



Lexington-Fayette Urban County Government
OFFICE OF THE MAYOR

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Mayor

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Crisis budget plan strives to keep Lexington moving forward despite COVID-19 pandemic

By Mayor Linda Gorton

Good morning.

Welcome everyone.

Thank you, Vice Mayor, and hello to our Councilmembers, joining me by zoom and on-line.

I want to start by thanking the budget team that helped me put this spending plan together, led by CAO **Sally Hamilton**, Finance Commissioner **Bill O'Mara**, and Chief of Staff **Tyler Scott**.

Crafting a budget for a city of 325,000 people is always a challenge. Crafting a budget while also managing a coronavirus state of emergency ... well, that's just plain hard.

Thank you to all of those involved in putting this budget together ... Budget, Finance, CAO staff and commissioners.

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Let's get the hard part out of the way first ... no one is happy with the budget proposal I am presenting today.

While this budget plan reflects input from many people, it's safe to say not one of us likes it. This is a crisis budget, not much different than one in wartime.

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That's not an exaggeration. I've often heard the times we're living in described as a war. Like World War II, the COVID – 19 pandemic requires common sacrifice. Like many wars, we celebrate victories together, and we mourn losses together.

And like many wars, there are significant financial challenges for many citizens, and certainly for cities across America, including ours.

The economic impact of the pandemic has been sudden and deep. Since early March, virtually all economic activity has slowed in our city, and throughout our state and country.

This March, over 18,200 Lexington citizens filed first-time claims for unemployment. In March 2019, Fayette's initial claims numbered 408. Safe to say, most of us have no experience with anything like this rapid decline.

This is painful. I care deeply for everyone who is hurting. Our common enemy is not the people who have shut down our economy to keep us safe. It's a new virus attacking our most vulnerable that has made this shutdown necessary.

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And that new virus is also the cause of our City's revenue challenges.

Lexington's General Fund budget is heavily dependent on the occupational license fee, and the net profits tax on businesses, as our Councilmembers know.

The impact of COVID-19 on city revenue has been immediate and significant.

There's no easy way to talk about these numbers, so I'm just going to be direct: the downturn is affecting both the last quarter of the current budget year, with a projected General Fund shortfall of \$9 million; and FY 21, with a projected loss of \$40 million. Beyond that, the rebuilding process is expected to take several years. This kind of drop is unprecedented in the history of the Urban-County Government.

The budget plan I am presenting is designed to balance in the face of this downturn, and to maintain as much momentum as we possibly can to keep Lexington moving forward. This budget puts us in a position to be ready to fight back, as we work to come through this stronger than ever.

Of course, we are all hoping the numbers will improve as the economy reopens. Lexington has always planned for emergencies, and been ready to take care of its own. We will continue to do so.

In the meantime, we will tighten our belts, and live within our means. We will focus on providing the excellent **basic** services our citizens rely upon ... public safety, garbage pickup, sewers, roads ... **this budget focuses on the nuts and bolts of government.**

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With fixed costs increasing, and shortfalls in tax receipts, there must be cutbacks elsewhere in government to keep our basic services functioning well, and our budget balanced, as required by law.

Before I get into the details I want to be clear ... this is not the kind of budget I want to propose.

It does not fund many of the programs I think our community needs ... like land preservation or neighborhood initiatives or infrastructure improvements.

It is not the kind of budget we want, but it is the kind of budget the times demand.

With this budget we will not have to claim bankruptcy. We can manage our cash to stay afloat. We can keep our city on a sustainable path financially.

I have confidence Lexington's economy will adjust to this uncertainty. The government will weather this event, and be ready to help rebuild our economy. We will emerge from the pandemic in a position of strength, as we reset our economy and get everyone back to work.

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So let's start with some specifics.

First, to make up for the projected drop of over 10 percent in our General Fund revenue, I am **not proposing any kind of tax increase.**

Savings related to employees add up to over \$7.5 million. We are not laying off permanent **employees.** We will not fund about 47 vacant positions. There are no pay raises for employees outside of those required by contract, and no new positions funded in this budget.

Over \$12.6 million in reductions big and small are scattered throughout government. My team has taken a strategic approach to cutbacks ... this is not a one-size-fits-all, across-the-board percentage cut across all divisions. We have tried to choose thoughtfully and carefully. For example, we've cut back on landscaping and mowing in Environmental Quality and Public Works; on social services; on athletics programming and pools in Parks; and on the affordable housing fund.

In Public Safety, we have cut some extras, but maintained essential operational spending. Public Safety accounts for more than 57% of this General Fund Budget. – same as last year, underscoring the importance of Public Safety, even in a very challenging budget year. We have funded recruit classes and overtime in Police, Fire and Corrections.

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The reductions in this budget also affect programs outside government that the city helps support. Overall, we are reducing funding of external agencies by \$6 million.

The cut to external agencies that concerns me the most is the suspension of our **Extended Social Resource** grants ... grants that support many important social service agencies.

These agencies will receive some federal funding to cover their COVID-19 – related expenses, but I know our cuts will hurt ... hurt people who are in need of our help. We have worked very hard to assist these partners as they've taken on burdens that were unimaginable a few short weeks ago. We've helped them find extended shelter space, raised money, and provided people and resources ... and we will continue to help.

In the meantime, this is an important opportunity for citizens ... if you can afford to help these agencies and the people who depend on them, now's the time ... yes, now's the time to pull together as a community and **support our local non-profits!**

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We are also suspending direct funding for **LexArts**, and instead issuing a challenge. The city will provide a grant of up to \$200,000 to match funds raised by LexArts, dollar-for-dollar, after July 1.

In addition to LexArts, we are suspending funding to other cultural facilities, including the History Museum and the Explorium.

Again, this is an opportunity for all of these organizations to find new donors, and for citizens to demonstrate their support.

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We are changing the way we fund our **economic development partners**.

Instead of direct funding, we will begin an RFP process that allows the city to target and adjust the focus of its economic development priorities over time.

This allows the government, with the help of the Economic Development Investment Board, to set those priorities. This is one of the most critical things we will do in the coming year ... hyper focus efforts on getting Lexington back to work.

Although work on this RFP began long before the COVID-19 virus struck Lexington, in this budget we are reducing the overall amount of funds available by \$358,000.

However, we are maintaining our focus on **workforce development** in a year when so many people are experiencing unemployment.

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In addition to cutbacks, we are also using one-time money from several sources to balance this budget ... a total of \$30.2 million. That includes:

- \$13.6 million from our **Economic Contingency Fund**, known as our Rainy Day Fund. This is the first time it has been tapped since it was established in the 1990s.
 - Over the years, I have opposed other proposals to use these funds.
 - However, this pandemic is the kind of emergency this fund was designed to relieve.
 - Restoring our Rainy Day Fund will be at the top of my list if we receive any mitigation funding from the federal government.
- In addition, we have transferred funds from the Tenant Relocation Fund, the Risk Insurance Fund, the Parks Acquisition Fund and the Budget Stabilization Fund, the money set aside two years ago to help us cover rising pension costs.

I recognize these are one-time monies. And I recognize that we are using one-time monies to meet recurring expenses.

That's not something we would normally do. But these are not normal times.

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Today I have tried to be very transparent about our city's financial condition in the midst of this pandemic. For those who want more detail, my entire budget proposal is available to anyone online.

The bottom-line message for today is simple: We will face this head on, charge forward, and emerge stronger than ever.

I remain optimistic about our future, and so do our citizens. We believe in our City. And we're ready to put in the hard work it will take to stand up our economy.

In some cities, many opportunities are missed because they come dressed in overalls and look like work. In Lexington, we're not afraid of work, and we don't miss opportunities for our City.

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Finally today, I want to talk about some of the initiatives that are going to help lead us through this. While my own internal team works diligently through our recovery responses for our health and our economy, we will rely on strong leaders in our community to provide guidance, as well.

I am assembling a COVID-19 Economic Response Committee that will begin working soon to make recommendations to move our economy forward.

I will co-chair this group along with **Luther Deaton**, Chairman/President and CEO of Central Bank & Trust Company.

The committee will be made up of leaders from across the various sectors of our economy, and councilmembers.

- **Bob Quick**, President and CEO of Commerce Lexington, will serve as vice chair of economic development.
- **Mary Quinn Ramer**, President of VisitLEX, will lead the visitor industry as Vice Chair.

We are taking a broad look at our economy. Everything from small business to health care to manufacturing to education to agriculture to tourism, and beyond.

This broad-based and diverse group is intended to get Lexington's economy roaring back as soon as possible, ensure that our city is resilient as we weather future impacts from this virus, and bolster confidence that we are a safe, health-conscious, and responsible city in which to live, work, and play.

To complement this work, and to do everything possible to support business in these challenging times, the City has already started the process of setting up a **one-stop shop** inside government to make the interaction between business and government as fast and efficient as possible.

And we're kicking off this fresh start for our economy with some great news! We received official notification just last week that 600-700 new, good-paying jobs are coming to Lexington.

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I ran for Mayor in 2018 because I wanted a challenge ... *but who knew it would be a pandemic?*

I get up every day to fight for Lexington ... that's my job, and it has never been more important than it has been these past 60 days. Now it's a matter of life and death, and I will continue to do every single thing I can to save lives in our city.

Thanks to our citizens, we have had some success. Fayette's COVID-19 numbers have remained low and we have done a good job of protecting our most vulnerable citizens.

We've been fighting COVID-19 with everything we have, and that has meant sacrifices from all of us, especially our first responders, our healthcare workers, our grocery clerks, our waste workers ... the people who are on the frontlines, keeping us going.

We all need to remember that every time we stay healthy at home or stay six feet away from the person next to us or wash our hands ... every time we do those things, we save lives.

- I know this is hard. Social distancing is hard. And we still aren't sure when we will be able to reopen our economy ... the virus sets this timetable.

- But I have confidence we will get there if we keep working together and helping each other.

We found a poem on social media that is truly inspirational. It captures everything that has happened since the virus arrived in Lexington, and explains why we have taken so many unprecedented actions willingly along the way.

It's easy to lose focus on balancing Lexington's lives with its livelihoods ... to dismiss the real dangers this virus represents.

So I want to close with this poem today. We're not really sure where it came from ... it seems to have made its way from country to country on line. But I want to leave you with it today. It reads:

- "And then the whole world walked inside and shut their doors and said: We will stop it all. Everything. To protect our weaker ones, our sicker ones, our older ones. And nothing, nothing in the history of humankind ever felt more like love than this."

Thank you, Lexington. We will continue to work together to open those doors once again.

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