

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

**Meeting Date/Location: September 4, 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. Steve Rucker, 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. Marty T. Ivy, representing the Kentucky Municipal Utilities Association

Members absent:

Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. Jody Jenkins, Union County Judge/Executive, representing the Kentucky
Association of Counties

Guests:

Ms. Anshu Singh, Division of Water
Mr. Chris Jones, Kenvirons
Mr. David Peyton, City of Hustonville
Mr. Paul Amburgey, E. L. Robinson Engineering
Ms. Shannon Mills, City of Catlettsburg
Mr. Carl Stanley, City of Catlettsburg
Mr. Steve Baker, London Utility Commission
Mr. Mitch Brunsma, Vaughn & Melton
Mr. Chris Stewart, HMB Professional Engineers, Inc.
Mr. Roger Recktenwald, Kentucky Association of Counties
Mr. Steve Starkweather, Office of Financial Management
Mr. John Brady, Office of Financial Management
Ms. Laura Jefferson, Buffalo Trace Area Development District
Mr. John Nacey, Legislative Research Commission

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 June 26, 2014

Ms. Linda Bridwell moved to approve the minutes of the June 26 2014 regular board meeting. Mr. David Cartmell seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

The three resolutions establishing interest rates for Fund A, Fund F, and Fund B for the period July 1, 2014, through June 30, 2015 were jointly presented and considered for action.

1. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND A INTEREST RATES FOR THE PERIOD JULY 1, 2014, THROUGH JUNE 30, 2015

Ms. Brandi Armstrong addressed the board regarding recommended Fund A interest rates for the period July 1, 2014, through June 30, 2015. The resolution contained three rates of interest to be offered for Fund A, one for standard borrowers and two for nonstandard borrowers. The resolution established a standard interest rate of 2.75% and nonstandard interest rates of 1.75% and 0.75%, as defined in the 2015 Clean Water State Revolving Fund Intended Use Plan.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND F INTEREST RATES FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

Ms. Brandi Armstrong next addressed the board regarding recommended Fund F interest rates for the period July 1, 2014, through June 30, 2015. The resolution contained three rates of interest to be offered for Fund F, one for standard borrowers and two for nonstandard borrowers. The resolution established a

standard interest rate of 2.75% and nonstandard interest rates of 1.75% and 0.75%, as defined in the 2015 Clean Water State Revolving Fund Intended Use Plan.

3. **RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND B INTEREST RATES FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015**

Ms. Brandi Armstrong then addressed the board regarding recommended Fund B interest rates for the period July 1, 2014, through June 30, 2015. The resolution contained three rates of interest to be offered for Fund B, one for standard borrowers and two for nonstandard borrowers. The resolution established a standard interest rate of 2.75% and nonstandard interest rates of 1.75% and 0.75%, as defined in the 2015 Clean Water State Revolving Fund Intended Use Plan.

Mr. John Covington pointed out that the resolutions establishing Fund A and Fund F interest rates contain provisions allowing the Kentucky Infrastructure Authority to, on a case by case basis, direct staff to establish an interest rate that would in effect create an effective interest rate equal to the appropriate standard rate or the nonstandard rate for the entire funding provided by the Authority's one or more loans when Fund B or Fund C loans are combined with SRF program loans in a funding package.

Ms. Linda Bridwell moved to approve the resolutions as contained in the Board Book on pages 21, 25, and 29 establishing interest rates for Fund A, Fund F, and Fund B for the period July 1, 2014, through June 30, 2015. Mr. Ron Lovan 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 CLEANWATER REVOLVING FUND, PLANNING AND DESIGN LOAN (A1 14-015) IN THE AMOUNT OF \$600,000 TO THE AUGUSTA REGIONAL SEWER AUTHORITY, BRACKEN COUNTY, KENTUCKY**

Ms. Anshu Singh, DOW, and Ms. Jami Johnson, KIA, presented the project to the Board. The Augusta Regional Sewer Authority (Authority) requested \$600,000 in Clean Water State Revolving Funds (Fund A) for the Augusta/Brooksville Regional Wastewater Treatment Plant Planning and Design project. This project will develop plans and specifications based on an approved construction site and will permit the Authority to be ready to bid the construction project once all financing sources for the project are secured. Upon approval of the plans and specifications the construction project will receive a priority funding position in the subsequent funding cycle. The proposed wastewater treatment plant will consolidate existing facilities in the cities of Brooksville and Augusta, provide opportunity to absorb an existing package treatment plant at a local nursing home and accommodate growth at a local industrial park. Additionally,

approximately seventy customers will be added along the collection line route between the two cities.

Mr. David Cartmell moved to approve the Fund A Planning and Design Loan A1 14-015 in the amount of \$600,000 to the Augusta Regional Sewer Authority with the standard conditions and a special condition that the August Regional Sewer Authority shall establish a surcharge to be paid by customers of the Augusta and Brooksville wastewater systems to generate not less than \$133,000 per year, effective no later than January 1, 2015. Ms. Lona Brewer seconded, and the motion was unanimously approved.

Ms. Linda Bridwell commended the Augusta Regional Sewer Authority for developing a regional solution to meet their needs.

5. 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 (A14-013) IN THE AMOUNT OF \$2,485,000 TO THE CITY OF CATLETTSBURG, BOYD COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of Catlettsburg requested a Fund A loan in the amount of \$2,485,000 for the Wastewater Treatment Plant (WWTP) Rehabilitation, Expansion and rehabilitation of Sanitary Sewer Collection System project. The project will rehabilitate two 250,000 gallon tanks and expand one tank by 150,000 gallons per day. It will add a new sludge press, headworks screen and grit chamber, rehab three pump stations, raise four manholes, and rehabilitate approximately 2,000 linear feet of sections of the sewer collection system. This project qualifies for additional subsidization in the amount of \$248,500.

Ms. Linda Bridwell moved to approve the Fund A Loan A14-013 in the amount of \$2,485,000 to the City of Catlettsburg with the standard conditions and a special condition that the City of Catlettsburg sewer rates will be adjusted to increase revenues by \$45,000 per year, effective no later than January 1, 2015. Mr. Robert Aldridge seconded, and the motion was unanimously approved.

6. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AN AMENDMENT TO THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A14-010) INCREASING THE AMOUNT TO \$4,371,452 TO THE CITY OF LONDON FOR THE BENEFIT OF LONDON UTILITY COMMISSION, LAUREL COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Ms. Jami Johnson, KIA, presented the project to the Board. The City of London f/b/o London Utility Commission requested an increase of \$606,202 to an existing Clean Water SRF fund loan for the London Sanitary Sewer project. The original estimate assumed that 10,000 linear feet

(LF) of gravity lines could be installed with the existing lines being abandoned. The project engineer subsequently determined that due to the close proximity of other utilities the existing lines would have to be removed and replaced in the same location. Additionally multiple lateral lines (6,000 LF) were discovered to be failing.

Mr. Marty Ivy moved to approve the increase to Fund A Loan A14-010 in the amount of \$606,202 for a total of \$4,371,452 with the standard conditions. Ms. Linda Bridwell seconded, and the motion was unanimously approved.

7. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING THE ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B15-001) OF \$476,400 TO THE CITY OF HUSTONVILLE, LINCOLN COUNTY, KENTUCKY

Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of Hustonville requested a Fund “B” loan in the amount of \$476,400 for the Water System Improvement Project. The project will replace 16,000 linear feet of aged cast iron waterlines with four and six inch PVC lines. The existing lines are undersized and breaking, preventing safe reliable drinking water. An additional 800 feet of water lines will be installed at the Huston Point Crossing to improve water pressure. Meters that are connected to the aged lines will be replaced from Liberty to Mt Salem Road.

Mr. Ron Lovan moved to approve the Fund B Loan B15-001 in the amount of \$476,400 to the City of Hustonville with the standard conditions and a special condition that the City of Hustonville increase water rates by an amount sufficient to generate additional revenues of \$32,000 per year, beginning in fiscal year 2015. The city is anticipating a rate adjustment that will increase revenues by \$50,000 per year. Ms. Linda Bridwell seconded, and the motion was unanimously approved.

8. 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
Augusta Regional Sewer Authority	A1 13-015	\$ 600,000.00
City of Catlettsburg	A14-013	\$2,485,000.00
City of London (increase)f/b/o London Utility Comm	A14-001	\$4,371,452.00
City of Hustonville	B15-001	\$ 476,400.00

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

II. ENERGY EFFICIENCY IN WATER/WASTEWATER

KIA Executive Director John Covington introduced Mr. Harry Carver, Department for Local Government (DLG), to speak to the board. When the stimulus bill was passed several years ago, the Energy and Environment Cabinet (EEC) allocated some funding to the Department for Local Government to help local governments with energy efficiency and conservation. DLG is partnering with EEC, the Area Development Districts (ADDs) around the state, and local communities to find ways to help with aging infrastructure and the need for better energy efficiency. Mr. Carver distributed a pamphlet produced as a part of this effort promoting Energy Savings Performance Contracting (ESPC), one of the means that can be used to achieve some of the replacements and upgrades that are needed. The concept is that entities can take the savings realized from improving energy efficiency and operations and use that money to pay off the debt incurred to undertake the project. This service provides local governments with a means to finance facility improvements, address deferred maintenance and implement energy efficiency and/or renewable energy projects through utility cost savings. ESPC projects guarantee that the savings produced will be sufficient to finance the full cost of the project.

Mr. Carver stated that organizations in the energy services industry have been active in approaching local governments about the potential of Energy Savings Performance Contracting. DLG representatives have spent a lot of time traveling around the state talking to ADDs and local officials about the potential of this program. The pamphlet provides a factual summary of the provisions of ESPC. Money from the Department of Energy has funded a contract with someone to work directly with people at the local level to help them through the process. Since the original authorizing legislation passed in 1996, close to \$800 million dollars has been invested in public performance contracts throughout Kentucky, primarily by state government and colleges and universities.

Mr. Carver reported that while other utility projects have been undertaken through ESPC, only recently has Kentucky had a project for water and wastewater. As part of ESPC, the City of Leitchfield is preparing to replace all water meters with radio read meters with an estimate of at least \$150,000.00 per year in additional billings. Mr. Carver cautioned that while improved infrastructure and technology result in monetary savings, they can also result in the loss of a function performed by a utility employee. It is important for communities to include ways to constructively address that issue in their planning process.

Mr. Carver indicated that Ms. Lona Brewer encouraged him to do the presentation to make sure that board members are aware of the program and what it involves. Ms. Brewer told the board that Tennessee and Alabama have been involved in Energy Savings Performance Contracting, and Kentucky is attempting to learn from their programs. In Kentucky, ESPC has funded projects from state parks to university buildings to the Kentucky School for the Blind. It is very beneficial for entities to have projects funded up front that will be paid back over time with resulting savings. Ms. Brewer pointed out that this can be important in controlling utility rates.

Ms. Linda Bridwell commented on the difficulty of finding firms with the required expertise to undertake some projects, such as pump replacement. Ms. Brewer responded that there are

entities with this capability and that they operate in neighboring states. Ms. Bridwell cautioned that, especially for larger systems, it is important to work with manufacturers of the equipment to be sure that it will function properly in the existing system. And, as much as possible, entities should look beyond going the cheapest route for immediate cost savings to what future operational cost savings might be achieved with a different option.

Mr. Jeff Derouen commented that water loss projects and savings for small systems on their electric bills might be fairly costly for this particular program, but that in approximately a year's time federal Environmental Protection Agency rules will be placing specific emphasis on energy savings in handling water and wastewater. He said that he anticipates a lot of interest and a variety of funding sources for these types of projects.

Mr. Carver stressed that an energy services company (ESCO) will complete a thorough evaluation and propose solutions for better energy efficiency and conservation. While it may not be possible to implement all of those solutions, a comprehensive look will have been provided as to how a system uses energy and what steps can be taken to improve it and how they can be funded.

John Covington pointed out that Energy Savings and Performance Contracts and energy savings measures are eligible for funding from the SRF programs. Energy efficiency and energy savings measures can be taken into consideration when prioritizing and funding projects. Kentucky Infrastructure Authority can serve as a source of funding for energy efficiency and conservation projects. The Authority's favorable interest rates would provide further savings on repayment of a project guaranteed under ESPC.

III. EXECUTIVE DIRECTOR'S REPORT

Kentucky Infrastructure Authority Director John Covington provided a follow up on the issue of funding for the Jackson County Water Association. Jackson County Water Association is not an eligible applicant for SRF 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 told the board that he has worked with the project engineer, Vaughn Williams, and Vernon Brown with U.S. Department of Agriculture Rural Development. Mr. Brown has let him know that Rural Development will be able to fund the Jackson County Water Association project. Jackson County Water Association has requested a written response from the Authority, so Mr. Covington will send a letter confirming that without a change in the existing statute, the association is not an eligible applicant for funding from the Authority.

Mr. Covington introduced three new staff members with the Kentucky Infrastructure Authority. Ms. Karen Diggs has come on board as a programmer to assist Bryan Bunch with the work he has been doing. She will begin focusing on incorporating internal functions into the WRIS to provide a common resource. Debbie Landrum has joined the agency as a Financial Analyst to more fully staff the loan section. Amanda Yeary, who was previously associated with the Division of Water, will work with the SRF program. Ms. Yeary will be a valuable addition because of her experience and connections with the utilities.

Mr. Covington reported that initial guidance has been received on changes to the Clean Water Act. Jeff Abshire is currently at a training on that initial guidance. Mr. Covington and

Brandi Armstrong will be attending another training session later in the month. The training should provide a better understanding of the changes and their implementation, so that more information can be provided to the board at the next meeting.

Mr. Covington specifically highlighted one change to the Clean Water Act that will permit making loans for a term of thirty years or the useful life of the project. He asked board members to consider how Kentucky Infrastructure Authority will want to handle that change. Ms. Linda Bridwell pointed out that the useful life of a project may not be as long as a 30-year term. Steve Rucker suggested establishing specific criteria to be taken into consideration. John Covington also mentioned another change related to providing nonstandard interest rates. The determining factor has been based on median household income. It will now be a requirement to consider population growth or lack of growth, and unemployment rate.

Mr. Covington also provided an update of SRF status. The Authority sent invitations to systems that have projects that ranked high enough to receive funding on the Priority Lists in the Intended Use Plans. For Clean Water, 27 projects have accepted out of total funding of \$86,500,000; 12 projects declined. \$9,300,000 is still available for invitation. For Drinking Water, 10 projects will be submitting applications for a total of approximately \$28,000,000. Available funding left for invitation is \$4,400,000.

Board Chair Tony Wilder asked Roger Recktenwald for an update on the Big Valley project in Bullitt County. Mr. Recktenwald reported that the Big Valley project is doing well. Reports have been regularly passed along to the Division of Water and the Public Service Commission.

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

V. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively set for Thursday, October 2, 2014
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Mr. David Cartmell moved to adjourn. Mr. Robert Aldridge seconded and the motion carried unanimously. The September 4, 2014, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Jeffrey A. Abshire, Secretary
Kentucky Infrastructure Authority



Date