

Local Planning Committee Meeting
July 27, 2016
1126 Russell Cave Rd.

Members present: Killian Timoney, Lars Finneseth, Myron Thompson, Brandi Peacher, Barri Douglas, Sharon Moffield-Boswell, Adam Kirk, Melissa Bacon, Brian McGuire, Lynn Schentrup, Sarah Cordle, Dal Harper, Tracy Curtis; Staff Present: Hiren Desai, Bill Wallace, Debbie Boian, Marilyn Clark; Facilitator: Tim Eaton; Visitor: Valerie Honeycutt.
Meeting called to order at 5:30 p.m. by Killian Timoney.

Minutes were reviewed. Brandi Peacher made a motion to approve, second by Bari Douglas. Motion carried by consensus.

Turned meeting over to Greg Phillips from Hilliard Lyons, who discussed bonds, sale of bonds and the district's bonding potential or bonding capacity. Phillips stated that a lot of good work on the facilities has been done over the past few years using proceeds from bonds sold by the district.

Explained the various fund sources for bonding. Capital outlay based on average daily attendance, FSPK or "local nickel" base nickel and possible growth nickel (Fayette has one) which is based on local "wealth" (property tax), state FSPK equalization of base, growth or recallable nickel – based on wealth (Fayette has not received this funding in recent history), and School Facility Construction Commission (SFCC) – supplemental funds based on a district's total unmet need.

Restricted funds – size, wealth and need funds \$100 x District's average daily attendance (80%) to calculate bonding potential. Explained capital outlay and recallable nickels. Showed why Fayette does not get equalization using FSPK formula – because Fayette exceeds the statewide average. Fayette has approximately \$30 million in restricted funds each year to cover bonding potential and debt service, additionally funds are added from the general fund to support debt service (average of \$2.5 million over the past several years).

The numbers assume a 4% increase every year in order to increase capacity.

Explained SFCC in detail (offers of assistance) current offer is \$400,000.

Loosely projected the district could bond somewhere around \$90 million in an immediate project and around \$290 million over a ten year period. These are planning estimates, more exact numbers would be generated at the time a project is launched.

Projects that could be scheduled in that period (from the current plan) – STEAM High School, New Middle School, New Elementary School, renovations to Dunbar High School, Booker T. Washington, Beaumont Middle, Eastside Technical, Tates Creek High School, Southside Center, Winburn Middle, Northern Elementary and Rosa Parks Elementary. Renovation to IAKSS campus, Liberty Bus Garage and additional unspecified projects.

Bill – 80-85% of our projects are local effort, a small amount are general fund, SFCC and other sources.

How is the district tax rate configured? The overall tax rate depend on several factors. The board takes the 4% equalizing rate, if growth in assessments are over 4% the tax rate remains the same. 4% is an equalizing rate.

There was discussion of 20 year term versus 10 year project scope.

How does this affect tax rates? Tax rates will be increased to gather in a 4% increase each year if growth in property taxes does not reach 4% the District could then levy a rate that would “compensate” for the difference.

Historically has Fayette always had tax increases? Melissa – there was one year. Looking at the one year we did not take it, with the time value of money we lost \$120 million and that is money we cannot recover. That loss is a loss that keeps compounding over time.

Greg - Unfortunately when that increase was not taken and the general fund balance started to dip the rating agencies took notice and the bond rating dropped as a direct result of the general fund balance dropping. We hope that when we enter the market next year we can recover the AA rating we had before.

Melissa complemented Greg for taking care of the district in trying to refinance when rates lower and refinancing can save the district money. The bonding capacity won't cover everything on the list, it never will.

Are there other ways to pay for projects are there tax incentives, grants that could cover this? In today's environment, with the exception of new market tax incentives, local bonds are pretty much the only way to finance. Bond proceeds are tax exempt which is effectively a way that bonds are subsidized. The state will issue urgent need funding for emergencies or for the worst schools in the state.

Myron – years ago we were granted land from the Federal Government by the federal medical facility for Locust Trace Agriscience Center. Bill - We also benefited from a couple of grants to build barns on that project.

Killian – Next meeting August 17, Tates Creek High School. It will begin with a tour at 5 p.m. and Orientation II in the Library. Tim Lucas will handle the orientation.

Motion to Adjourn made by Dal Harper, second Brian McIntyre – meeting adjourned at 6:35 p.m.