

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

**Meeting Date/Location: August 4, 2011 – 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. Hank List, Energy and Environment Cabinet
(permanent proxy for Secretary Leonard K. Peters, EEC)
Mr. Jamie Link, Finance and Administration Cabinet
(permanent proxy for Secretary Lori H. Flanery, FAC)
Mr. Joe Kelly, Economic Development Cabinet
(proxy for Secretary Larry Hayes, EDC)
Mr. Jerry Wuetcher, Public Service Commission
(permanent proxy for Executive Director Jeff Derouen, PSC)
Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. C. Ronald Lovan, representing the American Water Works Association
Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. Thomas P. Calkins, representing the Kentucky Municipal Utilities Association
Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities

Members absent:

Mr. Jody Jenkins, Union County Judge/Executive, representing the Kentucky
Association of Counties

Guests:

Mr. Shafiq Amawi, Division of Water
Mr. David Bowles, Monarch Engineering
Mr. Lennon Stone, Adair County Water District
Mr. Ronnie Slaydon, Crittenden-Livingston Water District
Mr. Randell O'Bryan, Crittenden-Livingston Water District
Mr. Kevin Howard, Summit Engineering
Mr. Phillips Meador, Kenvirons, Inc.
Mr. Mike Abell, City of Bardstown
Mr. Larry Hamilton, City of Bardstown
Mr. Larry Green, City of Bardstown
Mr. Gary Larimore, Kentucky Rural Water Association

PROCEEDINGS

Chair Tony Wilder called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. He noted that a quorum was present and that the press had been

notified regarding the meeting. He asked board members and guests to introduce themselves.

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 July 7, 2011

Mr. Damon Talley moved to approve the minutes of the July 7, 2011 regular board meeting. Ms. Linda Bridwell 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 AN AMENDMENT TO THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F11-01) OF \$4,000,000 TO THE CITY OF HARDINSBURG, BRECKINRIDGE COUNTY, KENTUCKY**

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AN AMENDMENT TO THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F11-04) OF \$3,050,300 TO THE CITY OF WEST LIBERTY, MORGAN COUNTY, KENTUCKY

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AN AMENDMENT TO THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F11-07) OF \$2,500,000 TO THE BREATHITT COUNTY WATER DISTRICT, BREATHITT COUNTY, KENTUCKY

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AN AMENDMENT TO THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F11-08) OF \$4,000,000 TO THE CITY OF BARBOURVILLE, KNOX COUNTY, KENTUCKY

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AN AMENDMENT TO THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F11-09) OF \$230,000 TO THE CITY OF BARLOW, BALLARD COUNTY, KENTUCKY

Ms. Kasi White, KIA, presented the five resolutions to the board. She explained that when the 2011 Drinking Water State Revolving Fund Intended Use Plan was issued, KIA had designated that principal forgiveness of 35% was to be given to projects that qualified. The 2010 Capitalization Grant had a requirement that at least 30% of that grant be provided in the form of some kind of additional subsidy. That required KIA to ensure that the total principal forgiveness that was granted totaled or exceeded \$5,877,600. In reviewing the commitments that have already been made and due to the withdrawal of some applications at the end of the fiscal year, KIA would not meet that requirement by \$529,495. Therefore, the five projects that had previously been approved by the board with 35% subsidy were presented to ask for authorization to increase the subsidy to 40%. This option was provided for in the 2011 DWSRF Intended Use Plan in order to meet the Capitalization Grant Requirement.

Mr. Damon Talley moved to approve all five resolutions (for the City of Hardinsburg, City of West Liberty, Breathitt County Water District, City of Barbourville, and City of Barlow) to increase the principal forgiveness from 35% to 40%. Mr. Ron Lovan 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 A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A11-16) IN THE AMOUNT OF \$850,000 TO THE SOUTHERN WATER AND SEWER DISTRICT, FLOYD COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the loan request to the Board. The Southern Water and Sewer District requested a \$850,000 Fund A loan for the Harold Sewer project. The project is an effort to provide public wastewater service to southern Floyd County along the US 23 corridor. The Harold 201 facilities plan service area extends from Harold to Tom's Creek and includes the areas of Mud Creek, Harold, Coldwater Branch, Betsy Lane, Pike Floyd Hollow, Justell, Stanville, Mare Creek, and Tom's Creek. The ultimate service area includes approximately 1,500 potential customers and consists of residences, small businesses, and various commercial entities. There are currently no public wastewater collection or treatment facilities in the project area. Large water users operate their own package wastewater treatment plants but most other residences and small businesses utilize septic systems and straight pipe discharges. The project was originally planned as two stand alone phases but has since been combined to facilitate a more cost effective design, bid and construction process. The initial component of the project involves the construction of an expandable treatment plant with an initial capacity of 100,000 gallons per day that will be constructed at Pike-Floyd Hollow and approximately 20,000 linear feet (LF) of force main will be installed along US 23 in the project area incorporating a number of commercial areas. This will provide service to the five largest water users in the area (Betsy Lane High School and Elementary School, a large commercial strip center, Huddle House restaurant, and a car wash). The second component of the project involves the installation of approximately 30,000 LF of pressure force mains and approximately 150 grinder pumping units that will support residential and small business customers

(potential 230) in the project area. Upon completion of this component, the plant will operate at approximately 31% of its initial capacity (150 additional customers). The project qualified for additional subsidization in the amount of \$255,000. The project did not qualify for Green Project Reserve (GPR) funding. The unforgiven balance of the loan is \$595,000 to be repaid in 20 years with an interest rate of 1% and an estimated annual debt service payment of \$34,088.

Both DOW and KIA staff recommended approval of the loan with the standard conditions and the following special conditions: 1) The district must obtain a commitment from the Appalachian Regional Commission for a grant in the amount of \$500,000 and from Rural Development in the amount of \$400,000 or other funding sources and provide verification of such commitments to KIA; 2) A copy of the assignment or interlocal agreement between the Floyd County Fiscal Court and Southern Water and Sewer District should be provided to KIA in regards to the HB380 Coal Severance Grant in the amount of \$600,000; 3) The district must increase sewer rates by at least 15% to be effective no later than January 1, 2012; and 4) Notice should be provided to KIA in the event that the proposed 20% increase to water rates is not implemented by January 1, 2012.

Mr. Damon Talley moved to approve the resolution with the standard conditions and the special conditions indicated in the staff recommendations. Mr. Tom Calkins seconded, and the motion carried unanimously with Mr. Jerry Wuetcher abstaining. Mr. Wuetcher abstained due to the potential submittal and approval of a loan agreement, rate adjustment and application of any necessary certificates to the Public Service Commission.

3. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND (B11-10) LOAN IN THE AMOUNT OF \$300,000 TO THE CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT, LIVINGSTON COUNTY, KENTUCKY

Ms. Kasi White, KIA, presented the project to the board. The Crittenden-Livingston County Water District requested a \$300,000 Fund B loan to replace the existing meters in Crittenden County with radio read meters. This will reduce the District's time reading meters by more than half and reduce operating and maintenance costs by limiting personnel costs. Meter replacements will affect approximately 45% of the customer base of the District. The District serve more than 3,400 retail customers in Crittenden and Livingston counties and it sells wholesale water to the cities of Grand Rivers, Salem and Smithland, the Ledbetter Water District and the Lyon County Water District and its activities are subject to PSC jurisdiction. The term of the loan is 20 years with an interest rate of 2% and an estimated annual debt service payment of \$18,873. KIA staff recommended approval of the loan with the standard conditions.

Mr. Damon Talley moved to approve the resolution with the standard conditions. Ms. Linda Bridwell seconded, and the motion carried unanimously with Mr. Jerry Wuetcher abstaining. Mr. Wuetcher abstained due to any potential application submitted by the Crittenden-Livingston

County Water District to the Public Service Commission for authorization to enter into a loan agreement with KIA for the requested loan or for approval of the proposed construction project.

4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING REAPPROVAL OF THE ISSUANCE OF A CONDITIONAL COMMITMENT FOR A GOVERNMENTAL AGENCIES PROGRAM LOAN (C09-01) OF \$1,800,000 TO THE CITY OF BARDSTOWN, NELSON COUNTY, KENTUCKY

The City of Bardstown requested a re-approval of a Fund C loan in the amount of \$1,800,000 for the Bardstown-Nelson County Industrial Park Transmission project. The project involves the upgrade of the transmission main allowing the Mago Booster Pump Station to pump directly to the new Nelson County Industrial Park elevated storage tank at a rate of up to 2,100 gallons per minute (gpm). The elevated industrial park tank provides volume and pressure for the East Bardstown pressure zone. The original loan was approved by the KIA Board at their October 1, 2009 meeting. Due to issues obtaining the necessary easements, the city was unable to meet the conditions of the original approval in the time allotted. The easements have now been obtained and the city is prepared to bid the project in August. The term of the loan is 20 years with an interest rate of 3% and an estimated annual debt service payment of \$123,938. KIA staff recommended re-approval of the loan with the standard conditions.

Mr. Hank List moved to approve the resolution with the standard conditions. Mr. Tom Calkins 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 A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND (F11-10) LOAN IN THE AMOUNT OF \$1,500,000 TO THE ADAIR COUNTY WATER DISTRICT d/b/a COLUMBIA/ADAIR UTILITIES DISTRICT, ADAIR COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the Board. The Adair County Water District d/b/a Columbia/Adair Utilities District requested a \$1,500,000 Drinking Water SRF loan for the Phase 11 Water System Extensions and Improvements project. This project will entail the (1) construction of a new 300,000 gallon water storage tank, (2) replacement and enlargement of approximately 2 miles of water line that will extend from the new tank westward towards KY HWY 80, (3) construction of a transmission main to connect the northeastern portion of the system to the southern portion (4) construction of approximately 84,000 LF of 3" water line to serve approximately 76 new customers and (5) replacement of approximately 46,500 LF of 12", 6" and 4" water lines along Knifley Connection / Green River Crossing and East 80. This project will improve system pressure and enhance distribution. The project qualified for additional subsidization in the amount of \$600,000. The project did not qualify for Green Project Reserve (GPR) funding. The unforgiven balance of the loan is \$900,000 to be repaid in 30 years with an interest rate of 1% and an estimated annual debt service payment of \$37,049. Both DOW and KIA staff

recommended approval of the loan with the standard conditions and the following special condition: A rate increase of at least 25% shall be implemented by the District upon PSC approval and no later than January 1, 2012. A copy of the resolution by the District and a copy of the PSC Order shall be provided to the Kentucky Infrastructure Authority.

Mayor David Cartmell moved to approve the resolution with the standard conditions. Ms. Linda Bridwell seconded, and the motion carried unanimously with Mr. Jerry Wuetcher and Mr. Damon Talley abstaining. Mr. Wuetcher abstained due to the fact that the necessary certificates and rate adjustments for this project will have to be decided by the Public Service Commission. Mr. Damon Talley abstained due to the fact that he is involved with the merger where the City of Columbia transferred its water and sewer assets to the Adair County Water District.

4. 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
Southern Water and Sewer District	A	\$ 850,000
City of Bowling Green f/b/o Bowling Green Municipal Utilities (≤10% Increase)	A	\$ 54,235,960
Crittenden-Livingston County Water District	B	\$ 300,000
Whitley County Water District (≤10% Increase)	B	\$ 932,800
Adair County Water District d/b/a Columbia Adair Utilities District	F	\$ 1,500,000

Mr. Tom Calkins moved to approve the resolution. Ms. Linda Bridwell seconded, and the motion carried unanimously.

7. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY HONORING KELLI B. RICE IN RECOGNITION OF DEDICATED SERVICE

Chair Tony Wilder announced the retirement of Ms. Kelli Rice effective August 1, 2011, from the Kentucky Infrastructure Authority and wished to honor Ms. Rice for her dedicated service to the Authority with the passage of this resolution by the Board.

Mr. Tom Calkins moved to approve the resolution. Mr. Ron Lovan 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 2012 CWSRF and DWSRF Draft Intended Use Plans was scheduled to be held August 5, 2011, at 1:30 p.m., in the KIA Conference Room. The public comment period would close Friday, August 5, 2011.
- B. The 2011 Capitalization Grant Applications for the CWSRF and the DWSRF have been submitted. The amounts applied for were approximately \$19,000,000 for Clean Water and \$13,500,000 for Drinking Water. The capitalization grant includes a 20% green project reserve and will include the additional subsidization component for principal forgiveness. The Continuing Resolution for this funding included Davis Bacon requirements; however the Continuing Resolution expires at the end of the current federal fiscal year, September 30, 2011.
- C. Based upon the priority ranking for eligible projects in the 2012 funding cycle, letters of invitation were sent to 23 drinking water projects and 70 clean water projects. The applications are due to be submitted by September 8, 2011.
- D. The Call for Projects for the next funding cycle will start in October and run through the end of December 2011. Because of the success last year, the application process will again be through the WRIS Project Profile. KIA Staff will be meeting with five area development districts across the state on September 6-8, 2011, to outline what was learned from last year, what the role of the area developments districts would be, and discuss ways to improve the process.
- E. The City of Calvert City provided to KIA a picture of their projects that were funded with ARRA Funds and wished to share it with the Board.

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 1, 2011
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Ms. Linda Bridwell moved to adjourn. Mr. Hank List seconded and the motion carried unanimously. The August 4, 2011, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



M. Denise Pitts, Treasurer
Kentucky Infrastructure Authority



Date