

MINUTES OF MEETING
OHIO WATER DEVELOPMENT AUTHORITY
September 24, 2009

Acting Chairman Jones called the monthly meeting of the Ohio Water Development Authority to order on Thursday, September 24, 2009. The meeting was held at the Ohio Water Development Authority, 480 South High Street, Columbus, Ohio 43215. In attendance were Lessie Milton Jones, Acting Chairman and Vice Chairman; Gloria Fauss, Brian Hicks, Jim Joyce and Loree Soggs; Drew Bergman represented Chris Korelski, Director of the Ohio Environmental Protection Agency (OEPA); and Cathryn Loucas represented Sean D. Logan, Director of the Ohio Natural Resources (ODNR). Others in attendance were David Goodman, Bond Counsel, Squire, Sanders & Dempsey (SSD); Scott Stubbins, Financial Advisor, RBC Capital Markets; Marty Sweterlitsch, General Counsel, Benesch, Friedlander, Coplan & Aronoff. Staff members included Steven J. Grossman, Executive Director; Scott L. Campbell, Secretary-Treasurer; Ken J. Heigel, Chief Engineer; Sue Smith Farmer, Chief Loan Officer; and Gina M. Sopp, Administrative Office Assistant.

Visitors Included

Name	Company Name
Tom Liu	Merrill Lynch
Gene Spinelli	Merrill Lynch
Sarah Bunke Evans	Benesch, Friedlander, Coplan & Aronoff
David Bornino	Ohio EPA
Bob Selak	Thompson Hine
John Peck	Peck Shaffer
Linda Morrison	Eaton Township Trustee
Donna Hicks	Eaton Township Resident
Greg Swartz	Piper Jaffray
Naomi Maletz	Taft, Stettinius & Hollister
Richard Goddard	Calfee
Rich Radachi	Radachi and Co., CPA's
Becky Haines	Avon Lake Municipal Utilities
John Kniepper	Avon Lake
Doug Edwards	Eaton Township Trustee
Chris Jones	Calfee
James McConnell	LORCO
Bill Conard	Bricker & Eckler
Mark Fisher	Stifel Nicolaus
Patrick King	Stifel Nicolaus
Rita Merry	Huntington National Bank
Jim Bonk	Ohio EPA
Eric Erickson	Fifth Third
Dennis Golem	Wells Fargo
Joe Britt	Wells Fargo
Bobbi Fisher	Squire, Sanders & Dempsey
Jim Kelly	JP Morgan
Jamie Lang	Huntington Investment Co.
Bill Matlock	Blaylock Robert Van
Dan Rohr	PNC Capital Markets
Eric Small	Blaylock Robert Van
Mark Totman	IUOE Local 18

Visitors Included Cont'd

Name	Company Name
Mark Miller	Rice Financial
David Harer	Jones & Associates

Mr. Campbell reported that the notice of the Ohio Water Development Authority meeting had been posted in the Statehouse Pressroom (Legislative Correspondence Association) in compliance with the "Sunshine Law".

I. APPROVAL OF MINUTES

Chairman Jones called for a motion to approve the August 27, 2009, regular Minutes of Meeting.

*****MOTION*****

Mr. Hicks so moved.
Seconded by Mr. Bergman.

AYES: Jones, Fauss, Hicks, Joyce, Soggs, Bergman and Loucas
NAYS: None

Chairman Jones officially introduced and welcomed newest Board member, Jim Joyce to the OWDA Board. She invited him to address the Board and audience.

Mr. Joyce thanked Ms. Jones and noted that he is a resident of Columbus and has lived here most of his life, with the exception of a short period in California. He has been involved with water and wastewater projects throughout his working career as a Civil Engineer. He is currently a construction manager for a company that manages projects similar to what the Authority works with; therefore, he has a good background with respect to the technical aspects and hopes this will benefit the Board.

Chairman Jones noted that with the full agenda and number of guests in the audience, as much business as possible needs to be concluded prior to 11:40 a.m. as two Board members need to leave for previously scheduled appointments.

II. INDUSTRIAL PROJECTS CONT'D

A. General Motors

Approval of Resolution Authorizing the Agreement of Resignation, Appointment and Acceptance in Connection with a Change in the Trustee for the \$20,040,000 Pollution Control Refunding Revenue Bonds, Series 2002, and the \$46,000,000 Solid Waste Revenue Bonds, Series 2002 Cont'd

Mr. Heigel noted that General Motors is requesting approval of a Resolution requesting a change in the Trustee. He introduced Ms. Bobbi Fisher from Squire, Sanders & Dempsey, legal counsel for the Authority on this matter.

Ms. Fisher noted that this is a request to approve two agreements that basically provide for the Successor Trusteeship for the two 2002 Bond issues that the Authority did for General Motors. Sometimes the trustees have agreements between the old and new trustee to accomplish this; however, in this case, they have created an agreement that has a number of parties, including the Authority.

She has reviewed and requested changes to both agreements to protect the Authority. The final form of these agreements currently on file with the Authority is in order. The Successor Trustee, law to venture, is asking for the Board's approval of the Resolution so that they are able to take over from Bank of New York.

Chairman Jones entertained questions from the Board; there were no questions or comments.

*****RESOLUTION*****

Ms. Fauss moved for approval of Resolution 84-09 authorizing and approving the execution and delivery of two Agreements of Resignation, Appointment and Acceptance in connection with a change in the Trustee for the \$20,040,000 Pollution Control Refunding Revenue Bonds (General Motors Corporation Project) Series 2002 and the \$46,000,000 Solid Waste Revenue Bonds, Series 2002 (General Motors Corporation Project), both State of Ohio, which were previously issued; and authorizing and approving related matters.

Seconded by Mr. Joyce.

AYES: Jones, Fauss, Hicks, Joyce, Soggs, Bergman and Loucas
NAYS: None

III. LOCAL GOVERNMENTAL AGENCY PROGRAM

Approval of Projects

Ms. Farmer advised the Board of three Local Government Agency loans this month, all for construction. One loan of the three loans has been separated for further discussion and will be explained later. The following projects were approved:

III. LOCAL GOVERNMENTAL AGENCY PROGRAM CONT'D

Approval of Projects Cont'd

1. City of Wilmington requested \$1,250,000 with an interest rate of 4.15% for 20 years, for rehabilitation of sanitary and storm sewers along Nelson Avenue.
2. City of Zanesville requested \$7,456,838 with an interest rate of 3.65% for 20 years, for a new 10 MGD groundwater iron and manganese removal water treatment plant that will replace the existing water treatment plant.

Ms. Farmer noted that the City of Zanesville is also requesting approval of a Drinking Water Assistance Fund loan today in the amount of \$9,467,385.

*****RESOLUTION*****

For the Local Government Agency Program loans, Mr. Bergman moved for approval of Resolution 85-09 authorizing cooperative agreements for planning and construction of wastewater and water management facilities between certain named political subdivisions of the State of Ohio and the Ohio Water Development Authority.

Seconded by Mr. Hicks.

AYES: Jones, Fauss, Hicks, Joyce, Soggs, Bergman and Loucas

NAYS: None

Approval of Projects Cont'd

3. City of Avon Lake requested \$18,263,700 with an interest rate of 4.080% for 20 years, for construction of sewers to serve Eaton and Carlisle Townships in the LORCO District in southern Lorain County.

Ms. Farmer noted that LORCO is on the Ohio EPA Intended Use Plan to receive \$5,000,000 in ARRA funds for the project. Avon Lake's interest rate is based on a discount limit of up to \$15,000,000 at 1.00% and \$15 to \$25 million at .50%, with up to \$40 million including the loan they received a few months ago, with no discounts.

Ms. Farmer gave the following background on the project. Lorain County Rural Wastewater District (LORCO) was created in 1997 by the Lorain County of Court of Common Pleas under Ohio Revised Code Chapter 6119. Shortly thereafter, the District applied for a planning loan from Ohio Water Development Authority (OWDA) for planning and design of a sewer system for the District which consists of 13 townships and 3 villages within the County.

The District pursued a NPDES permit in order to build a treatment facility. Ohio EPA did not grant this permit and encouraged the District to pursue getting treatment from another entity. The District approached both North Ridgeville and the Northeast Ohio Regional Sewer District, but were unsuccessful. Ohio EPA suggested they pursue a Lake Erie discharge.

III. LOCAL GOVERNMENTAL AGENCY PROGRAM CONT'D

Approval of Projects Cont'd

The District came to an agreement with the City of Avon Lake for treatment, and the first phase of district sewers were designed to serve Eaton and Carlisle Townships. In conjunction with financial advisors, the District was originally to borrow funds from First Merit Bank with a 90% USDA guarantee and \$5,000,000 from OWDA. The project at that time was expected to be \$31,000,000. The District made a presentation to the OWDA Board in 2007 for this project with the \$5,000,000 OWDA loan being in second position.

The project was to serve 1,358 existing customers, with projections of additional new households in planned developments where developers have contracted to purchase taps. At that time, the OWDA Board felt that the project was too risky due to the dependence on new development at a time of economic downturn and as a start-up operation.

Late in 2008, the District applied for an American Recovery and Reinvestment Act (ARRA) loan and was successful in getting on Ohio EPA's Intended Use Plan for \$5,000,000 in free money; with the remaining \$18,000,000 to be a WPCLF loan. In consultation with OWDA, Ohio EPA denied the loan based on the high user charges that would be necessary for LORCO's existing customers to support the debt and operations of the system. The District then negotiated an agreement with Avon Lake to apply for the loan portion of the project, and to bill and operate the project. Avon Lake's system would be responsible for the debt.

In July, the OWDA Board approved an Avon Lake loan for the interceptor sewer which will convey the sewage from LORCO to the Avon Lake District. While Avon Lake's projections show payments from LORCO and the projections of relevant costs of the system; should LORCO not be able to make the entire necessary payment, Avon Lake would be responsible for any shortfall.

Based on an average LORCO user fees of approximately \$57 per month; LORCO will have revenues totaling \$923,400 annually, plus tap fees. Debt service on this loan is \$1,061,120 annually. Shortfall, with no additional growth will be approximately \$137,720. With this shortfall cost passed onto Avon Lake's 7,712 customers, there would be an additional \$1.48 per month per customer cost. The City has low user charges compared to the State and communities in the vicinity, and their costs are almost one half of neighboring Elyria's charges. Adjusted rates will total less than \$30 per month. If ARRA funds are not received, an additional \$5,000,000 will cost \$3.16 per month per customer.

Ms. Farmer reported that the Authority has received correspondence from numerous parties, both pro and con on the project. She has reviewed all of the correspondence, in addition to information presented by LORCO and Avon Lake. Issues raised by the parties include: impact of the project on future growth and the environment; lack of flow into the Black River; flooding due to construction; alternatives that could be possible including a separate system and inspection program; high tap fee costs and user charges. Proponents point out the costs of septic system replacement are greater than the \$5,000 tap-in fee, which is similar to other communities fees that the Authority has seen. Additionally, estimates of failing

III. LOCAL GOVERNMENTAL AGENCY PROGRAM CONT'D

Approval of Projects Cont'd

systems in the area are anywhere from 40-70%. All these issues are local policy issues that OWDA typically does not address in the analysis of the ability of the local government to repay.

Ms. Farmer noted that Benesch, Friedlander, Coplan and Aronoff has reviewed the user agreement between the two entities and Ms. Sweterlitsch is available to give a report. Also, Mr. John Kniepper, Chief Utilities Executive from Avon Lake, is present to answer any questions regarding the project including Avon Lake's commitment to the project and OWDA. Avon Lake has bids in hand that total \$22,000,000, which is a \$7,000,000 in savings from their original application.

Chairman Jones acknowledged the guests in the audience that are present for the Avon Lake matter. In order to proceed, a motion and second is required in order to open up the floor for discussion.

*******RESOLUTION*******

For the Local Government Agency Program loan for Avon Lake, Mr. Soggs moved for approval of Resolution 86-09 authorizing cooperative agreements for planning and construction of wastewater and water management facilities between certain named political subdivisions of the State of Ohio and the Ohio Water Development Authority.

Seconded by Ms. Fauss.

Chairman Jones noted that before she opens up discussion from the audience, the first step is to entertain questions from the Board regarding the project and agreements. Benesch has reviewed the agreements and the project to determine if this project can be legally done with Avon Lake guaranteeing this loan. She asked Ms. Sweterlitsch to address the Board regarding her findings.

Ms. Sweterlitsch affirmed that they finished their review and referred to the Memorandum in the Board books. Ms. Sarah Bunke Evans from Benesch prepared the research and Memorandum and is also present. They have concluded that this arrangement is lawful; that OWDA can enter into this arrangement. A couple of small changes have been made to the various agreements to accommodate some of the particulars of this arrangement. For example, Avon Lake will own the personal property of the project facilities whereas LORCO will use eminent domain to acquire the real estate and easements that are necessary to put the lines in. Through their review, they had to make sure that with Avon Lake, all of those rights were assigned to them in the event that they would have to eventually own and operate the system; that they would have all the rights. They also had to include the same provisions in the event that OWDA would ultimately need to take over and own the system, taking it over from Avon Lake. She entertained questions from the Board.

