

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: July 6, 2017 – 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. Ed Ross, (proxy for Secretary William Landrum), Finance and Administration Cabinet
Mr. Bruce Scott, Energy and Environment Cabinet
(proxy for Secretary Charles Snavelly, EEC)
Mr. David Dooley, (proxy for Acting Executive Director John Lyons), Public Service Commission
Mr. Robert A. Amato, representing Kentucky Municipal Utilities Association
Mr. Claude Christensen, representing Kentucky League of Cities
Mr. Paul Lashbrooke, representing the Kentucky Rural Water Association
Mr. C. Ronald Lovan, representing the American Water Works Association
Mr. David A. Voegele, representing Kentucky Association of Counties

Members absent:

Ms. Linda C. Bridwell, representing for-profit private water companies
Secretary Terry Gill, Cabinet for Economic Development

Guests:

Mr. Vernon Brown, Department for Local Government
Mr. Turner Campbell, City of Prestonsburg
Mr. Donald Compton, City of Prestonsburg
Ms. Bethany Couch, Office of Financial Management
Mr. Mike Gardner, Bowling Green Municipal Utilities
Ms. Carol Juett, Department for Local Government
Mr. Les Stapleton, City of Prestonsburg
Mr. Damon Talley, City of Prestonsburg
Ms. Ruth Webb, First Kentucky Securities

PROCEEDINGS

Chair Sandra Dunahoo called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order.

Ms. Dunahoo asked DLG Staff Attorney Bill Pauley to confirm the press notification and the presence of a quorum. Guests were asked to introduce themselves.

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Regular Board Meeting of June 1, 2017

Mr. David Voegele moved to approve the minutes of the June 1, 2017, regular board meeting. Mr. Ron Lovan 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 ESTABLISHING FUND A INTEREST RATES FOR THE PERIOD JULY 1, 2017 THROUGH JUNE 30, 2018

Mr. Jeff Abshire, KIA, discussed the interest rate for all Kentucky Infrastructure Authority Fund A loans approved by the Authority during the period July 1, 2017 through June 30, 2018, shall be as follows:

One standard interest rate and two nonstandard interest rates will be offered to borrowers. The standard rate shall be 2.75% and the nonstandard rates shall be 1.75% and 0.50% based on the income parameters defined in the 2018 Clean Water and Drinking Water State Revolving Fund Intended Use Plans.

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 in cases where Fund C, Governmental Agencies Program, funding is provided as supplemental funding to the Fund A loan.

Mr. Paul Lashbrooke moved to approve the Fund “A” Loan interest rates for the period of July 1, 2017 through June 30, 2018. Mr. Ed Ross 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, 2017 THROUGH JUNE 30, 2018

Mr. Jeff Abshire, KIA, discussed the interest rate for all Kentucky Infrastructure Authority Fund F loans approved by the Authority during the period July 1, 2017 through June 30, 2018, shall be as follows:

One standard interest rate and two nonstandard interest rates will be offered to

borrowers. The standard rate shall be 2.75% and the nonstandard rates shall be 1.75% and 0.50% based on the income parameters defined in the 2018 Clean Water and Drinking Water State Revolving Fund Intended Use Plans.

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 in cases where Fund C, Governmental Agencies Program, funding is provided as supplemental funding to the Fund F loan.

Mr. David Voegele moved to approve the Fund “F” Loan interest rates for the period of July 1, 2017 through June 30, 2018, Mr. Ron Lovan 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, 2017 THROUGH JUNE 30, 2018

Mr. Jeff Abshire, KIA, discussed the interest rate for all Kentucky Infrastructure Authority Fund B loans approved by the Authority during the period July 1, 2017 through June 30, 2018, shall be as follows:

One standard interest rate and two nonstandard interest rates will be offered to borrowers. The standard rate shall be 2.75% and the nonstandard rates shall be 1.75% and 0.50% based on the income parameters defined in the 2018 Clean Water and Drinking Water State Revolving Fund Intended Use Plans.

The Kentucky Infrastructure Authority may on a case by case basis direct staff to establish an interest rate on the Fund B 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 in cases where Fund C, Governmental Agencies Program, funding is provided as supplemental funding to the Fund B loan.

Mr. Claude Christensen moved to approve the Fund “B” Loan interest rates for the period of July 1, 2017 through June 30, 2018. Mr. Ron Lovan seconded and the motion was unanimously approved.

4. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND C INTEREST RATES FOR THE PERIOD JULY 1, 2017 THROUGH JUNE 30, 2018

Mr. Jeff Abshire, KIA, discussed the interest rates for all Kentucky Infrastructure Authority Fund C loans approved by the Authority during the period July 1, 2017 through June 30, 2018, shall be as follows: Term Rate: 0 - 5 Years 2.00%; 6 - 10 Years 2.25%; 11 - 15 Years 2.50% and > 15 Years 3.00%

Mr. David Voegele moved to approve the Fund “C” Loan interest rates for the period of July 1, 2017 through June 30, 2018. Mr. Robert Amato seconded, and the motion was unanimously approved.

5. **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 2017 CAPITALIZATION GRANT FOR THE DRINKING WATER REVOLVING FUND**

Mr. Claude Christensen moved to approve the filing of an application for the 2017 Capitalization Grant for the Drinking Water Revolving Fund. Mr. Robert Amato seconded and the motion carried unanimously.

6. **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 2017 CAPITALIZATION GRANT FOR THE WASTEWATER REVOLVING FUND**

Mr. David Voegele moved to approve the filing of an application for the 2017 Capitalization Grant for the Wastewater Revolving Fund. Mr. Ron Lovan seconded, and the motion carried unanimously.

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 (C18-001) FOR AN AMOUNT UP TO \$3,800,000 TO THE CITY OF BOWLING GREEN f/b/o BOWLING GREEN MUNICIPAL UTILITIES, WARREN COUNTY, KENTUCKY**

Ms. Ashley Adams, KIA, discussed the City of Bowling Green f/b/o Bowling Green Municipal Utilities' request for a Fund C loan in the amount of \$3,800,000 for the Water Treatment Plant Expansion project. In order to meet anticipated growth and redundancy needs in the City and County, it is necessary to upgrade the aging water treatment plant. This loan will fund all engineering costs for the project which has anticipated construction costs around \$42 million and financed by bonds. The future plant design will maintain the conventional treatment process and include the addition of a filter building with ten filters, two flash mix units, four flocculation and sedimentation basins, and expansion of an existing raw water pump station. The project will be offered for bids with a base bid addition of 7.5 MGD with an additive alternate of 7.5 MGD. The renovation will potentially add 7.5-15 MGD of capacity to the current plant capacity of 30 MGD (37.5-45 MGD total).

The driving force behind the expansion is mainly to address population growth in the County. Because BGMU is the majority water provider for Warren County Water District (WCWD), they must increase capacity to continue meeting their needs. As a result of this, WCWD will actually carry approximately 85% of the debt related to this project. BGMU provides WCWD with around 8.5 MG of water on a daily basis.

BGMU services approximately 22,000 residential and commercial retail customers. They also sell water to Warren County Water District who provides service to approximately 25,000 additional customers.

Mr. Ron Lovan moved to approve the Fund “C” Loan, (C18-001) up to the amount of \$3,800,000 to the City of Bowling Green f/b/o Bowling Green Municipal Utilities with the standard conditions. Mr. Robert Amato seconded, and the motion was unanimously approved.

- 8. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE INFRASTRUCTURE REVOLVING FUND LOAN (A04-06) BY THE CITY OF PRESTONSBURG f/b/o PRESTONSBURG CITY’S UTILITY COMMISSION, FLOYD COUNTY, KENTUCKY**

A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE INFRASTRUCTURE REVOLVING FUND LOAN (A11-16) BY THE CITY OF PRESTONSBURG f/b/o PRESTONSBURG CITY’S UTILITY COMMISSION, FLOYD COUNTY, KENTUCKY

Mr. Jeff Abshire, KIA, discussed the City of Prestonsburg for the benefit of the Prestonsburg City’s Utility Commission (PCUC) plans to assume two wastewater loans from Southern Water and Sewer District (the “District”) in conjunction with an asset acquisition and realignment of customer territories and responsibilities between the two organizations. PCUC will acquire all wastewater assets and selected drinking water assets and customer rights in exchange for cash, the assumption of debt and previous financial assistance provided by the PCUC. The Kentucky Public Service Commission (“PSC”) approved the transaction on May 2, 2017.

The decision to realign the assets and customers is necessitated by two primary items. First, the District has been issued numerous Notices of Violation (NOV) from the Division of Enforcement for violations of Kentucky water quality laws in connection with its operation of the wastewater system. To mitigate or eliminate potential civil penalties that could result from the violations, the District entered into an operating agreement with PCUC to manage and operate the wastewater system since July 1, 2016. Second, the water system facilities proposed to be

transferred are in remote sections of the District system and can more easily be serviced by PCUC.

The initial financial impact of the transfers to PCUC will improve their net cash flow by about \$100,000 annually which will be needed to support ongoing capital improvements for the acquired system components. PCUC has estimated a need of \$1.5 million of which a major portion will be water tank rehabs, tank additions, and meter replacements throughout the acquired areas. Both the improvements and the acquisition are being funded with a 2017 bond issue. Additional cash flow will result from the meter replacements and the addition of customers from an in process District wastewater service extension that is expected to be completed by the end of December 2017. The aggregate cash flow improvements will offset the debt service.

Mr. Paul Lashbrooke moved to approve the assumption of Fund “A” Loans, (A04-06 and A11-16) to the City of Prestonsburg f/b/o Prestonsburg City’s Utility Commission. Mr. Claude Christensen seconded, and the motion was unanimously approved.

9. 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 UCH 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 UP TO
City of Bowling Green	C18-001	\$ 3,800.00

Mr. Robert Amato moved to approve the resolution. Mr. Claude Christensen seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR’S REPORT

Director McNeil addressed the group. She mentioned that she and Ashley Adams had recently traveled to Atlanta for the EPA Region IV meeting. It was a valuable trip having the opportunity to network with other states’ staff. With the addition of new KIA financial staff, Sheryl Parsons, EPA Region IV SRF Coordinator, will come back to Kentucky in September for training. There will be an Intended Use Plan public meeting held on Friday, July 7th. This will be the first year KIA will present two H2O awards at the upcoming Governor’s Local Issues Conference in Louisville, August 23-25. Eligible nominees for the Award must have a clean or drinking water project funded by KIA which comply with the federal Clean Water Act and/or Safe Drinking Act and the project must be completed with full operational status no later than June 30, 2017. Nomination deadline is July 28th. Linda Bridwell has agreed to serve on

the selection committee and if others are interested, please let Director McNeil know as soon as possible. Finally, while reviewing application status, staff recommends that the regularly scheduled August KIA Board meeting be cancelled. There will not be enough for the Board to review and those can be combined with the applications ready for the September meeting.

Chair Dunahoo asked Board members if they had any questions or concerns about postponing the August Board meeting. There were none so she asked for a motion.

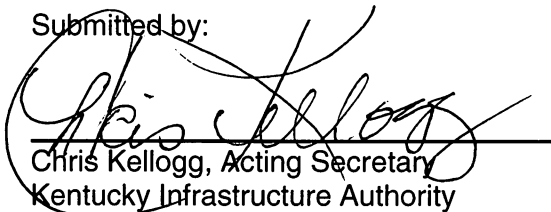
Mr. Ron Lovan made the motion to cancel the regularly scheduled August Board meeting. Mr. Claude Christensen seconded, and the motion was unanimously approved.

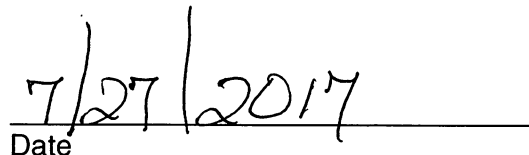
ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Thursday, September 7, 2017, 1:00 p.m.
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business, Mr. David Voegele moved to adjourn. Mr. Ron Lovan seconded and the motion carried unanimously. The July 6, 2017, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:


Chris Kellogg, Acting Secretary
Kentucky Infrastructure Authority


Date