LEXINGTON, KENTUCKY 2019

CITIZENS' ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
The Lexington-Fayette Urban County Government is proud to present this Popular Annual Financial Report (PAFR). This is a short form report that provides summarized information about the Government’s financial activities. It is intended to give readers an overview of the Government and its finances. It is derived from, but does not provide all the detailed information required by accounting standards. It does not include information on all of the Government’s Funds or Component Units. Detailed financial information, including the audited financial statements, is available in the Government’s Comprehensive Annual Financial Report, commonly called the CAFR. The CAFR provides full disclosure of all material events in the notes to the financial statements, as well as required supplementary information and historical statistical information. The CAFR and PAFR are available online at: https://www.lexingtonky.gov/departments/accounting
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Linda Gorton, the longest continuously serving member of the Lexington-Fayette Urban County Council, is serving her first term as Lexington Mayor.

Mayor Gorton was elected in a landslide on November 6, 2018, winning 63% of the vote.

A native of Ohio, Mayor Gorton has lived in Lexington most of her adult life. In addition to her 16 years on the Council, including 4 years as Vice Mayor, Mayor Gorton has been a dedicated volunteer in our community.

Mayor Gorton has started her term with an emphasis on developing a comprehensive action plan to help those who suffer from opioid addiction, a problem that is detrimental to our labor force, diverts funding from much-needed initiatives, and has stolen the future from many talented Lexingtonians.

Another early and ongoing priority is economic development … jobs, jobs, jobs. Mayor Gorton is focused on making Lexington a technological hub, including high tech agriculture.

Mayor Gorton and her husband, Charlie, a retired Major General in the Army, have two children and five grandchildren. She is a registered nurse and graduate of the University of Kentucky.
About Lexington

History

Lexington was founded in 1775, seventeen years before Kentucky became a state. William McConnell and a group of frontier explorers were camping at a natural spring when they received word that the first battle of the American Revolution had just been fought in Lexington, Massachusetts. In honor of that event, they named their site “Lexington.” Lexington grew quickly, and by the 1820s it had become one of the largest and wealthiest cities west of the Allegheny Mountains. Because of its rich culture, Lexington garnered the nickname, “Athens of the West.” Lexington has continued to grow and prosper in the two centuries since. In 1974 Lexington and Fayette County became one of the first cities in America to merge the city and county governments. This would be highly beneficial for development and preserving the natural beauty of the area. Now, Lexington has a population of over 323,780, and its metropolitan statistical area is home to almost 500,000. Lexingtonians enjoy low unemployment, low cost of living, comparatively low crime rates, and a rare combination of urban vibrancy and beautiful horse farms. Lexington, now “The Horse Capital of the World,” is one of the most livable cities in the country.

Lexington by Numbers

323,780
Population

60th
Largest City by Population
In the United States

Source: U.S. Census Bureau

28th
Largest City by Land Area
In the United States
The Urban County Council consists of one councilmember from each of the twelve districts and three at-large councilmembers, for a total of fifteen members. The district councilmembers are elected for two-year terms and may serve up to six consecutive terms. At-large councilmembers are elected for four-year terms and may serve up to three consecutive terms. The at-large member who receives the most votes in the general election becomes the vice mayor. In the mayor’s absence, the vice mayor is the presiding officer.

All council work sessions/meetings are held in the Council Chamber on the second floor of the Government Center and are open to the public. There is a time for public comment at both of these meetings. Work sessions are held every Tuesday at 3:00 pm when the Council is in session and Council meetings are held two Thursdays a month at 6:00 pm.
Most Affordable Cities for an Early Retirement, *SmartAsset*

"Lexington, Kentucky takes the top spot where it’s possible to retire early. This city ranks in the top 10 for cost of living, health care costs and housing costs as a percent of income. This city also has a fairly low rate of violent crime, a sign of how livable the city is. If you find you need to supplement your income in retirement, it should be possible to do so in Lexington. This city scores in the top 20 for unemployment."

Source: SmartAsset

Most Affordable Cities to Live and Work, *BusinessStudent.com*

<table>
<thead>
<tr>
<th>Rank</th>
<th>City</th>
<th>Average Salary</th>
<th>Monthly Rent</th>
<th>Total Rent</th>
<th>Salary After Rent</th>
<th>%Salary Leftover</th>
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<tbody>
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<td>1</td>
<td>Tulsa, OK</td>
<td>$68,147</td>
<td>$863</td>
<td>$10,356</td>
<td>$57,791</td>
<td>85%</td>
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<tr>
<td>2</td>
<td>Lexington, KY</td>
<td>$69,917</td>
<td>$889</td>
<td>$10,668</td>
<td>$59,249</td>
<td>85%</td>
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<td>Oklahoma City, OK</td>
<td>$73,132</td>
<td>$958</td>
<td>$11,496</td>
<td>$61,636</td>
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<td>4</td>
<td>Las Vegas, NV</td>
<td>$74,199</td>
<td>$1,038</td>
<td>$12,456</td>
<td>$61,743</td>
<td>83%</td>
</tr>
<tr>
<td>5</td>
<td>Memphis, TN</td>
<td>$69,866</td>
<td>$984</td>
<td>$11,808</td>
<td>$58,058</td>
<td>83%</td>
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</tbody>
</table>

Source: BusinessStudent.com

Best City with the Highest Salaries and Lowest Costs of Living, *GoBankingRates*

Average household income: $77,827  
Total necessities: $20,535  

"If you’re looking for a place that has a high salary by a city with minimal living expenses, give Lexington a look. Monthly transportation costs are among the lowest anywhere at $30, while monthly rent averages just $1,215. Lexington is on our list of cheapest cities to rent, and you can find a one-bedroom apartment downtown for just $725 on average. Its affordability also makes it an attractive place to retire."

Source: GoBankingRates
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

Organizational Chart

Lexington-Fayette County
Citizens

Urban County Government
Mayor

Division of Internal Audit

Urban County Government
Council

Council
Council Clerk

Administration
Chef of Staff

Administration
Chief Development Officer

Administration
CAO

Office of Economic Development

Office of Bluegrass Farm to Table

Office of Diversity and Inclusion
Homelessness Prevention and Intervention

Divisions of Government Communications
Grants & Special Programs
Human Resources
Risk Management

Divisions of Information Technology

Divisions of Environmental Quality & Public Works

Divisions of Finance

Divisions of General Services

Divisions of Law

Divisions of Planning, Preservation and Development

Divisions of Public Safety

Divisions of Social Services

Divisions of Computer Services
Enterprise Solutions
Information Technology Administration

Divisions of Environmental Services
Waste Management
Water Quality
Streets & Roads
Traffic Engineering

Divisions of Accounting
Budgeting
Purchasing
Revenue

Divisions of Facilities & Fleet Management
Parks & Recreation

Divisions of Corporate Counsel
Litigation
Claims Management

Divisions of Building Inspection
Code Enforcement
Engineering
Historic Preservation
Planning
Purchase of Development Rights

Divisions of Community Corrections
Emergency Management
Enhanced 911 Fire & Emergency Services
Police

Divisions of Adult & Tenant Services
Aging & Disability Services
Family Services
Youth Services

Revised May 2019
Throughout Lexington there are encouraging signs of economic growth. Lexington’s population has steadily increased since the last census and unemployment has been averaging lower than the state and nation. Median Household income is higher than the state of Kentucky as a whole and has continued to grow. The population of Lexington is one of the most educated of similar sized cities in the country.

**Comparative Unemployment Rates**

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</thead>
<tbody>
<tr>
<td>Lexington</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>USA</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>

**Population Growth**

![Graph showing population growth](image)

- **2010:** 400,000
- **2018:** 430,000

**Per Capita Personal Income**

![Graph showing per capita personal income](image)

- **2000:** $30,000
- **2017:** $35,000

**Median Household Income (dollars)**

![Graph showing median household income](image)

- **2010:** $31,653
- **2018:** $53,013

**Bachelor's Degree or Higher**

![Graph showing percentage of population with bachelor's degree or higher](image)

- **2000:** 20%
- **2017:** 41.8%

Sources: Bureau of Labor Statistics, U.S. Census Bureau

*Population 25 years and over
EDUCATED WORKFORCE 📚

Building on its early reputation as the Athens of the West, Lexington continues to excel in education. Along with some of the best public schools in the state, Lexington also has one of the best educated labor forces in the nation. According to 2017 U.S. Census data, 41.8% of Lexington’s population 25 years or older has at least a Bachelor’s degree, making it the 14th most highly educated city in the U.S., and 18% has an advanced degree, ranking Lexington the 11th most highly educated city. Over 60% of Lexington residents age 18-24 are enrolled in college or graduate school, ranking the city 3rd in college enrollment rates among cities with a population over 300,000.

Source: U.S. Census Bureau

INNOVATION LEADER 🧠

According to StatsAmerica’s Innovation Index 2.0, the Lexington-Fayette Metropolitan Statistical Area (MSA) is the state leader in innovation and entrepreneurship. StatsAmerica’s Innovation Index 2.0 quantifies a county, MSA, or Economic Development District’s capacity for innovation and the amount of innovation already produced. The Lexington-Fayette MSA has the highest overall index score in the state with 111.1, compared to Louisville/Jefferson County KY-IN MSA’s 103.8 and Cincinnati OH-KY-IN MSA’s 110.5.

Source: StatsAmerica

CENTRAL LOCATION 📍

Lexington is far from the middle of nowhere, in fact, it is in the middle of everything! Lexington is located 600 miles from 50% of the US population and ideally situated at the crossroads of two major interstates, I-75 and I-64, giving companies here direct access to both north-south and east-west routes.

LOW BUSINESS COSTS ❗️

Kentucky has the lowest cost of electricity in the industrial sector among states east of the Mississippi River. Kentucky’s industrial electricity rates are fifth lowest nationally and almost 20 percent lower than the national average.

Water service is available through local providers in each of the Bluegrass counties. Kentucky American Water, located in Lexington, is the largest, with a capacity of 90 million gallons per day.

Source: U.S. Energy Information Administration
Fayette County - Businesses

Lexington has a diverse economy, with major employers in manufacturing, healthcare, distribution and other industries. The diversity of the economy is one of its strengths with more than 28,500 companies doing business. The Bluegrass region is a $30 billion economy marked by consistent, sustainable growth. Between 2001 and 2017, the Bluegrass Region’s economy (GDP) grew 72.6% overall, translating into a real compound annual growth rate of 3.4%

Top 10 Employers in Fayette County, All Sectors

- **UK**: 12,800
- **Fayette County Public Schools**: 6,181
- **LEXINGTON**: 2,945
- **LEXINGTON**: 2,700
- **CONDUENT**: 2,500
- **LEXINGTON**: 2,086
- **BAPTIST HEALTH**: 1,852
- **KentuckyOne Health**: 1,847
- **Lexmark**: 1,600
- **LOCKHEED MARTIN**: 1,100
Inside the Government-Wide Statement of Net Position

- **Net Position**: Net position is the sum of all the assets and deferred outflows of resources less the liabilities and deferred inflows of resources.
- **Assets**: The listed assets represent anything of value (equipment, real estate, cash) that the Government owns.
- **Liabilities**: The liabilities represent all debts and future obligations that the Government has to pay.
- **Deferred Outflows and Inflows of Resources**: The outflow (consumption) or inflow (acquisition) of resources in the current period applicable to future reporting periods.

The Government-Wide Statement of Net Position presents information on all of the Government’s assets and liabilities, deferred outflows, and deferred inflows with the difference between the above reported as Net Position. Net Position is the difference between what the government owns and what the government owes. Positive net position balances indicate a measure of financial stability. The Government’s net position decreased from $371.8 million in 2018 to $314.4 million in 2019. The financial activities also include Component Units which are legally separate organizations for which the Government is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government.
The majority of the general fund revenues that fund the Government’s Activities come from Licenses & Permits as reported in the chart. The major categories within licenses and permits are Occupational Fees (employee withholding fee and net profit fee on business net profits), Insurance Premium Tax and Franchise Fees. Employee withholding fee is an assessment of 2.25% on the total wages received by individuals in the Lexington-Fayette County area and an assessment of 2.25% on net profits of businesses operating in the Lexington-Fayette County area. Insurance Premium Tax is an assessment of 5% on insurance premiums sold by insurance agencies. Franchise fees are an assessment on utility bills. The rate of the assessment is based on the type of utility. The rate for gas and electric billing is 4% and the rate on water billing is 3%.

Other major revenue categories for the Government are property taxes and charges for services. Charges for services include charges collected by the Detention Center, EMS charges, fees for building permits and fees associated with Parks and Recreation programs.
GENERAL FUND GOVERNMENTAL EXPENSES

WHERE THE MONEY GOES

General Fund Governmental Expenses by Department

- **55%** Public Safety
- **3%** Planning, Preservation & Development
- **3%** Environmental Quality & Public Works
- **5%** Parks & Recreation
- **34%** Other

General Fund Governmental Expenses by Source

- **63.1%** Personnel
- **25.0%** Operations
- **11.9%** Debt Service

$367,892,581
General Fund Governmental Expenses 2018

$369,262,018
General Fund Governmental Expenses 2019

$1,369,437
Variation

$367,892,581 - $369,262,018 = $367,892,581

$367,892,581
General Fund Governmental Expenses 2018

$369,262,018
General Fund Governmental Expenses 2019

Where the money goes:

$369,262,018

Variation:

$1,369,437
The Government’s financial activities in total are made up of two broad classifications: governmental and business-type activities. Additionally, there are two main sources of Revenue for the City: Program Revenues and General Revenues. Program Revenues include charges for services and General Revenues include license and permit fees and property taxes. Revenue for the City in FY2019 totaled $443.2 million, which is an increase of $7.8 million or 1.7% compared to FY2018. Total expenses for the City totaled $490.3 million in FY2019, which is an increase of $27.8 million or 6.0% compared to FY2018.
BONDS

The Government issues Municipal Bonds annually to fund various Capital Projects. Most of these municipal bonds are “tax-exempt,” which means that someone who buys a municipal bond doesn’t have to pay federal taxes on the interest they earn, while the government gets to borrow money at a cheaper interest rate. The government repays the amount of the bonds plus interest over a period of time, which is usually between ten and twenty years. Bonds have been previously issued for projects such as fire stations, infrastructure improvements, the Senior Center, and the Lexington Convention Center Renovation. Without bonding, large capital investments in the community might not be possible.

### Summary of Outstanding Debt - For Years As Stated
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Governmental</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$402,421</td>
<td>$389,046</td>
<td>$209,262</td>
<td>$196,730</td>
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<table>
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<tr>
<th></th>
<th>2019</th>
<th>2018</th>
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</thead>
<tbody>
<tr>
<td>Total Primary</td>
<td>$611,683</td>
<td>$585,776</td>
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</tbody>
</table>

Both Moody’s and S&P rate our bonds in a category referred to as “High Grade”, which means the Government has strong financial management and is trusted to repay the city’s commitments.

- S&P Global: AA
- Moody’s: Aa2

- Total Primary Government 2019: $611,683
- Average Interest Rate: 3.82%
- Average Project Life: 7.4 yrs
### Summary of Capital Assets - For Years As Stated
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Governmental</th>
<th>Business-Type Activities</th>
<th>Total Primary Government</th>
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<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td>2019</td>
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<tr>
<td>TOTAL</td>
<td>$937,563</td>
<td>$962,668</td>
<td>$1,426,184</td>
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<tr>
<td></td>
<td>$447,171</td>
<td>$488,621</td>
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### Capital assets are the largest asset of the local government

Capital assets are tangible and intangible assets acquired for use in operations that will benefit the local government for more than a single fiscal period. Typical examples of capital assets include land, land improvements, construction-in-progress, infrastructure/improvements, buildings, furniture, motor vehicles, and software.
A Capital Project is a project that helps maintain, improve or replace a City asset. Some examples of Capital Projects that the Government has recently undertaken include a new fire station, renovations to the Historic Courthouse, improvements to our parks facilities, and sewer and stormwater infrastructure improvements.

NEW FIRE STATION 24

Fire station 24 opened on August 20th 2019 and is the first new Fire station to be constructed in Lexington since 2006. The 15,338-square-foot station is located at 2754 Magnolia Springs Dr., and houses Engine 24 and Tanker 1.

PARKS & RECREATION

The Division of Parks and Recreation completed many capital projects recently, including improvements to existing aquatic facilities, building new splash pads, and improvements to facilities at existing parks including new trails, playgrounds, tennis courts, and sports fields. Buckhorn Park will be the newest addition to the Parks and Recreation footprint in Lexington. Walking paths, picnic space, new trees, seating and an open lawn play area will all be in the new park. Plans also include naturalized basins designed to treat stormwater run-off. The park will open when current construction concludes, likely in early 2020.

WATER QUALITY

The Government is required to reduce sanitary sewer overflows as part of a Consent Decree agreement with the Department of Justice, EPA, and the Commonwealth of Kentucky. The Consent Decree requires Lexington to address structural, operational, and procedural issues within its storm and sanitary sewer systems. The Government continues to make progress on its Consent Decree requirements. The scheduled completion of the project is 2026.
# Contact List

<table>
<thead>
<tr>
<th>Service</th>
<th>Phone Number</th>
<th>Email Address</th>
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<tbody>
<tr>
<td>Adult &amp; Tenant Services</td>
<td>859-258-3810</td>
<td><a href="mailto:skay@lexingtonky.gov">skay@lexingtonky.gov</a></td>
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<tr>
<td>Building Inspection</td>
<td>859-258-3320</td>
<td><a href="mailto:jbrown2@lexingtonky.gov">jbrown2@lexingtonky.gov</a></td>
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<tr>
<td>Central Purchasing</td>
<td>859-258-3320</td>
<td><a href="mailto:jmccurn@lexingtonky.gov">jmccurn@lexingtonky.gov</a></td>
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<tr>
<td>Citizens' Advocate Office</td>
<td>859-258-3230</td>
<td><a href="mailto:jgibbs@lexingtonky.gov">jgibbs@lexingtonky.gov</a></td>
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<tr>
<td>Code Enforcement</td>
<td>859-425-2255</td>
<td><a href="mailto:aevans@lexingtonky.gov">aevans@lexingtonky.gov</a></td>
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<tr>
<td>Community Corrections</td>
<td>859-425-2700</td>
<td><a href="mailto:pworley@lexingtonky.gov">pworley@lexingtonky.gov</a></td>
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<td>E911</td>
<td>859-258-3784</td>
<td><a href="mailto:cellinger@lexingtonky.gov">cellinger@lexingtonky.gov</a></td>
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<td>Environmental Quality &amp; Public Works</td>
<td>859-425-2558</td>
<td><a href="mailto:bfarmer@lexingtonky.gov">bfarmer@lexingtonky.gov</a></td>
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<tr>
<td>Family Services</td>
<td>859-288-4040</td>
<td><a href="mailto:jreynolds@lexingtonky.gov">jreynolds@lexingtonky.gov</a></td>
</tr>
<tr>
<td>Fire and Emergency Services</td>
<td>859-252-2371</td>
<td><a href="mailto:abledsoe@lexingtonky.gov">abledsoe@lexingtonky.gov</a></td>
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<td>Health Department</td>
<td>859-252-2371</td>
<td><a href="mailto:jreynolds@lexingtonky.gov">jreynolds@lexingtonky.gov</a></td>
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<tr>
<td>Parks &amp; Recreation</td>
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<td>Social Services</td>
<td>859-258-3804</td>
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</tr>
<tr>
<td>Youth Services</td>
<td>859-246-4370</td>
<td></td>
</tr>
</tbody>
</table>

## Mayor Linda Gorton

- **Email**: mayor@lexingtonky.gov
- **Phone**: 859-258-3100

## Other Officers

- **Steve Kay**
  - **Title**: Vice Mayor
  - **Email**: skay@lexingtonky.gov
  - **Phone**: 859-280-8250

- **James Brown**
  - **Title**: District 1
  - **Email**: jbrown2@lexingtonky.gov
  - **Phone**: 859-280-8238

- **Josh McCurn**
  - **Title**: District 2
  - **Email**: jmccurn@lexingtonky.gov
  - **Phone**: 859-280-8239

- **Council Members**
  - **Chuck Ellinger II**
    - **Title**: At-Large
    - **Email**: cellinger@lexingtonky.gov
    - **Phone**: 859-280-8237
  - **Bill Farmer Jr.**
    - **Title**: District 5
    - **Email**: bfarmer@lexingtonky.gov
    - **Phone**: 859-280-8242
  - **Angela Evans**
    - **Title**: District 6
    - **Email**: aevans@lexingtonky.gov
    - **Phone**: 859-280-8243
  - **Preston Worley**
    - **Title**: District 7
    - **Email**: pworley@lexingtonky.gov
    - **Phone**: 859-280-8244
  - **Fred Brown**
    - **Title**: District 8
    - **Email**: fbrown@lexingtonky.gov
    - **Phone**: 859-280-8245
  - **Richard Moloney**
    - **Title**: At-Large
    - **Email**: rmoloney@lexingtonky.gov
    - **Phone**: 859-280-8251
  - **Jennifer Mossotti**
    - **Title**: District 9
    - **Email**: jmosso@lexingtonky.gov
    - **Phone**: 859-280-8246
  - **Amanda Mays Bledsoe**
    - **Title**: District 10
    - **Email**: abledsoe@lexingtonky.gov
    - **Phone**: 859-280-8247
  - **Karen Reynolds**
    - **Title**: District 11
    - **Email**: kreynolds@lexingtonky.gov
    - **Phone**: 859-280-8248
  - **Kathy Plomin**
    - **Title**: District 12
    - **Email**: kplomin@lexingtonky.gov
    - **Phone**: 859-280-8265