

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

Meeting Date/Location: **April 7, 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)
Mr. Jamie Link, Finance and Administration Cabinet
 (permanent proxy for Secretary Lori H. Flanery, FAC)
Mr. Erik Dunnigan, Economic Development Cabinet
 (proxy for Secretary Larry Hayes, EDC)
Mr. Jerry Wuetcher, Public Service Commission
 (permanent proxy for Executive Director Jeff Derouen, PSC)
Mr. Damon Talley, representing the Kentucky Rural Water Association
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

Members absent:

Mr. Hank List, Energy and Environment Cabinet
 (permanent proxy for Secretary Leonard K. Peters, EEC)
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

Guests:

Mr. Len Hale, Hopkinsville Water Environment Authority
Mr. Ashley Willoughby, Lincoln Trail Area Development District
Ms. Laura Gilkerson, GRW Engineers
Mr. Bob Sturdivant, HDR Engineering
Mr. George Woolwine, HDR Engineering
Mr. Kerry Odle, CMW, Inc.
Mr. Bobby Burgess, Bullock Pen Water District
Mr. Billy Calvert, Bullock Pen Water District
Mr. Brent Shelton, MuniNet Fiber Agency
Mr. Roger Recktenwald, Kentucky Association of Counties
Ms. Samantha Gange, Legislative Research Commission
Mr. Joe Ewalt, Kentucky League of Cities
Mr. Shafiq Amawi, Division of Water

PROCEEDINGS

Vice Chair Damon Talley called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. He noted that a quorum was present and that the press had been notified regarding the meeting. He asked board members and guests to introduce themselves.

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 March 3, 2011

Ms. Linda Bridwell moved to approve the minutes of the March 3rd, 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 CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A11-07) IN THE AMOUNT OF \$500,000 TO THE CITY OF HOPKINSVILLE f/b/o HOPKINSVILLE WATER ENVIRONMENT AUTHORITY, CHRISTIAN 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 (A11-08) IN THE AMOUNT OF \$26,641,000 TO THE CITY OF HOPKINSVILLE f/b/o HOPKINSVILLE WATER ENVIRONMENT AUTHORITY, CHRISTIAN 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 (A11-09) IN THE AMOUNT OF \$7,100,000 TO THE CITY OF HOPKINSVILLE f/b/o HOPKINSVILLE WATER ENVIRONMENT AUTHORITY, CHRISTIAN COUNTY, KENTUCKY

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

The City of Hopkinsville for the benefit of the Hopkinsville Water Environment Authority requested a Fund A loan in the amount of \$500,000 for the Greenville Road Sewer Extension project. The project is for the extension of gravity sewers approximately 3,900 linear feet to provide service to approximately 30 residents on Greenville Road and Cave Street. The project will improve groundwater in the

area by eliminating failing septic tanks. The project did not qualify for Green Project Reserve funding nor did it 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 \$31,456. Both DOW and KIA Staff recommended approval of the loan with the standard conditions.

The City of Hopkinsville for the benefit of the Hopkinsville Water Environment Authority requested a Fund A loan in the amount of \$26,641,000 for the Phase VII Sewer project. This project consists of five sewer extension projects consisting of approximately 73,300 linear feet of PVC gravity sewer, 15 new pump stations, approximately 26,350 linear feet of PVC force main, upgrade of four existing pump stations, and abandonment of one existing pump station. The scope of this project was initially included in Phase VI but was moved to a separate project at the request of the Division of Water. This project will improve groundwater quality by replacing sewers and pump stations which are in poor condition as well as providing sanitary sewer service to areas around Hopkinsville's Eagle Way Bypass in order to encourage economic development and growth. The project did not qualify for Green Project Reserve funding nor did it 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 \$1,676,017. Both DOW and KIA Staff recommended approval of the loan with the standard conditions and the following special condition: The City will pass an ordinance no later than July 1, 2011, which will implement the following rate increases: a) 8.5% effective on or before July 1, 2011, b) 8.5% effective on or before July 1, 2012, c) 8.5% effective on or before July 1, 2013, and d) 8.5% effective on or before July 1, 2014.

The City of Hopkinsville for the benefit of the Hopkinsville Water Environment Authority requested a Fund A loan in the amount of \$7,100,000 for the Purchase of Oak Grove Wastewater Treatment Plant and Collection System Project. This project is to fund the June 2008 purchase of the Oak Grove Wastewater Treatment Plant and collection system. The WWTP will be eliminated within five years. The project will include a force main from the Oak Grove system serving the I-24/US41A interchange area to the HWEA collection system. This will immediately reduce the flow to the Oak Grove WWTP and support the eventual routing of all wastewater to the HWEA system and the decommissioning of the WWTP. This will require approximately 5,200 linear feet of main and improvements to the HWEA pump station. Any necessary immediate improvements to the Oak Grove collection system and WWTP will also be made. The project will also include sewer main extensions in order to serve Derby Park/Good Hope Cemetery Road and Patton Place Subdivision. This project will eliminate septic tanks and provide additional sanitary sewer capacity in order to encourage economic development and growth. The project did not qualify for Green Project Reserve funding nor did it 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 \$446,669. Both DOW and KIA Staff recommended approval of the loan with the standard conditions and the following special condition: The City will pass an ordinance no later than July 1, 2011 which will implement a 20% rate increase effective on or before July 1, 2011.

Mr. Tom Calkins moved to approve the three resolutions for Loans A11-07, A11-08 and A11-09 with the standard conditions and the special conditions indicated in the staff recommendations. Mr. Ron Lovan 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 ASSUMPTION OF THE FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A94-01) BY THE CITY OF CITY OF HOPKINSVILLE f/b/o HOPKINSVILLE WATER ENVIRONMENT AUTHORITY, CHRISTIAN COUNTY, KENTUCKY

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A94-10) BY THE CITY OF CITY OF HOPKINSVILLE f/b/o HOPKINSVILLE WATER ENVIRONMENT AUTHORITY, CHRISTIAN COUNTY, KENTUCKY

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE GOVERNMENTAL AGENCIES PROGRAM LOAN (C96-03) BY THE CITY OF CITY OF HOPKINSVILLE f/b/o HOPKINSVILLE WATER ENVIRONMENT AUTHORITY, CHRISTIAN COUNTY, KENTUCKY

Ms. Kasi White, KIA, presented the three assumption requests to the Board.

The City of Hopkinsville for the benefit of the Hopkinsville Water Environment Authority requested to assume \$298,189.98 in outstanding Clean Water SRF debt (A94-01) of the City of Crofton as a result of the acquisition of the Crofton Water & Sewer system by HWEA. The acquisition of the system and agreement of HWEA to assume the debt was executed July 17, 2000. The original assistance agreement dated February 1, 1997 in the amount of \$744,248 was utilized to rehabilitate approximately 8,000 L.F. of sanitary sewers and a 2,500 L.F. sewer extension. The terms of the loan will remain the same as originally approved.

The City of Hopkinsville for the benefit of the Hopkinsville Water Environment Authority (HWEA) requested to assume \$84,473.14 in outstanding Clean Water SRF debt (A94-10) of the City of Pembroke as a result of the acquisition of the Pembroke Water & Sewer system by HWEA. The acquisition of the system and agreement of HWEA to assume the debt was executed August 18, 1999. The original assistance agreement for the Fund A loan in the amount of \$386,459 was dated May 1, 1996 and was utilized to rehabilitate the existing collection system. The terms of the loan will remain the same as originally approved.

The City of Hopkinsville for the benefit of the Hopkinsville Water Environment Authority (HWEA) requested to assume \$406,250 in outstanding Governmental Agencies' debt (C96-03) of the City of Oak Grove as a result of the acquisition of the Oak Grove Sewer system by HWEA. The acquisition of the system and

agreement of HWEA to assume the debt was executed May 16, 2008. The original assistance agreement dated June 1, 1998 in the amount of \$912,970 was utilized to extend sewer service to the I-24/115 Interchange and construction a pump station. Vice Chair Damon Tally noted a correction to be made in the Board Book on page 98. The second line of the caption on the loan credit analysis should be corrected to read “GOVERNMENTAL AGENCIES (FUND “C”)”. The terms of the loan will remain the same as originally approved.

Ms. Linda Bridwell moved to approve the resolutions for the assumption of loans A94-01 and A94-10 with the standard conditions. Mr. Tom Calkins seconded, and the motion carried unanimously.

Ms. Linda Bridwell moved to approve the resolution for the assumption of loan C96-03 with the standard conditions. Mr. Ron Lovan seconded, and the motion carried unanimously.

Mr. Len Hale, Hopkinsville Water Environment Authority (HWEA), addressed the board. He stated the HWEA received their first State Revolving Fund (SRF) loan from KIA in 1992. Over the following 20 years, KIA has helped HWEA grow and build their system in Christian County by receiving approval for 14 SRF projects. As a result they have: (1) built a new 15 MGD regional water treatment plant (which serves 53,000 residents of Hopkinsville, Pembroke, Crofton, Christian County and South Hopkins, with interconnects with Trigg, Caldwell, Hopkins, and Todd Counties), (2) built a new 16 MGD regional wastewater treatment plant (which serves Hopkinsville, Pembroke, Crofton, Christian County and Oak Grove), (3) built a new 30 MGD regional raw water system intake and 27 mile pipeline, (4) installed 130 miles of additional sewers, (5) consolidated 4 municipal water and sewer systems, (6) eliminated 2 existing treatment plants and discharges with 2 more scheduled to be eliminated in the next 3 to 5 years, (7) eliminated over 4,780 septic tanks, and (8) will be eliminating approximately 400 more septic tanks as a result of the projects approved today. As a result of the SRF funding, HWEA was also able to achieve its goal of adding generators to run the treatment plants, pump stations, and booster stations in the case of a power disruption. A tornado on April 5, 2011, destroyed power lines serving Commerce Industrial Park and Pembroke and affected about 3,000 of their customers. Because of the generators funded by SRF, HWEA was up and providing needed water service to the Pembroke and Commerce Park immediately. Mr. Hale stated there are approximately 75,000 people in Christian County whose lives have been improved through the efforts of the KIA and the SRF loan program. Although over \$70 million has been loaned to HWEA, because of the low interest rates historically provided by HWEA, water and sewer rates continue to be low compared to the State average and provides a low "affordability index" to its customers. All of this progress economically and environmentally was possible because of the KIA SRF program. Through the years he heard that the SRF program was a cumbersome system, difficult to work through and very bureaucratic. HWEA has found that not to be so. Mr. Hale wished to applaud the KIA staff because of their knowledge and their willingness to always help them when needed. He stated that early on there weren't a lot of municipalities wanting SRF funding making it more available but lately there has been more competition. Mr. Hale wished to thank the KIA Board for its management and administration of the SRF loan program both personally

and as a member of one of the many communities in the Commonwealth that has greatly benefited as a result of this program.

3. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND (B11-09) LOAN IN THE AMOUNT OF \$2,033,947 TO THE MUNINET FIBER AGENCY, MCCRACKEN COUNTY, KENTUCKY

Ms. Kasi White, KIA, presented the project to the board. The MuniNet Fiber Agency requested a Fund B loan in the amount of \$2,033,947 for the Fiber Optic Cable Build Project #1. The project will construct a loop fed fiber optic cable route in Western Kentucky that will connect to the cities of Paducah, Calvert City, Draffenville, Benton, Aurora, Murray, Cold Water, Mayfield, Hickory and others to carry internet. This fiber will connect local hospitals, health care providers, emergency services, libraries, and local government agencies allowing them to perform functions not currently possible. In addition, this fiber will be open access and available to anyone. The term of the loan is 20 years with an interest rate of 2%, and an estimated annual debt service payment of \$127,958. KIA staff recommended approval of the loan with the standard conditions and the following special conditions: (1) A copy of the resolution or agreement relating to the Fiber Build Project 1 will be submitted to KIA prior to disbursement of funds as required by the Interlocal Agreement reflecting each participating member and their contribution to the entity; (2) MuniNet will furnish a copy of any amendments or restatements to the Interlocal Agreement; and (3) Notice will be provided to KIA prior to the addition of any member to MuniNet with a copy of the initial contribution summary of the new member.

Ms. Linda Bridwell moved to approve resolution with the standard conditions and the special conditions indicated in the staff recommendations. Mr. Tom Calkins 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 ASSUMPTION OF AN INFRASTRUCTURE REVOLVING FUND (B09-02) LOAN BY THE MUNINET FIBER AGENCY, MCCRACKEN COUNTY, KENTUCKY

Ms. Kasi White, KIA, presented the assumption request to the Board. MuniNet Fiber Agency requested to assume \$2,446,556.82 in outstanding Infrastructure Revolving debt (B09-02) of the City of Murray as a result of the creation of MuniNet. The Interlocal Agreement creating MuniNet Fiber Agency was executed as of October 25, 2010 between the Electric Plant Boards of the cities of Murray and Paducah. This required an upfront contribution for members of the Agency of assets and \$5,000 cash each. As a result of the assets Murray is contributing, the debt related to the infrastructure will be assumed by MuniNet as well. The original Murray Fund B loan was used to install a seventy-two (72) fiber optical ground wire cable. The terms of the loan will remain the same as originally approved.

Ms. Linda Bridwell moved to approve the resolution for the assumption of loan B09-02 with the standard conditions. Mr. Erik Dunnigan 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 (F11-03) LOAN IN THE AMOUNT OF \$2,080,000 TO THE CITY OF BRANDENBURG, MEADE COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the Board. The City of Brandenburg requested a \$2,080,000 Drinking Water SRF loan for the Water Treatment Plant Upgrade and Expansion project. The project will include the addition of a new contact tank, filter media, high service pumps, clearwell and updated chemical feed facilities and revised backwash handling. These upgrades will increase production capacity from one to two million gallons per day, improve water quality and allow the City to meet future regulatory requirements. The project qualifies for Green Project Reserve (GPR) funding in the amount of \$1,900,000. The breakdown of the GPR to the respective “green” categories is: Water Efficiency - \$257,000; Energy Efficiency - \$898,000 and Environmentally Innovative - \$35,000. The project does 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 \$131,895. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mr. Ron Lovan moved to approve the resolution with the standard conditions. 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 (F11-05) LOAN IN THE AMOUNT OF \$1,633,000 TO THE BULLOCK PEN WATER DISTRICT, GREANT COUNTY, KENTUCKY

Mr. Ron Lovan informed the Board that, since the Northern Kentucky Water District wholesales water to the Bullock Pen Water District, he would recuse himself from the discussion and voting on this project.

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the Board. The Bullock Pen Water District (the “District”) requested a \$1,633,000 Drinking Water SRF loan for the Grant County Improvements project. The project is for the construction of a 500,000 gallon elevated water storage tank, pump station with variable frequency drive controller, the installation of .92 miles of new 8" PVC water line and the replacement of .46 miles of 3" and 4" water lines with 8" water lines. The tank will be constructed on the west side of Interstate 75 and will supplement water storage with a 200,000 gallon tank that is on the east side of Interstate 75. The pump station will then pump water through the new lines to fill the existing Mt. Zion tank. The current path of feeding this tank, along with two other tanks, at times causes high pressure on the water lines in the Zion Station

area. The new configuration will result in all tanks filling faster while reducing pressure. The project qualifies for \$120,000 in Green Project Reserve funding under the category of Energy Efficiency. The project does 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 \$103,550. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mr. Jerry Wuetcher informed the board that he would be abstaining from voting due to any potential application submitted by the Bullock Pen Water District to the Public Service Commission for authorization to enter a loan agreement with KIA for the requested loan or for approval of the proposed construction project.

Mr. Tom Calkins moved to approve the resolution with the standard conditions. Ms. Linda Bridwell seconded, and the motion carried unanimously, with Mr. Ron Lovan and Mr. Jerry Wuetcher abstaining.

7. 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

Ms. Kasi White, KIA, noted 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 Hopkinsville f/b/o Hopkinsville Water Environment Authority	A	\$ 500,000
City of Hopkinsville f/b/o Hopkinsville Water Environment Authority	A	\$26,641,000
City of Hopkinsville f/b/o Hopkinsville Water Environment Authority	A	\$ 7,100,000
MuniNet Fiber Agency	B	\$ 2,033,947
Bullock Pen Water District	F	\$ 1,633,000
City of Brandenburg	F	\$ 2,080,000

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. The 2012 Intended Use Plan is currently being drafted and is anticipated to be posted for the 30 day comment period in mid to late May. The tentative schedule projects first round invitation letters to be mailed out in June. KIA staff is still waiting to hear what amount will be appropriated for 2012 and the conditions attached to the appropriation in the federal budget. Significant cuts are anticipated for the clean water and drinking water capitalization grants. Predicting an estimated 60% cut in the capitalization grants would leave approximately \$85 million for clean water and \$30 million for drinking water.
- B. Vice Chair Damon Talley asked about authorization for bond leveraging in the current year's budget. Mr. Covington informed the Board that in the current year's budget the Authority was authorized to issue leverage bonds and the Authority split the authorization between the two years of the biennium. Bonds have not been issued to date but are anticipated to be issued in the Spring of 2012.
- C. Second round invitation letters have been sent out for the 2011 Intended Use Plan. After today, 26 loans are anticipated to be presented to the Board in the next two months.
- D. Ms. Linda Bridwell asked about the status of the ARRA funded projects. Mr. Covington stated that every project is moving forward and on track.

III. STATUS REPORT FOR FUNDS

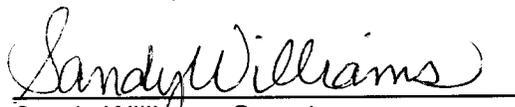
- A. 2003 Coal/Tobacco Development Grants
- B. IEDF Fund Grants
- C. 2020 Account / Fund B Grants
- D. Funds A, A2, B, B1, C, F, F2

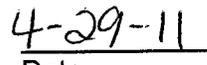
IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, May 5, 2011
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Mr. Jamie Link moved to adjourn. Mr. Tom Calkins seconded and the motion carried unanimously. The April 7, 2011, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:


Sandy Williams, Secretary
Kentucky Infrastructure Authority


Date