

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: **May 7, 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. Paul Gannoe, 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. John Bevington, Economic Development Cabinet
 (Proxy for Secretary Larry Hayes (EDC))
Mr. Jeff Derouen, Executive Director, Public Service Commission
Mr. Damon Talley, representing the Kentucky Rural Water Association
Ms. Linda C. Bridwell, representing for-profit private water companies

Members absent:

Mr. Jody Jenkins, Union County Judge Executive, representing the Kentucky Association
 of Counties
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. Marty T. Ivy, representing the Kentucky Municipal Utilities Association

Guests:

Mr. Jory Becker, Division of Water
Mr. Jim Thompson, Kentucky Engineering Group
Mr. Bill Scalf, Frankfort Sewer
Mr. Jeffrey Reed, Glasgow Water Company
Mr. Scott Young, Glasgow Water Company
Mr. Ray Bascom, HMB Engineering
Mr. Bill Robertson, Paducah Water
Mr. Jason Peterson, Paducah Water
Ms. Ruth Webb, First Kentucky Securities
Mr. Roger Recktenwald, KACo
Ms. Angi Johnston, QK4
Ms. Annette DuPont Ewing, KMUA
Mr. John Brady, Office of Financial Management
Ms. Laura Gilkerson, GRW
Ms. Donna McNeil, KRWA
Mr. John Martin, GRW
Mr. Bob Smallwood, GRW
Mr. Kurt Zehnda, GRW
Mr. Bob Peterson, Frankfort Sewer

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. Chair Wilder 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 April 2, 2015

Mr. Damon Talley moved to approve the minutes of the April 2, 2015, regular board meeting. Mr. Jeff Derouen seconded, and the motion carried unanimously.

2. APPROVAL OF MINUTES

For: KIA Regular Executive Committee Meeting of April 23, 2015

Chair Tony Wilder asked KIA's Executive Director, John Covington, to report on issuance of KIA Bonds. Mr. Covington stated that it was not exactly as anticipated. No refinancing for Fund C was done, only additional funds. KIA now has \$5,000,000 in new Fund C monies. The Fund C bonds rating was upgraded from an AA to an AA+. KIA's AAA rating was reaffirmed for the SRF leverage bonds.

Ms. Linda Bridwell moved to approve the minutes of the April 23, 2015 executive committee meeting. Mr. Damon Talley 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 2015 CAPITALIZATION GRANT FOR THE DRINKING WATER REVOLVING FUND

Mr. Jeff Abshire discussed the annual filing of the Drinking Water Cap Grant, KIA is asking for \$13,770,000, with a state match of \$2,754,000. For administration and technical assistance, \$4,300,000, or 31%, will be set aside for the Division of Water.

Ms. Linda Bridwell moved to approve the filing of an application for the federal fiscal year 2015 Capitalization Grant for the Drinking Water Revolving Fund. Mr. Damon Talley 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 2015 CAPITALIZATION GRANT FOR THE WASTEWATER REVOLVING FUND

Mr. Jeff Abshire presented information on the Waste Water Cap Grant. There will be a \$17,870,000 request submitted with a state match of \$3,576,000, of which 4% will be set aside for administration fees. KIA is expected to collect approximately \$45,000,000 from borrowers on loans in 2016.

Ms. Linda Bridwell clarified with Mr. Abshire that the difference in the set aside percentage for the Drinking Water and Wastewater funds. Mr. Jory Becker and Mr. John Covington and Ms. Donna McNeil explained some of the Division of Water technical assistance programs for Drinking Water.

Mr. Covington presented some historical data to the group. In 2013, there were 45 loans approved for all programs for a total of \$120,000,000. For 2014, 47 loans were approved for \$80,000,000 and for 2015, there will be approximately 67 loans approved for a value of approximately \$185,000,000.

Ms. Linda Bridwell moved to approve the filing of an application for the federal fiscal year 2015 Capitalization Grant for the Wastewater Revolving Fund. Mr. Damon Talley seconded, and the motion carried unanimously.

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 (A15-035) IN THE AMOUNT OF \$8,684,115 TO THE CITY OF CORBIN FOR THE BENEFIT OF CITY UTILITES COMMISSION, LAUREL COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Jami Johnson, KIA, presented the Fund A loan A15-035 project to the board. The City of Corbin for the benefit of the Corbin City Utilities Commission requested a Fund A loan in the amount of \$8,684,115 for the Corbin Wastewater Treatment Plant Upgrade project. This project will upgrade the wastewater treatment plant by constructing an additional oxidization ditch, a third clarifier, replace the chlorination/de-chlorination system with a UV disinfection facility and upgrade a pump station to increase flow to the WWTP and alleviate inflow and infiltration during significant wet weather events.

Ms. Linda Bridwell moved to approve Fund A, A15-035 in the amount of \$8,684,115 to the City of Corbin for the benefit of City Utilities Commission with the standard conditions. Mr. Damon Talley seconded, and the motion was unanimously approved.

Chair Wilder advised that the board would consider in sequence four projects to the City of Frankfort, listed in the agenda as Action Item 4, Fund A Loan A15-092, Action Item 5, Fund A Loan A-15-095, Action Item 6, Fund A Loan A-098 and Action Item 7, Fund A15-101.

4. 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 (A15-092) IN THE AMOUNT OF \$747,041 TO THE CITY OF FRANKFORT, FRANKLIN COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Brandi Norton, KIA, presented the Fund A loan, A15-092 project to the Board. The City of Frankfort requested a Fund A loan in the amount of \$747,041 for the Benson Combined Sewer Overflow (CSO) Separation project. This project will install approximately 3,000 linear feet of 8 to 15 inch sanitary sewer lines and approximately 700 linear feet of 12 to 15 inch storm sewer lines. The project will reconnect 43 properties to new sanitary sewers and will eliminate the Benson Avenue gravity pump station. The City is currently acting under the terms of an EPA Administrative order and Kentucky Division of Enforcement Consent Judgment to resolve the CSO issue along Benson Creek.

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 CLEAN WATER REVOLVING FUND A LOAN (A15-095) IN THE AMOUNT OF \$1,570,000 TO THE CITY OF FRANKFORT, FRANKLIN COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Brandi Norton, KIA, presented the Fund A loan, A15-095 project to the Board. The City of Frankfort requested a Fund "A" loan in the amount of \$1,570,000 for the Old Lawrenceburg Road Pump Station Replacement project. The project will replace an existing underground flooded pump station that was installed in 1981 with a submersible duplex pump station. The existing station is 31 feet underground and structurally unsound causing safety concerns. The new pump station will provide access to the pumps at ground level and will be integrated into the City's SCADA system as well as accommodate a wider range of flows. The project will also replace an exposed 18 inch ductile iron force main that is pulling apart. If the force main is not replaced it threatens to pump sewage directly into the Kentucky River.

The City's wastewater system has about 34,484 customers and also treats wastewater for an area of Woodford County, which has 21 customers.

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 (A15-098) IN THE AMOUNT OF \$1,500,000 TO THE CITY OF FRANKFORT, FRANKLIN COUNTY, KENTUCKY

Mr. Jory Decker, DOW, and Ms. Brandi Norton, KIA, presented the Fund A loan, A15-098 project to the Board. The City of Frankfort requested a Fund "A" loan in the amount of \$1,500,000 for the Rolling Acres Inflow and Infiltration (I&I) Phase 1 project. The project will inspect 33,000 linear feet of collection sewer in the Rolling Acres neighborhood that experiences excessive I&I during wet weather events causing sanitary sewer overflows. The project will include 9,000 to 12,000 feet of sliplining, 45 to 50 sewer main point repairs and the replacement of 3,000 to 4,000 linear feet of property service connections including installation of 200 to 250 cleanouts.

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 (A15-101) IN THE AMOUNT OF \$1,320,000 TO THE CITY OF FRANKFORT, FRANKLIN COUNTY, KENTUCKY

Mr. Jory Decker, DOW, and Ms. Brandi Norton, KIA, presented the Fund A loan, A15-101 project to the Board. The City of Frankfort requested a Fund “A” loan in the amount of \$1,320,000 for the Wastewater Treatment Plant Emergency Generator and SCADA System project. This project will provide backup generators during periods of power outage. Additionally, the project will install a SCADA system to the Waste Water Treatment Plant that is manually operated. The SCADA system will allow the WWTP to automatically make adjustments to enhance treatment and reduce plant electric costs. The new system will allow monitoring of the system from remote locations.

The City’s wastewater system has about 34,484 customers and also treats wastewater for an area of Woodford County, which has 21 customers.

Ms. Linda Bridwell moved to approve Fund A loan (A15-092) in the amount of \$747,041, Fund A loan (A15-095) in the amount of \$1,570,000, Fund A loan (A15-098) in the amount of \$1,500,000 and Fund A loan (A15-101) in the amount of \$1,320,000 to the City of Frankfort, all with the standard conditions. Mr. Damon Talley seconded, and the motion was unanimously approved.

Chair Tony Wilder excused himself from the meeting at this time. Vice Chair Damon Talley graciously assumed direction of the meeting.

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 CLEAN WATER REVOLVING FUND A LOAN (A15-094) IN THE AMOUNT OF \$3,500,000 TO THE CITY OF GLASGOW FOR THE BENEFIT OF GLASGOW WATER COMPANY, BARREN COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Debbie Landrum, KIA, presented the project to the Board. The City of Glasgow f/b/o Glasgow Water Company requested a \$3,500,000 Fund “A” loan (A15-94) for the Southside Interceptor Project. The project will eliminate historical sanitary sewer overflow and provides additional capacity for future growth. The project consists of upgrading 5,300 feet of existing 24 inch gravity line to 42 inch line from sanitary sewer overflow #8 to existing WWTP and upgrading 9,000 feet of existing 24 inch gravity line to 36 inch from sanitary sewer overflow #13 to sanitary sewer overflow #8. The project would eliminate seven of eight identified sanitary sewer overflows and reduce ongoing maintenance on an aged interceptor.

Glasgow Water Company provides water and sewer for the City of Glasgow and has approximately 16,600 water and 6,000 sewer customers.

When asked if a projected three percent increase in revenue annually is a requirement for the loan, a representative of the City explained that while the increase is not required, annual three percent increases are planned for the next five years. He also verified that the City has the funds in place for the local contribution to the project.

Ms. Linda Bridwell moved to approve the Fund A loan A15-94 in the amount of \$3,500,000 to the City of Glasgow with the standard conditions. Mr. John

Bevington seconded, and the motion was unanimously approved.

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 CLEAN WATER REVOLVING FUND LOAN (A15-019) IN THE AMOUNT OF \$4,156,000 TO THE CITY OF LIBERTY, CASEY COUNTY, KENTUCKY

Mr. Jory Becker, DOW and Ms. Jami Johnson, KIA, presented the project to the board. The City of Liberty requested a Fund A loan, (A15-019) in the amount of \$4,156,000 for the Wastewater Treatment Plant Upgrade and Improvements project. The primary focus of this project is to address wet weather flows by adding a one million gallon wet weather flow equalization basin and a duplex submersible wet weather pump station. The project will also replace and upgrade treatment plant components that have exceeded their useful life. These items include replacement of the raw sewage flow meter, grit removal equipment, adding a third static screen, return sludge pump and controls, sludge pumps and controls, secondary sludge clarifier equipment, and aerobic digester blower equipment. Additionally, a much needed laboratory and office facilities with installation of modern instrumentation and control equipment will be constructed. The City met with the Division of Enforcement in August 2014 and has since been advised that they will receive an Agreed Order by mid-summer 2015 and will incur a fine of approximately \$3,000 for Notices of Violation (NOV). The proposed project will address all issues included in the agreed order.

The wastewater treatment plant has a design capacity of 640,000 gallons per day and services approximately 875 customers.

Mr. Paul Gannoe moved to approve Fund A Loan A15-019 in the amount of \$4,156,000 to the City of Liberty with the standard conditions and the special condition that the water and sewer rate ordinance will be amended to be effective no later than July 1, 2015, to increase rates sufficient enough to generate an additional \$275,000 per year. At least fifty percent of the increase must be effective by July 1 2015, with the remainder being effective by July 1, 2016. Mr. John Bevington seconded, and the motion was approved.

10. 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 (F15-057) IN THE AMOUNT OF \$720,000 TO THE CITY OF LEBANON FOR THE BENEFIT OF LEBANON WATER WORKS, MARION COUNTY, KENTUCKY

Mr. Jory Becker, DOW and Ms. Debbie Landrum, KIA, presented the project to the Board. The City of Lebanon f/b/o Lebanon Water Works Co. (LWWC) requested a \$720,000 Fund "F" loan, (F15-057) for the Woodland Avenue and Loretto Road Water Line Replacement project. The proposed project will replace approximately 6,000 linear feet (LF) of 6 inch water main along Woodlawn Avenue and approximately 1,700 LF of 6 inch water main along HWY 49 to improve service and reliability to 200 customers. This project will also reduce costly repairs from aging cast iron pipe that is prone to breaks and leaks with high repair costs.

LWWC produces 800 million gallons of water annually, directly serves approximately 2,600 customers and indirectly serves an additional 5,800 customers through wholesale service (430,000 million gallons annually) to the Marion County Water District. Upon completion of the Marion Taylor County line project (F14-036) LWWC will purchase 500,000 gallons per day from the City of Campbellsville to mitigate supply constraints during drought periods.

Ms. Linda Bridwell inquired about requirements for the debt coverage ratio. Mr. John Covington explained that the Assistance Agreement requires that the borrower assures sufficient revenue to cover operating expenses.

Ms. Linda Bridwell moved to approve the Fund F Loan, F15-057 in the amount of \$720,000 to the City of Lebanon 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 (F15-064) IN THE AMOUNT OF \$4,493,000 TO THE CITY OF PADUCAH FOR THE BENEFIT OF PADUCAH WATER WORKS, MCCRACKEN COUNTY, KENTUCKY

Mr. Jory Becker, DOW and Ms. Brandi Norton, KIA presented this project to the Board. The City of Paducah for the benefit of Paducah Water Works requested a Fund “F” loan, (F15-064) in the amount of \$4,493,000 for the 24” Transmission Main project. The project will install 9,000 linear feet of 24 inch ductile iron pipe water main lines from the 8th Street Treatment plant along Campbell Street and Kentucky Avenue. The new transmission lines will provide a source of redundancy to the existing 30 inch main that feeds the majority of the Paducah Water distribution system. The line will provide a necessary alternate source of flow should the main line become inaccessible. The Utility will increase transmission capacity by connecting the new lines from the plant to several existing large mains along the Kentucky Avenue corridor to enhance all five pressure zones. The Utility will perform a corridor study and additional hydraulic modeling to determine the most efficient corridor and point of termination for the project. The utility produces approximately 2.7 billion gallons of water annually to support approximately 26,600 customers. Additionally, they sell approximately 173 million gallons of water per year to the West McCracken County Water District which is subject to Public Service Commission jurisdiction.

Mr. Damon Talley asked about the projected periodic rate increases indicated and was told that the established rate ordinance allows for yearly rate increases. Ms. Linda Bridwell inquired about the anticipated cost per foot. A City representative explained that the area in which the project will be done will result in higher costs.

Ms. Linda Bridwell moved to approve the Fund F Loan F15-064 in the amount of \$4,493,000 to the City of Paducah with the standard conditions. Mr. John Bevington seconded, and the motion was unanimously approved

12. A RESOLUTION OF THE KENTUCKY INFRASTRUCTURE AUTHORITY 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 Corbin f/b/o Corbin Utility Commission	A15-035	\$8,684,115
City of Frankfort	A15-092	\$ 747,041
City of Frankfort	A15-095	\$1,570,000
City of Frankfort	A15-098	\$1,500,000
City of Frankfort	A15-101	\$1,320,000
City of Glasgow f/b/o Glasgow Water Company	A15-094	\$3,500,000
City of Liberty	A15-019	\$4,156,000
City of Lebanon f/b/o Lebanon Water Works	F15-057	\$ 720,000
City of Paducah f/b/o Paducah Water Works	F15-064	\$4,493,000

Ms. Linda Bridwell moved to approve the resolution. Ms. Lona Brewer seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR'S REPORT

Kentucky Infrastructure Authority Executive Director John Covington

Mr. Covington discussed the General Assembly authorizing KIA to make 30 year loans for Cleanwater State Revolving Fund. A loan with a term of 30 years was approved at this meeting for the City of Liberty.

Mr. Covington brought an issue with the City of Martin to the attention of the Board. At some point in the near future, Board action will be required on their loan. There have been collections problems for an extended period of time. KIA staff continues to work with the City of Martin; they have recently paid \$18,700 toward their loan balance of \$131,082. This Fund A loan matures on June 1, 2015, and it is anticipated that the City will be unable to pay the balance due. There are two avenues KIA staff can pursue, the first; the agency can continue to work with the City of Martin, getting their financial statements, reviewing their credit worthiness and giving them the opportunity to refinance with a short term Fund B or Fund C loan. The other option would be to take legal action. Either of these options will require Board action.

KIA staff hopes to have the Intended Use Plan out by next week. A public meeting on the plan will be scheduled for later in May. When the IUP is published, invitations will be sent to borrowers for the next funding cycle. KIA is finalizing some language for clean water that has been previously discussed with the board. Language is being added for small disadvantaged communities that may be eligible for a 30 year loan. Previously, consideration was based solely on median household income. Population trends and unemployment data will now also be considered.

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

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively set for Thursday, June 4, 2015
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Ms. Linda Bridwell moved to adjourn. Mr. Jeff Derouen seconded and the motion carried unanimously. The May 7, 2015, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Jeffrey A. Abshire, Secretary
Kentucky Infrastructure Authority



Date