

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

**Meeting Date/Location:      March 1, 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  
Ms. Lona Brewer, Energy and Environment Cabinet  
(permanent proxy for Secretary Leonard K. Peters, EEC)  
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. 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. Damon Talley, representing the Kentucky Rural Water Association  
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

**Members absent:**

Mr. Jamie Link, Finance and Administration Cabinet  
(permanent proxy for Secretary Lori H. Flanery, FAC)

**Guests:**

Mr. Shafiq Amawi, Division of Water  
Mr. Paul Amburgey, E.L. Robinson Engineering  
Mr. Charles Martin, Lexington-Fayette Urban County Government  
Ms. Sheryl Chino, Green River Area Development District  
Mr. Pete Conrad, Green River Area Development District  
Mr. Bryan Kirby, CEDA, Inc.  
Mr. Charlie Scroggin, HDR Engineering  
Mr. Kerry Odle, CMW, Inc.  
Mr. Bobby Burgess, Grant County Sanitary Sewer District  
Mr. Billy Catlett, Grant County Sanitary Sewer District  
Mr. Roger Recktenwald, Kentucky Association of Counties  
Mr. Josh Nacey, Legislative Research Commission  
Mr. Joe Britt, Wells Fargo  
Mr. Ron Gastineau, Gastineau and Associates  
Mr. Peyton Mastera, City of Murray  
Mr. Todd Solomon, GRW Engineers  
Mr. Gary Larimore, Kentucky Rural Water Association  
Mr. Joe Pavoni, GRW Engineers

Mr. David Hawes, Regional Water Resource Agency  
Mr. Dean Behnke, Regional Water Resource Agency  
Ms. Cheri James, City of Olive Hill  
Mr. Ryan Eastwood, City of Ashland  
Ms. Cheryl Sullivan, Campbellsville Water and Sewer District  
Mr. David Bowles, Monarch Engineering, Inc.  
Mayor Tony Young, City of Campbellsville

## **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 February 2, 2012**

*Mr. Tom Calkins moved to approve the minutes of the February 2, 2012 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 AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A12-11) IN THE AMOUNT OF \$4,500,000 TO THE CITY OF ASHLAND, BOYD COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The City of Ashland requested a Fund A Loan in the amount of \$4,500,000 for the Thirty-Seventh Street Pump Station and Force Main replacement project. The project consists of the relocation and capacity upgrade of the pump station and upsizing and extension of the force main. This is an early action project to reduce CSO discharges from the Ashland Combined Sewer System as part of the CSO Long Term Control Plan. Current plans are for the existing capacity of the pump station to be upgraded from 2,800 gallons per minute (gpm) to 5,500 gpm. It also involves the construction of approximately 6,500 feet of twenty-four inch force main from the Thirty-Seventh Street pump station to the wastewater treatment plant. The new force main replaces the existing fourteen inch force main that currently discharges to the Combined Sewer System at Thirty-Fourth Street, which can contribute to other CSOs within the system. The project will reduce the frequency, volume and duration of CSOs from the Thirty-Seventh Street CSO (permitted outfall #004) and Thirty-Fourth

Street CSO (permitted outfall #006) which discharges into the Ohio River. The effluent from this project will discharge directly to the wastewater treatment plant. The project qualified for \$3,950,000 of Green Project Reserve funding under the Energy Efficiency category. It did not qualify for additional subsidization. The term of the loan is 20 years with a 2% interest rate and an estimated annual debt service payment of \$283,100. Both KIA and DOW staff recommended approval of the loan with the standard conditions.

***Mr. Damon Talley moved to approve the Fund A (A12-11) resolution with the standard conditions. Mr. Tom Calkins 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 (A12-12) IN THE AMOUNT OF \$46,000,000 TO THE CITY OF MURRAY, CALLOWAY COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The City of Murray requested a Fund A Loan in the amount of \$46,000,000 for the Bee Creek Wastewater Treatment Plant and Collection System Improvements Project. This multi-year project involves an upgrade and increase in capacity of the plant and collection system from 5.25 million gallons per day (MGD) to 8.75 MGD. The proposed improvements will resolve KPDES permit violations, Whole Effluent Toxicity (WET) test failures, and existing sanitary sewer overflows while providing capacity to treat current and projected flows. The project's proposed improvements include an equalization tank, new influent pump station, new screening facility, new grit removal facility, additional biological treatment capacity including biological nutrient removal (BNR) using a new vertical loop reactor (VLR), three additional clarifiers, upgraded effluent pump station, UV disinfection, storm water pump station, new RAS pump station, upgraded WAS pump station, upgraded non-potable water pump station, new sludge dewatering unit and an additional sludge holding tank. Additionally, the project will rehabilitate and upgrade the existing wastewater collection system capacity to accommodate current wastewater flows and future growth. Proposed collection system improvements include 5,200 linear feet (LF) of eight inch, 2,400 LF of ten inch, 5,300 LF of fifteen inch, 9,810 LF of eighteen inch, 12,820 LF of twenty-four inch, 6,690 LF of thirty inch and 260 LF of thirty-six inch gravity sewers, main collection system pump static upgrade including additional wet well and pumps, and 2,320 LF of eighteen inch force main. The project qualified for Green Project Reserve (GPR) funding in the amount of \$5,510,000. The breakdown of the GPR to the respective "green" categories is as follows: a) Green Infrastructure - \$10,000 (permeable pavers); b) Water Efficiency - \$15,000 (pumps to reuse treated effluent); c) Energy Efficiency - \$1,500,000 (energy efficient blowers for sludge tanks and vertical loop reactor, lighting and HVAC, influent, RAS, effluent and SW pumps; VFD on activated sludge aerators); and d) Environmentally Innovative - \$3,985,000 (biological nutrient removal for phosphorus and nitrogen, UV light disinfection to reduce chlorine exposure). The project qualified for additional subsidization in the amount of \$1,200,000. The unforgiven balance of the loan is \$44,800,000 to be repaid in 20 years with an interest rate of 1% and an estimated annual debt service payment of \$2,566,638.

Both DOW and KIA staff recommended approval of the loan with the standard conditions.

***Ms. Linda Bridwell moved to approve the Fund A (A12-12) resolution 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 AN AMENDMENT OF THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A2 09-35) FUNDED IN WHOLE OR IN PART BY THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 INCREASING THE AMOUNT TO \$433,178 TO THE GRANT COUNTY SANITARY SEWER DISTRICT, GRANT COUNTY, KENTUCKY**

**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 (A12-13) IN THE AMOUNT OF \$913,300 TO THE GRANT COUNTY SANITARY SEWER DISTRICT, GRANT COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, KIA, presented both projects to the Board.

The Grant County Sanitary Sewer District requested an increase of \$133,178 for the Fund A loan that was previously approved for \$300,000 for a new Fund A loan amount of \$433,178 from the American Recovery and Reinvestment Act of 2009 for the Phase I of a Sanitary Sewer Extension project. The increase is needed to fund unanticipated budget overages. The project will serve the Sherman area and areas north of Sherman in Grant County and will include 8,935 feet of 8" gravity sewer, 20,452 feet of force main, 7,883 feet of small diameter force main, 43 manholes and six pump stations. The project will connect 84 customers, which will eliminate septic systems, in addition to connecting Grant County Mobile Home Park (43 users) and Cincinnati Campground, which will eliminate two package sewer plants. Sewer connection will also be available to Countryside Mobile Home Park. Debt service will be funded from existing revenues and the increased customer base. The loan contains principal forgiveness of 52.1%. The unforgiven balance of the increased loan is \$207,492 to be repaid in 20 years with a 3% interest rate and a new estimated annual debt service payment of \$14,287. Both DOW and KIA staff recommended approval of the loan increase with the standard conditions and the additional ARRA conditions.

The Grant County Sanitary Sewer District requested a Fund A loan in the amount of \$913,300 for the Wastewater Treatment Plant Improvements project. The project involves various wastewater treatment plant improvements including the installation of a 60,000 gallon sludge digester, conversion of four existing 11,250 gallon digesters to be part of the extended aeration plant, sludge press with building, flow splitter with bar screens, replacement of blowers with quieter and more efficient ones, and grade work for the above items along with preparation

for a future 75,000 gallon expansion to the plant. Plant capacity will be increased, sludge can be processed and taken to the landfill, bar screens and the splitter will prevent back-up in the existing sewer gravity lines, and electricity consumption will be reduced as a result of this project. The project did not qualify for Green Project Reserve funding and it did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 3% and an estimated annual debt service payment of \$62,885. Both DOW and KIA Staff recommended approval of the loan with the standard conditions.

Mr. Jerry Weutcher noted for the record that since both loans will have to obtain approval from the Public Service Commission he would abstain from voting.

***Mr. Tom Calkins moved to approve the Fund A (A2 09-35) resolution with the standard conditions and the additional ARRA conditions. Ms. Linda Bridwell seconded, and the motion carried unanimously, with Mr. Jerry Weutcher abstaining.***

***Mayor David Cartmell moved to approve the Fund A (A12-13) resolution with the standard conditions. Ms. Linda Bridwell seconded, and the motion carried unanimously, with Mr. Jerry Weutcher abstaining.***

**4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AN AMENDMENT OF THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A10-13) INCREASING THE AMOUNT TO \$5,790,500 TO THE REGIONAL WATER RESOURCE AGENCY, DAVIESS COUNTY, KENTUCKY**

**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 (A12-14) IN THE AMOUNT OF \$357,335 TO THE REGIONAL WATER RESOURCE AGENCY, DAVIESS COUNTY, KENTUCKY**

**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 (A12-15) IN THE AMOUNT OF \$1,586,875 TO THE REGIONAL WATER RESOURCE AGENCY, DAVIESS COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, KIA, presented the three projects to the Board.

The Regional Water Resource Agency (RWRA) requested an increase of \$1,785,500 to the previously approved \$4,005,000 Veterans Drive project for a new Fund A loan amount of \$5,790,500. This increase will fund an upgrade to the Locust Street Pump Station which will finalize capacity improvements needed for transport of additional combined sewage to the Max Rhoad's Treatment Plant for secondary treatment. Recent improvements at this plant will enable RWRA to

treat the additional combined sewage that is generated through the Veterans Drive project. The Locust Street Pump Station is located on a property that is slated to become Owensboro's new Convention and Events Center along with a new hotel facility. Based on the construction schedule of these facilities it is prudent to proceed with the rehabilitation and upgrade of the pump station prior to, or in conjunction with, construction occurring on the adjacent properties. The original loan request in the amount of \$4,005,000 was to complete two projects at Dublin Lane and at Veterans Drive. RWRA is under enforcement with the Commonwealth of Kentucky (September 5, 2007) to mitigate combined sewer overflows. The project did not qualify for Green Project Reserve funding and it did not qualify for additional subsidization. The new loan will have the same term of the original loan of 20 years with an interest rate of 1% and a new estimated annual debt service payment of \$331,744. Both DOW and KIA staff recommended approval of the loan increase with the standard conditions.

The RWRA requested a Fund A loan in the amount of \$357,335 to complete the Locust Hills Sewer Extension project. The primary impacts of the project will be to provide service to unsewered properties. This project proposes the extension of sanitary sewers throughout the Locust Hills subdivision. The neighborhood is currently served by separate septic systems. The project will require the installation of approximately 7,300 feet of eight inch PVC gravity sewers, thirty-six manholes and a lift station near Thurston Dermont Road with 1,300 feet of PVC force main to discharge into the new gravity sewer system that will be constructed west of the ridge in the middle of the subdivision. The flow from this neighborhood will be routed through the existing public collection system in the Thoroughbred East subdivision, ultimately being treated at the Owensboro East Wastewater Treatment Plant. This project will serve seventy-three lots within the subdivision, although three of the lots currently have service via a pump station in nearby Bordeaux Loop subdivision. Completion of this project will also result in the elimination of the pump station which currently serves approximately fifty customers. The project did not qualify for Green Project Reserve funding and it did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 2% and an estimated annual debt service payment of \$22,481. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

The RWRA requested a Fund A loan in the amount of \$1,586,875 to complete various slip linings throughout the system. The primary impact of the project will be to rehabilitate existing lines to reduce infiltration and inflow. This project involves rehabilitation work that will aid in reducing I&I thus extending the life of the affected mains and reducing CSOs. Failing areas will be identified by televising the mains then the highest priority areas will be slip lined. The project did not qualify for Green Project Reserve funding and it did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 1% and an estimated annual debt service payment of \$90,914. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

***Mr. Damon Talley moved to approve all three Fund A resolutions for A10-13, A12-14 and A12-15, with the standard conditions. Mr. Ron Lovan seconded, and the motion carried unanimously.***

**5. 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 (A12-14) IN THE AMOUNT OF \$1,930,000 TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, FAYETTE COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The Lexington-Fayette Urban County Government (LFUCG) requested a Fund A Loan in the amount of \$1,930,000 for the acquisition of the Blue Sky Wastewater Treatment Plant. LFUCG is developing plans to eliminate the WWTP and replace it with a sanitary pumping station and force main. Existing flows would be conveyed to KY0021504. This would resolve existing compliance issues. The system was under sanctions from previous enforcement actions that were initiated by the State. This project is a proposed State Supplemental Environmental Project that was negotiated by LFUCG and the Energy and Environment Cabinet. The project did not qualify for Green Project Reserve funding and it did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 2% and an estimated annual debt service payment of \$121,419. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mr. Jerry Weutcher asked if LFUCG was going to apply to the Public Service Commission (PSC) for approval of the sale and acquisition of the Blue Sky Wastewater Treatment Plant. Mr. Charles Martin from LFUCG answered that the acquisition closed the end of February, approval from the PSC had not been sought beforehand but they would get with their attorneys on the issue. Mr. Weutcher made a motion to add a condition to the loan that before the loan closes LFUCG obtain approval from PSC for the acquisition and submit that approval to KIA staff. Ms. Williams noted that this condition is a standard condition listed in the Conditional Commitment Letter but would add as a special condition the following: The Lexington Fayette-Urban County Government shall comply with KRS 278.020 as applicable.

***Ms. Linda Bridwell moved to approve the Fund A (A12-16) resolution with the standard conditions and the added special condition that LFUCG obtain approval from the PSC before the loan closes. Mr. Tom Calkins seconded, and the motion carried unanimously.***

**6. 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 (F12-03) LOAN IN THE AMOUNT OF \$1,875,000 TO THE CITY OF CAMPBELLSVILLE, TAYLOR COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the Board. The City of Campbellsville requested a Fund F loan in the amount of \$1,875,000 for the Waterline Improvements project. This project involves the replacement of approximately 24,000 LF of two inch and smaller piping with six inch piping. The lines experience leaks, particularly during freeze / thaw conditions. Also the restrictions inside the pipes along with the small size result in

low pressure during peak demand. The lines that are scheduled for replacement are galvanized and the condition is so poor that making repairs to them results in additional damage due to the disturbance of the line. Some of the lines are in narrow alleys and streets or very close to or under buildings making it difficult for the city to perform work on them. The few shutoff valves that are known to exist are mostly inoperable resulting in the inability to shut off the water system when a repair is required. Leaks are usually fixed under pressure due to this and the fact that there is no way to isolate the system. In extreme cases the water tanks have been shut off just to isolate one area where a repair is required. All new lines will be equipped with a gate valve on each end and each segment will have a hydrant that can be used to flush the individual line without affecting other connected areas of the water system. The project qualified for Green Project Reserve funding for \$1,875,000 under the “green” category of Water Efficiency. The project qualified for additional subsidization in the amount of \$656,250. The unforgiven balance of the loan is \$1,218,750 to be repaid in 20 years with a 1% interest rate and an estimated annual debt service payment of \$70,433. Both DOW and KIA staff recommended approval of the loan with the standard conditions and the following special conditions: 1) KIA shall receive a copy of a resolution on or before July 1, 2012 restricting \$300,000 in funds for the Debt Service Reserve for the KIA Loan F12-03. These funds will be made available by released reserve funds from a recently repaid KLC loan; 2) No later than July 1, 2012, the City shall provide documentation reflecting the account number and balance of the location where the \$300,000 in debt service reserve funds are being held. This account should be classified as restricted; 3) Prior to February 1, 2013, the City shall have a User Rate Study for water and sewer rates conducted by an independent third party; 4) Prior to February 1, 2013, the City shall provide a copy of a User Rate Study results to KIA; and 5) The City further covenants and agrees that if such rate study results reflect the need for an increased rate adjustment that they will implement any such adjustments no later than May 1, 2013.

***Mr. Joe Kelly moved to approve the Fund F (F12-03) resolution with the standard conditions and the special conditions indicated in the staff recommendations. Mr. Damon Talley seconded, and the motion carried unanimously.***

**7. 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 (F12-05) LOAN IN THE AMOUNT OF \$922,850 TO THE CITY OF CENTERTOWN, OHIO COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The City of Centertown requested a Fund F loan in the amount of \$922,850 for the Water System Improvements - Phases III and IV projects. The City is completing a major upgrade to their water distribution system. The upgrade will significantly increase storage and pressure in the system, which in large part was built in the early 1970's and consists of small diameter asbestos cement pipe. The increased pressure is expected to have an adverse effect on some of the older lines where breaks are considered likely to happen. Phase III will replace the older, predominantly four inch lines, and create better looping in

the downtown portion of the system. Phase IV includes the installation of various sized water mains. Together the projects will: 1) Replace approximately 18,000 LF of older 4-inch main with new 6-inch main from the intersection of KY 69 and KY 85 to the Kronos area (past Matanzas Road); 2) Install approximately 12,000 LF of new 4-inch main along Matanzas Road from KY 69 to Kirtley River Road; 3) Install approximately 6,500 LF of new 3-inch water main along Kirtley River Road from where it intersects with Oak Grove Lane to Cave Hill Lane, then up to an existing line on KY 85 near the Big Rivers Electric Corporation DB Wilson Station; and 4) Replace approximately 2,000 LF of older 2-inch water main with new 2-inch water main on Kronos Loop (the old main was apparently constructed using improper fittings and is not in good condition). The project qualified for Green Project Reserve funding in the amount of \$380,000 under the “green” category of Water Efficiency (water line replacements). The project qualified for additional subsidization in the amount of \$322,998. The unforgiven balance of the loan is \$599,853 to be repaid in 30 years with a 1% interest rate and an estimated annual debt service payment of \$24,693. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

***Ms. Linda Bridwell moved to approve the Fund F (F12-05) resolution with the standard conditions. Mr. Damon Talley 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 A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND (F12-06) LOAN IN THE AMOUNT OF \$3,000,000 TO THE CITY OF STURGIS, UNION COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the Board. The City of Sturgis requested a Fund F loan in the amount of \$3,000,000 for the Sturgis Water System / Union County Water District Consolidation project. The project involves the elimination of finished water production at the Sturgis Water Plant by constructing an inter-connect to purchase water from the Union County Water District. The project components include building or replacing approximately 75,000 linear feet (LF) of four to ten inch PVC water lines, two pump stations, a 500,000 gallon water tank and a master meter between the two entities. The City’s existing plant has been in operation since 1978. The project will also resolve a problematic transmission line that has failed an average of once per month. The travel time of finished water will be shortened thus reducing the formation of disinfection by products while allowing City water personnel to concentrate on maintaining and improving the existing distribution system. The City is under two Agreed Orders. The first is due to violations of total Trihalomethanes (TTHM) and Total Haloacetic Acids (HAA5). The second order is due to a lack of proper record keeping and monitoring of the water treatment plant, intake structure and distribution system. Since 2004 the City has received twenty three notices of violation for TTHM and ten notices for HAA5. The project did not qualify for Green Project Reserve funding. The project did qualify for additional subsidization in the amount of \$1,050,000. The unforgiven balance of the loan is \$1,950,000 to be repaid in 20 years with a 1% interest rate and an estimated annual debt service payment of \$112,693. Ms. White noted a correction will be made to the Credit Analysis on page 172 in the Board Book.

The correct loan amount should read \$3,000,000 as the loan request. The total project cost is \$4,000,000.

Both DOW and KIA staff recommended approval of the loan with the standard conditions and the following special conditions: 1) Prior to bidding, the City must obtain a commitment from the Community Development Block Grant program or other funding source in the amount of \$1,000,000 and provide a copy of such commitment to KIA; 2) Prior to bidding, the City will provide a copy of the executed Memorandum of Agreement, in a form that is satisfactory to KIA, with the Union County Fiscal Court that provides for the County to fund both debt service and maintenance and reserve requirements for the life of the loan; 3) Prior to bidding, the City will provide a copy of the executed water purchase agreement with the Union County Water District (UCWD) which will establish the rate and billing procedures as well as the Lease Agreement for the tank and lines to the master meter which will revert in ownership to UCWD once the loan is repaid; 4) The City shall have a User Rate Study for water and sewer rates conducted by an independent third party within ninety (90) days of completion of this proposed project; 5) The City shall provide a copy of a User Rate Study results to KIA upon completion; 6) The City further covenants and agrees that if such rate study results reflect the need for rate adjustments that they will implement any such adjustments no later than sixty (60) days after completion of the study; and 7) The City will include a provision in their rate ordinance to adjust rates within ninety (90) days of a purchased water rate increase imposed pursuant to their water purchase contract.

Judge Jody Jenkins noted for the record that he would abstain from voting on this project.

***Mr. Ron Lovan moved to approve the Fund F (F12-05) resolution with the standard conditions and the special conditions indicated in staff recommendations. Mr. Damon Talley seconded, and the motion carried unanimously, with Judge Jody Jenkins abstaining.***

**9. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND (B12-01) LOAN IN THE AMOUNT OF \$505,000 TO THE CITY OF OLIVE HILL, CARTER COUNTY, KENTUCKY**

Ms. Sandy Williams, KIA, presented the project to the board. The City of Olive Hill requested a \$505,000 Fund B loan for the Water System Improvements project. This project involves construction of a chemical storage building and a floating raw water intake structure and the development of a water loss reduction plan and hydraulic model of the Olive Hill Water system. The City is under an Agreed Order that requires compliance by November 2012. Two floods in 2010 resulted in significant damage to their systems and repairs were needed to make the water potable again. However, additional upgrades are still needed. The City also has a significant water loss problem and is mandated to develop a water loss reduction plan. The term of the loan is 20 years with a 1% interest rate and an estimated annual debt service payment of \$28,932. KIA staff recommended approval of the loan with the standard conditions.

Ms. Linda Bridwell asked if the Division of Water had approved the plans for this project. Mr. Paul Amburgey, E.L. Robinson Engineering Co., noted that plans were approved.

***Mr. Tom Calkins moved to approve the Fund F (F12-05) resolution with the standard conditions. Mr. Ron Lovan seconded, and the motion carried unanimously.***

**10. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND (B12-02) LOAN IN THE AMOUNT OF \$220,000 TO THE CITY OF LEWISBURG, LOGAN COUNTY, KENTUCKY**

Ms. Kasi White, KIA, presented the project to the board. The City of Lewisburg requested a \$220,000 Fund B loan for the Radio Read Meter Conversion project. The project is for the replacement of all existing water meters that are approximately forty years old with radio read meters. The newer meters will provide more accurate reporting of water use throughout the system while saving approximately five days of manual meter reading time each month. The term of the loan is 20 years with a 1% interest rate and an estimated annual debt service payment of \$12,604. KIA staff recommended approval of the loan with the standard conditions and the following special conditions: 1) No later than April 15, 2012, KIA shall receive proof of the passage of a resolution and/or ordinance by the city implementing a rate increase that will generate additional revenues of approximately \$80,000 to adequately meet all outstanding bond debt service coverage requirements as well as pay the debt service on the proposed KIA Fund B12-02 loan; and 2) The city will include a provision in their rate ordinance to adjust rates within 90 days of a purchased water rate increase imposed pursuant to their water purchase contract.

***Mr. Damon Talley moved to approve the Fund F (F12-06) resolution with the standard conditions and the special conditions indicated in staff recommendations. Ms. Linda Bridwell seconded, and the motion carried unanimously.***

**11. 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:

<b>APPLICANT</b>	<b>FUND</b>	<b>AMOUNT</b>
City of Ashland	A12-11	\$ 4,500,000
City of Murray	A12-12	\$ 46,000,000
Grant Co Sanitary Sewer District	A2 09-35	\$ 433,178
Grant Co Sanitary Sewer District	A12-13	\$ 913,300
Regional Water Resource Agency	A10-13	\$ 5,790,500
Regional Water Resource Agency	A12-14	\$ 357,335
Regional Water Resource Agency	A12-15	\$ 1,586,875
Lexington-Fayette Urban Co Gov	A12-16	\$ 1,930,000
City of Olive Hill	B12-01	\$ 505,000
City of Lewisburg	B12-02	\$ 220,000
City of Campbellsville	F12-03	\$ 1,875,000
City of Centertown	F12-05	\$ 922,850
City of Sturgis	F12-06	\$ 3,000,000

***Ms. Linda Bridwell moved to approve the resolution. Mr. Damon Talley 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 the handout that was given to the board regarding Proposed 2020 Grants. The 2020 Account was created with the passage of Senate Bill 409. There are still projects drawing from this account and there is an uncommitted balance \$584,262. KIA staff is looking to commit all the funds and close out the account. Eight projects have been identified that need a small amount of money for completion in a short amount of time and address the purpose of Senate Bill 409. Board members should anticipate that each project will come before the Board individually for approval in the next two months.
- B. Mr. Covington reminded the Board that the April meeting was moved from the first Thursday in April to the second Thursday, April 12, 2012.
- C. KIA staff is moving forward on the leverage bond issue and anticipate a pricing the last week of March.

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

**IV. ANNOUNCEMENTS/NOTIFICATIONS**

- Next scheduled KIA board meeting:  
 Tentatively scheduled for  
 Thursday, April 12, 2012  
 1024 Capital Center Drive, Suite 340  
 Frankfort, Kentucky

***There being no further business Mr. Ron Lovan moved to adjourn. Mr. Tom Calkins seconded and the motion carried unanimously. The March 1, 2012, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.***

Submitted by:

Sandy Williams  
Sandy Williams, Secretary  
Kentucky Infrastructure Authority

3-30-12  
Date