

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: May 5, 2016 – 1:00 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Ms. Sandra Dunahoo, Commissioner, Department for Local Government
Mr. Mark Bunning, Finance and Administration Cabinet
(proxy for Secretary William Landrum, FAC)
Mr. Erik Dunnigan, Economic Development Cabinet
(Acting Secretary, EDC)
Mr. Aaron Greenwell, Public Service Commission
(Acting Executive Director, PSC)
Mr. Jody Jenkins, Union County Judge Executive, representing the Kentucky Association
of Counties, (KACO)
Mr. C. Ronald Lovan, representing the American Water Works Association
Mr. Paul Lashbrooke, representing the Kentucky Rural Water 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

Members absent:

Mr. Marty T. Ivy, representing the Kentucky Municipal Utilities Association
Mr. Bruce Scott, Energy and Environment Cabinet
(proxy for Secretary Charles Snavelly, EEC)

Guests:

Mr. Dean Behnke, Regional Water Resource Agency
Mr. Vernon Brown, Department for Local Government
Mr. Victor Cernius, Regional Water Resource Agency
Ms. Bethany Couch, Office of Financial Management
Mr. Kenny DeVore, City of Hodgenville
Ms. Annette Dupont-Ewing, Kentucky Municipal Utilities Association
Mr. John Fischer, Cabinet for Economic Development
Ms. Laura Gilkerson, GRW
Ms. Rebecca Hall, City of Frankfort
Mr. Clay Kelly, Strand Associates
Mr. Gary Larimore, Kentucky Rural Water Association
Ms. Cindy McDonald, Division of Water
Ms. Amanda Mikuski, Hazen & Sawyer
Mr. Joshua Nacey, Legislative Resource Commission
Mr. Bob Peterson, Farmdale Sanitation District
Ms. Denise Pitts, Office of Financial Management
Mr. Bill Scalf, Farmdale Sanitation District
Mr. Joe Schepers, Regional Water Resource Agency

Ms. Joanna Shake, Green River Area Development District
Ms. Shanna Stone, GRW
Ms. Julia Wang, Legislative Research Commission
Mr. Ashley Willoughby, Lincoln Trail Area Development District

PROCEEDINGS

Chairwoman Sandra Dunahoo called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. Ms. Dunahoo asked board members and guests to introduce themselves. Chairwoman Dunahoo 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 7, 2016

Ms. Linda Bridwell moved to approve the minutes of the April 7, 2016, regular board meeting. Mr. Jody Jenkins seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

Chairwoman Dunahoo asked if there were any objections to moving the Regional Water Resource Agency's project, #6 on the Agenda to the top of the Agenda to accommodate RWRA's need to return to Owensboro. There were no objections

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 LOAN (A16-082) IN THE AMOUNT OF \$200,000 TO THE REGIONAL WATER RESOURCE AGENCY, DAVIESS COUNTY, KENTUCKY

Mr. Aaron Greenwell recused himself from voting on the above mentioned project.

Mr. Jory Becker, DOW, and Ms. Brandi Norton, KIA discussed The Regional Water Resource Agency's (RWRA) request for a Fund "A" loan in the amount of \$200,000 for the Cedar Hills and Friendly Park Village Plant Rehabilitation project. This project will allow RWRA to take over two failing treatment plants within Daviess County. The rehabilitation will occur over two phases. This project will facilitate Phase 1, allowing RWRA to become the receiver of both plants and designing and constructing an alternative to the package plants. The plants will be repaired and flow will possibly be connected to the David Hawes Wastewater

Treatment Plant. At a later date, Phase II will allow RWRA to own and maintain the new treatment systems.

This project is being funded out of an Emergency Project CWSRF account. This account allows projects that do not appear on the Project Priority List and result from unanticipated failures of wastewater infrastructure that have a direct adverse effect on public health and the quality of surface and groundwater, to receive funding and potential loan principal forgiveness.

RWRA was created by the enactment of identical ordinances by the City of Owensboro and Daviess County Fiscal Court on October 18, 1994 and October 5, 1994, respectively, for the purpose of managing, controlling and operating regional comprehensive wastewater facilities within Daviess County. RWRA is considered a related organization of the City of Owensboro and Daviess County. All operations of the RWRA are managed by its own professional staff and governed by a board of directors, which consists of four city board appointments and three county board appointments.

RWRA revenue is derived 100% from its ratepayers who reside in areas of Daviess County inside and outside of the city limits.

RWRA is a regionalization model for other counties in Kentucky and nationally. The Wastewater Treatment Plant was highlighted in EPA's 2004 Annual Report on the Clean Water State Revolving Fund Programs.

Ms. Linda Bridwell moved to approve the Fund "A" Loan, (A16-082) in the amount of \$200,000 to the Regional Water Resource Agency with the standard conditions. Mr. Mark Bunning seconded, and the motion was unanimously approved.

Chair Dunahoo advised that KIA staff had asked if Action Items 1 through 3 could be moved down to the Announcements/Notifications area to have a comprehensive conversation with items to be discussed at that time.

Action Item 4 includes three projects for the City of Hodgenville, Fund "A" Loan (A16-029) in the amount of \$970,000, Fund "F" Loan (F16-008) in the amount of \$962,000, and Fund "F" loan (F16-042) in the amount of \$593,000.

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 LOAN (A16-029) IN THE AMOUNT OF \$970,000 TO THE CITY OF HODGENVILLE, LARUE COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Sarah Aitken, KIA, discussed the City of Hodgenville's request a Fund "A" loan in the amount of \$970,000 for the Hodgenville Sewer Improvements Phase II project. The project will include repairs to approximately 7,000 LF of existing sanitary sewer and 42 manholes. Additionally, the City will continue repair and/or replacement of storm drainage to

improve alignment, reduce damage to riparian buffers and improve water quality from storm water runoff.

Storm water improvements will include approximately 580 feet of culvert and 540 feet of drainage channel.

The City provides service to 1,576 households within Larue County

Ms. Linda Bridwell moved to approve the Fund “A” Loan, (A16-029) in the amount of \$970,000 to the City of Hodgenville with the standard conditions. Mr. Mark Bunning seconded, and the motion was unanimously approved.

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 (F16-008) OF \$962,000 TO THE CITY OF HODGENVILLE, LARUE COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Sarah Aitken, KIA discussed the City of Hodgenville’s request for a Fund “F” loan in the amount of \$962,000 for the Hodgenville Phase 1A Water System Improvements project. The project will consist of demolishing the Greensburg Storage Tank, which has been out of operation for several years and replaced by the Fairgrounds Storage Tank. The project will also construct approximately 1,000 LF (linear feet) of 8 inch water main to replace existing undersized 4 inch lines, construct approximately 2,100 LF of 8 inch main and construct approximately 1,750 LF of 10 inch main to replace undersized mains around the Middle School/High School creating a loop around the schools to provide quality and redundancy in an area prone to disruptions. Lastly, the City plans to make modifications to the system to improve water quality, increase pressure, and equalize flow with the Industrial Tank zone by upgrading the North Tank Booster Pump Station, supplementing approximately 5,200 LF of 6 inch water main with 8 inch water main. Once the Pump Station upgrade is complete the North Tank will be decommissioned and demolished.

The City sells finished water to the Larue County Water District #1 at an annual rate of 39 million gallons, servicing 3,865 households. In addition, the City supplies water to 1,746 households within Larue County.

Ms. Linda Bridwell moved to approve the Fund “F” Loan, (F16-008) in the amount of \$960,000 to the City of Hodgenville with the standard conditions. Mr. Mark Bunning seconded, and the motion was unanimously approved.

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 (F16-042) OF \$593,000 TO THE CITY OF HODGENVILLE, LARUE COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Sarah Aitken, KIA, discussed the City of Hodgenville's request for a Fund "F" loan in the amount of \$593,000 for the Lincoln Boulevard South Replacement project. The project will replace approximately 6,100 LF of existing 8 inch water line. The existing line is predominately cast iron, dating over 40 years old and is prone to frequent breaks and splits. The project will improve water quality and reliable service to the south side of the City and the school area.

The City sells finished water to the Larue County Water District #1 at an annual rate of 39 million gallons, servicing 3,865 households. In addition, the City supplies water to 1,746 households within Larue County.

Ms. Linda Bridwell moved to approve the Fund "F" Loan, (F16-042) in the amount of \$593,000 to the City of Hodgenville with the standard conditions. Ms. Mark Bunning seconded, and the motion was unanimously approved.

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 (A16-054) IN THE AMOUNT OF \$4,529,000 TO THE CITY OF FRANKFORT, FRANKLIN COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Brandi Norton, KIA, discussed the City of Frankfort's request a Fund "A" loan in the amount of \$4,529,000 for the Glenn's Creek Interceptor project. This project will rehabilitate and replace approximately 17,208 linear feet of aged lines with PVC and concrete gravity interceptor sewer lines ranging from 15 to 30 inches. The project will correct structural damage, inflow and infiltration problem areas and potential capacity inadequacies along the interceptor.

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 the Fund "A" Loan, (A16-054) in the amount of \$4,529,000 to the City of Frankfort with the standard conditions. Mr. Mark Bunning seconded, and the motion was unanimously approved.

7. 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 (B16-010) OF \$260,000 TO THE CITY OF MORGANFIELD, UNION COUNTY, KENTUCKY

Ms. Debbie Landrum, KIA, discussed the City of Morganfield's request for a \$260,000 Fund "B" planning and design loan for the Camp Breckinridge project. This project will design the future rehabilitation of the existing wastewater line that runs from Camp Breckinridge to the wastewater treatment plant. Much of the

line was built and placed in the 1940's, and in addition to the age and deterioration, the original lines were installed to accommodate 35,000 to 40,000 U.S. military personnel that were routinely stationed at Camp Breckinridge. The lines will be replaced with 18 to 36 inch PVC lines that are more suitable for the current usage. The future construction loan is estimated to be \$4.1 million.

The City currently serves approximately 2,006 households.

Mr. Ron Lovan moved to approve the Fund “B” Loan, (B16-010) in the amount of \$260,000 to the City of Morganfield with the standard conditions. Mr. Paul Lashbrooke seconded, and the motion was unanimously approved.

8. 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 Hodgenville	A16-029	\$ 970,000
City of Hodgenville	F16-008	\$ 962,000
City of Hodgenville	F16-042	\$ 593,000
City of Frankfort	A16-054	\$ 4,529,000
Regional Water Resource Agency	A16-082	\$ 200,000
City of Morganfield	B16-010	\$ 260,000

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

1. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND “A” INTEREST RATES FOR THE PERIOD JULY 1, 2016 THROUGH JUNE 30, 2017

The interest rate for all Kentucky Infrastructure Authority Fund “A” loans approved by the Authority during the period July 1, 2016 through June 30, 2017, shall be as follows:

Three rates of interest will be offered for Fund “A”, one for standard borrowers and two for nonstandard borrowers. The standard rate shall be 2.75% and the nonstandard rates shall be 1.75% and 0.25%, as defined in the 2017 Clean Water State Revolving Fund Intended Use Plan.

The Kentucky Infrastructure Authority may on a case by case basis direct staff to establish an interest rate on the Fund “A” loan 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.

Mr. Ron Lovan moved to approve the Fund “A” Loan interest rates for the period of July 1, 2016 through June 30, 2017, Mr. Mark Bunning seconded, and the motion was unanimously approved.

2. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND “F” INTEREST RATES FOR THE PERIOD JULY 1, 2016 THROUGH JUNE 30, 2017

The interest rate for all Kentucky Infrastructure Authority Fund “F” loans approved by the Authority during the period July 1, 2016 through June 30, 2017, shall be as follows:

Three rates of interest will be offered for Fund “F”, one for standard borrowers and two for nonstandard borrowers. The standard rate shall be 2.75% and the nonstandard rates shall be 1.75% and 0.25%, as defined in the 2017 Drinking Water State Revolving Fund Intended Use Plan.

The Kentucky Infrastructure Authority may on a case by case basis direct staff to establish an interest rate on the Fund “F” loan 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.

Mr. Ron Lovan moved to approve the Fund “F” Loan interest rates for the period of July 1, 2016 through June 30, 2017, Mr. Mark Bunning seconded, and the motion was unanimously approved.

3. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND “B” INTEREST RATES FOR THE PERIOD JULY 1, 2016 THROUGH JUNE 30, 2017

The interest rate for all Kentucky Infrastructure Authority Fund “B” loans approved by the Authority during the period July 1, 2016 through June 30, 2017, shall be as follows:

Three rates of interest will be offered for Fund “B”, one for standard borrowers and two for nonstandard borrowers. The standard rate shall be 2.75% and the nonstandard rates shall be 1.75% and 0.25%, as defined in the 2017 Clean Water and Drinking Water State Revolving Fund Intended Use Plans.

Mr. Ron Lovan moved to approve the Fund “B” Loan interest rates for the period of July 1, 2016 through June 30, 2017, Mr. Mark Bunning seconded, and the motion was unanimously approved.

II. EXECUTIVE DIRECTOR’S REPORT

Adam Scott, KIA Secretary, noted that for status report for all KIA loans can be found in the back of the Board Book. If any Board members should have concerns or questions on any of the loans, they can always contact KIA staff.

Mr. Scott also discussed the two Simple Resolutions approved by the Kentucky House of Representatives on the final day of the General Assembly. Mr. Scott explained that the Simple Resolutions from the House do not have the weight of the law. Mr. Scott felt that the resolutions were passed to implore the KIA Board to reallocate grant funds addressed in the resolutions. Mr. Scott informed the Board that the Budget Bill passed by the General Assembly and passed in to law gives the Commissioner of the Department for Local Government the authority to reallocate and reauthorize closed or inactive grant funds. This will go into effect July 15, 2016. Representatives Rick Nelson and James Kay wanted to ensure that KIA had the opportunity to address the funds within their respective district.

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

Board Discussion:

Commissioner Dunahoo announced that Adam Scott would be resigning from his position with KIA effective May 31, 2016. She thanked Adam for his dedicated service to the Agency and told him it was not too late to reconsider his decision and stay.

Jami Johnson addressed the Board concerning components of the upcoming 2017 Clean Water and Drinking Water Intended Use Plan (IUP). Commissioner Dunahoo noted that in the past the Executive Director administratively handled these components and given that KIA continues to not have an Executive Director she wanted to keep the board informed with these decisions.

Ms. Johnson discussed Principal Forgiveness, Reserve Requirement, Debt Coverage Ratio Requirement, and the PTP Program, KIA has set aside \$500,000 to assist with PTP abandonment, that was implemented in the previous fiscal year. The board agreed that it was important to continue with the assistance for the PTP abandonment. No action was taken on the consideration of the components for the IUP. The board requested more information on the topics before a decision is made.

Jeff Abshire discussed KIA’s leveraging history from 2007 through 2016. A handout was provided for the Board’s review. In 2007, the balance to draw was \$47,696,000 and as of June 30, 2016 it will be \$311,774,000. Board members had several questions.

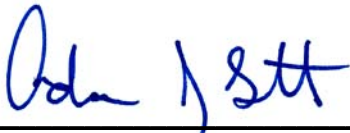
Due to time constraints, Commissioner Dunahoo was unable to discuss the Annual EPA Review.

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively set for Thursday, June 2, 2016
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business, Mr. Linda Bridwell moved to adjourn. Mr. Erik Dunnigan seconded and the motion carried unanimously. The May 5, 2016, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Adam J. Scott, Secretary
Kentucky Infrastructure Authority

5/24/2016

Date