



Lexington-Fayette Urban County Government

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Mayor

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Budget goals: Create Jobs, Safer City, Grow Quality of Life

BY MAYOR JIM GRAY

Creating Jobs
Running Government Efficiently
Building a Great American City.

With these goals as our foundation, we have created thousands of jobs; saved millions through efficiencies to put the city back on firm financial footing; made our city safer; and made investments to build a Great American City ... a City with a quality of life that regularly attracts national blue ribbons.

- Lexington is routinely listed among the nation's best places for business, for children, for seniors, for vacations ... and even as a great place to eat ... we're one of the 30 most exciting food cities in America!

The budget I am proposing today will once again focus on creating good-paying jobs and running a lean and efficient city government as we continue to create forward momentum and upward growth.

Start to finish, our budget process is an out-in-the-open, public process ... by the time our Council members vote on a budget, they've completed a thorough review, and the public has had ample opportunity to weigh in on every decision ... ***and that's as it should be.***

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HORSE CAPITAL OF THE WORLD

Councilmembers are important partners in the full budget process.

- **Vice Mayor Steve Kay,**

At-Large Councilmembers:

- **Kevin Stinnett and Richard Moloney,**

And District Councilmembers:

- **James Brown,**
- **Joe Smith,**
- **Jake Gibbs,**
- **Susan Lamb,**
- **Bill Farmer,**
- **Angela Evans,**
- **Preston Worley,**
- **Fred Brown,**
- **Jennifer Mossotti**
- **Amanda Mays Bledsoe,**
- **Peggy Henson and Kathy Plomin.**

Council, with your help, we will again put together a budget that stays true to our goals, and stays true to our citizens. Thanks to all of you for your leadership, diligence and commitment.

Let's start today by talking about what some might describe as the *elephant* in the room ... pension costs. Because of the state pension question, it has been a challenging year to put together a budget ... more challenging than most.

Now, money is always tight. Resources limited. The budget process at City Hall is about competition ... competition for every dollar as we work to cover the essentials, and also invest in our future.

And this year our budget also came with a big unknown ... we knew there would be a state mandate coming from Frankfort ... a significant increase in our pension costs. But the multi-million-dollar question has been *how much will our City be required to pay?*

As a result of the legislature's initial passage of a bill to phase-in these increasing costs over several years, we think we will have some relief ... with this phase-in, our current estimate for *this* budget is a \$3.1 million increase in pension costs, across all funds.

The governor has voiced his support for the phase-in, but said he vetoed the bill for other reasons. Like the Mayors of cities across Kentucky, I hope the legislators and governor can work together later this week to give final passage to a phase-in bill.

And thanks to our wise decision last fall to set aside funds for pension costs, we're able to cover the cost this year. This decision will also help us as we manage the increased costs in future years.

As hard as it is to build a budget on uncertainty, our excellent budgeting team ... **Sally Hamilton, Geoff Reed, Bill O'Mara, Melissa Lueker**, and their staffs ... has kept our budget on track as the news from Frankfort shifted.

As I finalized this speech, additional changes have come out of Frankfort. But, in making our final budget decisions, should we face more changes in pension costs, we are ready.

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Now, let's take a minute and drill down into just how it's even possible for our city to swallow a pill this size ... pension costs up \$3.1 million in one year.

Had we faced this problem just seven years ago, the impact would have been extreme ... that's a strong word, but not over the top ... in this case, it fits.

In 2011, my first year as Mayor, we inherited a city in a tough financial condition ... a \$9 million hole in the 2011 budget; and a \$27 million shortfall projected for the next year.

We have turned that around ... saved for uncertainties ... ***our Rainy Day Fund stands at \$31.4 million ... almost double what was set aside in 2011*** ... controlled spending ... and created surpluses in each of the last seven years. The \$10 million set aside last fall for the increased pension costs came from these surpluses.

Thanks to efficiencies and fiscal controls put in place, we're capable of absorbing the pension pill ... it isn't easy, but it's manageable.

- We have learned how to live within our means ... and that's evident in the budget proposal I am presenting today ... this budget says yes to many important initiatives. But we also had requests for over \$10 million in programs and positions that we could not fund.
- Yes, we have learned how to live within our means AND provide for our city's essential needs AND make investments that will bring economic growth in the future.

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The General Fund budget I'm putting before you today totals \$370.7 million. We are anticipating 3.5% growth over last year.

- Our revenue estimate for this budget is again built with the advice of University of Kentucky economists, economists from the private sector, and on the work of our budget team.

And, once again, we followed some **basic ground rules** in putting together this budget plan.

- First, we held the line on **operating expenses** ... the day-to-day cost of doing business.
- Secondly, we have again **based the budget on a pain-staking analysis of actual spending and actual needs**, division by division.

- **Third, we continue to monitor hiring, examining every open position.** We added no new General Fund positions this year, outside of public safety. We abolished four General Fund positions.
 - Other than the staffing increases we have made in Public Safety over the years ... ***we have hired police officers, firefighters and corrections officers, to keep our growing community safe*** ... but outside of Public Safety, we are currently operating government with **just 13 more full-time employees** than we had in 2011.
 - The progress, and many of the accomplishments of recent years, came through the efficiencies, technology and emphasis on continuous improvement that are now embedded in the DNA of our government.
 - Progress has also come from valuing and investing in the highly productive employees we have ... we are doing so again in this budget with a 2% cost-of-living raise for those not covered by collective bargaining contracts.
 - And we are taking our final step in raises for our seasonal and temporary workers, increasing their hourly wage to \$10.10. **It's competitive, and the right thing to do.**

Finally, in this budget we are sticking to priorities ... clear priorities, based on our city's needs. In putting this budget together, when we considered funding for **a project we asked ... will it create jobs? ... will it improve public safety? Will it make us more efficient? Will it improve quality of life?**

Here are the investment priorities we set in this budget proposal:

First ... *always first* ... public safety

Council is well aware that public safety is always the top priority in our city budget ... ***our citizens say it's their top priority.*** This year, public safety is 55.5% of the General Fund budget.

From our first budget in 2011, to the budget we are discussing today, our total investment in public safety exceeds \$2.3 billion.

- In that time we have increased our cumulative investment by 37.9%, including a 3.8% proposed increase for next year.

Last year in public safety, our focus was on new police officers; this year it's on new firefighters.

This budget includes 25 new positions in our Fire Department, with 24 to staff our new station in Masterson Station ... the largest firefighter force our city has ever had.

- This is an additional station ... our 24th ... and it reflects the growth in this part of our community. Hiring staff now allows us to be ready to open the station when it is completed in 2019.

- It is also the second station we have built since 2016 ... both significant investments, important investments and needed investments in public safety.

Also in fire, we are investing \$2.7 million in **new tower trucks** and other vehicles; and \$1.3 million in station maintenance.

And we've included \$12,000 for the **smoke detector** program that is saving lives.

This year in **police**, we are continuing to implement investments we have made in recent years, especially last year when we added 30 new police officers and 6 safety officers.

- We are investing \$2.5 million in **new police cars**.
 - We've added a new sergeant to complete the staff structure.
 - We're purchasing mobile computers and forensic computers to support the work of our officers.
 - And we continue to work on **violence prevention** through the largest police force in our history; through an increased emphasis on community policing; and through the extraordinary work of **One Lexington**.
 - Let me talk about it ...
 - With just a modest investment, but with remarkable vision, for the past year **ONE Lexington** has been bringing together people from all over town ... people inside and outside City Hall, people from the faith community, people from non-profits, neighbors, parents, people from our schools ...
 - **They have one thing in common** ... they want to get at the roots of violence ... wrap our arms, hearts, & resources around the issues, and make a difference in the lives of young people before they go down a path that leads to violent behavior.
 - We have started work in Winburn, and are laying the foundation for other neighborhoods now.
 - ONE Lexington Director **Laura Hatfield** has met with more than 80 members of the community to identify resources and gaps in services, and is currently organizing a mentoring summit in order to get even more folks engaged in this work.
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Violence prevention also means working hand in hand with our **schools** ... especially this year.

- We work closely with Superintendent Caulk and his staff, and our police coordinate their efforts with school law enforcement, providing back-up whenever needed.
 - Leading this effort is our new Police Chief, **Lawrence Weathers**, who came back to Lexington Police after two years as Director of Law Enforcement for Fayette County Public Schools
- I have included funds in this budget to improve student safety, for example to assist with the cost of purchasing **metal detectors** for our schools.
 - In our community, using city funds to pay for school costs is unusual. But I believe school safety and public safety go hand in hand.

Just as it's important to bring together the community to confront violence, the community must be involved in helping those who most need help.

Therefore, we are keeping our **Extended Social Resource** grants ... the funds we use to assist social service agencies throughout the community ... at the same level as this year ... at \$3 million.

- Since 2012, our city has almost doubled funding for these grants, as federal and state governments have cut back.
- This is an unusual commitment at the local level to quality of life for all citizens.

And we back up those grants through several other programs:

- First, we are also committing \$200,000 to **Mental Health Court**, a program that focuses on treatment instead of jail time for people with mental illness. We're one of just a few counties in the state to offer this program, and it is working.
- Second, we are continuing our annual commitment to **affordable housing and homelessness prevention** ... there's still a lot of work to do, but since we started these programs in 2014, we've made significant progress getting people off the streets, and into safe clean affordable housing.
 - Since we made permanent housing the priority of our homelessness initiative, the number of people experiencing homelessness in Lexington has dropped to its lowest level since 2005.
 - Through the **Affordable Housing Trust Fund**, the City has invested \$11.3 million to leverage \$86.6 million from our partners.
 - We've added almost 1,200 new or rehabbed units, including apartments and single-family homes.

- And, third, we've funded a \$25,000 **overdose public awareness campaign** to help people caught in the web of the opioid epidemic find resources and services.
 - This is an expansion of the Substance Abuse Office, which has become a mainstay in Lexington's fight to stem the opioid epidemic.

Creating jobs is another important goal for our city ... quality of life for our city and its citizens depends upon creating jobs ... good-paying jobs, and jobs at all skill levels.

- Since 2011, our unemployment rate has been cut in half, from 7.7% in 2011, to 3.7% today.
- We all know that, short of family and health, having a good job, a purposeful job, is perhaps the most important thing in the world.

Our new **convention center** will produce good jobs and help us attract even more visitors to our city. There are funds to support a bond of up to **\$20 million in this budget** for construction, which is scheduled to begin this summer.

- The new convention center will stimulate development, produce millions in new convention and meetings each year, encourage business, and produce hundreds of direct and indirect jobs.
- It's one of the largest economic development projects in the state, and one of the largest public investments in our City since Rupp Arena was built in the 1970s.
- With an expanded convention center, we will be able to go after nearly 90% of national convention business, compared to only 65% that we are able to target today.
- The City and Lexington Center have worked a long time to get the funding of this project secured ... reducing costs through value engineering. With the funding in this budget, we're close to digging in and starting construction.

Another key to attracting and growing jobs is **workforce training**. This is our 3rd year for workforce training grants, which ensure we have a workforce with the right skills to meet companies' needs.

- We have put \$270,000 in the budget for these grants ... our goal is to ensure our community has the **best quality workforce**, anywhere ... at ALL levels of employment.

We have also included \$270,000 in this budget for our **Jobs Fund**, our incentive program designed to attract high tech companies, advanced manufacturing and company headquarters.

- There are now 20 companies participating in the Jobs Fund. Since 2013 these companies have produced 176 good jobs, and \$233,000 in annual payroll tax. The average annual salary for these jobs is \$61,300.
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Also under the economic development umbrella, we continue to work on our agreement with UK to trade some sections of streets near campus for land at **Coldstream Research Campus**. The Coldstream property represents the opportunity to bring new companies, especially manufacturers, to Lexington ... and there's already a lot of interest from the business community.

- This budget includes \$100,000 for traffic improvements near UK ... under our partnership with the University, UK has committed to \$3 million over 10 years for this work, including \$1 million in the first year.

Just yesterday we learned Lexington was selected to form **Opportunity Zones** which encourage investment and job creation in our low income areas.

And finally, there's an economic development initiative that you won't find in the budget ... and that's because it's not costing the City anything. MetroNet has started work on its fiber-optic network in Lexington ... the network that will make Lexington the **largest gigabit City in the country**.

- MetroNet is investing at least \$70 million here ... The company hopes that **this summer** the first residents and businesses will be able to start receiving internet access, television packages, and phone service over fiber-optic cables, which carry data at gigabit speeds, or 1,000 megabits per second.
- This is a new service for cable TV ... it creates competition in the Lexington market, which leads to better service and lower prices.
- **I want to quickly read a message I received from a citizen about this ...**

Tony Schmidt wrote, "I recently moved my online software business from Seattle, Washington, back home to Lexington.

Unfortunately my location is only served by a single DSL provider, which is significantly inadequate for my business' needs. But I was confident in making the move after reading about the addition of fiber across Lexington and out the east side. I decided to move back to Lexington to help boost the tech economy here, as well as create more local jobs."

Thank you for your help in this process and for making it viable to move my family and business back home!"

Welcome home, Tony!

Quality of life is one of the main reasons businesses move their jobs to Lexington.

And we are making **several investments** in this budget to enhance quality of life ... to **improve the appeal ... the attractiveness ...** of our city. I want to mention just a few of these:

- First in our **parks**, where we have included \$2.6 million for projects all around town, including a **new playground** at Shillito Park; a walking trail in Meadowthorpe; a new basketball court at Jacobson; and more.
- There's \$100,000 to build a **monument to celebrate the history of women** in Lexington ... to *“break the bronze ceiling.”*
- In addition to funding for our **Summer Youth Job Training Program**, a program to help young people learn about the world of work, we have included \$30,000 for the **Power Scholars Academy** ... a summer learning program for youth in grades kindergarten through eight. **The YMCA and Fayette County Schools** are partners in this work. The goal is to address summer learning loss for children in low-income households in urban areas.
 - And we continue to participate in **COACH Fellowship** for young black men, which will start this fall. We are providing support through job training and leadership development.
- We have included \$300,000 to continue our **corridors projects** ... making our major roadways attractive; and \$150,000 to maintain our trails.
- There's \$12 million in for **paving**, improving the look and the safety of our neighborhoods.
- And we are investing \$250,000 in **pedestrian safety**, which includes improving existing pedestrian crossings, adding new crosswalks and completing critical sidewalk gaps; plus \$850,000 for traffic signals.

Now, let me close with this:

Our Great American City has a long and storied history. Settled in 1775, 243 years ago, one year before the Declaration of Independence, itself, was signed.

Over the years, it has often been the investments we have made together, as a City, that have made Lexington a great place to live, work and raise a family.

The budget I'm presenting today is our blueprint for the investments we will make over the next 12 months at City Hall. I know Council will examine it carefully, and I invite the public to do the same.

This is our home ... yours and mine. ***Our*** home.

In a few short years, our City will celebrate its 250th anniversary. As we move toward that landmark, it's up to us to make sure everything in our home is clean and well cared for; to be sure we are all safe at school, at work and in our neighborhoods; it's up to us to help those who can't help themselves; we're the ones who are responsible for making sure there are good jobs and a talented workforce; and if we want a bright future, we have to plant the seeds now.

It's up to you and me. It's up to all of us. Thank you. -30-