



Lexington-Fayette Urban County Government

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2016 Budget: Investing in the future

By Jim Gray

Good afternoon, Vice Mayor Kay, Councilmembers and friends:

Today I am presenting the first budget of a new term.

A new *term* for some of us; a first *term* for others. And a natural *time* for *all* of us to look back and take stock; and to look ahead to what's next.

Councilmembers, I want to especially thank you for your input and for working together with the administration in such a collaborative way.

For those who might take a calculator and check budgets, you could begin with 2011. All the budgets are online. They are part of our city's living and transparent history ... the financial history of a city council and leadership who tackled decades old, costly problems ... thorny problems ... and worked together to solve them.

We've gone from declining revenues, deficits and **draconian budgets**, to three years of surpluses. We've put ourselves back on a solid financial track. We've moved from cutbacks and lay-offs to making the investments our city needs to move forward.

Thanks to a Council majority with backbone and fortitude through a lot of tough decisions, today we are a city with a **firm grasp** on our future. Collectively, we have managed the business of government efficiently.

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HORSE CAPITAL OF THE WORLD

Let's taxi back now ... let's dial back to 2012. In my State of the City address, and again in 2014, I said successful businesses recognize there are times when you have to save money to make money; and also times when you have to spend money to make money ... by investing in the new plant and equipment ... by building your business and your brand ... by expanding your markets and your reach.

This is a year to make responsible investments to build Lexington's business and brand, and to address bottled-up demands.

First, let's talk about how we pay for our investments ... funds will come from four primary sources: first annual revenues; surplus funds from budget year 2015; then bond proceeds; and then grants and private partnerships.

Our economy is strong. Annual revenue estimates have increased from negative growth in 2011, to an estimated 3.6 % growth for 2016. We project operating fund revenues of \$324 million in 2016.

Now I have full confidence in this 2016 revenue projection ... it is based on advice of University of Kentucky economists, plus economists from the private sector and on the work of Commissioner O'Mara and his revenue team.

This revenue estimate is on target ... it is *not* overly optimistic.

Now, as to the surplus, this is our third surplus in three years ... a reflection on our commitment to holding the line on spending throughout the year and running government efficiently and responsibly.

Last year, we used the surplus for Capital investments, largely for police and fire.

- Our focus on the importance of running government responsibly and efficiently remains solid. This year, in addition to funds for basic services like public safety, we are proposing investments to enrich our city and its quality of life ... investments that touch the lives of many thousands of our citizens.
 - General Fund bonds proposed in this budget total \$58 million ... ***now, just a quick time out here*** ... before there's anxiety about this amount, let's compare this amount with bonding in past years. For example, in budget year 2010 we approved \$69 million in bonds; and, a year earlier we approved \$70 million in bonds just to address the unfunded liability in our police and fire pension.
 - 10.8% of this budget is committed to debt service, up from 10.7% ... a one-tenth of 1 percent increase. Again, a responsible, manageable ratio. Especially when interest rates are at generational lows.
 - We will also be looking to grants and public private partnerships to help with several transformational projects.
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Now let's move beyond revenue, and talk about **the cornerstones of this budget**:

AND let's start where we always do:

- **Cornerstone 1: Create Jobs**
- **Cornerstone 2: Run Government Efficiently**
- **Cornerstone 3: Build a Great American City.**

Then I will move on to how we reinforce the cornerstones: How? **By investing in public safety and basic services that span the entire city and county.**

First, Cornerstone 1: Create jobs: A priority on day one; a priority now; a priority tomorrow. The unemployment rate was 8.8 percent in January 2011, according to the Bureau of Labor Statistics. The most recent numbers show it at 4%, a 54 percent drop.

- This budget includes \$1 million for our Jobs Fund, our second investment in this innovative program. So far, four businesses have taken advantage of this unique program. It is creating and retaining good paying jobs.
 - And another \$1 million for new development and design excellence infrastructure assistance.
 - We're refocusing our economic development efforts on our strengths – cluster strategies to grow our economy and our brand as a University City with talented people and thriving business.
 - We're supporting the efforts of the **North Limestone Community Development Corporation**, a non-profit, neighborhood-based group that is attracting grant funding and private investment to the North Limestone corridor.
 - And a continuing drive to bring affordable, high speed broadband to Lexington for business, research, and communications is underway. Our goal: Make Lexington a **gigabit city**.
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Next, Cornerstone 2: Run Government Efficiently ... and I would add responsibly and transparently.

Practicing continuous improvement, we start each day with a question: How can we improve today what we did yesterday? The approach since day one. And the reason we're in a position to talk about investments today. It adds up to:

- A reduction of \$116 million in our unfunded pension liability;
- An annual savings of \$12 million a year in employee health insurance.
- A \$60 million reduction in the cost of sewer projects required by the Consent decree through value engineering and good project management.

Efficiency improvements continue in this budget through the establishment of an **Office of Project Management**, which will oversee capital projects with an emphasis on cost savings and efficiencies. Efficiency improvements will continue in this budget by investing in cyber security; through enhancements of our 3-1-1 call center; and by providing citizens self service for city services through our web site.

Talented employees are essential to the success of any business dedicated to continuous improvement, especially a service business like Government. Their hard work should be rewarded. I have included a 3% increase for employees who are not part of union bargaining units; union employees receive pay adjustments through contract negotiations.

And, lastly, Cornerstone 3: Build a Great American City: Build it through initiatives that will be generationally transformative ... for our children and our children's children ... the historic courthouse, Town Branch, education, initial planning on a relocated city hall. Aspirational projects, yes, but essential as well.

- **Why ? Because building quality of life through creative place-making will Build a Great American City.** Culture equals jobs, and these projects are deeply embedded in our history and culture. Investing in that history represents investing in the growing international trend that recognizes the importance of the heritage economy.
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- **First, the 1899 historic courthouse: It is our city's front door ... its image is on practically every branding and marketing document and website in the city.** It's one of the most significant public buildings in Kentucky and it faces a critical moment. Deferred maintenance has allowed deterioration, creating life safety risks and threatening the structure.

That said, a recently completed capital needs assessment, managed by the Downtown Development Authority, demonstrates that the building is still sound and has another century of life in it if we take care of the fundamentals – roof, masonry, windows, doors, wiring, heating and cooling. It won't be easy; it won't be inexpensive ... we're including \$22 million in this budget.

- Yes, investing in our history says a lot about a city. So I am also proposing we partner with the Bluegrass Trust on two important projects: the **relocation of People's Bank** and a **restoration plan for Latrobe's Pope Villa**.
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- **Next, Parks, and Town Branch Commons. Great cities have great parks, and we're proposing such a park for our downtown ... and in addition, \$250,000 to develop a Parks Master Plan to make Lexington's parks system one of the best in the nation.**

Now, many of us know the history of Town Branch – the water source around which Lexington was founded 240 years ago.

Over the past decade, dedicated citizens have reminded all of us of the importance of Town Branch and its history. **Ann Bakhaus** [*Bake-Us*] is with us today, representing just a sampling of those dedicated citizens.

These citizens have worked tirelessly to leverage this piece of our authentic history through the establishment of Town Branch Trail – the heritage economy at work. The trail currently follows the path of the creek from Masterson Station to Alexandria, with plans to extend it to Oliver Lewis Way in the near future, connecting neighborhoods and businesses along the way.

Governor Steve Beshear has committed \$6.9 million to this project.

When Town Branch reaches downtown, it's buried today in a culvert. In this budget we're proposing a **transformational alignment that's both practical and durable**: the meeting of Town Branch Trail and Town Branch Commons, a 2-mile linear park from Oliver Lewis Way to Midland and Third, Isaac Murphy Park. The two will meet behind Rupp Arena. Town Branch surfaces there and continues on into the rural landscape.

I have included \$10 million in this budget to begin the Town Branch Commons, and we plan to apply for \$10 million of federal Tiger grant support. We are also working in a public/private partnership with Blue Grass Community Foundation and the Lexington Downtown Development Authority to raise additional private funds for a park worthy of our city and our remarkable history.

And before I leave Town Branch, on the north side of our city, work is already underway to complete a section of the Legacy Trail to meet the Town Branch Trail at Isaac Murphy Memorial Art Garden.

- **A third transformational initiative: An investment in the new Bluegrass Community and Technical College Newtown campus:**

Bluegrass Community and Technical College's new campus at Newtown and Fourth Street brings higher education and workforce training to a historically underserved part of town. The campus provides new resources for the area, and is already attracting private sector investment. BCTC puts a strong emphasis on workforce training, and that's important for many of our citizens who still need jobs. The \$1 million we have proposed for BCTC is part of a matching grant program set up by Kentucky legislators. Other Kentucky cities are investing in the community colleges in their towns. The grant program requires a match from the local community.

- **City hall, another important decision:** Before the winter storm knocked it off the front page, the fire in the city hall garage was front and center ... just the latest in a long line of costly repairs. The city moved into what once was the Lafayette Hotel in 1984 ... it was supposed to be temporary. More than 30 years later, we're still here. And now we're paying for it.

Maintenance costs for our 120-year-old building are soaring. The building alone has over \$6M of immediate capital needs just to keep the lights on, much less shore it up for the future. It was

never intended to be an office building. It is appropriate for renovation into apartments for example.

So it's simply responsible for us to take a hard look at a newer facility that will save taxpayer money in the long run. I'm proposing we invest about half of what we spend each year to keep this building open to update the facilities study we conducted several years ago and plan for next steps.

Now, we reinforce our cornerstones ... goals of creating jobs, running government efficiently and building a Great American City ... through our core values and continuing to invest in them. Public safety. Basic Services:

- **Public safety remains our top priority** ... we're proposing 10 new officers, new patrol cars and new equipment, including body cameras, in **Police**; new equipment and improvements at fire stations in **Fire**; money to finish the **Public Safety Operations Center**; and funds to complete the jail management system in corrections. Since the start of 2011, we have invested almost \$1½ **billion** in public safety, and that's a 22% increase over five years.
- We are also investing in basics like sidewalks and neighborhood streets and **roads, and the traffic lights that come with them**. I'm proposing \$10 million for paving neighborhood streets and major arteries like Man-O-War. Our winters have been tough and one of local government's top responsibilities is basic road infrastructure.
 - **Our Traffic Engineering Division is proposing a number of initiatives to improve travel times and make travel safer**, including neighborhood traffic management, congestion management, funds to repair aging signals, and adaptive signal control. For the first time, funding has been allocated specifically for **pedestrian safety improvements**.
- **Parks ... another important basic service**. I am proposing \$1.9 million for parks improvements including improvements at Douglass for the Dirt Bowl; restrooms at Lansdowne-Merrick; tennis courts at Ecton; Highland Park Trail; Martin Luther King Park Concession Stand and Restrooms (**Charles Fields** ... good to see you ... your persistence reminds me of Lamentations 3:25 – “good things come to those who wait”); also Veterans Park playground; Valley Park Skate; and a plan for the Brighton Rail Trail Bridge.
- We've included operating funds for our **new senior citizens center**. Work is underway, with completion coming in the spring of 2016.
- **And funds to help our most vulnerable citizens**. As state and federal funds have dried up over the past few years, we have almost doubled our funding for our social service partner agencies. This budget proposes \$3 million, while holding within the Council-authorized threshold of 1% of the General Fund.

- We will also continue funding for **affordable housing, homelessness initiatives, and for our nationally recognized PDR program.**

The **BOTTOM LINE** is this: we have distributed investments city wide ... investments in **Building a Great American City**, in quality of life, in basic services ... *and* throughout the community, the rural areas, and *especially* in our neighborhoods.

Every Council District is included.

Now I want to close today with a call to action ... to the Council ... to the community ... to each and every citizen ...

We can seize this moment for our city. This is our time.

A budget is a blueprint ... a plan for the future. This plan is part basic service and part aspirational projects ... **both are important.** We should remember, too, that as we proceed downstream plans are made so they can be intelligently changed and improved.

We are ready to work together, reaching up and lifting up and stretching to grab the brass ring for our city.

We know where we've been, and where we're going, and how we're going to get there. Yes ... you know ... we all know ... that together we **can** make a difference ... we **can** make good things happen.

Thank you.

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