

Lexington-Fayette Urban County Government Council Meeting

State of the Merged Government Address

January 21, 2014

The Council of the Lexington-Fayette Urban County Government, Kentucky convened in regular session on January 21, 2014 at 11:30 a.m., in the Hyatt Regency Hotel, 401 W. High Street, Lexington, Kentucky. Present were Mayor Jim Gray in the chair presiding, and the following members of the Council: Council Members Ford, Gorton, Kay, Mossotti, Myers, Scutchfield, Stinnett, Akers, Beard, Clarke, Ellinger, and Farmer. Absent were Council Members Henson, Lane and Lawless.

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

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Good afternoon. Thanks to all of you for being here today! Members of the Lexington Forum, friends, citizens thank you. Thanks to our Councilmembers. Over the past three years you have been great partners - we've worked together in a productive collaboration.

Here they are right up front. Vice Mayor Linda Gorton, At Large Councilmembers Steve Kay and Chuck Ellinger, District Councilmembers Chris Ford, Shevawn Akers, Diane Lawless, Julian Beard, Bill Farmer, Kevin Stinnett, Jennifer Scutchfield, George Myers, Jennifer Mossotti, Harry Clarke, Peggy Henson and Ed Lane. Let's have them stand and give them all a hearty round of applause. Thank you.

And I want to especially recognize and thank Vice Mayor Gorton, who has worked with us every step of the way. Our Vice Mayor has announced she will be stepping down from public office at the end of the year, her 16th year on Council, but we all know she will always be stepping up for our city. Let's give her a well deserved round of applause. Vice Mayor Gorton has been our longest-serving Councilmember since merger. In fact, the merger of our city and county governments is what I want to begin with today.

2014 marks the 40th anniversary of what was at the time, and even today, an innovative and creative and inventive step - city-county merger. It was 1974, times were turbulent - double-digit inflation, the resignation of a president, a national speed limit set

at 55. In Kentucky, 1974 brought more tornadoes on one day than history ever recorded. And a merged government opened its doors in Lexington.

40 years later, there's little doubt, merger has been worthy and efficient, shaping the community we are today. Like many of you here today, we're so glad many of those 1974 councilmembers have stayed at home, right here in Lexington - they love our city and they're a great community resource, still engaged and still working to make Lexington better - here with us today are Foster Pettit, first Mayor of our merged government, and several members of that first Urban County Council former Mayor Pam Miller; Bill McCann; Joe Jasper; Don Blevins Sr.; Bill Hoskins, here with his wife, Joan; Paul Rose, here with his wife Norma. And several members of the Charter Commission are with us today - former councilmember David Stevens, Bill McCann, again; Phil Points and Charlene Summers. The commission wrote the Charter that voters then approved to merge the governments. Let's give them all a hand.

We are here today to talk about the state of our city - I am proud to report that the state of our city is strong and getting even stronger. In the next 20 minutes I want to share how we're stronger and why we're stronger by focusing on our city's top goals - they're right behind me on these banners - Create Jobs, Run Government Efficiently, Build a Great American City.

I dial back to these goals routinely ... they're the goals we set together as a community in 2010. And it's important to report back on the progress made, and the opportunities still before us. All in the spirit of continuous improvement.

Now I recognize that on any big goal, or big project, or opportunity, or any thorny problem we need to solve for our city, there are those who will say with great conviction: "You are going too fast." And there are those who will say: "You are going too slow." And there are those who will say: "Why, you shouldn't be chasing this ball at all." So as we debate, as any healthy city leadership should, we can remember that aspirational thinking, yes even dreaming, can lead to transformational results for our city. And that basic blocking and tackling, good problem-solving, can lead to problems long accepted as too tough to address becoming problems addressed with success.

So why is creating jobs our number one priority? Outside of family and health, having a good job is about the most important thing in life. Everyone in the world wants

a good job! We have made solid progress since the Great Recession drove the local unemployment rate up to 8.7 percent in 2009. Today in Lexington, 149,249 people are employed according to the Bureau of Labor Statistics - that's more than have ever been employed here since the government started keeping records in 1990. In fact, our job growth rate from July 2012 to July 2013 was the ninth. highest. in. the. country. Since January 2011, jobs in Lexington have increased by almost 9,000, a 6 percent increase in our labor force in less than three years. By contrast, the state's labor force increased by only 1 percent. As of last November, Lexington had a 6.1% unemployment rate - Significantly lower than the state rate of 8.4% and the national rate of 7.3%.

So what is it that's contributing to our job growth? Let's start with quality of life. Dial back with me 30, 40, 50 years ago. People moved to where the jobs were. Think IBM, Trane, even Toyota - now that model still works. But today, more jobs are moving to where the people are, where talent is, where's there's a premium on quality of life, quality of place. So our focus has been on creating the environment, the quality of life and place, that grows and attracts good jobs and talented people. Listen to the point of view of someone who just moved here - Michelle Davis, who joins us today. Michelle's Letter to the Editor was published in the January 12 Herald-Leader. She writes, "Less than six months ago, I moved to Lexington from a Texas metropolis with my husband to begin a new job as a medical animator. While the job itself was the major draw, the city promised to be progressive, accessible and engaging. I love that it balances a small-town feel and proximity to nature with a large and modern city's energy. Beyond the horses, bourbon and basketball, there's easy access to outdoor exploration, unique restaurants, a new aqua-ponics facility, the Kentucky Theater, community gardens, public art projects, fitness gyms and farmers' markets."

What else attracts and keeps good companies, good jobs and talented people in Lexington? Our highly educated workforce - just last month, Lexington was again named by US News as one of the 10 smartest cities in the country. And Lexington has a higher median income and lower cost of living than the national averages. Working with our partners at Commerce Lexington and UK, our economic development efforts target companies with a lot of potential. Lexington is ranked 10th nationally for the number of high-tech start-ups.

Companies like NOHMS Technologies, which chose Lexington for its state-of-the-art battery research. Of course, this is a trend we want to encourage, so we've created the Jobs Fund, a unique local program to give us competitive advantage with fast-growing businesses. The Jobs Fund is a \$1 million commitment designed to make smart investments that directly boost job growth.

We also focus our efforts on our economic strengths, including our Universities, our health care and our agricultural industries, especially the equine industry, which serve regional, national and even international customers.

This past November, Louisville Mayor Greg Fischer and I released our BEAM plan, the Bluegrass Economic Advancement Movement. The goal? Creating jobs by leveraging Central Kentucky's strength in advanced manufacturing. We're encouraging more engineers, more training centers, more earn-and-learn programs to help prepare our workforce for the jobs that already exist – and those to come. And to leverage mid-skilled talent - it's not all just about high tech jobs. And we are encouraging greater exports to more countries, business beyond the city limits - in other words, thinking globally. With these intentional efforts, our economy is outperforming similar-sized cities. And we should! Because Lexington is a University City, a place where innovation, entrepreneurship and talent are welcomed with open arms.

Next goal: Running Government Efficiently - it takes imagination, innovation and backbone, and thankfully this city and this Council have plenty of backbone. Councilmembers know that in order to compete, to make the investments needed for our community and our quality of life, an efficient government is essential and required. Not optional. Not elective!

Let's look at this slide that shows the progress we've made, beginning in 2012, by making the tough decisions to reform employee health insurance and put our pension on a sustainable track. The red line shows where we were headed, let's call it the Detroit path; the blue line shows where we are now, securely on a path to financial strength. In 2012, just from these reforms in one year alone we saved \$14.2 million; In 2013, \$47.6 million was saved. That's 61.8 million of your tax dollars saved. And these savings compound year over year. Now \$61.8 million in savings is a very big number. But that doesn't mean we have that money to spend. We just don't have to bond

pension payments anymore, or look to one-time fixes for health insurance. We have righted the financial ship.

Every city in the country is wrestling with employee health insurance and pension costs. Only a few have found pathways and solutions. In the future we will see healthy cities; and we will see sick cities that cannot find their way out of mountains of debt. Where do you want to locate your business? Where do you want to raise your family? Lexington is today a beacon for other cities; an example of how to build financial health and strength. I want to again salute the folks who supported this effort with their resources or with their time or both - it would not have happened without them. They include Commerce Lexington, the Lexington Industrial Foundation and members of the Police and Fire Pension Task Force led by Tim Kelly and Gene Vance. From public safety Chris Bartley, Mike Sweeney, Rob Sarrantonio, Drew Short, Larry Kinnard, Chief Ronnie Bastin and Chief Keith Jackson.

And we've kept on finding new ways to save. By looking under every rock, by working with Council, we carefully worked our way through the budgets, examining other ways to save, and we found them. Savings of over \$3 million at our employee health center; and \$1.2 million at our employee pharmacy since 2012. Savings of \$1.6 million through energy-saving initiatives since 2011. Savings of \$305,000 a year at the jail through new contracts for food and laundry service. Savings of \$25 million on our Emergency Operations Center by reusing an existing building and winning several federal grants. Savings of \$8 million so far in the overall cost of cleaning up our sewers because of an emphasis on project management and streamlined procurement. Pushing back on spending too much is always required - that's why I meet regularly with Acting Commissioner Charlie Martin and Project Manager Vernon Azevedo. I want to take a minute to salute Emma Tibbs here representing the Fayette County Neighborhood Council and all of our city's neighborhood associations. As a leader of the Neighborhood Council since 1994, Emma and many other citizens pushed back - fought for the city to fix its sewers, and address flooding. Share with me our thanks to Emma and the neighborhood council. Finding savings, efficiencies and strong financial management are now routine ways of life at city hall - embedded into the city's DNA. By doing this we have reclaimed our city's financial strength.

Finding efficiencies allows us to save money and also to make investments. To successfully compete, Lexington, like any progressive business, must build its brand, its quality of life, by leveraging its assets and making investments. All successful businesses recognize there are times when you have to save money to make money - you have to cut costs; And good businesses recognize there are times when we have to spend money to make money - by investing in the brand - Building a Great American City means investing in ourselves, in our brand. These investments are designed to pay dividends in quality of life, investments in community, in new jobs, in outstanding basic services, in technology and in the future.

Three years ago a group of citizens began examining Rupp Arena and the surrounding blocks - three leaders of this Task Force are here today - Brent Rice, Wil James and Pam Miller. Now, Rupp has been aging and its competitiveness challenged - the question for the task force was, build a new arena or renovate? These citizens recommended not just renovating Rupp, but reinventing it, at a lower cost than new, and creating a better-than-new, state-of-the-art experience. And they recommended that the arena become a part of, rather than remain apart from, our downtown creating an arts and entertainment district around a free Rupp. We've brought in the nation's best architects and held public meetings, giving citizens the opportunity to share their ideas with the design team.

And we've just completed a citizens survey asking folks what changes they want to see inside Rupp - there were 8,335 participants in just two weeks - responses from all corners of Kentucky and as far away as Phoenix and Miami! Generally, fans are interested in technology improvements and chair backs in the upper arena, but here are a couple of the thousands of comments we received: "Get rid of Big Bertha for a modern scoreboard," said one fan. "More beverage and food options," said another.

Now, in and around the Rupp District, there will be public outdoor spaces along the path of Town Branch as it winds its way through Downtown, with a park in what is now the Cox Street Parking Lot. When we began the Rupp Project three years ago, I said this is a 10-step process, lots of moving parts. In three years we've made our way carefully through several steps, mindful of the importance of keeping the public informed. All along the way we've worked closely with the University of Kentucky to be

sure their needs are met through this project. Thank you, Dr. Capilouto. Now we're about to take a couple of big steps - in the next few days we will unveil a new design for Rupp Arena and the convention center and elements of Town Branch Commons - aspirational plans for our city!

Of course, Rupp Arena and Town Branch are important investments to our city's future, but so are investments in basic services. Public safety - strong police, fire and corrections divisions are essential to our quality of life. Public safety commands 55.2 percent of our budget, the great recession affected even those divisions - unavoidable. But, unlike many cities, there were no layoffs in police, fire or corrections. And as the economy began to recover, and largely because of our ability to save dollars elsewhere, we were able to make new investments in public safety. Each of our principal public safety divisions, police, fire and corrections, is now very close to having all current staffing positions filled 97% for police; 93% for fire; 98% for corrections. While boots on the street is an important part of this story, it's not the only part - we've also invested in equipment, importantly new communications equipment - radios that cover our county, border to border, and allow for seamless communication among police officers and firefighters. And we've invested in new patrol cars and fire vehicles.

Bottom line, in 2013, our public safety employees continued their extraordinary work: Our police officers are preventing crime – which was down 7.8 percent compared to 2012 – and solving crimes, getting criminals off the streets; Our firefighters are preventing and fighting fires - no fire-related deaths in Lexington in 2013 - and also making thousands of EMS runs at impressive response times. There's a new ambulance and 27 new paramedics on the streets; And new leadership has brought improvements at the jail. Now we all watch the news. We all know there is crime in our city. We don't live in Mr. Rogers neighborhood. Yes, this is a city with all its challenges. But the numbers tell the real story. Lexington is one of the safest cities of its size, anywhere in the country - let me repeat - one of the safest cities of its size anywhere in the country. So, thanks to all of our public safety employees.

Now, in other areas, we have increased investments in paving and in parks, both important basic services. We are working with Fayette County Public Schools as they invest in a new high school. We've also invested in the arts. In Lexington, the arts have

in many ways become a basic service. We recognize their importance to our culture and to our economy and we invest in them as a community - Lexington has more arts establishments per capita than Chicago, Philadelphia or San Francisco! Many, for example, are excited about the new Lincoln mural on Vine Street, the Prohibition Festival, the Tattoo project - a few examples of the entrepreneurial enthusiasm for the arts in Lexington.

We are also investing in technology to find new efficiencies and ways to improve basic services: Everything from a renovated state-of-the-art parking garage, now open on Main Street - To code enforcement, where we are examining data in a new way to zero in on our community's most distressed buildings, a way to end demolition by neglect. We will invest in our employees. Our compensation system for employees outside of collective bargaining agreements is not working. We're working on a solution that is fair and equitable.

We are also investing in our citizens and in meeting their needs. We will soon hire the City's first leader for our newly created Office of Homelessness. This Office will help improve collaboration among city divisions, service providers and community partners in our work to address homelessness. Since 2012, when federal and state funding was being cut, we've increased funding for social service agencies by 20 percent - these are programs that help the neediest among us.

And we're building a new Senior Citizens Center! It will be located on city property to save money and we're adding a new focus on healthy outdoor programs for today's active seniors. Current plans call for a ribbon-cutting in 2015. Construction will begin this summer on the Isaac Murphy Memorial Art Garden, which will also be the eastern trail head for the Legacy Trail, connecting the east end to the horse park, a wonderful new recreational opportunity in the heart of our city.

Lexington is a caring and giving community - our citizens take care of each another - there were countless examples of people checking in on their neighbors during the cold snap two weeks ago. Look outside, there may be another one headed our way. A caring and giving community also takes care of its children. Through Partners for Youth and the 'I Do' programs, community volunteers design programs for young people. Many of those programs are funded by the community. Executive

Director for Partners for Youth Laura Hatfield is here with us today and she brought along two members of the Mayor's Youth Council - welcome to Henry Clay Junior, Russ Boggess and Dunbar Junior Meghana Kudrimoti.

And today I especially want to salute three clergymen, Pastor John C. Lee Jr. with Greater Liberty Baptist Church, Bishop Thomas Wallace with New Birth Church of Christ and Rev. Donald Gillett from East Second Street Christian Church. During Advent, these ministers raised \$3,000 from their congregations for Partners for Youth - let's thank them with a big round of applause.

I've been talking about our investments in basic services and their importance to our quality of life. But over the past few years we've really only been able to address critical needs because of limited resources. Lexington has community projects – like major transportation projects and a world-class park system – that aren't even being considered today because the funds just aren't available. These types of projects would distinguish Lexington and make us even more competitive. So, how do we make these investments? We need new options. One of those options is a local option voter referendum that would allow voters to support or oppose up to a 1% local sales tax for specific capital projects for a limited amount of time. In Fayette County, a 1% sales tax would generate an estimated \$34 million per year. Allowing our citizens the very basic right to vote is something we should support. Let's encourage our legislative delegation to get behind this important effort this session.

As we make important investments in the future of our community we should always remember: We stand on the shoulders of those who came before us, all the way back to 1775, 239 years ago, when Lexington was settled around the Town Branch. I've always believed and still do, that good business principles and practices can be translated into government - and we are doing just that - we are working efficiently. But efficiency is measured over the long arc of history - our City has grown, opportunities increased, sure there are problems and we must be relentless about chasing them down, but over the long arc of time and history, our City has grown and improved.

In 1930, Louisville's population was 350,000; Lexington's was 35,000. Today, Louisville's population is 700,000; Lexington is 310,000. Louisville has doubled in size, while Lexington has grown by tenfold. That's a measure of our success.

But the truest measure of our city always comes from our citizens, themselves. Some of you may have already read Megan Smith's "Letter to Lexington" which appeared last September in the Huffington Post section called "Love Letters to your city." Megan's letter was read by thousands of people from across the country and got great reviews. Megan, who is editor-in-chief of "Cake and Whiskey," a lifestyle blog, has joined us today and I want to close with her words - "Do you know what I love most about you though, Lexington? I love that you never say 'no' to big dreams. I've been with other cities, ones that promise to fulfill with networking opportunities, but in the end they were too busy, too distracted. But you, Lexington, you've created a platform for the pursuit of possibility and then go above and beyond, rallying everyone around in support. You have this amazing way of encouraging dreamers to dream bigger, doers to do more and givers to continue giving." So to all of you in this room today and beyond, as Megan might say, thank you for dreaming big, for doing more and for continuing to give.

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The Council adjourned at 12:18 p.m.

Clerk of the Urban County Council