

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: June 26, 2014 – 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. Damon Talley, representing the Kentucky Rural Water Association
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. Jeff Derouen, Executive Director, Public Service Commission
Mr. C. Ronald Lovan, representing the American Water Works Association
Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities
Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. Jody Jenkins, Union County Judge/Executive, representing the Kentucky
Association of Counties
Mr. Marty T. Ivy, representing the Kentucky Municipal Utilities Association

Members absent:

Mr. C. Ronald Lovan, representing the American Water Works Association

Guests:

Mr. Shafiq Amawi, Division of Water
Mr. Bob Casher, Bluegrass Area Development District
Mr. Philip T. Biggs, Greenup County J.S.A.
Mr. Robert Carpenter, Judge-Executive, Greenup County
Ms. Amy Kramer, Northern Kentucky Water District
Mr. Ron Scott, City of Danville
Mr. Earl Coffey, City of Danville
Ms. Annette Dupont-Ewing, Kentucky Municipal Utilities Association
Mr. Jeffrey Reed, Glasgow Water Company
Ms. Sandy Williams, Office of Financial Management
Ms. Katherine Halloran, Legislative Research Commission
Mr. Joshua Nacey, Legislative Research Commission
Mr. Charles Martin, City of Lexington
Mr. Bob Crager, Mayor, City of Flatwoods
Mr. Gaylord Keen, City of Flatwoods

Mr. Gary Larimore, Kentucky Rural Water Association
Mr. Vaughn Williams, Kenvirons
Mr. Eddie Brown, Kenvirons
Mr. Brent Tippy, HDR Engineers
Mr. Tim Schwendeman, Cumberland Valley Area Development District
Mr. John Powell, Jackson County Water Association
Mr. Howard Williams, Jackson County Water Association
Mr. Sammie Creech, Jackson County Water Association

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 confirmed 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 May 1, 2014

Mr. Damon Talley moved to approve the minutes of the May 1, 2014 regular board meeting. Mr. Sam Ruth 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 APPROVAL FOR THE FILING OF AN APPLICATION WITH THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY FOR THE FEDERAL FISCAL YEAR 2014 CAPITALIZATION GRANT FOR THE DRINKING WATER REVOLVING FUND

Mr. Jeff Abshire, KIA, addressed the board regarding the submission of an application to EPA Region IV to obtain the "State Revolving Fund" Capitalization Grant for the Drinking Water Revolving Fund for federal fiscal year 2014.

Mr. Damon Talley moved to approve the filing of an application for the federal fiscal year 2014 Capitalization Grant for the Drinking Water Revolving Fund. Ms. Linda Bridwell seconded, and the motion carried unanimously.

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 2014 CAPITALIZATION GRANT FOR THE WASTEWATER REVOLVING FUND

Mr. Jeff Abshire, KIA, addressed the board regarding the submission of an application to EPA Region IV to obtain the “State Revolving Fund” Capitalization Grant for the Wastewater Revolving Fund for federal fiscal year 2014.

Ms. Linda Bridwell moved to approve the filing of an application for the federal fiscal year 2014 Capitalization Grant for the Wastewater Revolving Fund. Mr. Sam Ruth seconded, and the motion carried unanimously.

3. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR APPROVAL FOR ASSUMPTION OF THE FUND A LOAN (A00-04) IN THE AMOUNT OF \$904,691 TO THE GREENUP JOINT SEWER AGENCY, GREENUP COUNTY, KENTUCKY

4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR APPROVAL FOR ASSUMPTION OF THE FUND A LOAN (A02-07) IN THE AMOUNT OF \$980,247 TO THE GREENUP JOINT SEWER AGENCY, GREENUP COUNTY, KENTUCKY

Resolutions for the assumption of Loan A00-04 and Loan A02-07 were presented by Mr. Jeff Abshire, KIA. The resolutions were for assumption of Fund A loans from the City of Wurtland by the Greenup Joint Sewer Agency (GJSA), Greenup County, Kentucky, and were considered together for approval. GJSA will acquire wastewater treatment assets (equipment, land, debt covenant required cash reserves, repair parts) from Wurtland upon the assumption of the loans. KIA staff recommended approval of the loan assumption with the standard conditions and the special condition that GJSA acquisition of components of the City of Wurtland’s wastewater treatment facilities and related assets will include the wastewater treatment plant, real estate, and spare parts inventory, and restricted cash reserves totaling \$500,000 associated with KIA loans A00-04 and A02-07.

Mr. David Cartmell moved to approve the assumption of Fund A loan A00-04 in the amount of \$904,691 and Fund A loan A02-07 in the amount of \$980,247 from the City of Wurtland by Greenup Joint Sewer Agency, (GJSA) Greenup County, Kentucky with the standard conditions and the special condition that the GJSA acquisition of components of the City of Wurtland’s wastewater treatment facilities and related assets will include the wastewater treatment plant, real estate, and spare parts inventory, and restricted cash reserves totaling \$500,000 associated with KIA loans A00-04 and A02-07. Ms. Linda Bridwell seconded, and the motion carried unanimously.

5. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR APPROVAL FOR OF A FUND B LOAN (B14-013) IN THE AMOUNT OF \$2,000,000 TO THE GREENUP JOINT SEWER AGENCY, GREENUP COUNTY, KENTUCKY

Mr. Jeff Abshire, KIA, presented the project to the Board. The Greenup Joint Sewer Agency (GJSA) requested a \$2,000,000 loan for the Wastewater Treatment Plant Acquisition Project. GJSA will acquire wastewater treatment assets from Wurtland upon the assumption of the two Fund A loans. The proposed Fund B loan will repay the two Fund A loans, extend the new loan repayment term to 20 years, and provide funds for necessary limited updates to the treatment plant. KIA staff recommended the loan with the standard conditions and the special condition that the Fund B loan shall not be executed until the GJSA has assumed the assets and debt as specified in the Special Conditions of the Fund A loan assumptions.

Mr. David Cartmell moved to approve the Fund B (B14-013) loan in the amount of \$2,000,000 to Greenup Joint Sewer Agency, Greenup County, Kentucky, with the standard conditions and the special condition that the loan not be executed until the Greenup Joint Sewer Agency has assumed the assets and debt as specified in the Special Conditions of the Fund A assumptions (A00-04 and A02-07). Ms. Linda Bridwell seconded, and the motion carried unanimously.

6. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING AN AMENDMENT TO A FUND A LOAN (A13-015) INCREASING THE AMOUNT TO \$31,801,000 TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, FAYETTE COUNTY, KENTUCKY

Mr. Jeff Abshire, KIA, presented the project to the Board. An increase in the amount of \$10,159,970 was requested for Phase I of the Town Branch Wastewater Treatment Plant Wet Weather Storage Tanks project. The increase will replace utility generated funds that were originally planned for use on the project. The project budget in total did not change. KIA staff recommended the loan with the standard conditions.

7. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR APPROVAL OF A FUND LOAN (A14-001) IN THE AMOUNT OF \$19,837,063 TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, FAYETTE COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Mr. Jeff Abshire, KIA, presented the project to the Board. The Lexington-Fayette Urban County Government requested a \$19,837,063 Fund A loan for Phase I of the Lower Cane Run Wastewater Storage Tank project. The project is a component of the Remedial Measures Plan that was submitted to the U.S. Environmental Protection Agency to comply with the Consent Decree. DOW and KIA staff recommended approval of the loan with the standard conditions.

Ms. Linda Bridwell moved to approve both the increase in Fund A Loan A13-015 to the amount of \$31,801,000 and Fund A Loan A14-001 in the amount of \$19,837,063 to Lexington-Fayette Urban County Government, both with the standard conditions. Mr. Damon Talley seconded, and the motion carried unanimously.

8. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR APPROVAL OF A FUND B LOAN (B14-007) IN THE AMOUNT OF \$350,000 TO THE CITY OF GREENSBURG, GREEN COUNTY, KENTUCKY

Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of Greensburg requested a \$350,000 Fund B Loan for the Greensburg New Water Treatment Plant project. The project is currently under construction, and expenses are higher than anticipated. The proposed loan will cover the overage amount. KIA staff recommended approval of the loan with the standard conditions.

Ms. Linda Bridwell moved to approve the Fund B Loan B14-007 in the amount of \$350,000 to the City of Greensburg with the standard conditions. Ms. Lona Brewer seconded, and the motion was approved with Mr. Jeff Derouen abstaining.

9. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR APPROVAL OF A FUND C LOAN (C14-002) IN THE AMOUNT OF \$3,000,000 TO THE CITY OF GLASGOW, BARREN COUNTY, KENTUCKY

Ms. Brandi Armstrong, KIA, presented the project for Fund C Loan C14-002. The City of Glasgow f/b/o Glasgow Water Company, Barren County, Kentucky, requested a Fund C Loan in the amount of \$3,000,000 for the Glasgow Peak Storage Basin Project. The project will construct a seven million gallon basin to mitigate sanitary sewer overflows during wet weather events. KIA staff recommended approval of the loan with the standard conditions.

Mr. Damon Talley moved to approve the Fund C Loan C14-002 in the amount of \$3,000,000 to the City of Glasgow with the standard conditions. Mr. Marty Ivy seconded, and the motion carried unanimously.

10. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING AN AMENDMENT TO A FUND F LOAN (F13-002) INCREASING THE AMOUNT TO \$2,703,422 TO THE CITY OF HARRODSBURG, MERCER COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of Harrodsburg requested an increase in the amount of \$1,688,950 to the existing Fund F loan for the Water Distribution Improvements and North Main Water Storage Tank projects. The increase will permit replacement of an additional 15,000 linear feet of six inch water lines with eight inch PVC lines. KIA staff recommended approval of the loan with the standard conditions.

Mr. Damon Talley moved to approve the increase of Fund F Loan F13-002 to the amount of \$2,703,422 to the City of Harrodsburg with the standard conditions. Ms. Linda Bridwell seconded, and the motion carried unanimously.

11. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING AN AMENDMENT TO A FUND F LOAN (F13-011) INCREASING THE AMOUNT TO \$12,467,849 TO THE CITY OF DANVILLE, BOYLE COUNTY, KENTUCKY

Mr. Jeff Abshire, KIA, presented the project to the Board. The City of Danville requested a Drinking Water SRF loan in the amount of \$4,467,849 for the Water Treatment Plant and Raw Water Intake project. This funding will replace bond funding that was originally proposed, resulting in a significant reduction in debt service costs. The Kentucky Infrastructure Authority funded \$4,000,000 during the fiscal year 2013 funding cycle (F13-011) and an additional \$4,000,000 during the fiscal year 2014 funding cycle (F14-010). In an effort to reduce administrative burdens, this project will be reported as an increase in the project that was funded during fiscal year 2013, Loan F13-011. KIA staff recommended approval of the loan with standard conditions.

Mr. Damon Talley moved to approve the increase in Fund F Loan F13-011 to the amount of \$12,467,849 to the City of Danville with the standard conditions. Mr. Marty Ivy seconded, and the motion was approved with Mr. Jeff Derouen abstaining.

12. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING AN AMENDMENT TO A FUND F LOAN (F13-012) INCREASING THE AMOUNT TO \$8,000,000 TO THE NORTHERN KENTUCKY WATER DISTRICT, KENTON COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Mr. Jeff Abshire, KIA, presented the project to the Board. The Northern Kentucky Water District requested an increase of \$4,000,000 to their originally approved \$4,000,000 Drinking Water SRF loan for the Kenton and Campbell County Water Main projects. The increase will fund additional costs that were identified during the geotechnical evaluation process and other miscellaneous cost increases. Also, additional improvements were identified for the Taylor Mill treatment plant which will permit the deferral of approximately \$6.4 million in other capital spending requirements by ten years and will reduce electric consumption by about \$70,000 per year. KIA staff recommended approval of the loan with the standard conditions.

Ms. Linda Bridwell moved to approve the increase in Fund F Loan F13-012 to the amount of \$8,000,000 to the Northern Kentucky Water District with the standard conditions. Mr. Sam Ruth seconded, and the motion was approved with Mr. Jeff Derouen abstaining.

13. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR AUTHORIZATION TO AMEND A FUND F LOAN (F14-017) IN THE AMOUNT OF \$680,000, DECREASING THE INTEREST RATE TO .75% TO THE CITY OF NORTH MIDDLETOWN, BOURBON COUNTY, KENTUCKY

Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of North Middletown requested a Fund F Loan in the amount of \$680,000 for the Water Tank Reconstruction and SCADA project. In May of 2014 the city conducted an income survey to show that the majority of its citizens fall below the state Median Household Income of \$42,248. The results of the survey qualify the city for a .75% interest rate. KIA staff recommended approval of the loan with the revised interest rate with standard conditions.

Mr. Damon Talley moved to approve the Fund F Loan F14-017 in the amount of \$680,000 at a decreased interest rate of .75% to the City of North Middletown with the standard conditions. Mr. Marty Ivy seconded, and the motion was approved with Ms. Linda Bridwell abstaining.

Chair Tony Wilder commended the city's efforts in conducting the survey in order to be able to qualify for the lower interest rate.

14. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR APPROVAL OF A FUND F LOAN (F14-044) IN THE AMOUNT OF \$325,000 TO THE CITY OF FLATWOODS, GREENUP COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, KIA, presented the project to the board. The City of Flatwoods requested a Fund F loan in the amount of \$325,000 for the Jones Street Waterline Upgrade project. The project will replace 3,500 linear feet of two and four inch lines with six inch lines and install two fire hydrants.

Ms. Linda Bridwell moved to approve the Fund F Loan F14-044 in the amount of \$325,000 to the City of Flatwoods with the standard conditions. Mr. Jody Jenkins seconded, and the motion carried unanimously.

Chair Tony Wilder congratulated Mayor Crager of the City of Flatwoods, who will be retiring in December, on 31 years of service to the city.

15. 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
Greenup Joint Sewer Agency	B14-013	\$ 2,000,000.00
Lexington-Fayette Urban County Govt (increase)	A13-015	\$ 31,801,000.00
Lexington-Fayette Urban County Govt	A14-001	\$ 19,837,063.00
City of Greensburg	B14-007	\$ 350,000.00
City of Glasgow f/b/o Glasgow Water Company	C14-002	\$ 3,000,000.00

City of Harrodsburg (increase)	F13-002	\$ 2,703,422.00
City of Danville (increase)	F13-011	\$ 12,467,849.00
Northern Kentucky Water District (increase)	F13-012	\$ 8,000,000.00
City of Flatwoods	F14-044	\$ 325,000.00
City of Owensboro (Increase less than 10%)	A07-04	\$ 24,350,578.00
City of Hardinsburg (increase less than 10%)	F11-01	\$ 4,114,000.00

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

II. JACKSON COUNTY WATER ASSOCIATION DISCUSSION

Kentucky Infrastructure Authority Director John Covington began the discussion by telling the board that we had an unfortunate circumstance that occurred in the last Intended Use Plan. The Jackson County Water Association submitted a project for funding. It was ranked by the Kentucky Division of Water and we subsequently sent them an invitation, and that is something we should not have done. Mr. Covington apologized to the Jackson County Water Association for doing that. The fact is that Jackson County Water Association is not an eligible applicant for funding, because they are not a governmental agency and do not meet the definition of an eligible applicant for funding through the SRF program. Mr. Covington stressed that no statement is being made on the financial viability of the Jackson County Water Association or the validity of the project, but based on Kentucky statute they are not an eligible applicant. Tax exempt bond proceeds cannot be used to provide funding for a non-governmental entity. Mr. Covington referred to a memorandum from the Authority's bond counsel that sets forth why a water association cannot be considered as a governmental agency in order to qualify for financial assistance pursuant to KRS 224A.1115(2). The memorandum also addressed the negative implications that use by a water association of facilities financed by the Authority through a loan to a county would have for the issuance of the Authority's bonds and notes and the tax treatment of those bonds or notes under the Tax Code.

Jackson County Water Association officials had expressed their concern over this issue and requested an opportunity to address the board. Howard Williams, President of Jackson County Water Association, spoke to the board. He explained a situation in the county that could result in residents, a school, and industry being without water for up to three days. Mr. Williams presented a packet of information to board members. He stated that he wants to be assured that everything that can be done has been done.

Mr. Jeff Derouen clarified that the board has not voted or taken any action on this loan.

There was discussion of other funding possibilities and including potential for a Fund B loan to the county, due to the type of bond funds in Fund B. However, there would be no principal forgiveness with a Fund B loan. Changing from a water association to a water district and the difficulty of the process was also discussed. Mr. Gary Larimore addressed the issue and necessary changes in state law in order to allow funding to associations.

Chair Wilder expressed his respect for Mr. Williams and the Jackson County Water Association for being at the meeting and presenting their situation. It was the consensus of the board that Kentucky Infrastructure Authority will explore options that might be available to provide funds to Jackson County for their project.

It was necessary for Chair Tony Wilder to leave the meeting. The Chair was turned over to First Vice Chair Damon Talley to conduct the remainder of the meeting.

III. EXECUTIVE DIRECTOR'S REPORT

Mr. John Covington, KIA, spoke to board members regarding amendments to the Clean Water Act and highlighted some of the changes that have specific implications for the Clean Water State Revolving Fund. The amendments would make changes in the types of projects that are eligible for funding and make it easier to fund acquisition of land. The amendments specifically state that the program must be maintained in perpetuity. They also include provisions such as certification by borrowers of the cost and effectiveness of projects and meeting of procurement requirements. Borrowers will also have to certify an asset management plan, which may be made easier with information maintained in the WRIS. It will be necessary to address how to implement amendments that would allow for loan terms of up to 30 years or the useful life of the project. The amendments include an additional way to fund administrative costs, and make additional subsidization a permanent part of the program. Mr. Covington indicated that from discussions with other state programs, states are pushing the Environmental Protection Agency to make the guidance and the implementation of the changes no more burdensome for borrowers than necessary. He also mentioned extensive discussions as to how much state oversight will be required of the self reporting requirements for borrowers.

Some portions of these amendments will go into force as of October 1, 2014. There will be another U. S. Environmental Protection Agency training session in Atlanta in September that KIA staff will be attending.

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

V. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively set for Thursday, August 7, 2014
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Ms Linda Bridwell moved to adjourn. Ms. Lona Brewer seconded and the motion carried unanimously. The June 26, 2014, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Jeffrey A. Abshire, Secretary
Kentucky Infrastructure Authority



Date