

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

**Meeting Date/Location: May 1, 2014 – 1:00 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort**

Members present:

Mr. Damon Talley, representing the Kentucky Rural Water Association
Ms. Natalie Holloman, 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. Jeff Derouen, Executive Director, Public Service Commission
Mr. C. Ronald Lovan, representing the American Water Works Association

Members absent:

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

Guests:

Mr. Shafiq Amawi, Division of Water
Mr. Steve Baker, London Utility Commission
Mr. Bruce Southworth, City of Midway
Mayor Tom Bozarth, City of Midway
Mr. Kyle Crager, Summit Engineering
Mr. Bryan Kirby, CEDA, Inc.
Mr. Bob Sturdivant, HDR Engineering
Mr. Kerry Odle, HMB Engineering
Mr. Will Hagan, HBM Engineering
Mr. Roger Recktenwald, Kentucky Association of Counties
Ms. Annette Dupont-Ewing, Kentucky Municipal Utilities Association
Mr. Josh Nacey, Legislative Research Commission
Ms. Katherine Halloran, Legislative Research Commission
Ms. Ruth Webb, 1st Kentucky Securities

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 confirmed 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 April 3, 2014

Mr. Robert Aldridge moved to approve the minutes of the April 3, 2014 regular board meeting. Ms. Lona Brewer 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 AMENDMENT OF THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F13-013) INCREASING THE AMOUNT TO \$4,000,000 TO THE CITY OF WILLIAMSTOWN, GRANT COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Mr. Jeff Abshire, presented the project to the Board. The City of Williamstown requested a \$2,000,000 increase to their existing \$2,000,000 Fund F loan for Phase II of a two-phase "Water Systems Improvements" project. Phase I was previously approved on June 19, 2013, and is for the construction of new sludge lagoons in process. The City is in the process of obtaining funding commitments for the entire project that has an estimated total project cost of \$17.25 million. Phase II is for the construction of a new 4.0 million gallon per day water treatment plant, improvements to the raw water intake and pumping station, and a new 14-inch raw water main. The existing plant, with a capacity of 2.25 million gallons per day is approximately 50 years old and is nearing the end of its useful life. Process improvements will permit the City to comply with Stage 2 of the Disinfection By-products Rule. DOW and KIA staff recommended approval of the loan with the standard conditions and the following special conditions: The City will adjust rates to generate additional revenues as follows: \$145,000 additional revenue, 10% of water revenues, by July 1, 2015; \$145,000 additional revenue, 8.5% of water revenues, by July 1, 2016; and \$208,000 additional revenue, 10.5% of water revenues, by July 1, 2017. All increases must be implemented prior to issuance of a Supplemental Assistance Agreement.

Mr. Ron Lovan moved to approve the Fund F (F13-013) loan increase with the standard conditions and the special conditions indicated in the staff

recommendations. Ms. Lona Brewer 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 DRINKING WATER REVOLVING FUND LOAN (F14-052) IN THE AMOUNT TO \$215,000 TO THE CITY OF MIDWAY, WOODFORD COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, presented the project to the Board. The City of Midway requested a \$215,000 Fund F loan for the Higgins Street Waterline Replacement project. The project will replace 2,100 linear feet of aging four and six inch cast iron water lines with PVC lines. Additionally, the Higgins Street line, which is a dead end line, will be looped to another street thus eliminating the need for continual flushing. The City is experiencing poor water quality, breaks, and high water loss in this area. DOW and KIA staff recommended approval of the loan with the standard conditions.

Vice Chair Talley asked Mayor Tom Bozarth if he wished to address the Board. Mayor Bozarth stated the project would greatly help the community of Midway and appreciated the Board's consideration and approval of the loan.

Mr. Robert Aldridge moved to approve the Fund F (F14-052) loan 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 AN INFRASTRUCTURE REVOLVING FUND (B14-010) LOAN IN THE AMOUNT OF \$1,100,300 TO THE CITY OF LONDON F/B/O LONDON UTILITY COMMISSION, LAUREL COUNTY, KENTUCKY

Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of London f/b/o London Utility Commission requested a \$1,100,300 Fund B loan for the Sampson Branch Storm Water project. The project involves the replacement of a failed 48" storm water corrugated vinyl line with a 60" diameter concrete line to reduce flooding potential for properties in the affected area. An existing failed line will be abandoned and back-filled with gravel, concrete or grout to reduce any future collapses. The existing line, which was installed without authorization by an unknown contractor between 1999 and 2004, is actively collapsing and has caused surface depressions along its current route. A civil suit was filed by various property owners and the Court ruled that the City is responsible for correcting the failed line and assumes liability for future damage that occurs until the project is resolved. KIA staff recommended approval of the loan with the standard conditions.

Mr. Jeff Derouen moved to approve the Fund B (B14-010) loan with the standard conditions. Mr. Robert Aldridge seconded, and the motion carried unanimously.

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
City of Williamstown (Increase)	F13-013	\$ 4,000,000
City of Midway	F14-052	\$ 215,000
City of London f/b/o London Utility Commission	B14-010	\$ 1,100,300

Mr. Ron Lovan moved to approve the resolution. Mr. Robert Aldridge seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR'S REPORT

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

- A. KIA received leverage bond authorization in the approved 2014-2016 Biennium Budget.
- B. KIA Staff is in the process of preparing the 2015 Intended Use Plan for both Clean Water and Drinking Water SRF programs. For 2015, there will be approximately \$32 million available for Drinking Water in construction funds; compared to \$18 million last year. Clean Water will have approximately \$39 million available in construction funds; compared to \$21 million last year.
- C. KIA's policy is to cap a loan request per capitalization grant from the Drinking Water SRF program to \$4 million per borrower. After going through the entire project priority list there are some funds still available. Therefore, KIA staff has contacted previous potential borrowers to see if they needed more money and a couple of borrowers have indicated they would like to have additional funds for projects. There have been discussions with the City of Louisville about loaning them up to \$8 million. Mr. Covington expressed that the policy of capping the loans at \$4 million still stands, but if there is money leftover at the end of a funding cycle, then borrowers that needed more could be offered additional funds. It is not the intention of KIA staff to allow a large borrower to receive all funds available in one funding cycle.
- D. Mr. Covington made the Board aware of two situations with two borrowers, the City of Wurtland and the City of Jamestown. The Fruit of the Loom plant had pulled out of Jamestown and has made a significant economic impact to the city. KIA has two loans with Jamestown and they are currently under construction. KIA, the Mayor of Jamestown, the Engineer for the project, and DOW have discussed Jamestown's needs and hope to resolve and come before the Board for action in the future. Sun

Chemical, a plant in Wurtland, just announced it would be leaving the City of Wurtland. The Sewer Plant in Wurtland was built specifically for Sun Chemical. It was a significant source of revenue for the sewer plant and a significant source of upflow. Wurtland has reached an agreement with the City of Greenup to merge and create a sanitation district and a regional solution. KIA and the City of Wurtland have been looking at all of their options and the only potential source of relief found to date would be to refinance their loan and extend the terms. KIA has received an application and it may be brought to the Board at the next board meeting.

- E. KIA staff will be working at providing information to the Infrastructure Committee of the Eastern Kentucky SOAR Initiative using the Kentucky Water Management Plan. The Infrastructure Committee will be looking at water and wastewater infrastructure in eastern Kentucky. KIA staff attended a meeting in Somerset and was able to pull updated and detailed information from the Kentucky Water Management Plan to create a custom report for the SOAR area.
- F. Mr. Covington attended the CIFA meeting in Washington, D.C. during the first part of April. One issue discussed was unliquidated obligations and Kentucky has made great improvements in set aside spending and is in good shape compared nationally. WIFIA (the Water Infrastructure Finance and Innovation Act) was discussed and is a concern for the SRF programs. The consensus was that a demonstration project very likely would be included in the WRDA Bill. The WIFIA proposal includes \$50 million upon which larger borrowers would apply directly to EPA and a small number of larger projects (\$20 million minimum) would be funded. EPA would directly administer the loans or loan guarantees. The state SRF programs are concerned their federal funding would be cut and thereby hurting small communities that could not otherwise obtain funding.
- G. KIA staff is considering a \$50 million bond issue to replenish the Fund C program and a resolution approving the bond issue may come before the Board in the future.
- H. KIA's Underwriter and Bond Counsel contracts are still effective for the next fiscal year. The Financial Advisor contract will be going through the selection period this year. The current Financial Advisor is the PFM Group.
- I. In the past KIA staff has asked to move the June Board Meeting toward the end of the month and canceled the July board meeting. Mr. Covington asked the Board Members' consideration for moving the regularly scheduled June 5th meeting to one day in the week of June 23-26th. KIA will send out an email to poll the Board Members for those dates. There are tentatively 12 loans that will be brought to the Board at the June meeting. Five of those loans are for only two borrowers.
- J. Vice Chair Damon Talley announced that the Department for Local Government had released their training dates for House Bill No 1 which will be held in every area development district during the months of May and June.

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

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, June 5, 2014
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Mr. Ron Lovan moved to adjourn. Ms. Loan Brewer seconded and the motion carried unanimously. The May 1, 2014, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Jeffrey A. Abshire, Secretary
Kentucky Infrastructure Authority

6-12-14
Date