

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 5th day of December 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 DECEMBER 5, 2013 FISCAL COURT FILE

Judge/Executive Mattingly opened the meeting in prayer and led the court in the Pledge of Allegiance to the flag.

Judge Mattingly recognized the 2013 Christmas at Panther Creek Poster contest winners and presented them with \$50 gift cards donated by Independence Bank.

Senator Joe Bowen and Representative Tommy Thompson updated the court on the upcoming General Assembly.

Rep. Thompson stated, "We go back in session in January for our long 60-day session, and job one this year will be to craft a new budget. Even though our revenues are increasing they are not increasing enough for many of the programs that have been so drastically cut." He spoke about issues relating to funding of education. He stated, "Education needs more money." He also stated, "We had a presentation before Senator Bowen's committee last week from the retired teachers, and they are looking at a need of about \$400 million in each of those 2 years of the biennium to restore some economic balance to their plan that is woefully underfunded. We addressed that Kentucky retirement system in the last session, but did not do anything to the Kentucky teachers retirement system so now that is not actuarially sound and needs some help. Those are just some of the items that are going to be pressure on the additional revenue that we have, and I am not sure where that revenue is going to come from. At the moment, it is not apparent as to its source. We have done at the state level what we have had to do at the local level. We have tightened our belts – live within our means, but there comes a time where those essential services need some increases, particularly in education and human services and in corrections. Those are the areas that need the most money, and plus all the other ones that I mentioned. So a lot of challenges looming on our budget. I hope that we will find a way to provide some needed funding. We have not done any capital projects since 2006. We need infrastructure projects – more water and sewer projects. Our tobacco settlement monies might be reduced. Another unfortunate consequence of the sequestration is going on in Washington is that it is cutting the final payment on the tobacco bailout. You know, where the tobacco farmers sold their quotas, and this is the last year of those installments, and then they are being cut by 7.2%, which is in the aggregate of about \$12 million less that farmers around Kentucky will get if that is not rescinded. We could have a \$40 or \$50 million reduction in the tobacco settlement monies that are coming down. So, again, a lot of challenges out there. I hope we will have the fortitude to be as judicious as we can in funding the most needed programs, but in short, there is simply not the money to move the state forward in the direction I think a lot of us would like to go. Other areas, you know, we talked about tax reform. There is a commission in place that studied it for about a year, came up with around 54 recommendations that in the aggregate could raise some \$700 million of new money, certainly will not do all of those, but I am not sure we will do any of them. I do not see a whole lot of traction for tax reform in this

session. You know, as a result, we will look at some small pieces – there is an initiative to allow a local option for sales tax increases. There is some initiative for angel investor tax credits. They may surface in absence of having a broad comprehensive tax reform bill. Casino gaming has raised its head again. There have been two bills filed. I got some numbers on the CERS. As far as the funding percentage, the CERS non-hazardous is about 60% funded and the hazardous is about 57.7% funded. Looking at the insurance on non-hazardous the insurance fund was 22% funded in 2000, and today it is 67% funded. On the hazardous side, it has gone from 28% funded in 2000 to today at 62% funded. So the insurance program has really improved its financial soundness. Finally, the employer rates for the next fiscal year will fall somewhat. The non-hazardous will go from 18.89% of payroll, which they are presently, to 17.67% next fiscal year. On the hazardous side, they are going to go from the present 35.7% of payroll to 34.3% of payroll in the next fiscal year. That is just a snapshot of where I see – it is just going to be a challenging session.” He also noted that they will advocate heavily for the advanced technology center, phase II to be completed.

Senator Bowen stated, “I was struck by some of my colleague’s remarks and it kind of reminded me of He-Ha. You folks remember Grandpa Jones and some of them when they would sing and it would go something like gloom, despair, and agony. That is the view that some folks have, particularly of Washington. I think what we have to do is guard against them having that view of Frankfort. Certainly, we have our challenges. We are elected by the people to take care of these issues, and we need to make sure that we do. And we need to have an upbeat attitude on all of this. And we need to display confidence so our young people will have confidence that in spite of these challenges they have a bright future ahead of them. That is our job, and that is what we will do. These challenges are not unique to us. They have been there for years. We do have a little bit of an uptick in our revenues - \$338 million is what the projected increase is. However, we have a structural imbalance that we always wrestle with. So we are looking at somewhere in the neighborhood of \$400-\$420 million structural imbalance. And then we have new requests just shy of \$400 million. Adding that up equals around a half a billion dollar short fall. We are challenged in that regard, but at the same time, we have many good things going for us. We continually strive to make our state more attractive to new industry, and there will be some legislation to that effect. We also need to make life better for those companies who are here and who have deep roots. We need not over burden them with regulation and situations that encumber them. Let me back up just one minute and talk to the SEEK situation that Representative Thompson spoke about and our shortfall in the SEEK formula. The General Assembly is not really fully to blame for that because KDE and the Governor’s office brought those numbers forward, we confirmed them, but the numbers for SEEK formula do not originate with us. They do come from a recommendation from the Kentucky Department of Education and from the Executive Branch. While I know we have had to take a lot of the responsibilities for that leveling off of that SEEK formula funding. It did not necessarily originate with us. Other issues that we are going to face in this session include:

- Assistance for child care for folks that depend on it so they can go to work
- Charter schools
- Collaborative agreement between nurse practitioners and doctors
- Cyber security
- Opportunities for the private sector to become engaged in government activities to help Government provide some services in a more efficient way
- Benefit corporations
- State-wide smoking ban
- Restoration of felon voting rights
- Energy and coal issues
- Reduction in coal severance dollars
- Justice and public safety issues, specifically relating to heroin use
- A move to take all elections to an even year
- An overhaul of our city classifications
- Eliminate constables
- Fiscal court’s discretionary use of funds
- Local option sales tax
- Library districts – the process on how these districts are created.”

Commissioner Wathen stated, "You know, we are always hearing about money, and there is no money in state government. When I hear you guys talking about it, it seems like we are always talking about the same things each year. One of my thoughts is that have you ever really just thought about doing something radical like some of those state parks – sell those suckers? Sell the land, sell some things that the state does not need, whether it is buildings or parks... I am not sure what all we have that we could sell that we are not using a lot of, but just to look in spots, underneath some rocks that you have not looked before. That is just my thought. Perhaps there might be some opportunities out there to do something a little different. I am just thinking out loud."

Representative Thompson stated, "The Governor has done some innovative things over the last 5 years – sold some aircraft, reduced the number of cars, we have the lowest level of state employees that we have had in 8 or 10 years, and the state employees have not had a raise in 5 plus years. Some unclaimed properties have been converted, and one interesting thought we had in a meeting last week was we talked about in a KTRS presentation on their unfunded liability situation is that they said that they would take some property from the state to be able to go out and liquidate and to shore up their situation. However, the state has done some of that, has looked at some surplus property, but those things continue to be looked at."

Commissioner Lambert stated, "Is it possible to have an internet sales tax? If so, is that a federal issue? And what amount of money are we talking about?"

Representative Thompson stated, "It is a huge problem. I am a huge advocate of taxing internet and catalog sales. I think it is an absolute unfair playing field for local vendors. It has been estimated that Kentucky could realize between \$150 and \$200 million per year of additional revenue if we were able to tax internet sales. There is a piece of legislation that has been going around congress that is called the market place fairness act. The U.S. Senate has passed that, and it would allow states to tax internet sales even if they do not have a physical presence in the state, but if they sell in the state, they have to collect sales tax. That is over in the House of Representatives now. I know the Chairman of that committee is looking at it and I hope it will get a hearing. The Supreme Court just ruled earlier this week that they were not going to get involved in that issues, which, I think, kind of opened the door for hopefully legislative relief. But I personally just think that it is a disadvantage to local vendors, and it is not a new tax, it is a tax that is not being levied. It is a key issue and I would like to see the U.S. Congress act on it."

Senator Bowen stated, "I am in total support of taxing internet sales."

Judge Mattingly stated, "One of the issues that the City of Owensboro and Daviess County have had with the redevelopment downtown are some of the requirements to bring things up to current codes, and trying to do that in rehabbing and maintaining the old structure itself and the façade. And one of the particular problems is, I think, it was the 2009 energy code that was adopted by Kentucky, and now they are looking at adopting one in 2012-2013, which is much more stringent. And those kinds of requirements and restrictions on rehabbing old buildings that everybody seems to want to do are just playing havoc with some of the developers, and even causing problems with planning and zoning and codes enforcement because they are the whipping boys of state codes that they are tasked to enforce. Is there any way we could get a task force together to look at some of those issues? And it is not just here in Owensboro. I have many of the Judges bring this up to me at all of the Judge/Executive meetings, and the KACo meetings about how they wish there was something that could be done that would ease the burden on redevelopment in the inner city projects."

Senator Bowen stated, "I think it is fair to say that there has been conversation about that in Frankfort, and a task force to study that is certainly not out of the question. I think it would be fair to say that yes with a little push here and there, we could get that task force. You know, 2 years ago, along the same lines, I introduced legislation that moved final authority of the regulation process from the Executive Branch to the Legislative Branch. I think that would be a more fair approach to the regulation process, but that is as far as it went. We talk often times about bipartisanship, and that is important. However, you do not want everybody up there thinking the same way. You would not need everybody if you had that. What I think, what is

more important is that we have cooperation bicamerally. That is equally if not more important than working in a bipartisan spirit. We need to continue to work like we did on Senate Bill 2 in collaboration from a bicameral standpoint. I think sometimes people overlook how important that is that legislation can flow through both chambers in a seamless fashion."

Judge Mattingly thanked both legislators for today's presentations.

The court received into record the Southeast and West Daviess County Water Districts 2013 Budgets.

Minutes of the November 21, 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 Wathen, 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 Lambert, seconded by Commissioner Castlen, the court considered for approval of the Lake Forest Subdivision Surety Releases.

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 Wathen, the court considered for approval to Declare a 1997 Ford Van as surplus and Transfer said Van to McLean County Fiscal Court.

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 the Resignation of Janice Porter, Scale Operator in the Department of Solid Waste effective December 31, 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 Wathen, the court considered for approval the **Second Reading, read in summary by Attorney Porter, of KOC 411.1 (2013) An Ordinance Relating to Annual Fees for County Alcoholic Beverage Licenses to be charged to Properly Qualified Applicants sold in Daviess County, Kentucky, and providing for the sale of Distilled Spirits, Wine, and Malt Beverages by the Drink on Sundays from 1:00 p.m. until 11:00 p.m.**

Comments:

No comments received.

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

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

By a motion of Commissioner Castlen, seconded by Commissioner Wathen, the court considered for approval to Contract with MML&K Government Solutions for Governmental Relations Services.

Judge Mattingly stated, "This is a contract for government relations otherwise known as lobbying. MML&K has provided us with this service for a couple of years. I think it is important that we have continual representation in Frankfort, particularly during a budget session. I think they have done a pretty good job."

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

Comments:

James Lacey Kamuf of Pembroke thanked Judge Mattingly for his involvement in taking care of an issue with debris along a western portion of the Greenbelt. He also encouraged the youth of the community to get more politically active. Speaking about the internet sales tax, Mr. Kamuf believes the root of the problem is that products sold are manufactured outside of our country. He stated, "That is why we probably have 24% of children living in poverty in our community alone." Finally, he spoke about global warming and in his mind, this is the greatest problem this generation may ever have to face.

Commissioner Lambert encouraged all to attend Christmas at Panther Creek.

Commissioner Wathen stated, "Whatever degree of bad weather we have ahead of us, we are ready for it. There is a good plan in place."

Judge Mattingly noted that energy audits have been performed at all of the county buildings and solar options are being looked at.

Judge Mattingly cautioned the public about the weather and encouraged them to be safe.

December 2013 Employee Anniversary Recognitions:

- Assistant Parks Director Lisa Adams, 10 years
- Fire Department Lieutenant Kevin Gore, 15 years

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

Al Mattingly
Daviess County Judge/Executive