

**MINUTES OF THE 314th MEETING OF THE
STATE ENVIRONMENTAL IMPROVEMENT
AND ENERGY RESOURCES AUTHORITY**

EIERA Office

425 Madison Street, Second Floor

Jefferson City, Missouri

July 10, 2014

10:00 a.m.

EIERA MEMBERS: Andy Dalton, Chair (phone participant)
Ryan Doyle, Vice-Chair (phone participant)
Deron Cherry, Treasurer (phone participant)

EIERA STAFF: Karen Massey, Director
Joe Boland, Deputy Director
Kristin Allan Tipton, Development Director
Marcus Rowe, Administration and Project Manager
Genny Eichelberger, Office Support Assistant

LEGAL COUNSEL: David Brown, (phone participant)
Lewis, Rice & Fingersh, L.C.

**OTHER
PARTICIPANTS:** Eric Cowan
Tom Liu
Bank of America Merrill Lynch

(AGENDA ITEM #1) CALL TO ORDER

Chair Dalton called the 314th meeting of the Environmental Improvement and Energy Resources Authority (the "Authority") to order at 10:00 AM. Chair Dalton took roll call and asked that the meeting record reflect a quorum was present.

(AGENDA ITEM #2) APPROVAL OF MINUTES

The next order of business was to review and approve the minutes of the 313th meeting (May 20, 2014) of the Authority.

MOTION: Motion was made by Mr. Doyle and seconded by Mr. Cherry to approve the minutes of the 313th meeting of the Environmental Improvement and Energy Resources Authority. By roll call vote, Mr. Doyle, Mr. Cherry and Chair Dalton all voted in favor. Motion carried.

(AGENDA ITEM #3) STATE REVOLVING FUND PROGRAM UPDATE

The Missouri Department of Natural Resources (MDNR) is in the process of developing the Fiscal Year 2015 Clean Water and Drinking Water Intended Use Plans (IUP) for the State Revolving Fund programs. The Clean Water Commission held a hearing on the Clean Water IUP yesterday which appeared to go well. The draft Drinking Water IUP was received earlier in the week.

Mr. Boland stated that the Clean Water IUP shows approximately \$280,000,000 in loan projects on the fundable list with another \$77,000,000 on the contingency list. The Drinking Water IUP indicates approximately \$33,000,000 in loan projects on the fundable list with \$24,000,000 on their contingency list.

(AGENDA ITEM #4) PROJECT UPDATES

Ms. Massey reported to the Board that the projects were moving along as anticipated. Staff completed the work for the affordability determination review process and we have provided our report to MDNR. They are making changes to their review processes accordingly.

Water Quality Fee Study

The study is proceeding as scheduled. University of North Carolina (UNC) has identified some alternative fee structures and they are currently working on modeling some of the most promising of those.

Natural Resource Damage Restoration Projects

Both the Missouri Prairie Foundation and Webb City projects are moving along at this point. Staff anticipates the Missouri Prairie Foundation will begin land acquisition later this summer.

Assessing Wastewater Infrastructure Needs (AWIN)

Since the last Board meeting, Staff, Wichita State University (WSU) and MDNR have determined that 745 communities would populate the model. As explained in the last meeting, that St. Louis, St. Charles, Jackson, Clay and Green counties will be excluded from the model. WSU has submitted a draft of the first portion of the report. In it, they identify factors that most predictive of population change in Missouri which will be used in the model.

(AGENDA ITEM #5) REGULATORY UPDATE

Post Issuance Compliance

Staff is involved in efforts to collect annual compliance checklists from borrowers and bond participants in the State Revolving Fund (SRF) and Private Activity Bond (PAB) programs. Staff has sent approximately 95 SRF participants (those with loans in our last refunding) a letter requesting that they complete the compliance checklist and return it to the Authority. The next group will be the

direct loan participants whose loans were pledged to our 2010B new money deal. Then we will analyze everyone else to determine the next priority group.

There are 13 outstanding private activity issues that involve nine borrowers. Staff sent questionnaires and has heard back from all but three borrowers.

Mr. Boland explained that this process has added another layer of diligence relating to our bonds and we document everything done to make contact and verify compliance.

Ms. Massey stated that it becomes a larger issue if the Authority receives information that the communities have not been complying with the terms of the tax agreements. At that point, the Authority would need to take remedial action to correct the issue.

Municipal Advisor Rule

Effective July 1, 2014, the Securities and Exchange Commission (SEC) put into place a municipal advisor rule which defines who is a municipal advisor and what they may, or may not do. The impact to the Authority is who is not a municipal advisor and what has to happen for them to be able to communicate with us. The Authority's underwriters have always worked with us very closely even when a transaction is not upcoming. Under this rule, they are prohibited from offering advice except under specific exemptions. The Authority's exception under which these activities can continue is known as the IRMA (Independent Registered Municipal Advisor) Exemption. Under this exemption, Staff must notify the underwriter that the Authority is represented by

an IRMA (Columbia Capital) and will rely upon its advice. The underwriter must then notify us (and our IRMA) that they are not a municipal advisor and do not have a fiduciary duty to the Authority. Once this notification is made, the underwriters may communicate with Staff as before. Staff has worked with our General Counsel and IRMA to draft appropriate notices of the Authority's reliance upon the IRMA Exemption. The notice was placed on our website and sent directly to the underwriters with which we have agreements.

Municipalities Continuing Disclosure Cooperation Initiative (MCDCC)

The SEC has provided the opportunity for issuers and underwriters who have not disclosed required items to come forth and self-report omissions. If so, the entities will have to enter into a settlement. The investment banks will have to pay a fine, but issuers do not. We are currently going through all of our transactions over the past several years to see if there is anything we should have disclosed but did not. The members of our underwriting team are doing this as well. We will be coordinating with them and will be sharing the results with the Board at the September meeting. If material failures are identified, authorization to self-report will be sought. Due to the self-reporting deadline, the September Authority meeting will need to be rescheduled to a date prior to September 10th.

(AGENDA ITEM #6) MISSOURI MARKET DEVELOPMENT PROGRAM

(AGENDA ITEM #6A) PROGRAM UPDATE

Ms. Tipton reported that the MMDP Steering Committee, which includes

staff from the Missouri Department of Natural Resources (MDNR), Missouri Department of Economic Development (MDED), the state Solid Waste Advisory Board Chair and staff from the Authority have recently been very engaged in the Program and attendance at meetings has been high.

(AGENDA ITEM #6B) CONSIDERATION OF THE FUNDING RECOMMENDATION FOR THE AVENUE OF LIFE, INC., PROJECT AND AUTHORIZING THE DIRECTOR OR HER DESIGNEE TO ENTER INTO AN AGREEMENT ON BEHALF OF THE AUTHORITY

Ms. Tipton reported that an application from Avenue of Life, Inc., a not-for-profit, located in Kansas City, was presented to you at the last meeting. The person who is running it has had large successes with other not-for-profit companies that they have gotten off the ground. The organization wants to recycle mattresses and is collaborating with St. Vincent de Paul of Lane County, Oregon, which is the leading mattress recycler in the nation.

Ms. Tipton stated that she was able to meet with Avenue of Life, Inc. prior to the Steering Committee meeting and was very impressed with what she saw, the people she met, and how things are organized. The building is a huge facility and will work out nicely for this project.

The MMDP Steering Committee strongly supports this project. The application, however, requested funding for some items of equipment which are not eligible through the program. After adjusting their equipment list, the MMDP Steering Committee unanimously recommends awarding this project up to \$73,000, not to exceed 67% of the cost of the equipment, which is the maximum award amount based on our point system.

MOTION: Motion was made by Mr. Cherry and seconded by Mr. Doyle to authorize the director or her designee to negotiate and enter into an agreement on behalf of the Authority with Avenue of Life, Inc. for an amount up to \$73,000, not to exceed sixty-seven percent of the cost of the equipment. By roll call vote, Mr. Cherry, Mr. Doyle and Chair Dalton all voted in favor. Motion carried.

(AGENDA ITEM #6C) CONSIDERATION OF THE FUNDING RECOMMENDATION FOR THE QRS, INC., PROJECT AND AUTHORIZING THE DIRECTOR OR HER DESIGNEE TO ENTER INTO AN AGREEMENT ON BEHALF OF THE AUTHORITY

Ms. Tipton reminded the Board that QRS, Inc., located in St. Louis, is a \$6,000,000 project that was brought to the Board's attention at the last meeting. The business would be called Re-Poly and the project would enable the company to recover post-consumer mixed plastics residuals that material recovery facilities are not targeting or are unable to recover currently. The materials will be sized, sorted, washed, ground and de-dusted before being packaged for reuse in manufacturing.

They requested \$250,000 toward the purchase of equipment costing \$557,000. The MMDP Steering Committee strongly supports this project. Upon initial review, MDNR staff participating in the committee advised that language in the application suggests the business may require a solid waste processing permit. The committee tabled the QRS, Inc. application until MDNR made a determination about whether permits were required. QRS, Inc. has since resolved the issue by locating a market for the additional material that would have required the permit.

The MMDP Steering Committee unanimously recommends awarding this project up to \$250,000, not to exceed 50% of the cost of the equipment.

MOTION: Motion was made by Mr. Cherry and seconded by Mr. Doyle to authorize the director or her designee to negotiate and enter into an agreement on behalf of the Authority with QRS, Inc. for an amount up to \$250,000, not to exceed fifty percent of the cost of the equipment. By roll call vote, Mr. Cherry, Mr. Doyle and Chair Dalton all voted in favor. Motion carried.

(AGENDA ITEM #7B) AUTHORIZATION TO AMEND THE FUNDING AGREEMENT WITH HABITAT FOR HUMANITY OF SPRINGFIELD, MISSOURI, INC., PROJECT

Ms. Tipton reminded the Board that the Authority had awarded Habitat for Humanity of Springfield, Missouri, Inc. a \$50,000 subgrant to remediate lead contaminated property on which the organization intends to build ten new homes. When they had submitted their application, they had selected someone locally to give them an estimate on how much it would cost to remediate the sight. However, when our environmental consultant, Seagull Environmental Technologies, Inc., prepared the Analysis of Brownfield Cleanup Alternatives (ABCA) for this project they determined that additional site engineering was necessary to prevent runoff from re-contaminating the site. Through discussions with several area contractors, Seagull estimates the cleanup cost to exceed \$80,000. Habitat for Humanity of Springfield, Missouri, Inc. does not have another funding source to cover this cost and requests an increase in their subgrant award.

Ms. Tipton stated that the MBRLF Review Team reviewed this request and unanimously recommends that the Board approve an increase in the subgrant to an amount not to exceed \$85,000.

Chair Dalton asked if there was a motion.

MOTION: Motion was made by Mr. Cherry and seconded by Mr. Doyle to Amend the Humanity of Springfield, Missouri, Inc. subgrant Agreement to an amount not to exceed \$85,000 for this project. By roll call vote, Mr. Cherry, Mr. Doyle and Chair Daltons all voted in favor. Motion carried.

(AGENDA ITEM #8) CONSIDERATION AND APPROVAL OF FISCAL YEAR 2015 BUDGETS

Ms. Massey called upon Mr. Rowe for a report of Fiscal Year 2015 Budgets.

Mr. Rowe reminded the Board that they received a handout of the Fiscal Year 2014 adopted budgets, anticipated final Fiscal Year 2014 expenditures and Fiscal Year 2015 proposed budgets.

Authority Budget

Revenues for the Authority came in slightly above projections for Fiscal Year 2014. Most noticeably, the issuance fees came in higher than were budgeted. New projects, such as the water fee study, the water affordability assessment and AWIN, contributed to offset some personnel costs.

Mr. Rowe stated there was a slight uptick in interest rates in the investment income category. Another new project, Natural Resource Damages, is beginning to contribute to reimbursement of staff time as well.

Authority expenses came in approximately 45% under budget. A significant portion of that amount was the BRLF match funds which were committed as if the entire grant would be expended during Fiscal Year 2014. However, a little over 10% was actually paid out. Categories that went over budget included audit expenses, and advertising fees which came in higher due to the Financial Advisor RFP costs. Office maintenance and utilities ran high

due to the delay in getting moved into the new office space. Professional fees, SRF legal fees, staff travel and staff salaries all came in well under their projected figures. Mr. Rowe said it was important to note that while the Authority is still operating at a net loss, that amount has been decreasing significantly over the last few years. For Fiscal Year 2013 the loss was almost \$1.5 million which was influenced a great deal by the State Park Initiative where the Authority contributed approximately \$1.2 million. Taking that into consideration, operational expenses created a deficit of approximately \$283,000 for Fiscal Year 2013. For Fiscal Year 2014, the deficit was reduced to roughly \$80,000, a net decrease of nearly 73%.

The Fiscal Year 2015 Budget reflects a number of revenue sources, including issuance revenue based on a \$75 million SRF bond transaction. Mr. Rowe stated that due to expenditures in FY14, the money to be committed to the Brownfields match needs to be reduced to \$256,000.

Market Development Budget

Ms. Tipton stated that with the annual \$800,000 appropriation and carry-forward money, there is approximately \$1.6 million available for the MMDP this fiscal year. Ms. Tipton explained that the budget is not different from previous years except for eliminating the funding for Technical Assistance projects because there was no demand for it. Further adjustments could be made if there was increased demand for technical assistance in the future. Other than covering operating costs, the bulk of funds will be available to Direct Financial

Assistance for businesses that develop and expand markets for recovered materials in Missouri.

Brownfields Budget

Ms. Massey reminded the Board that Staff budgets the entire grant amount each year because trying to project what will occur each year is practically impossible. To be conservative, staff budgets the entire grant in the fiscal year.

Chair Dalton asked if there was a motion.

MOTION: Motion was made by Mr. Cherry and seconded by Mr. Doyle to approve Fiscal Year 2015 Budgets for the Authority, Market Development Program and Brownfields Revolving Loan Fund and reduce the BRLF Match Commitment to \$256,000. By roll call vote, Mr. Cherry, Mr. Doyle and Chair Dalton all voted in favor. Motion carried.

(AGENDA ITEM #9) OTHER BUSINESS

(AGENDA ITEM #9A) OPPORTUNITY FOR PUBLIC COMMENT

There were no comments.

(AGENDA ITEM #9B) NEXT MEETING DATE

Ms. Massey stated that the next meeting had been scheduled for September 11, 2014, but it would have to be rescheduled to accommodate the MCDC self-reporting deadline.

The Board agreed to meet on September 3, 2014.

(AGENDA ITEM #10) ELECTION OF OFFICERS

Chair Dalton noted that the Authority was obligated to elect officers at the first meeting after June 1 each year.

MOTION: Motion was made by Mr. Cherry and seconded by Mr. Doyle to retain the current slate of officers including Mr. Dalton as Chair, Mr. Doyle as Vice-Chair, Ms. DeFreece as Secretary and Mr. Cherry as Treasurer. By roll call vote, Mr. Doyle, Mr. Cherry and Chair Dalton all voted in favor. Motion carried.

(AGENDA ITEM #11) CLOSED MEETING PURSUANT TO Section 610.021 (1) AND (11) RSMO. (AS NEEDED)

MOTION: Motion was made by Mr. Doyle and seconded by Mr. Cherry to close the meeting for the purposes of discussing litigation matters (including confidential or privileged information with the Authority's attorneys), pursuant to Section 610.021 (1) and (11) RSMo. By roll call vote, Mr. Doyle, Mr. Cherry and Chair Dalton all voted in favor. Motion carried.

(AGENDA ITEM #12) ADJOURNMENT OF CLOSED MEETING AND RETURN TO OPEN MEETING

(AGENDA ITEM #13) ADJOURNMENT OF OPEN MEETING

There being no further business to come before the Board, Chair Dalton asked for a motion to adjourn.

MOTION: Motion was made by Mr. Cherry and seconded by Mr. Doyle to adjourn the meeting. By roll call vote, Mr. Doyle, Mr. Cherry and Chair Dalton all voted in favor. Motion carried.



