

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

**Meeting Date/Location:**      **October 2, 2014 – 1:00 p.m.**  
   **Kentucky Infrastructure Authority**  
   **1024 Capital Center Drive, Suite 340, Frankfort**

**Members present:**

Mr. Russ Salsman, Department for Local Government  
    (proxy for Commissioner Tony Wilder)  
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. 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  
Mr. Damon Talley, representing the Kentucky Rural Water Association

**Members absent:**

Secretary Larry Hayes, Economic Development Cabinet  
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

**Guests:**

Mr. Shafiq Amawi, Division of Water  
Mr. Kevin Collignon, City of Owensboro  
Mr. Joe Schepers, City of Owensboro  
Mr. Eddie Brown, Kenvirons  
Mr. Bryan Kirby, Community & Economic Development Associates, Inc.  
Mr. Tim Schwendemann, Cumberland Valley Area Development District  
Mr. Dennis McClure, City of Mount Vernon  
Mr. Steve Starkweather, Office of Financial Management  
Mr. John Brady, Office of Financial Management  
Mr. Chris Stewart, HMB Professional Engineers, Inc.  
Mr. Chad Clark, Western Lewis-Rectorville Water & Gas  
Mr. Ora Main, Nesbitt Engineering, Inc.  
Annette Dupont-Ewing, Kentucky Municipal Utilities Association  
Ms. Donna McNeil, Kentucky Rural Water Association  
Ms. Laura Jefferson, Buffalo Trace Area Development District  
Mr. Josh W. Nacey, Legislative Research Commission

## **PROCEEDINGS**

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

Mr. Rusty Anderson, KIA, made maps available for viewing via the Water Resource Information System (WRIS) which showed an overview of the water and sewer projects that were to be considered at this board meeting.

### **I. BUSINESS (Board Action Required)**

#### **A. 1. APPROVAL OF MINUTES**

**For: KIA Regular Board Meeting of September 4, 2014**

*Mr. Sam Ruth moved to approve the minutes of the September 4, 2014, regular board meeting. Ms. Lona Brewer 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 FOR APPROVAL OF A FUND A LOAN (A15-036) IN THE AMOUNT OF \$3,975,000 TO THE CITY OF OWENSBORO, DAVIESS COUNTY, KENTUCKY**

Ms. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of Owensboro requested a \$3,975,000 Fund A loan for the Sherm Ditch Phase IV project. The project is the fourth phase of the City's Sherm Ditch Rehabilitation project and will separate storm and sanitary sewer lines along Sherm Road to Weslyn Plaza. Roadway structures will also be removed and replaced with box culverts and curb boxes. Mr. Damon Talley requested an explanation of the City's "Your Community Vision Fund" and how they can finance projects without sewer rates. A city representative explained that their "Your Community Vision Special Revenue Fund" is funded by a .33 percent tax on net profits and income. He told the board that by ordinance a substantial portion is designated to be used for storm water.

*Mr. Ron Lovan moved to approve the Fund A Loan A15-036 in the amount of \$3,975,000 to the City of Owensboro with the standard conditions. Mr. David Cartmell seconded, and the motion was unanimously approved.*

**2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A GOVERNMENTAL AGENCIES FUND C LOAN (C15-001) IN THE AMOUNT OF \$1,200,000 TO THE NORTHERN MADISON COUNTY SANITATION DISTRICT, MADISON COUNTY, KENTUCKY**

Mr. Jeff Abshire, KIA, presented the project to the Board. The Northern Madison County Sanitation District requested a Fund C loan in the amount of \$1,200,000 for the Muddy Creek Wastewater Treatment Plant project. The project will involve the construction of a 200,000 gallon per day (GPD) wastewater treatment plant, force main and two lift stations in the Muddy Creek area east of the Richmond city limits. The project will serve an existing 386 customers and also provide the capacity to expand into existing unserved areas (subdivisions with failing septic systems, a school, and several small businesses). Mr. Ron Lovan wanted to clarify if this construction of this plant is necessary to deal with capacity issues. He was told that the new treatment plant is needed to address both capacity issues and the cost of bulk treatment. The 200,000 GPD capacity will allow for three existing package plants to be decommissioned in future phases. Mr. Damon Talley confirmed with Mr. Shafiq Amawi that the Division of Water (DOW) finds this system to be appropriately sized and is prepared to approve the required permits. Mr. Talley stressed that the record should reflect that DOW approval is available and that future phases will eliminate three package plants.

***Mr. Ron Lovan moved to approve the Fund C Loan C15-001 in the amount of \$1,200,000 to the Northern Madison County Sanitation District with the standard conditions. Mr. Sam Ruth seconded, and the motion was unanimously approved.***

**3. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AN AMENDMENT OF THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND F LOAN (F12-01) INCREASING THE AMOUNT TO \$3,023,310 TO THE CITY OF MOUNT VERNON, ROCKCASTLE COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Mr. Jeff Abshire, KIA, presented the project to the Board. The City of Mount Vernon requested an increase of \$423,310 to a previously approved Fund F loan in the amount of \$2,600,000 for the Phase #2 Potable Water Storage Tanks and Lines project. Changes made during the design phase of the project increased the project cost by about \$360,000, while inflation increased cost by \$63,000. The interest rate will remain at 1.00%, the same as on the original project loan. Project Engineer Eddie Brown, Kenviron, Inc., explained that the increase is needed to cover additions to the original plan as well as more site preparation for the tank than originally anticipated.

***Mr. Sam Ruth moved to approve the increase to Fund F Loan F12-01 in the amount of \$423,310 for a total of \$3,023,310 with the standard conditions. Mr. Ron Lovan seconded, and the motion was unanimously approved.***

4. **RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F15-001) OF \$1,268,000 TO THE CUMBERLAND COUNTY WATER DISTRICT, CUMBERLAND COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Jami Johnson, KIA, presented the project to the Board. The Cumberland County Water District requested a \$1,268,000 Fund F loan for the Water System Improvement Project. The project will replace aging and undersized lines; rehabilitate two pump stations; rehabilitate a 100,000 gallon elevated storage tank; install new telemetry communications systems on five storage tanks, four pump stations and at the water treatment plant; and install approximately 400 radio read meters. The project qualified for additional subsidization in the amount of \$280,400. As the water district is regulated by the Kentucky Public Service Commission, Mr. Jeff Derouen indicated that he would abstain from this vote.

*Mr. Ron Lovan moved to approve the Fund F Loan F15-001 in the amount of \$1,268,000 to the Cumberland County Water District with the standard conditions. Mr. David Cartmell seconded, and the motion received all “aye” votes with the exception of Mr. Jeff Derouen, who abstained.*

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 LOAN (F15-005) OF \$1,266,500 TO THE WESTERN LEWIS-RECTORVILLE WATER AND GAS DISTRICT, MASON COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Jami Johnson, KIA, presented the project to the Board. The Western Lewis-Rectorville Water and Gas District requested a Fund F loan in the amount of \$1,266,500 for the Water System Improvements Project. This project will install approximately 30,000 feet of various sized water lines to provide new service and improve existing service, and it will install four loops to eliminate dead end lines. The project will also install an interconnect with the Greater Fleming County Regional Water Commission, and recoat the interior and exterior of an existing water storage tank. The project qualified for additional subsidization in the amount of \$379,950. Mr. Damon Talley confirmed with Western Lewis-Rectorville representatives that a water rate increase application has already been made. Mr. Jeff Derouen and Mr. David Cartmell indicated that they would abstain from this vote.

*Ms. Lona Brewer moved to approve the Fund F Loan F15-005 in the amount of \$1,266,500 to the Western Lewis-Rectorville Water and Gas District with the standard conditions. Mr. Ron Lovan seconded, and the motion received all “aye” votes with the exception of Mr. Jeff Derouen and Mr. David Cartmell, who abstained.*

**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 LOAN (F15-014) OF \$2,800,000 TO THE HENRY COUNTY WATER DISTRICT #2, HENRY COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Jami Johnson, KIA, presented the project to the Board. Henry County Water District #2 requested a Fund F loan in the amount of \$2,800,000 for the U.S. Highway 42 Storage Tank Project. The project involved construction of a one million gallon composite storage tank that will replace a 47-year-old 200,000 gallon elevated leg tank that is in need of repair and painting. This project will increase storage capacity, allow for more water to be available to the first three booster pump stations, and increase gravity flow, reducing pump run times at the pumping stations. Mr. Damon Talley clarified that while Kentucky Infrastructure Authority is not including a rate increase in its conditions for approval of the loan, the Henry County Water District feels that it would be prudent to plan for one. Mr. Jimmy Simpson with Henry County Water District #2 told the board that the water district will be petitioning the Public Service Commission for a rate increase in early 2016. Mr. Jeff Derouen indicated that he would abstain from this vote.

*Mr. David Cartmell moved to approve the Fund F Loan F15-014 in the amount of \$2,800,000 to Henry County Water District #2 with the standard conditions. Mr. Ron Lovan seconded, and the motion received all “aye” votes with the exception of Mr. Jeff Derouen, who abstained.*

**7. 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 Owensboro	A15-036	\$3,975,000
Northern Madison County Sanitation District	C15-001	\$1,200,000
City of Mount Vernon (increase of \$423,310)	F12-01	\$3,023,310
Cumberland County Water District	F15-001	\$1,268,000
Western Lewis-Rectorville Water and Gas District	F15-005	\$1,266,500
Henry County Water District #2	F15-014	\$2,800,000

*Mr. Russ Salsman moved to approve the resolution. Mr. David Cartmell seconded, and the motion carried unanimously.*

## **II. EXECUTIVE DIRECTOR'S REPORT**

Mr. Covington provided more in-depth information on changes to the Clean Water Act that he received in training. He told the board that Davis Bacon and American Iron and Steel and Additional Subsidization provisions have been made a permanent part of the program. Davis Bacon and American Iron and Steel will now apply to more types of projects, such as storm water and decentralized systems.

Additional Subsidization is now optional, but if a state chooses to use it, affordability requirements must be based on income, unemployment data, population trends, and other relevant data as determined by the state. Additional subsidization can also be used to implement water and energy efficiency goals, mitigate stormwater runoff, and encourage sustainable project planning and design. States must establish Affordability Criteria before September 30, 2015.

There have also been changes to eligible projects. Land purchases will now be eligible. The Clean Water Act also allows loans to private and non-profit entities, but that is still prohibited by state law.

Mr. Covington discussed the requirement for borrowers to have a Fiscal Sustainability Plan, which will include an inventory of critical assets, evaluation of condition, borrower certification that water and energy conservations efforts are a part of the plan, and a plan for financing maintenance and repair of facilities. The facility plan and information contained in the WRIS will be useful in complying with this requirement. Cost and effectiveness and water/energy efficiency of projects must also be evaluated.

Requirements for procurement or architectural and engineering services include a public announcement, evaluation and rankings based on qualifications, and consideration of at least three firms. Negotiations can then take place with the most qualified fund.

Revisions to the Clean Water Act will change receipt of Administrative Funds. There will be a choice of taking 4% of the Cap Grant or one fifth of the net value of the Fund.

As discussed at the last meeting, another change board members must consider is the ability to make loans with for a term of 30 years or the useful life of the project. In order to allow such loans, it would be necessary to revise KRS 224A.111, which requires that loans be repaid within 20 years.

Mr. Covington told board members that representatives of the company that performed the agency's audit will be attending either the November or December board meeting.

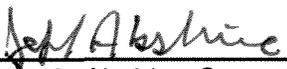
## **III. STATUS REPORT FOR FUNDS A, A2, B, B1, C, F, F2**

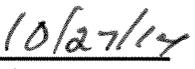
## **IV. ANNOUNCEMENTS/NOTIFICATIONS**

- Next scheduled KIA board meeting:  
Tentatively set for Thursday, November 6, 2014  
1024 Capital Center Drive, Suite 340  
Frankfort, Kentucky

***There being no further business Mr. Russ Salsman moved to adjourn. Mr. Jeff Derouen seconded and the motion carried unanimously. The October 2 2014, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.***

Submitted by:

  
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Jeffrey A. Abshire, Secretary  
Kentucky Infrastructure Authority

  
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Date