The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Financial Reporting to the Lexington-Fayette Urban County Government for the fiscal year ended June 30, 2019. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing the City's conformance with the highest standards for preparation of state and local government popular reports. LFUCG first published a PAFR in 2020, and this is the first year LFUCG has received the award.

The City also received the GFOA Certificate of Achievement for Excellence in Financial Reporting Award for the FY2019 CAFR for the twenty-seventh consecutive year.
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 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 is currently working to keep Lexington citizens safe in a global pandemic. Fallout from the pandemic has slowed down economic activity and triggered belt tightening in City Hall. Mayor Gorton’s conservative management of the budget has kept the City on a sustainable path. She is also working with business leaders from across our City to restart our economy.

Mayor Gorton is continuing her emphasis on development of 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 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.
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 on two Thursdays of each month at 6:00 pm. Alternative Council procedures may be in place due to COVID-19. Please visit www.lexingtonky.gov for up-to-date information.

The photos below represent the Urban County Council as of time of publishing. For a list of Council Members seated during the financial reporting period (July 1, 2019 - June 30, 2020) please reference the CAFR.
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 323,152, and its metropolitan statistical area is home to over 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.
2020 Best Cities for College Grads, #2

"Lexington, Kentucky has the seventh-best fun score and the 17th-best affordability score in the study. Within the category of fun, Lexington placed seventh overall for average Yelp restaurant rating, at 4.08 out of a total of five stars. Within the affordability index, Lexington placed 10th out of 115 for low cost of living. The cost of living in Lexington is $19,526, potentially allowing for more opportunities to save or invest."

SmartAsset

The 10 Most Diversified Metro Economies in the US, #9

"Known as the “Horse Capital of the World,” Lexington is filled with beautiful horse farms (roughly 450 of them in the region!). Bourbon distilleries, scenic “timbered tunnels,” and bluegrass music help define Lexington. The University of Kentucky is a major employer in this metropolitan area. But in addition to education, other top industries include healthcare, distribution and manufacturing. Amazon has a fulfillment center in the area and other major employers include laser printer maker Lexmark International and Lockheed Martin."

Livability.com

Cities with the Best Work-Life Balance, #3
SmartAsset

Most Affordable City for an Early Retirement, #5
SmartAsset

Best Cities for Young Professionals, #10
SmartAsset

Best Weekend Getaways in the South, #30
Country Living

Friendliest City in the US, #9
Conde Nast Traveler
The 2020 Coronavirus outbreak has had a substantial impact on the US, and has been felt by the Lexington economy. Nevertheless, throughout Lexington there are encouraging signs of economic stabilization. Lexington’s population has steadily increased since the last census, and the area continues to attract and retain a highly educated workforce. The population of Lexington is one of the most educated of similar sized cities in the country. Median Household income is higher than the state of Kentucky as a whole and has continued to grow.

**Population Growth**

![Graph showing population growth with an increase of 9.2%](image)

**Per Capita Personal Income**

![Graph showing per capita personal income with a value of $19,529](image)

**Educational Attainment**

![Educational attainment pie chart showing 19.3% have a Graduate or Professional Degree, 24.4% have a Bachelor's Degree, 20.5% have Some College, no degree, 7.5% have an Associate's Degree, 8.7% have a High School or equivalent, and 19.6% have no degree](image)

*Population 25 years and over, Year 2019*

Sources: Bureau of Labor Statistics, U.S. Census Bureau, Bureau of Economic Analysis
EDUCATED WORKFORCE

Anchored by the state’s flagship university, the University of Kentucky, the Bluegrass boasts 10 colleges and universities within 40 miles of Lexington. In addition, Lexington has four other professional and technical colleges. In total, nearly 70,000 students are enrolled in institutions of higher learning in the Bluegrass, awarding more than 18,000 degrees and credentials annually. Among cities over 300,000 in population, the U.S. Census Bureau ranks Lexington as the 12th most highly educated in the nation (based on the 43.7% of the population 25 years or older holding at least a bachelor’s degree). Even more impressive, 19.3% of the population has a graduate or professional degree, ranking Lexington the 11th most highly educated city.

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.

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 over two-thirds of the US population and is 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 seventh lowest nationally and almost 18% 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: Commerce Lexington, Why Lexington?
Lexington has a diverse economy, with major employers in manufacturing, finance, healthcare, government, and other industries. The diversity of the economy is one of its strengths with more than 28,500 companies doing business. Lexington-Fayette County is a $20+ billion economy marked by consistent, sustainable growth. Between 2015 and 2019, the Lexington-Fayette County economy (GDP) grew 9% overall with an average annual growth of 2%.

Top 10 Employers in Fayette County

1. UK - 16,743
2. Baptist Health - 2,100
3. Fayette County Public Schools - 6,327
4. VA U.S. Department of Veterans Affairs - 2,000
5. Lexington - 2,938
6. Catholic Health Initiatives - 1,847
7. Amazon - 2,700
8. Lexmark - 1,500
9. Conduent - 2,500
10. Lockheed Martin - 1,200

Source: Commerce Lexington, Major Regional Employers
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 maintained a positive net position in 2020, which decreased from $313.4 million in 2019 to $276.1 million in 2020. 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.
Impacts of COVID-19

Prior to the impact of the COVID-19 Pandemic on the economy, the LFUCG budget was trending positively. As a result of the Pandemic, LFUCG encumbered positive balances in operating accounts and extended its existing hiring freeze to most positions. These changes generated expense savings to offset significant revenue declines during the last three months of FY2020, especially those fees paid by businesses and persons employed in Lexington-Fayette County.

LFUCG recognized $20 million in CARES Act Relief funds in FY2020 to offset Pandemic-related expenses. These funds were used to provide public safety measures for the community, and to create relief funding programs for those most affected by the Pandemic. In addition to community-wide public safety initiatives, $2.5 million in funding was made available to small businesses through a grant program and just under $1 million was made available to partner non-profit agencies to provide rent and utility assistance to those experiencing a decrease in income due to COVID-19.

The long-range financial challenges of COVID-19 to LFUCG are expected to continue into FY2021 and FY2022. LFUCG’s cost saving measures will remain in place to offset continuing revenue shortages.

Revenues and Expenditures

The Government primarily operates from Governmental Funds and Proprietary Funds. The City budgets, records, and monitors revenues and expenditures by fund.

Governmental Funds account for the basic services of Government like police, fire, and public works. The General Fund is a type of Governmental Fund.

Proprietary Funds are used to report on business-like operations that generate revenues to pay for expenses. These include services like the sanitary sewer, landfill, water quality/stormwater and others.
The City's General Fund experienced slight negative growth in 2020, primarily due to the effects of COVID-19 experienced in the final quarter of the year. During this time, LFUCG experienced decreased collections in Occupational Fees as well as Charges for Service, like parks-related fees and various building permits.

The majority of the General Fund revenues that fund the Government’s activities come from License Fees & Permits as reported in the chart. The major categories within License Fees 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 Net Profits Fee is 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.
$366,387,641
General Fund Governmental Expenditures 2019

$348,227,011
General Fund Governmental Expenditures 2020

-5%
Variation
Primarily Related to Coronavirus Relief Reimbursements

General Fund Governmental Expenditures by Department

- 56% Public Safety
- 6% Parks & Recreation
- 4% Environmental Quality & Public Works
- 5% Public Library Contribution
- 3% Social Services & ESR Grants
- 26% All Other

General Fund Governmental Expenditures by Source

- 63% Personnel
- 24% Operations
- 13% Debt Service
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**

<table>
<thead>
<tr>
<th></th>
<th>Governmental</th>
<th>Business-Type Activities</th>
<th>Total Primary Government</th>
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<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$388,498</td>
<td>$402,421</td>
<td>$257,827</td>
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<td></td>
<td>$646,325</td>
<td>$611,683</td>
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</tbody>
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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.

- Moody’s: Aa2
- S&P Global: AA
- **Total Primary Government 2019**: $646,325
- **Average Interest Rate**: 2.63%
- **Average Project Life**: 8.4 yrs
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.

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

<table>
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<tr>
<th></th>
<th>Governmental</th>
<th>Business-Type Activities</th>
<th>Total Primary Government</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$911,308</td>
<td>$937,563</td>
<td>$519,444</td>
</tr>
<tr>
<td><strong>2020</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2020</strong></td>
<td><strong>$1,430,752</strong></td>
<td><strong>$1,426,184</strong></td>
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</tbody>
</table>
A Capital Project is a project that helps maintain, improve or replace a City asset. Some examples of Capital Projects that the Government funded in 2020 include paving, purchase of new Police and Fire vehicles, purchase of cardiac monitors to be used by the Fire personnel, purchase of updated voting machines, and a safety project to address the envelope of the LFUCG Government Center. The work to complete capital projects often stretches over fiscal years. Project highlights for FY2020 are included below.

STORMWATER IMPROVEMENTS

The Division of Water Quality undertakes stormwater projects to mitigate flooding in areas across the City. During FY2020, projects were completed in the areas of Arrowhead Drive, Dartmouth Drive at Wilson Downing Road, Elizabeth Street at Forest Park, Riviera Road, Shilito Park, and the Wolf Run Watershed area.

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 project is scheduled for completion in 2026.
GOVERNMENT SERVICES

Aging & Disability Services 859-270-6072
Building Inspection 859-258-3770
Central Purchasing 859-258-3320
Citizens' Advocate Office 859-280-8271
Code Enforcement 859-425-2255
Community Corrections 859-425-2700
Community & Resident Services 859-300-5300
E911 859-258-3784
Environmental Quality & Public Works 859-425-2558
Family Services 859-288-4040
Fire & Emergency Services 859-231-5600
Health Department 859-252-2371
Parks & Recreation 859-288-2900
Planning 859-258-3160
Police 859-258-3600
Revenue 859-280-8300
Social Services 859-258-3804
Youth Services 859-246-4370

LexCall 311

LexCall 311 can assist you with services to include garbage collection, potholes, trash and debris, street signs and other LFUCG services. They can also connect you to any LFUCG employee or division.

MAYOR AND COUNCIL

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Requests for Information

The information contained in the PAFR is a general overview of the Government's finances.

Questions or requests for additional information may be addressed to Sr. Administrative Officer Ashley Simpson at asimpson@lexingtonky.gov or to:

LFUCG
200 East Main Street
Lexington, KY 40507

The PAFR and CAFR for Lexington-Fayette Urban County Government can be found online at www.lexingtonky.gov/departments/accounting