

NORTHERN KENTUCKY
WATER DISTRICT

Project
Memorial Parkway Treatment Plant
Advanced Treatment Facility

Campbell County
184-0456

PROJECT FINANCE INFORMATION

Customers Added and Revenue Effect

Debt Issuance and Source of Debt

Additional Costs for Operating and Maintenance

USoA Plant Account

Depreciation Cost and Debt Service After Construction

Northern Kentucky Water District

Customers Added and Revenue Effect: There will be zero new customers added and no revenue effect as a result of the Memorial Parkway Treatment Plant Advanced Treatment Facility Project.

Debt Issuance and Source of Debt: This project will be paid from the District's Five-Year Capital Budget, PSC No. 136 "MPTP Advanced Treatment" with a revised budget of \$15,300,000, which includes construction cost, engineering, and contingencies. A summary of the project costs is provided below:

○ Design Engineering	\$ 1,000,000
○ Construction Engineering	\$ 846,000
○ Contractor's Bid	\$12,227,000
○ Misc. & Contingencies	\$ <u>1,227,000</u>
Total Project Cost	\$15,300,000

The project will be funded through multiple sources. The project is already partially funded through BAN 2009 in the amount of \$1,000,000 for design engineering services. The District has been approved for an \$8,000,000 State Revolving Fund loan, which will be used to partially fund \$8,000,000 of this project as shown in the attached Exhibit D1. It is proposed that the remaining \$6,300,000 be taken from future BAN 2010.

USoA Accounts: The amounts for the project cost of \$15,300,000 will fall under the following Uniform System of Accounts Codes:

Code 304 "Structures and Improvements"	\$9,480,154
Code 310 "Power Generation Equipment"	\$968,412
Code 311 "Pumping Equipment"	\$1,070,762
Code 320 "Water Treatment Equipment"	\$3,780,672

Additional Costs and O&M: Additional operating and maintenance costs incurred for the project are as follows:

Power	\$ 100,000
Labor	\$ 70,000
Maintenance	\$ <u>1,722,000</u>
	\$1,892,000 Annual O&M

Depreciation and Debt Service: Annual depreciation and debt service after construction are as follows and shown in Exhibit D2:

Depreciation: \$252,804/year over 37.5 years for Code 304 Structures & Improvements
\$48,420/year over 20 years for Code 310 Power Generation Equipment
\$53,538/year over 20 years for Code 311 Pumping Equipment
\$126,022/year over 30 years for Code 320 Water Treatment Equipment

Debt Service: \$498,747 over 20 years (2.2% SRF loan) and \$517,952 over 25 years (conventional 5.0% loan).

STEVEN L. BESHEAR
GOVERNOR



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[Handwritten signature]

LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE, 4TH FLOOR
FRANKFORT, KENTUCKY 40601
www.kentucky.gov

November 30, 2009

Mr. John Covington
Executive Director
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

Re: DWL1014
Northern KY Water Service--2485
Activity ID: FGL20100003
DWSRF
Watershed Name: Banklick Creek
HUC 11# 05100101290

Dear Mr. Covington:

The Division of Water (DOW) hereby certifies that the Northern Kentucky Water District is entitled to receive priority for funding for the NKWD ADVANCED TREATMENT PROJECT and is eligible to receive \$8,000,000 from the Drinking Water State Revolving Fund. The following requirements have been addressed as follows:

1. Plans and specifications were approved on November 10, 2009.
2. Construction bids are expected to be opened on December 10, 2009.
3. The Categorical Exclusion Determination (CED) was approved on October 27, 2009.

The binding commitment letter should include the following general conditions to satisfy federal requirements:

1. The Authority to Award (bid) package must be submitted to DOW for approval within 14 days of bid opening. DOW must perform the DBE review, conduct a pre-construction and project management conference and approve executed contract documents.
2. Loan Agreement must be executed within six (6) months from bid opening.
3. The city must agree to expend all loan funds within six months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than the Kentucky Infrastructure Authority (KIA) as reflected in the credit analysis shall be provided to KIA prior to their loan closing and disbursement of the loan monies. Rejections of any anticipated

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: **December 3, 2009 – 1:00 p.m.**
 Kentucky Infrastructure Authority
 1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Mr. Tony Wilder, Commissioner, Department for Local Government
Mr. Greg Haskamp, Finance and Administration Cabinet
 (proxy for Secretary Jonathan Miller, FAC)
Mr. Peter Goodmann, Energy and Environment Cabinet
 (proxy for Secretary Leonard K. Peters, EEC)
Mr. Ken Robinson, Economic Development Cabinet
 (proxy for Secretary Larry Hayes, EDC)
Mr. Jeff Derouen, Executive Director, Public Service Commission
Mr. Gregory Heitzman, representing the American Water Works Association
Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities
Mr. Thomas P. Calkins, representing the Kentucky Municipal Utilities Association
Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. Jody Jenkins, Union County Judge/Executive, representing the Kentucky
 Association of Counties

Members absent:

Mr. Damon Talley, representing the Kentucky Rural Water Association

Guests:

Mr. Shafiq Amawi, Division of Water
Ms. Kristi Culpepper, Legislative Research Commission
Ms. Samantha Gange, Legislative Research Commission
Ms. Linda Magee, Kentucky Cable Association
Ms. Deanna Sandefur, Flint Group
Mr. Mike Jones, Florence & Hutcheson Engineers
Mr. Joseph Anderson, Princeton Water and Wastewater Commission
Mr. Richard Harrison, Northern Kentucky Water District
Mr. Bob Sturdivant, HDR Engineering
Mr. John Scheben, Northern Kentucky Water District
Ms. Stacia Peyton, Department for Local Government
Mr. Ralph Johanson, GRW Engineers
Mr. Roger Recktenwald, Kentucky Association of Counties
Mr. Bobby Riffe, Geotech Engineering and Testing, Inc.
Mr. Pete Conrad, Green River Area Development District
Ms. Jennifer McIntosh, Kentucky River Area Development District
Mr. Steve Harris, R.M. Johnson Engineering
Mr. B. Russell Harper, Kentucky Council of Area Development Districts
Mr. Joe Burns, Kentucky Rural Water Association
Mr. Rusty Hollis, Kentucky Cable Telecommunications Association

EXHIBIT D1
page 3 of 11
9

requested a \$497,409 Fund A ARRA loan for the construction of a lift station and 10,000 linear feet of new sewer line. The project will allow the elimination of an on-site package treatment plant owned and operated by the Ohio County School District which discharges into a nearby unnamed tributary that is adjacent to the school's playground area. The new line will run from the lift station at Bluegrass Crossings Industrial Park to a newly constructed lift station at Southern Elementary School. In addition to removing a potential health hazard from the area the project will relieve the school system of the burden of maintaining and operating a sewer system. The commission provides wastewater treatment service to the cities of Beaver Dam, Centertown and Hartford. Both DOW and KIA staff recommended approval of the loan with the standard conditions and the additional ARRA conditions.

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

3. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN IN THE AMOUNT OF \$750,000 TO THE MOUNTAIN WATER DISTRICT, PIKE COUNTY, KENTUCKY (A2 09-32) FUNDED IN WHOLE OR IN PART BY THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, KIA, presented the project to the board. The Mountain Water District requested a \$750,000 Fund A ARRA loan for the Shelby Sanitary Sewer Project – Phase III. This project includes the installation of 2" to 6" collector sewer lines. The project will serve approximately 50 new customers and will provide sanitary sewer service to an area of the county with a high number of straight pipes and/or failing septic systems. Both DOW and KIA Staff recommended approval of the loan with the standard conditions, the additional ARRA conditions and the following special condition: The Repair and Maintenance Fund required by Kentucky Infrastructure Authority loan agreements with the Mountain Water District was underfunded by \$560,948 as of December 31, 2008. This deficiency is the result of not making scheduled deposits to the reserve and transferring reserve funds to the operating account to make loan payments. The Mountain Water District will negotiate with the KIA Executive Director for an equitable agreement to replenish the deficient reserve balances. Mr. Greg Heitzman recommended adding to the special condition that the Mountain Water District have until 12 months or until December 31, 2010, to correct the deficiency in the reserve balances.

Mr. Greg Heitzman moved to approve the resolution with the special condition and an additional condition that the replacement reserve deficiency is corrected within 12 months or by December 31, 2010. Mr. Tom Calkins seconded, and the motion carried unanimously. It was noted that Mr. Jeff Derouen's vote does not speak for the three commissioners who serve on the Public Service Commission.

4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF

EXHIBIT D1
page 5 of 11

approval of those rates; (2) KIA requests that the Knott County Fiscal Court put a high priority on their authorization request for Coal Severance funding to retire the debt for the Economic Stimulus Funding Loan of the Troublesome Creek Environmental Authority for the purpose of constructing a wastewater treatment plant and sewer collection system in the Ball Creek area; and (3) If Coal Severance funding is unavailable to repay this loan, the Troublesome Creek Environmental Authority shall include annual debt service of \$41,164 in their budget submitted to the Public Service Commission in their rate case submittal and shall charge rates sufficient to repay the KIA loan.

Ms. Linda Bridwell moved to approve the resolution. Mayor David Cartmell seconded, and the motion carried unanimously. It was noted that Mr. Jeff Derouen's vote does not speak for the three commissioners who serve on the Public Service Commission.

6. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A09-27) IN THE AMOUNT OF \$975,000 TO THE CITY OF PRINCETON, CALDWELL COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the board. The City of Princeton requested a \$975,000 Clean Water SRF loan to complement its previously approved \$1,000,000 Clean Water SRF ARRA loan to allow for additional rehabilitation as a result of the inspection conducted with ARRA funding. The original project included a detailed sewer system inspection followed by a major sewer rehabilitation project in two collection system basins. Due to the extensive deterioration of the lines found during the inspection, Princeton chose the pipe-bursting rehabilitation method versus cured-in-place to avoid extensive repairs before rehab can be completed. Approximately 75,000 l.f. of gravity sewer was inspected and approximately 19,500 l.f. will be included in the rehabilitation portion of the project. Both DOW and KIA staff recommended approval of the loan increase with the standard conditions.

Mayor David Cartmell moved to approve the resolution. Ms. Linda Bridwell seconded, and the motion carried unanimously.

7. 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 (F09-02) LOAN IN THE AMOUNT OF \$8,000,000 TO THE NORTHERN KENTUCKY WATER DISTRICT, KENTON COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the board. The Northern Kentucky Water District requested an \$8,000,000 Drinking Water SRF loan for its Advanced Treatment Project. The project is comprised of four phases and will promote public health and help maintain compliance with the Safe Drinking Water Act in a number of ways. Phase I involves replacement of filter media, underdrains and the addition of an air scour system to all 12 filters at the Fort Thomas WTP (FTTP) along with improvements to repair and correct

EXHIBIT D1
page 7 of 11
13

9. CONSIDERATION OF AMENDMENTS TO KIA BYLAWS

Ms. Sandy Williams, KIA, presented the proposed change to the KIA Bylaws. Upon request by the board last month, the official meeting time was taken out of the by-laws in order to set that meeting time by resolution.

Mr. Peter Goodmann moved to adopt the revised KIA Bylaws. Mr. Tom Calkins seconded, and the motion carried unanimously.

10. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY TO ESTABLISH A STANDARD MEETING TIME FOR MONTHLY AUTHORITY BOARD MEETINGS OF 1:00 P.M. EASTERN TIME

Ms. Sandy Williams, KIA, presented the resolution to the board.

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

II. EXECUTIVE DIRECTOR'S REPORT

Mr. John Covington, KIA, updated the board on the following items:

- A. All ARRA projects have now been approved by the board. There are 17 Drinking Water ARRA projects of which 15 have opened bids and the remaining two are out to bid. There are two fully executed assistance agreements, three are out for signature, five have been drafted and seven are to be drafted. Six of the projects are under construction. There are 44 Clean Water ARRA projects of which 23 have opened bids, seven are anticipating opening bids in December and 10 open bids in January. There are two fully executed assistance agreements, two are out for signature, two are being drafted and 38 are to be drafted. Nine of the projects are under construction. The staff participated in a conference call this week with EPA Region IV and all states in Region IV to discuss the progress of each state's projects in order to meet the February 17, 2010, deadline.
- B. Mr. Covington presented the Wastewater project rankings and the Water project rankings that were submitted by the 15 Area Water Management Councils. A total of 300 projects were ranked by the Area Water Management Councils. Mr. Covington recommended that the board accept the rankings.
- C. Mr. Covington informed the board that they would receive a copy of the letter dated November 18, 2009, from the Capital Projects and Bond Oversight Committee explaining why they did not take action at its November 17th meeting on the loans to General Burnside State Park, Green River State Park and Pennyriple Forest Resort Park. The Committee did not question KIA's authority to make the loans, but questioned the Department of Park's ability to incur debt without budget authorization from the General Assembly. The letter was sent to the Secretary of the Finance Administration Cabinet who has the authority to override the Committee's decision. KIA is waiting for the Secretary's decision.

**Part III - Budget Information
Project Cost Summary**

Project Title Advanced Treatment - Phase III Memorial Parkway Plant **WRIS# WX:21117208**

Project Budget: Estimated	30,000,000	As Bid	15,300,000	Revised	15,300,000
	enter date: 7/1/2009		enter date: 12/16/2009		enter date: 12/29/2009

Cost Classification	DWSRF KIA Loan	Funding Source 1	Funding Source 2	Funding Source 3	Funding Source 4	Funding Source 5	Local Funds	Unfunded Costs	Total
1 Administrative Expenses		4,000							4,000
2 Legal Expenses		500							500
3 Land, Appraisals, Easements		-							-
4 Relocation Expense & Payments		-							-
5 Planning		-							-
6 Engineering Fees - Design		1,000,000							1,000,000
7 Engineering Fees - Construction		350,000							350,000
8 Engineering Fees - Inspection		496,000							496,000
9 Engineering Fees - Other		-							-
10 Construction	8,000,000	4,227,000							12,227,000
11 Equipment		-							-
12 Miscellaneous		-							-
13 Contingencies		1,222,500							1,222,500
Total	8,000,000	7,300,000	-	-	-	-	-	-	15,300,000

Funding Sources	Amount	Date Committed
1 Funding Source 1	7,300,000	NKWD
2 Funding Source 2	-	
3 Funding Source 3	-	
4 Funding Source 4	-	
5 Funding Source 5	-	
Total	7,300,000	

Local Funding Sources	Amount	Date Committed
1		
2		
3		
Total	-	

Total Funding 15,300,000

Cost Categories	Funding Source	Total Cost
Treatment	SRF/S1	15,300,000
Transmission and Distribution		
Source		
Storage		
Purchase of Systems		
Restructuring		
Land Acquisition		
TOTAL COSTS		15,300,000

EXHIBIT D1
Page 11 of 11

Memorial Parkway Treatment Plant Advanced Treatment Project			
Depreciation	Cost	Depreciation Years	Annual Depreciation
Account 304 Structures & Improvements	\$9,480,154	37.5	\$252,804.11
Account 310 Power Generation Equipment	\$968,412	20	\$48,420.60
Account 311 Pumping Equipment	\$1,070,762	20	\$53,538.10
Account 320 Water Treatment Equipment	\$3,780,672	30	\$126,022.40
Total	\$15,300,000.00		\$480,785.21
Debt Service on SRF Loan			
Total Borrowed	\$8,000,000		
Interest Rate including administration fee	2.20%		
Term (Years)	20		
Annual Debt Service SRF	\$498,747.35		
Debt service on bond issue			
Total Borrowed	\$7,300,000		
Interest Rate	5.00%		
Term (Years)	25		
Annual Debt Service Traditional	\$517,952.94		
Total Annual Debt Service	\$1,016,700.29		