

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

**Meeting Date/Location: December 4, 2014 – 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. Sam Ruth, Finance and Administration Cabinet  
(proxy for Secretary Lori H. Flanery, FAC)  
Ms. Lona Brewer, Energy and Environment Cabinet  
(permanent proxy for Secretary Leonard K. Peters, EEC)  
Mr. Robert Aldridge, Economic Development Cabinet  
(proxy for Secretary Larry Hayes (EDC)  
Mr. Jeff Derouen, Executive Director, Public Service Commission  
Mr. C. Ronald Lovan, representing the American Water Works Association  
Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities  
Ms. Linda C. Bridwell, representing for-profit private water companies

**Members absent:**

Mr. Damon Talley, representing the Kentucky Rural Water Association  
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  
Ms. Laura Jefferson, Buffalo Trace Area Development District  
Ms. Katherine Halloran, Legislative Research Commission  
Ms. Liz Columbia, Office of Financial Management  
Mr. John Brady, Office of Financial Management  
Mr. Roger Recktenwald, Kentucky Association of Counties  
Mr. Ashley Willoughby, Lincoln Trail Area Development District  
Mr. Michael Brothers, Bracken County Water District  
Ms. Laura Gilkerson, GRW Engineers, Inc.  
Mr. Riley Sumner, Kentucky Engineering Group  
Mr. Paul Reynolds, Kentucky Engineering Group  
Ms. Rebecca Hall, City of Frankfort  
Mr. William Ballard, East Clark County Water District  
Ms. Jana Dubree, Monroe County Water District  
Mr. Rob Gates, Barren River Area Development District  
Mr. Bill Scalf, Frankfort Sewer Department

Mr. Mark Williams, Monroe County Water District  
Mr. Ricky Ross, Monroe County Water District  
Mr. Tommy Willett, Monroe County Judge-Executive  
Mr. Paul Nesbitt, Nesbitt Engineering, Inc.  
Mr. John Martin, GRW Engineers, Inc.  
Mr. Robert Peterson, City of Frankfort  
Mr. Pete Thompson, Lebanon Water Works Company  
Mr. John L. Thomas, Lebanon Water Works Company

## **PROCEEDINGS**

**Chair Tony Wilder called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. Mr. Wilder asked board members and guests to introduce themselves. He confirmed that a quorum was present and that the press had been notified regarding the meeting.**

### **I. BUSINESS (Board Action Required)**

#### **A. 1. APPROVAL OF MINUTES**

**For: KIA Regular Board Meeting of November 6, 2014**

*Ms. Linda Bridwell moved to approve the minutes of the November 6, 2014, regular board meeting. Mr. Ron Lovan seconded, and the motion carried unanimously.*

#### **B. NEW PROJECTS/ACTION ITEMS**

##### **1. CONSIDERATION OF THE FISCAL YEAR ENDING JUNE 30, 2014, KENTUCKY INFRASTRUCTURE AUTHORITY AUDIT REPORT**

Ms. Denise Pitts, KIA, and Mr. Allen Norvell, Blue & Company, LLC, presented a review of the Kentucky Infrastructure Authority Audit for fiscal year ending June 30, 2014. Mr. Norvell highlighted some of the significant points in the financial statements report, and he told the board that the audit resulted in a clean, unmodified opinion. Mr. Norvell referred to a new accounting standard that was required for this fiscal year, and explained a substantial change from fiscal year 2013 in the investment portfolio. He mentioned a change in relation to the pension plan that will impact all state agencies next year and require reporting by the Authority. In the section for Internal Controls he pointed out a corrected reversed posting for accrual of bond interest, and in the Compliance section he highlighted the statement that there were no issues of noncompliance. He also reviewed the audit communications document. Ms. Linda Bridwell asked if it is common practice for auditors to contact clients, and Mr. Norvell explained that there is usually a select sample to whom confirmations are sent.

2. The board moved on to consideration of an action item for the City of Fleming-Neon, Letcher County, Kentucky

**A 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 (F1 15-018) IN THE AMOUNT OF \$143,616 TO THE CITY OF FLEMING-NEON, LETCHER COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of Fleming-Neon requested \$143,616 in Drinking Water State Revolving Funds (Fund F1) for a Planning and Design loan for the Water Treatment Plant Upgrade project. This project will develop plans and specifications for the water treatment plant improvements discussed below. The construction project will receive a priority funding position in the funding cycle that is subsequent to Division of Water approval of the plans. The proposed project will upgrade the water treatment plant by replacing water process equipment, a chemical feed system, the electrical supply system, a backup generator, lagoon, building roof and windows, and the raw water supply at the plant. The project will also work to reduce high iron content in the water by modifying the current well, drilling a new one, or locating an alternative source of water.

Division of Water felt that this is an urgent project needed to study and plan for improvements necessary to address possible risks to the public health. Mr. Jeff Derouen and Ms. Lona Brewer explained that the study and engineering is necessary to direct planning for this project and an Abandoned Mine Lands funded project to connect to the City of Jenkins. Mr. Jerry Weutcher clarified with Mr. Amawi that this preliminary planning and design is needed in order to prepare for connection and/or making the necessary improvements to the plant.

***Ms. Linda Bridwell moved to approve the Fund F Loan F1 15-018 in the amount of \$143,616 to the City of Fleming-Neon with the standard conditions and two special conditions. The first special condition is that the City of Fleming-Neon shall increase water rates by an amount sufficient to generate an additional \$30,000 in cash flow per year effective no later than February 1, 2015. The second special condition is that the city shall increase rates by an amount sufficient to generate an additional \$36,000 in cash flow per year effective no later than July 1, 2016. Ms. Lona Brewer seconded, and the motion was unanimously approved.***

3. **A 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 (A15-026) OF \$36,000,000 TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, FAYETTE COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Mr. Jeff Abshire, KIA, presented the project to the Board. The Lexington-Fayette Urban County Government requested \$36,000,000 in Clean Water SRF funds for Phase I of the West Hickman

Wastewater Treatment Plant Wet Weather Storage project The project involves the design and construction of a multi-phase wet weather storage facility at the West Hickman Wastewater Treatment Plant on Ashgrove Pike in Jessamine County. The project will reduce the potential for 23 wet weather sanitary sewer overflow (SSO) locations. The existing sewer system lacks the capacity to meet LFUCG's EPA mandated Capacity Assurance Program. The project is a component of the Remedial Measures Plan that was submitted to the U.S. Environmental Protection Agency to comply with the Consent Decree, entered into on January 3, 2011. A portion of the engineering cost is for the storage tank/WWTP influent pumping station cost, which is infrastructure that meets the needs of the current and future project phases. When all phases are complete, total storage volume will be approximately 40 million gallons with a projected cost in the range of \$120 million.

***Ms. Linda Bridwell moved to approve the Fund A Loan A15-026 in the amount of \$36,000,000 to Lexington-Fayette Urban County Government with the standard conditions. Mr. Ron Lovan seconded, and the motion was unanimously approved.***

4. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A15-032) IN THE AMOUNT OF \$3,731,000 TO THE CITY OF FRANKFORT, FRANKLIN COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of Frankfort requested a Fund "A" loan in the amount of \$3,731,000 for the West Frankfort Pump Station project. This project will replace an existing failing wet well/dry pit with a larger submersible pump station. The pumping capacity will be increased to eliminate sanitary sewer overflows and to accept future sanitary sewage. The project will be designed to allow for additional capacity to accept potential future customers outside of the city limits. The West Frankfort Pump station currently serves 3,700 homes. The new station will serve the remaining homes as well as an additional 4,940 potential future homes. Completion of the project is a substantial step in the City's ongoing efforts to achieve compliance with the Kentucky Division of Enforcement's Consent Judgment and the EPA Administrative Order. It was confirmed that the interest rate for this loan will be 1.75%. It was noted that rate increases have already been passed for the next five years.

***Ms. Linda Bridwell moved to approve the Fund A loan A15-032 in the amount of \$3,731,000 to the City of Frankfort with the standard conditions. Mr. Jeff Derouen seconded, and the motion received all "aye" votes.***

5. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A15-046) IN THE AMOUNT OF \$1,420,000 TO THE CITY OF HARRODSBURG, MERCER COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of Harrodsburg requested a Fund “A” loan in the amount of \$1,420,000 for the Wastewater Collection System Rehabilitation project. The project will rehabilitate 2,170 linear feet of sewer lines across the Blue Ridge, Cardwell, Green Acres and Brentwood neighborhoods. Repair efforts will include cleaning existing piping, video inspection, manhole and line repairs and pipe lining if necessary. The project will remove existing debris, points of inflow and infiltration, and improve the hydraulics of the system. It is estimated that the City will be required to adjust rates in the future, with specific minimum rates being prescribed by Rural Development.

***Mr. Sam Ruth moved to approve the Fund A loan A15-046 in the amount of \$1,420,000 to the City of Harrodsburg with the standard conditions. Ms. Linda Bridwell seconded, and the motion received all “aye” votes.***

5. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B15-002) OF \$358,000 TO THE BRACKEN COUNTY WATER DISTRICT, BRACKEN COUNTY, KENTUCKY**

Ms. Jami Johnson presented the project to the Board. The Bracken County Water District (BCWD) requested a \$358,000 Fund "B" loan for the KY 19 Master Meter to Kelly Ridge Project. This project will replace approximately 8,500 feet of 4" asbestos cement (AC) line that was originally installed in the 1960's with the original construction of the system. New eight inch PVC lines will replace the old AC lines from the master meter on KY 19 to Kelly Ridge. The master meter was replaced in 2006 but continued to use the original master meter valve pit. The original master meter valve pit will be replaced. Also, there are not current flush hydrants in this area. Five flush hydrants will be added to the area with the improvements.

***Mr. Ron Lovan moved to approve the Infrastructure Revolving Fund B loan B15-002 in the amount of \$358,000 to the Bracken County Water District with the standard conditions. Ms. Linda Bridwell seconded, and the motion was approved with Mr. Jeff Derouen abstaining.***

6. **A 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 (F14-036) OF \$3,230,000 TO THE CITY OF LEBANON F/B/O LEBANON WATER WORKS CO., MARION COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Jami Johnson, KIA, presented the project to the Board. The City of Lebanon f/b/o Lebanon Water Works Co. (LWWC) is requesting a \$3,230,000 Fund “F” loan for the Marion Taylor Interconnect Project. The project will construct a 50,000 linear foot (LF) 12-inch water main from the Taylor County line (City of Campbellsville) to the Lebanon By-Pass Industrial Park. The proposed route will follow US 68 into Lebanon and connect to an existing 16" main. The connection with Campbellsville will supplement its

supply with approximately 500,000 gallons per day and potentially more during emergencies. A separate loan request to KIA is being submitted to the KIA Board for approval on December 4, 2014 from the City of Campbellsville for their portion (WX21217023) of the proposed project.

Mr. Jeff Derouen asked if the Lebanon Water Works Co. is an eligible government entity. It was explained that the loan will be to the City of Lebanon for the benefit of LWWC, which is wholly owned by the City of Lebanon. In response to a question from Ms. Linda Bridwell, Mr. John Covington replied that the Authority typically makes loans to the city. Mr. Derouen confirmed that this loan to the City of Lebanon and a proposed loan to the City of Campbellsville are connected projects, with each entity building toward each other.

***Ms. Linda Bridwell moved to approve the Fund F Loan F14-036 in the amount of \$3,230,000 to the City of Lebanon f/b/o Lebanon Water Works Co. with the standard conditions and the special condition that the City of Lebanon f/b/o of the Lebanon Water Works Co. shall enter into a wholesale purchase agreement with the City of Campbellsville for a minimum water purchase amount that will support debt service and the additional operating expenses that result from the Campbellsville project, F15-013, (approximately \$500,000 per year.) Ms. Lona Brewer seconded, and the motion was unanimously approved.***

7. **A 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 (F15-013) OF \$6,428,000 TO THE CITY OF CAMPBELLSVILLE, TAYLOR COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Jami Johnson, KIA, presented the project to the Board. The City of Campbellsville requested a \$6,428,000 Fund "F" loan for the Regional Water System Improvements Project. The project will construct a one million gallon storage tank, 40,000 linear feet (LF) of twelve inch transmission line, and a 700 gallon per minute booster pump station that will permit the City to provide water to the Lebanon Water Works Co. (LWWC). LWWC experiences supply constraints during high use / low rainfall periods while the City of Campbellsville has excess production capacity. A separate loan request is being submitted to the KIA Board for approval on December 4, 2014 from the City of Lebanon f/b/o Lebanon Water Works Co. for their portion (WX21155039) of the proposed project. The City's water treatment plant has a design capacity of 9.0 million gallons per day with average daily production of 3.2 million gallons per day. The significant gap in plant utilization is due to multiple business closures during the late 1990's, particularly Fruit of the Loom, which employed 4,200 at one time and closed in 1998. The proposed project will increase production by 16%, or 500,000 gallons per day. In response to an inquiry from Ms. Linda Bridwell, Mr. John Covington explained the existing excess capacity of the Campbellsville facility.

***Mr. Sam Ruth moved to approve the Fund F Loan F15-013 in the amount of \$6,428,000 to the City of Campbellsville with the standard conditions and the special condition that the City of Campbellsville shall enter into a***

***wholesale purchase agreement with the City of Lebanon f/b/o of the Lebanon Water Works Co. for a minimum water purchase amount that will support debt service and the additional operating expenses that result from the Campbellsville project (approximately \$500,000 per year.) Ms. Linda Bridwell seconded, and the motion was unanimously approved.***

8. **A 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 (F15-002) OF \$8,000,000 TO THE MONROE COUNTY WATER DISTRICT, MONROE COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Mr. Jeff Abshire, KIA, presented the project to the Board. The Monroe County Water District (“District”) requested an \$8,000,000 Fund “F” loan for the Regional Water Treatment Plant and System Improvements Project. The project will construct a new raw water intake on the Cumberland River, a 600,000 gallon water storage tank, one pump station, transmission lines and a two million gallon per day water treatment plant. Plans and specifications for the water treatment plant are substantially complete and were grant funded as a component of other water system improvements projects. The final plant design will permit a one million gallon per day expansion if demand increases. The District has secured a water withdrawal permit through the Division of Water (DOW) and the Army Corps of Engineers. The project ranked second out of sixty-seven projects by the DOW for the 2015 funding cycle and has consistently ranked high in previous funding cycles. The District has frequently been unable to provide required water demand during peak or drought periods, and has been subject to periodic Notices of Violation from the Division of Water. The District purchases water from the City of Tompkinsville and has unsuccessfully attempted to partner with the city on a regional solution to its issues.

Ms. Linda Bridwell asked if the City of Tompkinsville could be incorporated later if the situation changes. John Covington explained that the Monroe County Water District project was scaled back slightly to reduce costs with no involvement of the City of Tompkinsville, but it was designed so that it can be expanded should a partnership with the city be possible later.

***Mr. Ron Lovan moved to approve the Fund F Loan F15-002 in the amount of \$8,000,000 to the Monroe County Water District with the standard conditions and the special condition that the Monroe County Water District will obtain Public Service Commission approval for rates sufficient to fund projected operating expenses and debt service for the District. Ms. Linda Bridwell seconded, and the motion was approved with Mr. Jeff Derouen abstaining.***

9. **RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS 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
Lexington-Fayette Urban County Government	A15-026	\$36,000,000
City of Frankfort	A15-032	\$ 3,731,000
City of Harrodsburg	A15-046	\$ 1,420,000
Bracken County Water District	B15-002	\$ 358,000
City of Lebanon fbo Lebanon Water Works Co, Inc.	F14-036	\$ 3,230,000
City of Campbellsville	F15-013	\$6,428,000
Monroe County Water District	F15-002	\$8,000,000
City of Fleming-Neon	F1 15-018	\$ 143,616
Symsonia Water District (<10% Increase)	B12-07	\$ 329,016

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

## II. EXECUTIVE DIRECTOR'S REPORT

In his Executive Director's Report, Mr. John Covington reported on issues discussed at the recent conference of the Council of Infrastructure Financing Authorities. He informed the board that twenty-three Fund A loan applications have been accepted, and three have been approved. Nineteen Fund F loan applications have been accepted, and nine have been approved. Ms. Linda Bridwell asked about situations in which a borrower might incur debt from another source that could impair their ability to repay their loan to Kentucky Infrastructure Authority. John Covington informed her that there is a requirement that the Authority is to be notified if a borrower incurs additional debt. In addition, every borrower is required to submit an annual audit for review by the Authority staff.

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

## IV. ANNOUNCEMENTS/NOTIFICATIONS

- There will not be a board meeting in the month of January.
- Next scheduled KIA board meeting:  
 Tentatively set for Thursday, February 5, 2015  
 1024 Capital Center Drive, Suite 340  
 Frankfort, Kentucky

*There being no further business Mr. Robert Aldridge moved to adjourn. Mr. Ron Lovan seconded and the motion carried unanimously. The November 6, 2014, 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

  
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Date