

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

Meeting Date/Location: April 2, 2015 – 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)
Ms. Lona Brewer, Energy and Environment Cabinet
(permanent proxy for Secretary Leonard K. Peters, EEC)
Mr. Robert Aldridge, Economic Development Cabinet
(proxy for Secretary Larry Hayes (EDC)
Mr. Jeff Derouen, Executive Director, Public Service Commission
Mr. C. Ronald Lovan, representing the American Water Works 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. Marty T. Ivy, representing the Kentucky Municipal Utilities Association

Members absent:

Mr. Jody Jenkins, Union County Judge Executive, representing the Kentucky Association
of Counties
Ms. Linda C. Bridwell, representing for-profit private water companies

Guests:

Ms. Anshu Singh, Division of Water
Mr. Grondell Potter, Mountain Water District
Mr. Jody Hunt, Summit Engineering
Mr. Mitch Brunnsma, Vaughn & Melton
Mr. John Callihan, Barbourville Utility Commission
Mr. Ralph Johnstone, Sanitation District #1
Ms. Ashley Bode, Sanitation District #1
Mr. William Ballard, East Clark County Water District
Mr. Bryan Kirby, CEDA, Inc.
Mr. Bob Amato, City of Nicholasville
Ms. Laura Gilkerson, GRW Engineers, Inc.
Mr. John Brady, Office of Financial Management
Mr. Andy Meadors, Whitley County Water District
Mr. Tim Schwendeman, Cumberland Valley Area Development District
Mr. Ken Taylor, Kenvirons, Inc.

PROCEEDINGS

Chair Tony Wilder called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. Mr. Wilder asked board members and guests to introduce themselves. Board Member David Cartmell was introduced as Mayor of Maysville, one of the 18 Most Charming Small Towns in America according to Country Living magazine. Chair Wilder confirmed that a quorum was present and that the press had been notified regarding the meeting.

New Kentucky Infrastructure Authority staff member Meg Link was introduced to the board.

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Regular Board Meeting of February 5, 2015

Mr. Damon Talley moved to approve the minutes of the February 5, 2015, regular board meeting. Ms. Lona Brewer seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

Chair Wilder advised that the board would consider in sequence two projects, both to the City of Barbourville, listed in the agenda as Action Item 1, Fund A Loan A15-006 and Action Item 9, Fund B Loan B15-005.

1. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND LOAN (A15-006) IN THE AMOUNT OF \$1,856,109 TO THE CITY OF BARBOURVILLE F/B/O BARBOURVILLE UTILITY COMMISSION, KNOX COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Ms. Jami Johnson, KIA, presented the Fund A loan A15-006 project to the Board. The City of Barbourville f/b/o Barbourville Utility Commission requested a \$1,856,109 Fund "A" loan for the Barbourville Sewer Rehab project. The project will TV inspect, smoke test and rehabilitate approximately 63,000 linear feet of gravity sewer collection lines using slip lining, trenchless pipe bursting, and point repairs to correct the inflow and infiltration entering the system.

Mr. Marty Ivy moved to approve Fund A Loan A15-006 in the amount of \$1,856,109 to the City of Barbourville f/b/o of Barbourville Utility Commission with the standard conditions. Mr. Damon Talley seconded, and the motion was unanimously approved.

2. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B15-005) OF \$130,000 TO THE CITY OF BARBOURVILLE F/B/O BARBOURVILLE UTILITY COMMISSION, KNOX COUNTY, KENTUCKY

Ms. Debbie Landrum, KIA, presented the project to the Board. The City of Barbourville f/b/o Barbourville Utility Commission requested a \$130,000 Fund B loan for the Barbourville Levee Certification project. The City operates a levee to protect against flooding from the Cumberland River. The system includes 3.79 miles of levee, four storm water pump stations, and seven closure structures. The City has entered into an agreement with FEMA to prepare a 44CFR54.10 certification of the levee system. The certification must be completed every ten years. If this certification is not completed, FEMA's recourse is to publish flood insurance rate maps of the city as though no levee were present. This would be a significant burden to both residents and commercial establishments in the current zone of protection.

Mr. Damon Talley moved to approve the Fund B loan B15-005 in the amount of \$130,000 to the City of Barbourville f/b/o Barbourville Utility Commission with the standard conditions Mr. Sam Ruth seconded, and the motion was unanimously approved.

The board then considered in sequence three projects to the City of Harrodsburg, listed in the agenda as Action Item 2, Fund A Loan A15-074, Action Item 3, Fund A Loan A15-075, and Action Item 11, Fund F Loan F15-031.

3. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A15-074) IN THE AMOUNT OF \$10,000,000 TO THE CITY OF HARRODSBURG, MERCER COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Ms. Brandi Armstrong-Norton, KIA, presented the Fund A loan A15-074 project to the Board. The City of Harrodsburg requested a \$10,000,000 Fund A loan for the Wastewater Treatment Plant Expansion project. The project will upgrade and expand the existing plant that has capacity to operate at 2.6 MGD. The current system is aged and showing signs of distress within the sludge press. After expansion, the plant will have a 3.5 MGD capacity that will include oxidation ditch treatment services to replace the current outdated treatment process. The project will allow future services to city and county residential and industrial customers.

4. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A15-075) IN THE AMOUNT OF \$810,000 TO THE CITY OF HARRODSBURG, MERCER COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Ms. Brandi Armstrong-Norton, KIA, presented the Fund A loan A15-075 project to the Board. The City of Harrodsburg requested a \$810,000 Fund A loan for the Harrodsburg Corning Pump Station and Force Main project. The project will re-route existing wastewater flows that are currently being discharged into an aged downtown collection system that frequently overflows due to pipe restrictions. The project will install a pump station and lines that will relieve the downtown system by improving the hydraulics and reducing the overflows. The new pump will also provide additional capacity for adjacent areas of the system by discharging flows to the newer wastewater system.

Mr. Damon Talley moved to approve Fund A Loan A15-074 in the amount of \$10,000,000 to the City of Harrodsburg and Fund A loan A15-075 in the amount of \$810,000 to the City of Harrodsburg, both with the standard conditions. Mr. Sam Ruth seconded, and the motion was unanimously approved.

5. **A 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 F LOAN (F15-031) IN THE AMOUNT OF \$326,660 TO THE CITY OF HARRODSBURG, MERCER COUNTY, KENTUCKY**

Ms. Anshu Singh, DOW, and Ms. Brandi Armstrong-Norton, KIA, presented the Fund F loan F15-031 project to the Board. The City of Harrodsburg requested a Fund F loan in the amount of \$326,660 for the College and Chestnut Street Water Lines project. The project will create additional loops within the City's water system by connecting an existing six inch water line to a twelve inch water main on the Harrodsburg Bypass. The loops will help water quality by allowing consistent water movement, which may result in lower disinfection by-products. This project will also replace corroded water lines in inaccessible areas between College and Chestnut Streets.

Mr. Damon Talley inquired about the status of the City's USDA Rural Development loan and was told that the application has been submitted and is under review.

Mr. Damon Talley moved to approve the Fund F loan F15-031 in the amount of \$326,660 to the City of Harrodsburg with the standard conditions. Mr. Marty Ivy seconded, and the motion was unanimously approved.

6. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A15-077) IN THE AMOUNT OF \$3,102,921 TO THE MOUNTAIN WATER DISTRICT, PIKE COUNTY, KENTUCKY**

Ms. Anshu Singh, DOW, and Ms. Jami Johnson, KIA, presented the Fund A loan A15-077 project to the Board. The Mountain Water District requested a Fund A loan in the amount of \$3,102,921 for the Douglas Wastewater Treatment Plant

project. The project will construct a new wastewater treatment plant to replace its existing plant using membrane technology. The plant will increase capacity from 200,000 gallons per day (GPD) to 300,000 GPD and add headwork designed to expand capacity to 400,000 GPD. The plant is currently at maximum capacity, and the expansion will allow more customers to be added to the service. Another component to this project is rehabilitation to the lift stations to increase reliability of the sewer collection system. The District will install high efficiency pumps and motors in conjunction with advanced electrical controllers. Odor and corrosion control systems will be installed at the lift stations upstream of the new treatment plant that will assist in minimizing hydrogen sulfide issues to the more developed area.

Mr. Jeff Derouen indicated that he would be abstaining from a vote on this motion. Mr. Damon Talley asked about the membrane technology that will be used in the plant. Ms. Singh responded that DOW concluded that it is the best option for this particular situation. It is believed that more systems will be moving to the use of this technology. The board was advised that the District's rate increase application is scheduled for a Public Service Commission hearing. In response to Mr. Ron Lovan's inquiry, it was confirmed that the system is still being operated by a contract operator.

Mr. Damon Talley moved to approve Fund A Loan A15-077 in the amount of \$3,102,921 to the Mountain Water District with the standard conditions. Mr. Sam Ruth seconded, and the motion was approved with Mr. Jeff Derouen abstaining.

7. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A15-090) IN THE AMOUNT OF \$340,980 TO THE CITY OF NICHOLASVILLE, JESSAMINE COUNTY, KENTUCKY**

Ms. Anshu Singh, DOW, and Ms. Jami Johnson, KIA, presented the project to the Board. The City of Nicholasville requested a Fund A loan in the amount of \$340,980 for the Orchard Parallel Sanitary Sewer Project. This project will replace and upsize 2,445 linear feet (LF) of an existing gravity sewer to provide sufficient capacity to convey wastewater flows downstream of and in the Orchard area of Nicholasville to improve the surface water quality. The project will also reduce the incidence and duration of wet weather overflows from seven existing manholes.

Mr. Marty Ivy moved to approve the Fund A Loan A15-090 in the amount of \$340,980 to the City of Nicholasville with the standard conditions. Mr. Damon Talley seconded, and the motion was unanimously approved.

The board then considered two projects to Sanitation District No. 1, serving Boone, Campbell, and Kenton counties, listed in the agenda as Action Item 6, Fund A Loan A15-102 and Action Item 7, Fund A Loan A15-103.

8. **A 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 A LOAN (A15-102) IN THE AMOUNT OF \$3,000,000 TO THE SANITATION DISTRICT NO. 1, BOONE, CAMPBELL, AND KENTON COUNTIES, KENTUCKY**

Ms. Anshu Singh, DOW, and Mr. Jeff Abshire, KIA, presented the project to the Board. Sanitation District No.1 requested a Fund A loan in the amount of \$3,000,000 for the Highland Pike Sewer Replacement project. The project will replace over 2,400 feet of existing ten inch gravity sewer using trenchless horizontal directional drilling. The existing sewer line was severely damaged by a large landslide in 2009. A temporary above ground bypass line was constructed to maintain sanitary service, and is anchored along the top of the slope by cloth straps, steel cable, and buried concrete anchors. The temporary bypass will inevitably fail in the near future, resulting in a sewage release and extensive costs related to clean up and bypass pumping unless a more permanent solution can be implemented. Mr. Jeff Derouen confirmed with Mr. Abshire that the District's current rates are deemed sufficient to cover the additional liability.

9. **A 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 A LOAN (A15-103) IN THE AMOUNT OF \$2,750,194 TO THE SANITATION DISTRICT NO. 1, BOONE, CAMPBELL, AND KENTON COUNTIES, KENTUCKY**

Ms. Anshu Singh, DOW, and Mr. Jeff Abshire, KIA, presented the project to the Board. Sanitation District No.1 requested a Fund A loan in the amount of \$2,750,194 for the Patton and 8th Street Wet Well Rehabilitation project. These two combination flood pump stations and sanitary lift stations have experienced significant deterioration and are at risk of failure. A failure of the concrete trough in either of the two wet wells would result in a very large volume of sewage released to the Licking River. This project will rehabilitate the concrete and reinforcing steel and provide a hydrogen sulfide protective coating to extend the life of the existing structures. There will also be replacement of corroded metal work within the wet well areas.

Mr. Ron Lovan moved to approve Fund A Loan A15-102 in the amount of \$3,000,000 to Sanitation District No. 1 and Fund A loan A15-103 in the amount of \$2,750,194 to Sanitation District No. 1, both with the standard conditions. Mr. David Cartmell seconded, and the motion was unanimously approved.

10. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AN AMENDMENT TO THE CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B12-09) INCREASING THE AMOUNT TO \$1,882,411 TO THE CITY OF SOUTH SHORE, GREENUP COUNTY, KENTUCKY**

Ms. Brandi Armstrong-Norton, KIA, presented the project to the Board. The City of South Shore requested an increase of \$282,411 to a previously approved Fund “B” loan in the amount of \$1,600,000 for the South Shore Water Works (SSWW) purchase project. The original loan was for the purchase of SSWW from a private owner, which was completed on June 1, 2013. Water quality and reliability were concerns prior to the purchase, and the City was aware that a significant investment would be required in the aging treatment and distribution systems. The City identified the highest priority as being replacement of the 150,000 gallon clearwell, which has exceeded its useful life and has deteriorated significantly. The clearwell loses approximately 10,000 gallons of water per day due to its concrete block walls cracking and shifting. Additionally, the structure housing it has a deteriorated roof, and the structural beams have severe corrosion. A catastrophic failure of the clearwell or collapse of the housing structure would lead to major outages that would have a significant adverse effect on customers. The proposed project would replace the clearwell with a 100,000 gallon structure and eliminate the risk of a controllable structural failure.

Mr. Damon Talley asked about the status of the acquisition and consolidation of the privately owned South Shore Water Works with the City of South Shore, and Mr. Jeff Derouen asked if any required Public Service Commission rulings have been completed. City officials responded that the acquisition process was approved and the system consolidation completed about two years ago.

Mr. Damon Talley moved to approve the increase of \$282,411 to Fund B loan B12-09 for a total amount of \$1,882,411 to the City of South Shore with the standard conditions. Ms. Lona Brewer seconded, and the motion was unanimously approved.

11. A 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 (F15-030) OF \$932,500 TO THE WHITLEY COUNTY WATER DISTRICT, WHITLEY COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Ms. Brandi Armstrong-Norton, KIA, presented the project to the Board. The Whitley County Water District requested a Fund F loan in the amount of \$932,500 for the Water System Improvement project. The project will replace 36,400 linear feet of deteriorated water lines across the Fairview, Savoy, Fabor, and Woodbine areas of Whitley County. Many of the lines are undersized and have frequent leaks. The District will also replace 700 conventional meters with radio read meters. The project will reduce purchased water costs, maintenance expense, and transportation costs.

Mr. Jeff Derouen indicated that he would be abstaining from a vote on this motion.

Mr. Damon Talley moved to approve the increase to Fund F loan F15-030 in the amount of \$932,500 to the Whitley County Water District with the standard conditions. Mr. Sam Ruth seconded, and the motion was approved with Mr. Jeff Derouen abstaining.

12. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS 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 Barbourville | A15-006 | \$ 1,856,109 |
| City of Harrodsburg | A15-074 | \$10,000,000 |
| City of Harrodsburg | A15-075 | \$ 810,000 |
| Mountain Water District | A15-077 | \$ 3,102,921 |
| City of Nicholasville | A15-090 | \$ 340,980 |
| Sanitation District No. 1 of Northern Kentucky | A15-102 | \$ 3,000,000 |
| Sanitation District No. 1 of Northern Kentucky | A15-103 | \$ 2,750,194 |
| City of South Shore (increase) | B12-09 | \$ 1,882,411 |
| City of Barbourville | B15-005 | \$ 130,000 |
| Whitley County Water District | F15-030 | \$ 932,500 |
| City of Harrodsburg | F15-031 | \$ 326,660 |

Mr. David Cartmell moved to approve the resolution. Mr. Ron Lovan seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR’S REPORT

Kentucky Infrastructure Authority Executive Director John Covington reported that HB 276, which amended KRS 224A.111 to provide for a 30 year payback for wastewater loans using federal funds, was passed by the legislature and signed into law by the governor. It will go into effect on July 15, 2015. Mr. Covington told the board that after consulting with legal staff, it has been determined that such loans can be approved before that date, but that loan agreements cannot be executed until after that date. Federal law allows such loans to be made for a term of 30 years or the useful life of the project. He stressed that the Authority will continue to look at applications in the same way as always, taking into account the useful life of the project.

Mr. Covington also asked board members to take under consideration the possibility of granting 30-year loan terms for wastewater projects in hardship situations, as is currently done for drinking water projects. The board will need to address the question of to whom 30-year loans will be offered, possibly limiting them to circumstances such as hardship conditions in the community or a significant impact on rates, or if the extended term should be made available for anyone. Mr. Jeff Derouen asked if this decision will be establishing board policy. Mr. Covington explained that the board is limited in what it can establish, as the Authority’s regulations determine how this process can be implemented. The board would actually be establishing guidelines based on the regulations, rather than policy. Mr.

Jeff Abshire told the board that the Fund A regulation allows the Authority to proceed as allowed by federal law.

Mr. Covington told the board that the issuing of bonds given preliminary approval at last month's meeting is moving forward. The necessary state approvals have been given for bond issues, and market conditions are still favorable. The anticipated total bond issue size is \$85 million, \$75 million for Funds A and F and \$10 million for Fund C. The potential Fund A and Fund F savings of approximately 4.5 percent will benefit the programs by increasing the capacity to leverage bonds in the future and make loans. The estimated savings for Fund C will be about 6.9 percent, with bonds issued for an estimated \$5 million in new money. This will benefit the program by the addition of capital to make Fund C loans and to take advantage of low interest rates that will help to sustain the program.

Mr. Covington brought a potential change in the Clean Water SRF program to the board's attention. A couple of years ago a situation with Big Valley Sanitation District in Bullitt County came before the board. The owner died and there was no one to take it over. The Bullitt County Sanitation District had no funds to operate it. In that case, the board made an exception to guidelines, granting a loan with 95 percent principal forgiveness in order to get the situation moving forward, and it was successful. It has come to the Authority's attention that there are other similar situations in the Commonwealth that need to be addressed. In the SRF program there is an amount that is to be used for principal forgiveness, based on the amount of capitalization grant received. What is being proposed is a set aside of approximately \$500,000 of the principal forgiveness amount to use for such situations. Division of Water will establish guidelines on the types of situations eligible, and the Authority would offer 90-95 percent principal forgiveness. There would only be a small loan repayment. Mr. Covington reported that Division of Water staff is very supportive of this plan, and will help to develop a meaningful way to determine how to identify which projects would be eligible. This principal forgiveness would only be available in dire or emergency situations in which the funds would make a big impact and encourage consolidation and achieve some of the goals the Authority and Division of Water want to achieve. These loans could only be made to publicly owned utilities, and would be to provide the necessary initial funding.

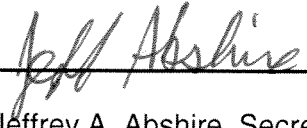
III. STATUS REPORT FOR FUNDS A, A2, B, B1, C, F, F2

IV. ANNOUNCEMENTS/NOTIFICATIONS


- Next scheduled KIA board meeting:
Tentatively set for Thursday, May 7, 2015
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Mr. David Cartmell moved to adjourn. Mr. Sam Ruth seconded and the motion carried unanimously. The April 2, 2015, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Jeffrey A. Abshire, Secretary
Kentucky Infrastructure Authority



Date