

BY THE
CITY *of* LEXINGTON
NUMB3RS

ANNUAL REPORT

TWO THOUSAND AND THIRTEEN

CITY OF LEXINGTON ANNUAL REPORT

LETTER FROM THE MAYOR

We've put together this report to update you on our city and to show we're onto something special.

First things first, big thanks to our Council. They step up every step of the way. There's no 'I' in teamwork. We all know that, and our councilmembers know that better than anyone.

In January 2011, we entered City Hall armed with the Fresh Start Plan, an action plan voters had endorsed.

To make sure the Fresh Start Plan was part of all we do, we reduced it to three broad operating goals: Create Jobs; Run Government Efficiently; and Build a Great American City.

Last week we took a major step to support these goals: The city, the police and fire unions, and the pension board, negotiated an agreement that will shore-up our police and fire pension system and restore our city's financial health. The agreement immediately reduces the pension's unfunded liability from \$296 million to \$161 million.

Our pension was on a Titanic-like course, heading into an iceberg ... but we are avoiding it. It's a major accomplishment for everyone involved.

Now I often say that even on a bad day being mayor is a great job. I've met thousands of citizens and had some great experiences.

Here's a favorite: Last May, I was walking up Mill Street after visiting the Farmer's Market on a Saturday morning, wearing my UK ball cap.

I'm greeted by a young guy and his wife with two little girls. "Hey, under that cap, you're the Mayor, aren't you? I'm Jason Luring," he says with an outstretched hand.

Then Jason shared this with me: "We love Lexington. We moved here 18 months ago from Chicago. We live in Lexington but I work in Winchester. I'm the Human Resources manager for Catalent Pharma Solutions. A big part of my job is recruiting, and when I get someone to come visit us, I bring them into downtown Lexington ... and we recruit them every time! Lexington just sells itself!"

Remember Jason as you read this report ... and remember that we're onto something special. Lexington sells itself. Lexington is the place to be.



LEXINGTON IS THE PLACE TO BE

Lexington is onto something special. Being a Great American City. And becoming better.

New jobs are bringing new opportunities, our city's on stronger financial footing, and efficiency, innovation and inventive ideas are emerging all over town.

Yes, it's 2013 and Lexington is the place to be! Here's what's happening:

CREATING JOBS

So, creating jobs is happening ... good jobs ... jobs for all skill levels ... jobs with local companies ... jobs through attracting new companies.

That has been our top priority, our drumbeat, and here's evidence of success:

Bingham-McCutchen, an international law firm ... a firm that could have chosen any city in the nation ... chose Lexington as the site for its global services center, bringing with it 250 good-paying jobs.

Internationally acclaimed **21C Museum Hotel** comes to town with 150 jobs and new life for a building that's been part of our skyline for a Century.

Automotive supplier **Webasto** expanded and is adding 65 new jobs.

Borun, the first Chinese manufacturer in Kentucky chose Lexington, bringing jobs ... 30-50 good-paying jobs.

And we're working in partnership with Louisville to grow new opportunities in technology and advanced manufacturing throughout the region.

In 2012, Lexington recorded its largest labor force in six years (179,578). Although the recession has been tough, with annual unemployment reaching 8.7% in 2009, we've been tougher, positioning our city for a strong recovery. That recovery has started and our current unemployment has improved to 6%.

OUR GOAL

Make Lexington competitive in all arenas. Take advantage of every opportunity. We've still got work to do, but we're off to a good start!

THINKING BIG

Lexington's earliest civic leaders thought big ... often described as the Athens of the West. Henry Clay and his contemporaries thought of Lexington not just as a hamlet or a village or a town ... but as a Great American City. Their dreams for our city were national in scope. Their goal was excellence, not just getting by.

They set a standard for 19th Century Lexington. A standard that translates into 21st Century Lexington as well.

SO HOW WILL THINKING BIG IN 2013 INFLUENCE OUR NEXT CENTURY?

REINVENTING RUPP ARENA
Honoring the history Rupp embodies ... 8 national championship banners now hanging in its rafters ... revolutionizing the fan experience and energizing the surrounding blocks to create a centerpiece Arena, Arts and Entertainment District. We've secured initial funding from the state to free Rupp, and work on a financial package is well underway.

LEVERAGING HISTORY
Creating the Town Branch Commons, a linear park with water that will wind through downtown along the path of Town Branch, the creek that flows underground downtown ... Lexington was founded on its banks near McConnell Springs ... It would imaginatively link our world class rural landscape to our historic and authentic urban core.

FINDING NEW LIFE FOR THE OLD COURTHOUSE
The historic Courthouse has graced the center of our city since 1898. In 2002, new courthouses opened on Limestone and the question became, what will we do with the Main Street building? The facility, now empty, needs considerable work and it's costly. As a first step, Downtown Development Authority President Jeff Fugate is developing a request for proposals, with the goal of finding new life for the building through a public-private partnership. And our thanks go to the Lexington History Museum for working with us in this difficult time.

ENHANCING NEIGHBORHOODS
Through the hiring of the city's first Planning Commissioner, we're working to create safe neighborhoods, not just subdivisions. Our goal is to make neighborhoods function as small towns, not just bedroom communities.

Within older, established neighborhoods, our Law Department, working with the Divisions of Code Enforcement and Planning, is fighting chronically neglected properties, both single-family homes and apartment complexes, putting an end to demolition by neglect. For example on Third Street and Constitution, attorneys have filed foreclosure actions on properties with long histories of code enforcement violations. With the dilapidated Pennington Place, off Richmond Road at New Circle, we are working with a developer to resurrect this neglected property. A strong development plan was also the answer for Sonnet Cove. Both of these apartment complexes had become eyesores, the sites of numerous code enforcement violations. Remembering that the apple rots from the core out, we're tackling these problems that were dragging down surrounding neighborhoods.

RUNNING GOVERNMENT EFFICIENTLY

Our city is back on a healthy financial track. Not out of the woods yet, but back on track. The recession hurt and we still have challenges. But we also turned the recession into an opportunity to improve, to innovate. It provided momentum to make a financial, business-like transformation of city hall, to put in place long-needed, long-term changes:

✦ We reformed and improved employee health care ... a 180-degree turn around. City costs were reduced by \$10 million in 2012. Both the city and employees have opportunities to save at the pharmacy and health clinic we established for employees and retirees. We saved \$83,629 in the first full quarter of operation of the pharmacy by buying drugs at cost. Reduced drug prices are passed on to employees, who at a minimum save at least 50% of each co-pay. In its first year of operation, the clinic and wellness center saved the city \$830,617; employees, \$234,172.

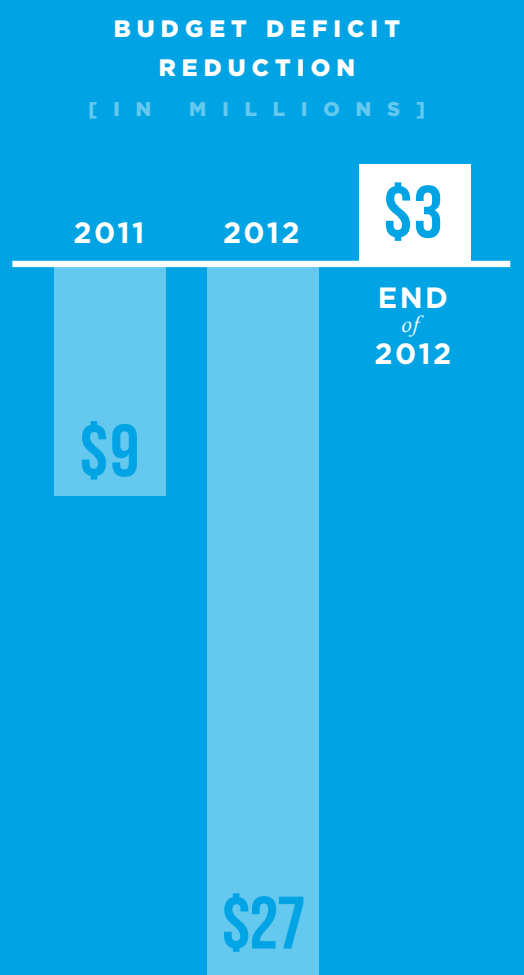
✦ Contracts were negotiated with police, fire and corrections employees that are saving the city about \$10 million over the life of the 3 to 4-year contracts.

✦ By focusing resources on essential services we overcame our own fiscal cliff... a \$9 million deficit inherited in 2011, and a \$27 million deficit in the 2012 budget year. Our budgets balance. In fact, we ended 2012 with a \$3.3 million surplus.

✦ Transfer of the downtown parking garages to the Lexington Parking Authority is allowing our community to make desperately needed improvements without spending tax dollars.

✦ City government is saving both energy and money ... about \$500,000 annually ... by cutting down energy usage and managing utility contracts.

✦ And, more people are playing golf on city courses ... that means an increase in revenues. And we've also reduced expenses. Bottom line: city golf courses now cost the public about half as much as they did last year.



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INNOVATION: THINKING OUT OF THE BOX

Ideas are the DNA of everything that's important.

Lexington, like all cities, needs new ideas, new approaches, new thinking and innovation ... now more than ever. We've turned to our citizens to find it ... to American ingenuity, Lexington style:

✦ We're working on CitizenLex.org, a new media platform designed to engage citizens to improve our city through problem-solving and planning. We're encouraging citizens to become digital miners, digging-in and connecting the dots among studies, reports and ideas. The idea for CitizenLex grew out of the Bloomberg Mayors Challenge, a national competition sponsored by Bloomberg Philanthropies. Having made it to the top 20, Lexington is now competing with 19 other cities for millions in prize money. Winners will be announced in the spring. The prize money would be great, but any way you look at the Mayors Challenge, it's already a win for Lexington. In preparing our proposal, for example, we asked citizens for their ideas through a telephone town hall, social media and the newspaper ... and we got 440 good ideas that represent opportunity and challenge ... showing that when democracy is stretched, it is strengthened.

✦ We engaged citizens as volunteers to build Lexington's first mountain bike trail for \$30,000, compared to an original estimate of \$150,000. The four-mile trail meets international mountain bike standards and is located in Veterans Park. Lexington is quickly becoming a tourist destination for cyclists.

✦ Urban pioneers are transforming Jefferson Street and North Limestone Street, with new businesses, restaurants and galleries. From Al's Bar to the Grey Goose; North Lime Coffee and Donuts to Nick Ryan's Saloon; Bullhorn to Wine+Market Gallery, new investments are reinventing urban neighborhoods.

BLUEGRASS RENAISSANCE

In the 14th Century, the Renaissance was fueled by the invention of movable type and the availability of paper. In 21st Century Lexington, cultural change flies through the air in a wireless world. There's no doubt, change is in the air. It's original, organic and exciting ... we all want to be part of it.

Our community's investments in local arts are paying off with exciting creativity that elevates quality of life. Consider: The Tattoo Project, artists Kurt Gohde and Kremena Todorova dissected a poem, tattooing one or two words each on 227 devoted volunteer citizens. The _____ of the Universe: A Love Story is a "love poem to, about, and for our city," says local poet Bianca Spriggs. Consider the thrilling growth of Lexington's reenactment of Michael Jackson's Thriller video ... from 18 zombies in 2002 up to over 1,000 wandering the streets last October. Consider the national spotlight on UK's Opera Theatre program ... who knew Lexington would host the first student production of Phantom of the Opera? Consider the ongoing work to maintain one of our cultural jewels, the Kentucky Theatre by a volunteer group, the Friends of the Kentucky Theatre.

Looking for new activities? Lots of changes here, too. Consider the "I Do" programs for young people. Consider the rapidly growing cycling community ... even Bike Polo involving 200 people ... one of the top leagues in the nation and a host of international competition. And then there's the growing attraction at the Arboretum.

Southland Drive is a center of activity with music festivals, the Farmers Market, popular restaurants, the growing food co-op.

The rebirth of the East End continues, as residents look forward to new programming at the Charles Young Center and to the completion of the Legacy Trail and the Isaac Murphy Memorial Art Garden.

To protect our Bluegrass brand and promote local agriculture, we're establishing a new position to expand marketing of local foods, with the help of the Get Healthy Kentucky Foundation, private grants and the Fayette County Agriculture Development Board.

And watch for news of a new senior citizens center designed for today's seniors ... new concept ... more space ... more activities.

CONTINUOUS IMPROVEMENT

Our goal is to start each day with a question: How can we improve today what we did yesterday?

Lexington must stay safe. In city government, the first place to ask, "How can we improve?" is Public Safety ... our highest responsibility, and the biggest ticket item in our budget. With a recession cutting into revenues, many cities across the country have been laying off police officers and firefighters to balance their budgets. In Lexington, there have been no public safety lay-offs. Instead, we've used the recession as an opportunity to challenge old ways of thinking in public safety and beyond. We're streamlining administrative duties to pull officers off desk duty onto the streets. We've improved cooperation among Fire, Police and Corrections making better use of resources and improving safety. We've recruited new, strong leadership for Fire and Corrections. We've cut back on crippling overtime expenditures in Fire. We've slowed the rate of attrition among corrections officers, saving money and speeding progress. We've aggressively pursued federal grants. Since 2011, these and other changes and efficiencies have allowed us to hire 57 new police officers with plans for 35 more in February; 37 new firefighters with plans for 30 more this spring; and 32 new corrections officers. In addition, we're purchasing a \$739,000 ladder truck this year, essential to public safety, and we paid in cash ... no new debt.

We've also given the green light to improvements in Traffic Engineering. Our on-going work to re-time traffic signals along every arterial will soon trim travel time. We've also started to install traffic signal controls that work together to resolve traffic issues, the latest technology.

In 2012 we almost doubled the number of miles of city roads we paved over 2011. That's 14.5 miles in 2011; 27 miles in 2012. In 2011, we changed the way we allocate funding for paving, putting the priority on need. By re-negotiating our paving contract in 2012 ... money is being saved.

Recycling increased 17% between 2011 and 2012, bringing in \$2.3 million in revenue. We also expanded the types of materials eligible for recycling, now including VHS tapes, cassette tapes, CDs and DVDs. Tire Amnesty kept 39,400 tires out of the landfill. Over 47,000 pounds of paper were recycled in four free paper shred events.

And 3-1-1. In the past five years over 1 million calls ... 1,120,988 to be exact ... have come into LexCall ... citizens with a request or a question. And our call center staff has entered 442,511 requests for service and then tracked them to completion. LexCall is your one call for city hall, a call for continuous improvement.

Perhaps the biggest continuous improvement initiative we have underway is the system-wide sanitary sewer project to clean up our streams. We are installing new pipes and pump stations where needed, to stop raw sewage from overflowing the sewer system and running into our streams. This year we will eliminate outdated facilities along Wolf Run Creek and in the Hamburg area.

+57
ADDITIONAL POLICE OFFICERS HIRED

+37
ADDITIONAL FIREFIGHTERS HIRED

+32
ADDITIONAL CORRECTIONS OFFICERS HIRED

+27
TWICE AS MANY MILES PAVED IN 2012 THAN 2011

\$2.3M
IN RECYCLING REVENUE
[17% INCREASE IN RECYCLING]

440
NEW IDEAS FOR LEXINGTON FROM CITIZENS

1,120,988
CALLS TO 311 / LEXCALL OVER THE PAST 5 YEARS

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