URBAN COUNTY COUNCIL

COMMITTEE OF THE WHOLE FY 09 BUDGET

APRIL 29, 2008

Vice Mayor Jim Gray chaired the committee meeting, calling it to order at 1:01 pm. All council members were in attendance.

I. Highlights to the Mayor's Proposed FY2009 Budget were presented by Jerry Southers, Council Budget Analyst. (attached)

Discussion/Action Items:

CM Stevens asked for an explanation of the parks parity cost and time line, if bonded. Mr. Southers told the committee the $250K parity is a cost that was initiated included in FY 2008's budget for park improvements that been continued for FY09 and bonding should begin 2009. Commissioner Koch added selling of the bonds would be after January 1, 2009 and the first debit service would begin 2010.

CM Beard asked Commissioner Koch about the rate or risk for 2009 and was told it was not possible to predict future rates, but that LFUCG is currently working on a package of Lexington bonds and would be closely watching the market.

CM Blevins had a question about the percentage of payment for the Police & Fire Pension Fund and was told it was 27%.

CM Lane asked about debit service on the pension fund balance and was told there was none until 2010.

CM Stinnett had a question about the revenue growth number 3/10 of 1 % and requested clarification between 2.5% revenue growth and .3%. CM Stinnett and CM James requested cost associated with 3.9% World of Work scheduled to begin July 1, 2008.

CM James asked what was the obligation to initiate 3.9% World of Work. Commissioner Koch stated the administration is currently working on a list of ordinances that would require suspending or changing in order to move forward with items included in this budget, which would include the ordinance pertaining to World of Work.

CM James asked for a matrix of World of Work calculations starting with 2.0% to 3.9% in order to see incremental cost. CM James also asked about the business license fee, how the $2.7M increase was calculated.

CM James asked Ms. Koch the possibility of dividing the amount when paying debit service on bonds for EOC building and communication system.

Commissioner Bennett explained it can not be a lesser amount. $20.9 million is the balance and $9.9 million for the communication system with a projected completion date of January/March 2010. He told the committee a construction loan will be requested until such time permanent financing of bonds can be obtained. He added the entire amount will not be borrowed at one time.

CM Gorton questioned increased personnel cost of 2% effective 1-1-09. **Also Ms. Gorton asked for a list of employees who were at the top of their pay scale and would not be eligible for the proposed increase.**

Ms Gordon inquired if the Lyric Theatre could be bonded in phases. Commissioner Koch was aware of an agreement with the state but was not familiar with all the details, telling the committee she would have Charlie Boland address this question and reply back to the Council. CM Gorton also expressed concern about the percentage of bonding to the general fund. Commissioner Koch explained it was trading one liability for another and a rating agency would review the total package presented, adding that any unfunded liability plays a role. She said the $70 million proposed bonding would increase the percentage of bonding to the general fund to approx. 12%. CM Gorton stated she had a problem with bonding pension funds and does not wish to set a precedent and future periods would not want to bond anything but capital.

Ms. Gorton then asked for details regarding suspending the allocation for a 27th pay period. Commissioner Koch explained it would come back in another 6-8 years and the plan was to set aside future funds to increase the allocation each year by a percentage that would allow for catch up.

CM Lane stated the Lyric Theatre agreement was a five year plan saying the LFUCG needs to set a standard for every building project they undertake. **He asked to look at five year cost for capital and operating on the EOC building and Lyric Theatre.**

CM Stinnett added splitting the bond does not benefit the ultimate completion and current budget. Commissioner Koch said the current bond package going forward would include everything except the EOC and communication system.

Kevin asked Commissioner Koch for a general definition of the term structural imbalance and was told it was not true revenue but was money brought forward from a prior period. Dr. Stevens stated that in his mind a structural imbalance occurred when current revenues were not sufficient to cover current obligations.

CM Gorton asked if coverage was being increased in the risk management fund. Jim Deaton, Budgeting Director explained there is money going into that fund however, there is no increase and will be funded at FY 2007's level.

CM McChord asked Commissioner Koch to speak to how PDR is being funded. She explained by a combination of local, state and federal money, and the proposed budget includes an increase in order to take advantage of $400K matching funds available. There is no cash in this budget for any bonds.

CM Ellinger wanted to see a payment schedule on existing bonds. Commissioner Koch agreed to include that in a presentation she will be bringing to the council at the next Committee of the Whole meeting where she will be giving an explanation/break down of bond debt. He also had a question about the retirement payout and re-hires, $2.0 million budgeted for personnel credit. Commissioner Koch said the recommendation is to continue to authorize the vacant positions but not fund them. By leaving them on the books and not funding allows flexibility and time to reevaluate and look at abolishing them next year. CM Ellinger also asked for more information on revenue growth to which Commissioner Koch committed to send Council something in writing.

CM Beard referred to the retirement saying he would like to see a "what if" scenario, considering both 3.9% and 2.0% increase. He asked if LFUCG owned the Day Treatment Center building, if there was a bond against it and if the Fayette County School Board would purchase it. Commission Koch said nothing has been finalized with the school board, even though discussions were in process but very early in negotiations.

CM Lane asked about using expertise from the recently formed Economic Task Force to project long term revenues. Commission Koch agreed that involving members of the University of Kentucky staff could provide valuable insight with future projections she stated the need to improve review of long term costs associated with gifts and acquisitions and at some point would like to bring recommendations for long term spending to Council.

CM Stevens asked Commissioner Koch for the April revenue/expenditure report which is not yet available but was told the expenditure side is being watched very closely.

Mr. Southers pointed out dates of future COW meeting's scheduled to cover debt and the background of bonding. He continued referring Council to the Summary portion of the presentation, pointing out the largest items with a brief explanation. There was some discussion about schedule B of the summary regarding personnel accounts and how the projected 180 positions would reduce personnel lapse.

VM Gray asked Mr. Southers to explain the theme, methodolgy and context of today's presentation. Mr. Southers replied the purpose is to analyze, highlight changes and give detailed specifics regarding those changes. VM Gray remarked schedule A-1 of the presentation was very relevant since it provided 10 years of revenue history, but would like to see those numbers include GNP. Mr. Southers covered schedule C (partner agency appropriation), pointed out important bonding projects in schedule D and the $1.5 million reduction of operating accounts.

VM Gray asked Link's Committee chairs for an update and availability of reports/results. Some of the links have yet to meet but others were in the processing of compiling recommendations and reports. The next Committee of the Whole meeting to discus links is May, 20, 2008.

A motion by VM Gray to adjourn, seconded by CM Blues, meeting adjourned at 2:21 p.m.

.

<u>*Action items are highlighted in bold and underlined</u>