

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

**Meeting Date/Location: September 5, 2013 – 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. Brian Kiser, 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. 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. Marty T. Ivy, representing the Kentucky Municipal Utilities Association

**Members absent:**

Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities  
Mr. Jody Jenkins, Union County Judge/Executive, representing the Kentucky  
Association of Counties

**Guests:**

Mr. Scott Taylor, MSE of Kentucky, Inc.  
Mr. John Herring, Pennyriple Area Development District  
Mr. Bill Eggen, US 60 Water District  
Mr. Sandy Broughman, Broughman and Associates  
Mr. Victor Chang, Wells Fargo

**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 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, 2013**

*Mr. Damon Talley moved to approve the minutes of the June 19, 2013 regular board meeting. Mr. Ron Lovan 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 ESTABLISHING FUND A INTEREST RATES FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014**

**RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND F INTEREST RATES FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014**

Mr. Jeff Abshire, KIA, presented both Resolutions to establish the Fund A and Fund F interest rates. He also presented a handout referencing the interest rate history for all four loan programs from July 1, 2003 through June 30, 2013. The interest rates for KIA Fund A and Fund F loans approved by the Authority during the period July 1, 2013 through June 30, 2014 shall be as follows: the standard interest rate shall be 2.75%, the first non-standard rate shall be 1.75% and the lowest non-standard rate shall be 0.75%, as defined in the 2014 Clean Water and Drinking Water SRF Intended Use Plans.

Mr. John Covington, KIA, pointed out to the Board Members language that was added to the Fund A and Fund F Resolutions which states that the Board may direct the staff on a case by case basis to establish an interest rate that would create an effective interest rate if more than one KIA funding source is being used. He explained KIA staff is looking for potential ways to increase the capacity of the program by possibly using more than one KIA funding source to loan to potential projects; such as, using both a Fund A loan and a Fund C loan for one project. This option is still under consideration, but staff would like to leave the possibility open while establishing the interest rates.

*Mr. Damon Talley moved to approve both the Fund A interest rate resolution and the Fund F interest rate resolution. Mr. Ron Lovan seconded, and the motion carried unanimously.*

**RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND B INTEREST RATES FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014**

Mr. Jeff Abshire, KIA, presented the Resolution to establish the Fund B interest rate. The interest rate for KIA Fund B approved by the Authority during the period July 1, 2013 through June 30, 2014 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 2014 Clean Water and Drinking Water SRF Intended Use Plans.

***Ms. Lona Brewer moved to approve the Fund B interest rate resolution. 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 (B14-001) LOAN IN THE AMOUNT OF \$350,000 TO THE PARADISE PARK REGIONAL INDUSTRIAL AUTHORITY, MUHLENBERG COUNTY, KENTUCKY**

The Paradise Park Regional Industrial Authority requested a \$350,000 Fund B loan for the Paradise Park Water Transmission project. Mr. Jeff Abshire, KIA, presented the project to the Board. KIA staff recommended approval of the loan with the standard conditions and the following special condition: The Authority shall provide letters of commitment from the Muhlenberg County Fiscal Court and the Muhlenberg County Water District to fund any shortfalls from the project.

Mr. Jerry Wuetcher noted it appeared that the proposed construction would benefit the Industrial Park and the surrounding areas. He asked if it had been estimated how many new customers were expected for the Muhlenberg County Water District outside of the Industrial Park once the lines were constructed. Mr. Scott Taylor responded that estimates have not been made. He explained that there are existing water lines to an existing tank, and this project would actually increase the capacity of the pump station and the conveyance in the mains to that tank. There would be no new customers and only the existing customers would benefit from the additional capacity of the tank. Mr. Wuetcher asked about the project providing fire protection for those existing customers which was addressed in the Credit Analysis of the Board Book. Mr. Taylor confirmed that fire hydrants were to be added along the route which the tank and the lines would support, and the size of the lines would be 8 inches. Mr. Wuetcher asked if there were any confirmed residences for the Industrial Park. Mr. Taylor answered there were no contracted or confirmed residences as of the date of the board meeting. The promotion for the site had just begun. Mr. Wuetcher asked if there were any actual improvements already on the site. Mr. Taylor confirmed there were and stated a water line had been laid from the tank that is to be upgraded down and thru the Industrial Park. A sewer gravity system has been built in the Industrial Park and a pump station and force main into Greenville where Greenville will accept the sewer. He stated that currently the sewer system is complete and the water system from the tank into the system is complete; therefore, the proposed project is to increase the capacity to that tank to be able to offer adequate supply to the Industrial Park. Mr. Wuetcher asked if the existing customers outside of the Industrial Park currently have adequate service from the Muhlenberg County Water District and would the only benefit to them from the proposed project be the availability of fire protection service. Mr. Taylor

said they do have adequate service at this time, they will receive the benefit of fire protection service and, in the event of any kind of breakage, the additional pumping capacity would offer better recovery.

Mr. Damon Talley asked if the Muhlenberg County Water District was on board with this project. Mr. Taylor confirmed they were and had met with them on several occasions to discuss this loan. The Water District had agreed to support this project in the event the Paradise Park Regional Industrial Authority needed funds.

Mr. Wuetcher asked how much in resources has the State put into the Industrial Park so far, outside of the proposed loan amount from KIA. Mr. Taylor stated that approximately \$2.2 million dollars has been received from LGEDF (multi-county coal severance funds), approximately \$1 million dollars from an AIA grant (single use grant), another \$500,000 towards sewer which from coal severance, a KIA grant, and the new exit constructed on the Western Kentucky Parkway for access to the Industrial Park was provided. There are also funds from House Bill 1 and continuing funds of about \$30,000 in a grant that is received biannually.

Mr. Wuetcher asked a question regarding the special condition recommended by KIA staff. He noted that the Industrial Park was presented as a multi-county venture and asked if there was any thought given to having the other counties commit to support or fund the project like Muhlenberg County is being required. Mr. Jeff Abshire stated that it was understood that Muhlenberg County was the lead county and lead beneficiary for the project and they were willing to make the commitment to fund any shortfalls.

Mr. Ron Lovan asked if there was a back up financial plan in the instance there are no businesses that join the Industrial Park. Mr. Taylor stated that both Muhlenberg County Water District and Muhlenberg County Fiscal Court have committed to support and pay the loan if it could not be done by Paradise Park Regional Industrial Authority.

Mr. Wuetcher noted that the Public Service Commission would have to approve the Muhlenberg County Water District to finance a debt. If the Public Service Commission did not give approval, he asked if the Fiscal Court would be willing to finance the debt alone. Mr. Taylor stated the Water District and the Fiscal Court were to share the debt fifty/fifty and the Judge stated the Fiscal Court would be willing to pay 75% of the loan. Mr. Taylor also stated that the Paradise Park Regional Industrial Park has its own revenue. The Park rents 200 acres for farm usage and has received between \$14,000 and \$27,000. The Park expects to receive revenue of approximately \$30,000 for oil. Mr. Taylor believes that Park should be able to pay some portion of the debt service if not all of it on a yearly basis.

Mr. Ron Lovan asked Mr. Jerry Wuetcher if the Public Service Commission would have to approve an agreement between Paradise Park Regional Industrial Authority, Muhlenberg County Water District and Muhlenberg County Fiscal Court. Mr. Wuetcher stated that if it was a guarantee of payment then the Public Service Commission would have to approve the Muhlenberg County Water District's entry into the agreement. Mr. Wuetcher asked if Muhlenberg County

Water District would be a party to the Assistance Agreement for this proposed loan with KIA. Mr. Jeff Abshire stated that only KIA and Paradise Park Regional Industrial Authority would be parties to the Assistance Agreement for this loan. There would be a separate supplemental agreement between the Paradise Park Regional Industrial Authority, Muhlenberg County Water District and Muhlenberg County Fiscal Court; and this agreement would need to be in place before an Assistance Agreement could be executed.

***Mr. Damon Talley moved to approve the Fund B (B14-001) resolution with the standard conditions and the special condition indicated in the staff recommendation. Mr. Ron Lovan seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining. Mr. Wuetcher abstained since the matter may come before the Public Service Commission for approval.***

**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 (B14-003) LOAN IN THE AMOUNT OF \$1,300,000 TO THE U.S. 60 WATER DISTRICT, SHELBY COUNTY, KENTUCKY**

The U.S. 60 Water District requested a \$1,300,000 Fund B loan for the Peytona Tank project. Mr. Jeff Abshire, KIA, presented the project to the Board. KIA staff recommended approval of the loan with the standard conditions.

Ms. Linda Bridwell asked if the Division of Water had approved the design of the project. Mr. Abshire stated that they have not. Mr. Sandy Broughman, Broughman & Associates, stated the plans and specifications had not yet been submitted to DOW. Ms. Bridwell asked what the Water District was planning to do to force the turnover in the tank. Mr. Broughman explained the tank will have a different inlet and outlet in the tank for mixing and there will be turnover everyday because all the water used and distributed through the tank.

***Ms. Linda Bridwell moved to approve the Fund B (B14-003) resolution with the standard conditions. Mr. Robert Aldridge seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining. Mr. Wuetcher abstained since the project will require Public Service Commission approval for both funding and the certificate for construction.***

**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
Paradise Park Regional Industrial Authority	B14-001	\$ 350,000
US 60 Water District	B14-003	\$ 1,300,000

***Ms. Linda Bridwell moved to approve the resolution. Mr. Damon Talley seconded, and the motion carried unanimously.***

**5. CONSIDERATION OF THE BOARD OF DIRECTORS OF THE MEMORANDUM OF AGREEMENT BETWEEN KIA AND DOW**

Mr. John Covington, KIA, presented the Memorandum of Agreement (MOA) to the Board. He explained that the MOA outlined the roles of KIA and the Division of Water in administering the Clean Water and Drinking Water SRF programs. The Kentucky Infrastructure Authority is the Grantee which receives the funds from the Federal Government and conducts the financial and administration of both programs. The Division of Water provides technical assistance and review of the projects. Particularly, there are certain requirements in the Safe Drinking Water Act that the Division of Water as the primacy agency has to monitor. The Clean Water Act does not have as many restrictions or designates who is to perform certain functions. For example, the Division of Water is required to put together the Priority List and KIA must fund the projects in priority order under the Drinking Water SRF, which is not the case in the Clean Water SRF. There are additional set asides in the Drinking Water SRF that are not a part of the Clean Water SRF. Mr. Covington asked the Board to make a motion to allow him to execute the document and enter into the agreement with the Division of Water. Ms. Lona Brewer, from the Energy and Environment Cabinet, stated she was able to review the MOA before the meeting and agreed it was a good map of what both parties have agreed to do.

***Mr. Damon Talley moved to approve the Memorandum of Agreement and authorize the Executive Director to execute the document subject to any minor changes that the Executive Director may deem it necessary to make. Ms. Linda Bridwell seconded, and the motion carried unanimously.***

**II. EXECUTIVE DIRECTOR’S REPORT**

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

- A. Mr. Covington introduced a new KIA employee, Brandi Armstrong. She came to KIA after working in the Department of Revenue. Ms. Armstrong added that she is a Frankfort native and has a Bachelors and Masters Degree in Finance from Sullivan University.
- B. Mr. Covington also noted that John LeFevre has returned after an extended leave and was glad to have him back.
- C. The 2015 CWSRF and DWSRF Call for Projects are underway. Four projects were invited under the CWSRF program and all four have accepted their invitations for a total of \$20,000,000. Eight DWSRF projects were invited and four have accepted those invitations for a total of \$4,600,000. A second round of invitations was sent to an

additional 9 projects and five borrowers for \$14,000,000. Those responses will be due by October 25, 2013. If all the DWSRF money is still not committed by then, a third round of invitations will be sent.

D. Mr. Covington informed the Board that an October board meeting is anticipated. KIA staff does not anticipate having a November board meeting. If a November meeting is necessary, the date will have to be rescheduled from the original date due to KIA staff travel. A December board meeting is still anticipated to be held. Looking ahead, he stated that generally the January board meeting is canceled.

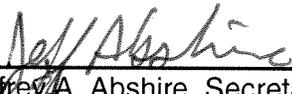
**III. STATUS REPORT FOR FUNDS A, A2, B, B1, C, F, F2**

**IV. ANNOUNCEMENTS/NOTIFICATIONS**

- Next scheduled KIA board meeting:  
Tentatively scheduled for  
Thursday, October 3, 2013  
1024 Capital Center Drive, Suite 340  
Frankfort, Kentucky

***There being no further business Ms. Linda Bridwell moved to adjourn. Mr. Damon Talley seconded and the motion carried unanimously. The September 5, 2013, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.***

Submitted by:

  
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Jeffrey A. Abshire, Secretary  
Kentucky Infrastructure Authority

  
\_\_\_\_\_  
Date