

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: **November 6, 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. 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. 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
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

Guests:

Mr. Shafiq Amawi, Division of Water
Mr. Bill Bunch, Pineville Utility Commission
Mr. William Ballard, East Clark County Water District
Mr. Joe Pfeffer, Mason County
Mr. James Roberts, Bell Engineering
Mr. Steve Starkweather, Office of Financial Management
Mr. Scott Althausser, Richmond Utilities
Mr. Richard Harris, Northern Kentucky Water District
Ms. Annette Dupont-Ewing, Kentucky Municipal Utilities Association
Ms. Ruth Webb, First Kentucky Securities
Mr. Dustin Duncan, Green River Area Development District
Mr. Gary Vetter, City of Morganfield

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. He confirmed that a quorum was present and that the press had been notified regarding the meeting.

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Regular Board Meeting of October 2, 2014

Ms. Linda Bridwell moved to approve the minutes of the October 2, 2014, 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 CLEAN WATER REVOLVING FUND A LOAN (A15-023) IN THE AMOUNT OF \$2,642,200 TO THE CITY OF MORGANFIELD, UNION COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of Morganfield requested a Fund "A" loan in the amount of \$2,642,200 for the Morganfield Combined Sewer Separation Project, Phase II. The project will construct storm drainage and sanitary sewers along Main Street and the intersection of Morgan and Morton Street. Two small sewer lines will be rehabilitated at the intersection of Vinson Alley and Unnamed Street. The project will relocate traffic during construction and will require replacing city streets and sidewalks to replace and relocate other utilities. This project is a part of the City's combined sewer separation program mandated by the Division of Water.

Ms. Linda Bridwell asked Mr. Amawi if this one project will put the City of Morganfield in compliance with the mandate. He stated that it will not, but that the city is currently working on a comprehensive plan to address the remaining issues.

Mr. Ron Lovan moved to approve the Fund A Loan A15-023 in the amount of \$2,642,200 to the City of Morganfield 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 PROGRAM FUND C LOAN (C15-002) IN THE AMOUNT OF \$1,422,370 TO THE CITY OF RICHMOND, MADISON COUNTY, KENTUCKY

Mr. Jeff Abshire, KIA, presented the project to the Board. The City of Richmond fbo the Richmond Water, Gas and Sewerage Works (the Utility) requested a Fund C loan in the amount of \$1,422,370 for the Raw Water Intake Electric Relocation and Slide Remediation Project. The Utility suffered a rain induced landslide above the intake earlier in 2014. The affected area was also below the overhead electrical power transmission lines to the facility and between the two parallel raw water transmission mains. The slide poses a threat to the reliability of electrical service to the intake and a danger to the slope stability around and over the raw water intake discharge lines, the intake structure and transformers located at the base of the hill. The first project component involves the relocation of a 15 kilovolt (kV) power feed to the existing raw water intake from the area that was degraded by the landslide. The existing power supply will be relocated to an underground feed that will eliminate additional weather related threats such as ice and high winds. The second project component will remediate the area of the slide to reduce the threat of additional failure and the potential loss of the raw water transmission mains. The area will be stabilized to protect the raw water discharge lines and structures, the debris field over the raw water line will be removed and protective barriers will be placed between the hillside and the intake structures.

Mr. Marty Ivy moved to approve the Fund C Loan C15-002 in the amount of \$1,422,370 to the City of Richmond fbo the Richmond Water, Gas and Sewerage Works 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 ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F15-011) IN THE AMOUNT OF \$4,000,000 TO THE NORTHERN KENTUCKY WATER DISTRICT, KENTON COUNTY, KENTUCKY

Mr. Ron Lovan excused himself from all discussion regarding this loan. Mr. Shafiq Amawi, DOW, and Mr. Jeff Abshire, KIA, presented the project to the Board. The Northern Kentucky Water District requested a \$4,000,000 Drinking Water SRF loan for the Campbell and Kenton County Water Main and Storage Tank Improvements project. The project involves five water main replacement projects on approximately twenty streets and the replacement of a 275,000 gallon storage tank with a 500,000 gallon elevated tank. The water main replacements are in the Edgewood and Newport areas and will replace four inch to twelve inch unlined cast iron lines that have a high incidence of failure with eight and twelve inch PVC lines. This will increase hydraulic capacity; reduce lost

water from leaks, breaks and flushing; and reduce the number of customer complaints about discolored water. The storage tank was built in 1936 and is at the end of its useful life. The water main replacements were broken down into multiple phases and contracts to mitigate the risk of delays in project completion. In response to an inquiry by Ms. Linda Bridwell, the board was told that rate increases included in consideration took effect on January 1, 2013 and on January 1, 2014. The District maintains an “Improvement, Repair and Replacement” Account; based on the District’s current reserve funding practice a reserve will not be required for the proposed loan.

Mr. Sam Ruth moved to approve the Fund F Loan F15-011 in the amount of \$4,000,000 to the Northern Kentucky Water District with the standard conditions. Ms. Linda Bridwell seconded, and the motion was unanimously approved. Mr. Ron Lovan and Mr. Jeff Derouen abstained.

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, PLANNING AND DESIGN LOAN (F1 15-016) IN THE AMOUNT OF \$220,000 TO THE CITY OF PINEVILLE FBO PINEVILLE UTILITY COMMISSION, BELL COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Jami Johnson, KIA, presented the project to the Board. The City of Pineville for the benefit of the Pineville Utility Commission requested \$220,000 in Drinking Water SRF (Fund F1) funds for a Planning and Design loan for the Water Treatment Plant Expansion Project. The project will develop plans and specifications for water treatment plant improvements. The construction project will receive a priority funding position in the funding cycle that is subsequent to Division of Water approval of the plans. The proposed project will increase treatment capacity by two million gallons per day (MGD). The project as currently contemplated includes raw water intake improvements, chemical room renovation, a new laboratory, emergency generator, and installation of a turbine unit in the 16 inch raw water main to generate on site electricity. No replacement reserve will be required as this is a planning and design loan. The city plans to procure an engineer in December. Ms. Linda Bridwell asked if the rate increase ordinance has already been approved. She was told that when the ordinance was passed it included increases for multiple years.

Ms. Linda Bridwell moved to approve the Fund F1 Loan F1 15-016 in the amount of \$220,000 to the City of Pineville fbo the benefit of the Pineville Utility Commission with the standard conditions. Ms. Lona Brewer seconded, and the motion received all “aye” votes.

5. **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 Morganfield	A15-023	\$2,642,200
City of Richmond	C15-002	\$1,422,370
City of Carrollton (increase)	F13-007	\$1,657,988
Northern Kentucky Water District	F15-011	\$4,000,000
City of Pineville	F1 15-016	\$ 220,000

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

II. EXECUTIVE DIRECTOR'S REPORT

In his Executive Director's Report, Mr. John Covington directed the board's attention to the amounts available for loan by fund listed on page 79. He indicated that these amounts more accurately reflect the funds available. The amounts reported for Fund A and Fund F are funds for which no commitment has been made and no invitation accepted. He clarified that Fund B and Fund C are first come, first served as applications are received.

Mr. Covington reported on an Environmental Protection Agency (EPA) listening session he attended on the Water Infrastructure Finance and Innovation Act (WIFIA), a program to be administered by EPA. EPA is moving ahead with preparations to implement the program, although at this time there is authorization for the program but no appropriation. There is speculation that there may be an appropriation of \$20 million nationally in the first year an appropriation is done. That money is placed in a reserve so that EPA can receive funding from the Treasury. It is possible that there could be a better than ten to one ratio based on the strong credit record of the SRF program.

Mr. Covington touched on a couple of ways that this will impact Kentucky Infrastructure Authority (the Authority). In the bill, there is language that would allow the Authority to bundle projects. So several projects could be grouped together into one application for funding to apply and receive funds from EPA. At this point in time, our bonds are at a lower interest rate than Treasury bonds, but that may not always be the case. He told the board that it is unclear if legislative authorization would be required to allow the Authority to borrow these funds from EPA.

The way the program is structured, a borrower can only borrow 49 percent of the cost of their project through WIFIA, and tax exempt bonds may not be issued for the remaining 51 percent. EPA is taking the position with the SRF program that the money that we have in our account consists of several components – Cap grant, state match, loan repayment, and proceeds from tax exempt bonds. Cap grant money (federal funds) cannot be used, nor can funds from tax exempt bonds. However, funding from the 49 percent up to 80 percent

of the project costs could be made from the repayment money, which EPA does not consider to be federal funds.

In addition, Mr. Covington reported on a provision that should an entity apply for WIFIA funding, EPA would contact this agency to see if we would fund it through the SRF program. If the Authority chooses to make the loan, the project would be funded with SRF funds. In such a case, the Authority would be required to make a commitment within 60 days and enter into a loan agreement within 180 days. Mr. Covington indicated that he expects to learn more about this program and amendments to the Clean Water Act at the Council for Infrastructure Financing Authorities (CIFA) he will be attending.

Ms. Linda Bridwell asked if the WIFIA process is a separate application process. Mr. Covington confirmed that it is a loan program run directly by EPA.

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

IV. ANNOUNCEMENTS/NOTIFICATIONS

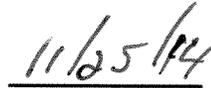
- Next scheduled KIA board meeting:
Tentatively set for Thursday, December 4, 2014
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Mr. David Cartmell moved to adjourn. Mr. Jody Jenkins seconded and the motion carried unanimously. The November 6, 2014, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Jeffrey A. Abshire, Secretary
Kentucky Infrastructure Authority



Date