DRAFT
Missouri Clean Water Commission Teleconference Meeting
Missouri Department of Natural Resources
Lewis and Clark State Office Building
Gasconade Camp Conference Room
1101 Riverside Drive
Jefferson City, Missouri

October 6, 2010

Attendance Via Telephone

Chair Ron Hardecke, Missouri Clean Water Commission
Commissioner Sam Hunter, Missouri Clean Water Commission
Commissioner Bill Easley, Missouri Clean Water Commission
Commissioner Jan Tupper, Missouri Clean Water Commission
Commissioner Sam Leake, Missouri Clean Water Commission
Commissioner Frank Shorney, Missouri Clean Water Commission
Jennifer Frazier, Counsel, Missouri Clean Water Commission

Phil Walsack, MPUA, Columbia, Missouri

Attendance in Conference Room

John Madras, Acting Director of Staff, Missouri Clean Water Commission
Malinda Steenbergen, Secretary to the Commission, Missouri Clean Water Commission
Joe Boland, Department of Natural Resources, Jefferson City, Missouri
Doug Garrett, Department of Natural Resources, Jefferson City, Missouri
Kevin Smith, Department of Natural Resources, Jefferson City, Missouri

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Chair Hardecke called the meeting to order at 10:07 a.m. and asked Malinda Steenbergen to call the role. Role taken.

CHAIR HARDECKE: Okay, we'll get on with this and move right to **Item No. 1** and I assume Joe Boland or Doug Garrett will be talking to us or both of you maybe?

MR. DOUG GARRETT: Thank you Chairman Hardecke. First I just want to thank all of you for taking the time today to have this Commission meeting by teleconference. As Joe and I had mentioned in past Commission meetings we have been working with the Environmental Improvement Energy Resources Authority (EIERA) to affect the bond sale and those discussion have been going very well and we are in the process of preparing a bond sale for mid-November. The combination of that sale we will have approximately $49 Million in proceeds that we will be able to use for our wastewater projects. So with that sale pending we felt the need to get the projects that were on the Fundable Contingency List of the 2011 IUP moved up to the Fundable List. Then we would really be able to begin working with them to get them ready to use the proceeds of that bond sale as soon as possible. As a side discussion during that process we contacted Karl Tyminski with the Metropolitan St. Louis Sewer District because they were a big component of the IUP fund wise at $77 Million. And given their history and the scope of their proposed project we knew there would be some time in the actual utilization of that $77 Million. So the district agreed to give us the ability to reduce that amount by as much as 50% if needed to make sure we were able to get as many projects on our Fundable List as we could. So as a result we were actually proposing to move several projects up to the Fundable List and I will run down that list real quick. We gave you an amended list there in your packet showing and highlighted where the changes were. The City of Wentzville we had to split their project originally due to funding limitations. We went ahead and increased their eligible project cost to the full amount there on the Fundable List. We were moving the Boone County Regional Sewer District project, Little Blue Valley Sewer District, the Cities of Waynesville, Macon and Stockton from the Fundable Contingency List to the Fundable List. The decreased funding for the Stockton project was at their request, they had submitted a revised application so we are at this time also going to decrease their eligible project amount from approximately $2.1 Million to $1.7 Million. The City of Cuba has met the requirements to be moved to the Fundable List they are moving along on their project so we are taking the opportunity to move them from the Planning List to the Fundable List. And we are proposing to revise the project amounts for the MASBDA program, we have had discussions with them to that end to make sure they were in agreement with the decrease in the amount of funds

that we were going to set aside for them. And at the same time we were also going to increase the funds necessary for the City of Taos. So there is no net change for funding going to nonpoint source projects. So those are the changes that we made and we can certainly answer any questions that you may have at this time.

CHAIR HARDECKE: Anybody have any questions?

MR. PHIL WALSACK: Chairman, I have a couple of questions but I will wait until the Commissioners have a chance.

COMMISSIONER SHORNEY: Doug I was just thinking of the strategy and the reasoning for the additional bonds at this time, I guess, of course there is a project need. I suppose the favorable interest rate and then trying to stimulate the economy down the road. Do you have any thoughts on that?

MR. JOE BOLAND: This is Joe Boland, I think what is driving our action is basically the project needs of those projects that were on the Contingency List and working with our finance team we have a window right now to revamp our Leveraged Program. The way our Leveraged Program worked in the past is really no longer available to us. It was a reserve fund model that we — we basically provided our subsidy through what's called Guaranteed Investment Contracts through secondary providers like MBIA and CitiGroup in a very specific type of investment structure. Those are no longer available because most of those companies have gone bankrupt and the market for those Guaranteed Investment Contracts is no longer viable. So we had to revamp how we do this Leveraged Program. Having said that, when we did all the ARRA fundings those were Direct Loans. In other words we bought their bonds directly, dollar for dollar, through our ARRA Cap Grant and our other recycled money. Now we can take those loans and market those. The revenues coming off those loans allows us to sell these bonds. So in essence we are leveraging a different way but you did hit on some timing issues. The market is at record low levels for interest, which helps us out in one way. It also hurts us in another, believe it or not in providing our subsidy. But timing is good, we have our

financing together. We are drafting new documents right now. It's a new indenture, a new master trust agreement, everything is new, basically we are starting from scratch on how we leverage this program. We'd be more than happy to provide a presentation at some point in time if you all are interested and want a more detailed aspect of how this new Leveraging Program works. Commissioner I'm not sure if I answered your question fully or not?

COMMISSIONER SHORNEY: That's fine I was just kind of interested in the strategy and reasoning at this point and time and I think you have answered it.

MR. JOE BOLAND: Okay. I think bottom line is we have the ability to raise some more money, raise some more cash to fund these projects. Some of these projects on our Contingency List were ready to go so we don't want to miss any more opportunities to fund them.

COMMISSIONER SHORNEY: Good.

COMMISSIONER LEAKE: Chairman Hardecke, this is Sam Leake I just wanted you to know I had joined in on the call here.

CHAIRMAN HARDECKE: Good, glad to have you.

COMMISSIONER LEAKE: Glad I could be here.

MR. PHIL WALSACK: Commissioner if I could ask a question? This is Phil Walsack.

CHAIRMAN HARDECKE: Go ahead Phil.

MR. PHIL WALSACK: I have two questions. The first one is my copy of the IUP didn't come out so beautifully so I am just trying to check with Joe – the three communities that were added to the new IUP under the Planning List – I think those were Rocky Mountain Sewer District, South Greenfield, and Washburn are there any others?

MR. JOE BOLAND: Phil I may be mistaken but I believe those were highlighted because they were disadvantaged communities, they were already on the final list that was approved back in September.

MR. PHIL WALSACK: Okay, alright great. Right now Doug or Joe what is the all-in rate on our loans or on your program?

MR. JOE BOLAND: Well that varies every week obviously. But if we closed on a loan right now it's probably about 1.4% -- all-in would be 2.4%.

MR. PHIL WALSACK: 2.4%, okay that's what I needed, thank you.

COMMISSIONER SHORNEY: Is that additional amount the 1% fee?

MR. JOE BOLAND: Yes sir.

COMMISSIONER SHORNEY: I have just a general question. I've been reading the Intended Use Plan and it mentioned that 20% green infrastructure energy efficiency, do you just kind of carry those numbers internally aside from the tables that we have here?

MR. DOUG GARRETT: Yes. And we will be working with each of these communities to identify those green components.

COMMISSIONER SHORNEY: Okay.

CHAIRMAN HARDECKE: Did you have another question Phil?

MR. PHIL WALSACK: That was two in one there so I'm good.

CHAIRMAN HARDECKE: Okay. Do we have any other questions or comments?

COMMISSIONER HUNTER: I have one question, someone mentioned nonpoint source. Is there a requirement that so many of the funds are used for nonpoint source projects?

MR. DOUG GARRETT: No Commissioner there are not, but we have been encouraged by the feds to make an effort to fund nonpoint source activities.

COMMISSIONER HUNTER: Okay.

CHAIRMAN HARDECKE: So most of them would be through the MASBDA right?

MR. DOUG GARRETT: To date, yes.

CHAIRMAN HARDECKE: Is there any other vehicle that you do them under?

MR. DOUG GARRETT: We're trying.

MR. JOE BOLAND: Taos is a good example.

MR. DOUG GARRETT: We do have a few communities such as Taos where they are unsewered. They have individual systems, maybe septic tank leach fields, maybe residential lagoon, what have you. The best option for those communities is to go to central collection and treatment system. We consider that in our shop to be a nonpoint source project because it's a nonpoint source problem. It just happens to be that the solution is point source treatment.

CHAIRMAN HARDECKE: Right, that sounds reasonable.

MR. DOUG GARRETT: But we have been working recently with the Ozark Clean Water Company to try and develop a program whereby we could use them as a pass through agency to provide low interest loans to individual home owners to replace failing on site systems. And that would be geared, that the replacement treatment system would also be on site.

CHAIRMAN HARDECKE: Didn't we authorize about a million dollars for them about two or three years ago for that?

MR. JOE BOLAND: About three years ago you did approve, it was $500,000, I believe, and that was back when it was strictly a loan program and we worked with Ozark Clean Water to try and provide that low interest loan to them. But under this structure it just wouldn't work for them. They did not want to except pure loan money and then try and administer that which adds cost to them. With such a small organization it that model didn't seem to work. We are now trying to take the opportunity to use a little seed money to fund a revolving fund down there. In other words if we can capitalize a small revolving fund for Ozark Clean Water and then they can establish a small loan program themselves with that seed money we look at that as a pilot that we may be able to reproduce across the state.

CHAIRMAN HARDECKE: I guess I was under the impression that's what that original money was for to establish a revolving fund.

MR. JOE BOLAND: You are correct, and that was the goal, but administratively it did not work out for them.

CHAIRMAN HARDECKE: It hasn't gotten done yet.

MR. JOE BOLAND: That is correct. We're trying a slightly different approach.

CHAIRMAN HARDECKE: Okay. Any other questions or comments?

COMMISSIONER SHORNEY: I have a general question just for discussion really. I guess the last time we issued bonds was 2007, was it $50 Million?

MR. JOE BOLAND: Well that's under a different program, those were state general obligation bonds that the State of Missouri sold and then handed over to us to administer through state grant programs. When we are talking about a new bond sale we are talking about strictly a State Revolving Fund Program sale that we do in conjunction with the Environmental Improvement and Energy Resources Authority. So they are sold under different authorities. The 2007 bond sale that we give you an update on at the end every Commission meeting, those are truly state bonds that were sold. The bonds that we are talking about are strictly SRF program bonds that will be sold this fall. The last sale was actually in 2008 for the actual program.

COMMISSIONER SHORNEY: Okay, I guess the gist of my question is with a Planning List of $541 Million how far can a guy go in issuing bonds and I guess remain financially stability as you look out into the future, when might we do this again?

MR. JOE BOLAND: That's an excellent question and that is something that we work with our finance team on continuously. Quite frankly is it going to depend on the success of this new round of loans. If we do make them all or if we close on all of them that now gives us another pool of revenue to pull the interest off those loans. On top of that we have the recycled payments coming in from existing loans and then we have capitalization grants that we receive annually from EPA. So basically it's those three sources and depending on economic conditions and how interest rates fluctuate up and down that's what really drives the capacity of this program. So I would anticipate at the earliest probably next summer most likely next fall we may be able to do an additional sale.

COMMISSIONER SHORNEY: As you look down the road, I know this is impossible to say but, what do you think interest rates are going to do in the say next one, two, three, or four years time period. Do you have any idea at all? I know you don't.

MR. JOE BOLAND: Well in looking at some of the models we can't go too much lower, I just can't see how we could. My own view based on what we've seen I would think they may be steady for the next six months to a year but I would expect them to start creeping up. All depends on the economic recovery.

COMMISSIONER SHORNEY: Yep.

MR. JOE BOLAND: However I must caveat that, I am not an economist.

MR. PHIL WALSACK: This is Phil Walsack, I have a question for Joe. In light of the economy are we seeing any body not making their loan payments or anyone getting close to not making their loan payments? Or is everyone being on the straight and narrow here?

MR. JOE BOLAND: I have to say we haven't dealt with any defaults certainly, now to the extent a community struggles we haven't received any correspondence or heard from any of our recipients to tell us that they can't make their payments at this point. But please keep in mind their repayment is a dedicated user fee in most cases.

MR. PHIL WALSACK: Right, thank you Joe.

CHAIRMAN HARDECKE: Okay, if there aren't anymore questions or comments I guess we would entertain a motion.

COMMISSIONER EASLEY: This is Bill Easley, I move that the Clean Water Commission approve the amendments to the SFY 2011 Clean Water State Revolving Fund Intended Use Plan as presented today.

COMMISSIONER TUPPER: Second, Jan Tupper.

CHAIRMAN HARDECKE: Malinda would you take the vote please?

MS. MALINDA STEENBERGEN: Commissioner Tupper?

COMMISSIONER TUPPER: Yes.

MS. MALINDA STEENBERGEN: Commissioner Hunter?

COMMISSION HUNTER: Yes.

MS. MALINDA STEENBERGEN: Commissioner Leake?

COMMISSIONER LEAKE: Yes.

MS. MALINDA STEENBERGEN: Commissioner Easley?

COMMISSIONER EASLEY: Yes.

MS. MALINDA STEENBERGEN: Commissioner Shorney?

COMMISSIONER SHORNEY: Yes.

MS. MALINDA STEENBERGEN: Chair Hardecke?

CHAIRMAN HARDECKE: Yes.

CHAIRMAN HARDECKE: Okay, do you -- John or anyone there have anything else for us today.

MR. JOHN MADRAS: Mr. Chairman, this is John Madras, I had one item I just wanted to bring to the attention of the Commission and that is during the September 8th meeting we had a malfunction of the tape recorder. It affected the impaired waters list section and the methodology document section. Most of the tape is there but some of it was jumbled so we are working to piece those two sections together as best we can probably including the presentations directly from Mr. Brundage and his consultant. So I just wanted to advise the Commission that that section may not appear exactly as you may recall it happening unfortunately the tape did not work as we had hoped. So we will be putting that together as best we can. Thank you.

CHAIRMAN HARDECKE: Okay, thank you. I had a couple of things I wanted to mention. Did all the Commissioners receive the email that Malinda sent or I think maybe it came from John Hoke. The stream classification map? You should have gotten that soon after our meeting. I think it had the current classified streams, one for that and there was one for the 100k model. Just wanted to make sure you had gotten those and if not let Malinda know.

COMMISSIONER TUPPER: I got it Ron.

CHAIRMAN HARDECKE: And then the National Academy of Science released their report on the Missouri River sediment and you should have all gotten that via email and a hard copy. If not let Malinda know and she can get that to you. We'll need to review that in light of what comes forward in that issue.

That's all I have does anyone else have anything before we adjourn?

COMMISSIONER EASLEY: I was looking at the future Commission meeting dates here and I was under the understanding that we moved the November 3rd meeting to the 10th is that correct or incorrect?

CHAIRMAN HARDECKE: I didn't recall that, Malinda do you know?

MS. MALINDA STEENBERGEN: I do not recall anything about moving the November meeting. We did however move the January meeting to the 12th. It was scheduled for the first Wednesday of January but due to conflict that we had here in the Department we asked the Commission if we could move that meeting to the 12th and you approved that at the September meeting.

COMMISSIONER EASLEY: That's probably what I was thinking of, good enough. Thank you.

CHAIRMAN HARDECKE: Okay. Is there a motion to adjourn?

COMMISSIONER TUPPER: So moved, Jan Tupper.

COMMISSIONER EASLEY: Second, Bill Easley.

CHAIR HARDECKE: Malinda take the vote please?

MS. MALINDA STEENBERGEN: Commissioner Hunter?

COMMISSIONER HUNTER: Yes.

MS. MALINDA STEENBERGEN: Commissioner Leake?

COMMISSIONER LEAKE: Yes.

MS. MALINDA STEENBERGEN: Commissioner Easley?

COMMISSIONER EASLEY: Yes.

MS. MALINDA STEENBERGEN: Commissioner Shorney?

COMMISSIONER SHORNEY: Yes.

MS. MALINDA STEENBERGEN: Commissioner Tupper?

COMMISSION TUPPER: Yes

MS. MALINDA STEENBERGEN: Chair Hardecke?

CHAIRMAN HARDECKE: Yes. Thanks to everybody and we'll see you in November if not sooner.

MR. JOE BOLAND: Thank you very much.

Meeting adjourned at 10:30 a.m.

Respectfully Submitted,

John Madras

John Madras
Acting Director of Staff