

Lexington-Fayette Urban County Government Council Meeting
State of the Merged Government Address
January 27, 2009

The Council of the Lexington-Fayette Urban County Government, Kentucky convened in regular session on January 27, 2009 at 12:00 p.m., in the Hyatt Regency Hotel, 401 W. High Street, Lexington, Kentucky. Present were Mayor Jim Newberry in the chair presiding, and the following members of the Council: Council Members Ellinger, Feigel, Gorton, Gray, Henson, James, Lane, Lawless, Martin, McChord, Myers, Stinnett, Beard, Blues, and Crosbie.

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

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I. Introduction

Charles Dickens authored one of the most memorable lines in English literature when in A Tale of Two Cities, he wrote, “It was the best of times, it was the worst of times.” When I read that quote as a high school student in 1971, I thought it was completely nonsensical, but when I read it as Mayor of Lexington in 2009 and consider the state of our merged government, I now understand the wisdom of Dickens’ words.

The next two years may well prove to be the most challenging, and yet the most productive two-year period in Lexington’s 234-year history. The current economic environment provides our city and its residents with more than enough financial challenges – the worst of times, if you will. However, the Alltech FEI World Equestrian Games create an unparalleled opportunity for Lexington to tell the world about our best attributes – our people and our place. And with the groundwork laid over the last two years, coupled with good prospects from a federal economic recovery package, we have the opportunity to produce one of the most significant eras of constructing and repairing our infrastructure that Lexington has ever seen – the best of times, if you will.

It is in this perplexing, but exciting environment that we embark on the 36th year of the Lexington-Fayette Urban County Government. Today we have the chance to both reflect on the past and to ponder what the future may hold, so I ask that you join me to look back at some recent accomplishments and to look ahead at the challenges that await our city in the coming year and in the years ahead. After considering the state of our merged government and the state of our city, we clearly have our share of short-term challenges, but we also have great reason to be hopeful and positive about

our future in spite of our short-term challenges. When we finish, I hope you will share my optimism about the future of our city and its citizens.

II. A Look Back at 2007-2008

Two years ago yesterday, members of the 17th Urban County Council and our administration met at Shaker Village to consider Lexington's priorities. That exercise yielded the Six Pillars – the Environment, Economic Development, a Community Vision, Innovative Planning, Enhanced Communication, and Effective Government. While we all wish that we could have done more, the track record in all six areas has been solid and progressive. I shared much of this information with the Council at the recent swearing in ceremony, but I want to share it today with this broader audience so that all of you will know how much the 17th Council achieved. The two years since our Shaker Village retreat have been marked by a concerted effort to provide the citizens of Lexington with a greater return on their investments in local government and to improve the state of their merged government.

A. Environment

Let's begin our look back with the environment. We successfully resolved our litigation with the United States Environmental Protection Agency, and we raised the sanitary sewer fee to provide the necessary funding for the projects required by our agreement with the EPA. We aligned the organizational structure of LFUCG to reflect a greater commitment to our environment when we created the Department of Environmental Quality. We have taken the preliminary steps to expand our general recycling capacity. At the same time, we have expanded our electronic waste recycling, increased our recycling revenue, and made \$50,000 in grants available for neighborhood environmental projects. Although it received far less attention, our decision to join the International Council for Local Environmental Initiatives, or ICLEI, is an enormously significant step toward addressing Lexington's climate change issues, and that decision will yield significant benefits in the years to come.

B. Economic Development

In recognition of our remarkable dependence on tax revenues tied to the strength of our local economy, we invested in our economic development initiatives. The expanded relationship with Commerce Lexington has worked well with far faster results than anyone could have reasonably expected. The Bluegrass Business Development

Partnership among Commerce Lexington, the University of Kentucky and LFUCG has received an international economic development award, and I expect you will be hearing more good news about the Bluegrass Business Development Partnership later this week. Moreover, the Council's approval of applications for two tax increment financing districts in our downtown area has set the stage for even more economic development in the years to come.

C. Community Vision

We said we wanted a common sense of direction for our community, and the first phase of the Destination 2040 project is complete thanks to your support and the involvement of approximately 3,000 Lexingtonians, including many of you here today. Destination 2040 serves both to reaffirm our community's strengths and to identify common goals for our future. I'll return to Destination 2040 in a few minutes.

D. Innovative Planning

Just as the best planning requires a long-term perspective, so too does our effort to provide more innovative planning. Our reorganization tied our Division of Planning with the Department of Public Works. Four small area plans, intense planning efforts focused on specific areas in our community, have been initiated for the Central Sector, the East End and two segments of the Nicholasville Road corridor. Our planning for the downtown streetscapes has produced award winning designs. Finally, the state's decision to relocate both Eastern State and Bluegrass Community and Technical College has presented remarkable planning opportunities for our soon to be created "Higher Ed Triangle". When Bluegrass moves to Eastern State's campus, we will have a higher education triangle formed by the campuses of UK, Transy and Bluegrass with downtown right in the middle of it all. Any city in the world would love to have that arrangement in place.

E. Enhanced Communications

We committed to enhancing our communications efforts, and again, our reorganization aligned our actions and our words. The reorganization created the Office of the Chief Information Officer. The result has been vastly improved information technology efforts and improved operations in our Government Communications Division. LexCall's hours of operation have been expanded to facilitate greater access by citizens, and our GTV3 programming has been enhanced. Our website's role in

communicating with our citizens has grown exponentially as we have added an assortment of information and video-streaming of many meetings. In December, we launched our new website at lexingtonky.gov, and with that new look came the opportunity for citizens to do business with LFUCG online through a new e-commerce function.

F. Effective and Efficient Government

Our last pillar was effective and efficient government. We have already discussed the enormous significance of the June 2007 reorganization of LFUCG. Without that landmark action by the 17th Council, we would not have achieved as much as we did, nor would we be poised to achieve similar progress in the next two years. In addition, the decision by the Council to fund and implement the government-wide management review was a courageous one. The report from Management Partners provides us with a roadmap for improving the delivery of LFUCG services, and I look forward to continue the implementation of those suggestions. We reduced the overall size of the LFUCG workforce, primarily through attrition and retirements, even though we increased the number of police officers and expanded our Division of Water Quality personnel in order to satisfy the obligations of our EPA agreement. Finally, you may recall that when we gathered for this address two years ago, we were struggling to have our financial reporting software produce accurate and timely financial reports – a key element in effective and efficient operations. Thanks to the dedicated work of many individuals, we now have reliable financial data.

While there may have been more that we could have done to advance the Six Pillars, it is fair to say that the 17th Urban County Council can be justly proud of its accomplishments during 2007 and 2008. Because of our January 26, 2007 commitment to work together on the Six Pillars, I am confident historians will view the tenure of 17th Council as the most productive two-year period in the 35-year history of Lexington-Fayette Urban County Government. To those individuals who served on the 17th Council please know that your record is one against which other councils will long be judged. Thanks for all of your efforts! As a result of the Council's work and the work of many dedicated Urban County Government employees over the last two years, the state of our merged government is much improved.

III. A Look Ahead at 2009

But now it is time to look ahead. The challenges and opportunities awaiting our city in 2009 are numerous, and they are significant. In some cases, they are unprecedented. Today, I want to share with you three such challenges. Undoubtedly, our financial challenges must be addressed first, but there are also challenges associated with the President's economic recovery package and with the Alltech FEI World Equestrian Games which merit our attention as we consider 2009. John W. Gardner, the founder of Common Cause, once said, "We are all faced with a series of great opportunities - brilliantly disguised as insoluble problems." Indeed, I believe many of our seemingly insoluble problems are but mere great opportunities for those of us elected to serve the people of Lexington during 2009.

A. Meeting Our Fiscal Challenges

However optimistic we may be about Lexington's long-term prospects, the short-term fiscal challenges in our general fund are serious. Even though the health care and education components of Lexington's economy are recession resistant, our economy is not recession proof. The next 12-18 months will not be easy, but we will endure. When it ends, Urban County Government will be better prepared to deal with the future than it has been for years. Here's how.

First, we must ensure that our current fiscal year ends without a deficit, despite questionable revenues. In light of our uncertain revenues, we will continue to limit current expenditures to assure a balanced budget this year and to attempt to carry forward a surplus into FY10.

Second, we soon must prepare a budget for FY10 which, at the moment, presents an estimated \$27 million general fund shortfall just to continue existing services. Fortunately, with the help of the Policemen's and Firefighters' Retirement Fund board two weeks ago, we have developed a plan for fully funding the pension fund over the next 5-6 years while avoiding a new \$20 million expense in FY10. I am grateful for the board's assistance. However tough FY10 may prove to be, please know that it could have been much worse without the help of the pension board.

Third, we must implement a storm sewer fee as required by the EPA so that we can continue the implementation of the improvements to our storm sewer system.

But there is also some good news. These financial challenges give us the chance to make Lexington generally, and Urban County Government specifically, better. In 2009, we should take several steps to make Urban County Government work faster, better and cheaper as we await better economic times.

So, while waiting for revenues to rebound, I intend for our administration to pursue the following 10 low or no-cost steps to lower the cost of operating LFUCG and to improve efficiency and effectiveness:

1. Reducing the Garbage Tax – I have asked the Council to reduce the property tax for garbage collection during 2009. We have accumulated a surplus which can be used to address our waste management problems, and by operating more efficiently in the future, we should not need to keep the tax at its current level.
2. Conducting Internal Strategic Planning, and
3. Conducting Performance Reviews – As an organization, we need to develop a strategic plan for LFUCG and then evaluate the performance of all in relation to that plan. It will cost us little to take these steps, but the benefits of those efforts can be significant in 2009 and beyond.
4. Improving the Permitting Process – Our permit review process has been far too complicated and far too slow. That process must be thorough, but to avoid increasing the costs of projects, the reviews must move more simply and faster. In the end, citizens will benefit when project costs are lowered by making permitting less expensive.
5. Proposing Lobbying Ethics Legislation – Lexington's citizens need to know who is getting paid to lobby Urban County Government just as citizens know who lobbies both the state and federal governments. In 2009, we can make that information available.
6. Proposing One or More New TIF Districts – Tax increment financing creates a mechanism to promote redevelopment efforts by keeping in Lexington tax dollars that would otherwise go to the state. We need to continue to find creative ways to put this financing tool to work for the citizens of Lexington.
7. Creating an Office for Neighborhoods – Our neighborhoods are vital to our efforts to improve our city, and we need to provide our volunteer

neighborhood leaders with a source of ready assistance when they work with LFUCG. In 2009, we can help our neighborhood leaders do their jobs better.

8. Creating a Facilities Management Database – LFUCG owns a significant number of real estate parcels. When we arrived in 2007, there was no comprehensive list of the properties we owned, let alone a detailed listing of the important facts about those properties. By developing a comprehensive facilities management database and by permanently integrating it into our electronic financial data, we can do a much better job managing the real estate facilities which Lexington taxpayers have entrusted to us – both for 2009 and the future.
9. Expanding Contracting with Minority Businesses, and
10. Encouraging Job Training through Purchasing Power – By using LFUCG's purchasing power, we can encourage minority businesses to grow and encourage employers to provide apprentice programs to provide their employees with the skills they need to do better work and to earn better wages.

Fortunately, these initiatives will not require huge expenditures of funds, yet they will enable us to serve the public more effectively in the coming months and years. In short, despite all of the seemingly insoluble financial challenges, 2009 presents a great opportunity to make LFUCG work better than ever before.

B. The American Recovery and Reinvestment Plan Challenges

Beyond our financial challenges, we have both enormous opportunity and enormous challenges in 2009 as a result of President Obama's American Recovery and Reinvestment Plan. If adopted in its current form by Congress, we will have access to unprecedented financial resources for improving our civic infrastructure. As we gather today, the precise contents of the legislation remain uncertain, but the general parameters of the bill are exciting. Substantial funding will be made available directly to cities through the Community Development Block Grant program, various public housing initiatives, and the Energy Efficiency and Conservation Block Grant program. The President's plan calls for significant investments in roads and other transportation infrastructure, much of which will be made available through state governments.

Congressman Ben Chandler's 21st Century Classrooms legislation, passed by the House of Representatives in 2008 was incorporated into the President's plan. The President's Plan also includes the Community Oriented Policing Services or COPS program, an enormously popular program from the 1990s, that should enable us to put more police officers on the street.

In short, the American Recovery and Reinvestment Plan has the potential to provide incredibly positive opportunities for our city and for the entire country. I encourage all of you to contact Senators McConnell and Bunning and Congressman Chandler to let them know how vitally important the prompt approval of this legislation is to Lexington. While it is a complicated proposal, just remember this simple fact: the recovery plan is a once-in-a-lifetime opportunity to fix many of the infrastructure problems which have been neglected for far too long. We are fortunate to have a President and a Congress that understands the crying need to invest in our cities, and I thank them for their efforts to address these pressing needs.

However, just as we are confronted with unprecedented resources, LFUCG will also be confronted by an unprecedented challenge of how to ensure that those once-in-a-lifetime funds are spent wisely and transparently on solid projects that create jobs so that the public will have confidence that we are being good stewards of their resources. Not only is it the right thing to do, but if we are to have any hope of seeing additional federal investments in public assets, it is incumbent on us to be sure that the money is spent even more carefully than if it were our own. This challenge is especially significant since we will be asked to spend large sums of money in a relatively short period of time – a combination of events where mistakes are often likely to occur.

To monitor our efforts, this week, I will appoint a mayoral commission comprised of members of my administration, council members and members of the public to determine our spending priorities and to oversee the expenditure of the recovery plan funds. Further, we will use our website to provide regular updates on the status of each project, on the number of jobs created by those projects, and on how we address the problems which inevitably arise. I will ask the Commission to report regularly to the Council, and I will probably be asking the Council to hold special meetings over the course of the next six months as we initiate our efforts. Finally, we will work with the U.S. Conference of Mayors and the National League of Cities to identify other steps

which we can use to assure a high level of accountability and to ensure that we utilize the best practices available to maintain the public trust in our efforts.

C. WEG Challenges

In addition to the financial challenges and the challenges associated with the recovery package, we are confronted with the challenge of supporting the state's efforts as we host the Alltech FEI World Equestrian Games. The Games present both a fun and a positive challenge for Lexington, but a challenge nonetheless. For the last couple of years, we have been gradually getting ready, but now is the time to accelerate our efforts. I will be asking the Council to provide increased staff support for those efforts, and I will be asking the business community to provide financial support for our downtown festival. In addition, subject to the Council's final approval, we have reached a tentative agreement with the Games' organizing committee which will detail the nature of the city's relationship with the Games.

The Games present us with an unprecedented opportunity to tell the world about our unique history and our unique landscape as well as our unique love of horses and horse lovers. If the 2006 Games are any indication of what to expect in 2010, approximately 500 million people around the world will watch the Games on television during the sixteen days of the event. Today, many of those people have no earthly idea where Lexington, Kentucky is located but by October 11, 2010, they will know. That fact alone makes the Games important to Lexington in ways which are hard to fully comprehend.

In 2006, I met with the mayor of Aachen, Germany, and he told me that he considered Aachen's 2006 Games to be equal parts of culture and sport. I share that view, and I firmly believe that we can use the Games both to help the world better understand Lexington and to help Lexington better understand the world. I am also confident that for sixteen days in September and October 2010, there will be few places in the world that will be any more exciting than Lexington, but I am also confident that for the twenty months or so between now and the start of the Games, there will be few places in the world that will be any busier than Lexington. Our challenge in 2009 is to marshal our resources and talent to gain full advantage of the opportunities the Games present. I know we can meet that challenge, and I am confident we will.

To paraphrase President Obama, the challenges Lexington faces in 2009 are real, they are serious and they are many. They will not be met easily or in a short span of time. But especially in light of the presence of new leadership in Washington, I have never been more optimistic about our city's long-term future than in January 2009 because in this year, we will meet Lexington's 2009 challenges, and in doing so, we will begin to prepare our city for a new era of prosperity and progress in the years to come.

IV. Looking at 2009 and Beyond

But to more fully prepare for that new era in our history, 2009 must be about more than just 2009. For Lexington to regain its historical status as the "Athens of the West" and to fully achieve a new level of prosperity and progress, this year must be about doing more than just dealing with the current problems which confront us. This year must be about laying the groundwork for our city's future

In 2008, we undertook Destination 2040 – our community visioning project. We asked citizens from all across Lexington to dream about what they wanted our city to be in the year 2040, and the results were fascinating. The Destination 2040 draft report, which the Council is currently considering, reflects recommendations distilled from the input from thousands of Lexingtonians. It contains four long-term recommendations in each of four major aspects of our community's life – human needs, physical growth, economic expansion and cultural creativity. It also contains some short-term recommendations called "momentum builders" that will help us build the momentum necessary to achieve the long-term goals. I hope many of you will review the report on our website – lexingtonky.gov – and I hope that the Council will move promptly to finalize the draft report. Even though the Council may ultimately revise some portions of the report, there are a handful of ideas we should undertake now simply because they are great ideas with great support throughout our community.

First, in 2009, I will work with officials in our contiguous counties to establish the "Bluegrass Diamond" and with officials in Louisville and Northern Kentucky to enhance our role as a participant in the Golden Triangle. The Bluegrass Diamond concept is one which envisions Lexington working closely with its seven county neighbors to address multiple areas of mutual concern. While we will have neighborly disagreements from time to time, the issues which unite us are far more common and far more significant.

Second, in 2009, we must work to make Lexington a national leader in adopting a secure electronic medical records system. President Obama has made this area a priority in his recovery package, and we need to move immediately to capitalize on the opportunities which the President's leadership has created.

Third, in 2009, we must continue our efforts to fund the bike trail system and to create "complete streets" throughout Lexington so that our roadways will serve pedestrians, cyclists and public transportation as well as cars. In the last two years, I have been overwhelmed with the community's support for our recently completed trails, and I cannot wait for the completion of the trail from the Horse Park to downtown. There is much more work to be done to meet our community's demands for expanded trails, and we must meet that need fully and without delay.

Fourth, in 2009, we must pursue major advances in funding for the arts so that our arts community can be nationally competitive. We have a remarkable level of every kind of artistic talent in our community, and we have an unlimited opportunity to attract more artists in the future. If we establish Lexington as a nationally competitive location for artists, our economy will be better, the funding for our local government will be better, and our quality of life will be better.

Last, but perhaps most important, in 2009 we must begin to take the steps necessary to make Lexington an environmental leader in reducing greenhouse gases and employing sustainable choices in housing, transportation and other community activities. Ladies and gentlemen, it is imperative that our city, our state, our country and our world move without delay toward combating the effects of global warming. I am past the point of debating whether our climate is changing. I believe the evidence is overwhelming in support of the notion that our planet's climate is rapidly changing, but even if you reject that idea, we should aggressively pursue every form of energy efficiency to achieve the benefits associated with lowering our utility bills.

There is a compelling case that American ingenuity can be used to develop new energy efficient technologies for the world to use. I believe that Lexington can make a meaningful contribution to that effort. As the home of a significant number of energy researchers at the University of Kentucky and the home of many professionals with energy experience, we can develop green technologies that can ultimately be used to develop local jobs.

Further, our efforts to reduce greenhouse gases can provide immediate employment in Lexington for individuals who know how to operate a caulk gun, who can replace windows and doors, and who can install insulation in homes and businesses. We certainly want the jobs which come from developing solar panels and other high tech energy-saving devices, but until those jobs develop, we can put people to work now and for months to come making our existing buildings more energy efficient. And significantly, as we make LFUCG buildings more energy efficient, we will reduce the utility bills that our taxpayers have to pay. In 2009, we will take significant steps to reduce our carbon footprint.

As the year progresses and after the Council acts, we will implement other Destination 2040 concepts, but for now, we will get the ball rolling and start building the momentum necessary for Lexington to achieve the potential identified in Destination 2040. So, to those of you present today and to those watching on GTV3 throughout our community, I ask that you consider what role you can play in helping Lexington achieve the Destination 2040 goals. Your elected officials cannot achieve these goals for Lexington if citizens do not participate, but if everyone participates and we work together on the common goals identified by our fellow citizens, there is no doubt that our city will be widely recognized as America's preeminent mid-sized city.

V. Conclusion

So, what can be said about the state of our merged government and the state of our city? In simple terms, it is better than it was, but not yet as good as it can and will be. While we have accomplished much in the last two years, we have much more work to do in 2009 to address our financial challenges, to maximize the benefit of the President's recovery package and to prepare for the World Equestrian Games. In addition, 2009 creates a time for us to begin pursuing the common goals for our community that thousands of Lexingtonians have helped to create. Today's world presents us with a challenging financial environment, but however challenging the environment may be, there is no doubt in my mind that we can and will turn these seemingly worst of times into the best of times for Lexington and its citizens.

In 2009, may God bless our city and its citizens!

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The Council adjourned at 12:55 p.m.

Clerk of the Urban County Council