

MINUTES OF MEETING
OHIO WATER DEVELOPMENT AUTHORITY
May 27, 2010

Chairman Joyce called the monthly meeting of the Ohio Water Development Authority to order on Thursday, May 27, 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; Gloria Fauss, 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; Nancy E. F. Hugus, Human Resources Manager; and Gina M. Sopp, Administrative Office Assistant.

Visitors Included

Name	Company Name
Monica Hogan	Ohio EPA
Rita Merry	Huntington National Bank
Dan Byrne	Goldman Sachs
Omar Ganoom	Ross Sinclair
Jim Kelly	JP Morgan
John Peck	Peck Shaffer
David Thurhelson	JP Morgan
Patrick King	Stifel Nicolaus
Mark Fisher	Stifel Nicolaus
Bill Bloom	Barclays Capital
Randy Hunt	RCAP
Tammie Champion	Bank of New York
Chris Pastura	Bank of New York
Ted Sobel	Ramirez
Todd Morrison	EMH & T, Inc.
Dan Rohr	PNC Capital
Kathleen Clark	Fifth Third Securities
John Gust	Jefferie & Co.
Diana Silveira	Peck Shaffer
Marc Kamer	Peck Shaffer

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 April 29, 2010, Regular and Program Review Minutes of Meeting.

I. APPROVAL OF MINUTES CONT'D

*****MOTION*****

Ms. Loucas so moved.
Seconded by Bergman.

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

Mr. Grossman noted that an Executive Session has been added to the end of the agenda to discuss Employee Compensation.

II. LOCAL GOVERNMENTAL AGENCY PROGRAM

Approval of Projects

Ms. Farmer advised the Board of nine Local Government Agency loans this month, two for planning and seven for construction. 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. City of Canton requested \$6,000,000 with an interest rate of 3.39% for 20 years, for construction of improvements to the City's Northeast Water Treatment Plant.
2. City of Grove City requested \$2,600,000 with an interest rate of 3.89% for 20 years, for construction of a new 1.25 million gallon water storage tank.
3. Muskingum County requested \$177,600 with an interest rate of 3.39% for 30 years, for construction of waterlines on State Route 146 from Chandlersville Road to Wilhelm Round. The project will serve approximately 18 residences.
4. Muskingum County requested \$160,330 with an interest rate of 3.39% for 30 years, for extension of sanitary sewer service along State Route 93 from the intersection of SR 93 US and Route 22.
5. City of Port Clinton requested \$528,000 with an interest rate of 3.39% for 20 years, for replacement of waterlines in the Third Street/Lakeview Park area.
6. City of Portsmouth requested \$254,900 with an interest rate of 4.39% for 5 years, for revision and submittal of the Long Term Control Plan as required by US EPA. The project includes design of improvements to mitigate basement combined sewer backups and design of improvements for the headworks screen at the Lawson Run Wastewater Treatment Plant.
7. Village of Shawnee requested \$36,000 with an interest rate of 4.39% for 5 years, for design of Phase II of the replacement of the water distribution system including a booster station.
8. City of Strongsville requested \$650,000 with an interest rate of 3.39% for 20 years, for construction of sewers along Blazey Trail, Ruth Drive, Janette Avenue and a portion of Webster Road. The project will eliminate 120 on-site septic systems. Construction costs will be assessed to property owners.

II. LOCAL GOVERNMENTAL AGENCY PROGRAM CONT'D

Approval of Projects Cont'd

*****RESOLUTION*****

For the Local Government Agency Program loans, Mr. Hicks moved for approval of Resolution 42-10 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, Fauss, Hicks, Soggs, Allen, Bergman and Loucas

NAYS: None

Continuation of Approval of Projects

9. City of Columbus requested \$1,919,828 with an interest rate of 3.39% for 20 years, for construction of a 12-inch water main along Dublin Road between Grandview Avenue and the I-670 access ramp; and along Grandview Avenue between Dublin Road and Ridge Street in order to replace inadequate existing water mains.

*****RESOLUTION*****

For the Local Government Agency Program loans, Ms. Fauss moved for approval of Resolution 43-10 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: Fauss, Hicks, Soggs, Allen, Bergman and Loucas

NAYS: None

ABSTAIN: Joyce

Approval of Supplements

Ms. Farmer advised the Board of one Local Government Agency supplemental loan this month. The following project was approved:

1. Village of Millersport requested a supplement of \$296,336, to the original loan amounts of \$3,000,000 (Community Assistance) and \$846,624 (Fresh Water) for 30 years, for construction of a new water treatment plant for the Village's existing drinking water system. The new plant is needed for arsenic removal. The supplement is to complete repayment of the planning and design loan.

II. LOCAL GOVERNMENTAL AGENCY PROGRAM CONT'D

Approval of Supplements Cont'd

*****RESOLUTION*****

For the Local Government Agency Program supplemental loans, Ms. Loucas moved for approval of Resolution 44-10 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. Allen.

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

NAYS: None

III. COMMUNITY ASSISTANCE PROGRAM

Approval of Projects

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

1. Village of Chauncey requested \$42,000 with an interest rate of 1.50% for 20 years, for replacement of existing pumps to upgrade the wet well for grit removal in order to meet Ohio EPA requirements.
2. Village of Midvale requested \$512,000 with an interest rate of 1.50% for 30 years, for purchase of the Roswell water system by the Village of Midvale. The loan will repay the Roswell Rural Development Interim loan. Midvale provides water to the Village of Roswell.

*****RESOLUTION*****

For the Community Assistance Program, Ms. Fauss moved for approval of Resolution 45-10 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 Ms. Loucas.

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

NAYS: None

IV. UNSEWERED AREA PLANNING LOAN PROGRAM

Approval of Supplements

Ms. Farmer advised the Board of one Unsewered Area Planning Loan Program supplemental loan this month. The following project was approved:

1. Village of West Farmington requested a supplement of \$453,000, to the original loan amount of \$17,500 for 10 years, for preliminary planning for a new wastewater treatment plant and collection system. The Village has failing on-site systems. The supplement is to design a decentralized cluster system.

****RESOLUTION****

For the Unsewered Area Planning Loan Program supplemental loan, Mr. Bergman moved for approval of Resolution 46-10 authorizing supplements to cooperative agreements for design of wastewater management facilities between certain named political subdivisions of the State of Ohio and the Ohio Water Development Authority.

Seconded by Mr. Hicks.

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

NAYS: None

V. DRINKING WATER ASSISTANCE FUND

Approval of Projects

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

1. City of Canton requested \$9,000,000 with an interest rate of 2.00% for 20 years, for construction of improvements to the City's Northeast Water Treatment Plant.
2. Manchester Farms Homeowner's Association requested \$81,853 with an interest rate of 0.00% for 20 years, for construction of Phase II improvements for the Association's water treatment plant. Repayment will come from the Association's annual assessments to property owners.

****RESOLUTION****

Ms. Loucas moved for adoption of Resolution 47-10 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. Allen.

V. DRINKING WATER ASSISTANCE FUND CONT'D

Approval of Projects Cont'd

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

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

VI. WATER POLLUTION CONTROL LOAN FUND PROGRAM

Approval of Water Pollution Control Loan Projects

Ms. Farmer advised the Board of two Water Pollution Control Loan Fund Program loans this month, both for construction. The following projects were approved:

1. City of Heath requested \$4,268,598 with an interest rate of 3.25% for 20 years, for construction of improvements to the City's wastewater treatment plant to address increased loads and flows.
2. Trumbull County requested \$149,380 with an interest rate of 0.00% for 20 years, for installation of sewers and a lift station to serve 58 single family residences on Elizabeth Avenue, Williams Avenue, Athens Drive, Barber Avenue, Harvey Avenue, Bolin Avenue and DeForest Drive.

****RESOLUTION****

Ms. Fauss moved for adoption of Resolution 48-10 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. Bergman.

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

VII. FINANCIALS

Approval of Resolution Authorizing the Issuance of DWAF State Match Series Bonds

Mr. Campbell referred to the meeting last month when the Board authorized the issuance of several series of Drinking Water Assistance Fund (DWAF) bonds including Leverage Series New Money, and some Leverage and State Match Series Refunding bonds. With current movements in the marketplace, the Refunding bonds would not be able to achieve the required 5% savings threshold that the Authority's debt policy requires. The Authority continues to monitor these refunders while moving forward on the new money components.

VII. FINANCIALS CONT'D

Approval of Resolution Authorizing the Issuance of DWAF State Match Series Bonds Cont'd

Mr. Campbell reported that the Authority is working on compiling a list of Drinking Water disbursements that would be eligible to be reimbursed with the Leverage New Money Series bonds in order to comply with the TIFRA regulations. As staff worked on this list, it was discovered that the Authority has enough Drinking Water disbursements that are eligible to be reimbursed such that 100% of the Leverage proceeds will be deemed spent on the date of closing.

The Authority also discovered that there is enough reimbursements left over to enable the Authority to issue Drinking Water State Match bonds, if the Board so desires. The Drinking Water program has enough State Match proceeds on hand to match the 2010 Cap Grant only. Around this time next year, the Authority anticipates the need to issue Drinking Water State Match New Money obligations. Since the Authority is already working on a bond issue, and interest rates are low; and because 100% of the proceeds of the Drinking Water bond issue could be spent, the Authority did not see any reason not to proceed with issuing State Match New Money bonds as another series while working on the current bond issue.

Mr. Campbell noted that the Resolution before the Board today will authorize a not to exceed amount of \$23,000,000 of Drinking Water Assistance Fund State Match New Money bonds. This will result in a deposit of approximately \$18 million into the Authority's DWAF project account which will provide enough State Match money to cover the 2011 and 2012 Cap Grants. On the date of closing, 100% of the proceeds will be deemed spent.

The DWAF Leverage Series bonds are authorized to issue Build America Bonds (BAB's). With BAB's, the Authority sells taxable securities and then the IRS gives the Authority a subsidy against that which is currently 35%. Ultimately, the Authority pays a net rate that is more commiserate with the tax exempt rate. The Authority pays the bond holders taxable interest and receives a subsidy from the IRS.

When the Trust Indenture was created, Mr. Campbell reported that the Authority did not think there would ever be a situation where the Authority would be receiving a subsidy payment from the IRS. The current Trust Indenture does not enable the Authority to take this into account as the Authority does the additional bonds test. Any time the Authority issues bonds, the Authority has to show the bond holders that the Authority has at least the 1.05 coverage before the Authority can issue bonds. The way the current Trust Indenture is written does not allow the Authority to take the 35% subsidy into account. If the Authority issued BAB's continually, at some point in time it would hurt the Authority because the Authority would not have enough capacity because of the inability to get credit for the subsidy payment.

The Resolution that was authorized last month gave the Authority the ability to start modifying the trust indenture, over a period of time, in order to account for the subsidy revenue as it relates to the additional bonds test. While working on this transaction, the

