

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

Meeting Date/Location: August 2, 2012 – 1:00 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Mr. Tony Wilder, Commissioner, Department for Local Government
Mr. Jamie Link, Finance and Administration Cabinet
(permanent proxy for Secretary Lori H. Flanery, FAC)
Mr. George Burgess, 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. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities

Members absent:

Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. Jody Jenkins, Union County Judge/Executive, representing the Kentucky
Association of Counties
Mr. Martin T. Ivy, representing the Kentucky Municipal Utilities Association

Guests:

Ms. Anshu Singh, Division of Water
Ms. Jennifer McIntosh, Kentucky River Area Development District
Mayor Cheryl Moore, City of South Shore
Mr. Bryan Kirby, CEDA
Mr. Jim Thompson Kentucky Engineering Group
Mr. Jimmy Mudd, Marion County Water District
Mr. Lindsey Bironas, GRW Engineers
Ms. Adalyn Haney, GRW Engineers
Ms. Sandy Dunahoo, Nesbitt Engineering, Inc.
Mr. Josh Nacey, Legislative Research Commission
Mr. Roger Recktenwald, Kentucky Association of Counties
Mr. Tom Marshall, Citizen
Mr. Gary Larimore, Kentucky Rural Water Association
Ms. Jennifer Kantner, Office of Financial Management
Mr. Nathan Cryder, Auditor of Public Accounts

PROCEEDINGS

Chair Tony Wilder called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. Chair Wilder asked board members and guests to introduce themselves. He noted that a quorum was present and that 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 June 7, 2012

Mr. Damon Talley moved to approve the minutes of the June 7, 2012 regular board meeting. Mr. Ron Lovan seconded, and the motion carried unanimously.

B. PRESENTATION ON SPECIAL DISTRICTS

Mr. Nathan Cryder, Chief Policy Advisor, from the Auditor of Public Accounts made a presentation to the Board regarding the Special Districts project that was announced by the State Auditor on June 6, 2012. The goal is to inventory the special districts in Kentucky and to answer four basic questions: 1) How many are there in Kentucky; 2) Where are they located; 3) How much money flows through them; and 4) Which ones are in compliance with state law. Mr. Cryder stated there are about 47 different types of special districts ranging from water and conservation, ambulance and volunteer fire departments, to soil conservation. On June 6, 2012, the Auditor's office sent out a survey to approximately 1,160 special districts using a list that was provided to them from the Department for Local Government. They have received a 75-80% response rate from those surveys so far. They also sent surveys to all county judges, county clerks and sheriffs in the state. The Auditor's office has traveled throughout the state to all 15 area development districts to meet with the representatives to the special districts and elected officials. The goal is to redesign the system in a way that is fair for everyone involved. Once all the information is compiled and confirmed, the data will be available for all taxpayers. The goal is to have the project completed by the end of the year.

C. NEW PROJECTS/ACTION ITEMS

1. RESOLUTIONS AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY HONORING THOMAS P. CALKINS IN RECOGNITION OF DEDICATED SERVICE

Chair Tony Wilder read the resolution into the record before the board. Chair Wilder acknowledged that Tom Calkins served the board with dedication and provided valuable comments and input during his term.

Mr. Ron Lovan moved to approve the resolution. Mr. Damon Talley seconded, and the motion carried unanimously.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND A INTEREST RATES FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND F INTEREST RATES FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND B INTEREST RATES FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

At this time, Ms. Sandy Williams introduced a new staff member to KIA, John LeFevre, Financial Analyst. Mr. LeFevre had previously worked for the Energy and Environment Cabinet and in finance in the private sector.

Ms. Sandy Williams, KIA, presented the resolutions to establish the Fund A, Fund F, and Fund B interest rates. She also presented a handout referencing the interest rate history for all four loan programs from July 1, 2002 through June 30, 2012. In compliance with state and federal administrative regulations that govern how the Authority is to set interest rates based on the prevailing market conditions, the availability of funds, the demand for financial assistance, and that rates need to be at or below market rate, KIA staff recommended to lower interest rates at this time. The interest rates for KIA Fund A, Fund F, and Fund B loans approved by the Authority during the period July 1, 2012 through June 30, 2013 shall be as follows: the standard interest rate is 2.75%, the first non-standard rate is 1.75% and the lowest non-standard rate is 0.75%, as defined in the 2013 Clean Water and Drinking Water SRF Intended Use Plans. Fund C loan interest rates are not established by the KIA Board but are set at the time of the corresponding bond issuance and are tied to the interest rate of the bonds. An interest rate of 3% is offered to any Fund C loans that are tied to the surplus fund investments.

Mr. Damon Talley moved to approve the three interest rate resolutions for Fund A, Fund F, and Fund B. Mr. George Burgess 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 A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A12-30) IN THE AMOUNT OF \$500,000 TO THE CITY OF JENKINS, LETCHER COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The City of Jenkins requested a \$500,000 Fund A loan for the Sewer Main Rehab Phase III project. The loan will be combined with an RD Grant and an RD Loan for a total project amount of \$1,500,000. This project involves the rehabilitation of the sewer collection system in the Dunham area of Jenkins in an effort to reduce excessive inflow and infiltration (I&I) from the collection system. This will involve open cuts, replacement of approximately 13,000 linear feet of eight inch clay pipe, trenchless technologies, chemical grouting and manhole repairs and replacement. The Dunham area is known to have significant wastewater flows that do not correspond to water usage and a number of manholes become submerged during flood events. The area is also believed to have a large number of properties with downspout connections that feed into the sanitary sewer system and the intent is to identify and eliminate as many of these as possible. The project will not be reported for Green Project Reserve funding. The project qualified for additional subsidization of 10% of the loan amount, or \$50,000. The unforgiven balance of the loan is \$450,000 to be repaid in 20 years with an interest rate of 0.75% and an estimated annual debt service payment of \$25,172. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Ms. Williams explained to the Board that new information will now be added to the Executive Summary sheets which are presented as a part of the credit analysis for each project. The new information pertains to the Project Budget on the summary sheet and will show the RD fee scale percentage for engineering fees. This new information was requested from the members of the Capital Projects and Bond Oversight Committee, who also review and approve projects that request funding from KIA.

A correction will be made to the Credit Analysis on page 57, under Demographics, regarding the interest rate. The interest rate used for this loan should read 0.75%, instead of 1%. A correction will be made to the Resolution on page 51, under Section 2, regarding the name of the project. It should read the Sewer Main Rehab Phase III project.

Mr. Damon Talley moved to approve the Fund A (A12-30) resolution with the standard conditions. Mayor David Cartmell seconded, and the motion carried unanimously.

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 (B12-05) LOAN IN THE AMOUNT OF \$160,000 TO THE EAST PENDLETON WATER DISTRICT, PENDLETON COUNTY, KENTUCKY

Ms. Sandy Williams, KIA, presented the project to the board. The East Pendleton Water District requested a \$160,000 Fund B loan for the Water Tank Refurbishment project. The project is for painting the inside and outside of a 150,000 gallon water tower tank with epoxy paint. The tank will be cleaned and sandblasted with EPA approved inert material and the tank area will be fully contained to ensure that no dust escapes the project area. The project will not require any engineering or ground preparation and will be fully EPA and OSHA

compliant. The term of the loan is 20 years with a 2.75% interest rate and an estimated annual debt service payment of \$10,774. KIA staff recommended approval of the loan with the standard conditions.

Mr. Ron Lovan moved to approve the Fund B (B12-05) resolution with the standard conditions. Ms. Lona Brewer seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining due to the fact that the loan will have to come 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 AN INFRASTRUCTURE REVOLVING FUND (B12-06) LOAN IN THE AMOUNT OF \$548,180 TO THE MARION COUNTY WATER DISTRICT, MARION COUNTY, KENTUCKY

Ms. Sandy Williams, KIA, presented the project to the board. The Marion County Water District requested a \$548,180 Fund B loan for the Highway 84 Water Line Upgrades project. This project is for the replacement of approximately 25,000 linear feet of forty year old four inch water line with a six inch line along Highway 84 in the Raywick area of Marion County. Water demand in the area and beyond it requires a six inch line to provide the necessary pressure and volume. The existing line has been prone to breakage resulting in water outages and boil water advisories when pressure has dropped below mandatory levels. The project ranked fifty-third on the 2013 DWSRF priority list and it is highly unlikely that there will be enough invitation declinations of higher priority projects for it to be invited. The term of the loan is 20 years with a 1.75% interest rate and an estimated annual debt service payment of \$33,700. KIA staff recommended approval of the loan with the standard conditions.

Mr. Damon Talley moved to approve the Fund B (B12-06) resolution with the standard conditions. Mr. George Burgess seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining due to the fact that the project and the loan will have to come before the PSC for approval.

6. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND (B12-07) LOAN IN THE AMOUNT OF \$300,000 TO THE SYMSONIA WATER DISTRICT, GRAVES COUNTY, KENTUCKY

Ms. Sandy Williams, KIA, presented the project to the board. The Symsonia Water District requested a \$300,000 Fund B loan for the New Storage Tank, Wells and Treatment Facility project. The loan will be combined with a grant from HB608 in the amount of \$595,000 for a total project amount of \$895,000. The District currently has a treatment building, two groundwater wells, and a 75,000 gallon storage tank. The project will include a new 150,000 gallon ground storage tank, two groundwater wells, a booster pump station and a treatment building. The existing treatment facility and ground wells will be taken off line when the new facilities are completed. The existing tank needs some repairs and may be taken off line temporarily for the repairs. The new groundwater wells will

be pumped through the chemical feed manhole and into the ground storage tank for contact time. The booster pumps will pull from the ground tank and pump it into the system. They are capable of supplying the system and filling the existing tank. The term of the loan is 20 years with a 1.75% interest rate and an estimated annual debt service payment of \$18,443. KIA staff recommended approval of the loan with the standard conditions.

Mr. Damon Talley moved to approve the Fund B (B12-07) resolution with the standard conditions. Mr. Ron Lovan seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining due to the fact that the loan will have to come before the PSC for approval.

7. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND (B12-08) LOAN IN THE AMOUNT OF \$358,000 TO THE CITY OF SCOTTSVILLE, ALLEN COUNTY, KENTUCKY

Ms. Sandy Williams, KIA, presented the project to the board. The City of Scottsville requested a \$358,000 Fund B loan for the Spring Valley Sewer Phase II project. The project is for the construction of 2,600 linear feet of eight inch PVC gravity sewer and thirteen manholes on Christian Drive and Jackson Avenue to serve thirty-three new customers. The loan will be combined with a grant from HB1 in the amount of \$358,000 for a total project amount of \$716,000. The term of the loan is 20 years with an interest rate of 0.75% and an estimated annual debt service payment of \$20,026. KIA staff recommended approval of the loan with the standard conditions.

Mr. Jamie Link moved to approve the Fund B (B12-08) resolution with the standard conditions. Mr. George Burgess seconded, and the motion carried unanimously.

8. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND (B12-09) LOAN IN THE AMOUNT OF \$1,600,000 TO THE CITY OF SOUTH SHORE, GREENUP COUNTY, KENTUCKY

Ms. Sandy Williams, KIA, presented the project to the board. The City of South Shore requested a \$1,600,000 Fund B loan for the acquisition of the assets of South Shore Water Works (SSWW). SSWW is a private water system that is regulated by the Public Service Commission. The owner wishes to retire and the purchase will assure the public of a dependable and affordable finished water supply. All equipment, personal property, real estate, easements, leases and interests in real estate that are owned by SSWW or a separate realty company that is owned by the SSWW stockholder will be purchased by the City. The City will not assume any existing liabilities of the existing SSWW operation. The business was appraised by Raftelis Financial Consultants in 2006. The appraisal was based on an evaluation of the business' ability to generate income, a market review for other water company sales, and an estimate of the asset value of the

business. SSWW was organized in 1954 and serves customers in the City of South Shore and outlying areas of northwestern Greenup and northeastern Lewis Counties. The design capacity of the treatment plant is 920,000 gallons per day and the plant operates at about 50% of capacity. From 2008 through 2011 the customer count was stable at 2,259 while gallons of water sold ranged from a low of 116 million in 2011 to a high of 129 million in 2008. Reported water loss each year was about 15%. Disruptions of water service are typical due to the age of the distribution system. The term of the loan is 20 years with an interest rate of 0.75% and an estimated annual debt service payment of \$89,500. KIA staff recommended approval of the loan with the standard conditions.

Mr. Damon Talley moved to approve the Fund B (B12-09) resolution with the standard conditions. Ms. Lona Brewer seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining due to the fact that the loan will have to come before the PSC for approval.

9. 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 Jenkins	A12-30	\$ 500,000
East Pendleton Water District	B12-05	\$ 160,000
Marion County Water District	B12-06	\$ 548,180
Symsonia Water District	B12-07	\$ 300,000
City of Scottsville	B12-08	\$ 358,000
City of South Shore	B12-09	\$ 1,600,000

Mr. George Burgess 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. The public meeting for the Draft 2013 Intended Use Plan was conducted on July 12, 2012 and the public comment period will close August 3, 2012. To date, only one comment had been received. The Plan should be finalized in a week and anticipate sending out invitations to the selected projects on the priority list.
- B. Mr. Covington has discussed with board members Damon Talley and Ron Lovan the issues regarding cost based rates. They are still evaluating the issue and how to

proceed; therefore it is still under consideration and will be brought up at a later meeting.

- C. The September board meeting may be canceled due to the fact that staff is closing out last year's funding cycle and invitations for next year's funding cycle have not been sent yet. At the time of the meeting there were no applications to be considered.
- D. There have been discussions from Louisville MSD and Oldham County Environmental Authority regarding the Orchard Grass Regional Wastewater Treatment Project. Louisville MSD is preparing some information for Oldham County Environmental Authority. Oldham County Environmental Authority does not have that information yet. Once they have the information, the loan for that project will be revisited.

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

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, September 6, 2012
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Mayor David Cartmell moved to adjourn. Mr. Jerry Wuetcher seconded and the motion carried unanimously. The August 2, 2012, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Sandy Williams, Secretary
Kentucky Infrastructure Authority



Date