

LEXINGTON, KENTUCKY 2019



CITIZENS' ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED *JUNE 30, 2019*



ABOUT THIS REPORT

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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LETTER FROM THE MAYOR



MAYOR LINDA GORTON

Lexington-Fayette Urban County Government

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.



Lexington-Fayette Urban County Government
OFFICE OF THE MAYOR

Linda Gorton
Mayor

December 9, 2019

Dear Citizen,

The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019, reflects fiscal discipline and strong financial management:

- As the year unfolded, revenue growth slowed. To stay within our budget we cut \$2 million by reducing operating expenses and discretionary accounts, and a slowdown in hiring.
- One driver of increased costs was the state, which held Kentucky cities responsible for a greater share of pension costs. We had reserved \$10 million in surplus funds to cover this increase. The increase in Lexington in FY19 was \$3.1 million. The remaining funds will be used to meet pension increases in future years.
- Our rainy day fund stands at \$35.3 million, almost double what was set aside in 2011. The fund is close to our goal of 10% of revenue.
- As always, public safety dominated our budget in FY19. This year public safety is 55.5% of our General Fund budget. We hired 25 new positions in our Fire Department, with 24 to staff our new station in Masterson Station, a growing area of our City. We also invested \$2.7 million in new tower trucks and other vehicles in the Fire Department. In the Police Department, we invested \$2.5 million in new police cars.
- We funded debt service for \$20 million in bonds for our new convention center, which will produce jobs and help us attract even more visitors to our city.
- We maintained funding for social service agencies at \$3 million to overcome federal and state cuts in funding. Since 2012, our City has doubled funding for these grants.
- We invested \$12 million in paving, \$850,000 for traffic signals, and \$250,000 for pedestrian safety. Lexington is living within its means, competing and winning.

Sincerely,

Linda Gorton
Linda Gorton
Mayor

FOLLOW MAYOR GORTON:

www.facebook.com/MayorGorton www.twitter.com/MayorGorton

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HORSE CAPITAL OF THE WORLD



LEXINGTON

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.



Historic Gratz Park



Historic Lexington Courthouse

LEXINGTON BY NUMBERS

323,780

Population



60th

**Largest City by
Population**

In the United States

Source: U.S. Census Bureau

28th

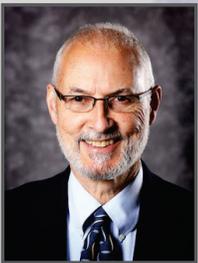
**Largest City by Land
Area**

In the United States

THE URBAN COUNTY COUNCIL

COUNCILMEMBERS

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.



Steve Kay
Vice Mayor



James Brown
District 1



Josh McCurn
District 2



Jake Gibbs
District 3



Susan Lamb
District 4



Chuck Ellinger II
At-Large



Bill Farmer Jr.
District 5



Angela Evans
District 6



Preston Worley
District 7



Fred Brown
District 8



Richard Moloney
At-Large



Jennifer Mossotti
District 9



Amanda Mays Bledsoe
District 10



Jennifer Reynolds
District 11



Kathy Plomin
District 12

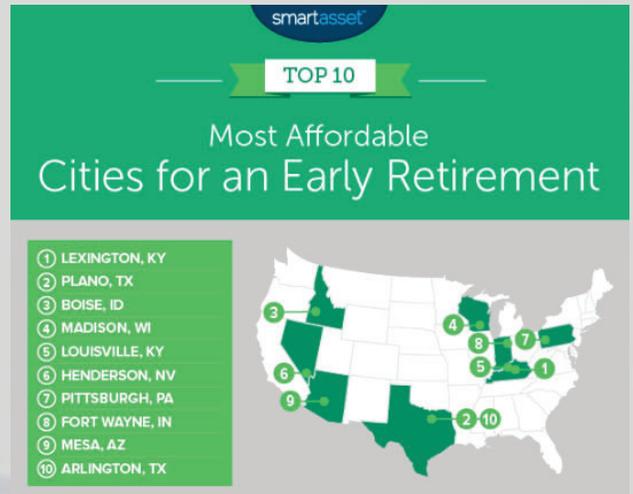
RECENT AWARDS



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*

Rank	City	Average Salary	Monthly Rent	Total Rent	Salary After Rent	%Salary Leftover
1	Tulsa, OK	\$68,147	\$863	\$10,356	\$57,791	85%
2	Lexington, KY	\$69,917	\$889	\$10,668	\$59,249	85%
3	Oklahoma City, OK	\$73,132	\$958	\$11,496	\$61,636	84%
4	Las Vegas, NV	\$74,199	\$1,038	\$12,456	\$61,743	83%
5	Memphis, TN	\$69,866	\$984	\$11,808	\$58,058	83%

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

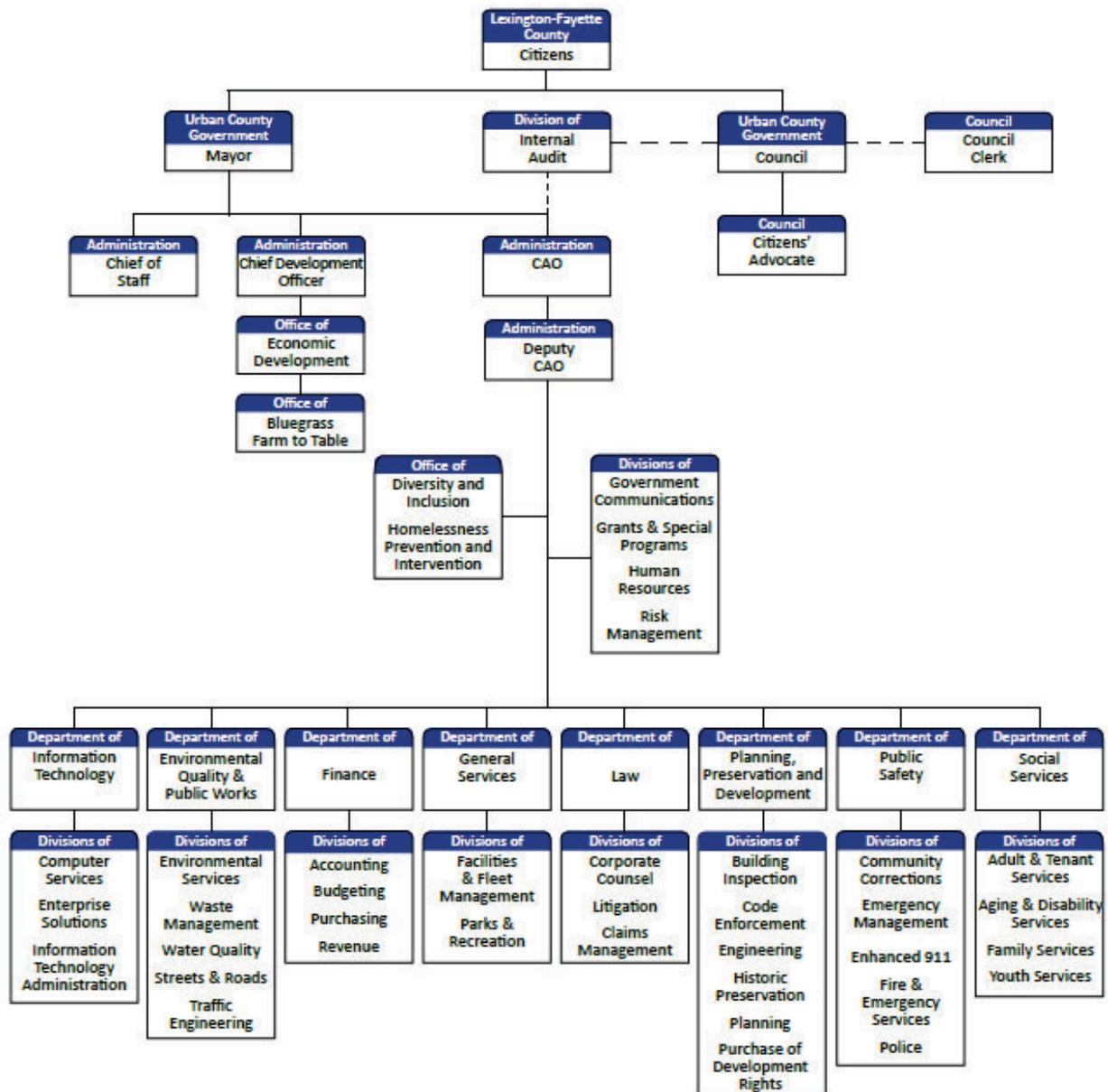


ORGANIZATIONAL CHART



LEXINGTON

Lexington-Fayette Urban County Government Organizational Chart



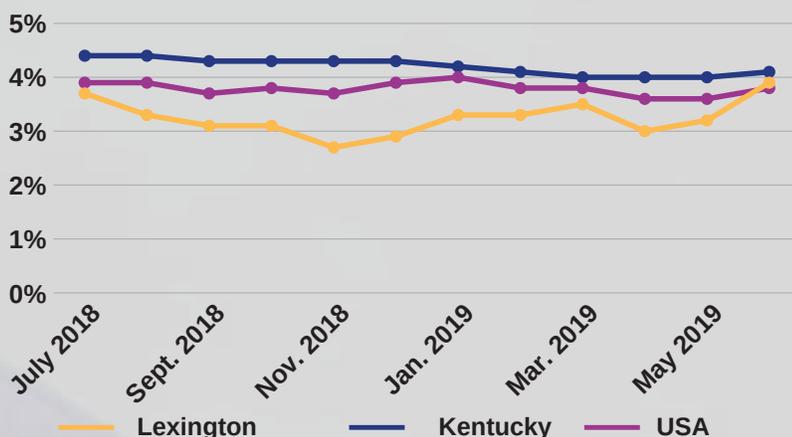
Revised May 2019



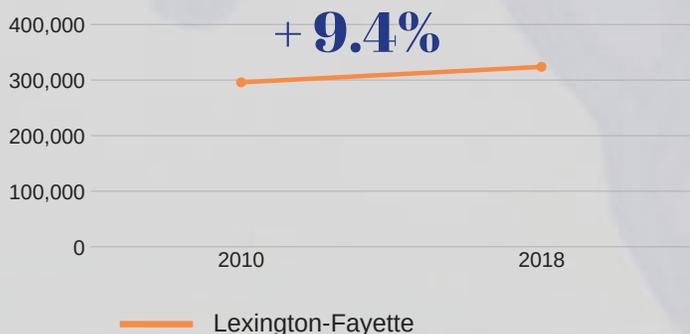
ECONOMIC OVERVIEW

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.

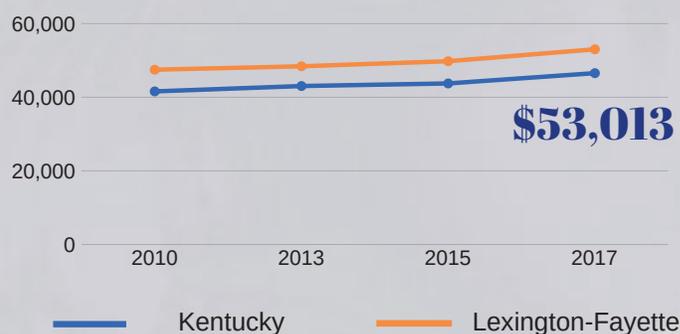
Comparative Unemployment Rates



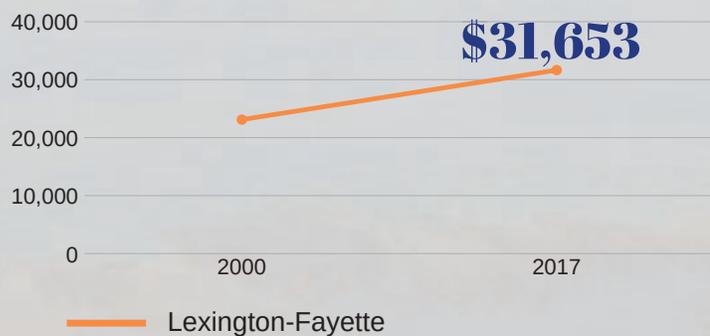
Population Growth



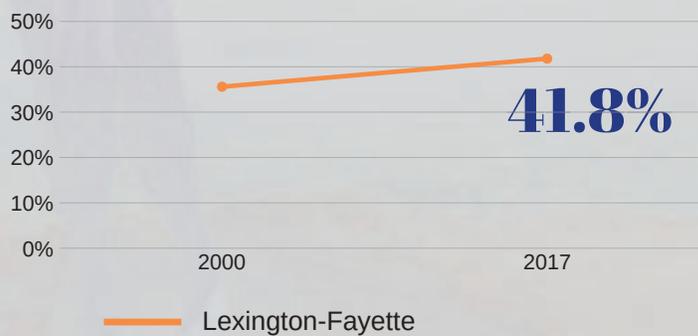
Median Household Income (dollars)



Per Capita Personal Income



Bachelor's Degree or Higher *



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

*Population 25 years and over



ECONOMIC OVERVIEW

WHY LEXINGTON?

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.



C2ER Cost of Living Index - 2018 Annual Average							
Location	Composite Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods
Lexington	94.2	88.5	89.3	93.1	98.8	87.8	100.4
Brooklyn	181.7	124.2	323.7	120.6	110.5	110.3	127.4
Los Angeles	148.2	112.1	237.2	109.6	118.9	107.5	109.8
Chicago	123.2	102.7	156.9	93.0	125.6	101.8	112.4
Philadelphia	113.4	116.7	124.3	107.4	113.9	103.5	105.5
Dallas	105.4	107.0	106.3	105.8	98.4	105.4	105.9
Seattle	154.8	127.1	212.5	111.1	135.4	123.5	136.9
Washington D.C.	162.6	117.0	267.3	115.6	103.0	99.8	127.5

Source: U.S. Energy Information Administration

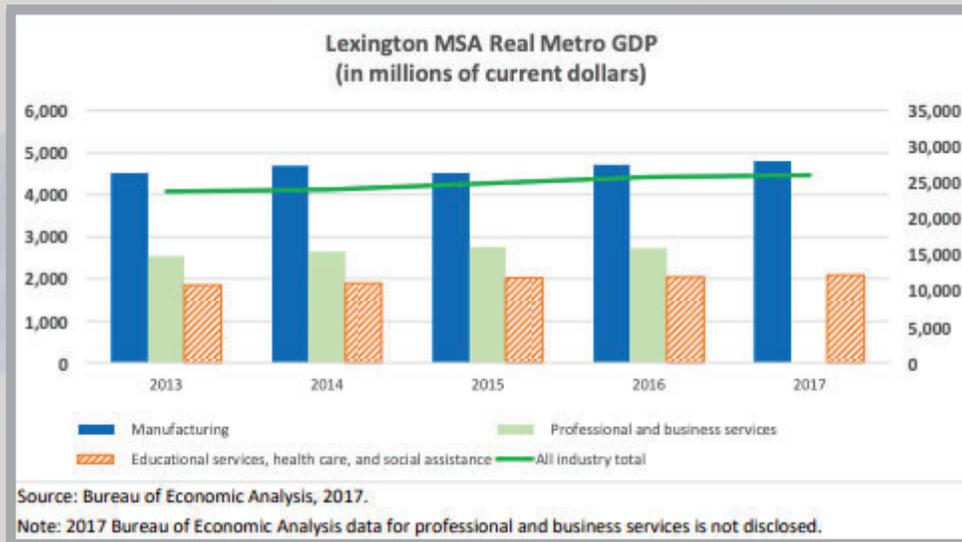


ECONOMIC OVERVIEW

BUSINESSES

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

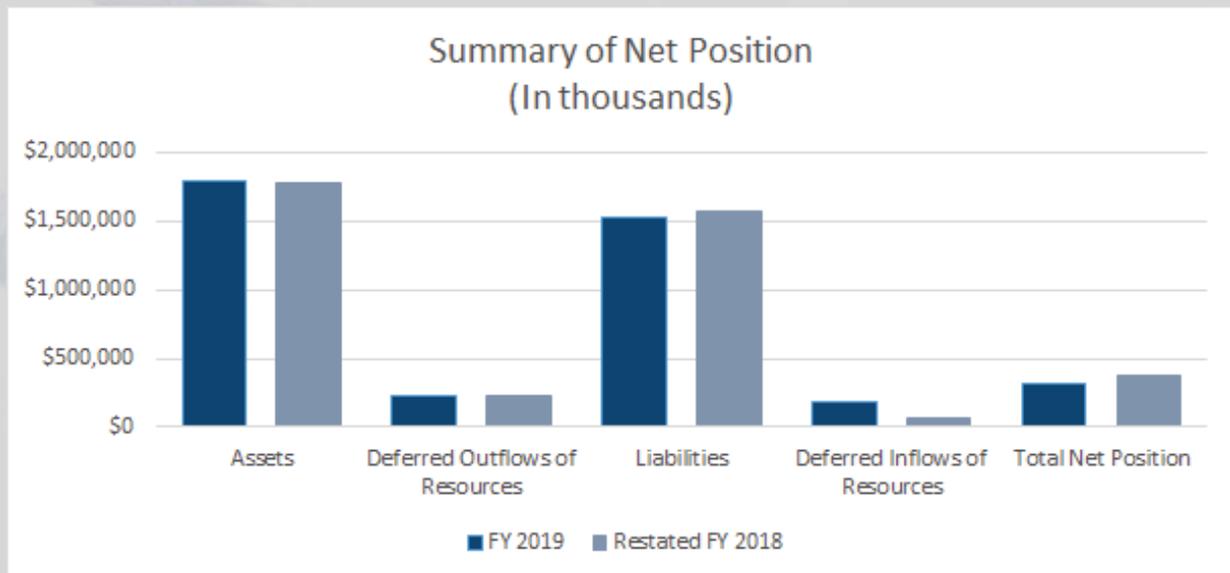
	➔	12,800		➔	2,086
	➔	6,181		➔	1,852
	➔	2,945		➔	1,847
	➔	2,700		➔	1,600
	➔	2,500		➔	1,100



FINANCIAL HIGHLIGHTS

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.



GENERAL FUND GOVERNMENTAL REVENUES

WHERE THE MONEY COMES FROM

\$364,102,653

General Fund Governmental
Revenues 2018

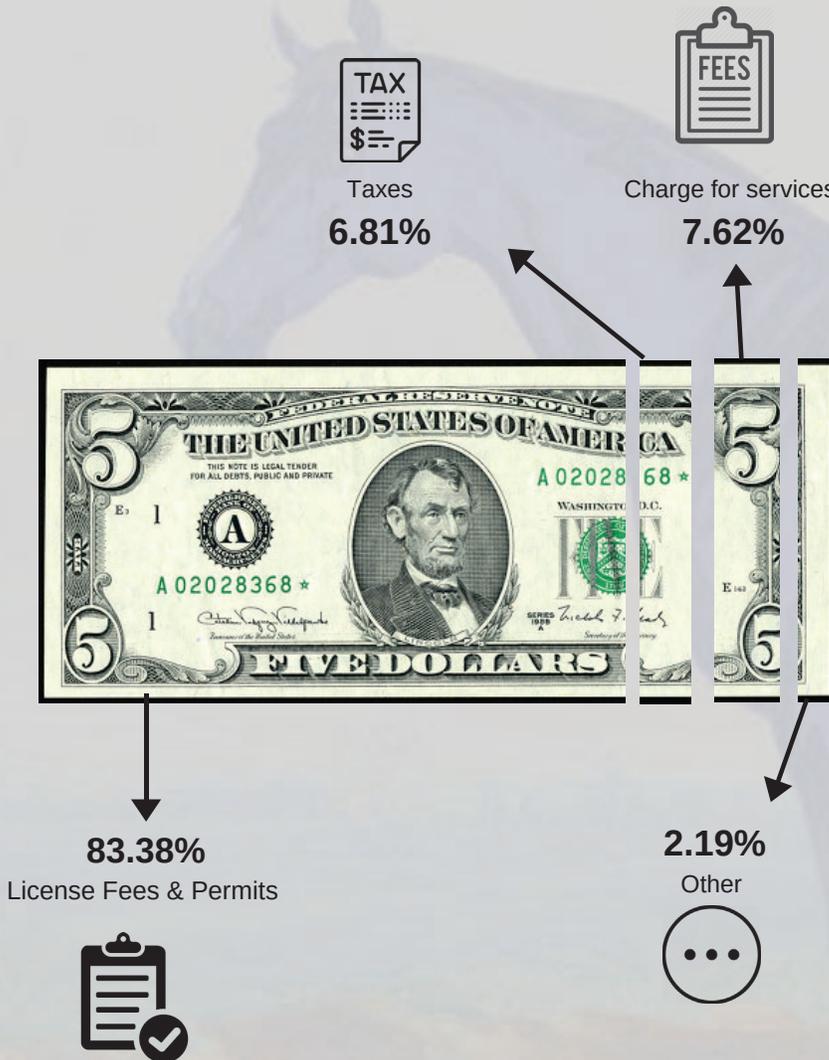
\$369,909,091

General Fund Governmental
Revenues 2019

+1.6%

Growth

General Revenues - Sources



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

\$367,892,581

General Fund Governmental
Expenses 2018

\$369,262,018

General Fund Governmental
Expenses 2019

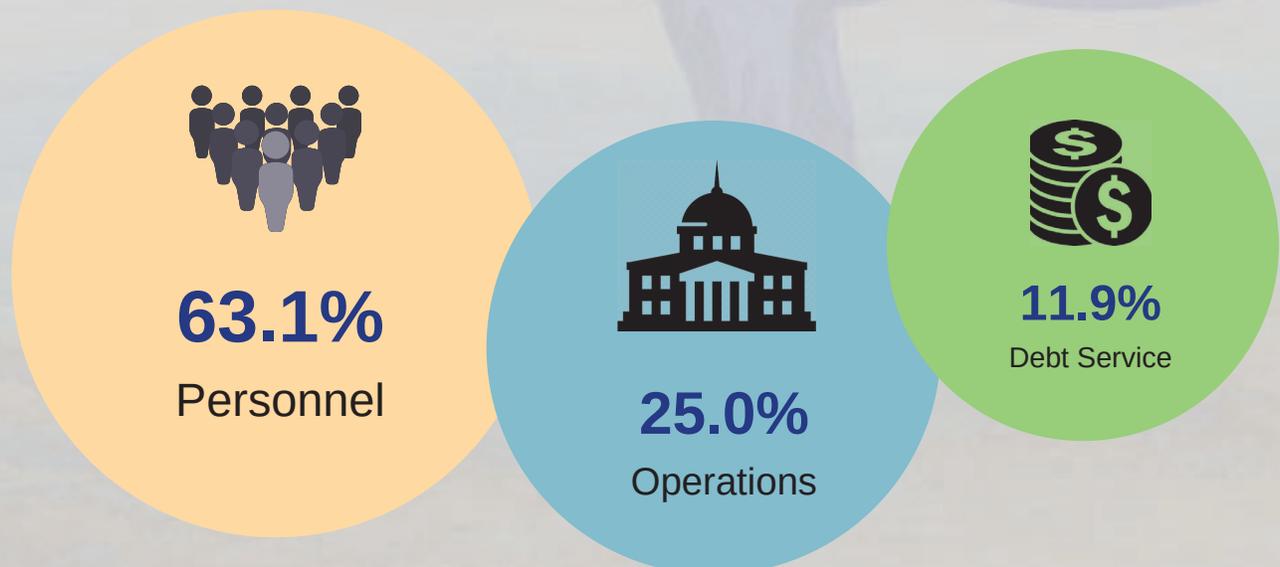
\$1,369,437

Variation

General Fund Governmental Expenses by Department



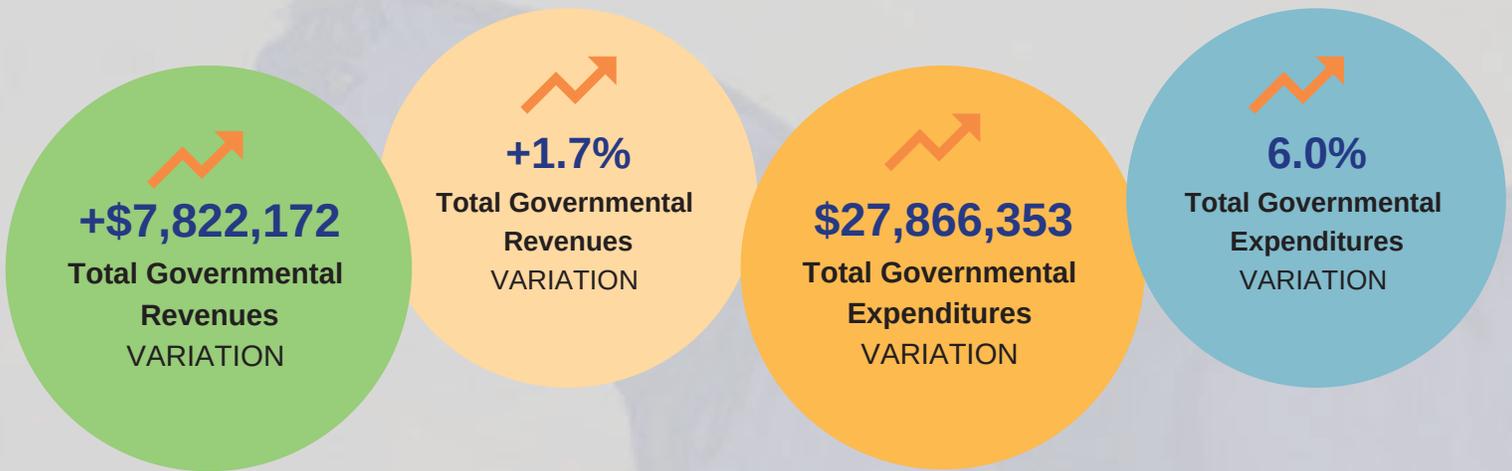
General Fund Governmental Expenses by Source





TOTAL GOVERNMENTAL FUNDS 2019

	Total Governmental Revenues		Total Governmental Expenditures	
	2019	2018	2019	2018
TOTAL	\$443,246,477	\$435,424,305	\$490,356,361	\$462,490,008



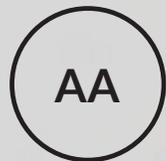
The Government's financial activities in total are made up of two broad classifications: governmental and business-type activities. Additionally, there are two main sources of Revenue for the City: Program Revenues and General Revenues. Program Revenues include charges for services and General Revenues 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

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

	Governmental		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
TOTAL	\$402,421	\$389,046	\$209,262	\$196,730	\$611,683	\$585,776



S&P Global



MOODY'S

\$611,683

Total Primary Government 2019

3.82

Average Interest Rate

7.4 yrs

Average Project Life

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

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.



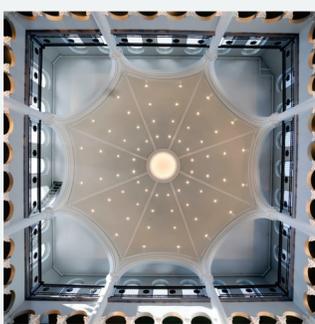
CAPITAL ASSETS

Summary of Capital Assets - For Years As Stated (in thousands)

	Governmental		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
TOTAL	\$937,563	\$962,668	\$488,621	\$447,171	\$1,426,184	\$1,409,839

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.





CAPITAL PROJECTS

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 under taken 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

Adult & Tenant Services
859-258-3810

Building Inspection
859-258-3320

Central Purchasing
859-258-3320

Citizens' Advocate Office
859-258-3230

Code Enforcement
859-425-2255

Community Corrections
859-425-2700

E911
859-258-3784

Environmental Quality & Public Works
859-425-2558

Family Services
859-288-4040

Fire and Emergency Services
859-252-2371

Health Department
859-252-2371

Parks & Recreation
859-288-29000

Planning
859-258-3160

Police
859-258-3600

Revenue
859-258-3340

Senior Services
859-252-1288

Social Services
859-258-3804

Youth Services
859-246-4370

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