



Lexington-Fayette Urban County Government
OFFICE OF THE MAYOR

Jim Gray
Mayor

April 8, 2014

Mayor Gray's FY 2015 Proposed Budget Address

Vice Mayor Gorton, Councilmembers and Friends,

Today, I'm presenting my fourth budget proposal.

Over the past three years we have built working relationships that have been all about **getting things done**. Relationships that work... and thanks to each Councilmember for your willingness to get things done and make some big changes ... some small changes ... and everything in between.

BIG CHANGES LIKE ...

- An end to borrowing money to pay for **pension liabilities**, but we did it in a collaborative way with our public safety employees and retirees.
- Reforms of our **health insurance system** which offers competitive plans as well as an innovative health clinic and pharmacy for employees.
- And big changes like a plan to transform our city and create thousands of jobs for our state.

SMALL CHANGES LIKE ...

- Streetlights, bike lanes, trails, playgrounds, cleaner streets ... things that really matter to people but don't cost a lot.

AND IN-BETWEEN CHANGES LIKE ...

- Innovative projects like our Senior Citizens Center, public-private partnerships to assist us in redeveloping a Government Center that's about to fall apart, Affordable Housing and homelessness, pothole patcher and paving.

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For three years we have built our budgets and run our government on three goals. The goals are our true north; our way-finding signs; in a sense, our basic infrastructure.

They are:

- Creating Jobs
- Running Government Efficiently
- Building a Great American City.

As we present our fourth budget today, we return to those three goals.

Let's start from the bottom up and acknowledge **Building a Great American City doesn't happen overnight** ... Rome wasn't built in a day.

- Patience and persistence and a good plan always help. Remembering a plan ... *in this case a budget* ... is like a road map, and the journey is the safest when the road map is the clearest.
- Now recently we've had more financial challenges, more stress on the cost side and revenue side of our budget.
- We've needed to focus almost exclusively on staying above water ... preserving jobs and running government efficiently instead of about making investments in our Great American City.
- No surprise there. We just lived through the greatest recession since the Great Depression.

Our focus on **job creation ... creating the environment for good jobs ... is essential, mission critical.**

- In 2011, thousands needed jobs ... many still do. And although the unemployment rate has improved in Lexington, many of our citizens ... your friends, family, people you know ... **still need jobs.**
- We all know, outside of family and health, having a good job is about the most important thing in life. In fact, everyone in the world wants a good job ... think about it, a good job gives purpose and meaning in life ... *and* a paycheck.
- Now we've had some successes ... since January 2011, jobs in Lexington have increased by almost 9,000, and last year 149,249 people were employed in Lexington, more than at any time since the government started keeping records in 1990.
- Average annual wages are rising locally ... up from \$42,000 in 2011 to \$43,600 late in 2013.

But there is still work to do ... no time for complacency ... Lexington is an economic engine for the entire state. Creating jobs is our top priority.

- Through this proposed budget we will continue to work with Commerce Lexington and UK to help local companies grow and to attract new companies including those that bring high-wage 21st Century jobs that *should* be attracted to a University City like Lexington.
- We recently approved a **Jobs Fund** ... a unique business model fund designed to give us a competitive advantage as we challenge other cities for good companies.
- We will soon have a **local food coordinator** on board to support and grow local agriculture.
- And we continue to work on the **BEAM** initiative, to build on our strength and make Kentucky a world class center for advanced manufacturing.
 - BEAM advocated for an **advanced manufacturing training center** to make sure our next generation of workers have the skills they need to keep our momentum. And it's happening, right near the Toyota plant.

Our economy is getting some wind behind its sails. You will see that illustrated in the numbers in this budget.

- With the help from UK economists, we are estimating our General Fund revenue for next budget year will be \$313.2 million ... a 5 percent increase over last year's General Fund budget.
- It's a vigorous step forward, but remember it's still less than half of the 10.2 percent our revenues grew in both 2006 and 2007.

The budget I am proposing today is built on an improving economy and on a government that is more efficient, more responsive and has better morale than we had three years ago.

- Our relentless focus on **government efficiency, continuous improvement and good management** ... getting up every day and asking ourselves how can do better today what we did yesterday ... these behaviors, these patterns, these core values have put the city on **firm financial footing**.
- For example, tens of millions of dollars saved by reforming our pension and employee health insurance. Without those reforms we would be looking at a Detroit path instead of a Lexington path.

Now I'm **not talking about flashy investments**.

- We're talking about the basic building blocks for Building a Great American City.
- We're talking about pent-up needs that haven't been addressed since 2009, when the recession began to take its 4-year toll.
- We're talking about public safety and quality of life ... the kinds of investments that will attract new employers and new jobs to Lexington.

Now why are these investments important? ... 30, 40, 50 years ago, people moved to where the jobs were. Today, jobs are moving to where the people are ... where the talent is ... where's there's a premium on quality of life ... quality of place. That's why these investments are important.

Successful businesses recognize that there are times when you have to save money to make money ... cut costs ... that's what we've done;

- And business men and women recognize there are times when we have to spend money to make money by investing in the new plant and equipment ... by building their brand.
- Now, today, here in Lexington, like any successful business, we must build our brand—invest in our quality of life--by leveraging our assets and making responsible investments.
- So now let's talk about a few investments we're able to make this year.

Let's start with a project we've needed for quite some time ... **a new senior citizens center.**

- Currently our seniors are crammed into a 31-year-old facility on Nicholasville Road. It's too small, it's hard to get to, it needs renovation... It. Doesn't. Work.
- As our city grows, our senior population grows. Currently about 50,405 of our citizens are age 65 or older ... clearly there's a demand for this facility.
- **So here's what we're proposing.** *[unveil rendering]*
 - A center designed for today's seniors with equipment indoors and outdoors in an improved Idle Hour Park.
 - We're planning activities seniors enjoy including fitness facilities, yoga, educational classrooms, art and music rooms and a dance studio.
 - The Center will offer social services and health monitoring.
 - There's \$8 million for the project in my proposed budget.
- **Sally Hamilton**, our Chief Administrative Officer, who is managing this project, will have a full presentation about the Center for Council shortly, but I couldn't resist giving you a sneak peek.

Just as we need to make investments to improve the lives of our senior citizens, we need to make investments to improve the lives of our children.

Here are a few investments we've including for young people:

- \$300,000 for **playgrounds**, including an updated playground at Jacobson Park.
- New summer **camps** plus a spring break camp.
- \$235,000 to establish a **Cultural Arts Center at the Carver Community Center**, with programming for all ages. Its location near the University and the downtown Arts District makes it perfect for expanded services focusing on arts and cultural recreation.
- \$50,000 for the **Woodhill Indoor Multi-Sport Center**, a public private partnership with the U.S. Tennis Association and a mentoring and enrichment program for at risk youth.
- \$150,000 to provide benches, scoreboards and parking at the **Shillito multi-purpose fields**.
- \$50,000 for an education addition to the **Visitor's Center at the Arboretum**.
- \$100,000 to continue improvements at the **Kentucky Theatre**, enjoyed by all ages. A volunteer group, the Friends of the Kentucky Theatre, has raised well over half a million dollars for these improvements, and work on the Kentucky is already underway.

This budget also includes significant investments in **Public Safety**, in fact, Public Safety commands the lion's share of the General Fund budget ... 55 percent ... and that's as it should be. Public safety spending has hovered near 55 percent since 2006. Public Safety is now our top responsibility. This year Council got a start on meeting Public Safety needs by investing \$6.5 million surplus funds in the current budget in one-time equipment purchases including cruisers, Fire engines and emergency medical buggies.

- That's \$6.5 million money we have worked hard to earn over several years through efficiencies, job growth and keeping an eye on spending

The public safety budget I am proposing for next year includes:

- Funding **new positions**. Altogether there are 45 new positions proposed in this budget, 35 of them in public safety including:
 - 15 new Police officers
 - 15 new corrections officers
 - New E-911 call takers
 - And new positions in Fire, including a new district major position for operations.

- And funding for **two recruit classes** in both Fire and Police to fill the boots of those who retire.
 - We have also included \$50,000 for recruitment to help Fire improve the diversity of the force.
- A \$150,000 increase in **strategic overtime** for Police.
- Bricks and mortar improvements for Fire, including
 - \$800,000 for a new training tower.
 - \$2.5 million to relocate and build a new Station 2
 - \$250,000 land acquisition for land acquisition for a new Fire station in the Masterson Station area.
- And \$45,000 to upgrade public warning sirens.

Our investments in public safety are paying off where they really count ... on the streets.

- Our police officers are preventing crime – building on a decline in 2013 of 7.8 percent compared to 2012. In the first three months of 2014 we were down 3.9 percent compared to the first three months of 2013;
- 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.
- New leadership continues to bring improvements at the jail.
- Numbers tell the story ... **Lexington is one of the safest cities of its size, anywhere in the country.**

Just as public safety is essential to our quality of life so is ensuring we **take care of citizens who need help** ... one of our city's great strengths is that we are a caring and giving community ... a compassionate community.

- Like our surplus investments in public safety, Council made a wise choice to get a jump on social service needs by investing \$3.5 million in affordable housing and to further address the needs of those who are homeless.
 - We are making progress here ... in the next few days we will be announcing the choice for the Director of the City's Office for Homelessness.

- And we have once again increased funding for our partner social service agencies to \$2.5 million ... an increase of \$1.4 million or 47 percent over the last two years. The change this year will allow us to fund the Hope Center Shelter and a mentoring and enrichment program that serves at-risk youth.
- In this budget and in our current budget we are stretching to adjust and adapt to state and federal cuts that have drained the budgets of these agencies.

In public safety, in social services, in virtually every city hall office, our employees focus on **service** ... serving citizens, that's the job.

- Now, while I'm mentioning employees, we've included \$2.9 million across the government to implement our **compensation study recommendations**, ensuring fairness and consistency in the city's personnel system. This involves employees who not members of collective bargaining units.
- These employees will also receive a 2 percent raise.

We're asking employees to do more and more. Today, the world is moving faster. Naturally, customers, citizens, expect things to be done faster...

We're so glad Chief Information Officer **Aldona Valicenti** has joined our government ... to provide the leadership we need to make **good investments in technology** ... Good investments, good leadership, good management follow good people, and Aldona is one of the best in the business. She has recommended:

- \$1.1 million for a software system, Accela, to leverage the investment already made in water quality, and provide streamlined services in planning, building inspection and new development.
 - The system will help citizens and businesses apply for and track their permits online.
 - After decades of talk about making this process smoother for citizens and businesses, this is real progress.
- \$1.5 million for **basic technology upgrades**.
 - Our technology infrastructure is struggling, weak. It cannot support the services our citizens need.
 - These improvements are an investment in efficiency and improved citizen service.

Now, a word about **Rupp**:

- As civic leaders, we do our best to create a business friendly environment. And then along comes a rare opportunity to directly create a significant number of jobs for the thousands of Kentuckians who need them.
- Smart **public investment is critical to the success of this project**, and that's what we've proposed.
- That means **a city contribution and an expanded hotel tax**.
 - To make this project succeed we will require a **city bond package up to \$40 million**.
 - **Yes, this is a significant investment... and it's the single best opportunity we have to create jobs – and a return on this investment. It's affordable, and allows the City to continue to invest in all the services we provide.**
 - This year we will ask Council to authorize the bonds, but there is no revenue obligation until the 2016 budget year. To get an idea of the annual debt service for this bond: it's about the same as our recent PDR investments.
- And we will continue to work with the UK, the Governor and legislative leaders to get this done – just like we have so many other projects.

It's like climbing that mountain Coach Cal just talked about...one step at a time.

So, in closing, I'll wrap back around to where we started ...

We are getting things done. And by continuing to work together we will keep getting things done: big things, small things and everything in between...

Thank you.

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