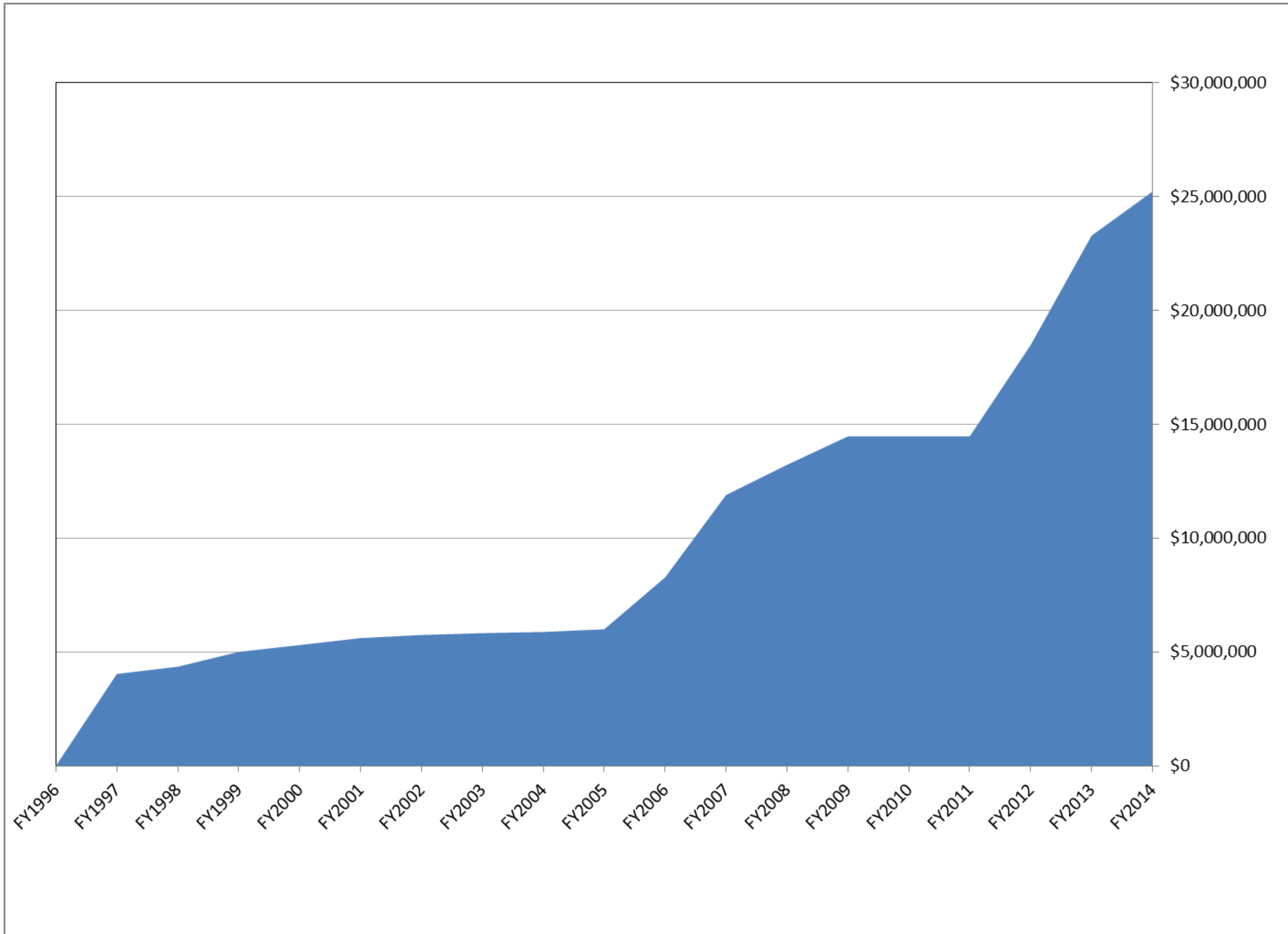
| City | Moody's Bond Rating | S&P's Bond Rating | Contingency Funds as a Percentage of Revenue | Fund Type |
|---|---|---|---|---|
| Lexington | Aa2 | AA | 8.30% | Committed |
| **University Cities** | | | | |
| Ann Arbor | Aaa | AAA | 18% | Unassigned |
| Chapel Hill | Aaa | AAA | 20% | Unassigned |
| Durham | Aaa | AAA | 12% | Unassigned |
| Fort Collins | Aa1 | AA+ | 5% | Unassigned |
| Lincoln | Aaa | AAA | 20% | Unassigned |
| Madison | Aaa | AAA | 16% | Unassigned |
| **Comparable Cities** | | | | |
| Austin | Aaa | AAA | 22% | Committed |
| Chattanooga | AAA | AAA | 27% | Unassigned |
| Cincinnati | Aa1 | AA+ | 6% | Committed* |
| Columbia | Aa1 | AA+ | 5% | Unassigned |
| Columbus | Aaa | AAA | 9% | Committed* |
| Indianapolis | Aaa | AA | 13% | Unassigned |
| Knoxville | Aa1 | AA+ | 15% | Unassigned |
| Louisville | Aa1 | AA+ | 10% | Unassigned |
| Nashville | Aa2 | AA | 9% | Unassigned |

# Fund Growth Over Time

| Fiscal Year | Balance | Net Change | Rev | Revenues | |
|---|---|---|---|---|---|
| FY1996 | 0 | | | | |
| FY1997 | 4,034,671 | 4,034,671 | 2.7% | 149,000,117 | (1) |
| FY1998 | 4,352,261 | 317,590 | 2.8% | 157,824,997 | |
| FY1999 | 5,002,728 | 650,467 | 2.9% | 171,999,413 | |
| FY2000 | 5,303,539 | 300,811 | 2.9% | 183,393,773 | |
| FY2001 | 5,607,306 | 303,767 | 2.9% | 190,385,575 | |
| FY2002 | 5,745,936 | 138,630 | 2.9% | 195,499,537 | |
| FY2003 | 5,825,468 | 79,532 | 2.9% | 203,402,517 | |
| FY2004 | 5,878,356 | 52,888 | 2.7% | 220,470,247 | |
| FY2005 | 5,996,710 | 118,354 | 2.6% | 233,536,456 | |
| FY2006 | 8,272,087 | 2,275,377 | 3.4% | 241,846,979 | (2) |
| FY2007 | 11,894,147 | 3,622,060 | 4.5% | 264,748,305 | |
| FY2008 | 13,219,620 | 1,325,473 | 4.8% | 273,326,473 | |
| FY2009 | 14,470,569 | 1,250,949 | 5.3% | 271,485,516 | |
| FY2010 | 14,470,569 | 0 | 5.4% | 267,153,789 | (3) |
| FY2011 | 14,470,569 | 0 | 5.1% | 281,363,200 | (3) |
| FY2012 | 18,482,971 | 4,012,402 | 6.5% | 283,526,860 | |
| FY2013 | 23,290,466 | 4,807,495 | 8.0% | 292,132,708 | |
| FY2014 | 25,224,221 | 1,933,755 | 8.3% | 303,716,831 | |
| *FY2015* | *26,332,920* | *1,108,699* | *?* | *324,502,643* | *(4)* |
| *FY2016* | ***26,763,103*** | | | | *(4)* |

(1) Ordinance 243-96
(2) Amended ordinance 78-2006
(3) Suspended
(4) No Fund Balance Contribution Yet

# Fund Growth Over Time



# Preliminary Fund Balance Discussion FY2015

## Budget, Finance and Economic Development Committee

October 27, 2015

Department of Finance

# FY2015 Preliminary Fund Balance Discussion

- First Step: *Reporting*
  - Discussion of Fund Balance Categories
  - Agreement on Approach
    - Endorse recommended per category, or
    - Amend amounts per category
  - Proceed to Complete CAFR
- Second Step: *Spending Authorization*
  - Council Decides on Use of Non-Recurring Fund Balance Assignment

# FY2015 Preliminary Fund Balance Discussion

- FY2015 Change in Fund Balance of $19.5 million
  - Result of multiple factors:
    - Revenue exceed budget $9.5
    - Personnel less than budget $4.8
    - Operating less than budget $3.6
    - Debt service less than budget $1.0
    - Insurance less than budget $1.8
    - Affordable Housing change $0.5
    - Other $(0.7)

# FY2015 Preliminary Fund Balance Discussion

| | | 2015 |
|---|---|---|
| Total Fund Balance | | 83,331,050 |
| Less: Non Fund 1101 Reserved (1) | | 4,306,163 |
| Less: Non spendable | | 2,064,127 |
| 27th Payroll | | 7,300,769 |
| Energy Improvement | | 552,989 |
| Qualified Energy Bond | | 198,175 |
| Sub Total After Ordinance Requirements | | 68,908,827 |
| Economic Contingency | 26,332,919 | |
| **Additional 2015 Calculation** | **1,052,932** | |
| **Recommended Additional** | **4,600,000** | |
| Total Economic Contingency | | 31,985,851 |
| **Litigation Reserve** | | **11,500,000** |
| **Health Insurance** | | **3,000,000** |
| Prior Project Assignments (2) | | 13,449,635 |
| Sub Total After Contingencies | | 8,973,341 |
| **Unassigned Fund Balance** | | **4,273,341** |
| **Non-Recurring Uses Assignments** | | **4,700,000** |

(1) Includes Affordable Housing/Homeless Fund established in FY2014

(2) Fund balance or reallocation projects from prior years.

# FY2015 Preliminary Fund Balance Discussion

Economic Contingency Calculation:

| | |
|---|---|
| Annual changes in: | |
| General Fund Balance | 19,579,545 |
| *Less:* | |
| Nonspendable | 436,760 |
| Non 1101 Funds | (563,414) |
| 27th Payroll | 921,200 |
| Energy Efficiency | (83,885) |
| Qualified Energy Bond | 198,175 |
| Avaliable Fund Balance | 18,670,709 |
| *Less:* | |
| Budgeted Carry Forward | 1,500,000 |
| Capital Reappropriations | 12,958,980 |
| Sub Total | 4,211,729 |
| Multiplied by 25% | **1,052,932** |

# Questions?

# Budget, Finance & Economic Development Committee

| Items | Referred By | Date Referred | Status |
|---|---|---|---|
| Solid Waste User Fee Structure | Stinnett | 2.1.11 | Waste Management Task Force |
| Quarterly Development Reports | Stinnett | 2.28.11 | January 2015 |
| Right to Work Discussion | Bledsoe | 2.10.15 | Unknown |
| Economic Contingency Fund | Farmer | 3.17.15 | September 2015 |
| Street Light Funding Mechanism | Stinnett | 4.21.15 | October 2015 |
| World Trade Center: Data on Businesses Assisted/Others | Bledsoe | 9.1.15 | September 2015 |
| SCORE: Potential of Partnering with Commerce Lexington and/or Kentucky Small Business Development Center | Bledsoe | 9.1.15 | Winter 2016 |
| Lyric Theater: Maintenance Costs and Increased Revenue | Scutchfield | 9.1.15 | Winter 2016 |
| Lex Arts: External Funding | Scutchfield | 9.1.15 | Winter 2016 |
| Downtown Development Authority & its Projects | Akers | 9.1.15 | Winter 2016 |
| Combining all Economic Development Partners | Bledsoe | 9.1.15 | Fall-Winter 2016 |

PAS 9.8.15