

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: September 3, 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
Ms. Sandy Williams, Finance and Administration Cabinet
(Proxy for Secretary Lori H. Flanery, FAC)
Ms. Lona Brewer, Energy and Environment Cabinet
(Proxy for Secretary Leonard K. Peters, EEC)
Mr. John Fischer, 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
Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. Paul Lashbrooke, representing the Kentucky Rural Water Association

Members absent:

Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities
Mr. Martin T. Ivy, representing the Kentucky Municipal Utilities Association
Mr. Jody Jenkins, Union County Judge Executive, representing the Kentucky Association
of Counties

Guests:

Mr. Jory Becker, Division of Water
Mr. John Brady, Office of Financial Management
Mr. Matt Curtis, Kentucky Engineering Group
Ms. Denise Thomas, Big Sandy Area Development District
Mr. Roger Recktenwald, Kentucky Association of Counties
Mr. Bob Sturdivant, HDR Engineering
Mr. Bob Casher, Bluegrass Area Development District
Mr. Rick Skinner, City of Williamstown
Mr. Scott McCauley, Harrison County Sanitation District
Mr. Kevin Howard, Summit Engineering
Ms. Sherri Greene, Bath County Water District
Mr. Kenny Barber, Bath County Water District
Mr. Joshua Farrow, Gateway Area Development District
Mr. Mark Collier, Gateway Area Development District
Ms. Annette DuPont-Ewing, Kentucky Municipal Utilities Association
Mr. Troy Hogge, Kentucky Engineering Group

PROCEEDINGS

Chair Tony Wilder called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. Commissioner Wilder confirmed that a quorum was present and that the press had been notified regarding the meeting. The Commissioner asked board members and guests to introduce themselves. Sarah Aitken was introduced as KIA's new financial analyst.

I. BUSINESS (Board Action Required)

A. APPROVAL OF MINUTES

For: KIA Regular Board Meeting of August 6, 2015

Ms. Linda Bridwell moved to approve the minutes of the August 6, 2015, regular board meeting. Mr. Jeff Derouen seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

1. 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 (A16-016) IN THE AMOUNT OF \$1,567,885 TO THE HARRISON COUNTY SANITATION DISTRICT, HARRISON COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Jami Johnson, KIA, discussed the Harrison County Sanitation District's project. The Harrison County Sanitation District requested a Fund "A" loan in the amount of \$1,567,885 for the Northside Sewer Extension and Cedarbrook Replacement Project.

This project has two components: The Northside component will eliminate two existing package treatment plants (PTP) and will provide sewer service to the Northside Elementary School and the Northside Mobile Home Park. A new collection system consisting of 2,800 LF of 8-inch gravity sewer will also be constructed to replace the existing system at the Northside Mobile Home Park. All flows will be pumped south along US 27 to Cynthiana for treatment through approximately 16,000 LF of 3 and 4-inch force main. The Cedarbrook component will consist of replacing the existing collection and treatment system at the Cedarbrook Subdivision located along US 27 south of Cynthiana near the Harrison/Bourbon border. Approximately 3,600 LF of gravity sewer will be replaced and a new 25,000 gallon per day PTP will be installed to serve the existing subdivision customers.

KIA Executive Director John Covington discussed the situation with the abandonment of the package plant. Harrison County Sanitation has stepped up to take over the

operation of the facility. He mentioned that there could be other local governments in similar situations in the near future. KIA Staff Assistant Adam Scott has been asked to compile a list of others.

Ms. Linda Bridwell asked if the Board would be given periodic updates on the progress of this project.

Mr. Jeff Derouen recused himself from voting. Ms. Linda Bridwell moved to approve the Fund A loan (A16-016) in the amount of \$1,567,885 to the Harrison County Sanitation District with standard conditions, along with the additional special condition: The district will take ownership of the Cedarbrooke package treatment plant, the district will enter into an agreement with the Harrison County Water Association to disconnect services to non-paying customers and the district will conduct a rate analysis to determine a cost based rate for all customers. If the cost based rates are too high for the consumers in the district to meet the loan payment conditions and terms then KIA will decrease the loan amount to an amount that the district can meet the loan conditions and terms. Ms. Lona Brewer seconded and the motion was unanimously approved.

2. 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 (A16-036) IN THE AMOUNT OF \$1,000,000 TO THE CITY OF ELKHORN CITY, PIKE COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Jami Johnson, KIA, discussed the City of Elkhorn City's request for a Fund "A" loan in the amount of \$1,000,000 for their Wastewater Treatment Plant Project. This project will replace their 150,000 gallon a day plant with a 385,000 Sequencing Batch Reactor (SBR) plant. The city will use existing buildings and equipment at the site in order to reduce the overall cost of the project. Also, this loan will restructure the City's existing KIA loan in the amount of \$440,000 that is scheduled to mature in 2019. The City has been making monthly payments towards the KIA loan, however, they have not been able to meet the annual debt service payments and have fallen increasingly behind. The City is under consent decree with the Environmental Protection Agency.

Mr. Paul Lashbrooke moved to approve the Fund A loan (A16-036) in the amount of \$1,000,000 to the City of Elkhorn City with the standard conditions along with the following special conditions: The sewer rate ordinance will be amended to be effective no later than July 1, 2017 to increase rates sufficient enough to generate an additional \$31,200 annually. At least fifty percent of the increase must be effective by July 1, 2017 with the remainder being effective July 1, 2018. Ms. Lona Brewer seconded and the motion was unanimously approved.

3. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AN AMMENDMENT

TO THE CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B14-006) INCREASING THE AMOUNT TO \$300,000 TO THE CITY OF LEBANON JUNCTION, BULLITT COUNTY, KENTUCKY

Ms. Jami Johnson, KIA, discussed the City of Lebanon Junction's request for an increase of \$100,000 to an existing \$200,000 Fund "B" loan for the Truck Stop Lift Station Replacement project. The increase will replace the existing effluent line that came apart in four places during flood conditions. The original project description is below:

The project will install a new lift station to replace one that has been corroded from sewer gases and has compromised structural integrity. The new wet well will also be sized to accommodate future flow. A failure would affect the largest sewer user, which is approximately 6% of revenues.

The City of Lebanon Junction provides water services to 933 households within Bullitt and Nelson Counties. Finished water is purchased from Louisville Water Company to directly service a population of 2,191 residents at an annual volume of 83.35 million gallons (MG).

Ms. Linda Bridwell moved to increase the Fund B loan (B14-006) to the amount of \$300,000 to the City of Lebanon Junction with the standard conditions. Mr. Ron Lovan seconded and the motion was unanimously approve.

4. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B16-005) OF \$400,000 TO THE CITY OF MARTIN, FLOYD COUNTY, KENTUCKY

Ms. Jami Johnson, KIA, discussed the City of Martin's request for a Fund "B" loan in the amount of \$400,000 for the Miscellaneous Sewer Improvements Project. The Fund B loan will be used to restructure an old SRF Fund 'A' loan with the balance of approximately \$120,380 which has passed maturity. The remaining balance of the loan will be directed at miscellaneous sewer improvements. The miscellaneous improvements include a comminutor at the wastewater treatment plant, TV inspection of the collection system, and eliminating inflow and infiltration in the system. The system also plans to construct a storm water line to divert runoff from an upstream watershed and rehabilitate manholes.

KIA Executive Director John Covington updated the group on the City of Martin. KIA staff met with the City of Martin regarding their outstanding loan and habitually being late on their payments. A new Mayor has been elected and has assumed responsibility to ensure payments are made in a timely manner. The City of Martin has been paying on time and including additional funds as well.

Ms. Linda Bridwell moved to approve the Fund B loan (B16-005) in the amount of \$400,000 to the City of Martin with the standard conditions. Ms. Sandy Williams seconded and the motion was unanimously approve.

5. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AMENDMENT OF THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F13-013) INCREASING THE AMOUNT TO \$6,249,165 TO THE CITY OF WILLIAMSTOWN, GRANT COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Jami Johnson, KIA, discussed the City of Williamstown request for a Fund “F” loan increase in the amount of \$2,249,165 for Phase II (b) of the two-phase Water Systems Improvements project.

Phase I for \$2,000,000 was funded by KIA on June 19, 2013. The project presented in May 2014 anticipated a \$2,000,000 bond finance and \$1,750,000 of EDA Grant. The project has since been adjusted to remove the bond funding and \$250,000 of EDA Grant and replaced with additional KIA Funding. The City is in the process of obtaining funding commitments for the entire project. The estimated total project cost is \$17.25 million. Separation of the project into two phases permitted the City to access KIA funding for Phase I without waiting to obtain financial commitments for the entire project. While Phase I is not dependent upon completion of Phase II for its success, the combined project is presented throughout the credit analysis.

The entire project addresses capacity and water quality needs by construction of a new 4.0 million gallon per day (MGD) water treatment plant (WTP), improvements to the raw water intake and pumping station, and a new 14-inch raw water main. The WTP components will include, chemical storage and feed facilities, high rate clarification using dissolved air flotation (DAF), mixed media filtration, process enhancements using granular activated carbon (GAC) post-filter contactors for trace organic compound reduction as well as taste and odor reduction, clearwell storage for finished water and high service and backwash pumping facilities. The process enhancements will allow the City to comply with Stage 2 of the Disinfection By-Products Rule. Also, the current treatment process is unable to successfully eliminate methylisoborneol (MIB) and geosmin which contribute to periodic taste and odor issues that result from the seasonal turnover of Lake Williamstown.

The ***first phase*** (approved June 19, 2013) includes planning and design for the entire project along with construction of two new sludge lagoons. The lagoons will address immediate needs related to the City’s WTP solids handling and dewatering system which was found to be deficient during a July 2012 sanitary inspection by the Kentucky Division of Water (DOW). Subsequently, the DOW issued a Notice of Violation and notified the City that immediate action was required to address the problem. The City currently pumps out the existing holding tank and has the sludge hauled to the landfill. This approach is temporary and very costly. The City is constructing the new lagoons to handle the WTP backwash solids. The most cost effective approach to the problem is to construct two new sludge lagoons at the new WTP site and temporarily pump

solids from the existing WTP to these lagoons. When the new WTP is complete, the 67 backwash solids will then gravity flow to the lagoons.

The **second phase** is for construction of the remainder of the project. The existing plant has a capacity of 2.25 MGD and was constructed in 1964 with water being sourced from Lake Williamstown. Production averages 1.4 MGD with peaks of 2.0 MGD.

The City directly serves 1,800 customers and indirectly serves an additional 3,400 customers by providing wholesale water to the City of Dry Ridge, and the Bullock-Pen Water and Corinth Water Districts, both of which are regulated by the Kentucky Public Service Commission. The City is the sole supplier for Dry Ridge and Corinth.

Mr. Ron Lovan moved to increase the Fund F loan (F13-003) in the amount of \$6,249,165 to the City of Williamstown with the standard conditions. Mr. Jeff Derouen seconded and the motion was unanimously approve.

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 DRINKING WATER REVOLVING FUND LOAN (F16-011) OF \$925,470 TO BATH COUNTY WATER DISTRICT, BATH COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Sarah Aitken, KIA, discussed Bath County Water District's request for a Fund "F" loan in the amount of \$925,470 for the Scattered Site System Improvements 2015 project. The project will replace approximately 22,000 linear feet (LF) of 6 inch waterline due to significant water loss as result of multiple waterline breaks. In addition, approximately 8,250 LF of existing undersized waterline will be replaced with 6 inch PVC waterline. Lastly, this project will include rehabilitation of three pump stations within the District's distribution system and include construction of a new structure that will replace one of the three pump station buildings.

The District provides services for Bath, Bourbon, Menifee, Montgomery, Nicholas, and Rowan counties. The District purchases water from Morehead Utility Plant Board, Mount Sterling Water and Sewer System, Owingsville Water and Sewer, and Frenchburg Water and Sewer. Bath County Water District is treated by Morehead Utility Plant Board and Mount Sterling Water and Sewer. The District supplies water to Owingsville Water and Sewer, Sharpsburg Water District, and Frenchburg Water and Sewer.

Mr. Jeff Derouen recused himself from voting. Ms. Paul Lashbrooke moved to approve the Fund F loan (F16-011) in the amount of \$925,470 to the Bath County Water District with the standard conditions. Mr. Ron Lovan seconded and the motion was unanimously approved.

7. 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
Harrison County Sanitation District	A16-016	\$1,567,885
City of Elkhorn	A16-036	\$1,000,000
City of Lebanon Junction (increase)	B14-006	\$ 300,000
City of Martin	B16-005	\$ 400,000
City of Williamstown (increase)	F13-013	\$6,249,165
Bath County Water District	F16-011	\$ 925,470
City of Nicholasville (< 10% increase)	F13-022	\$ 488,400

Ms. Linda Bridwell moved to approve the resolution. Mr. Ron Lovan seconded and the motion carried unanimously.

II. EXECUTIVE DIRECTOR’S REPORT

Kentucky Infrastructure Authority Executive Director John Covington again mentioned the storm cloud on the horizon for other entities like Harrison County. KIA staff is looking for funding to assist should additional need arise. Ideas will be brought to the Board as needed.

At the August KIA Board meeting, the Call for Projects was discussed. Staff has re-canvassed the ADDs and contacted some borrowers. An additional \$4,000,000 has been found for Clean Water loans. The requests are significantly below the available funds. Drinking Water projects are being evaluated. We have several projects on the priority list. Staff will begin working that list before invitations will be sent. Once we have commitments in loans, we will look at transferring funds from Clean Water to Drinking Water to cover those loans.

In closing, Mr. Covington thanked the Board for the opportunity to serve as The Authority’s Executive Director for the past 7 years. He has enjoyed meeting and working with local communities’ officials, other state agencies as well as national

representatives. KIA has many accomplishments that would not have been possible without the Board's support and guidance.

Commissioner Wilder presented Mr. Covington with a letter from Governor Beshear as well as a Resolution for dedicated service passed by the KIA Board of Directors.

Ms. Linda Bridwell thanked Mr. Covington for his years of service and applauded him for the accomplishments of KIA under his direction.

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

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively set for Thursday, October 1, 2015
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Ms. Linda Bridwell moved to adjourn. Mr. Ron Lovan seconded and the motion carried unanimously. The September 3, 2015, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Adam J. Scott, Secretary
Kentucky Infrastructure Authority

September 25, 2015

Date