

MINUTES OF MEETING
OHIO WATER DEVELOPMENT AUTHORITY
February 25, 2010

Chairman Joyce called the monthly meeting of the Ohio Water Development Authority to order on Thursday, February 25, 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 Ryan Callender, 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; Robyn McComb, Senior Accounting Manager; Ken J. Heigel, Chief Engineer; Sue Smith Farmer, Chief Loan Officer; and Gina M. Sopp, Administrative Office Assistant.

Visitors Included

Name	Company Name
Michael Gagnon	Mesirow Financial
Rita Merry	Huntington National Bank
Mark Kim	Fidelity
Stratford Shields	Morgan Stanley
Ron Shankman	Prism
Tammie Champion	Bank of New York
Amber Burke	RBC Capital Markets
Stan Harris	PNC Bank
Emily Cannon	Fifth Third Securities
Scott Miller	US Bank
Joe Lopez	Baird
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 January 28, 2010, regular Minutes of Meeting.

*****MOTION*****

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

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

II. LOCAL GOVERNMENTAL AGENCY PROGRAM

Approval of Projects

Ms. Farmer advised the Board of six Local Government Agency loans this month, two for construction and four for planning. The following projects were approved:

1. Village of Cridersville requested \$1,868,235 with an interest rate of 3.27% for 30 years, for construction of improvements to the Village's existing wastewater treatment plant in order to meet NPDES permit limits.
2. Village of Dresden requested \$40,000 with an interest rate of 4.27% for 5 years, for design of a new well field to replace an existing well that is contaminated.
3. Village of East Sparta requested \$469,758 with an interest rate of 4.27% for 5 years, for design of a new water treatment plant, a water storage tank, water looping, three wells and land acquisition.
4. City of Greenfield requested \$243,998 with an interest rate of 4.27% for 5 years, for design of Phase II improvements to the City's wastewater treatment plant as required by the City's compliance schedule, as set out in its NPDES permit.
5. Village of Lakeview requested \$180,600 with an interest rate of 4.27% for 5 years, for design of a new water treatment plant for the Village's existing drinking water treatment system.
6. City of Newark requested \$1,500,000 with an interest rate of 3.77% for 20 years, for purchase and installation of an automated meter reading system throughout the entire customer base of the City's drinking water system. The project includes data collection units and software for billing system integration.

*****RESOLUTION*****

For the Local Government Agency Program loans, Ms. Jones moved for approval of Resolution 17-10 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. Soggs.

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

III. COMMUNITY ASSISTANCE PROGRAM

Approval of Projects

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

1. Mercer County requested \$2,358,225 with an interest rate of 1.00% for 20 years, for construction of sewers in Marion Township to serve 200 customers with failing on-site septic systems and elimination of 75 homes currently served by a private package plant. Sewage will be treated by the Village of Chickasaw.

III. COMMUNITY ASSISTANCE PROGRAM CONT'D

Approval of Projects Cont'd

*****RESOLUTION*****

For the Community Assistance Program, Mr. Hicks moved for approval of Resolution 18-10 authorizing cooperative agreements for the construction of sewage treatment facilities, interceptor sewers and sewage collection systems, and water supply and distribution systems between the Ohio Water Development Authority and certain named local governmental agencies determined by the Authority to be unable to finance such facilities and systems at a market rate of interest without undue hardship upon the users of such systems.

Seconded by Mr. Bergman.

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

NAYS: None

Approval of Supplements

Ms. Farmer advised the Board of two Community Assistance Program supplemental loans this month. The following projects were approved:

1. Adams County requested a supplement of \$650,000 to the original loan amount of \$754,764 for 30 years, for construction of sanitary sewers along SR 125 to serve the new Adams County/Ohio Valley Schools' building as well as existing residences. The project includes a gravity sewer, a force main, pump station and manholes. The treatment will be by the Village of West Unity. The County is under Findings and Orders. The supplement is for change orders.
2. Village of Crooksville requested a supplement of \$80,000 to the original loan amount of \$290,000 for 30 years, for construction of seven miles of 6-inch water main, two booster stations and a storage tank to serve 125 customers in the Saltillo-Cloverdale area. The supplement is to extend service to an additional 100 customers.

*****RESOLUTION*****

For the Community Assistance Program supplemental loans, Ms. Jones moved for approval of Resolution 19-10 authorizing supplements to cooperative agreements for wastewater and water management facilities between certain named political subdivisions of the State of Ohio and the Ohio Water Development Authority.

Seconded by Mr. Soggs.

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

NAYS: None

IV. 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 Fort Recovery requested \$1,566,000 with an interest rate of 1.37% for 3 years, for a sewer separation project.

*****RESOLUTION*****

For the Rural Development Interim Loan Program loan, Mr. Allen moved for approval of Resolution 20-10 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 Mr. Soggs.

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

V. FINANCIALS

Approval of Resolution Authorizing the Issuance of WPCLF State Match Notes

Mr. Campbell reported that within the next couple of months, the WPCLF Program anticipates receiving its 2010 Capitalization Grant. In order to receive those funds, the Authority needs to have additional State Match proceeds on hand.

This Resolution authorizes the next series of WPCLF State Match obligations. In this particular case, the Authority plans to issue notes instead of bonds. There is currently enough cash flow in the Authority's State Match account such that whatever obligation the Authority issues, the obligation can be paid off in a short period of time. Short-term rates continue to be very low and with the Authority's last bond issue, the maturities that the Authority had in 6 to 12 month timeframes had interest rates between 14 to 45 basis points. By comparing the cash flow and the opportunity to borrow money at such a low rate, the Authority concluded that issuing notes and borrowing money as cheaply as possible is the best choice at this time.

Mr. Campbell noted that the dollar amount the Authority needs to deposit into the Note Proceeds account is approximately \$44,000,000. This would give the Authority enough State Match for the 2010 and 2011 Capitalization Grants. Also, the Authority has enough reimbursements on hand that have been set aside in order for them to be deemed "spent" on the date of closing. This will avoid any spend-down implications.

There is one caveat associated with this note issuance that is new to the Authority. The Resolution would authorize the notes to be sold on a competitive instead of a negotiated

V. FINANCIALS CONT'D

Approval of Resolution Authorizing the Issuance of WPCLF State Match Notes Cont'd

basis. The last time any competitive bond or note issuance was done by the Authority was in 1991.

Mr. Campbell noted that Mr. Callender will give the Board an overview of the Resolution, including comments about the competitive nature of the transaction. Mr. Stubbins will follow with a report regarding the reasoning for this choice, as well as the logistics of how the competitive process works.

Mr. Callender reported that the Resolution authorizes a not to exceed amount of \$44,000,000 for the main purpose of raising money for State Match; and if necessary, to fund a reserve fund which will be calculated closer to the date of issuance to see if it is needed. It also includes a provision to pay the cost of issuance. The interest rate for the note shall not exceed 4% interest. Given what Mr. Campbell just mentioned regarding interest rates, the Authority hopes to have a much lower interest rate than this. This "not to exceed interest rate" assures the Authority flexibility and ease to issue the note. The maturity date will be no later than December 31, 2010. The Authority anticipates that the note will have a shorter term than this date; however, the December date assures the Authority flexibility in order to get the best pricing.

The Resolution provides for a Tenth Supplemental Trust Agreement, which is "on file" in draft form with the Authority, as well as an Official Statement, even though the notes will be sold on a competitive basis. The Official Statement will not reflect a specific underwriter on the cover and will be sent out competitively to allow various underwriters the opportunity to bid on it. The Authority will take the lowest and best bid.

There is also an Authorization for Competitive Sale. Mr. Callender noted that the bonds will be awarded and sold through a competitive bid process. The original purchasers will be selected by a Certificate of Award. The full process involves a Notice of Sale that will go out to potential purchasers who will make a bid. This notice will be very specific, including how the Authority will calculate who has the lowest and best bid. In order to comply with this criteria, the bidder will breakdown their interest costs and cost of issuance in order to give each bidder the same exact opportunity. The bids will be due on a very specific time and will be submitted through a computer website that is accessible to the bidders. Chairman Joyce, Mr. Campbell, and Mr. Grossman will choose the lowest and best bid, with the counsel of Mr. Stubbins.

Mr. Stubbins commented that even though this process has not been done for some time, the reason it is being utilized now is that the Authority is currently in the middle of a Request For Qualification (RFQ) for underwriters. Currently, no team has been selected to do a transaction such as this. In 2008, the Authority did a note for State Match. At that time, the underwriter was chosen by negotiations. Because there has been no team appointed and because the Authority is in the middle of the RFQ process; since this transaction has to be completed within a shorter timeframe, the Authority did not want to hold it up for completion of the RFQ process.

V. FINANCIALS CONT'D

Approval of Resolution Authorizing the Issuance of WPCLF State Match Notes Cont'd

This transaction differs from a regular process because most of the time the Authority negotiates with an underwriting firm. The Authority goes to market with a firm appointed and that firm goes out and gets bids. In this case, the Authority does not have committed funding to go into the market with; therefore, the Authority is looking at a pool of underwriters who are ready to get orders. The underwriters which are most capable of achieving the lowest interest costs will submit their bids, all at the same time on the same day to the Authority, and the Authority will choose the best one. The potential problem would be if no one comes to bid and no one submits an order. At that point, the Authority would not have committed funding. Given the Authority's rating history and interest rate on the last bond issue, Mr. Stubbins anticipates that this potential problem will not happen.

Regarding the electronic submission process, if an underwriter is unable to submit their bid in this manner, they can fax their bid in at the appointed time; however, the preference is electronic submission for ease of comparing each bid.

Since the market is very attractive currently, the Authority anticipates achieving below a .5% interest rate. This is a very low cost which is very advantageous for the Authority.

Mr. Stubbins reported that the only complication is that the Authority is not dealing with an underwriter currently; therefore, the Authority will need to advertise this opportunity. This is something that is done all the time and will not be difficult for the Authority. An Official Statement will be made available on the Authority's website, as well as through advertising in other vehicles that underwriters are familiar and are widely utilized. The Authority anticipates that most of the underwriters who do business with the Authority regularly will be the people who are bidding most aggressively, with perhaps a few new ones. Other than this one difference, this is a normal transaction. Bids will be submitted within one month with pricing and closing of the transaction shortly thereafter.

Mr. Campbell noted that the next steps for the Authority are the preparation of the Official Statement, which will be done by Mr. Callender and the staff at Squire, Sanders & Dempsey; as well as the work necessary to get the ratings done. He and Mr. Stubbins are working on a schedule now in order to have funds available in time to receive the 2010 Capitalization Grant.

Chairman Joyce entertained questions from the Board regarding the transaction; there were no questions or comments.

****RESOLUTION****

Ms. Jones moved for adoption of Resolution 21-10 authorizing and approving the issuance and sale of not to exceed \$44,000,000 State of Ohio, Water Pollution Control Loan Fund Bond Anticipation Notes, State Match Series 2010, for the purpose of (1) raising matching moneys for the sole benefit of the Water Pollution Control Loan Fund created in Section 6111.036 of the Ohio Revised Code, (II) funding a reserve fund, if necessary, and (III) paying costs of the issuance of such bonds; authorizing a Tenth Supplemental Trust

V. FINANCIALS CONT'D

Approval of Resolution Authorizing the Issuance of WPCLF State Match Notes Cont'd

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

Agreement pledging certain revenues and funds to secure said notes, providing covenants appropriate to the protection and disposition of such revenues and funds and securing the payments of the principal of and interest on such notes at their respective maturities; authorizing the preparation and distribution of a Preliminary and Final Official Statement; authorizing the execution of a Note Purchase Agreement, a Certificate of Award and a Continuing Disclosure Agreement relating to the Series 2010 Bond Anticipation Notes; and authorizing additional documents and actions in connection with said Notes.

Seconded by Mr. Soggs.

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

NAYS: None

Financial Report

Mr. Campbell noted that in the Community Assistance Fund, after today's loans there is approximately \$7 million remaining. Soon after the RFQ process is complete, it will be necessary for the Authority to do a Community Assistance bond issuance to replenish this program. The last time the Authority issued a new money Community Assistance bond was in 2007.

For the Drinking Water Assistance Fund, there is approximately \$26 million remaining to be lent out. This is more than adequate to fund the loans within that program for the remainder of the program year, which ends on June 30, 2010. Soon after that date when Ohio EPA begins their new year for this program, the Authority will be looking to issue bonds to replenish this fund.

Mr. Campbell reported that for the WPCLF Program, after the sale of bonds last month and including the Capitalization Grant that will be coming soon, this program has approximately \$400 million available. The Authority perceives these funds will be adequate for the remainder of 2010; however, in early 2011, the Authority will begin to look at the next WPCLF bond issue or note transaction.

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

Regarding loan repayments, there is one community that was discussed with the Board in Executive Session last month. The status of this community has not changed. Additionally, there is one small Village Capital Improvement Fund loan that is still outstanding for approximately \$3,000. This repayment is expected to be received by the Authority any day. With the exception of the one loan that was discussed last month, the Authority anticipates achieving a 100% collection rate on loan repayments for this billing cycle.