

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

Meeting Date/Location: February 7, 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. Sam Ruth, 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. C. Ronald Lovan, representing the American Water Works Association
Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. Jody Jenkins, Union County Judge/Executive, representing the Kentucky
Association of Counties
Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities

Members absent:

Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. Marty T. Ivy, representing the Kentucky Municipal Utilities Association

Guests:

Ms. Anshu Singh, Division of Water
Mr. Kerry Odle, CMW, Inc.
Mr. John C. Clark, Madison County Utility District
Mr. Joe Schepers, City of Owensboro
Mr. Bob Sturdivant, HDR Engineering
Mr. Dean Behnke, Regional Water Resource Agency
Mr. Ron Scott, City of Danville
Mr. Earl Coffey, City of Danville
Ms. Sheryl Chino, Green River Area Development District
Mayor Bernie Hunstad, City of Danville
Mr. Tony Thompson, Bullitt County
Mr. Richard Harrison, Northern Kentucky Water District
Mr. Roger Recktenwald, Kentucky Association of Counties
Ms. Jennifer Kantner, Office of Financial Management
Ms. Ruth Webb, 1st Kentucky Securities
Mr. Jerry Kennedy, Bullitt County Sanitation District
Mr. Ray Bascom, HMB Professional Engineers, Inc.
Mr. Jeff Reynolds, HMB, Professional Engineers, Inc.

Mr. Dennis Golem, Wells Fargo
Ms. Annette Dupont, Kentucky Municipal Utilities Association
Mr. Bill Scalf, City of Frankfort
Mr. Joe Burns, Kentucky Rural Water Association
Mr. Bob Peterson, City of Frankfort
Ms. Laura Jefferson, Buffalo Trace Area Development District
Ms. Cindy McDonald, Division of Water
Ms. Bill Tom Stone, Electric Plant Board of the City of Vanceburg
Mayor Chris McGlone, City of Vanceburg
Mr. Danny Enix, Electric Plant Board of the City of Vanceburg

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 December 6, 2012

Mr. Damon Talley moved to approve the minutes of the December 6, 2012 regular board meeting. Judge Jody Jenkins seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

1. KENTUCKY WATER MANAGEMENT PLAN

Mr. John Covington, KIA, presented to the Board a draft of the Kentucky Water Management Plan. The Kentucky Infrastructure Authority was given the authority to generate a Kentucky Water Management Plan under the passage of Senate Bill 409 and staff had worked for the past 4 years to compile the document presented to the board members at this meeting. The goal of KIA staff was to convert the actual paper document to an online document that could be updated as needed with links for specific information about each project referenced. The plan contains the Authority's evaluation of each area development district's project rankings and an evaluation of the criteria used for the rankings by the water management councils. The document was created using the WRIS. The document presented is the first version and Mr. Covington stated that the board members would have 30 days to review the plan and make comments; and it would then be presented at the next meeting for approval.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING APPROVAL FOR THE FILING OF AN APPLICATION WITH THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY FOR THE FEDERAL FISCAL YEAR 2013 CAPITALIZATION GRANT FOR THE WASTEWATER REVOLVING FUND

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING APPROVAL FOR THE FILING OF AN APPLICATION WITH THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY FOR THE FEDERAL FISCAL YEAR 2013 CAPITALIZATION GRANT FOR THE DRINKING WATER REVOLVING FUND

Ms. Sandy Williams, KIA, presented the requests to the board for permission to apply with the United States Environmental Protection Agency (EPA) for the Federal Fiscal Year 2013 Federal Capitalization Grants for the Wastewater Revolving Fund and the Drinking Water Revolving Fund. The Authority was notified in January by EPA that the initial funding for the 2013 Wastewater and Drinking Water State Revolving Capitalization Grant was available under the Continuing Resolution (CR) that extends from October 1, 2012, through March 27, 2013. EPA Region IV had requested that the Authority apply for the capitalization grant funds that are available under the CR so they can have those awards before the CR expires. The 2013 Wastewater National State allotment is \$674,797,000 and Kentucky's share of that allotment under the half year CR is \$8,317,000. Because it is under the CR, rules from the 2012 Capitalization Grant will continue to apply which includes that 10% of the capitalization grant amount must be designated for green projects. Because the funding awarded is only for half of the year, the 2013 Wastewater SRF will contain no additional subsidization provision. For every year the additional subsidization requirement has been attached to the Wastewater SRF it was only applied to the amount of the national funding that was in excess of \$1,000,000,000. The additional subsidization provision will come into effect only if there is a full year appropriation or a yearlong CR that would increase the amount of available funding. Kentucky's allotment under the half year CR for the 2013 Drinking Water SRF is \$5,987,000. The additional subsidization requirement for the Drinking Water program is not less than 20% but not more than 30% of the funds that are available through the capitalization grant. The resolutions presented are a required part of the capitalization grant application packets and KIA staff recommended approval of the resolutions.

Mr. Ron Lovan moved to approve both resolutions to submit applications for the 2013 Wastewater Capitalization Grant and the 2013 Drinking Water Capitalization Grant. Mr. Damon Talley 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 A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A13-011) IN THE AMOUNT OF \$8,000,000 TO THE CITY OF FRANKFORT, FRANKLIN COUNTY, KENTUCKY

This project was presented to the KIA Board on December 6, 2012. A motion was made and approved for the project to be tabled until the next KIA Board Meeting. Ms. Sandy Williams, KIA, asked that the project be removed from the table for consideration.

Ms. Anshu Singh, DOW, and Ms. Sandy Williams, presented the project to the Board. The City of Frankfort requested an \$8,000,000 Fund A loan for the Sewer Equalization Facilities project. The project involves the construction of a 10 million gallon equalization basin for the City's sanitary sewer system. The wastewater treatment plant is designed for 9.9 million gallons per day (MGD) of incoming sewer flow but can accommodate 23 MGD for short periods of time. However, during prolonged heavy rain events the WWTP exceeds its capacity which contributes to combined and sanitary sewer overflows in the collection system. Upon completion three SSO's in or near residential areas are expected to be eliminated. A public meeting was held in January 2013 to discuss the project and answer attendees' questions and there were no objections made. The City did not receive any written comments during the public period. 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. The cost to implement the projects necessary to comply with the Consent Judgment is estimated in excess of \$75 million and will take over ten years to complete. The project qualified for Green Project Reserve funding under the following categories: \$600,000 for Energy Efficiency and \$7,400,000 for Environmentally Innovative. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 1.75% and a total estimated annual debt service payment of \$491,805. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mr. Damon Talley moved to approve the Fund A (A13-011) resolution with the standard conditions. Mr. Ron Lovan 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 WASTEWATER REVOLVING FUND LOAN (A13-017) IN THE AMOUNT OF \$1,655,565 TO THE REGIONAL WATER RESOURCE AGENCY, DAVIESS COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Mr. John LeFevre, presented the project to the Board. The Regional Water Resource Agency requested a \$1,655,565 Fund A loan for the Sunrise Drive Sewer Extension project. The project involves the extension of sanitary sewer service to the Sunrise Drive area to provide service to thirty-four unserved residential properties. The extension (approximately 4,000 linear feet of eight inch PVC) will facilitate additional expansion to other unserved areas as funding become available. The project also separates and redirects remaining storm flows that exist in the Old Hartford Road East combined sewer system. The project did not qualify for Green Project Reserve funding and did not qualify for additional subsidization. The term of the loan is 20

years with an interest rate of 1.75% and a total estimated annual debt service payment of \$101,777. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Ms. Lona Brewer moved to approve the Fund A (A13-017) resolution with the standard conditions. Mr. Sam Ruth 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 DRINKING WATER REVOLVING FUND (F13-011) LOAN IN THE AMOUNT OF \$4,000,000 TO THE CITY OF DANVILLE, BOYLE COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Ms Sandy Williams, KIA, presented the project to the Board. The City of Danville requested a \$4,000,000 Fund F loan for the Water Treatment Plant and Raw Water Intake project.

The project involves the renovation and expansion of the City's water treatment plant and raw water intake, a capacity increase from 10 to 12 million gallons per day (MGD) and the addition of advanced treatment methods. The design will permit capacity to be increased to 15 MGD if required in the future. The project will ensure compliance with the EPA's Stage 2 Disinfectants / Disinfection By-Products Rule. The existing plant was constructed in 1924 with subsequent renovations or expansions in 1952, 1957, 1966, 1983, and 1990 and is deteriorating. The project includes the following components: (1) New raw water pump station and intake line to provide needed redundancy to the system; (2) Replace chemical feed, storage building and HVAC system. The current facility is not sized to supply the expanded capacity. The new feed system will accommodate liquid chemicals (current system is dry feed) which will reduce operating expenses because liquid chemicals can be purchased in bulk for less than their dry feed counterparts. Additionally, maintenance associated with liquid feed systems is less than dry feed systems. The HVAC units in the existing building are also inefficient and / or non-functioning; (3) Install clarification system with lamella plate settlers which will produce a single hydraulic grade across the clarification basins to encourage even flow distribution and better performance. The existing flocculators and sedimentation basins in the pre-1966 section are deteriorating and need to be replaced while the newer section is also exhibiting signs of concrete deterioration and equipment replacement needs; (4) Replace filters in the pre-1966 section that are at the end of their useful life with seven filters that will use conventional mixed media granular filtration. The new filters will be comparable in size to the existing filters in the newer section and will enable the plant to meet KDOW redundancy requirements. The filter building will also be renovated; (5) Add a 1,00,000 gallon clearwell to achieve the recommended total clearwell storage volume of 15% of treatment capacity; and (6) Install granular activated carbon (GAC) post-filter contactors for trace organic compound reduction as well as taste and odor reduction. Approximately 26% (400 million gallons) of water sold is at an average of \$1.61 per thousand gallons to wholesale customers which include the Parksville Water District, Garrard County and Lake Village Water Associations, and Hustonville Water Works. The last wholesale rate adjustment was in the late 1990's. Wholesale rates are

expected to increase about 15% at the beginning of fiscal 2015. A cost of service study will be conducted in late fiscal 2014 to determine the final proposed amount which will require PSC approval. A retail rate increase of approximately 40% was effective in July 2011.

The project qualified for additional subsidization in the amount of 10% or \$400,000. The 2012 Drinking Water capitalization grant does not contain a “green” requirement. The unforgiven balance of the loan is \$3,600,000 to be repaid in 20 years with an interest rate of 1.75% and an estimated annual debt service payment of \$223,112. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mayor David Cartmell moved to approve the Fund F (F13-011) resolution with the standard conditions. Mr. Ron Lovan 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 (F13-023) LOAN IN THE AMOUNT OF \$856,528 TO THE MADISON COUNTY UTILITY DISTRICT, MADISON COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Mr. John LeFevre, KIA, presented the project to the Board. The Madison County Utility District requested an \$856,528 Fund F loan for the MCUD Improvements Phase 4 project. The project is for various waterline improvements throughout the Madison County Utility District. Approximately 24,500 linear feet of older three and four inch ductile iron lines will be replaced with six and eight inch PVC lines. This will fix numerous leaks and service outages and will substantially reduce the number of boil water advisories. The project will also loop a dead end line in one location to improve water flow. The areas affected by this request include the Cedar View Hills Subdivision, Charles Norris Road, Bumstark Road, Hackett Pike, and Wild Goose Subdivision. The District is regulated by the Public Service Commission and serves approximately 10,000 customers. All finished water is purchased from Richmond Utilities at \$2.99 per thousand gallons. The 2012 Drinking Water Capitalization grant does not contain a “green” requirement. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 2.75% and an estimated annual debt service payment of \$58,106. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mr. Damon Talley moved to approve the Fund F (F13-023) resolution with the standard conditions. Ms. Lona Brewer seconded, and the motion carried unanimously with Mr. Jerry Weutcher abstaining. Mr. Weutcher abstained due to the fact that the loan will have to come before the PSC for approval.

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 (F13-032) LOAN IN THE AMOUNT OF \$850,000

TO THE CITY OF VANCEBURG f/b/o VANCEBURG ELECTRIC PLANT BOARD, LEWIS COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The City of Vanceburg f/b/o Vanceburg Electric Plant Board requested an \$850,000 Fund F loan for the Vanceburg Water Supply Wells project. The project involves the construction of a new raw water production well and SCADA System and the installation of approximately 1,550 radio read meters. The well will enhance the water supply for the City and facilitate the future proposed interconnection of area water systems. The radio read meters will be installed at rural customer locations that do not have other City utility services and will eventually reduce contract labor costs by about \$18,000 annually. The City uses two wells that are about fifty years old and has recently acquired additional property with the intention of utilizing it as an expansion of their well field. There are also discussions of consolidating regional water systems with Vanceburg becoming the major supplier of water in the area. The project qualified for additional subsidization in the amount of 25% or \$212,500. The 2012 Drinking Water capitalization grant does not contain a “green” requirement. The term of the loan is 20 years with an interest rate of 0.75% and an estimated annual debt service payment of \$35,979. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mayor David Cartmell moved to approve the Fund F (F13-032) 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 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 Frankfort	A13-011	\$ 8,000,000
Regional Water Resource Agency	A13-017	\$ 1,655,565
City of Danville	F13-011	\$ 4,000,000
Madison County Utility District	F13-023	\$ 856,528
City of Vanceburg f/b/o Vanceburg Electric Plant Board	F12-032	\$ 850,000

Mr. Damon Talley moved to approve the resolution. Ms. Lona Brewer seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR'S REPORT

Mr. John Covington, KIA, brought to the Board's attention a situation in Bullitt County and felt it was justified to make the Board aware of a project which may potentially involve a change in the basic operations of the Board. The unique situation involves a trailer park in the Big Valley Sanitation District which is in an economically distressed area in Bullitt County. The lagoon system is failing and the mechanism that allows the lagoon system to properly treat the effluent is not functioning. It has not been maintained and the security measures around the lagoon have disappeared. Division of Water has been involved and has tried to take action against the alleged property owner of the lagoon system. The alleged property owner has passed away and the estate claims that the gentleman did not own the property. At this point it is an orphaned utility. PSC is in the process of taking action to declare it an abandoned utility and is seeking a Receiver to take responsibility for the utility. They filed an action in Franklin Circuit Court seeking an appointment of a Receiver. Discussions have been held with Bullitt County Sanitation District about that responsibility and the District is seriously considering accepting the role as Receiver and taking responsibility of doing the repairs needed. They are considering committing up to two years to maintain the system. The Bullitt County Sanitation District has determined that in order be Receiver for the next two years they would need \$12,000 annually to operate the system and they would need approximately \$90,000 for capital improvements to make the system functional. The Bullitt County Fiscal Court has agreed to provide the annual operating subsidy for the utility. Bullitt County Sanitation District has requested from KIA the capital infusion in order to do the repairs to the lagoon. There have been meetings and conversations with Mr. Jerry Kennedy from the Bullitt County Sanitation District, PSC, and Roger Recktenwald from the Kentucky Association of Counties, to address any concerns and to evaluate how to structure the commitment before the request is brought before the KIA Board. Mr. Covington requested the Board to take under consideration whether a precedent should be established in making a Fund B loan, grant, or loan/grant combination for a significant environmental and health issue that would require a certain amount of capital. The Board discussed the situation surrounding the lagoon system and the problems that have developed from the failing system. Mr. Covington hoped to have the request brought before the board at the next month's meeting.

Mr. Covington commented on an email he had previously sent to all board members regarding questions asked at board meetings. He didn't want it to be interpreted as discouraging the board members from asking questions. Because KIA Staff want to present a project to the Board in the best way possible and provide as much information as possible to the board members during a meeting, Mr. Covington suggested that, after reviewing the board packet that is distributed before each meeting, the board members should feel free to contact KIA staff before the meeting if they find there are questions about a project or if they desire more information. KIA staff is fully aware there will always be questions that come about as part of the discussion of a project at board meetings that were not anticipated.

KIA is in the process of procuring a Financial Advisor. The RFP has been issued and responses are due by the last week of the month. Although KIA was not authorized to issue bonds when the budget was passed for the current funding cycle, there are other services that a financial advisor can provide that are very valuable.

Mr. Covington noted that the March Board Meeting will be held at the regular time. The April board meeting is scheduled to fall in the first week of April which is also Spring Break week for many. He asked the board members to check their schedules for April to see if they would be able to attend. There will be an April board meeting unless a quorum cannot be reached or if there are no projects to be presented. Mr. Covington also noted that the July Board Meeting is currently scheduled for July 4th, which is the first Thursday of the month. He expected that meeting will be rescheduled to the second Thursday in July or canceled.

Mr. Ron Lovan commended KIA Staff for adding to the board book a one page summary entitled "Amounts Available to Loan" which is found at the beginning of the Status Reports for all the funds.

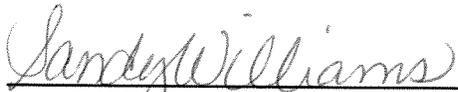
III. STATUS REPORT FOR FUNDS A, A2, B, B1, C, F, F2

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, March 7, 2013
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Mayor David Cartmell moved to adjourn. Mr. Ron Lovan seconded and the motion carried unanimously. The January 7, 2013, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Sandy Williams, Secretary
Kentucky Infrastructure Authority



Date