

REGULAR SESSION
of the Daviess County Fiscal Court
held at the Courthouse in the City of Owensboro,
County of Daviess, Commonwealth of Kentucky
on this 17th day of November 2014
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 NOVEMBER 17, 2014 FISCAL COURT FILE

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

A Memorandum of Agreement between R&B Foods and Daviess County Fiscal Court was presented.

David Smith stated, "A couple of years ago, we signed an agreement with Unilever allowing them to take some of their waste out of the county to be incinerated as part of the corporate program. Since Unilever has now been sold to R&B Foods we need to change the agreement to reflect that name change."

Judge Mattingly added, "Note that there is no change in the agreement other than the name change."

Minutes of the November 6, 2014 meeting were submitted to fiscal court members for review prior to today's meeting and on **a motion of Commissioner Castlen, seconded by Commissioner Wathen with all the Court concurring said Minutes were approved and signed.**

By a motion of Commissioner Lambert, seconded by Commissioner Castlen, 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 Wathen, seconded by Commissioner Castlen, the court considered for approval Amending the Administrative Code's Operating Policies, Chapter 3 "Purchasing", relating to quotes.

Staff Accountant Jordan Johnson stated, "The current policy is that any single expenditure over \$500 needs to receive 3 quotes. Upon reviewing the single expenditures that range from the current floor of \$500 to the proposed floor of \$1,000, no adverse affects our apparent to raising this amount. The current figure has been rendered obsolete by inflation, the nature of purchases at this level, and the vendor sources for the highest frequency items. We recommend amendment."

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

County Treasurer Jim Hendrix read in summary the **First Reading of KOC B.49 (2014)** – An Ordinance Authorizing the issuance of General Obligation Refunding Bonds, Series 2014 in an aggregate principle amount not to exceed \$18,000,000 (which amount may be decreased as necessary) to refund and retire the county's outstanding taxable General Obligation Build America Bonds, Series 2010; approving the form of bonds; authorizing designated officers to execute and deliver the bonds; providing for the payment and security of the bonds; creating a bond payment fund; maintain the heretofore created sinking fund; authorizing acceptance of the bid of the bond purchaser for the purchase of the bonds; and repealing inconsistent ordinances.

Comments:

County Treasurer Jim Hendrix stated, "To set the history for this, in 2010, the court issued Series 2010 bonds that did primarily 3 things. One of the items in that bond was that it financed the landfill cell construction and the convention center. As you know, there was \$20 million for the convention center and \$980,000 of which was issued as a Recovery Zone Economic Development Bond. The others were issued as Build America Bonds (BAB). What is unique about the bonds at that time was that they were set up where the BAB bonds gave us a 35% rebate from the IRS for the amount of interest we paid. The Recovery Zone bond is a 45% rebate. The bonds that we are actually going to refinance are the BAB bonds that are the 35% bonds. They were issued as 10-year non-callable, which means that we could not refund them for a period of 10-years without paying the interest. You do that particularly so you get a lower interest rate. Typically, that is how the court issues the bonds. They were issued as serial bonds for a maximum period of 20-year. As you know, they were financed by increasing the insurance premium tax by a 4% amount. Several things have occurred to get us to this point today. First, in April, we had a 5-year insurance premium tax report, which showed that we had an excess of \$735,000 to date. In 2009, when the 4% was approved, it was estimated that the annual revenue would be between \$1.5 and \$1.6 million dollars. As of today, that revenue has increased to \$1.8 million, which will give us more of an excess each year. As part of the sequester, our rebate was decreased from the 35% by about 7-8%, which nullified the no-call provision and allows this court to consider this refinancing, whereas before we could not have. In addition, interest rates have dropped again to a level where this refinancing is attractive. The ordinance, as proposed today, does a couple of things. It refunds the 2010 BAB bonds issued, and will issue a new 2014 series. The court will take \$500,000 of the \$735,000 excess and will provide a cash payment upfront to buy down the debt. We will also take the increase in the revenue stream up to \$1.8 million and we will decrease the term. Instead of the remaining 16-years, we will have a remaining 10-year term. The new issue will be for 10-years and it will be non-callable. I do want to clarify one thing because it can be confusing. The fact that the debt is non-callable, in no way, alters the insurance premium ordinance, which says as soon as we have collected enough money that tax comes off. If the revenue continues to increase over the next 4-5 years, and if we collected enough money to pay the bonds off in 7-years, the insurance tax will come off. We will have the money in an escrow account and it will continue to pay the bonds off. So, they are not linked. The fact that this is a 10-year bond does not tie the collection of the insurance premium tax for 10-years. I just wanted to make that clear. Also, the savings from this will be in excess of \$2 million."

Judge Mattingly stated, "This refinancing does not affect the city's financing of their bonds. An increase in their tax was a separate ordinance through the city. This applies only to those that live in Daviess County, outside the city limits of Whitesville and Owensboro."

Commissioner Lambert asked, "The refinancing of the bonds and the retiring of the old bonds, is that going to happen only if our revenue stream continues to be as it is?"

Mr. Hendrix stated, "I think you may be confusing 2 things. The refinancing that is going to take place, the bonds that we issued in 2010 – if the bond sells, now every time we do this we have an out. We have estimated the interest rate. Let's just say the market blew out. The day they sell, we will get a call and have to approve it. If, in December, we say it is a go then the 2010 bonds are retired. We then issue a new set of bonds that are dated 2014. Those will have a 10-year period to be paid. Now that assumes that our revenue streams - \$1.8 that is why we are going 10-years. Now we unhook from the revenue side. The new debt it issued at that point. Now the revenue will be whatever it is. It will either be \$1.8 million per year, more or less, but we still have to pay for that new debt."

Commissioner Lambert asked, "The investors buy bonds to make money. Does the early retirement of these bonds cause us an inability in the future to sell bonds?"

Mr. Hendrix stated, "To the financial community these types of things are normal – very common. There typically is no impact on us as the issuer. There is no negative impact anticipated, and it should not increase the cost of our issuance. The main driver for that is our bond rating. This is a non-event and will not affect the bond rating at all."

Judge Mattingly congratulated the court for their ongoing efforts to save taxpayer dollars.

Other business to be brought before the Daviess County Fiscal Court:

By a motion of Commissioner Lambert, seconded by Commissioner Castlen, the court considered for approval to Advertise for **Bid No. 22-2014:** Fire-Damaged Barn Reconstruction.

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 Resignation of Service Tech. Thomas Keith Hayden effective 11/28/14.

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 Advertise for a Service Tech. in the Department of Public Works.

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

Comments:

The court will meet on November 18, 2014 in Special Session at 11:00 a.m. to consider for approval the above ordinance.

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

Al Mattingly
Daviess County Judge/Executive