

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: November 10, 2011 – 1:00 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Ms. Stacia Peyton, Department for Local Government
(proxy for Commissioner Tony Wilder, DLG)
Mr. Hank List, 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
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. 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)
Secretary Larry Hayes, Economic Development Cabinet
Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities

Guests:

Mr. Ashley Willoughby, Lincoln Trail Area Development District
Mr. Bob Smallwood, GRW Engineers
Ms. Laura Gilkerson, GRW Engineers
Mr. David Duttlinger, Bluegrass Area Development District
Ms. MaDonna Hornback, City of Hodgenville
Mayor Terry L. Cruse, City of Hodgenville
Mr. John Horne, Horne Engineering
Mr. Nick Strong, Jessamine South Elkhorn Water District
Judge John Wilson, Garrard County Fiscal Court
Mr. Roger Recktenwald, Kentucky Association of Counties
Mr. Chris Keil, Strand and Associates
Mr. Chris Jones, Kenvirons
Mr. Joe Burns, Kentucky Rural Water Association
Ms. Jennifer Kantner, Officer of Financial Management
Mr. Shafiq Amawi, Division of Water
Mr. Mike Young, Qk4

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 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 October 6, 2011

Mr. Tom Calkins moved to approve the minutes of the October 6, 2011 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 2020 WATER SERVICE ACCOUNT GRANT IN THE AMOUNT OF \$52,500 TO THE GARRARD COUNTY FISCAL COURT, GARRARD COUNTY, KENTUCKY

Ms. Debby Milton, KIA, presented the project to the Board. The Garrard County Fiscal Court requested a \$52,500 grant from the 2020 Water Service Account Fund Program for a water cost of service study project. As an act of cooperation, this study is mutually supported by the City of Danville and the City of Lancaster. Water plant improvements are needed in the City of Lancaster for compliance with the 2014 disinfection byproduct rule, for capacity needs, and to eliminate an unpermitted discharge from the existing plant. Lancaster has received a \$1.23 million grant from the Economic Development Authority (EDA) which they intend to use on a new water plant if the build local option is the most cost effective. The study will determine if Lancaster can afford to build an estimated \$12 million water plant. This project meets the criteria for the 2020 Water Service Account criteria in regard to (a) regionalization, merger or consolidation of water systems in eliminating structural and administrative duplication, and (b) the project has been reviewed and approved by the Area Water Management Council. KIA staff recommended approval of this grant with the standard grant assistance agreement conditions.

Mr. Jerry Wuetcher asked that the wording in the resolution be changed from “an independent water cost of service study” to “an independent feasibility study”, to more accurately describe what the applicant wants.

Mr. Tom Calkins moved to approve the amended resolution with the standard conditions. Mr. Hank List 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 (A11-18) IN THE AMOUNT OF \$1,000,000 TO THE CITY OF BURKESVILLE, CUMBERLAND COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the Board. The City of Burkesville requested a Fund A loan in the amount of \$1,000,000 for the Sanitary Sewer System Overflow Remediation project. This project involves the design and construction of structures and improvements to the wastewater collection systems to contain and transport wet weather overflows in the City's sanitary sewer system. Improvements will include upgrading and expanding improvements to the City's main pumping station, construction of wet weather storage (equalization) and pumping at locations of the City's existing overflow location and construction of wastewater collection system rehabilitation improvements. The City currently experiences chronic overflow episodes from the sanitary sewer system during periods of wet weather. This project will contain or capture the wet-weather induced flows and transfer them to the treatment facility, thereby improving the environment and the health and welfare of the citizens. The project qualified for \$300,000 in Green Project Reserve (GPR) funding under the category of Green Infrastructure. The project also qualified for additional subsidization in the amount of \$300,000. The unforgiven balance of the loan is \$700,000 to be repaid in 20 years with an interest rate of 1% and an estimated annual debt service payment of \$40,104. DOW and KIA staff recommended approval of the loan with the standard conditions.

Mr. Jerry Wuetcher made a correction to the language in the resolution that addressed the replacement reserve account that is required for the loan. The resolution read that annual reserves of \$2,500 were to be set aside in a borrower held replacement reserve account. He suggested that language be added to specify the amount to be set aside would continue for 10 years (for a total amount of \$25,000) and then maintained for the life of the loan.

Ms. Linda Bridwell moved to approve the amended resolution with the standard conditions. The Resolution will be amended to state that \$2,500 from annual revenues must be set aside in a borrower held replacement reserve each December 1 until the balance reaches 25,000 and maintained for the life of the loan. Mr. Hank List 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 (A11-19) IN THE AMOUNT OF \$2,195,635 TO THE CITY OF BLOOMFIELD, NELSON COUNTY, KENTUCKY

Vice Chair Talley called the Board's attention to the Revised Credit Analysis for the City of Bloomfield that was added as a handout to the board packet.

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The City of Bloomfield requested a Fund A loan in the amount of \$2,195,635 for the construction of the Bloomfield Wastewater Conveyance project. The project involves the construction of two pump stations, two odor control systems, approximately ten miles of twelve inch sewer force main, and a sampling/metering station. This will permit the City to convey its wastewater to the City of Bardstown for treatment. Due to its age and technology, Bloomfield's existing treatment plant is inadequate to provide ongoing longer term treatment. The plant will be decommissioned and converted to one of two pumping stations and an equalization facility. The first pump station will be constructed at the existing WWTP and the second one will be constructed outside the city near the intersection of Highways 62 and 55. The project was developed as part of an approved Regional Wastewater Facilities Plan that was approved by the Division of Water in August 2010. It will also provide the opportunity for the unincorporated communities of Chaplin and Fairfield to be connected to sanitary sewer. These currently unserved communities have failing on-site systems that are a detriment to local water quality and public health. The project did not qualify for Green Project Reserve (GPR) funding. The project 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 \$138,130.

Both DOW and KIA staff recommended approval of the loan with the standard conditions and the following special conditions: (1) The City shall implement a sewer rate increase (or series of rate increases) to begin by January 1, 2012 and be completed by July 1, 2013. The following is an acceptable schedule, but the City may devise an alternate schedule that will produce a similar result: 100% increase by January 1, 2012; 63% increase by July 1, 2012; and a 50% increase by July 1, 2013. (2) The sewer rate increase (or series of rate increases) shall generate an increase in sewer revenue of at least \$240,000 annually by June 30, 2014. (3) The City shall provide to KIA an update to the Bardstown treatment cost estimates (based on Bardstown's 2011 audited financial statements) by no later than March 31, 2012. (4) The City shall provide to KIA an updated sewer rate analysis by no later than March 31, 2012.

Ms. Linda Bridwell moved to approve the amended resolution with the standard conditions and the special conditions indicated in the staff recommendations. The Resolution will be amended to state that \$5,500 from annual revenues must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$55,000 and maintained for the life of the loan. Mr. Hank List 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 (A11-17) IN THE AMOUNT OF \$1,635,000 TO THE CITY OF HODGENVILLE, LARUE 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 DRINKING WATER REVOLVING FUND (F11-13) LOAN IN THE AMOUNT OF \$774,183 TO THE CITY OF HODGENVILLE, LARUE COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented both projects to the Board.

The City of Hodgenville requested a Fund A loan in the amount of \$1,635,000 for the Sewer Improvements Project. The project involves the repair and replacement of failing sewer lines within the City. Scattered sites will be addressed with a primary area of concentration along Greensburg Street and through the center of town where storm water collects and causes flooding and infiltration and inflow. The project will replace approximately 6,000 linear feet of sanitary sewer and provide adequate riparian buffering and detention along stream banks and overflow areas. The project qualified for \$200,000 of Green Project Reserve (GPR) funding under the category of Green Infrastructure. The project 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 \$102,860.

The City of Hodgenville requested a Fund F loan in the amount of \$774,183 for the High School Tank Rehabilitation Project. The project involves the rehabilitation of an existing 300,000 gallon water tower (High School tank) to conform to current requirements. The tank will be temporarily taken out of service for cleaning, rust removal, repainting (interior and exterior) and interior lining. An existing tank will also be removed from service. The project will also include the upgrade of several mains (Fairview Court and Drive, Livingood Lane, Lincoln Drive, Eagle Lane, Landmark Drive and Greensburg Street). A new booster pump will be installed in the northern tank and new valves for flow control will be installed. These actions will improve water quality and flow throughout these rapidly deteriorating areas. The project qualified for \$311,500 of GPR under the category of Water Efficiency. The project 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 \$49,092.

DOW and KIA staff recommended approval of both the Fund A and Fund F loans with the standard conditions and the following special condition: the City will pass an ordinance to implement a rate increase to water and sewer rates no later than March 2012 according to the following schedule or an alternate schedule approved by the Executive Director of KIA: a 6% increase, effective July 1, 2012; a 6% increase, effective July 1, 2013; a 3% increase, effective July 1, 2014; and a 3% increase, effective July 1, 2015.

Ms. Linda Bridwell moved to approve the amended Fund A resolution with the standard conditions and the special conditions indicated in the staff recommendations. The Resolution will be amended to state that \$4,000 from annual revenues must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$40,000 and maintained

for the life of the loan. Mr. Ron Lovan seconded, and the motion carried unanimously.

Ms. Linda Bridwell moved to approve the amended Fund F resolution with the standard conditions and the special conditions indicated in the staff recommendations. The Resolution will be amended to state that \$2,000 from annual revenues must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$20,000 and maintained for the life of the loan. Mr. Tom Calkins seconded, and the motion carried unanimously.

Vice Chair Damon Talley noted for the record that he is not the City Attorney and has no financial involvement with the City of Hodgenville, he lives outside the city limits and did not consider there was any conflict of interest regarding this project.

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 (F11-11) LOAN IN THE AMOUNT OF \$1,545,000 TO THE EAST CASEY COUNTY WATER DISTRICT, CASEY COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the Board. The East Casey County Water District requested a Fund F loan in the amount of \$1,545,000 for the Waterline Extensions project. The project consists of the installation of approximately 48,500 linear feet of three inch waterline, a pump station upgrade, one pneumatic pump station and tank, one water storage tank and all necessary appurtenances. The project will serve approximately 2,500 customers located throughout the County. Thirty-five new customers will be added. The project will provide water service to sparsely populated areas that currently rely on wells, springs and cisterns. These supplies are not reliable or safe due to the mineral and fecal coli form levels. The project did not qualify for Green Project Reserve (GPR) funding. The project did qualify for additional subsidization in the amount of \$540,750 (35% of the assistance amount). The unforgiven balance of the loan is \$1,004,250 for a term of 20 years with an interest rate of 1% and an estimated annual debt service payment of \$58,037. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Ms. Linda Bridwell moved to approve the amended resolution with the standard conditions. The Resolution will be amended to state that \$3,863 from annual revenues must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$38,630 and maintained for the life of the loan. Mr. Hank List seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining. Mr. Wuetcher abstained due to the fact that this project will likely come before the Public Service Commission for approval.

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 (F11-12) LOAN IN THE AMOUNT OF \$3,025,300 TO THE JESSAMINE SOUTH-ELKHORN WATER DISTRICT, JESSAMINE COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the Board. The Jessamine South-Elkhorn Water District requested a Fund F loan in the amount of \$3,025,300 for the Northwest Main Replacement & Hydraulics and the Dixon Town Replacement. This project involves the replacement and upsizing of approximately 74,000 l.f. in areas that were originally constructed in 1972 and are currently experiencing numerous line breaks and water outages. Some of the existing stub mains will be extended to create appropriate looping configurations, thus increasing flow, residual peak flow pressure and water quality. Original meter services will be replaced with new service employing integral back flow preventers. Additionally, this project will replace, upgrade and provide fire protection through approximately 7,000 l.f. to the residents in the small community of Dixon Town in northwestern Jessamine County. Frequent breaks and undersized lines have plagued this area for years. The project qualified for \$3,025,300 of Green Project Reserve (GPR) funding under the category of Water Efficiency. The project 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 \$209,817. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mr. Tom Calkins moved to approve the amended resolution with the standard conditions. The Resolution will be amended to state that \$7,600 from annual revenues must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$76,000 and maintained for the life of the loan. Mr. Hank List seconded, and the motion carried unanimously, with Ms. Linda Bridwell and Mr. Jerry Wuetcher and abstaining. Ms. Linda Bridwell abstained because Kentucky American Water Company is a wholesale provider for the District. Mr. Wuetcher abstained due to the fact that this project will likely come before the Public Service Commission 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 (F11-14) LOAN IN THE AMOUNT OF \$4,000,000 TO THE CITY OF NICHOLASVILLE, JESSAMINE COUNTY, KENTUCKY

Mr. Tom Calkins, Director of Public Utilities/Chief Financial Officer for the City of Nicholasville, recused himself at this time and noted for the record that he would not be participating in the discussion or voting on this action before the Board.

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The City of Nicholasville requested a Fund F loan in the amount of \$4,000,000 for the Water System Improvements project. The project involves the installation of approximately 18,350 l.f. of ten inch ductile iron pipe (DIP) and

13,350 of eight inch DIP along with a 200,000 gallon elevated storage tank and booster pump station. These items are necessary to improve the City's existing distribution system in Eastern Jessamine and Fayette Counties. Rapid growth over the last several years has rendered certain portions of the system incapable of providing the demanded flows during maximum day conditions. The project will improve the static head and quantity of flow for approximately 1,100 existing customers in the service area and provide for future capacity requirements. Approximately 19,800 l.f. of DIP transmission main from the WTP to the City's distribution system will also be constructed. This will permit the City to increase pumping capacity from 7 million gallons per day (gpd) to 15 million gpd. The project is part of a 1990 master plan of improvements for the transmission / distribution system. The project did not qualify for Green Project Reserve (GPR) funding. The project 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 \$253,645. Both DOW and KIA Staff recommended approval of the loan with the standard conditions.

Vice Chair Talley noted that the Resolution in the Board Book on the bottom of page 108 would be corrected to read "24" Transmission Project" instead of "20" Backbone project".

Mr. Ron Lovan moved to approve the amended resolution with the standard conditions. The Resolution will be amended to state that \$10,000 from annual revenues must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$100,000 and maintained for the life of the loan. Judge Jody Jenkins seconded, and the motion carried unanimously, with Mr. Tom Calkins having recused himself and Ms. Linda Bridwell abstaining. Ms. Bridwell abstained because Kentucky American Water Company is a wholesale provider for the City.

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 Bloomfield	A	\$ 2,195,635
City of Burkesville	A	\$ 1,000,000
City of Hodgenville	A	\$ 1,635,000
City of Hodgenville	F	\$ 774,183
East Casey County Water District	F	\$ 1,545,000
Jessamine South-Elkhorn Water District	F	\$ 3,025,300

City of Nicholasville	F	\$ 4,000,000
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Ms. Linda Bridwell moved to approve the resolution. Mr. Tom Calkins 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 informed the Board about the ARRA project site visits from the EPA contractor, Tetra Tech. Sandy Williams and Kasi White also attended the site visits. Ms. Williams reported to the Board the reason for the site visits were to review the project documentation related to the stimulus funded loans. Compliance with Davis Bacon and Buy American requirements were reviewed and the project description that was initially submitted was then compared to the actual construction of the project. Fifteen projects were chosen from the 62 projects funded. The only issues that came from the on site visits were the following: the timing of the labor interviews related to the Davis Bacon requirements; and the Buy American documentation, specifically, with North American Pipe Company. The letters from North American Pipe Company stated that all pipe provided was made in America. EPA wanted the documentation to tie the specific batch number to the project, list the project name, and list the specific city and state where the pipe was made. The contractors recommended that the borrowers obtain the more detailed letters from their suppliers and put into their files. The information found from these on-site visits were to be used by EPA to help our borrowers make sure their records were in compliance on the chance that their files might be audited by another government agency.
- B. Mr. Covington presented a 2011 Innovation Award received by KIA from the National Association of Development Organizations for the Kentucky Water Resource Information System.
- C. Mr. Covington presented an Exemplary System Award received by KIA from the Kentucky Association of Mapping Professionals for the Kentucky Water Resource Information System "for Outstanding GIS or Mapping Program in the State of Kentucky".
- D. KIA Staff is preparing the budget submittal to the legislature.
- E. The next scheduled meeting is on the second Thursday of the month, December 8, 2011, as opposed to the first Thursday. In January, the meetings will revert back to the normal schedule, the first Thursday of each month.

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

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, December 8, 2011
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Ms. Linda Bridwell moved to adjourn. Mr. Hank List seconded and the motion carried unanimously. The November 10, 2011, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:

Sandy Williams
Sandy Williams, Secretary
Kentucky Infrastructure Authority

12-2-11
Date