

Lexington-Fayette Urban County Government Council Meeting

State of the Merged Government Address

January 19, 2016

The Council of the Lexington-Fayette Urban County Government, Kentucky convened in regular session on January, 19 2016 at 11:30 a.m., in the Lexington Center, Bluegrass Ballroom, 430 W. Vine St., Lexington, Kentucky. Present were Mayor Jim Gray in the chair presiding, and the following members of the Council: Council Members Bledsoe, F. Brown, J. Brown, Evans, Farmer, Gibbs, Hensley, Kay, Lamb, Moloney, Mossotti, Scutchfield and Stinnett. Absent were Akers and Henson.

*

*

*

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

Welcome, welcome to 2016, what a time to be in Lexington! Thanks to the Lexington Forum for sponsoring this event every year. And welcome, Councilmembers. Here they are right up front: Vice Mayor Steve Kay; At-Large Councilmembers Kevin Stinnett and Richard Moloney; District Councilmembers James Brown, Shevawn Akers, Jake Gibbs, Susan Lamb, Bill Farmer, Angela Evans, Jennifer Scutchfield, Fred Brown, Jennifer Mossotti, Amanda Mays Bledsoe, and Russ Hensley. Let's ask them stand and let's give them all a hearty round of applause. Thank you.

And welcome, as well to Senator Reggie Thomas, and former Governor Steve Beshear who are with us today. I would especially like to welcome four middle school students who are here with the Kentucky Youth Leadership program: Ethan Thomas, Ryland Wheeler, Kate Marie Powell and Macy Brockman. These students will be traveling abroad for a leadership/civic involvement program. Can you all stand? - let's welcome them with a round of applause.

Before I really get started this morning on the State of the City, are any of you worried about the state of the weather? Well just to reassure you, Albert Miller, our Streets and Roads superintendent is here today. Are you ready, Albert?

So, it's a new year, time to talk about the city we all care about, to lift up and get a tree-top view, but also to take a close on the ground look. Since 1775, 241 years of extraordinary history belongs to our city, and that history brings us to this day. From its beginning, when William McConnell and a handful of pioneer settlers camped at a

natural spring in 1775 and named their future settlement Lexington. From the period when Henry Clay in the 19th Century dreamed big dreams for our city, and our nation. He saw Lexington not as a village or hamlet or a town, but as a Great American City.

From the 20th Century, when the seeds of today's robust economy were sown with the building of UK's Medical Center and the arrival of companies like IBM. And this history brings us to today's newly minted graduates of the University of Kentucky or Transylvania University or Bluegrass Community and Technical College; these graduates are landing that first good job, right here at home in our university city, which has one of the nation's most highly educated workforces. And it brings us to every person in this room, and every one of Lexington's 310,000 citizens, we are all part of the story, of this extraordinary place - the story of a Great American City.

And we've got quite a story to tell. The state of the City is this: we are firing on all cylinders! Unemployment is historically low – Lexington has 22,500 more people working today than were working here at the low point of the Great Recession, and average pay per job is up 13.5 %. Business starts are up as well, and we're creating about a third of the new businesses in Kentucky. Lexington's model is working, we are an economic engine for our state. Home sales are up 22%, 2015 over 2014. Foreclosures are down 18%.

2015 was a record year for new commercial construction, up almost 20% over 2014. Our arts and culture are booming, and we know arts equals jobs. Lexington is growing, investment is up. Over the past year about \$2 billion has been invested in commercial and residential real estate, healthcare and educational institutions, and infrastructure in our city.

Now, of course, there's always some anxiety about growth, especially in a city that values its history so much, and its countryside. But we are growing responsibly. We know it's essential to preserve those things that make Lexington special. And we also know that responsible growth, creating good jobs and opportunity, is essential to maintaining a vigorous, strong economy. Yes, we are firing on all cylinders. We are making investments in our community to improve quality of life which in turn are attracting new jobs and new economic growth, making new investments again possible. It's a continuing cycle that has brought economic opportunity and growth to Lexington.

Lexington is making progress, but there is more to do; we have opportunities and challenges, and we are tackling them head on, working with citizens, councilmembers, community leaders, wrestling problems to the ground and finding lasting solutions.

Now let's take a deeper dive, examining the three goals we have set for our city: Creating Jobs, Running Government Efficiently and Building a Great American City. These are the touchstone goals that guide us through shared decisions when developing a budget, setting priorities or planning for the future. So let's talk about the progress we've made together over the last year.

And let's start with "Creating Jobs." So why is creating jobs our number one priority? Well, 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! Today, unemployment is historically low, 3.6%, reduced by more than half since 2011 and we will keep working to attract good jobs to our city; working on job creation every day. We have established a Jobs Fund with incentives designed to give our community a leg up when competing with other cities.

And it's working - since 2014 nine local companies have employed these incentives to expand. And the incentives have helped attract three new companies, one of them a UK graduate moving her headquarters to Lexington. These companies are bringing 223 new jobs, together representing over \$11 million in payroll, or an average of nearly \$50,000 a job. We work closely with the State and Commerce Lexington to attract new companies and to keep existing ones and help them grow.

We are especially proud of a recent announcement by Clark Material Handling. Clark is expanding its operation in Lexington with 30 good jobs, and an almost \$5 million investment to expand its facilities. Now, Clark's headquarters have been located in Lexington since 1985. Clark is moving jobs from Mexico to Lexington, and let me repeat that. Clark is moving jobs from Mexico to Lexington. Today we want to welcome and congratulate Dennis Lawrence and Chuck Mix of Clark Material Handling. Dennis, Chuck, you are sending a clear message nationally, internationally, that Lexington is a great place to locate and grow a business.

Next in terms of creating jobs, we recognize an important 21st Century step for us to encourage economic growth is becoming a gigabit city, and we have a team

actively working a broadband project. We are doing our homework, determining what kind of system will work here. So today we are ready to ask companies to bid on providing our broadband service. And there's exciting news here; the state has offered to build fiber dedicated to the city at a very low cost to us. Yes, we are getting things done; creating the jobs our citizens need.

Before we focus on Running Government Efficiently, I want to mention the team that's responsible for making our government work - Chief Administrative Officer Sally Hamilton and Deputy CAO Glenn Brown, their team works so remarkably well with the Mayor's Office and the Council, thank you.

Now, Running Government Efficiently. We have realized significant savings through the reform of employee health insurance. As this chart illustrates, these savings continue, now totaling \$68 million. We've kept our employee health insurance expenses almost flat since the new program began in 2012, and in today's health insurance market, that is a real accomplishment.

Now of course, while ongoing cost savings and efficiencies are important, there are other real world benefits that are even more important, the impact of these changes on the health of city employees and their families. The new health insurance plans emphasize primary care and prevention through our employee health clinic and pharmacy. Employees are rewarded to get check-ups, take their medications and to get involved with their health to prevent serious illnesses. Over half of our employees and their families, about 3,000 patients, use the clinic for their health care today. Since 2012, 45% our health clinic patients have lost weight; 78% of diabetics are actively managing their disease; and 14% of smokers have quit, lowering health care costs for preventable conditions and improving employees' health. Like Michelle Hunt, wife of John Hunt, one of our Community Corrections officers. Michelle is proudly with us today. She's a patient at the clinic and she's been making progress on weight management, blood pressure and her diabetes. Michelle, congratulations to you.

Like health insurance reforms, cost savings are just one of the benefits of the changes made to our pension fund. The 2013 pension change, made with the cooperation and support of police officers and firefighters, is the most significant agreement in Lexington's history, and is producing the results we sought. At a time

when cities and states nationwide are struggling with underfunded pensions and rising costs, our pension is now 78% funded, ensuring the pension is secure for Lexington's police officers and firefighters for decades to come.

As this slide illustrates, adding pension and health insurance savings together, we have saved \$112 million to date because of these reforms. We are also saving money on our largest capital project, the overhaul of our sanitary sewer system that has been ordered by the courts. The 11-year implementation plan, which is being managed by our Director of Water Quality Charlie Martin, is now focused on some of its most complex projects, building wet weather storage tanks. As this photo shows, these tanks are imposing in size and scale. Through expert cost engineering, this tank at Town Branch is being built at a cost almost \$60 million below the original cost estimate. A second tank will be built near the Legacy Trail. Based on citizen feedback, we're planning to surround it with a place for cyclists and walkers to take a break. And we are on course to save \$10 million, when compared to original estimates.

Now, these cost savings are commendable achievements by our city's engineers, consultants and contractors. My goal is to reduce the expense, but not the quality of these projects - the city's largest infrastructure program in its history. Continuing on our path toward Running Government Efficiently, our recent decision to hire Waste Services of the Bluegrass will save us \$4 million over the first five years of the contract. In addition, we will be contributing to and sharing in the proceeds of the company's methane gas collection project. The gas, produced in landfills, is converted into electricity and used by the Toyota plant in Georgetown. Two of the company's leaders, Greg Elkins and Drew Skaggs, are here with us today. Greg, Drew, thank you.

Saving money is important, but Running Government Efficiently means more than just saving money. It also means making government run better, like the work we're doing through the Vacant Property Review Commission, which is designed to address vacant and blighted property; to improve neighborhoods and family life. In its first year of operation, the Commission took on and improved 229 neglected properties, many of which had languished in neighborhoods for years.

Running Government Efficiently also means making it accountable and transparent. Just like any home or business, the city has to keep an eye on its

“checkbook.” Citizens should be able to see the City Hall checkbook, too. That’s why we are releasing our purchase orders and employee salaries on our website. We’re starting with \$110 million in purchase orders for Fiscal Year 2016 – that’s more than 8,000 purchase orders, ranging from a \$1.94 tape dispenser to a \$9.7 million construction contract for wastewater facilities. We will continue to actively share data throughout the year.

As we become more transparent through technology, we must also take steps to protect our technology infrastructure and our data through investments in hardware and software and continuous monitoring. Cybersecurity is a real concern for governments, businesses and families across America. We have been putting together safeguards and raising awareness throughout the region.

As this chart shows, we have been getting things done by turning deficits into surpluses totaling almost \$60 million. Efficiencies and job creation are allowing us to make investments that are improving our quality of life. And we have more than doubled our Rainy Day Fund since we started in 2011. It now stands at \$32.2 million, and we will soon be at our goal of 10% of our General Fund Revenue.

I want to talk now about some of the investments that are Building Our Great American City. Any discussion of investment in our city has to start with public safety. It’s our top priority, 54% of our budget this year. Since 2011, we have invested almost \$1.5 billion in public safety, a 22% increase over five years. That means new police officers and firefighters and new equipment, and we will do more.

First a couple of recent highlights: Earlier this month, Fire joined Police on our new radio system; Fire and Police can now communicate seamlessly, better than ever before. The new system also reaches into remote corners of our county. It’s a huge step forward. Last week, the Police Department invited bids to provide body cameras for our officers. Here’s Officer, soon to be Sergeant, Jervis Middleton and on his shoulder is one of several cameras police have been testing over the past few months. Police Chief Mark Barnard has worked with our Chief Information Officer Aldona Valicenti to find the kind of system that will best meet our needs. And we expect cameras to be in use by late-summer.

Finally, under Public Safety, we have been working with Chief Barnard on a new

Initiative, establishing a Safety Action Team to include public safety and community representatives, especially youth organizations, the faith community, civil rights organizations and business groups. The goal is to make our city safer, involving everything from classic law enforcement activities to summer programs for at-risk youth. We are expecting this group to take a hard look at our public safety efforts and find new approaches and solutions. In addition we expect to identify gaps, where we need to step up with new services. For example, we've expanded our already successful domestic violence prevention program by making the coordinator position full time. And we've established the Substance Abuse and Violence Intervention Office, which is working with both police and fire to combat the deadly heroin epidemic, as well as other substance abuse issues. Now, we all know there is more work to do to really get at the roots of violence, to solve problems before they become problems, to ensure all of our children have the opportunity to grow up, to get a good education and a good job. There's more work to do. And. We. are. doing. it.

As for other significant investments to Build Our City: Work gets underway this summer to save the Historic Fayette County Courthouse, one of Kentucky's most important public buildings and our community's front door. We are investing to make sure it will be around for future generations. And importantly, we've approached this project as a public-private partnership, leveraging private investment instead of taking the government go-it alone model.

And across Upper Street, the 21C Museum Hotel will be opening early this year. and here's a preview of a couple of its rooms. The private investment and economic activity surrounding the Fifth Third Pavilion and the Old Courthouse is spreading, up Short Street, to Upper Street and beyond, and influencing redevelopment along North Limestone and Jefferson.

A few blocks away, plans for Town Branch Commons are shaping up. This strip of the Bluegrass, a park running through downtown along the path of our city's first water source, will be a game changer for generations to come. It will be a walking, jogging and cycling trail, closing the gap between two of our major trails, the Legacy and Town Branch trails and creating 22 miles of uninterrupted trail. It will be a path to private investment and economic development. It will be a link between our beautiful

countryside and our urban core. It will be another public-private partnership, where we will leverage private dollars to build and maintain one of the city's most significant civic projects. And we will appoint the Town Branch Task Force to bridge the gap between public infrastructure and private investment, creating a conservancy to ensure the park is properly maintained. Town Branch Commons has the potential to be a centerpiece of our community for decades.

Now, for those who think there may have been too much focus on downtown; we ran the numbers, in capital investment, it's 22% in our central business district, the downtown, 78% suburbs and rural areas. For example, we're investing in parks all over the City, in 2015 that meant almost \$2 million in construction projects, like the popular pickleball courts at Kirklevington, or dugouts at Constitution and Southland. And we're making plans for the future, examining our aquatic needs and developing a master plan for parks. Great cities have great parks.

Another investment, our new Senior Citizens Center, will be opening this summer. Now, these pictures are taken from a recent tour with Councilmembers. The city's current Senior facility is out of date, out of space, and out of step with today's seniors. The new Center has more space and is surrounded by improvements in Idle Hour Park.

In another win for the city, we will soon open our new Public Safety Operations Center. With community emergencies striking cities across the country, we need a state-of-the-art center. When I came to office we found the original plan for the center was just too expensive. By re-using an existing, city-owned building, rather than buying a new site and building from scratch, we saved \$28 million.

Now street paving is important to every citizen; it's a basic that's always important. We're investing another \$12.5 million this year. So far we've paved 31 miles of city streets, and paving will resume in the spring. And we've continued to improve our decision-making using a first-ever, high tech assessment of road conditions, so Councilmembers are able to better set paving priorities.

As social service funding from Washington and Frankfort has declined, we stepped up at the local level and made new investments to help citizens in need. Since 2012, Lexington has doubled funding for social service agencies that reach out to

people who need the basics: food, shelter, and health services. Our Office of Homelessness, working in partnership with many local agencies, is making clear progress. I'm very proud that we have started a Housing First project that has moved 23 of Lexington's most chronically homeless citizens off the streets. The new Fayette County Mental Health Court has enrolled 21 people in eight months, diverting them from our jail and hospitals into housing and programs that provide needed treatment. And, importantly, since we pledged in 2014 to end veteran homelessness, we have moved 420 homeless veterans to permanent housing and built a system where veterans have direct access to permanent housing and opportunities to rebuild their lives.

Our Affordable Housing Trust Fund is also making solid progress. With a \$15 million investment of city funds and leveraged private dollars we now have 426 new or rehabilitated affordable apartments and homes. Now let me discuss a final and important investment in our future: the Lexington Convention Center. The convention facility we are in today was originally built 40 years ago. Since that time the addition of new exhibit space, meeting rooms and the Bluegrass Ballroom were completed, but the demand for a much larger, contiguous convention space remained. In the last 30 years, three independent consultants recommended that the center be expanded to allow it to capture the business it is missing today. It's time we invest in this important economic engine once again.

What will this project produce? 33 new bookings, every year. Over \$28 million in new economic output, every year. It means more people will have jobs as a result of this investment. New jobs for our region and revenue for our businesses. Conversely, if we do nothing, no new economic activity will take place. Actually, industry experts predict event clients will be lost. That means less money being spent and earned.

Our City Council has unanimously endorsed this expansion as have the boards of Commerce Lexington, VisitLex, the Bluegrass Hospitality Association, Downtown Lexington Corporation, the Downtown Development Corporation and the Lexington Center Corporation. And we've asked the state to partner in this project. Everyone in this room remembers the tough economic times we've been through. It was painful. And we know the state is facing serious financial commitments. So we ask state leaders to keep an eye to the future by making infrastructure investments that are critical to

business and quality of life. The expansion and modernization of Central Kentucky's premier meeting and convention destination is one of the most significant economic development opportunities at Kentucky's fingertips today. The time is now.

In closing today I want to remind all of you of the pride we all felt in our city during the Breeders Cup last fall. Thanks to hundreds of city volunteers, business men and women, Keeneland and representatives of our horse industry, our time in the international spotlight was an unqualified success. Some of us remember what the publisher of the Thoroughbred Daily News said after expressing his concerns that Lexington was too small to handle the Breeders' Cup. Barry Weisbord had to eat a little crow. "I was wrong," Barry wrote afterward. "It was spectacular."

One of the secrets of Lexington's success is that we are proud of our city and not just during the Breeders' Cup or March Madness. We are proud of our city every day, and because of that pride we are all willing to work hard every day to make Lexington the very best it can be. If there's a problem, and all cities have problems, but if there's a problem in Lexington, we pull together and we solve it.

Yes, we call ourselves "the Horse Capital of the World," and that's certainly true. But we could also call ourselves the city where we take on the tough problems, the "Getting Things Done Capital of the World." I want to thank each and every one of you for all that you do for our city. Thank you.

*

*

*

The Council adjourned at 12:01 p.m.

Clerk of the Urban County Council