

MINUTES OF MEETING
OHIO WATER DEVELOPMENT AUTHORITY
June 24, 2010

Chairman Joyce called the monthly meeting of the Ohio Water Development Authority to order on Thursday, June 24, 2010. The meeting was held at the Ohio Water Development Authority, 480 South High Street, Columbus, Ohio 43215. In attendance were James P. Joyce, Chairman; Lessie Milton Jones, Vice-Chairman; Brian Hicks and Loree Soggs; Drew Bergman represented Chris Korelski, Director of the Ohio Environmental Protection Agency (OEPA); and Tracy Allen represented Lisa Patt-McDaniel, Director of the Ohio Department of Development (ODOD); 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; Todd E. Skruck, Senior Accounting Manager; Ken J. Heigel, Chief Engineer; and Sue Smith Farmer, Chief Loan Officer.

Visitors Included

Name	Company Name
Randy Hunt	RCAP
Richard Weiss	Morgan Stanley
Sandy Pae	Goldman Sachs
Patty McGrorry	Ramirez
Gene Killeen	Tucker Ellis West
David Bornino	Ohio EPA
Christine Brock	Ohio EPA
Jerry Rouch	Ohio EPA
Mark Fisher	Stifel Nicolaus
Patrick King	Stifel Nicolaus
Marc Kamer	Peck Shaffer
Kym Arnone	Barclays Capital
John Lee	RBC Capital Markets
Shai Markowicz	Citi
Rita Merry	Huntington National Bank
John Gust	Jefferies & Co.
Dan Rohr	PNC Capital
Lara DeLeone	Key Bank

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 Joyce called for a motion to approve the May 27, 2010, regular Minutes of Meeting.

I. APPROVAL OF MINUTES CONT'D

*****MOTION*****

Mr. Hicks so moved.
Seconded by Ms. Jones.

AYES: Joyce, Jones, Hicks, Allen, Bergman and Loucas

NAYS: None

Mr. Grossman noted that an Executive Session has been added to the agenda to discuss Potential Litigation. With this addition, Item IX. regarding discussion of the Information Technology Consulting Contract will be moved to the very end of the agenda following the Executive Session.

Mr. Soggs arrived at 10:37 a.m.

II. LOCAL GOVERNMENTAL AGENCY PROGRAM

Approval of Projects

Ms. Farmer advised the Board of seven Local Government Agency loans this month, all for planning. The following projects were approved:

1. Brilliant Water and Sewer District requested \$60,000 with an interest rate of 4.35% for 5 years, for design of a new well for the existing drinking water system. The District is instituting a water surcharge for this project.
2. Brilliant Water and Sewer District requested \$68,000 with an interest rate of 4.35% for 5 years, for design of replacement of 3,400 linear feet of water main that has reached its current useful life expectancy. The District is instituting a water surcharge for this project.
3. Village of Matamoras requested \$128,000 with an interest rate of 4.35% for 5 years, for preparation of a preliminary planning report for improvements to the distribution system including meters, new telemetry, a stand-by generator and a water main extension.
4. City of Nelsonville requested \$200,000 with an interest rate of 4.35% for 5 years, for design of a new water treatment plant to replace the existing aged and obsolete water treatment plant.
5. Preble County requested \$191,770 with an interest rate of 4.35% for 5 years, for design of two new wells, a new water treatment plant, an elevated storage tank and distribution lines to serve Goose Creek Crossing at I-70 and US 127. The County is setting aside \$80,000 in conveyance fees for this project annually. The General Fund is reflected in the Income Statement as this is a new system.
6. Preble County requested \$292,620 with an interest rate of 4.35% for 5 years, for design of a wastewater treatment system to serve Goose Creek Crossing at the interchange of I-70 and US 127. The development is part of the County's Economic Development Master Plan. The project will replace existing package plants.

II. LOCAL GOVERNMENTAL AGENCY PROGRAM CONT'D

Approval of Projects Cont'd

7. Tri-County Rural Water and Sewer District requested \$190,000 with an interest rate of 4.35% for 5 years, for design of waterlines to extend service to approximately 100 customers in Palmer Township. Residents in the area have petitioned the District to extend service due to relying on springs and cisterns which are potential health threats.

*****RESOLUTION*****

For the Local Government Agency Program loans, Ms. Loucas moved for approval of Resolution 52-10 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. Bergman.

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

III. RURAL DEVELOPMENT INTERIM LOAN PROGRAM

Approval of Projects

Ms. Farmer advised the Board of one Rural Development Interim loan this month. The following project was approved:

1. Village of North Baltimore requested \$4,407,000 with an interest rate of 1.28% for 3 years, for a sewer separation project.

*****RESOLUTION*****

For the Rural Development Interim Loan Program loan, Mr. Allen moved for approval of Resolution 53-10 authorizing cooperative agreements for 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. Jones.

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

IV. DRINKING WATER ASSISTANCE FUND

Approval of Projects

Ms. Farmer advised the Board of three Drinking Water Assistance Fund loans this month, two for construction and one for planning. The following projects were approved:

1. Village of Continental requested \$207,094 with an interest rate of 0.00% for 20 years, for replacement of aged, deteriorated and undersized waterlines in various locations in the water distribution system. The Village is using surplus funds to repay the loan. If a rate increase is necessary the Village is committed to raising rates.
2. Henry County Regional Water and Sewer District requested \$189,276 with an interest rate of 2.00% for 5 years, for planning and design of a service connection to the existing distribution system for the Village of McClure to become a part of the Henry County Regional Water and Sewer District.
3. Village of Woodville requested \$507,160 with an interest rate of 0.00% for 20 years, for expansion of the Village's existing water wells.

****RESOLUTION****

Mr. Bergman moved for adoption of Resolution 54-10 authorizing Drinking Water Assistance Loan Fund agreements between certain named political subdivisions, the Director of the Ohio Environmental Protection Agency, and the Ohio Water Development Authority, for financing construction, operation and ownership of water facilities pursuant to Ohio Revised Code 6109.22.

Seconded by Mr. Soggs.

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

NAYS: None

Approval of Supplements

Ms. Farmer advised the Board of one Drinking Water Assistance Fund supplemental loan this month. The following project was approved:

1. Village of Woodsfield requested a supplement of \$45,000, to the original loan amounts of \$194,278 and \$103,113 ARRA principal forgiveness, all for 20 years, for construction of a replacement waterline along Eastern Avenue; and extension of waterline from the intersection of Marietta Street and Moose Ridge Road to the existing Airport Road line extension. The supplement is for change orders.

****RESOLUTION****

Mr. Hicks moved for adoption of Resolution 55-10 authorizing supplements to Drinking Water Assistance Loan Fund agreements between certain named political subdivisions and persons, the Director of the Ohio Environmental Protection Agency, and the Ohio Water Development Authority, for financing construction, operation and ownership of water facilities pursuant to Ohio Revised Code 6109.22.

IV. DRINKING WATER ASSISTANCE FUND CONT'D

Approval of Supplements Cont'd

****RESOLUTION CONT'D****

Seconded by Mr. Bergman.

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

NAYS: None

V. WATER POLLUTION CONTROL LOAN FUND PROGRAM

Approval of Water Pollution Control Loan Projects

Ms. Farmer advised the Board of six Water Pollution Control Loan Fund Program loans this month, five for construction and one for planning. The Columbus loan has a separate Resolution to avoid a conflict of interest for one of the Board members. The following projects were approved:

1. Village of Caldwell requested \$489,480 with an interest rate of 0.00% for 20 years, for construction of new sanitary and storm sewers to eliminate combined sewer flows.
2. Village of Columbus Grove requested \$509,135 with an interest rate of 0.00% for 5 years, for design of Phase II of the combined sewer overflow separation design.
3. City of Fostoria requested \$1,516,258 with an interest rate of 3.25% for 20 years, for repayment of the planning loan for the Long Term Control Plan and cleaning and televising the sewers.
4. City of Fremont requested \$2,673,600 with an interest rate of 3.15% for 20 years, for construction of the raw water intake and pump station at the new reservoir which was already funded through the WPCLF. The project includes a Water Resource Restoration Project for the Ballville Dam Removal (\$658,368).
5. City of Toledo requested \$14,166,759 with an interest rate of 3.25% for 20 years, for construction of an 8-million gallon detention basin and a 14-million gallon pump station in Schneider Park, which will eliminate a sanitary sewer overflow into Delaware Creek.

****RESOLUTION****

Ms. Jones moved for adoption of Resolution 56-10 authorizing the Water Pollution Loan Control Loan Fund agreements between certain named political subdivisions, the Director of the Ohio Environmental Protection Agency, and the Ohio Water Development Authority, for financing construction, operation and ownership of wastewater facilities pursuant to Ohio Revised Code 6111.036.

Seconded by Mr. Soggs.

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

NAYS: None

V. WATER POLLUTION CONTROL LOAN FUND PROGRAM CONT'D

Continuation of Approval of Water Pollution Control Loan Projects

6. City of Columbus requested \$285,609,697 with an interest rate of 3.25% for 20 years, for construction of Phase I of a deep tunnel relief sewer that will reduce combined sewer overflows from the Olentangy Scioto Interceptor Sewer in downtown Columbus.

****RESOLUTION****

Ms. Jones moved for adoption of Resolution 57-10 authorizing the Water Pollution Loan Control Loan Fund agreements between certain named political subdivisions, the Director of the Ohio Environmental Protection Agency, and the Ohio Water Development Authority, for financing construction, operation and ownership of wastewater facilities pursuant to Ohio Revised Code 6111.036.

Seconded by Mr. Hicks.

AYES: Jones, Hicks, Soggs, Allen, Bergman and Loucas

NAYS: None

ABSTAIN: Joyce

VI. FINANCIALS

Results of Pricing of DWAF State Match and Leverage Series Bonds

Mr. Campbell reported that the Authority sold Drinking Water Assistance Fund bonds on June 9 and closed on June 22, 2010 in the amount of \$69,990,000. Based upon the proposal given to the Authority by Goldman Sachs who was recently added to the Authority's underwriter rotation through the RFQ process, the Authority structured this bond issue with a "bar-barreled" approach. The Authority utilized tax exempt bonds with a short term that provided new money for the Authority's State Match and Leverage Series and taxable Build American Bonds (BABs). In order to take advantage of the historic low rates on the long end of the curve, the Authority ended up doing just over \$44 million of BABs with an "all in" rate of approximately 3.52%, which is also a historically low rate. This will enable the Authority to make drinking water loans at a subsidized rate in order to continue this program.

Mr. Campbell noted that Goldman Sachs is the Senior Manager for this transaction. They have provided the Board members with a pricing book for reference.

Ms. Sandy Pae with Goldman Sachs gave a short presentation to the Board regarding the results of the pricing.

On behalf of Goldman Sachs, Ms. Pae thanked Mr. Goodman and Mr. Callender from Squire Sanders as bond counsel, and Ms. Jean Queen and Mr. David Lu at Parker Ellison West as underwriting counsel. This team worked very long hours in order to make this transaction possible. She also thanked Bank of America/Merrill Lynch, PNC Capital Markets, and Siebert Branford Shank for their teamwork as well.

VI. FINANCIALS CONT'D

Results of Pricing of DWAF State Match and Leverage Series Bonds Cont'd

Mr. Stubbins reported that this was a very complicated transaction from the very beginning. It was initially structured as a refunding transaction to take advantage of market conditions; however, the market was not favorable for a refunding which ultimately resulted in the Authority's first BABs transaction. The goal was to get this deal done in spite of the credit market beginning to seize up and have problems because of the Euro crisis.

This transaction was completed within 2 weeks after the stock market had dipped dramatically. The refunding bonds were set to go on the day of pricing with approximately \$6 million in candidates; however, these candidates went away that same day because treasury rates rallied and the refunding was no longer there. Overall, the market is still attractive given the unsettling times the world is currently in.

Mr. Stubbins commended Goldman Sachs for maintaining the flexibility all the way through the pricing because the Authority had many questions and requirements. Ultimately, the transaction was done at very favorable levels even with the credit crisis looming.

He noted that the Authority's excellent credit spoke volumes in the market which resulted in the Authority's ability to get in and out of the market with record low levels. Interestingly, the BABs were easier to sell than tax exempt bonds. During the transaction, the Authority issued tax exempt bonds from 2010 to 2013 that were sold at slightly higher spreads than the Authority had in the past, largely because of sticker shock. Because the federal government has kept interest rates on the short end so low to give incentive for buyers to hop into the market; the longer the term is the harder it is to find buyers.

The Authority was able to get two good insurance-type investors to buy the BABs which enabled the Authority to achieve the Authority's savings target. The goal is to save the most money possible and this was achieved through utilizing BABs with a total savings of approximately \$4 million over the life of the transaction. The downside to BABs is increased regulatory issues and questions from the IRS. These will be addressed and monitored by the Authority.

Mr. Stubbins also commended the Co-Management teams of Bank of America/Merrill Lynch, PNC, and Seibert for their efforts and participation. Special thanks to Mr. Callender and Mr. Goodman for their hard work in enabling the Authority to maintain flexibility throughout the transaction, especially with all the last-minute changes to documentation to move from a refunding to BABs. This was a very well done transaction by all parties involved.

Mr. Campbell entertained questions from the Board regarding the transaction; there were no questions or comments.

