

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

**Meeting Date/Location: October 3, 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

Members absent:

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

Guests:

Mr. Tom Midkiff, Office of Financial Management
Mr. Bill Scalf, Frankfort Sewer Department
Mr. Bob Blankenship, HMB Engineers
Mr. Bob Peterson, Frankfort Sewer Department
Mr. Kerry Odle, CMW, Inc.
Mr. Bobby Burgess, Grant County Sanitary Sewer District
Mr. Billy Catlett, Grant County Sanitary Sewer District
Mr. Michael Davis, Strand Associates
Mr. Josh Nacey, Legislative Research Commission
Ms. Rebecca Hall, City of Frankfort
Ms. Laura Jefferson, Buffalo Trace Area Development District
Mr. Michael Hamm, London Utility Commission
Mr. Steve Baker, London Utility Commission
Mr. Bob Porter, Office of Representative Thomas Massie
Mr. Victor Chang, Wells Fargo
Mr. John Pierce, Garrison Quincy Ky-O-Heights Water District

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 September 5, 2013

Mr. Sam Ruth moved to approve the minutes of the September 5, 2013 regular board meeting. Mr. Robert Aldridge 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 REAUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A12-01) IN THE AMOUNT OF \$1,211,449 TO THE GRANT COUNTY SANITARY SEWER DISTRICT, GRANT COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, presented the project to the Board. The Grant County Sanitary Sewer District requested reapproval of the Fund A loan for the Bullock Pen Lake Sewer Extension project in the amount of \$1,211,449. The project was originally approved by the KIA Board on January 5, 2012. The borrower was unable to complete the requirements for issuance of an assistance agreement before the extended Conditional Commitment date expired on July 5, 2013. The bids for the original project were significantly higher than anticipated resulting in a change in specifications for the project which resulted in the delay. The specification changes did not entirely offset the higher bid amounts resulting in an increase of \$49,749 to the original loan request. Both DOW and KIA staff recommended reapproval of the loan with the standard conditions.

Mr. Jerry Wuetcher asked what changes had to be made to bring the project into compliance and what was cut out of the project. Mr. Amawi stated that initially the District wanted to pick up additional customers and therefore locate the pump station a few thousand feet from the current location. The change was to leave that part out and bring the pump station closer to the existing pump station.

Mr. Ron Lovan informed the Board for the record that, since this project is a wastewater project, the Northern Kentucky Water District would have no correlation to this project and his vote would not create a conflict of interest.

Mr. Jerry Wuetcher informed the Board that since this project will have to go before the Public Service Commission for approval he will be abstaining from voting.

Mr. Robert Aldridge moved to reapprove the Fund A (A12-01) loan with the standard conditions. Mr. Sam Ruth seconded, and the motion carried unanimously, with Mr. Wuetcher abstaining.

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 (A14-006) IN THE AMOUNT OF \$4,905,000 TO THE CITY OF FRANKFORT, FRANKLIN COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Mr. Jeff Abshire, presented the project to the Board. The City of Frankfort requested a \$4,905,000 Fund A loan for the Kentucky Avenue Interceptor Renovation project. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Ms. Lona Brewer asked a question about the green project reserve funding of \$3,700,000 for energy efficiency that was reported in the Credit Analysis. She wanted to know what energy efficiency measures planned to be implemented. After the green project reserve requirements were discussed, Mr. Amawi stated that the 2013 Green Project Reserve Capitalization Grant Equivalency was not to be satisfied by this project, but would be completely fulfilled by the London Utility Commission project that was also on the agenda for this meeting. The City of Frankfort was not going to be asked to present a Business Case for this project. Mr. Michael Davis, Strand Associates, stated that the energy efficiency portion of this project involved the capturing of the CSO's and to divert the flow from the interceptor sewer to the equalization basin pump station. Mr. Bob Peterson, City of Frankfort, stated that this project will make it possible to eliminate a pump station.

Mr. Ron Lovan moved to approve the Fund A (A14-006) loan with the standard conditions. Ms. Lona Brewer 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 (A14-010) IN THE AMOUNT OF \$3,765,250 TO THE CITY OF LONDON f/b/o LONDON UTILITY COMMISSION, LAUREL COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, presented the project to the Board. The City of London f/b/o London Utility Commission requested a \$3,765,250 Fund A loan for the Downtown Sewer Rehab project. Both DOW and

KIA staff recommended approval of the loan with the standard conditions.

Ms. Lona Brewer noted that the Credit Analysis stated this project did not qualify for Green Project Reserve funding. Mr. Shafiq Amawi had stated in his presentation that the project did qualify and would be required to submit a Business Case. Mr. John Covington stated that the Division of Water makes the determination of whether a project qualified for the green project reserve funding. The Credit Analysis would be corrected to reflect the correct green project reserve funding.

Mr. Ron Lovan moved to approve the Fund A (A14-010) loan with the standard conditions. Mr. Jerry Wuetcher 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 DRINKING WATER REVOLVING FUND LOAN (F13-034) IN THE AMOUNT OF \$831,000 TO THE GARRISON-QUINCY KY-O-HEIGHTS WATER DISTRICT, LEWIS COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Mr. Jeff Abshire, presented the project to the Board. The Garrison-Quincy KY-O-Heights Water District (Water District) requested a \$831,000 Fund F loan for the Well and Water Treatment Plant Improvement Project. Both DOW and KIA Staff recommended approval of the loan with the standard conditions.

Mr. Jeff Abshire noted a correction to the Executive Summary for this project under Residential Rates. The additional users' average bill should read \$44.91 for 4,000 gallons.

Mr. Abshire reported that a special condition was to be added to this project and asked Mr. Jerry Wuetcher to add his comments. Mr. Jerry Wuetcher understood that the Garrison-Quincy KY-O-Heights Water District had already filed for a rate adjustment to the Public Service Commission (PSC). He said that if the rate adjustment was granted then the additional revenues would be sufficient for the Water District to meet their debt service requirements. He also stated that the Water District will need to apply to the PSC for approval for construction and to finance any debt, and recommended submitting those applications within the next three or four months at the latest. He also stated that the Water District could request that the PSC Orders be done all at once to expedite things.

Mr. Wuetcher suggested the special condition state the following: The Water District shall receive the final order from the Public Service Commission that authorizes rates that are sufficient to meet the debt service coverage requirements of the Assistance Agreement.

Mr. Wuetcher informed the Board that since this project will have to go before the Public Service Commission for approval he will be abstaining from voting.

Mr. Ron Lovan moved to approve the Fund F (F13-034) loan with the

standard conditions and the special condition added by the KIA Board. Mr. Sam Ruth seconded, and the motion carried unanimously.

4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AND APPROVING THE ISSUANCE OF OBLIGATIONS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY TO REIMBURSE CAPITAL EXPENDITURES MADE BY GOVERNMENTAL AGENCIES PURSUANT TO LOANS MADE BY THE KENTUCKY INFRASTRUCTURE AUTHORITY TO SUCH GOVERNMENTAL AGENCIES

This is a routine resolution allowing KIA to reimburse expenses that are paid out of the Authority's funds with bond proceeds. The projects listed below are covered under this resolution:

| APPLICANT | FUND | AMOUNT |
|------------------------------------------------|-------------|---------------|
| Grant County Sanitary Sewer District | A12-001 | \$ 1,211,449 |
| City of Frankfort | A14-006 | \$ 4,905,000 |
| City of London f/b/o London Utility Commission | A14-010 | \$ 3,765,250 |
| Garrison-Quincy Water District KY-O-Heights | F13-034 | \$ 831,000 |

Mr. Jerry Wuetcher moved to approve the resolution. Mr. Ron Lovan 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 Mr. Bob Porter from Congressman Thomas Massie's office. He thanked him for attending and asked Mr. Porter to pass along KIA's appreciation to Mr. Massie for the funding for the SRF programs. All the loans that were approved at this meeting would not have been possible without federal funding. KIA is thankful for the support that is received from the federal government for this program and asked for continued support in the face of the challenging situations in Washington, D.C. Mr. Porter stated he appreciated the hospitality and the learning experience.
- B. Mr. Covington addressed the government shutdown due to the fact that the SRF programs are federally funded. He stated that the shutdown did not impact KIA in that the pay requests where funds had already been appropriated were still being paid. He explained that the money being used to fund previously approved projects had already been appropriated. All projects that will be approved now thru June 2014 will be funded from the 2013 Capitalization Grant which had also already been awarded and those funds are available. Right now the government shutdown didn't impact current funding for projects.

- C. The 2015 CWSRF and DWSRF Call for Projects are open from October 1 thru December 13, 2013. Any project seeking funding during the 2015 Funding Cycle, July 1, 2014 – June 30, 2015, would need to have project profiles submitted, updated and reviewed, and marked for funding from the SRF program.
- D. The auditors are close to completing the 2013 annual audit and anticipate the findings will be presented at the next Board meeting.
- E. Mr. Covington informed the Board that there will not be a November board meeting due to KIA staff travel. A December board meeting is still anticipated to be held.

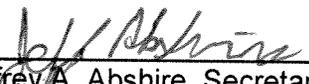
III. STATUS REPORT FOR FUNDS A, A2, B, B1, C, F, F2

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, December 5, 2013
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Mr. Sam Ruth moved to adjourn. Mr. Jerry Wuetcher seconded and the motion carried unanimously. The October 3, 2013, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Jeffrey A. Abshire, Secretary
Kentucky Infrastructure Authority

11/20/13
Date