

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: September 7, 2017 – 1:00 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Mr. Neal Cornett, (proxy for Commissioner Sandra Dunahoo), Department for Local Government
Mr. Ed Ross, (proxy for Secretary William Landrum), Finance and Administration Cabinet
Mr. Bruce Scott, (proxy for Secretary Charles Snaveley), Energy and Environment Cabinet
Mr. John Lyons, Acting Executive Director, Public Service Commission
Mr. Robert A. Amato, representing Kentucky Municipal Utilities Association
Mr. Claude Christensen, representing Kentucky League of Cities
Mr. C. Ronald Lovan, representing the American Water Works Association
Mr. David A. Voegelé, representing Kentucky Association of Counties

Members absent:

Ms. Linda C. Bridwell, representing for-profit private water companies
Secretary Terry Gill, Cabinet for Economic Development
Mr. Paul Lashbrooke, representing the Kentucky Rural Water Association

Guests:

Mr. Jory Becker, Division of Water
Ms. Bethany Couch, Office of Financial Management
Mr. Gary Larimore, Kentucky Rural Water Association
Mr. Adam Scott, Cann-Tech, LLC

PROCEEDINGS

First Vice Chair Bruce Scott called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order.

Mr. Scott 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 July 6, 2017

Mr. Ron Lovan moved to approve the minutes of the July 6, 2017, regular board meeting. Mr. Claude Christensen 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 THE APPOINTMENT OF SECRETARY OF THE KENTUCKY INFRASTRUCTURE AUTHORITY

Director McNeil, KIA, discussed the need to appoint a new Secretary with Chris Kellogg's recent retirement. Meg Link (Margaret) was recommended to assume the position.

Mr. Robert Amato moved to approve the recommendation for KIA Board Secretary. Mr. John Lyons seconded and the motion was unanimously approved.

2. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AN AMENDMENT TO THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A16-036) INCREASE FOR AN AMOUNT UP TO \$597,939 TO THE CITY OF ELKHORN CITY, PIKE COUNTY, KENTUCKY

The City of Elkhorn City is requesting an increase of \$37,939 to an existing Fund A loan. The original loan was approved on September, 3 2015 in the amount of \$560,000 for the Wastewater Treatment Plant Project. The City is requesting the increase due to increased construction estimates caused by changes made to the project design addressing limited space and access to the project site.

The purpose of the original project was to replace the City's 150,000 gallon per day plant with a 385,000 gallon per day Sequencing Batch Reactor plant. The loan increase will continue the purpose of the original loan.

The City serves approximately 353 residential customers and 51 commercial customers.

The requested increase amount fell within Director McNeil's authority to approve without formal presentation to the KIA Board of Directors. This was discussed for informational purposes.

3. SANITATION DISTRICT #1 OF NORTHERN KENTUCKY REPORT

Director McNeil advised the Board of a lawsuit involving Sanitation District # 1, Loan A11-012 that will require her attendance as well as Darren Sammons, DLG Staff Attorney for mediation on Friday, October 6. KIA will be required to pay a portion of the expenses involved with this process. Questions were asked by members that would need to be further discussed in an Executive Session at the end of the meeting.

4. ACCOUNTING POLICIES AND TEMPLATE

Mr. Jeff Abshire addressed the group and noted handouts in their Board Packet regarding modifications to the financial audit as well as a Borrower/Loan template. He expects the audit to be completed by mid to late October. He noted KIA has created this enhancement to our Summary of Significant Accounting policies after Mark Bunning inquired at a previous KIA Board meeting. To date, KIA has not had an issue for entities being at risk for default, but this enhancement will in place should the need arise in the future. Each KIA borrower has their own unique set of circumstances that need to be taken into consideration. Evaluations will be done on an annual review. This is financial policy for reporting and evaluation, it does not mean anything will be forgiven, the willingness to do so or provide a direction for how a situation will be resolved with borrowers.

Mr. Ed Ross moved to approve the recommendation. Mr. Ron Lovan seconded, and the motion carried unanimously.

5. BYLAWS DISCUSSION

Director McNeil spoke to the group about updating the KIA Bylaws to better suit the current needs of KIA. With Chris Kellogg's recent retirement, we had three Assistance Agreements that were delayed by several weeks due to KIA not having a Secretary in place.

Staff Attorney Bill Pauley addressed the group to discuss items that should be updated. He directed everyone's attention to Page 2, Article 4B regarding the Officers and Employees.

Staff was asked to draft the Bylaws with all the suggested revisions and bring it back to the Board for review and approval at the next KIA meeting.

6. SURPLUS PROPERTY DISCUSSION

Director McNeil talked to the group about an idea that she had regarding the opportunity for KIA borrowers to use loan monies to buy equipment on an approved list of items through the Commonwealth's Surplus Property which would provide significant savings to the utility. The Federal side has specific guidelines that surplus properties staff must do inspections and have the equipment on site for 12 to 18 months. They could come in with a line of credit or the Board could set a limit. Should the Board choose to move forward with this program we would start with B and C Loans as the funding sources at the beginning of 2018. KIA Bond Counsel, Dinsmore & Shohl has been consulted. Ms. McNeil has talked to EPA management as well. She and Commissioner Dunahoo met with Finance Secretary Landrum and Deputy Secretary Mark Bunning to further discuss the opportunity.

The members asked Director McNeil to draft a proposal to present to the Board at an upcoming meeting for further discussion.

7. 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 Elkhorn City	A16-036	\$597,939

Mr. Ron Lovan moved to approve the resolution. Mr. Robert Amato seconded, and the motion carried unanimously.

II. STATUS REPORTS FOR FUNDS A, A2, B, B1, C, F, F2

Currently KIA has 524 loans with a balance of \$1,053,250,011. Handouts were available for review.

III. EXECUTIVE DIRECTOR'S REPORT

Director McNeil addressed the group. She mentioned Chris Kellogg retirement at the end of July and Rusty Anderson also retired at the end of August. With those two departures, KIA has six staff vacancies out of 16 available positions. She hopes to get the positions filled as quickly as possible.

As previously mentioned during the July Board meeting, the EPA's Annual Performance evaluation lists three recommendations on both the Clean Water and Drinking Water. The first recommendation is timely submission of the KIA Annual Report. She has contacted the Division of Water to get their information compiled. The second recommendation for both programs was to pursue Disadvantage Business Enterprise (DBE) opportunities. Kentucky has a goal and we are not meeting it. We are exploring ways to reach EPA's expectations. These are goals not requirements. Mentioned thirdly is the pace of our programs, both are in the national average is in the 90's, Clean Water is 98% nationally, KIA is 95%; Drinking Water nationally is 95%, and KIA is 90%. We are looking at ways to improve those numbers. The pace is determined by the loan amounts during the year, divided by the money available. The loan amount is historically based upon the Assistance Agreements.

The first annual H2O Awards were presented at the Governor's Local Issues Conference in Louisville at the end of August. The Drinking Water recipient was the City of Danville Water Treatment Plant and the Clean Water recipient was Sanitation District #1 of Northern Kentucky, SD #1 saved \$54 million in interest alone. Both were great projects. EPA wants to put together a poster for display at the CIFA Conference in October.

Mr. Ron Lovan made the motion move to Executive Session to further discuss the Sanitation District #1 litigation. Mr. Robert Amato seconded, and the motion was unanimously approved.

After a brief Executive Session discussion, there was no official action taken.

Mr. Bob Amato made the motion to adjourn the Executive Session. Mr. Ron Lovan seconded and the Executive Session was adjourned.

ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Thursday, October 5, 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 September 7, 2017, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Margaret F. Link, Acting Secretary
Kentucky Infrastructure Authority



Date