



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda Breathitt
Commissioner

November 5, 2014

PARTIES OF RECORD

RE: Madison County Utility District
Case No. 2014-00132

Attached is an item which is being filed in the case record of Case No. 2014-00132
APPLICATION OF THE MADISON COUNTY UTILITIES DISTRICT FOR
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT AND
FINANCE A WATER LINES REPLACEMENT PROJECT. The document is a copy of
the executed Assistance Agreement with KIA and was provided by KIA.

Sincerely,

A handwritten signature in cursive script that reads "Linda Faulkner".

Linda Faulkner
Filings Director



KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

Steven L. Beshear
Governor

John E. Covington III
Executive Director

June 24, 2014

Case No. 2014-132

Mr. Dirk Bedarff
Peck, Shaffer & Williams, a division of
Dinsmore & Shohl, LLC
50 East RiverCenter Blvd, Ste 1150
Covington, Kentucky 41011

VIA EMAIL

RE: Madison County Utility District
Drinking Water State Revolving Fund (F13-023)

Dear Dirk:

Enclosed please find the following information with regard to the above-mentioned project:

Distribution List
Exhibit A
Exhibit G
Certification by the Division of Water
Executed copy of commitment letter
Minutes approving project

Please include the attached Exhibit G with the outstanding conditions. All other conditions contained within the commitment letter have been met. Please prepare the appropriate Conditional Assistance Agreement for execution and forward to John Clark, Manager of the District.

Please add the applicable Davis-Bacon to this Conditional Assistance Agreement.

Sincerely,

Brandi Armstrong
Financial Analyst

Attachments

Madison County Utility District

Distribution List

F13-023

Receiving original Assistance Agreement

1. John Clark
Manager
PO Box 670
Richmond, KY 40477

Receiving copy of Assistance Agreement

2. Brandi Armstrong
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
3. Buddy Griffin
Water Infrastructure Brand
Division of Water
Energy and Environment Cabinet
200 Fair Oaks, 4th Floor
Frankfort, KY 40601

Receiving letter only

4. Vernon Shanklin
CMW Inc.
400 East Vine Street, Suite 400
Lexington, KY 40507

EXHIBIT A
MADISON COUNTY UTILITY DISTRICT
PROJECT SPECIFICS
F13-023

GOVERNMENTAL AGENCY:

Name: Madison County Utility District
 PO Box 670
 Richmond, Kentucky 40477-0670

Contact
 Person: John Clark
 Manager

SYSTEM: Water

PROJECT:

This project is for various waterline improvements throughout the Madison County Utility District. Approximately 24,500 feet of ductile iron lines will be replaced with larger diameter PVC lines . This will fix numerous leaks and service outages and reduce the number of boil water advisories. The project will also loop a dead end line in one location to improve water flow. The affected by this request include the Cedar View Hills Subdivision, Charles Norris Road, Bumstark Road, Hackett Pike, and Wild Goose Subdivision.

PROJECT BUDGET:

	<u>Total</u>
Administrative Expenses	\$ 20,000
Legal Expenses	12,000
Land, Easements	20,000
Planning	5,000
Engineering Fees - Design	60,024
Engineering Fees - Const / Inspection	41,713
Engineering Fees - Other	10,000
Construction	620,722
Contingency	62,069
Other	25,000
Total	\$ 876,528

FUNDING SOURCES:

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 856,528	98%
Local Funds	20,000	2%
Total	\$ 876,528	100%

KIA DEBT SERVICE:

Construction Loan	\$	856,528
Less: Principal Forgiveness (0%)		0
Amortized Loan Amount	\$	856,528
Interest Rate		2.75%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	55,964
Administrative Fee (0.25%)		2,141
Total Estimated Annual Debt Service	\$	58,106

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 12/01/14).

Full principal and interest payments will commence within one year of initiation of operation (estimated 12/01/15).

REPLACEMENT RESERVE ACCOUNT:	\$	2,100	ANNUAL AMOUNT
	\$	21,000	TOTAL AMOUNT

The annual replacement cost is \$2,100. This amount should be added to the replacement account each December 1 until the balance reaches \$21,000 and maintained for the life of the loan.

ADMINISTRATIVE FEE: 0.25%

DEFAULT RATE: 8.00%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

	<u>Outstanding</u>	<u>Maturity</u>
KIA (F02-07)	\$ 2,298,820	Jun-25
KIA (F07-06)	1,004,168	Dec-29
2008 Utility Revenue Bonds	2,960,000	2022
KIA (F10-04, i/a/o \$940,225)	0	TBD
Total	\$ 6,262,988	

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)	_____
Death or Personal Injury (per occurrence)	_____
Property Damage on System	_____

EXHIBIT G
Madison County Utility District
(F13-023)

- 1) All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Division of Water.

STEVEN L. BESHEAR
GOVERNOR



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

June 18, 2014

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

Re: DWL13005, (F13-023)
Madison County Utility District--34008
Activity ID: FGL20130003
HUC11: 05100205020, 05100205040
Watershed Name: Muddy Creek, Otter Creek
Assistance Agreement

Dear Mr. Covington:

The Division of Water hereby certifies that the referenced project is entitled to an Assistance Agreement from the Drinking Water State Revolving Fund. The project is in compliance with federal and state requirements and is eligible to receive \$856,528.00 for completion of this project.

If you should have any questions or require additional information, please contact Amber Vaughn, Project Manager, at (502) 564-3410, extension 4591.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Goodmann".

Peter Goodmann, Director
Division of Water

PG/BG:av

c: John Clark, Madison County Utilities District
Kerry Odle, CMW, Inc.
Jeff Abshire, Kentucky Infrastructure Authority



U.S. 13-13:11

Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

John E. Covington II
Executive Director

February 8, 2013

Mr. James Carr, Chairman
Madison County Utility District
PO Box 670
Richmond, Kentucky 40477-0670

RECEIVED
FEB 13 2013

**KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F13-023)**

Dear Chairman Carr:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On February 8, 2013, the Authority approved your loan for the Madison County Utility District Improvements, Phase 4 project subject to the conditions stated below. The total cost of the project shall not exceed \$876,528 of which the Authority loan shall provide \$856,528 of the funding. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Madison County Utility District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (2/8/2014) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$856,528.

2. The loan shall bear interest at the rate of 2.75% per annum commencing with the first draw of funds.
3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The Authority loan funds must be expended within six months of the official date of initiation of operation.
9. Fund "F" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. The Authority requires an annual audit to be performed for the life of the loan.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. The Borrower must agree to expend all Authority loan funds within six months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Division of Water.
8. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
9. The Authority to Award Package documentation shall be submitted to and approved by DOW.

Chairman James Carr
February 8, 2013
Page 4

10. An environmental review shall be conducted by the Division of Water for all construction projects receiving DWSRF funds, within the term of this binding commitment and prior to project bid.
11. Technical plans and specifications and a complete DWSRF specifications checklist shall be approved by the Division of Water prior to project bid.
12. A clear site certificate shall be obtained and DOW representatives shall be notified for attendance of the pre-construction conference.
13. Project changes or additions shall require a complete environmental and change order review before they can be included in the DWSRF loan project.

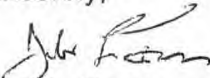
The following is a list of additional conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Borrower shall require all contractors to pay wages pursuant to applicable prevailing wage rates (federal or state) for all work relating to the subject Project. The Borrower shall, if applicable, comply with all Davis Bacon related monitoring and reporting.
2. The project shall comply with the reporting requirements of the Transparency Act, and shall complete the attached Transparency Act Reporting Information Form and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.
3. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,



John LeFevre
Financial Analyst

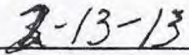
Chairman James Carr
February 8, 2013
Page 5

Attachments

cc: John Clark, Manager, Madison County Utility District
Kerry Odle, CMW Inc.
Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State Local Debt Office, DLG
Borrower File - Madison County Utility District - F13-023

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.


Accepted


Date

ATTACHMENT A

**Madison County Utility District
F13-023**

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND F, FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND		Reviewer Date KIA Loan Number WRIS Number	John LeFevre February 7, 2013 F13-023 WX21151051	
BORROWER		MADISON COUNTY UTILITY DISTRICT MADISON COUNTY		
BRIEF DESCRIPTION This project is for various waterline improvements throughout the Madison County Utility District. Approximately 24,500 feet of ductile iron lines will be replaced with larger diameter PVC lines. This will fix numerous leaks and service outages and reduce the number of boil water advisories. The project will also loop a dead end line in one location to improve water flow. The affected by this request include the Cedar View Hills Subdivision, Charles Norris Road, Bumstark Road, Hackett Pike, and Wild Goose Subdivision.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$856,528	Administrative Expenses	\$20,000	
Local Funds	20,000	Legal Expenses	12,000	
		Land, Easements	20,000	
		Planning	5,000	
		Eng - Design	60,024	
		Eng - Constr / Insp	41,713	
		Eng - Other	10,000	
		Construction	620,722	
		Contingency	62,069	
		Other	25,000	
TOTAL	\$876,528	TOTAL	\$876,528	
REPAYMENT	Rate	2.75%	Est. Annual Payment \$58,106	
	Term	20 years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	CMW Inc.		
	Bond Counsel	Peck, Shaffer, & Williams		
PROJECT SCHEDULE	Bid Opening	May-13		
	Construction Start	Sep-13		
	Construction Stop	Feb-14		
DEBT PER CUSTOMER	Existing	\$621		
	Proposed	\$670		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		Users	Avg. Bill	
	Current	10,256	\$27.85 (for 4,000 gallons)	
	Additional	0	\$27.85 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2009	807,100	522,383	284,717	1.5
Audited 2010	1,003,188	733,087	270,101	1.4
Audited 2011	1,032,366	702,846	329,520	1.5
Projected 2012	995,009	576,946	418,063	1.7
Projected 2013	1,019,487	604,518	414,969	1.7
Projected 2014	1,015,491	664,744	350,747	1.5
Projected 2015	1,036,386	694,196	342,190	1.5
Projected 2016	1,049,013	694,197	354,816	1.5
Projected 2017	1,046,265	693,796	352,469	1.5

Reviewer: John LeFevre
Date: February 7, 2013
Loan Number: F13-023

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND "F")
MADISON COUNTY UTILITY DISTRICT, MADISON COUNTY
PROJECT REVIEW
WX21151051**

I. PROJECT DESCRIPTION

The Madison County Utility District (MCUD) is requesting \$856,528 in Drinking Water SRF funds for various waterline improvements. Approximately 24,500 linear feet of older three and four inch ductile iron lines will be replaced with six and eight inch PVC lines. This will fix numerous leaks and service outages and will substantially reduce the number of boil water advisories the district issues. The project will also loop a dead end line in one location to improve water flow. The areas affected by this request include the Cedar View Hills Subdivision, Charles Norris Road, Bumstark Road, Hackett Pike, and Wild Goose Subdivision.

The District is regulated by the Public Service Commission and serves approximately 10,000 customers. All finished water is purchased from Richmond Utilities at \$2.99 per thousand gallons.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 20,000
Legal Expenses	12,000
Land, Easements	20,000
Planning	5,000
Engineering Fees - Design	60,024
Engineering Fees - Const / Inspection	41,713
Engineering Fees - Other	10,000
Construction	620,722
Contingency	62,069
Other	25,000
Total	\$ 876,528

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 856,528	98%
Local Funds	20,000	2%
Total	\$ 876,528	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 856,528
Amortized Loan Amount	\$ 856,528
Interest Rate	2.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 55,964
Administrative Fee (0.25%)	2,141
Total Estimated Annual Debt Service	\$ 58,106

V. PROJECT SCHEDULE

Bid Opening	May 2013
Construction Start	September 2013
Construction Stop	February 2014

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

<u>Customers</u>	<u>Current</u>
Residential	9,560
Commercial	692
Industrial	4
Total	10,256

B) Rates

	Current	Prior
Date of Last Rate Increase	07/01/2012	07/01/2009
First 280 cu. ft. (min. bill)	\$15.47	\$15.17
Next 720 cu. ft.	4.86	4.75
Next 3,000 cu. ft.	4.64	4.53
Next 8,000 cu. ft.	4.45	4.34
Next 88,000 cu. ft.	4.26	4.15
Over 100,000 cu. ft.	3.95	3.84
Cost for 4,000 gallons	\$27.85	\$27.27
Increase %	2.1%	16.4%
Affordability Index (Rate/MHI)	0.8%	0.8%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate

2006-2010, the County's population was 81,580 with a Median Household Income (MHI) of \$41,894. The median household income for the Commonwealth is \$41,576. The project will qualify for a 2.75% interest rate.

VIII. 2012 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - The 2012 Drinking Water capitalization grant does not contain a "green" requirement.
- 2) Additional Subsidization – This project does not qualify for additional subsidization.

IX. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from the audited financial statements for the years ended December 31, 2009 through 2011. Amounts for the current year are estimated. Information of water purchase and sale quantities was obtained from PSC filings.

HISTORY

Revenues increased 9% from \$3.9 million in 2009 to \$4.2 million in 2012. A rate increase of 16% in 2009 and customer growth of 11% was offset by a reduction in gallons sold on a per customer basis. From 2009 to 2011 average gallons sold per customer per month declined 8% from 4,700 gallons in 2009 to 4,300 in 2011. Operating expenses were flat at about \$1.1 million each year. Cash available for debt service ranged from \$807 thousand to \$1 million, while debt service ranged from \$522 thousand to \$733 thousand for the same period. The debt coverage ratio ranged from a low of 1.4 in 2010 to a high of 1.7 in 2012.

The balance sheet reflects a current ratio of 4.5 and a debt to equity ratio of 0.6. The collection period is approximately one month and the number of months of operating expenses in unrestricted cash is just under five.

PROJECTIONS

1. Revenues are projected to increase 0.5% each year for growth
2. Expenses are projected to increase 2% annually for growth and inflation.
3. Water loss in the areas affected is expected to be reduced from 27% to 10% and will save about \$25,000 per year.

Based on the above assumptions, the District will meet the required cash flow through the projected years with a debt coverage ratio 1.5 beginning in 2015 which is the first full year of principal and interest payments.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund F loan.

REPLACEMENT RESERVE

The annual replacement cost is \$2,100. This amount should be added to the replacement account each December 1 until the balance reaches \$21,000 and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KIA (F02-07)	\$ 2,298,820	Jun-25
KIA (F07-06)	1,004,168	Dec-29
2008 Utility Revenue Bonds	2,960,000	2022
KIA (F10-04, i/a/o \$940,225)	0	TBD
Total	\$ 6,262,988	

XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
Water System Improvements Phase II	HB380	500,000	Grant
Improvements Phase II	HB608	250,000	Grant

XII. CONTACTS

Legal Applicant	
Name	Madison County Utility District
Address	PO Box 670 Richmond, Kentucky 40477-0670
County	Madison
Authorized Official	John Clark (Manager)
Phone	859-624-1735
Email	jclark@madisoncountyutilities.com

Project Contact - Applicant	
Name	Kerry Odle
Representing	CMW Inc.
Address	400 East Vine Street, Suite 400 Lexington, KY 40507
Phone	859-254-6623
Email	kodle@cmwaec.com

Project Administrator

Name Project Engineer
Address 400 East Vine Street, Suite 400
Lexington, KY 40507
Contact Kerry Odle
Phone 859-254-6623
Email kodle@cmwaec.com

Consulting Engineer

Name Kerry Odle
Firm CMW Inc.
Address 400 East Vine Street, Suite 400
Lexington, KY 40507
Phone 859-254-6623
Email kodle@cmwaec.com

XIII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

**MADISON COUNTY UTILITY DISTRICT
BALANCE SHEETS (DECEMBER YEAR END)**

ASSETS	Audited <u>2009</u>	Audited <u>2010</u>	Audited <u>2011</u>	Projected <u>2012</u>	Upon Completion <u>2014</u>
Current Assets					
Cash	879,975	965,641	1,177,096	1,301,587	1,509,468
Accounts Receivable	320,090	344,817	336,832	336,832	345,625
Inventory	130,749	433,902	375,675	350,000	350,000
Prepaid	52,179	21,609	22,928	23,000	23,000
Other Current Assets					
Total Current Assets	1,382,993	1,765,969	1,912,531	2,011,419	2,228,093
Total Restricted Assets	832,278	875,161	981,517	1,000,000	1,000,000
Utility Plant					
Land, System, Building and Equipment	20,956,001	21,225,558	22,105,063	22,842,116	23,901,811
Less Accumulated Depreciation ()	(6,165,512)	(6,641,899)	(7,147,890)	(7,667,890)	(8,727,499)
Net Fixed Assets	14,790,489	14,583,659	14,957,173	15,174,226	15,174,312
Other Assets					
Notes Receivable					
Unamortized Bond Costs and Discount, Net	125,157	112,941	103,100	92,000	80,000
Total Other Assets	125,157	112,941	103,100	92,000	80,000
Total Assets	17,130,917	17,337,730	17,954,321	18,277,645	18,482,405
LIABILITIES					
Current Liabilities					
Accounts Payable	255,632	246,873	366,448	350,000	350,000
Customer Deposits	99,840	95,075	95,155	95,500	95,500
Total Current Liabilities	355,472	341,948	461,603	445,500	445,500
Liabilities Payable - Restricted Assets					
Notes and Bonds Payable	406,885	548,959	431,054	438,170	462,465
Accrued Interest Payable	62,817	61,516	52,655	50,000	40,000
Total Liabilities Payable - Restricted Assets	469,702	610,475	483,709	488,170	502,465
Long Term Liabilities					
Long Term Debt	6,681,948	6,262,989	5,831,935	5,393,765	4,480,992
Premium on Bonds Payable	63,952	58,876	53,800	48,724	87,296
KIA (F10-04)	0	0	0	349,343	940,225
Proposed KIA Loan	0	0	0	0	856,523
Total Long Term Liabilities	6,745,900	6,321,865	5,885,735	5,791,832	6,365,036
Total Liabilities	7,571,074	7,274,288	6,831,047	6,725,502	7,313,001
Retained Earnings:					
Invested in Capital Assets Net of Related Debt	7,701,656	7,771,711	8,694,184	8,944,224	8,346,811
Restricted	832,278	875,161	981,517	1,000,000	1,000,000
Unrestricted	1,025,909	1,416,570	1,447,573	1,607,919	1,822,593
Total Retained Earnings	9,559,843	10,063,442	11,123,274	11,552,143	11,169,404
Total Liabilities and Equities	17,130,917	17,337,730	17,954,321	18,277,645	18,482,405
Balance Sheet Analysis					
Current Ratio	3.9	5.2	4.1	4.5	5.0
Debt to Equity	0.8	0.7	0.6	0.6	0.7
Days Sales in Accounts Receivable	30.0	29.9	28.9	28.9	28.9

**EXHIBIT 1
MADISON COUNTY UTILITY DISTRICT
CASH FLOW ANALYSIS (DECEMBER YEAR END)**

	Audited 2009	% Change	Audited 2010	% Change	Audited 2011	% Change	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017
Operating Revenues												
Charges for Services	3,691,765	8%	3,982,911	1%	4,007,954	0%	4,007,954	4,092,121	4,112,582	4,133,145	4,153,811	4,174,580
Late Charges	66,976	1%	67,918	5%	71,638	0%	71,638	73,142	73,508	73,876	74,245	74,616
Miscellaneous	136,924	11%	151,916	11%	168,602	0%	168,602	172,143	173,004	173,869	174,738	175,612
Total Revenues	3,895,665	8%	4,202,745	1%	4,248,194	0%	4,248,194	4,337,406	4,359,094	4,380,890	4,402,794	4,424,808
Operating Expenses												
Purchased Water Cost	1,958,644	6%	2,081,412	1%	2,092,855	0%	2,092,855	2,134,712	2,134,712	2,109,712	2,109,712	2,109,712
Operating Expenses	1,142,231	-2%	1,114,602	1%	1,121,402	2%	1,143,830	1,166,707	1,190,041	1,213,842	1,238,119	1,262,881
Depreciation	478,233	6%	508,602	1%	515,832	1%	520,000	522,500	537,109	566,327	595,545	624,763
Replacement Reserve	15,000		40,000		40,000		40,000	40,000	42,350	44,450	29,450	29,450
Total Expenses	3,594,108	4%	3,744,616	1%	3,770,089	1%	3,796,685	3,863,919	3,904,212	3,934,331	3,972,826	4,026,806
Net Operating Income	301,557	52%	458,129	4%	478,105	-6%	451,509	473,487	454,882	446,559	429,968	398,002
Non-Operating Income and Expenses												
Interest Income	19,393	37%	26,552	-34%	17,611	-23%	13,500	13,500	13,500	13,500	13,500	13,500
Other	7,917	25%	9,905	110%	20,818	-52%	10,000	10,000	10,000	10,000	10,000	10,000
Total Non-Operating Income & Expenses	27,310	33%	36,457	5%	38,429	-39%	23,500	23,500	23,500	23,500	23,500	23,500
Add Non-Cash Expenses												
Depreciation	478,233	6%	508,602	1%	515,832	1%	520,000	522,500	537,109	566,327	595,545	624,763
Cash Available for Debt Service	807,100	24%	1,003,188	3%	1,032,366	-4%	995,009	1,019,487	1,015,491	1,036,386	1,049,013	1,046,265
Debt Service (enter as positive #s)												
Existing Principal	350,158		556,885		548,959		431,055	438,170	450,308	462,465	474,646	486,848
Existing Interest	172,225		176,202		153,887		145,891	136,538	125,762	114,004	101,824	89,221
Open Loans (KIA F10-04)	0		0		0		0	29,810	59,621	59,621	59,621	59,621
Proposed KIA Loan	0		0		0		0	0	29,053	58,106	58,106	58,106
Total Debt Service	522,383		733,087		702,846		576,946	604,518	664,744	694,196	694,197	693,796
Income After Debt Service	284,717		270,101		329,520		418,063	414,969	350,747	342,190	354,816	352,469
Debt Coverage Ratio	1.5		1.4		1.5		1.7	1.7	1.5	1.5	1.5	1.5

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: February 7, 2013 – 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. Sam Ruth, Finance and Administration Cabinet
(proxy for Secretary Lori H. Flanery, FAC)
Mr. Robert Aldridge, Economic Development Cabinet
(proxy for Secretary Larry Hayes, EDC)
Ms. Lona Brewer, Energy and Environment Cabinet
(permanent proxy for Secretary Leonard K. Peters, EEC)
Mr. Jerry Wuetcher, Public Service Commission
(permanent proxy for Executive Director Jeff Derouen, PSC)
Mr. C. Ronald Lovan, representing the American Water Works Association
Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. Jody Jenkins, Union County Judge/Executive, representing the Kentucky
Association of Counties
Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities

Members absent:

Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. Marty T. Ivy, representing the Kentucky Municipal Utilities Association

Guests:

Ms. Anshu Singh, Division of Water
Mr. Kerry Odle, CMW, Inc.
Mr. John C. Clark, Madison County Utility District
Mr. Joe Schepers, City of Owensboro
Mr. Bob Sturdivant, HDR Engineering
Mr. Dean Behnke, Regional Water Resource Agency
Mr. Ron Scott, City of Danville
Mr. Earl Coffey, City of Danville
Ms. Sheryl Chino, Green River Area Development District
Mayor Bernie Hunstad, City of Danville
Mr. Tony Thompson, Bullitt County
Mr. Richard Harrison, Northern Kentucky Water District
Mr. Roger Recktenwald, Kentucky Association of Counties
Ms. Jennifer Kantner, Office of Financial Management
Ms. Ruth Webb, 1st Kentucky Securities
Mr. Jerry Kennedy, Bullitt County Sanitation District
Mr. Ray Bascom, HMB Professional Engineers, Inc.
Mr. Jeff Reynolds, HMB, Professional Engineers, Inc.

Mr. Dennis Golem, Wells Fargo
Ms. Annette Dupont, Kentucky Municipal Utilities Association
Mr. Bill Scalf, City of Frankfort
Mr. Joe Burns, Kentucky Rural Water Association
Mr. Bob Peterson, City of Frankfort
Ms. Laura Jefferson, Buffalo Trace Area Development District
Ms. Cindy McDonald, Division of Water
Ms. Bill Tom Stone, Electric Plant Board of the City of Vanceburg
Mayor Chris McGlone, City of Vanceburg
Mr. Danny Enix, Electric Plant Board of the City of Vanceburg

PROCEEDINGS

Chair Tony Wilder called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. Chair Wilder asked board members and guests to introduce themselves. He noted that a quorum was present and the press had been notified regarding the meeting.

Mr. Rusty Anderson, KIA, made maps available for viewing via the Water Resource Information System (WRIS) which showed an overview of the water and sewer projects that were to be considered at this board meeting.

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Regular Board Meeting of December 6, 2012

Mr. Damon Talley moved to approve the minutes of the December 6, 2012 regular board meeting. Judge Jody Jenkins seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

1. KENTUCKY WATER MANAGEMENT PLAN

Mr. John Covington, KIA, presented to the Board a draft of the Kentucky Water Management Plan. The Kentucky Infrastructure Authority was given the authority to generate a Kentucky Water Management Plan under the passage of Senate Bill 409 and staff had worked for the past 4 years to compile the document presented to the board members at this meeting. The goal of KIA staff was to convert the actual paper document to an online document that could be updated as needed with links for specific information about each project referenced. The plan contains the Authority's evaluation of each area development district's project rankings and an evaluation of the criteria used for the rankings by the water management councils. The document was created using the WRIS. The document presented is the first version and Mr. Covington stated that the board members would have 30 days to review the plan and make comments; and it would then be presented at the next meeting for approval.

2. 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 2013 CAPITALIZATION GRANT FOR THE WASTEWATER REVOLVING FUND

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 2013 CAPITALIZATION GRANT FOR THE DRINKING WATER REVOLVING FUND

Ms. Sandy Williams, KIA, presented the requests to the board for permission to apply with the United States Environmental Protection Agency (EPA) for the Federal Fiscal Year 2013 Federal Capitalization Grants for the Wastewater Revolving Fund and the Drinking Water Revolving Fund. The Authority was notified in January by EPA that the initial funding for the 2013 Wastewater and Drinking Water State Revolving Capitalization Grant was available under the Continuing Resolution (CR) that extends from October 1, 2012, through March 27, 2013. EPA Region IV had requested that the Authority apply for the capitalization grant funds that are available under the CR so they can have those awards before the CR expires. The 2013 Wastewater National State allotment is \$674,797,000 and Kentucky's share of that allotment under the half year CR is \$8,317,000. Because it is under the CR, rules from the 2012 Capitalization Grant will continue to apply which includes that 10% of the capitalization grant amount must be designated for green projects. Because the funding awarded is only for half of the year, the 2013 Wastewater SRF will contain no additional subsidization provision. For every year the additional subsidization requirement has been attached to the Wastewater SRF it was only applied to the amount of the national funding that was in excess of \$1,000,000,000. The additional subsidization provision will come into effect only if there is a full year appropriation or a yearlong CR that would increase the amount of available funding. Kentucky's allotment under the half year CR for the 2013 Drinking Water SRF is \$5,987,000. The additional subsidization requirement for the Drinking Water program is not less than 20% but not more than 30% of the funds that are available through the capitalization grant. The resolutions presented are a required part of the capitalization grant application packets and KIA staff recommended approval of the resolutions.

Mr. Ron Lovan moved to approve both resolutions to submit applications for the 2013 Wastewater Capitalization Grant and the 2013 Drinking Water Capitalization Grant. Mr. Damon Talley 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 (A13-011) IN THE AMOUNT OF \$8,000,000 TO THE CITY OF FRANKFORT, FRANKLIN COUNTY, KENTUCKY

This project was presented to the KIA Board on December 6, 2012. A motion was made and approved for the project to be tabled until the next KIA Board Meeting. Ms. Sandy Williams, KIA, asked that the project be removed from the table for consideration.

Ms. Anshu Singh, DOW, and Ms. Sandy Williams, presented the project to the Board. The City of Frankfort requested an \$8,000,000 Fund A loan for the Sewer Equalization Facilities project. The project involves the construction of a 10 million gallon equalization basin for the City's sanitary sewer system. The wastewater treatment plant is designed for 9.9 million gallons per day (MGD) of incoming sewer flow but can accommodate 23 MGD for short periods of time. However, during prolonged heavy rain events the WWTP exceeds its capacity which contributes to combined and sanitary sewer overflows in the collection system. Upon completion three SSO's in or near residential areas are expected to be eliminated. A public meeting was held in January 2013 to discuss the project and answer attendees' questions and there were no objections made. The City did not receive any written comments during the public period. Completion of the project is a substantial step in the City's ongoing efforts to achieve compliance with the Kentucky Division of Enforcement's Consent Judgment and the EPA Administrative Order. The cost to implement the projects necessary to comply with the Consent Judgment is estimated in excess of \$75 million and will take over ten years to complete. The project qualified for Green Project Reserve funding under the following categories: \$600,000 for Energy Efficiency and \$7,400,000 for Environmentally Innovative. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 1.75% and a total estimated annual debt service payment of \$491,805. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mr. Damon Talley moved to approve the Fund A (A13-011) resolution with the standard conditions. Mr. Ron Lovan seconded, and the motion carried unanimously.

4. 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 (A13-017) IN THE AMOUNT OF \$1,655,565 TO THE REGIONAL WATER RESOURCE AGENCY, DAVIESS COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Mr. John LeFevre, presented the project to the Board. The Regional Water Resource Agency requested a \$1,655,565 Fund A loan for the Sunrise Drive Sewer Extension project. The project involves the extension of sanitary sewer service to the Sunrise Drive area to provide service to thirty-four unserved residential properties. The extension (approximately 4,000 linear feet of eight inch PVC) will facilitate additional expansion to other unserved areas as funding become available. The project also separates and redirects remaining storm flows that exist in the Old Hartford Road East combined sewer system. The project did not qualify for Green Project Reserve funding and did not qualify for additional subsidization. The term of the loan is 20

years with an interest rate of 1.75% and a total estimated annual debt service payment of \$101,777. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Ms. Lona Brewer moved to approve the Fund A (A13-017) resolution with the standard conditions. Mr. Sam Ruth seconded, and the motion carried unanimously.

5. 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 (F13-011) LOAN IN THE AMOUNT OF \$4,000,000 TO THE CITY OF DANVILLE, BOYLE COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Ms Sandy Williams, KIA, presented the project to the Board. The City of Danville requested a \$4,000,000 Fund F loan for the Water Treatment Plant and Raw Water Intake project.

The project involves the renovation and expansion of the City's water treatment plant and raw water intake, a capacity increase from 10 to 12 million gallons per day (MGD) and the addition of advanced treatment methods. The design will permit capacity to be increased to 15 MGD if required in the future. The project will ensure compliance with the EPA's Stage 2 Disinfectants / Disinfection By-Products Rule. The existing plant was constructed in 1924 with subsequent renovations or expansions in 1952, 1957, 1966, 1983, and 1990 and is deteriorating. The project includes the following components: (1) New raw water pump station and intake line to provide needed redundancy to the system; (2) Replace chemical feed, storage building and HVAC system. The current facility is not sized to supply the expanded capacity. The new feed system will accommodate liquid chemicals (current system is dry feed) which will reduce operating expenses because liquid chemicals can be purchased in bulk for less than their dry feed counterparts. Additionally, maintenance associated with liquid feed systems is less than dry feed systems. The HVAC units in the existing building are also inefficient and / or non-functioning; (3) Install clarification system with lamella plate settlers which will produce a single hydraulic grade across the clarification basins to encourage even flow distribution and better performance. The existing flocculators and sedimentation basins in the pre-1966 section are deteriorating and need to be replaced while the newer section is also exhibiting signs of concrete deterioration and equipment replacement needs; (4) Replace filters in the pre-1966 section that are at the end of their useful life with seven filters that will use conventional mixed media granular filtration. The new filters will be comparable in size to the existing filters in the newer section and will enable the plant to meet KDOW redundancy requirements. The filter building will also be renovated; (5) Add a 1,00,000 gallon clearwell to achieve the recommended total clearwell storage volume of 15% of treatment capacity; and (6) Install granular activated carbon (GAC) post-filter contactors for trace organic compound reduction as well as taste and odor reduction. Approximately 26% (400 million gallons) of water sold is at an average of \$1.61 per thousand gallons to wholesale customers which include the Parksville Water District, Garrard County and Lake Village Water Associations, and Hustonville Water Works. The last wholesale rate adjustment was in the late 1990's. Wholesale rates are

expected to increase about 15% at the beginning of fiscal 2015. A cost of service study will be conducted in late fiscal 2014 to determine the final proposed amount which will require PSC approval. A retail rate increase of approximately 40% was effective in July 2011.

The project qualified for additional subsidization in the amount of 10% or \$400,000. The 2012 Drinking Water capitalization grant does not contain a "green" requirement. The unforgiven balance of the loan is \$3,600,000 to be repaid in 20 years with an interest rate of 1.75% and an estimated annual debt service payment of \$223,112. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mayor David Cartmell moved to approve the Fund F (F13-011) resolution with the standard conditions. Mr. Ron Lovan seconded, and the motion carried unanimously.

6. 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 (F13-023) LOAN IN THE AMOUNT OF \$856,528 TO THE MADISON COUNTY UTILITY DISTRICT, MADISON COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Mr. John LeFevre, KIA, presented the project to the Board. The Madison County Utility District requested an \$856,528 Fund F loan for the MCUD Improvements Phase 4 project. The project is for various waterline improvements throughout the Madison County Utility District. Approximately 24,500 linear feet of older three and four inch ductile iron lines will be replaced with six and eight inch PVC lines. This will fix numerous leaks and service outages and will substantially reduce the number of boil water advisories. The project will also loop a dead end line in one location to improve water flow. The areas affected by this request include the Cedar View Hills Subdivision, Charles Norris Road, Bumstark Road, Hackett Pike, and Wild Goose Subdivision. The District is regulated by the Public Service Commission and serves approximately 10,000 customers. All finished water is purchased from Richmond Utilities at \$2.99 per thousand gallons. The 2012 Drinking Water Capitalization grant does not contain a "green" requirement. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 2.75% and an estimated annual debt service payment of \$58,106. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mr. Damon Talley moved to approve the Fund F (F13-023) resolution with the standard conditions. Ms. Lona Brewer seconded, and the motion carried unanimously with Mr. Jerry Weutcher abstaining. Mr. Weutcher abstained due to the fact that the loan will have to come before the PSC for approval.

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 (F13-032) LOAN IN THE AMOUNT OF \$850,000

TO THE CITY OF VANCEBURG f/b/o VANCEBURG ELECTRIC PLANT BOARD, LEWIS COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The City of Vanceburg f/b/o Vanceburg Electric Plant Board requested an \$850,000 Fund F loan for the Vanceburg Water Supply Wells project. The project involves the construction of a new raw water production well and SCADA System and the installation of approximately 1,550 radio read meters. The well will enhance the water supply for the City and facilitate the future proposed interconnection of area water systems. The radio read meters will be installed at rural customer locations that do not have other City utility services and will eventually reduce contract labor costs by about \$18,000 annually. The City uses two wells that are about fifty years old and has recently acquired additional property with the intention of utilizing it as an expansion of their well field. There are also discussions of consolidating regional water systems with Vanceburg becoming the major supplier of water in the area. The project qualified for additional subsidization in the amount of 25% or \$212,500. The 2012 Drinking Water capitalization grant does not contain a "green" requirement. The term of the loan is 20 years with an interest rate of 0.75% and an estimated annual debt service payment of \$35,979. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mayor David Cartmell moved to approve the Fund F (F13-032) resolution with the standard conditions. Mr. Damon Talley seconded, and the motion carried unanimously.

8. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS 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 Frankfort	A13-011	\$ 8,000,000
Regional Water Resource Agency	A13-017	\$ 1,655,565
City of Danville	F13-011	\$ 4,000,000
Madison County Utility District	F13-023	\$ 856,528
City of Vanceburg f/b/o Vanceburg Electric Plant Board	F12-032	\$ 850,000

Mr. Damon Talley moved to approve the resolution. Ms. Lona Brewer seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR'S REPORT

Mr. John Covington, KIA, brought to the Board's attention a situation in Bullitt County and felt it was justified to make the Board aware of a project which may potentially involve a change in the basic operations of the Board. The unique situation involves a trailer park in the Big Valley Sanitation District which is in an economically distressed area in Bullitt County. The lagoon system is failing and the mechanism that allows the lagoon system to properly treat the effluent is not functioning. It has not been maintained and the security measures around the lagoon have disappeared. Division of Water has been involved and has tried to take action against the alleged property owner of the lagoon system. The alleged property owner has passed away and the estate claims that the gentleman did not own the property. At this point it is an orphaned utility. PSC is in the process of taking action to declare it an abandoned utility and is seeking a Receiver to take responsibility for the utility. They filed an action in Franklin Circuit Court seeking an appointment of a Receiver. Discussions have been held with Bullitt County Sanitation District about that responsibility and the District is seriously considering accepting the role as Receiver and taking responsibility of doing the repairs needed. They are considering committing up to two years to maintain the system. The Bullitt County Sanitation District has determined that in order be Receiver for the next two years they would need \$12,000 annually to operate the system and they would need approximately \$90,000 for capital improvements to make the system functional. The Bullitt County Fiscal Court has agreed to provide the annual operating subsidy for the utility. Bullitt County Sanitation District has requested from KIA the capital infusion in order to do the repairs to the lagoon. There have been meetings and conversations with Mr. Jerry Kennedy from the Bullitt County Sanitation District, PSC, and Roger Recktenwald from the Kentucky Association of Counties, to address any concerns and to evaluate how to structure the commitment before the request is brought before the KIA Board. Mr. Covington requested the Board to take under consideration whether a precedent should be established in making a Fund B loan, grant, or loan/grant combination for a significant environmental and health issue that would require a certain amount of capital. The Board discussed the situation surrounding the lagoon system and the problems that have developed from the failing system. Mr. Covington hoped to have the request brought before the board at the next month's meeting.

Mr. Covington commented on an email he had previously sent to all board members regarding questions asked at board meetings. He didn't want it to be interpreted as discouraging the board members from asking questions. Because KIA Staff want to present a project to the Board in the best way possible and provide as much information as possible to the board members during a meeting, Mr. Covington suggested that, after reviewing the board packet that is distributed before each meeting, the board members should feel free to contact KIA staff before the meeting if they find there are questions about a project or if they desire more information. KIA staff is fully aware there will always be questions that come about as part of the discussion of a project at board meetings that were not anticipated.

KIA is in the process of procuring a Financial Advisor. The RFP has been issued and responses are due by the last week of the month. Although KIA was not authorized to issue bonds when the budget was passed for the current funding cycle, there are other services that a financial advisor can provide that are very valuable.

Mr. Covington noted that the March Board Meeting will be held at the regular time. The April board meeting is scheduled to fall in the first week of April which is also Spring Break week for many. He asked the board members to check their schedules for April to see if they would be able to attend. There will be an April board meeting unless a quorum cannot be reached or if there are no projects to be presented. Mr. Covington also noted that the July Board Meeting is currently scheduled for July 4th, which is the first Thursday of the month. He expected that meeting will be rescheduled to the second Thursday in July or canceled.

Mr. Ron Lovan commended KIA Staff for adding to the board book a one page summary entitled "Amounts Available to Loan" which is found at the beginning of the Status Reports for all the funds.

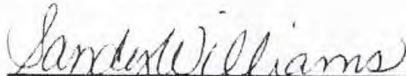
III. STATUS REPORT FOR FUNDS A, A2, B, B1, C, F, F2

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, March 7, 2013
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Mayor David Cartmell moved to adjourn. Mr. Ron Lovan seconded and the motion carried unanimously. The January 7, 2013, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Sandy Williams, Secretary
Kentucky Infrastructure Authority

3-1-13
Date