Lexington-Fayette Urban County Government
OFFICE OF THE MAYOR

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April 9, 2019

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Mayor's budget focuses on strong services

Good afternoon.

It's great to have the opportunity to talk to our Councilmembers and our citizens about the most important thing we do all year … our City budget.

On July 1, 2019, Lexington will start a new budget year. The good news is, ***I don't think our citizens will notice.***

The budget I am proposing today is the result of extreme diligence to **preserve what makes us great,** as we begin to face new challenges.

- It **maintains and protects** the programs our citizens value.

- **The vital roles government plays in maintaining a strong city are in place, and as strong as ever** … police and fire protection, E-911 service, popular parks programs, waste collection service, road improvements and maintenance, support for neighborhoods, funds to help those who are most in need of our help, and more.

This is a **continuation** budget … and in Lexington that means a continuation of excellent government services, a continuation of a high quality of life, a continuation of outstanding public safety …

AND a **continuation of strong financial management.**
This budget is balanced and fiscally responsible. It keeps our financial house in order, and establishes the resiliency needed in the challenging years ahead. Put simply, it ***resets*** our spending.

Why do we need to reset our spending? Let's take a few minutes and talk about that. First, take a look at this chart:

- The red line represents our projected fixed expenses … like pension, salaries and debt service through fiscal year 2023.

- The blue line shows you our projected revenue through fiscal year 2023.

- The gap in the middle … well, that's the problem. Our expenses are rising faster than our revenue.

- That's why we must **reset spending** with this budget. Through no fault of our own, we are likely to face years of continuing increases in pension costs, and slow revenue growth.

- And at the same time, demands for public safety and other government services continue in our growing city. In the budget I am proposing today, public safety is 57% of our General Fund budget.

- The meaning of this chart to me is that we have to find opportunities to change our expenses first. We're also very grateful to our previous leadership and to Council for having the foresight to create the Budget Stabilization Fund. It and many other prudent decisions will allow us to face the future on much better ground than other cities.

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So what does ***reset spending*** mean in this budget proposal?

While it means little will change about the city services citizens rely on, especially public safety and the dollars that help the people who need it most …

… It also means that cuts are part of every division budget, government-wide, as well as most of the budgets of outside agencies and partner agencies that receive government money.

And it means we had to say "no" to a lot of worthy requests for funding for new or expanded services.

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Let's take a deeper dive into the numbers that are driving my budget:

- As cities across the state and the nation can attest, our nation's economic growth is slowing

- In the current budget year … FY19 … our City's revenue dropped almost $6.5 million from the budget adopted almost a year ago, requiring operating cost reductions and a slowdown in hiring. We made those adjustments **just two weeks** after I took office in January.

- Every independent, external expert my team consulted has predicted the revenue slowdown will continue next year.

- Because of this uncertainty, we were very careful in setting the FY 20 revenue estimate. We consulted the Center for Business and Economic Research in the University of Kentucky's Gatton School, state projections, U.S. Department of Commerce GDP, U.S. business round table, the Federal Reserve, and the experience of other cities.

- As they recommended, I have built this budget on a projected growth rate that is the lowest in several years.

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As we started to put this budget together we asked each city division … including the Mayor's Office, the Council Office and Public Safety … to cut 15% in their unrestricted accounts. Partner agencies and our Constitutional offices were asked to do the same.

Even after that 15% cut, we still had over $11 million more in **continuation** funding requests than our budgeting team forecast in revenue. With numbers this unbalanced, I had to establish some broad direction for my budget team.

So we built this budget with the following **commonsense guidelines** in mind:

- No tax increases in this budget … Our citizens expect us to do everything we can to tighten our own belts first before we ask them to pay more. And raising taxes alone will not be the solution to our problems

- No layoffs. We need our highly professional staff to ensure that excellent service to our citizens continues …

- But to protect everyone's job, tough choices were required … there are no salary increases built into the budget for non-sworn personnel. This is one of the decisions we've made in this budget that I am most concerned about – our employees are excellent, and they deserve a raise.

- No new positions. A major component in finding savings is to have each office look at where they can become more efficient and prioritize the work they do. This is a time to modernize many of our functions.

- Continued slowdown in hiring for the next 15 months.

- A 12-day furlough of my higher paid senior leadership staff. I have notified these staff members that beginning July 1 they will be furloughed one day each month. Elected officials cannot be furloughed, so I will write a check back to the government for my portion, equaling a 12-day furlough.

- The bond package I put together will not have a meaningful debt increase … our debt stands at over 12% of our General Fund Budget … our bond rating agencies and our own ordinance all say that is out of alignment with where it needs to be.

    - As Councilmembers know, bond ratings have a direct impact on borrowing costs. Good ratings send a signal to business that we have respected bond and budget management.
    - Additional borrowing now will make the future cost of borrowing exponentially more expensive, and only push some of our tough decisions onto future mayors and councils.

    - To keep our debt percentage from growing we are limiting bonding to $15.4 million in this budget proposal … the lowest since 2013. Even so, our debt service for this bond will be at least $1 million annually for 20 years, starting in FY21.

- Very limited use of non-recurring funds on recurring expenses. Using non-recurring funds on recurring expenses results in a budget that has spent next year's growth dollars before it even gets them … it's just like a family that can't get out from under credit card debt … your paycheck and even your raise is spent before you get it.

    - For government it's kicking the can down the road, making future years even tougher. It is like a red flag signaling that we aren't serious about fixing our current structural issues.

- Protect the Rainy Day Fund. It is for unforeseen emergencies. If national experts are correct, then it is prudent that we reserve what we've saved for when it may really be needed. It is also one-time money.

- Use the Budget Stabilization Fund only for what it is intended. This money was set aside for pension payments. I have used a portion of it in this budget to cover part of the $3.3 million in increased CERS pension costs, and we will need the rest in the years to come. Total fixed pension cost in the proposed budget is $60.7 million.

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Now, I want to highlight a few of the expenditures that are in this budget:

Since public safety is 57% of the $379 million General Fund budget I am proposing today, public safety is a good place to start.

We will continue to fill vacancies in sworn personnel … Police Officers, Firefighters and Corrections Officers.

In Fire:

- We plan to purchase a ladder truck and a fire engine for $2.3 million.

- Spend $1 million on self-contained breathing apparatus. This investment will provide the match for a potential $2 million federal grant.

- Spend just over $500,000 on cardiac monitors and to replace turnout gear.

- Continued commitment to open our new Masterson Station fire station and fully staff it.

- Community paramedicine is a funding request that I could not fit into this budget … and that is especially concerning to me.

    - It is an outstanding program. As a registered nurse, I understand how important it is.

    - But it has been grant funded. It costs $637,000 a year and of that, $500,000 is a recurring personnel cost.
    - I believe there are some community partnerships we can find to help us afford this, and I will explore that possibility.

In Police:

- We will spend $3.2 million to replace vehicles.

- And we will spend $120,000 on ballistic vests.

And in Corrections:

- We will purchase an Inmate Transport Vehicle for $165,000.

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In **Social Services** we have kept funding in place that helps those in our City who need it most.

Our **Extended Social Resource grants … known as ESR,** … the funds we use to assist social service agencies throughout the community … will remain 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.

- Especially this year this is an unusual commitment at the local level to quality of life for all citizens.

We are also giving:

- $170,000 to the **National Alliance on Mental Illness** for Mental Health Court.

- $2 million to our **Affordable Housing Trust Fund**

- And $750,000 to help people who are **homeless** through our Office of Homelessness Prevention and Intervention.

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This budget expands our Office of **Economic Development** by adding the Planning Division to Chief Development Officer **Kevin Atkins**' responsibilities.

- My Transition Team called for improved coordination between planning and economic development.

Also in Economic Development:

- **Job creation and workforce development** remain a priority with funding for our new Industrial Authority, which is designing a plan for our new economic development property at Coldstream.

- $200,000 for workforce development with a focus on local needs … the needs of employers and workers.

- Our **Purchase of Development Rights** program, which protects our farm businesses, will be restored in my budget with an investment of $401,000 to enable the program to continue.

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In infrastructure we have included:

- $8 million for paving;
- $650,000 for traffic signals;
- $100,000 for pedestrian safety;
- And $100,000 for pedestrian safety improvements near the University. These funds are part of the agreement with the University, which gave UK title to portions of streets around campus in exchange for economic development land at Coldstream.

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I believe tight budgets offer opportunities for all of us … government divisions, partner agencies, and business and community groups.

- There are opportunities to find new funding sources, both private and public; uncover new efficiencies; engage the public and encourage everyone to give back to the community; increase transparency and accountability; be more results-oriented; and more.

As a first step, I plan to bring together the best minds in town to help us analyze our revenues and expenditures. This will be a small, independent group that can recommend steps to modernize our finances.

As I said at the beginning, in putting together this budget we worked very hard to protect the great services we provide to our community and sustain the positive momentum we've achieved over the last few years. We will remain in a strong position to face the coming challenges ahead by continuing to do the hard work needed now.

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Many opportunities are missed because they come dressed in overalls and look like work!

This budget is a message to all of us … it's time to get to work.

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