

**KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board**

Meeting Date/Location: April 4, 2013 – 1:00 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Mr. Sam Ruth, Finance and Administration Cabinet
(proxy for Secretary Lori H. Flanery, FAC)
Mr. Robert Aldridge, Economic Development Cabinet
(proxy for Secretary Larry Hayes, EDC)
Ms. Lona Brewer, Energy and Environment Cabinet
(permanent proxy for Secretary Leonard K. Peters, EEC)
Mr. Jerry Wuetcher, Public Service Commission
(permanent proxy for Executive Director Jeff Derouen, PSC)
Mr. C. Ronald Lovan, representing the American Water Works Association
Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. Marty T. Ivy, representing the Kentucky Municipal Utilities Association

Members absent:

Mr. Tony Wilder, Commissioner, Department for Local Government
Mr. Jody Jenkins, Union County Judge/Executive, representing the Kentucky
Association of Counties
Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities

Guests:

Mr. Shafiq Amawi, Division of Water
Ms. Jennifer Kantner, Office of Financial Management
Mr. Josh Nacey, Legislative Research Commission
Mr. Bill Bunch, City of Pineville
Mr. Corey Napier, Vaughn and Melton Consulting Engineers
Mr. Mitch Brunsma, Vaughn and Melton Consulting Engineers
Mr. Gary Larimore, Kentucky Rural Water Association
Mr. Vaughn Williams, Kenvirons, Inc.
Mr. David Paige, Green River Valley Water District
Mr. Jack London, Green River Valley Water District
Mr. Mike Young

PROCEEDINGS

Vice Chair Damon Talley called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. Vice Chair Talley asked board members and guests to introduce themselves. He noted that a quorum was present and the press had been notified regarding the meeting.

Mr. Rusty Anderson, KIA, made maps available for viewing via the Water Resource Information System (WRIS) which showed an overview of the water and sewer projects that were to be considered at this board meeting.

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Regular Board Meeting of March 7, 2013

Mr. Ron Lovan moved to approve the minutes of the March 7, 2013 regular board meeting. Mr. Robert Aldridge seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

1. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A11-051) IN THE AMOUNT OF \$533,485 TO THE CITY OF PINEVILLE ON BEHALF OF PINEVILLE UTILITY COMMISSION, BELL COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, presented the project to the Board. The City of Pineville on behalf of the Pineville Utility Commission requested a \$533,485 Fund A loan for Phase I of the Virginia Avenue Utility Replacement project. The City operates a combined sewer system (CSS) that contains two permitted combined sewer overflows (CSO) which discharge to the Cumberland River. In 2007, the City entered into a Consent Judgment with the Commonwealth of Kentucky's Environmental and Public Protection Cabinet to reduce and eliminate these CSO's. Phased construction better matches the City's ability to fund the City-wide project which is estimated to cost \$8.2 million. Phase I includes construction of two sewage lift stations and associated force main along with approximately 4,100 LF of sanitary/storm sewer separation in the Virginia Avenue area. A second phase will complete the sewer separation in this area and later project phases will address all other areas in the community. Ms. Williams stated this loan will be combined with a previously KIA Board approved Fund A1 Planning and Design loan originally approved in May 2011 in the amount of \$500,000, which will be reduced to \$200,000 as a result of this loan. Under the 2010 Capitalization Grant Equivalencies the project did not qualify for Green Project Reserve funding. The project did qualify for additional subsidization in the amount of \$160,046 or 30% which was the loan subsidization percent for the capitalization grant year that was applicable to the original approval of the planning and design project. The unforgiven balance of the loan is \$373,439 to be repaid in 20 years with an interest rate of 0.75% and a total estimated annual debt service payment of \$20,889. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mr. Ron Lovan moved to approve the Fund A (A11-051) resolution with the standard conditions. Mr. Marty Ivy seconded, and the motion carried unanimously.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND (B13-003) LOAN IN THE AMOUNT OF \$1,380,000 TO THE CITY OF PINEVILLE ON BEHALF OF PINEVILLE UTILITY COMMISSION, BELL COUNTY, KENTUCKY

Ms. Sandy Williams, KIA, presented the project to the Board. The City of Pineville on behalf of Pineville Utility Commission requested a Fund B loan in the amount of \$1,380,000 for the Radio Read Metering System project. The project involves the replacement of approximately 5,500 water meters with a radio read system. It will reduce the amount spent on meter reading by approximately half, or \$85,000, and improve water usage accuracy. The utility provides sewer service to the City of Pineville and water service to the City of Pineville, Black Mountain Utility District (Green Hills), Cawood Utility District, and Knox County Utility Commission. The term of the loan is 20 years with a 0.75% interest rate and an estimated annual debt service payment of \$77,193. KIA staff recommended approval of the loan with the standard conditions.

Ms. Lona Brewer moved to approve the Fund B (B13-003) Resolution with the standard conditions. Mr. Ron Lovan seconded, and the motion carried unanimously.

3. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE INFRASTRUCTURE REVOLVING FUND (B96-04) LOAN BY THE GRAVES COUNTY WATER DISTRICT, GRAVES COUNTY, KENTUCKY

Mr. John LeFevre, KIA, presented the assumption request to the Board. The Graves County Water District (District) requested to assume \$247,667.58 in outstanding Infrastructure Revolving debt (B96-04) of the Hickory Water District (Hickory) as a result of the merger of Hickory with the District. The merger was effective January 1, 2013. The original assistance agreement dated June 1, 1999 in the amount of \$528,000 was utilized to construct a 500,000 gallon water storage tank on an industrial park property. The District was created in 2008 by the merger of four water districts formerly known as Consumers, Fancy Farm, South Graves and Hardeman under Chapter 74 of the Kentucky Revised Statutes. The Public Service Commission approved the merger on May 21, 2008 and it was finalized on September 8, 2008. The General Assembly, in KRS 74.361(1), has determined the “reduction of the number of operating water districts in the Commonwealth...[is] in the public interest, in that mergers of such districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public; and that the public policy favors the merger of water districts wherever feasible.” The term of the loan will remain the same as originally approved which was 20 years and a 1.80% interest rate. The total estimated annual debt service payment is \$32,610. KIA staff recommended approval of the loan assumption with the standard conditions.

Mr. Sam Ruth moved to approve the Fund B (B96-04) Assumption Resolution with the standard conditions. Ms. Lona Brewer seconded, and the motion carried unanimously, with Mr. Marty Ivy abstaining due to the involvement of the City of Mayfield.

4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND (B13-006) LOAN IN THE AMOUNT OF \$1,175,000 TO THE GREEN RIVER VALLEY WATER DISTRICT, HART COUNTY, KENTUCKY

Mr. John LeFevre, KIA, presented the project to the Board. The Green River Valley Water District (District) requested a Fund B loan in the amount of \$1,175,000 for the Rio Verde Dam Improvement project. This project involves a geotechnical evaluation and the subsequent reconstruction of a twenty foot section of the Rio Verde Dam due to severe seepage through the dam's foundation. It will include surface repairs of the concrete buttress dam and address erosion problems at the dam's foundation. The geotechnical evaluation (included in other costs) of the dam wall and support structure will be conducted to ensure that there are no other structural issues and that the planned corrective measures will be successful. The reservoir is the primary source of raw water for the District. The District serves portions of Barren, Green, Hart, Larue and Metcalf counties and is regulated by the Public Service Commission. Wholesale service is provided to the Horse Cave Water System, Cave City Water System, Munfordville Water Works, Larue County Water District #1, Bonnierville Water District, Green-Taylor Water District, and the Caveland Environmental Authority. The term of the loan is 20 years with an interest rate of 0.75% and an estimated annual debt service payment of \$65,726. KIA staff recommended approval of the loan with the standard conditions.

Mr. Ron Lovan moved to approve the Fund B (B13-006) Resolution with the standard conditions. Mr. Robert Aldridge seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining because the loan and the project will have to go before the PSC for approval.

5. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND (F13-004) LOAN IN THE AMOUNT OF \$885,738 TO THE CITY OF SEBREE, WEBSTER COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Mr. John LeFevre, KIA, presented the project to the Board. The City of Sebree requested an \$885,738 Fund F loan for the Scattered Waterline Rehabilitation project. The project will replace approximately 36,000 linear feet of four and six inch cast iron water mains that were primarily installed in the 1930s and are prone to frequent breaks. Additionally, there are 160 customers that will have service interruptions during the project and will have to be reconnected with new lines. Average water loss has ranged from 20% to 30% over the past three years. The City purchased approximately 45 million gallons of water from the Henderson Water Utility in 2012 at an average rate of

\$3.12 per thousand gallons. The 2012 Drinking Water Capitalization Grant did not contain a “green” requirement. The project qualified for additional subsidization in the amount of 10% or \$88,074. The unforgiven balance of the loan is \$797,164 to be repaid in 30 years with an interest rate of 0.75% and an estimated annual debt service payment of \$31,716. Both DOW and KIA staff recommended approval of the loan with the standard conditions, and the following special conditions: 1) A water increase sufficient to generate an additional \$37,000 (approximately 13%) per year in revenue will be implemented to be effective by July 1, 2013, or earlier; and 2) The water rate ordinance will be modified to include the following: “Within 30 days of any rate adjustment to purchased water costs the city will increase the water rate structure by an equal amount per thousand gallons.”.

Mr. Jerry Wuetcher moved to approve the Fund F (F13-004) resolution with the standard conditions and the special conditions indicated in the staff recommendations. Mr. Marty Ivy seconded, and the motion carried unanimously.

6. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AND APPROVING THE ISSUANCE OF OBLIGATIONS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY TO REIMBURSE CAPITAL EXPENDITURES MADE BY GOVERNMENTAL AGENCIES PURSUANT TO LOANS MADE BY THE KENTUCKY INFRASTRUCTURE AUTHORITY TO SUCH GOVERNMENTAL AGENCIES

This is a routine resolution allowing KIA to reimburse expenses that are paid out of the Authority’s funds with bond proceeds. The projects listed below are covered under this resolution:

APPLICANT	FUND	AMOUNT
City of Pineville on behalf of Pineville Utility Commission	A11-051	\$ 533,485
City of Pineville on behalf of Pineville Utility Commission	B13-003	\$ 1,380,000
Green River Valley Water District	B13-006	\$ 1,175,000
City of Sebree	F13-004	\$ 885,738

Ms. Lona Brewer moved to approve the resolution. Mr. Jerry Wuetcher seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR’S REPORT

Mr. John Covington, KIA, reported on the following items to the Board:

- A. Representatives from EPA Region IV visited the offices of KIA and DOW during the week of March 18, 2013, and conducted their annual review of files and documentation. KIA and DOW received good reports and all went well.

- B. The 2014 draft IUP Public Meeting is scheduled for Tuesday, April 9, 2013. Based on comments from EPA during their visit, no capitalization grants will be approved until some of the financial issues are resolved in Washington, D.C. The priority list was received and will be inserted into the 2014 draft IUP document that is on the website. It will replace the alphabetical list of projects that was initially included. The public comment period will probably be extended for review.
- C. The firm, Public Financial Management, Inc. (PFM), was selected to be the financial advisor for KIA, and the primary contact will be Lisa Daniels from their Memphis Office.
- D. There have been no further notifications on funding for the second half of the 2013 budget year. KIA had received one-half year funding in the current Continuing Resolution.
- E. Mr. Ron Lovan asked if KIA staff had heard any new information regarding the WIFIA (Water Infrastructure Finance and Innovation Authority) proposal. Mr. Covington answered he had not heard anything new, but mentioned that KIA staff will be attending a CIFA Conference in Washington, D.C. at the end of May and expected the topic will be heavily discussed at that time. The last thing he had heard was that WIFIA was to be included in the Corps of Engineers funding bill and that it was a test program.

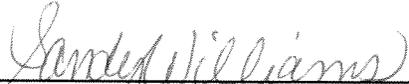
III. STATUS REPORT FOR FUNDS A, A2, B, B1, C, F, F2

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, May 2, 2013
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Mr. Jerry Wuetcher moved to adjourn. Mr. Marty Ivy seconded and the motion carried unanimously. The April 4, 2013, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Sandy Williams, Secretary
Kentucky Infrastructure Authority

4-26-13
Date