

**PUBLIC HEARING and REGULAR SESSION
of the Daviess County Fiscal Court
held at the Daviess County Courthouse, Courtroom,
Daviess County, Kentucky
on this 16th day of May 2013
Present were Judge/Executive Al Mattingly and
County Commissioners Jim Lambert,
George Wathen and Charlie Castlen**

**DOCUMENTS RELATED TO TODAY'S DISCUSSION
ARE FILED IN MAY 16, 2013 FISCAL COURT FILE**

Commissioner Lambert opened the meeting in prayer and led the court in the Pledge of Allegiance to the flag.

PUBLIC HEARING

A Public Hearing was held to receive comments regarding the proposed Use of County Road Aid and Local Government Economic Assistance Funds.

With no public comments heard, said hearing closed.

REGULAR SESSION AGENDA

Kentucky State Legislators presented an update regarding the General Assembly.

Senator Joe Bowen stated, "This past session, I think most of you know we passed what is perhaps the most important piece of legislations that has been passed in maybe half a century. We addressed the public employees' pension liability – this 30 some billion dollar unfunded mandate that had the potential to do in the fiscal structure of our state government. We came together in a bipartisan manner and addressed this issue. Senate Bill 2 changed the retirement system for new hires effective January 1, 2014 from a defined benefit to a hybrid cash balance plan. This is similar to a 401K. It is not identical because we are guaranteeing a 4% return on their investment. It is a very good and fair plan for future state employees. What this bill does is save us 10 billion dollars over the next 20-years. It stops the digging and allows us to start filling up the hole, so to speak. The current state employees and retirees will be protected by the implementation of this bill. An important part of this is that up until now the taxpayer was exposed to all of the risk in the state employee pension plan, and this shares in that. That is important. Senate Bill 1 was the military voting bill. It provides for absentee voting for our Kentuckians serving over-seas in the military. It provides for an easier process for their votes to be recorded and counted. Senate Bill 3 was the Christian health-sharing bill, which exempts religious organizations from the insurance code. Religious organizations now have the capacity and authority to pool their resources to pay for medical expenses. Senate Bill 8 was the school safety bill. This requires all schools to have a safety plan in place in the event of a catastrophe. These plans are to be filed with all the first responders in the community. Senate Bill 15 was the Bryant Durum Act. This bill was named after a police officer from Lexington. It increases the penalties for those convicted of killing a peace officer. Those convicted of such a crime will not be eligible for parole. They will have to serve out their full sentence. Senate Bill 46 involves our energy issues. It eases the regulations and encourages electricity providers and utility companies to produce and use biomass, such as waste wood and waste products. It increases our energy independence and jobs. Senate Bill 50 was the industrial hemp bill. This bill provides the opportunity for us to produce hemp in the event we should get a federal waiver or the federal government passes legislation for the production of hemp. Senate Bill 61 was an education bill. It provides an option for the early graduation and creates a new calculation for

KEYS money. Senate Bill 97 is also an education bill. It increases the compulsory attendance age to 18 for districts on a voluntary basis across the state. However, in the event that 55% of our districts adopt this then it will be mandatory for the rest of the districts to comply. Those are some of our major bills." He noted that over 700 bills were filed in the 30-day session. He also discussed various bills that did not make it into law.

Representative Tommy Thompson stated, "Clearly, the biggest challenge we faced going into this session was the deficit in Kentucky's employees' retirement system. Collectively, we had about a 30 billion dollar unfunded liability in all the systems, and when you break out just the state employees portion, it had about an 18 billion dollar deficit. To put that into some perspective, that is about the size of the state's biannual budget. That equated to about \$8,000 per every Kentuckian. We had to do something to address that because if not, it was going to absolutely choke revenues in the future from going toward things like education, human services, public protection because we would have to take money from those and put it into the pension fund. We wanted to do two things going in to this. One, we wanted make sure we honored and guaranteed the promise that had been to those 300,000+ people that are in the retirement system now. Two, put the pension plan on solid financial ground going forward so that we would not have this huge deficit going forward. We did that. Right now we are on a progressive effort to get to 100%. We are about 57% funded now. Next biennium we will go to funding it at 100%. And then secondly, we are not going to provide a COLA going forward unless two things. First, we can pre-fund it - meaning that there is money in the system to pay for it in advance or the general assembly comes up with the money. And then third, as the Senator said, we put in a really good program for new hires that is very fair, and over the long-term it will reduce the payroll burden. It will also give those folks a nice retirement. But we had about a 100 million dollar shortfall to deal with funding that 100%. I mean, there were two aspects of the pension reform. We had to reform it from an administrative standpoint, but the big thing is how are we going to provide the money to provide the 100% funded? How are we going to go from the 57% to 100% in a year? Without that funding the reform would be meaningless. We worked together in a bipartisan way and came up with a vehicle and some creative financing that basically will provide about 100 million dollars of new money without having to tax and without having to take from other programs or provide other cuts. That 100 million dollars is sustainable. It is recurring, and it will be there to provide the ability to make that 100% contribution going forward. I thought that was really the positive part of it. I wanted to talk just a minute about Senate Bill 2, what is going to happen to the payroll contribution rates, particularly in the CERS, which you all are a member of and most concerned. It is in better shape than the KERS piece of it. You all are about 61% funded and state employees are only about 28% or 30% funded. Your unfunded liability is about 3.5 million dollars, much less than the numbers I mentioned earlier. I thought it was significant to show in fact what Senate Bill 2 will do going forward. Without Senate Bill 2, the projected payroll burden rate for non-hazardous was going to be 19.55% this year and go to 25.88% by 2032, and for hazardous they were projected to be 37.6% this year and go to 58% by 2032. As a result of the reforms, those contribution rates on the non-hazardous by 2032 are projected to be 16.5%, and the hazardous side to 37%. What that means in summary, is that there can be less dollars from your budget spent on the pension contribution and more money spent on county priorities. On Senate Bill 1, one aspect of that would have been not only to send the ballot to our military folks in foreign theaters electronically so that they can get it in time and send it back, but initially we wanted to try to send it back electronically so it could get recorded on time. Unfortunately, we could not get clearance and could not get satisfaction that that could be done and protect the secrecy of that ballot coming back. So they are going to be working on that in the next couple of years. They are over there defending our freedom, so they should have an opportunity to participate in what they are defending. On our side, House Bill 1 was on special taxing districts. What this is going to do is take about 13,000 special taxing districts and have them put online the composition of those boards, when, where, and what time they meet, and their budgets. Also, to ensure that public meetings will be held before they consider a tax increase at the appropriate jurisdiction level. They will not have to get your all's approval and you all will not have to be involved in setting their tax rates. However, they will have to have public meetings. People, I think, can be a little more informed about how special districts function and work. I think the graduation rate bill was certainly a huge piece of legislation. We have 6,000 Kentucky high school kids that drop out of school every year. Think about what happens to most of them.

Instead of becoming productive members of our society and contributing to our society, they become dependent upon on our society. They either revert to the penal system, or they go on drugs, or they go on the welfare system and they never have a chance to grow their careers or help their families. We needed to do something to bet on them, and expect more of them, and I think this bill will do that. Some 25 other states have already done it. We are going to hopefully introduce some alternative programs like more introductions into technical opportunities like through OCTC. Let them learn how to be an electrician or how to be an automotive technician, which is so different today than it used to be. But given the opportunity to be reengaged, and have an opportunity to get a degree that can mean something. Hopefully, this will allow them to move forward in a successful way instead of becoming dependent upon society. I think that was a great bill. On the hemp thing, which was important, the question remains whether or not our farmers here will adopt that as a diversification. Maybe they will, but obviously, with grain prices, they may not. It is another opportunity for diversification. What the bill will do is put in place an administrative process to where if the federal ban is lifted or if we get a waiver then there will be a process for how you go about getting a permit to grow it. Hopefully, we will have some processing plants that come out as a result of this. That can be another diversification opportunity for our agriculture community. I am kind of excited about that. One thing that we really worked hard on, Senator Bowen and I did, and the other members of our so called Smelter Caucus – our two aluminum smelters here in our region the one at Century and Rio Tinto and for a lot of reasons we could probably spend two-days talking about that but the bottom line is that we wanted to find a way that the utility supplier (Big Rivers) could continue to be the source of power for our smelters but at a rate that would allow them to stay in business. The consequences were just not acceptable of them not staying in business. The two together, direct and indirect about 3,000 jobs, probably about a billion dollars of economic activity, 375 jobs alone here in Daviess County at about \$80,000, counting benefits. How in the world could we realistically replace 375 jobs at \$80,000, and absorb that in? And we all know about the purchasing power of that money – buying homes, cars, going to retailer, restaurants. We worked so hard to try to find an alternative solution. We wanted them to negotiate privately a decision and a compromise, but they have been trying to do that for a year and a half without much success so we tried to work on a backup piece of legislation that in the event those private decisions did not materialize then we would have some option for them to continue to stay in business. Unfortunately, our legislation did not pass, but because of it, I think, we elevated the issue. We brought them to the table in a more serious discussion. Fortunately, there has been an agreement between the smelter and the supplier where they are going to be able to buy market power. That will allow them to stay in business and not lose those jobs. That is what we were trying to achieve. I am excited about the future of the aluminum industry. Kentucky is the largest aluminum producing state in the nation, and we are the third largest automobile producing state. The automobiles are going to have to meet these new federally mandated fuel-efficient standards. The only way they are going to be able to do that is to get lighter. How they get lighter is to go with aluminum instead of steel. These smelters can supply that going forward. I am excited and hope that it is worked out. Unfortunately, there is going to be a rate increase for folks like myself that are on Kenergy, but that was going to happen anyway. Special session wise, which will probably be in the fall sometime, will probably be on redistricting. Until we get this done, the County Clerks cannot draw their precinct lines. Hopefully, we will get that taken care of in early fall. Looking into 2014, our big job will be a new budget. I am a little concerned because our revenues have turned around and they are growing positively but we forecasted for this fiscal year for our revenues to grow about 2.4%, and they are only going to grow about 2.1%. We are going to have a shortfall in our projected revenues. That is unfortunate because we need every additional dollar we can get. Also in 2014, we are probably going to look at tax reform. That will be a big issue that we will be looking at. Another challenge we are going to have on the pension side is we kind of put in place some nice solidity and financial soundness going forward but the quasi government agency i.e., your health department, your rape crisis centers, your domestic violence centers, and your mental health centers, they now are going to have to start making 100% of the actuarially required contribution to the pension plan. That is going to really strap them, and they are going to be looking to the general fund in the state to give them that additional money to make that contribution. I am not sure we are going to have it. One final thing I will say that would help our state more than anything, you all have read recently that the U.S. Senate passed the market place fairness act, which would tax internet sales. I am personally in favor of that because I think

it currently absolutely disadvantages our local vendors. People get all of their information locally, and then they take that information and go buy that product on the internet, and they do not have to pay sales tax and it disadvantages our local vendors. I would like to level the playing field. That is about \$220 million of new money for Kentucky in one year if we do that. I am hoping that we will. On another note, we are definitely going to take a look at adding that 1% sales tax option for communities that want to do it. It is obviously going to be a local option, if it does pass. That we give a community to put that on a ballot and use that money for a specific purpose(s) like many other cities have. A lot of mayors are in favor of that."

Judge Mattingly thanked the legislators for the work they do for their constituency. He stated, "To me, it was refreshing to see things finally starting to get done in the general assembly this year, and the way that it was done in an obvious bipartisan manner. A couple of things I want to talk about is one, the pension reform. Both of you alluded to this, it is not going to affect those who are already in the system. I continue to hear from people in the system how they have taken away from their pensions. I do not know how we get the word out that it does not affect anyone that is currently in the system right now. It only affects the new hires effective January 1, 2014. One of the things I talked to you a little bit about was I just received a letter from the jailer, and I understand that you guys really do not have any control over this but we got a notice that the Department of Corrections was going to raise the – from 6 months to 8 months the release of prisoners. Right now, they are releasing prisoners with 6 months to go on their sentence and they are going to raise that to 8 months. I know both of you are very aware of how that effects all the counties that have jails – some of them newly built. I would encourage you to do whatever you can in the upcoming session to support counties because it is the difference between having a balanced budget and scraping by, and not being able to provide the people who provide the services to the citizens of Daviess County with the equipment and materials that they need to do their jobs."

Commissioner Lambert stated, "In terms of hazardous duty retirement, what restrictions or options do local districts have in determining which people, which positions qualify or determine who gets hazardous duty retirement?"

Senator Bowen stated, "It is my understanding that that is under the purview of local jurisdiction. And, Judge, on the jail, the penal code and our incarceration and the law enforcement issues, and the expense of all of this, that we face – you know another challenge that we are going to be faced with is the increase in the Medicaid roll so that is going to challenge every other part of our budget. Currently, we have roughly 800,000 people we are going to increase the Medicaid rolls with the Medicaid expansion by up to 300,000 people. Initially, the federal government is going to pick that expense up, but after 3-years, we are going to have to pick up 5%. By 2020, we are going to have to pick up 10%. Currently, we are split 70/30. So, you can see, right now, our Medicaid expense is about a \$6 billion per year expenditure." He further noted that he would not be looking for large projects in the future except maybe transportation projects.

Commissioner Wathen asked about the education bill where the graduation age would be raised to 18. He asked, "How do you define district? Can Daviess County make that decision without Owensboro?"

Representative Thompson stated, "I think we will pretty quickly get to that 55% of the districts doing it voluntarily, and then once we get to that 55% of the 174, then it is mandatory for the balance of the districts. But the districts have to do it initially voluntarily. But yes like here in Daviess County it would be the Daviess County Board of Education would make that decision, and then the Owensboro Independent Schools would make that decision."

Commissioner Wathen asked, "I know initially when you all were discussing it there were discussions about if they did it they had to provide opportunities for them to have trade schools. So if they make that decision they have to also offer..."

Representative Thompson stated, "And there is a transition period to give them time to put those alternative programs in place. And that is what we need because we talked earlier about

many of these kids are just disconnected at 16. We have to get something to regain their interest.”

Senator Bowen stated, “You know, something important to keep in mind, and I was in full support of this for a lot of different reasons, but if you just want to look at it from a fiscal standpoint, on average, it is about \$30.00 per student to educate them, and it is about \$160.00 per person to incarcerate them. Those are some numbers you can chew on.”

Commissioner Castlen stated, “Tommy, I think you were the one who mentioned that in 2014 you all would be taking up providing additional, on the technical side, incentives for high school students. That is something I think is critical and I commend you all for doing that – you know, heading that direction because the point you just made as far as holding their interest in school because we’ve become almost a culture where we believe everybody has to be driven to the 4-year colleges, and for those who can succeed at that, I think that is a positive thing to encourage. However, I think there are many folks who do not fit that category, and I have several brothers and sisters who certainly would not, well, did not go. I am the first male in my family to obtain a college degree. And so I think it is important that we not lose that focus, and I think we have, to a large extent, and I am very pleased to hear what you are saying.”

Representative Thompson discussed the ongoing efforts to widen Highway 54 and Thruston Dermont Road.

Judge Mattingly thanked the legislators for working to get the money to paint the blue bridge and for their efforts regarding House Bill 1 special taxing districts.

Jim Hendrix presented the Treasurer’s Report for the Month Ended April 2013.

Minutes of the May 2, 2013 meeting were submitted to fiscal court members for review prior to today’s meeting and on a motion of Commissioner Lambert, seconded by Commissioner Castlen with all the Court concurring said Minutes were approved and signed.

By a motion of Commissioner Castlen, seconded by Commissioner Wathen, the court considered approval of all Claims for all Departments.

Without further discussion, Judge/Executive Mattingly called for a vote on the motion. All members of the court voted in favor; motion passed.

By a motion of Commissioner Castlen, seconded by Commissioner Wathen, the court considered for approval Fund Transfers from the Solid Waste Operating Fund and General Fund to the Solid Waste Debt Service Fund – 2014, Solid Waste Debt Service Fund – 2017, Solid Waste Closure Fund, Bond Fund – Downtown Renovation, and Jail Fund.

Without further discussion, Judge/Executive Mattingly called for a vote on the motion. All members of the court voted in favor; motion passed.

By a motion of Commissioner Castlen, seconded by Commissioner Wathen, the court considered for approval the Daviess County Clerk’s Claim for Calculation of Motor Vehicle and Boat Bills for 2013.

Without further discussion, Judge/Executive Mattingly called for a vote on the motion. All members of the court voted in favor; motion passed.

By a motion of Commissioner Castlen, seconded by Commissioner Lambert, the court considered for approval to Advertise for the following Bids:

- **Bid No. 15-2013** – Solid Waste Recycling Services
- **Bid No. 16-2013** – Solid Waste Tire Maintenance and Repair Services
- **Bid No. 17-2013** – Judicial Center Drivers License Department Remodel

Without further discussion, Judge/Executive Mattingly called for a vote on the motion. All members of the court voted in favor; motion passed.

By a motion of Commissioner Wathen, seconded by Commissioner Castlen, the court considered for approval to Declare the following as Surplus Equipment:

- Oil Distributor Unit# 27 F700 Ford Truck Serial # F70EV066086
- Oil Tanker Unit# 32 F2050A International Truck Serial # D1325HGB16951
- Chipper Unit# 16 Etnyre Spreader Box Serial # K5001
- Roller Unit# 14 Bomag BW12R Serial # 106610020255

Judge Mattingly stated, "Commissioners, all of the things that you see on this list have to do with chip and seal equipment. We are out of the chip and seal business. Everything on this list with the exception of the roller we would have disposed of as scrap metal, quite probably. In a conversation with Judge Johnson of Ohio County, they still do a lot of chip and seal and I have offered to transfer this equipment to Ohio County Fiscal Court at no cost. The second thing is the roller. The roller we will have no use for. On occasion, we may or may not need this. This is an item that the Daviess County Lions Club Fair uses. We take it out to them and provide them an operator. Sometimes we are concerned about liability. So, my proposal is that we give that roller to the Daviess County Lions Club Fair with the option of getting it back or borrowing it whenever we need it. County Attorney, we can do this?"

County Attorney Porter responded, "Yes, Judge we can transfer between governmental entities."

Without further discussion, Judge/Executive Mattingly called for a vote on the motion. All members of the court voted in favor; motion passed.

By a motion of Commissioner Wathen, seconded by Commissioner Castlen, the court considered for approval to Advertise for a Staff Accountant.

County Treasurer Jim Hendrix stated, "This is a replacement employee for an employee who will be retiring in a couple of months."

Without further discussion, Judge/Executive Mattingly called for a vote on the motion. All members of the court voted in favor; motion passed.

By a motion of Commissioner Castlen, seconded by Commissioner Wathen, the court considered for approval to Hire Haley Root as a Temporary Landfill Attendant (Scale Operator) at the Transfer Station commencing completion of pre-employment testing.

Without further discussion, Judge/Executive Mattingly called for a vote on the motion. All members of the court voted in favor; motion passed.

By a motion of Commissioner Lambert, seconded by Commissioner Castlen, the court considered for approval to Hire John Clouse as Deputy Director of Emergency Management effective May 20, 2013, subject to successful completion of pre-employment testing.

Without further discussion, Judge/Executive Mattingly called for a vote on the motion. All members of the court voted in favor; motion passed.

By a motion of Commissioner Lambert, seconded by Commissioner Castlen, the court considered for approval to Appoint Gene Bittel (15-2013) to the DC Drainage Advisory Commission - TERM: 06/02/2013 – 06/02/2017.

Without further discussion, Judge/Executive Mattingly called for a vote on the motion. All members of the court voted in favor; motion passed.

By a motion of Commissioner Lambert, seconded by Commissioner Castlen, the court considered for approval to Appoint Suzanne Northern-Blazar (14-2013) to the Owensboro Health Board - TERM: 10/31/2013 – 10/31/2016.

Without further discussion, Judge/Executive Mattingly called for a vote on the motion. All members of the court voted in favor; motion passed.

Mr. Hendrix read the First Reading of the Budget Ordinance **KOC A.84(2013)** for the Fiscal Year 2013/2014.

Comments:

No comments received.

Comments:

Representing the Kiwanis Club of Owensboro, Steve McFarling made the court and public aware of an event that will run from June 7 thru July 7, 2013 called the Walk of Honor. This is an annual fundraiser for the Kiwanis Club. He stated, "We are going to fill this courtyard with 3x5 foot American flags. People are going to sponsor those flags in honor of someone who has made a difference in their life – living or dead."

Executive Director of the CVB Karen Porter updated the court on upcoming community events.

As this would be the last of Ms. Porter's presentations as the Executive Director of the CVB, the court thanked Ms. Porter for her outstanding work and wished her well in her retirement.

Commissioner Wathen invited the public to come out and send Karen off into retirement at a retirement celebration at the CVB on May 23 from 4:00 – 6:00.

Commissioner Castlen stated, "Tuesday, the Judge and I attended the graduation of a drug addiction class at the jail and it was their 39th class. It was very inspiring to listen to their testimonies and learn that one of the points that was made was that for people that do not get rehab while incarcerated there is a 98% recidivism rate. For these guys to speak and to share with us their journey to being drug and alcohol free was very inspiring and for their family members who were present as well. It was very uplifting to know that we have that program. I commend Jailer Osborne for his efforts."

**Without objection, Judge/Executive Mattingly adjourned the meeting.
SO ORDERED THAT COURT STAND ADJOURNED.**

Al Mattingly
Daviness County Judge/Executive