

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: December 6, 2017 – 1:00 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. Mark Bunning, (proxy for Secretary William Landrum), Finance and Administration Cabinet
Ms. Gwen Pinson, Executive Director, 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. Bruce Scott, (proxy for Secretary Charles Snavey), Energy and Environment Cabinet
Mr. David A. Voegelé, representing Kentucky Association of Counties

Members absent:

Ms. Sandra Dunahoo, Commissioner, Department for Local Government
Mr. Terry Gill, Cabinet for Economic Development

KIA Staff:

Ms. Donna McNeil, Executive Director
Mr. Jeff Abshire, Fiscal Officer and KIA Treasurer
Ms. Ashley Adams, Financial Analyst
Mr. Kelly Cunnagin, Executive Staff Advisor
Ms. Jocelyn Gross, WRIS Resource Analyst
Ms. Meg Link, Secretary
Ms. Debbie Landrum, Financial Analyst
Mr. James Nelson, Accountant
Ms. Sarah Parsley, Accountant/Financial Analyst
Ms. Melissa Rife, Financial Analyst
Ms. Meili Sun, Financial Analyst
Ms. Amanda Yeary, SRF Contractor

Guests:

Mr. Jory Becker, Division of Water
Ms. Bethany Couch, Office of Financial Management
Mr. Joshua Farrow, Gateway Area Development District
Mr. Teddy Harper, Lewisburg Mayor
Mr. Gary Larimore, Kentucky Rural Water Association
Mr. Mike McGhee, McGhee Engineering
Mr. Allen Norvell, Blue & Company
Ms. Holly McGrath-Rosas, Morehead Utility Plant Board
Mr. Roger Recktenwald, Kentucky Association of Counties
Mr. Alan Robinson, Eclipse Engineers
Mr. Joe Schepers, Regional Water Resource Agency

Mr. Larry Tackett, Morehead Utility Plant Board
Mr. Billy Wheeler, Morehead Utility Plant Board
Mr. Billy Winkleman, Morehead Utility Plant Board

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 October 5, 2017

Mr. Claude Christensen moved to approve the minutes of the October 5, 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 AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A18-026) FOR AN AMOUNT UP TO \$5,619,274 TO THE REGIONAL WATER RESOURCE AGENCY, DAVIESS COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Ashley Adams, KIA, addressed the group to present information on The Regional Water Resource Agency (RWRA) request for a Fund A loan in the amount of \$5,619,274 for the Hawes Treatment Plant and Ragu Pump Station Upgrades project.

The project proposes to upgrade and rehabilitate the David W. Hawes Wastewater Treatment Plant (DHP) and potentially upgrade the Ragu Pump Station and force main that flows into the DHP. The upgrades are needed to accommodate increasing flows that have resulted from the redirection of wastewater flows away from the CSS and continued abandonment of failing septic systems and package treatment plant systems in the sewer-shed.

The treatment plant upgrades include the installation of UV disinfection systems at the plant that will replace the existing chlorination and dechlorination systems to more effectively eliminate bacteria in an environmentally conscious method as the average daily flow increases in the plant. The UV method treatment will also eliminate disinfection byproducts discharged from the chlorination and dechlorination systems.

Also, the electrical and control infrastructure will be upgraded to support the new UV system and headworks expansion and will include the redistribution of treatment facility electrical loading as well as the replacement of faulty and exposed power feeds throughout the treatment facility.

This project will rehabilitate the headworks by constructing a new influent structure and rerouting the influent piping to better handle flow and allow for flow metering. Two new bar screens will also be installed between the new influent structure and the oxidation ditch to increase the current flow capacity at the plant's headworks. Finally, this project will include the evaluation and reconfiguration of the existing backup generator since the current configurations are inadequate to support the plant during an emergency.

After the completion of the treatment plant upgrades, the Ragu Pump Station and force man will be evaluated to determine if additional modifications are needed to support the increasing flow into the treatment plant. These modifications could potentially include the reconfiguration of the wet well and increasing the force main size from a 12 inch to a 16 inch line between the treatment plant and Ragu Pump Station.

Ms. Linda Bridwell moved to approve the Fund "A" Loan (A18-026) up to the amount of \$5,619,274 to the Regional Water Resource Agency with the standard conditions. Mr. Paul Lashbrooke 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 AN INFRASTRUCTURE REVOLVING FUND LOAN (B18-007) FOR AN AMOUNT UP TO \$250,000 TO THE CITY OF LEWISBURG, LOGAN COUNTY, KENTUCKY

Ms. Meili Sun, KIA, discussed the City of Lewisburg's request for a Fund B loan in the amount of \$250,000 for a planning and design loan for the Sewer System Upgrade project. In the planning phase, a sanitary sewer evaluation survey (SSES) will be undertaken to provide an understanding of the existing assets and the deficiencies in the system. This work may include smoke testing, video inspection of sewer lines, flowing monitoring, physical inspection of manholes and lift stations, as well as an assessment of the wastewater treatment plant. The facilities plan for the system will include an assessment as it exists today, a determination of what may be needed to bring it up to a condition that will reliably serve the community for the foreseeable future, and a consideration of the various alternatives to achieve the desired results. Repairs to the collection system are expected to include line replacement, in-place rehabilitation of sewers by trenchless techniques, repair or replacement of manholes, and point repairs.

In the summer of 2017, the Lewisburg municipal wastewater collection and treatment system experienced very high inflow rates resulting in collection system overflows and overloading of the wastewater treatment plant. These high flow

events caused permit violations for which the city was cited by the Division of Enforcement.

Lewisburg expects to be placed under an agreed order in the near future and the actions above will result in achieving compliance with its discharge permits.

Ms. Linda Bridwell moved to approve the Fund “B” Loan, (B18-007) up to the amount of \$250,000 to the City of Lewisburg with the standard conditions. 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 AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F18-004) FOR AN AMOUNT UP TO \$1,297,200 TO THE CITY OF MOREHEAD F/B/O MOREHEAD UTILITY PLANT BOARD, ROWAN COUNTY, KENTUCKY

Ms. Ashley Adams, KIA, discussed the City of Morehead for the benefit of Morehead Utility Plant Board's request for a Fund F loan, (F18-004), in the amount of \$1,297,200. This project will provide funding for the planning and design of a new 12 million gallons per day (MGD) regional water treatment plant (WTP) to replace the existing 8 MGD plant. The original WTP was constructed in 1968 and requires continuous maintenance in order to adequately serve nearly 3,500 customers in the area as well as two wholesale customers (Bath County Water District and Rowan Water Inc.). Many of the plant's components are original to the facility while some were replaced in a 1980s expansion. Due to the age of the equipment, many of the required repairs require retrofitting or custom-made replacement parts which result in constant repair delays as well as increased maintenance costs. These issues result in potential interruption of water service to customers.

The new 12 MGD plant will feature new and improved technologies that were introduced to the treatment process back in the last major expansion of the existing plant (2002). The plant will employ Actiflo treatment technology with gravity filtration.

The new plant will include all new treatment and administration facilities on a site near the existing WTP, upgrade SCADA for the WTP and distribution system sites, and increase the clearwell capacity to 1.5m gallons (currently 1.237m gallons). Along with this, the project will construct a new raw water intake and components affiliated with the structure on Cave Run Lake (about three miles away from the current intake location). The project will also construct a new 700,000 gallon ground storage tank (the existing 621,000 gallon tank will be decommissioned).

The future construction portion of this project is intended to be funded through a multiphased loan agreement with KIA (the utility will also attempt to seek out grant funds).

The utility has outlined a budget spanning from FY 2018-2023 with their expected funding needs each year to accommodate the anticipated disbursements needed from KIA. Total project cost is currently estimated to be \$28,428,000.

Ms. Linda Bridwell moved to approve the Fund “F” Loan, (F18-004) in the amount of \$1,297,200 to the City of Morehead F/B/O of Morehead Utility Plant Board with the standard conditions. Mr. David Voegele seconded, and the motion was unanimously approved.

4. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (C18-002) IN THE AMOUNT OF \$800,281 TO THE CARROLL COUNTY WATER DISTRICT #1, CARROLL COUNTY, KENTUCKY**

Mr. Jeff Abshire discussed the refinance of loan F03-02. The original loan was approved at a 3% interest rate on November 20, 2003 for construction of water lines in the Bucks Run/Bethel Church area connecting to the Tri Village Water District and from the existing line along Route 42 to pick up a mobile home park located along Route 42 and the Ohio River. The interest rate will be reduced to 2.25% resulting in a savings of approximately \$24,000 over the life of the new loan.

Ms. Gwen Pinson and Ms. Linda Bridwell abstained from voting, Mr. Paul Lashbrooke moved to approve the refinance of an F Loan (F03-02) to a Fund C Loan (C18-002) to The Carroll County Water District #1 in the amount of \$800,281 with the standard conditions. Mr. 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 COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (C18-003) IN THE AMOUNT OF \$988,979 TO THE CITY OF BOWLING GREEN F/B/O BOWLING GREEN MUNICIPAL UTILITIES, WARREN COUNTY, KENTUCKY**

Mr. Jeff Abshire discussed the refinance of loan F00-01 which was approved with a 3.8% interest rate on April 4, 2000. The original project involved a water treatment plant renovation, upgrade, and water transmission system improvements. By moving the loan to Fund C, the interest rate will be reduced to 2% based on the remaining 5 year loan term. This will save the Utility approximately \$51,000.

Mr. Claude Christiansen moved to approve the refinance of a Fund F Loan (F00-01) to a Fund C Loan (C18-003) to the City of Bowling Green F/B/O Bowling Green Municipal Utilities in the amount of \$988,979 with the standard conditions. Ms. Linda Bridwell seconded, and the motion was unanimously approved.

6. 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 (C18-004) IN THE AMOUNT OF \$2,284,113 TO THE CITY OF BOWLING GREEN F/B/O BOWLING GREEN MUNICIPAL UTILITIES, WARREN COUNTY, KENTUCKY

Mr. Jeff Abshire, discussed the refinance of loan F02-08 which was approved with a 3% interest rate on September 24, 2002. The original project involved the expansion of the water treatment plant from a capacity of 22.5 MGD to 30 MGD. There were also various other system improvements to the raw water intake, flocculation/sedimentation basin, chemical feed, filters, piping, and electrical system. By moving the loan to Fund C, the interest rate will be reduced to 2.25% based on the remaining 10 year loan term. This will save the Utility approximately \$97,000.

Mr. Claude Christensen moved to approve the refinance of a Fund F Loan (F02-08) to a Fund C Loan (C18-004) to the City of Bowling Green F/B/O Bowling Green Municipal Utilities in the amount of \$2,284,113 with the standard conditions. Mr. Ron Lovan 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 COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (C18-005) IN THE AMOUNT OF \$738,605 TO THE CITY OF EDDYVILLE, LYON COUNTY, KENTUCKY

Mr. Jeff Abshire discussed the refinance of loan F03-04. The original loan was approved at a 3% interest rate on November 6, 2003 for construction of a new raw water intake on Lake Barkley and a 500,000 gallon water storage tank. The interest rate will be reduced to 2.25% resulting in a savings of approximately \$25,000 over the life of the new loan.

Ms. Linda Bridwell moved to approve the refinance of a Fund F Loan (F03-04) to a Fund C Loan (C18-005) in the amount of \$739,605 to the City of Eddyville with the standard conditions. Ms. Gwen Pinson 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 COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (C18-006) IN THE AMOUNT OF \$1,784,102 TO THE CITY OF ASHLAND, BOYD COUNTY, KENTUCKY

Mr. Jeff Abshire discussed the refinance of loan F03-01. The original loan was approved at a 3% interest rate on June 5, 2003 for upgrades and improvements of the raw water pump station, the coagulation/flocculation system with the addition of Actiflo equipment, the filtration system, and the high service pump station. The

interest rate will be reduced to 2.25% resulting in a savings of approximately \$60,500 over the life of the new loan.

Mr. Ron Lovan moved to approve the refinance of a Fund F Loan (F03-01) to a Fund C Loan (C18-006) in the amount of \$1,784,102 to the City of Ashland with the standard conditions. Ms. Linda Bridwell seconded, and the motion was unanimously approved.

9. **A RESOLUTION (THE PRELIMINARY BOND RESOLUTION) OF THE BOARD OF THE KENTUCKY INFRASTRUCTURE AUTHORITY (AUTHORITY) AUTHORIZING THE EXECUTION OF A SERIES TRUST INDENTURE BY AND BETWEEN THE KENTUCKY INFRASTRUCTURE AUTHORITY AND U.S. BANK NATIONAL ASSOCIATION, LOUISVILLE, KENTUCKY; PROVIDING FOR THE ISSUANCE OF KENTUCKY INFRASTRUCTURE AUTHORITY WASTEWATER AND DRINKING WATER REVOLVING FUND PROGRAM REVENUE REFUNDING BONDS, SERIES 2018A IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$45,000,000 UNDER THE TERMS OF A SERIES TRUST INDENTURE AND THE GENERAL TRUST INDENTURE DATED AS OF MARCH 1, 2010 BETWEEN THE AUTHORITY AND U.S. BANK NATIONAL ASSOCIATION; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW TRUST AGREEMENT BETWEEN THE AUTHORITY AND U.S. BANK NATIONAL ASSOCIATION; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID BONDS; AUTHORIZING THE SALE OF SAID BONDS; AND REPEALING ALL RESOLUTIONS OR PARTS THEREOF IN CONFLICT WITH THE PROVISIONS HEREOF**

Mr. Claude Christensen moved to approve the preliminary bond resolution authorizing the sale of the bonds. Mr. Ron Lovan seconded and the motion carried unanimously.

10. **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 UP TO
Regional Water Resource Agency	A18-026	\$ 5,619,274
City of Lewisburg	B18-007	\$ 250,000
Carroll County Water District	C18-002	\$ 800,281
City of Bowling Green F/B/ Bowling Green Municipal Utilities	C18-003	\$ 988,979

City of Bowling Green F/B/ Bowling Green Municipal Utilities	C18-004	\$ 2,284,113
City of Eddyville	C18-005	\$ 738,605
City of Ashland	C18-006	\$ 1,784,102
City of Morehead	F18-004	\$ 1,297,200

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

11. CONSIDERATION OF THE FISCAL YEAR END JUNE 30, 2017 KENTUCKY INFRASTRUCTURE AUTHORITY AUDIT REPORT

Mr. Allen Norvell, Blue & Co., LLC and Mr. Jeff Abshire discussed the fiscal year audit for the year ending June 30, 2017. All Board members received a copy of the audit prior to the meeting for their review. Mr. Norvell stated that it was a clean audit, there were no difficulties in working with management to complete the audit. There were no disagreements with management during the course of the audit. There was one finding that was noted “a significant deficiency in internal control over compliance.” Deadlines were not met for Federal Reporting. As of the close of fiscal year 2017, the Authority reported an ending net position of \$1,101,008,000, an increase of \$33,393,000 (3.1%) in comparison with the prior year.

Noted financial highlights were: The Authority’s total liabilities decreased \$22,451,000 (7.5%) during fiscal year 2017; the Authority disbursed \$146,477,000 to borrowers for eligible expenditures under loan assistance agreements and \$6,414,000 to local governmental entities for state grants; and principal and interest in the amount of \$63,369,000 was collected from borrowers for assistance agreements.

Mr. Mark Bunning moved to approve the audit for year ending June 30, 2017. Ms. Linda Bridwell seconded, and the motion was unanimously approved.

12. BYLAWS REVISIONS

Director McNeil and Staff Attorney Bill Pauley discussed changes that were being made to the current KIA Bylaws. One change that is being made will be changing the required meeting to the first Thursday of each month. Due to some conflicts that is not always possible. Moving forward, the Board will establish a meeting schedule for the upcoming calendar year at their December meeting. Another revision will be the Election of Officers. This will also be done at the December Board meeting.

Mr. Ron Lovan moved to approve the suggested Bylaw revisions. Mr. Robert Amato seconded, and the motion was unanimously approved.

- 13. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING THE ELECTION OF CHAIR OF THE KENTUCKY INFRASTRUCTURE AUTHORITY**

Ms. Sandra Dunahoo was nominated by the floor to serve as Chair of the KIA Board of Directors.

Ms. Linda Bridwell moved to approve Ms. Dunahoo as the Chair. Mr. Robert Amato seconded, and the motion was unanimously approved.

- 14. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING THE ELECTION OF VICE CHAIR OF THE KENTUCKY INFRASTRUCTURE AUTHORITY**

Ms. Linda Bridwell was nominated to serve as KIA Vice Chair.

Mr. Ron Lovan moved to approve Ms. Linda Bridwell as Vice Chair. Mr. Mark Bunning seconded, and the motion was unanimously approved.

- 15. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING THE ELECTION OF 1ST VICE CHAIR OF THE KENTUCKY INFRASTRUCTURE AUTHORITY**

Mr. Bruce Scott was nominated to serve as 1st Vice Chair.

Mr. David Voegel made the motion to approve Mr. Scott as 1st Vice Chair. Mr. Robert Amato seconded, and the motion was unanimously approved.

- 16. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING THE 2018 SCHEDULE OF BOARD MEETINGS**

After discussion, the following dates were established for the 2018 calendar year. All meetings will be held at the KIA Offices, 1024 Capital Center Drive, Suite 340 at 1:00 p.m. January – No Meeting, February, Thursday, February 1st, Thursday, March 1st, Monday, April 9th, Thursday, May 3rd, Tuesday, June 12, Tuesday, July 10th, Thursday, August 2nd, Thursday, September 6th, Tuesday, October 9th, Tuesday, November 13th and Tuesday, December 11th.

Ms. Gwen Pinson made the motion to approve the Board meeting schedule. Mr. Ron Lovan seconded, and the motion was unanimously approved.

17. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING A LOAN PROGRAM FOR THE PURCHASING OF SURPLUS PROPERTY

Director McNeil briefly discussed the Surplus Property Loans, having had discussions at previous meetings. To recap, this program will be using Fund C monies. The minimum loan will be \$5,000 up to \$50,000. There will be an abbreviated loan application for those qualified to use Surplus Property.

Mr. Mark Bunning made the motion to approve Surplus Property Loans. Ms. Gwen Pinson seconded, and the motion was unanimously approved.

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

II. EXECUTIVE DIRECTOR'S REPORT

Director McNeil addressed the group. She noted a very successful Borrower Training that was held at KACo in mid-November that Jocelyn Gross had organized. Over 113 people were in attendance.

She also mentioned a loan increase for Regional Water Resource Agency (A15-002) that fell within the 10% increase for Executive Director's approval that she recently approved.

Dustin Horn was offered and accepted the GIS Coordinator position. He worked for Green River Area Development District (GRADD) previously. He will join the staff on January 2nd.

ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Thursday, February 1, 2018, 1:00 p.m.
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business, Mr. Robert Amato moved to adjourn. Mr. Mark Bunning seconded and the motion carried unanimously. The October 5, 2017, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:

Margaret F. Link
Margaret F. Link, Acting Secretary
Kentucky Infrastructure Authority

January 4, 2018
Date