



**MATTHEW G. BEVIN**  
Governor

**Commonwealth of Kentucky**  
**FINANCE AND ADMINISTRATION CABINET**  
**Office of Financial Management**  
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**WILLIAM M. LANDRUM III**  
Secretary

**RYAN BARROW**  
Executive Director

July 3, 2018

The Honorable Senator Stan Humphries, Co-Chair  
The Honorable Representative Larry Brown, Co-Chair  
Capital Projects and Bond Oversight Committee  
Legislative Research Commission  
Capitol Annex Building  
Frankfort, Kentucky 40601

Dear Senator Humphries and Representative Brown:

Listed below is information regarding various projects and reports that will be presented to the Capital Projects and Bond Oversight Committee ("CPBO") at the July 18, 2018, meeting.

The Kentucky Infrastructure Authority ("KIA") will present the following loans for the Committee's approval:

Broadband Projects for Reconsideration

Fund B - Hopkinsville Electric System	\$2,500,000
Fund C - Hopkinsville Electric System	\$1,800,000
Fund C - MuniNet Fiber Agency	\$3,687,049

Fund F Loan

City of Campbellsville	\$7,970,000
City of Pineville	\$2,084,590

KIA will present the following informational item for the Committee's review:

KIA Director Approval

Fund C - City of Lebanon	\$50,000
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Senator Humphries  
Representative Brown  
July 3, 2018  
Page 2

The Office of Financial Management will present the following new bond issue reports for the Committee's approval:

Kentucky Economic Development Finance Authority Taxable Hospital Revenue Refunding Bonds, Series 2018A (Baptist Healthcare System Obligated Group)	\$145,000,000+
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Kentucky Housing Corporation Tax-Exempt Conduit Multifamily Housing Revenue Bonds, Series 2018 (City View Park Project)	\$22,000,000+
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+Not to Exceed

The Office of Financial Management will present the following informational item for the Committee's review:

State Property and Buildings Commission Revenue Bonds, Project No. 119 and State Property and Buildings Commission Revenue Refunding Bonds, Project No. 120, dated June 19, 2018	\$271,170,000 \$9,580,000
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The School Facilities Construction Commission is submitting the following additional information for the Committee's approval:

Jenkins Independent	\$860,000*
Scott County	\$15,860,000*

\*Estimated

An OFM staff member will attend the CPBO meeting to answer any questions regarding this information. Please contact me if there are any questions or should your staff require additional information.

Sincerely,



Sandy Williams  
Deputy Executive Director

Attachments

**Kentucky Infrastructure Authority  
Projects for  
July 2018 Capital Projects Meeting**

- Broadband Projects - Reconsideration***

<u>Loan #</u>	<u>Borrower</u>	<u>Loan Amount</u>	<u>County</u>
B18-009	Hopkinsville Electric System	\$ 2,500,000	Christian
C12-01	MuniNet Fiber Agency (Increase)	\$ 3,687,049	McCracken
C18-008	Hopkinsville Electric System	\$ 1,800,000	Christian

- Fund F Loan***

<u>Loan #</u>	<u>Borrower</u>	<u>Loan Amount</u>	<u>County</u>
F17-014	City of Campbellsville (Increase)	\$ 7,970,000	Taylor
F18-003	City of Pineville (with P&D loan)	\$ 2,084,590	Bell

- Report Out - KIA Director Approval***

<u>Loan #</u>	<u>Borrower</u>	<u>Loan Amount</u>	<u>County</u>
C18-S007	City of Lebanon	\$ 50,000	Marion County

**EXECUTIVE SUMMARY**  
**KENTUCKY INFRASTRUCTURE AUTHORITY**  
**FUND B, INFRASTRUCTURE**  
**REVOLVING LOAN FUND**

Reviewer Jeff Abshire  
Date June 12, 2018  
KIA Loan Number B18-009, C18-008

BORROWER HOPKINSVILLE ELECTRIC SYSTEM  
CHRISTIAN COUNTY

**BRIEF DESCRIPTION**

This project will install sixty-five miles of fiber to provide high speed internet with gigabit speed capability to 3,600 homes within the Hopkinsville city limits. Voice services will also be provided.

PROJECT FINANCING		PROJECT BUDGET	RD Fee %	Actual %
Fund B Loan	\$2,500,000	Legal Expenses		20,000
Fund C Loan	1,800,000	Planning		20,000
		Eng - Technical Services		120,000
		Construction		1,930,407
		Equipment		1,846,749
		Contingency		362,844
<b>TOTAL</b>	<b>\$4,300,000</b>	<b>TOTAL</b>		<b>\$4,300,000</b>

REPAYMENT	Rate	1.75%	Est. Annual Payment	\$153,689
	Term	20 Years	1st Payment	6 Mo. after first draw

PROFESSIONAL SERVICES	Engineer	n/a
	Bond Counsel	Dinsmore & Shohl, LLP

PROJECT SCHEDULE	Bid Opening	Jun-18
	Construction Start	Aug-18
	Construction Stop	Jan-19

DEBT PER CUSTOMER	Existing	\$2,258
	Proposed	\$2,141

OTHER DEBT See Attached

RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>
	Current	3,535	\$60.00
	Additional	900	\$60.00

REGIONAL COORDINATION n/a

CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2014	1,583,453	598,996	984,457	2.6
Audited 2015	1,446,716	598,260	848,456	2.4
Audited 2016	1,642,067	597,960	1,044,107	2.7
Audited 2017	1,389,086	600,350	788,736	2.3
Projected 2018	954,034	593,748	360,286	1.6
Projected 2019	1,035,345	732,662	302,684	1.4
Projected 2020	1,561,678	871,574	690,104	1.8
Projected 2021	1,608,530	871,874	736,656	1.8
Projected 2022	1,941,160	871,673	1,069,487	2.2

Reviewer: Jeff Abshire  
Date: June 12, 2018  
Loan Number: B18-009, C18-008

**KENTUCKY INFRASTRUCTURE AUTHORITY  
INFRASTRUCTURE REVOLVING LOAN FUND (FUND B)  
HOPKINSVILLE ELECTRIC SYSTEM CHRISTIAN COUNTY  
TELECOM PROJECT REVIEW**

**I. PROJECT DESCRIPTION**

The Hopkinsville Electric System (HES) Telecom Division is requesting a Fund B loan of \$2.5 million and a Fund C loan of \$1.8 million for a total of \$4.3 million for Phase 2 of the Fiber to Home project. This project will install fifty miles of aerial and fifteen miles of underground fiber to provide high speed internet with gigabit speed capability and voice services to 3,600 homes within the Hopkinsville city limits. The Division has about 3,500 customers with the expectation of adding an additional 900 as a result of this project.

Existing right of ways and utility easements will be used for installation which will significantly reduce the cost and time required to execute the project. Two additional phases with an estimated cost of \$8 - \$10 million are anticipated with Phase 3 beginning in 2020. Timing will ultimately depend on HES' success with Phase 2 as Phases 3 and 4 will be funded from free cash flow.

Phase 1 began in 2007 when HES needed more internet capacity and better pricing than was available from the larger providers. HES determined the best way to lower bandwidth cost and guarantee availability was to build fiber to a Tier 1 provider. Nashville and Bowling Green were evaluated with Bowling Green being selected for the \$3.0 million KIA funded (B07-06) project. The project benefitted both cities as well as other areas along the route as it permits HES to provide internet service to Clifty, Elkton and Russellville. HES also provides connections for other businesses including MuniNet.

HES has about a 30% market share with two primary national competitors who use a mix of copper, coax (Cable TV line) and limited fiber. The primary residential connections are copper and coax. Phase 2 is an underserved area with the expectation that HES will take share as a result of fiber availability. Limitations in competitors' service capacity and customer service will be contributing factors to share increase also. Pricing capacity is sensitive to competition and customers' willingness to pay for premium services.

There are not currently any technologies on the horizon that are being promoted as a replacement or close competitor for fiber connectivity and wireless networks have limitations and require more hands on management than fiber. Areas are deemed

covered by wireless (cellular) service when in reality the service is not capable of supporting video streaming or gaming for one or more devices in a home. Today's home may have ten or more devices connected to the internet including multiple gaming systems, TV's streaming video, tablets, smart phones and an increasing number of smart home devices.

HES is a member of MuniNet Fiber Agency who is also a KIA borrower. The ability to reach Tier 1 internet providers in Nashville and Bowling Green via MuniNet significantly reduced HES' cost of backbone internet connectivity. Each member is able to avoid costly local loop charges from larger national providers for delivering services directly to members. By combining member bandwidth purchases MuniNet is able to buy at 'bulk' pricing. Another benefit that is rarely mentioned is access to a Netflix caching server directly on MuniNet's network. The caching server reduces the amount of traffic going to Netflix and reduces congestion on HES internet connections.

## II. PROJECT BUDGET

	<u>Total</u>
Legal Expenses	20,000
Planning	20,000
Engineering Fees - Design	120,000
Construction	1,930,407
Equipment	1,846,749
Contingency	362,844
<b>Total</b>	<b>\$ 4,300,000</b>

## III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund B Loan	\$ 2,500,000	58%
Fund C Loan	1,800,000	42%
<b>Total</b>	<b>\$ 4,300,000</b>	<b>100%</b>

## IV. KIA DEBT SERVICE

	<u>Fund B</u>	<u>Fund C</u>	<u>Total</u>
Amortized Loan Amount	2,500,000	1,800,000	4,300,000
Interest Rate	1.75%	3.00%	2.27%
Loan Term	20	20	20
Estimated Annual Debt Service	148,689	120,338	269,027
Administrative Fee (0.20%)	5,000	3,600	8,600
<b>Annual Debt Service</b>	<b>153,689</b>	<b>123,938</b>	<b>277,627</b>

**V. PROJECT SCHEDULE**

Bid Opening	June 2018
Construction Start	August 2018
Construction Stop	January 2019

**VI. RATE STRUCTURE**

**A. Customers**

Customers	Current	Proposed	Total
Residential	2,988	900	3,888
Commercial	547	0	547
Total	3,535	900	4,435

**B. Rates**

**Residential**

8 meg download / 1 meg upload	37.95
8 meg download / 1 meg upload, Home wifi	42.95
Fiber - 50 meg download / 10 meg upload	59.95

**Business**

50 meg up to 1 gigabit download	quoted pricing
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**VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the Utility’s service area population was 32,442 with a Median Household Income (MHI) of \$38,561. The median household income for the Commonwealth is \$43,740. The Fund B loan will be at a 1.75% interest rate and the Fund C loan will be at a 3.0% rate for a blended rate of 2.27%.

Year	City	Population		Unemployment		
		% Change	County	% Change	Date	Rate
1980	27,318		66,878		June 2005	6.8%
1990	29,809	9.1%	68,941	3.1%	June 2010	11.6%
2000	30,089	0.9%	72,265	4.8%	June 2015	6.8%
2010	31,577	4.9%	73,955	2.3%	June 2017	7.3%
Current	32,442	2.7%	73,936	0.0%		
Cumulative %		18.8%		10.6%		

## **VIII. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2014 through June 30, 2017. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from operating expenses. While operating results are separated for the electric and telecom units the balance sheet is provided on a consolidated basis. A discussion of the balance sheet ratios and most related ratios are therefore limited. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

Revenues increased 10% from \$3.2 million to \$3.5 million from 2014 to 2017, respectively, while operating expenses increased 32% from \$1.6 million to \$2.1 million. Cash flow before debt service declined from \$1.6 million to \$1.4 million.

Debt service averaged \$600 thousand and the debt coverage ratio ranged from 2.3 to 2.7. Debt service is comprised of a ten year KIA loan that matures in 2023 and an allocation of a bond that was issued and secured by the Electric Division.

On a consolidated basis days sales outstanding is 38.5 and the current ratio is 0.8.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) The 2018 – 2022 forecast was provided by the applicant.
- 2) The take rate from competitors will be 25% with additional revenue from existing broadband customers that upgrade from their current service to fiber. Revenues will also increase due to additional business customers and initiatives in adjacent areas.
- 3) Debt service coverage ranges from 1.4 to 2.2 throughout the forecast period with cash flow after debt service ranging from \$303,000 to \$1,069,000.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund B loan.

### **REPLACEMENT RESERVE**

The replacement reserve will be 5% (estimated \$215,000 total) of the final amount borrowed to be funded annually (estimated \$10,750 yearly) each December 1 for 20 years and maintained for the life of the loan. The Fund B reserve will be up to \$125,000 and the Fund C reserve will be up to \$90,000.



**IX. DEBT OBLIGATIONS**

	<u>Outstanding</u>	<u>Maturity</u>
KIA (B07-06)	\$ 1,825,095	2023
<b>Total</b>	<b>\$ 1,825,095</b>	

**X. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	Hopkinsville Electric System - Telecom
Authorized Official	Jeff Hurd (General Manager)
County	Christian
Email	agibbs@hop-electric.com
Phone	(270) 887-4200
Address	1820 E. 9th Street Hopkinsville, KY 42240

<b>Project Contact - Applicant</b>	
Name	Richard Shaw
Organization	Hopkinsville Electric System
Email	rshaw@hop-electric.com
Phone	(270) 887-0762
Address	1820 E. 9th Street Hopkinsville, KY 42240

**XI. RECOMMENDATIONS**

KIA staff recommends approval of the loan with the standard conditions.

**HOPKINSVILLE ELECTRIC SYSTEM  
FINANCIAL SUMMARY (JUNE YEAR END)**

	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
<b>Balance Sheet (Consolidated Electric and Telecom)</b>								
<b>Assets</b>								
Current Assets	8,965,968	8,982,261	7,579,524	7,867,724	8,150,324	8,702,424	9,239,224	10,040,424
Other Assets	34,623,035	34,921,352	35,994,993	35,787,915	39,734,741	39,591,567	39,385,593	39,345,919
<b>Total</b>	<b>43,589,003</b>	<b>43,903,613</b>	<b>43,574,517</b>	<b>43,655,639</b>	<b>47,885,065</b>	<b>48,293,991</b>	<b>48,624,817</b>	<b>49,386,343</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	9,061,754	9,280,572	9,079,050	9,023,874	8,860,769	8,903,498	9,156,600	9,306,600
Long Term Liabilities	14,872,962	14,729,468	13,885,298	12,414,396	15,406,599	14,056,073	12,452,445	10,798,817
<b>Total Liabilities</b>	<b>23,934,716</b>	<b>24,010,040</b>	<b>22,964,348</b>	<b>21,438,270</b>	<b>24,267,368</b>	<b>22,959,571</b>	<b>21,609,045</b>	<b>20,105,417</b>
<b>Net Assets</b>	<b>19,654,287</b>	<b>19,893,573</b>	<b>20,610,169</b>	<b>22,217,369</b>	<b>23,617,697</b>	<b>25,334,420</b>	<b>27,015,772</b>	<b>29,280,926</b>
<b>Cash Flow (Telecom Only)</b>								
Revenues	3,303,237	3,530,598	3,496,385	3,238,634	3,724,825	4,354,345	4,377,158	4,732,875
Operating Expenses	1,856,521	1,888,531	2,107,299	2,284,600	2,689,480	2,792,667	2,768,629	2,791,715
Other Income	0	0	0	0	0	0	0	0
<b>Cash Flow Before Debt Service</b>	<b>1,446,716</b>	<b>1,642,067</b>	<b>1,389,086</b>	<b>954,034</b>	<b>1,035,345</b>	<b>1,561,678</b>	<b>1,608,530</b>	<b>1,941,160</b>
<b>Debt Service</b>								
Existing Debt Service	598,260	597,960	600,350	593,748	593,848	593,947	594,247	594,046
Proposed KIA Loan	0	0	0	0	138,814	277,627	277,627	277,627
<b>Total Debt Service</b>	<b>598,260</b>	<b>597,960</b>	<b>600,350</b>	<b>593,748</b>	<b>732,662</b>	<b>871,574</b>	<b>871,874</b>	<b>871,673</b>
<b>Cash Flow After Debt Service</b>	<b>848,456</b>	<b>1,044,107</b>	<b>788,736</b>	<b>360,286</b>	<b>302,684</b>	<b>690,104</b>	<b>736,656</b>	<b>1,069,487</b>

**Ratios**

Current Ratio (Consolidated)	1.0	1.0	0.8	0.9	0.9	1.0	1.0	1.1
Debt Coverage Ratio (Telecom Division)	2.4	2.7	2.3	1.6	1.4	1.8	1.8	2.2

**EXECUTIVE SUMMARY**  
**KENTUCKY INFRASTRUCTURE AUTHORITY**  
**FUND C, GOVERNMENTAL AGENCIES FUND**  
**REVOLVING LOAN FUND**

Reviewer: Jeff Abshire  
 Date: June 12, 2018  
 KIA Loan Number: C12-01 (Increase)  
 WRIS Number: Not Applicable

BORROWER: MUNINET FIBER AGENCY  
 MCCRACKEN COUNTY

**BRIEF DESCRIPTION**

This increase request is to fund cost overages that were primarily due to a change from hanging fiber to existing poles to buried fiber. The change was necessitated by the excessive cost of the pole set ups.

The Muninet Fiber Agency is requesting a Fund C loan in the amount of \$3,173,049 for the fiber optic cable build project #2. This project is for the construction and acquisition of 144 count fiber that will extend from Paducah to the TVA Paradise Fossil Plant. It will also include the acquisition of Indefeasible Rights to Use (IRUs) from member utilities which include Hopkinsville, Glasgow, Russellville and Princeton to connect and expand their networks. In exchange for the fiber to TVA plants, TVA will provide MuniNet fiber from the plant to Nashville, Tennessee and from Hopkinsville to Bowling Green. This will allow MuniNet to connect to Level 3 and get access to internet bandwidth at a much lower cost than they are currently paying. This fiber will connect local hospitals, health care providers, emergency services, libraries, and local government agencies allowing them to perform functions not currently possible. In addition, this fiber will be open access and available to anyone.

PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund C Loan	\$3,687,049	Construction			3,179,449
		Equipment			507,600
<b>TOTAL</b>	<b>\$3,687,049</b>	<b>TOTAL</b>			<b>\$3,687,049</b>

REPAYMENT	Rate	3.00%	Est. Annual Payment	\$253,869
	Term	20 Years	1st Payment	6 Mo. after first draw

PROFESSIONAL SERVICES	Engineer	0
	Bond Counsel	Dinsmore & Shohl, LLP

PROJECT SCHEDULE	Construction Stop	Mar-18
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OTHER DEBT: See Attached

OTHER STATE-FUNDED PROJECTS LAST 5 YRS: See Attached

RESIDENTIAL RATES		Users	Avg. Bill
Current		201	\$0.00 (for 4,000 gallons)
Additional		0	\$0.00 (for 4,000 gallons)

REGIONAL COORDINATION: This project is consistent with regional planning recommendations.

CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2014	328,735	142,034	186,701	2.3
Audited 2015	460,211	262,404	197,807	1.8
Audited 2016	408,078	259,524	148,554	1.6
Audited 2017	516,225	284,588	231,637	1.8
Projected 2018	393,117	393,117	0	1.0
Projected 2019	516,364	516,364	0	1.0
Projected 2020	516,364	516,364	0	1.0
Projected 2021	516,364	516,364	0	1.0
Projected 2022	516,364	516,364	0	1.0

Reviewer: Jeff Abshire  
Date: June 12, 2018  
C12-01  
Loan Number: (Increase)

**KENTUCKY INFRASTRUCTURE AUTHORITY  
GOVERNMENTAL AGENCIES LOAN FUND (FUND C)  
MUNINET FIBER AGENCY, MCCRACKEN COUNTY  
PROJECT REVIEW**

**I. PROJECT DESCRIPTION**

MuniNet Fiber Agency is requesting a increase of \$514,000 to a previously approved Fund C loan in the amount of \$3,173,049 for the fiber optic cable build project #2. The project was originally planned to be an aerial construction. However, the cost of the pole setups was significantly less at the time the project was planned resulting in a decision to change to buried fiber construction which is more expensive than aerial.

The original project scope was for the construction and acquisition of 144 count fiber that will extend from Paducah to the TVA Paradise Fossil Plant. It will also include the acquisition of Indefeasible Rights to Use (IRUs) from member utilities which include Hopkinsville, Glasgow, Russellville and Princeton to connect and expand their networks. In exchange for the fiber to TVA plants, TVA will provide MuniNet fiber from the plant to Nashville, Tennessee and from Hopkinsville to Bowling Green. This will allow MuniNet to connect to Level 3 and get access to internet bandwidth at a much lower cost than they are currently paying (from \$35/megabyte to \$1.85/megabyte). The fiber will connect local hospitals, health care providers, emergency services, libraries, and local government agencies allowing them to perform functions not currently possible. In addition, it will be open access and available to anyone.

The original project reflected significantly more customers and revenue than are projected today. The ability to reach Tier 1 internet providers in Nashville and Bowling Green via MuniNet significantly reduced members' cost of backbone internet connectivity which enabled them to avoid costly local loop charges from larger national providers. By combining member bandwidth purchases MuniNet is able to buy at 'bulk' pricing. Another benefit that is rarely mentioned is access to a Netflix caching server directly on MuniNet's network. The caching server reduces the amount of traffic going to Netflix and reduces congestion on members' internet connections.

MuniNet Fiber Agency was formed as a joint agency pursuant to Section 65.210 to 65.300 of the Kentucky Revised Statutes, as amended, known as the Interlocal Cooperation Act. An Interlocal Agreement dated October 25, 2010 was executed

between the Electric Plant Board of the City of Paducah and Electric Plant Board of the City of Murray to form the agency. MuniNet is governed by a Board of Directors composed of two Directors designated by each member of the Agency (one designee must be the Chief Executive Officer). Current members are Murray Electric System, Mayfield Electric and Water System, Paducah Power System, Princeton Electric Plant Board, Hopkinsville Electric System, Russellville Electric Plant Board, and Glasgow Electric Plant Board.

## II. PROJECT BUDGET

	<u>Total</u>
Construction	\$ 3,179,449
Equipment	507,600
<b>Total</b>	<b>\$ 3,687,049</b>

## III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund C Loan	\$ 3,173,049	100%

## IV. KIA DEBT SERVICE

Amortized Loan Amount	\$ 3,687,049
Interest Rate	3.00%
Loan Term (20 Years)	20
Estimated Annual Debt Service	\$ 246,495
Administrative Fee (0.20%)	7,374
<b>Annual Debt Service (to Cash Flow)</b>	<b>253,869</b>

## V. PROJECT SCHEDULE

The project was completed in early 2018.

## VI. CUSTOMERS AND RATE STRUCTURE

**A) Customers** - MuniNet has 201 commercial customers.

**B) Rates** - Fixed Rate Point-to Point prices are as follows:

<b>Circuit</b>	<b>Price</b>	<b>Circuit</b>	<b>Price</b>
5 Mbps	\$70	100 Mbps	\$225
10 Mbps	\$105	1 Gbps	\$1,450
20 Mbps	\$150	10 Gbps	\$4,500
30 Mbps	\$175		

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, McCracken County's population was 65,451 with a Median Household Income (MHI) of \$42,303. The median household income for the Commonwealth is \$43,740. All Fund "C" loans are at a 3% interest rate.

## VIII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2014 through June 30, 2017.

### HISTORICAL

Revenues increased 15% from \$501,934 to \$578,328 while operating expenses averaged about \$471,000. The average member contribution was \$361,000. Debt service declined from 2.3 in 2014 to 1.8, 1.6, and 1.8 in 2015, 2016, and 2017, respectively.

The balance sheet reflects 3.2 months of operating expenses in unrestricted cash.

### PROJECTED

Projections are based on the following assumptions:

- 1) The 2018 to 2022 forecast was provided by the applicant.
- 2) Member contributions will fund any cash flow shortfalls to ensure that the debt coverage ratio remains at or above 1.0.
- 3) Debt service coverage is 1.0 throughout the forecast period based on the minimum required funding from members.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund C loan.

### REPLACEMENT RESERVE

The annual replacement cost is \$9,200. This amount should be added to the replacement account each December 1 until the balance reaches \$92,000 and maintained for the life of the loan.

## IX. DEBT OBLIGATIONS

Description	Outstanding	Maturity
KIA (B09-02)	\$ 1,712,393	2030
KIA (B11-09)	1,775,736	2034
KIA (C12-01, i/a/o \$3.173M)	1,997,492	2038
<b>Total</b>	<b>\$ 5,485,621</b>	

**X. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	MuniNet Fiber Agency
Authorized Official	Tony Thompson (Chair)
County	McCracken
Email	tthompson@murrayelectric.net
Phone	(270) 762-1704
Address	P.O. Box 1095 Murray, KY 42071

<b>Project Contact - Applicant</b>	
Name	Debra Adams
Organization	MuniNet Fiber Agency
Email	djadams@murray-ky.net
Phone	270-762-1717
Address	PO Box 1095 Murray, KY 42071

**XI. RECOMMENDATIONS**

KIA staff recommends approval of the loan with the standard conditions.



**MUNINET FIBER AGENCY**  
**FINANCIAL SUMMARY (JUNE YEAR END)**

	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	130,030	133,204	161,163	138,869	138,869	138,869	138,869	138,869
Other Assets	6,726,503	6,530,572	7,220,391	8,098,826	8,139,526	7,666,226	7,180,426	6,694,626
<b>Total</b>	<b>6,856,533</b>	<b>6,663,776</b>	<b>7,381,554</b>	<b>8,237,695</b>	<b>8,278,395</b>	<b>7,805,095</b>	<b>7,319,295</b>	<b>6,833,495</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	1,249,930	1,206,556	1,596,297	1,592,296	1,600,231	1,608,359	1,616,686	1,625,217
Long Term Liabilities	5,146,067	4,983,685	5,174,616	5,999,169	6,154,230	5,787,163	5,411,769	5,027,844
<b>Total Liabilities</b>	<b>6,395,997</b>	<b>6,190,241</b>	<b>6,770,913</b>	<b>7,591,465</b>	<b>7,754,461</b>	<b>7,395,522</b>	<b>7,028,455</b>	<b>6,653,061</b>
<b>Net Assets</b>	<b>460,536</b>	<b>473,535</b>	<b>610,641</b>	<b>646,230</b>	<b>523,934</b>	<b>409,573</b>	<b>290,840</b>	<b>180,434</b>
<b>Cash Flow</b>								
Revenues	540,782	531,857	578,328	621,278	646,271	671,695	698,563	726,506
Operating Expenses	480,140	496,285	430,671	425,000	434,200	434,200	421,700	421,700
Other Income	399,569	372,506	368,568	196,839	304,293	278,869	239,501	211,558
<b>Cash Flow Before Debt Service</b>	<b>460,211</b>	<b>408,078</b>	<b>516,225</b>	<b>393,117</b>	<b>516,364</b>	<b>516,364</b>	<b>516,364</b>	<b>516,364</b>
<b>Debt Service</b>								
Debt Service	262,404	259,524	284,588	393,117	516,364	516,364	516,364	516,364
<b>Cash Flow After Debt Service</b>	<b>197,807</b>	<b>148,554</b>	<b>231,637</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Ratios**

Current Ratio	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Debt to Equity	13.9	13.1	11.1	11.7	14.8	18.1	24.2	36.9
Days Sales in Accounts Receivable	(0.6)	0.6	(0.2)	0.0	0.0	0.0	0.0	0.0
Months Operating Expenses in Unrestricted Cash	2.6	2.8	3.2	3.4	3.4	3.4	3.4	3.4
Debt Coverage Ratio	1.8	1.6	1.8	1.0	1.0	1.0	1.0	1.0

**EXECUTIVE SUMMARY**  
**KENTUCKY INFRASTRUCTURE AUTHORITY**  
**FUND B, INFRASTRUCTURE**  
**REVOLVING LOAN FUND**

Reviewer Jeff Abshire  
Date June 12, 2018  
KIA Loan Number B18-009, C18-008

**BORROWER** HOPKINSVILLE ELECTRIC SYSTEM  
CHRISTIAN COUNTY

**BRIEF DESCRIPTION**

This project will install sixty-five miles of fiber to provide high speed internet with gigabit speed capability to 3,600 homes within the Hopkinsville city limits. Voice services will also be provided.

PROJECT FINANCING		PROJECT BUDGET	RD Fee %	Actual %
Fund B Loan	\$2,500,000	Legal Expenses		20,000
Fund C Loan	1,800,000	Planning		20,000
		Eng - Technical Services		120,000
		Construction		1,930,407
		Equipment		1,846,749
		Contingency		362,844
<b>TOTAL</b>	<b>\$4,300,000</b>	<b>TOTAL</b>		<b>\$4,300,000</b>

<b>REPAYMENT</b>	Rate	1.75%	Est. Annual Payment	\$153,689
	Term	20 Years	1st Payment	6 Mo. after first draw

<b>PROFESSIONAL SERVICES</b>	Engineer	n/a
	Bond Counsel	Dinsmore & Shohl, LLP

<b>PROJECT SCHEDULE</b>	Bid Opening	Jun-18
	Construction Start	Aug-18
	Construction Stop	Jan-19

<b>DEBT PER CUSTOMER</b>	Existing	\$2,258
	Proposed	\$2,141

**OTHER DEBT** See Attached

<b>RESIDENTIAL RATES</b>		<u>Users</u>	<u>Avg. Bill</u>
	Current	3,535	\$60.00
	Additional	900	\$60.00

**REGIONAL COORDINATION** n/a

CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2014	1,583,453	598,996	984,457	2.6
Audited 2015	1,446,716	598,260	848,456	2.4
Audited 2016	1,642,067	597,960	1,044,107	2.7
Audited 2017	1,389,086	600,350	788,736	2.3
Projected 2018	954,034	593,748	360,286	1.6
Projected 2019	1,035,345	732,662	302,684	1.4
Projected 2020	1,561,678	871,574	690,104	1.8
Projected 2021	1,608,530	871,874	736,656	1.8
Projected 2022	1,941,160	871,673	1,069,487	2.2

Reviewer: Jeff Abshire  
Date: June 12, 2018  
Loan Number: B18-009, C18-008

**KENTUCKY INFRASTRUCTURE AUTHORITY  
INFRASTRUCTURE REVOLVING LOAN FUND (FUND B)  
HOPKINSVILLE ELECTRIC SYSTEM CHRISTIAN COUNTY  
TELECOM PROJECT REVIEW**

**I. PROJECT DESCRIPTION**

The Hopkinsville Electric System (HES) Telecom Division is requesting a Fund B loan of \$2.5 million and a Fund C loan of \$1.8 million for a total of \$4.3 million for Phase 2 of the Fiber to Home project. This project will install fifty miles of aerial and fifteen miles of underground fiber to provide high speed internet with gigabit speed capability and voice services to 3,600 homes within the Hopkinsville city limits. The Division has about 3,500 customers with the expectation of adding an additional 900 as a result of this project.

Existing right of ways and utility easements will be used for installation which will significantly reduce the cost and time required to execute the project. Two additional phases with an estimated cost of \$8 - \$10 million are anticipated with Phase 3 beginning in 2020. Timing will ultimately depend on HES' success with Phase 2 as Phases 3 and 4 will be funded from free cash flow.

Phase 1 began in 2007 when HES needed more internet capacity and better pricing than was available from the larger providers. HES determined the best way to lower bandwidth cost and guarantee availability was to build fiber to a Tier 1 provider. Nashville and Bowling Green were evaluated with Bowling Green being selected for the \$3.0 million KIA funded (B07-06) project. The project benefitted both cities as well as other areas along the route as it permits HES to provide internet service to Clifty, Elkton and Russellville. HES also provides connections for other businesses including MuniNet.

HES has about a 30% market share with two primary national competitors who use a mix of copper, coax (Cable TV line) and limited fiber. The primary residential connections are copper and coax. Phase 2 is an underserved area with the expectation that HES will take share as a result of fiber availability. Limitations in competitors' service capacity and customer service will be contributing factors to share increase also. Pricing capacity is sensitive to competition and customers' willingness to pay for premium services.

There are not currently any technologies on the horizon that are being promoted as a replacement or close competitor for fiber connectivity and wireless networks have limitations and require more hands on management than fiber. Areas are deemed

covered by wireless (cellular) service when in reality the service is not capable of supporting video streaming or gaming for one or more devices in a home. Today's home may have ten or more devices connected to the internet including multiple gaming systems, TV's streaming video, tablets, smart phones and an increasing number of smart home devices.

HES is a member of MuniNet Fiber Agency who is also a KIA borrower. The ability to reach Tier 1 internet providers in Nashville and Bowling Green via MuniNet significantly reduced HES' cost of backbone internet connectivity. Each member is able to avoid costly local loop charges from larger national providers for delivering services directly to members. By combining member bandwidth purchases MuniNet is able to buy at 'bulk' pricing. Another benefit that is rarely mentioned is access to a Netflix caching server directly on MuniNet's network. The caching server reduces the amount of traffic going to Netflix and reduces congestion on HES internet connections.

## II. PROJECT BUDGET

	<u>Total</u>
Legal Expenses	20,000
Planning	20,000
Engineering Fees - Design	120,000
Construction	1,930,407
Equipment	1,846,749
Contingency	362,844
<b>Total</b>	<b>\$ 4,300,000</b>

## III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund B Loan	\$ 2,500,000	58%
Fund C Loan	1,800,000	42%
<b>Total</b>	<b>\$ 4,300,000</b>	<b>100%</b>

## IV. KIA DEBT SERVICE

	<u>Fund B</u>	<u>Fund C</u>	<u>Total</u>
Amortized Loan Amount	2,500,000	1,800,000	4,300,000
Interest Rate	1.75%	3.00%	2.27%
Loan Term	20	20	20
Estimated Annual Debt Service	148,689	120,338	269,027
Administrative Fee (0.20%)	5,000	3,600	8,600
<b>Annual Debt Service</b>	<b>153,689</b>	<b>123,938</b>	<b>277,627</b>

**V. PROJECT SCHEDULE**

Bid Opening	June 2018
Construction Start	August 2018
Construction Stop	January 2019

**VI. RATE STRUCTURE**

**A. Customers**

Customers	Current	Proposed	Total
Residential	2,988	900	3,888
Commercial	547	0	547
Total	3,535	900	4,435

**B. Rates**

**Residential**

8 meg download / 1 meg upload	37.95
8 meg download / 1 meg upload, Home wifi	42.95
Fiber - 50 meg download / 10 meg upload	59.95

**Business**

50 meg up to 1 gigabit download	quoted pricing
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**VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the Utility’s service area population was 32,442 with a Median Household Income (MHI) of \$38,561. The median household income for the Commonwealth is \$43,740. The Fund B loan will be at a 1.75% interest rate and the Fund C loan will be at a 3.0% rate for a blended rate of 2.27%.

Year	City	Population		Unemployment		
		% Change	County	% Change	Date	Rate
1980	27,318		66,878		June 2005	6.8%
1990	29,809	9.1%	68,941	3.1%	June 2010	11.6%
2000	30,089	0.9%	72,265	4.8%	June 2015	6.8%
2010	31,577	4.9%	73,955	2.3%	June 2017	7.3%
Current	32,442	2.7%	73,936	0.0%		
Cumulative %		18.8%		10.6%		

## **VIII. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2014 through June 30, 2017. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from operating expenses. While operating results are separated for the electric and telecom units the balance sheet is provided on a consolidated basis. A discussion of the balance sheet ratios and most related ratios are therefore limited. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

Revenues increased 10% from \$3.2 million to \$3.5 million from 2014 to 2017, respectively, while operating expenses increased 32% from \$1.6 million to \$2.1 million. Cash flow before debt service declined from \$1.6 million to \$1.4 million.

Debt service averaged \$600 thousand and the debt coverage ratio ranged from 2.3 to 2.7. Debt service is comprised of a ten year KIA loan that matures in 2023 and an allocation of a bond that was issued and secured by the Electric Division.

On a consolidated basis days sales outstanding is 38.5 and the current ratio is 0.8.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) The 2018 – 2022 forecast was provided by the applicant.
- 2) The take rate from competitors will be 25% with additional revenue from existing broadband customers that upgrade from their current service to fiber. Revenues will also increase due to additional business customers and initiatives in adjacent areas.
- 3) Debt service coverage ranges from 1.4 to 2.2 throughout the forecast period with cash flow after debt service ranging from \$303,000 to \$1,069,000.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund B loan.

### **REPLACEMENT RESERVE**

The replacement reserve will be 5% (estimated \$215,000 total) of the final amount borrowed to be funded annually (estimated \$10,750 yearly) each December 1 for 20 years and maintained for the life of the loan. The Fund B reserve will be up to \$125,000 and the Fund C reserve will be up to \$90,000.

**IX. DEBT OBLIGATIONS**

	<u>Outstanding</u>	<u>Maturity</u>
KIA (B07-06)	\$ 1,825,095	2023
<b>Total</b>	<b>\$ 1,825,095</b>	

**X. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	Hopkinsville Electric System - Telecom
Authorized Official	Jeff Hurd (General Manager)
County	Christian
Email	agibbs@hop-electric.com
Phone	(270) 887-4200
Address	1820 E. 9th Street Hopkinsville, KY 42240

<b>Project Contact - Applicant</b>	
Name	Richard Shaw
Organization	Hopkinsville Electric System
Email	rshaw@hop-electric.com
Phone	(270) 887-0762
Address	1820 E. 9th Street Hopkinsville, KY 42240

**XI. RECOMMENDATIONS**

KIA staff recommends approval of the loan with the standard conditions.



**HOPKINSVILLE ELECTRIC SYSTEM  
FINANCIAL SUMMARY (JUNE YEAR END)**

	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
<b>Balance Sheet (Consolidated Electric and Telecom)</b>								
<b>Assets</b>								
Current Assets	8,965,968	8,982,261	7,579,524	7,867,724	8,150,324	8,702,424	9,239,224	10,040,424
Other Assets	34,623,035	34,921,352	35,994,993	35,787,915	39,734,741	39,591,567	39,385,593	39,345,919
<b>Total</b>	<b>43,589,003</b>	<b>43,903,613</b>	<b>43,574,517</b>	<b>43,655,639</b>	<b>47,885,065</b>	<b>48,293,991</b>	<b>48,624,817</b>	<b>49,386,343</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	9,061,754	9,280,572	9,079,050	9,023,874	8,860,769	8,903,498	9,156,600	9,306,600
Long Term Liabilities	14,872,962	14,729,468	13,885,298	12,414,396	15,406,599	14,056,073	12,452,445	10,798,817
<b>Total Liabilities</b>	<b>23,934,716</b>	<b>24,010,040</b>	<b>22,964,348</b>	<b>21,438,270</b>	<b>24,267,368</b>	<b>22,959,571</b>	<b>21,609,045</b>	<b>20,105,417</b>
<b>Net Assets</b>	<b>19,654,287</b>	<b>19,893,573</b>	<b>20,610,169</b>	<b>22,217,369</b>	<b>23,617,697</b>	<b>25,334,420</b>	<b>27,015,772</b>	<b>29,280,926</b>
<b>Cash Flow (Telecom Only)</b>								
Revenues	3,303,237	3,530,598	3,496,385	3,238,634	3,724,825	4,354,345	4,377,158	4,732,875
Operating Expenses	1,856,521	1,888,531	2,107,299	2,284,600	2,689,480	2,792,667	2,768,629	2,791,715
Other Income	0	0	0	0	0	0	0	0
<b>Cash Flow Before Debt Service</b>	<b>1,446,716</b>	<b>1,642,067</b>	<b>1,389,086</b>	<b>954,034</b>	<b>1,035,345</b>	<b>1,561,678</b>	<b>1,608,530</b>	<b>1,941,160</b>
<b>Debt Service</b>								
Existing Debt Service	598,260	597,960	600,350	593,748	593,848	593,947	594,247	594,046
Proposed KIA Loan	0	0	0	0	138,814	277,627	277,627	277,627
<b>Total Debt Service</b>	<b>598,260</b>	<b>597,960</b>	<b>600,350</b>	<b>593,748</b>	<b>732,662</b>	<b>871,574</b>	<b>871,874</b>	<b>871,673</b>
<b>Cash Flow After Debt Service</b>	<b>848,456</b>	<b>1,044,107</b>	<b>788,736</b>	<b>360,286</b>	<b>302,684</b>	<b>690,104</b>	<b>736,656</b>	<b>1,069,487</b>

**Ratios**

Current Ratio (Consolidated)	1.0	1.0	0.8	0.9	0.9	1.0	1.0	1.1
Debt Coverage Ratio (Telecom Division)	2.4	2.7	2.3	1.6	1.4	1.8	1.8	2.2

<b>EXECUTIVE SUMMARY</b> <b>KENTUCKY INFRASTRUCTURE AUTHORITY</b> <b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b> <b>REVOLVING LOAN FUND</b>		Reviewer Date KIA Loan Number WRIS Number	Ashley Adams July 10, 2018 F17-014 (Increase) WX21217025	
BORROWER	CITY OF CAMPBELLSVILLE TAYLOR COUNTY			
BRIEF DESCRIPTION				
This is a request for an increase to an existing loan in the amount of \$1,377,000 which will bring the new loan total to \$7,970,000. The reason for the increase includes the addition of a storage garage, additional work required to complete the treatment plant improvements, and bids coming in higher than expected.				
Original Project Description: This project includes improvements to the existing water treatment plant as well as the urban area of the distribution system. Work at the treatment plant will include clarifier rehabilitation, filter control console replacements, pipe gallery valve replacements, raw water meter vault improvements, pre-filter chlorination upgrade, and upgrade of two existing high service pumps to capacity of 3,300 GPM. Along with this will be the addition of two sludge thickening basins, a filter belt press, as well as sludge and supernatant pumping facilities. Improvements to the distribution system include replacement of approximately 4,000 LF of aging and deteriorated cast iron pipes and appurtenances in several areas within the city with new PVC lines.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$7,970,000	Administrative Expenses	\$10,000	
USDA RD Grant	330,000	Legal Expenses	10,000	
		Eng - Design / Const	6.5% 6.0% 446,858	
		Eng - Insp	4.3% 3.9% 292,978	
		Eng - Other	20,000	
		Construction	6,801,493	
		Contingency	683,671	
		Other	35,000	
TOTAL	\$8,300,000	TOTAL	\$8,300,000	
REPAYMENT	Rate Term	0.25% 20 Years	Est. Annual Payment 1st Payment 6 Mo. after first draw \$428,719	
PROFESSIONAL SERVICES	Engineer Bond Counsel	Monarch Engineering, Inc Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	May-18 Aug-18 Aug-19		
DEBT PER CUSTOMER	Existing Proposed	\$1,172 \$2,112		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current Additional	Users 9,539 0	Avg. Bill \$19.32 (for 4,000 gallons) \$19.32 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2015	786,247	414,350	371,897	1.9
Audited 2016	1,410,059	485,135	924,924	2.9
Audited 2017	1,135,940	696,009	439,931	1.6
Projected 2018	1,084,308	870,883	213,425	1.2
Projected 2019	1,524,402	949,054	575,349	1.6
Projected 2020	1,495,805	1,172,190	323,615	1.3
Projected 2021	1,486,518	1,087,341	399,177	1.4
Projected 2022	1,476,624	1,053,938	422,686	1.4

Reviewer: Ashley Adams  
Date: July 10, 2018  
Loan Number: F17-014 (Increase)

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
CITY OF CAMPBELLSVILLE, TAYLOR COUNTY  
PROJECT REVIEW  
WX21217025**

**I. PROJECT DESCRIPTION**

The City of Campbellsville is requesting an increase in the amount of \$1,377,000 to KIA Loan F17-014 which was approved by the KIA Board on June 1, 2017. The reason for the increase includes the addition of a storage garage, additional work required to complete the treatment plant improvements, and bids coming in higher than expected.

The original project includes improvements to the existing water treatment plant as well as the urban area of the distribution system. Work at the treatment plant will include clarifier rehabilitation, filter control console replacements, pipe gallery valve replacements, raw water meter vault improvements, pre-filter chlorination upgrade, and upgrade of two existing high service pumps to capacity of 3,300 GPM. Along with this will be the addition of two sludge thickening basins, a filter belt press, as well as sludge and supernatant pumping facilities. Improvements to the distribution system include replacement of approximately 4,000 LF of aging and deteriorated cast iron pipes and appurtenances in several areas within the city with new PVC lines.

Campbellsville Municipal Water & Sewer System provides service to over 9,500 customers.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 10,000
Legal Expenses	10,000
Engineering Fees - Design	446,858
Engineering Fees - Inspection	292,978
Engineering Fees - Other	20,000
Construction	6,801,493
Contingency	683,671
Other	35,000
<b>Total</b>	<b>\$ 8,300,000</b>

### III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 7,970,000	96%
USDA RD Grant	330,000	4%
<b>Total</b>	<b>\$ 8,300,000</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Amortized Loan Amount	\$ 7,970,000
Interest Rate	0.25%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 408,794
Administrative Fee (0.25%)	19,925
<b>Total Estimated Annual Debt Service</b>	<b>\$ 428,719</b>

### V. PROJECT SCHEDULE

Bid Opening	May 2018
Construction Start	August 2018
Construction Stop	August 2019

### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

#### A) Customers

<u>Customers</u>	<u>Current</u>
Residential	7,631
Commercial	1,899
Industrial	9
<b>Total</b>	<b>9,539</b>

#### B) Rates

<b>Water</b>	<b>Inside City</b>		<b>County</b>	
	<b>Current</b>	<b>Prior</b>	<b>Current</b>	<b>Prior</b>
Date of Last Rate Increase	07/01/18	07/01/17	07/01/18	07/01/17
Minimum (1,000 gallons)	\$9.82	\$9.67	\$16.91	\$16.66
Next 9,000 Gallons	3.17	3.12	7.04	6.94
Next 40,000 Gallons	2.86	2.82	6.33	6.24
Over 50,000 Gallons	2.40	2.36	5.12	5.04
<b>Cost for 4,000 gallons</b>	<b>\$19.32</b>	<b>\$19.03</b>	<b>\$38.04</b>	<b>\$37.48</b>
Increase %	1.5%		1.5%	
Affordability Index (Rate/MHI)	0.8%		1.5%	

Sewer	Inside City		County	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/01/18	07/01/17	07/01/18	07/01/17
Minimum (1,000 gallons)	\$9.19	\$9.05	\$18.37	\$18.10
Next 9,000 Gallons	3.89	3.83	7.77	7.66
<b>Cost for 4,000 gallons</b>	<b>\$20.85</b>	<b>\$20.54</b>	<b>\$41.70</b>	<b>\$41.08</b>
Increase %	1.5%		1.5%	
Affordability Index (Rate/MHI)	0.8%		1.6%	

As of July 1, 2016, rates can be increased 3% of the rate for the previous year in both water and sewer with City Council approval. For FY 2019 rates were adjusted 1.5% by the Council instead of the maximum of 3%.

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the Utility's service area population was 21,052 with a Median Household Income (MHI) of \$30,662. The median household income for the Commonwealth is \$44,811. The project will qualify for a 0.25% interest rate based on MHI.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	8,715		21,178		June 2005	6.2%
1990	9,577	9.9%	21,146	-0.2%	June 2010	12.0%
2000	10,498	9.6%	22,927	8.4%	June 2015	7.2%
2010	9,108	-13.2%	24,512	6.9%	June 2017	5.8%
Current	11,329	24.4%	25,315	3.3%		
Cumulative %		30.0%		19.5%		

## VIII. 2016 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - The Drinking Water capitalization grant does not contain a "green" requirement.
- 2) Additional Subsidization – This project does not qualify for additional subsidization.

## IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the Campbellsville Municipal Water and Sewer System for the years ended June 30, 2015 through June 30, 2017. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2016 and 2017 operating expenses. Interim finance payoffs to Taylor County Bank and Citizens Bank and Trust for ongoing projects in 2016 and 2017 were factored out of debt service so that debt

coverage ratios could be accurately depicted. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

## HISTORY

Revenues increased 18% from \$4.7 million in 2015 to \$5.5 million in 2017 due to multiple rate increases. Operating expenses increased 13% from \$3.9 million in 2015 to \$4.4 million in 2017. The debt coverage ratio was 1.9, 2.9, and 1.6 from 2015 to 2017, respectively. The City will pay off two KIA loans in 2018 which will reduce debt service before going into repayment with this loan.

The balance sheet reflects a current ratio of 1.7, a debt to equity ratio of 0.5, and a collection period of 66.8 days. Unrestricted cash equals 2 months of operating expenses.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will be flat for volume and increase 1.5% annually, in both water and sewer, due to a previously approved annual rate adjustment which allows up to a 3% increase by City Council.
- 2) Expenses will increase 2% for inflation.
- 3) Debt service coverage is 1.3 in 2020 when full year principal and interest repayments begin.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund F loan.

## REPLACEMENT RESERVE

The annual replacement cost is \$19,900. This amount should be added to the replacement account each December 1 until the balance reaches \$398,000 and maintained for the life of the loan.

## **X. DEBT OBLIGATIONS**

	<u>Outstanding</u>	<u>Maturity</u>
KIA (C88-02)	\$ 120,000	2018
KIA (C89-56A)	95,030	2018
United Citizens Bank	381,116	2020
KIA (B94-01)	970,754	2028
City of Jeffersontown Series 2000	1,245,000	2030
KIA (F12-03)	1,163,405	2036
Bond Series 2009	532,200	2048
Bond Series 2010	443,000	2049
Bond Series 2013	1,626,000	2054

	Outstanding	Maturity
USDA Bond 2016 (North Water Tank)	1,307,000	2055
KIA (F15-013 \$1,919,910 still in process)	3,294,049	TBD
<b>Total</b>	<b>\$11,177,554</b>	

## **XI. CONTACTS**

<b>Legal Applicant</b>	
Name	City of Campbellsville
Address	110 South Columbia Ave, Suite B Campbellsville, KY 42718
County	Taylor
Authorized Official	Tony W. Young, Mayor
Phone	270-465-7011
Email	mayor@campbellsville.us

<b>Project Administrator</b>	
Name	Cheryl Sullivan
Title	Controller
Organization	City of Campbellsville
Email	controller@campbellsville.us
Phone	270-789-3133
Address	110 South Columbia Ave, Suite B Campbellsville, KY 42718

<b>Consulting Engineer</b>	
Name	David Bowles
Firm	Monarch Engineering, Inc.
Address	556 Carlton Drive Lawrenceburg, KY 40342
Phone	502-839-1310
Email	dbowles@monarchengineering.net

## **XII. RECOMMENDATIONS**

KIA staff recommends approval of the loan with the standard conditions.



**CITY OF CAMPBELLSVILLE**  
**FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2015</u>	<u>Audited</u> <u>2016</u>	<u>Audited</u> <u>2017</u>	<u>Projected</u> <u>2018</u>	<u>Projected</u> <u>2019</u>	<u>Projected</u> <u>2020</u>	<u>Projected</u> <u>2021</u>	<u>Projected</u> <u>2022</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	1,351,352	1,894,528	1,988,825	2,046,216	2,258,286	2,338,209	2,433,444	2,533,681
Other Assets	34,792,714	37,471,210	42,952,119	50,656,811	51,996,167	50,851,636	49,767,554	48,702,280
<b>Total</b>	<b>36,144,066</b>	<b>39,365,738</b>	<b>44,940,944</b>	<b>52,703,027</b>	<b>54,254,453</b>	<b>53,189,845</b>	<b>52,200,999</b>	<b>51,235,962</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	721,875	824,418	1,165,838	1,055,581	995,027	978,874	998,980	548,310
Long Term Liabilities	8,057,930	10,336,107	13,734,162	21,450,167	23,036,009	22,571,969	22,096,929	22,096,929
<b>Total Liabilities</b>	<b>8,779,805</b>	<b>11,160,525</b>	<b>14,900,000</b>	<b>22,505,748</b>	<b>24,031,036</b>	<b>23,550,843</b>	<b>23,095,909</b>	<b>22,645,239</b>
<b>Net Assets</b>	<b>27,364,261</b>	<b>28,205,213</b>	<b>30,040,944</b>	<b>30,197,279</b>	<b>30,223,417</b>	<b>29,639,002</b>	<b>29,105,089</b>	<b>28,590,722</b>
<b>Cash Flow</b>								
Revenues	4,657,300	5,362,660	5,505,806	5,586,371	6,116,365	6,199,366	6,283,611	6,369,120
Operating Expenses	3,902,208	3,986,408	4,406,861	4,539,058	4,628,958	4,740,556	4,834,088	4,929,491
Other Income	31,155	33,807	36,995	36,995	36,995	36,995	36,995	36,995
<b>Cash Flow Before Debt Service</b>	<b>786,247</b>	<b>1,410,059</b>	<b>1,135,940</b>	<b>1,084,308</b>	<b>1,524,402</b>	<b>1,495,805</b>	<b>1,486,518</b>	<b>1,476,624</b>
<b>Debt Service</b>								
Existing Debt Service	414,350	485,135	696,009	870,883	734,694	743,471	658,622	625,219
Proposed KIA Loan	0	0	0	0	214,360	428,719	428,719	428,719
<b>Total Debt Service</b>	<b>414,350</b>	<b>485,135</b>	<b>696,009</b>	<b>870,883</b>	<b>949,054</b>	<b>1,172,190</b>	<b>1,087,341</b>	<b>1,053,938</b>
<b>Cash Flow After Debt Service</b>	<b>371,897</b>	<b>924,924</b>	<b>439,931</b>	<b>213,425</b>	<b>575,349</b>	<b>323,615</b>	<b>399,177</b>	<b>422,686</b>

**Ratios**

Current Ratio	1.9	2.3	1.7	1.9	2.3	2.4	2.4	4.6
Debt to Equity	0.3	0.4	0.5	0.7	0.8	0.8	0.8	0.8
Days Sales in Accounts Receivable	46.0	53.8	66.8	66.8	66.8	66.8	66.8	66.8
Months Operating Expenses in Unrestricted Cash	1.5	2.7	2.0	2.1	2.4	2.5	2.6	2.8
Debt Coverage Ratio	1.9	2.9	1.6	1.2	1.6	1.3	1.4	1.4

<b>EXECUTIVE SUMMARY</b>		Reviewer	Ashley Adams	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	July 10, 2018	
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number	F18-003	
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21013918	
BORROWER		CITY OF PINEVILLE BELL COUNTY		
BRIEF DESCRIPTION				
This loan will fund the construction portion of a prior KIA Planning and Design loan (F1 15-06). The project will construct a new 2.0 million gallon per day (MGD) treatment unit with a new upflow adsorption clarifier and mixed media filter at the Pineville Water Treatment Plant. The project will add necessary redundancy the plant is currently lacking in order to prevent service loss and water use restrictions when maintenance is necessary. In addition, the project will also install raw water flow meters and electric valves, electric backwash valves, finished water valves, and an electric generator for emergency backup power.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$1,864,590	Eng - Design / Const	RD Fee % 7.9%	Actual % 14.9%
KIA P&D Loan (F1 15-016)	220,000	Eng - Insp	6.4%	2.0%
		Construction		1,621,500
		Contingency		162,150
TOTAL	\$2,084,590	TOTAL		\$2,084,590
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$69,381
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL	Engineer	HDR Engineering, Inc		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Jun-18		
	Construction Start	Jul-18		
	Construction Stop	Apr-19		
DEBT PER CUSTOMER	Existing	\$1,400		
	Proposed	\$1,419		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		5,178	\$37.03 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2015	727,037	352,764	374,273	2.1
Audited 2016	926,845	405,601	521,244	2.3
Audited 2017	850,215	472,247	377,968	1.8
Projected 2018	848,617	513,091	335,526	1.7
Projected 2019	848,617	488,112	360,505	1.7
Projected 2020	843,417	589,640	253,777	1.4
Projected 2021	843,417	590,063	253,355	1.4
Projected 2022	843,417	581,575	261,843	1.5

Reviewer: Ashley Adams  
Date: June 12, 2018  
Loan Number: F18-003

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
CITY OF PINEVILLE, BELL COUNTY  
PROJECT REVIEW  
WX21013918**

**I. PROJECT DESCRIPTION**

The City of Pineville is requesting a Fund F loan in the amount of \$1,864,590 for the Water Treatment Plant Expansion project. This will be the construction portion of a prior KIA Planning and Design loan (F1 15-016) in the amount of \$220,000. The proposed project consists of constructing a new 2.0 million gallon per day (MGD) treatment unit including a new upflow adsorption clarifier as well as a mixed media filter. The existing water treatment plant was last renovated in 2002 and has a rated design capacity of 4.0 MGD. The current system demand of 2.28 MGD (annual average) does not allow for taking a unit out of service for maintenance without having to implement water use restrictions. The added redundancy will enable rotation of the units and maintenance intervals without curtailment of service. The project also includes the installation of raw water flow meters and electric valves, electric backwash valves, finished water valves, and an electric generator to provide backup power during an emergency.

**II. PROJECT BUDGET**

	<u>Total</u>
Engineering Fees - Design	\$ 232,140
Engineering Fees - Construction	33,800
Engineering Fees - Inspection	35,000
Construction	1,621,500
Contingency	162,150
<b>Total</b>	<b>\$ 2,084,590</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 1,864,590	89%
KIA P&D Loan (F1 15-016)	220,000	11%
<b>Total</b>	<b>\$ 2,084,590</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 1,864,590
KIA P&D Loan (F1 15-016)	220,000
Less: Principal Forgiveness	825,509
Amortized Loan Amount	\$ 1,259,081
Interest Rate	0.50%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 66,233
Administrative Fee (0.25%)	3,148
<b>Total Estimated Annual Debt Service</b>	<b>\$ 69,381</b>

#### V. PROJECT SCHEDULE

Bid Opening	June 2018
Construction Start	July 2018
Construction Stop	April 2019

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

<u>Customers</u>	<u>Current</u>
Residential	5,009
Commercial	169
<b>Total</b>	<b>5,178</b>

##### B) Rates

<b>Water Rates</b>	<u>Inside City</u>		<u>Outside City</u>	
	<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Prior</u>
Date of Last Rate Increase	07/01/14	07/01/13	07/01/14	07/01/13
First 1,000 Gallons	\$14.35	\$13.41	\$22.40	\$20.93
Next 9,000 Gallons	7.56	7.07	8.35	7.80
Next 20,000 Gallons	7.36	6.88	7.36	7.16
<b>Cost for 4,000 gallons</b>	<b>\$37.03</b>	<b>\$34.62</b>	<b>\$47.45</b>	<b>\$44.33</b>
Increase %	7.0%		7.0%	
Affordability Index (Rate/MHI)	1.8%		2.3%	

<b>Sewer Rates</b>	<b>Inside/Outside City</b>	
	<b>Current</b>	<b>Prior</b>
Date of Last Rate Increase	07/01/14	07/01/13
First 1,000 Gallons	\$8.22	\$7.68
Next 9,000 Gallons	5.84	5.46
Next 20,000 Gallons	5.55	5.19
<b>Cost for 4,000 gallons</b>	<b>\$25.74</b>	<b>\$24.06</b>
Increase %	7.0%	
Affordability Index (Rate/MHI)	1.3%	

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the Utility's service area population was 15,534 with a Median Household Income (MHI) of \$24,481. The median household income for the Commonwealth is \$43,740. The project will qualify for a 0.50% interest rate based on MHI.

Year	Population		County		County Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	2,599		34,330		June 2005	8.0%
1990	2,198	-15.4%	31,506	-8.2%	June 2010	12.7%
2000	2,093	-4.8%	30,060	-4.6%	June 2015	8.5%
2010	1,732	-17.2%	28,691	-4.6%	June 2017	9.6%
Current	1,744	0.7%	27,676	-3.5%		
Cumulative %		-32.9%		-19.4%		

## VIII. 2017 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - The Drinking Water capitalization grant does not contain a "green" requirement.
- 2) Additional Subsidization – This project qualifies for additional subsidization not to exceed \$825,509.

## IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the City of Pineville for the years ended June 30, 2015 through June 30, 2016. For 2017, the Utility, which includes water and sewer, started being audited separately from the City by a new auditor. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2017 operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

## HISTORY

Total revenues for water and sewer operations increased 2% from \$3.9 million in 2015 to \$4 million in 2017. Operating expenses decreased 1% from \$3.24 million to \$3.2 million during the same time period. The debt coverage ratio was 2.1, 2.3, and 1.8 from 2015-2017. It is noteworthy that from 2009 until 2014, the City increased both water and sewer rates 7% each year in order to bring the Utility into good financial health and prepare to take on debt for new projects.

The balance sheet reflects a current ratio of 0.9, a debt to equity ratio of 0.7, 49.6 days sales in accounts receivable, and 2.5 months operating expenses in unrestricted cash.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will remain flat for growth and volume.
- 2) Expenses will remain flat. It is noteworthy that the Utility is sensitive to potential inflationary increases when full debt service payments begin in 2020 and beyond. Should inflation increase at the standard 2% yearly assumption, revenues would need to increase approximately \$132,000 (3.5%) to maintain a 1.1 debt coverage ratio by 2022.
- 3) The City was granted a sewer Planning & Design (P&D) loan with KIA in the amount of \$146,000 in April 2018. Full project funding is estimated at approximately \$3.9 million. Only the P&D debt service was taken into consideration for this analysis as the full project budget is simply an estimate. The City expects to receive heavy grant subsidization for the construction loan but revenue needs will be reassessed upon construction funding by KIA staff.
- 4) Debt service coverage is 1.4 in 2020 when principal and interest repayments begin.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund F loan.

## REPLACEMENT RESERVE

The replacement reserve will be 5% (\$104,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$5,200 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KIA (A209-05)	\$ 806,954	2032
KIA (F01-03)	44,555	2021
KIA (A11-051) \$300,486 remaining	498,667	2037
KIA (F115-016)	154,928	2022
KIA (B16-003)	274,271	2036

	<b>Outstanding</b>	<b>Maturity</b>
KIA (B13-003)	1,347,958	2036
Home Federal Bank (Vehicle)	11,993	2018
Home Federal Bank (LOC)	27,544	2018
KRWFC Bond Series 2012	3,430,000	2040
KRWFC Bond Series 2016 (i/a/o \$745,000)	0	2042
KIA (A18-027 P&D i/a/o \$146,000)	0	TBD
<b>Total</b>	<b>\$ 6,596,870</b>	

## **XI. CONTACTS**

### **Legal Applicant**

Entity Name	City of Pineville
Authorized Official	David Scott Madon (Mayor)
County	Bell
Email	pinevillemayor@gmail.com
Phone	606-337-7000
Address	PO Box 688, 300 Virginia Ave Pineville, KY 40977

### **Applicant Contact**

Name	Callie Melton
Organization	City of Pineville
Email	pinevillecity@gmail.com
Phone	606-337-2958
Address	PO Box 688, 300 Virginia Ave Pineville, KY 40977

### **Project Administrator**

Name	Bob Sturdivant
Organization	HDR Engineering, Inc
Email	bob.sturdivant@hdrinc.com
Phone	859-629-4826
Address	2517 Sir Barton Way Lexington, KY 40509



**Consulting Engineer**

PE Name	Brent Alan Tippey
Firm Name	HDR Engineering, Inc.
Email	brent.tippey@hdrinc.com
Phone	859-223-3755
Address	2517 Sir Barton Way Lexington, KY 40509

**XII. RECOMMENDATIONS**

KIA staff recommends approval of the loan with the standard conditions.

**CITY OF PINEVILLE**  
**FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2015</u>	<u>Audited</u> <u>2016</u>	<u>Audited</u> <u>2017</u>	<u>Projected</u> <u>2018</u>	<u>Projected</u> <u>2019</u>	<u>Projected</u> <u>2020</u>	<u>Projected</u> <u>2021</u>	<u>Projected</u> <u>2022</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	592,646	791,290	1,790,621	1,857,763	1,929,864	1,980,620	2,031,291	2,083,659
Other Assets	19,888,748	20,991,925	22,093,179	21,100,350	23,275,045	22,569,886	21,864,390	21,165,684
<b>Total</b>	<b>20,481,394</b>	<b>21,783,215</b>	<b>23,883,800</b>	<b>22,958,113</b>	<b>25,204,909</b>	<b>24,550,506</b>	<b>23,895,681</b>	<b>23,249,343</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	483,583	539,803	2,097,856	964,340	947,751	958,947	970,257	974,422
Long Term Liabilities	5,068,794	6,097,076	7,750,387	7,413,739	9,012,627	8,690,672	8,362,208	8,034,478
<b>Total Liabilities</b>	<b>5,552,377</b>	<b>6,636,879</b>	<b>9,848,243</b>	<b>8,378,079</b>	<b>9,960,378</b>	<b>9,649,619</b>	<b>9,332,464</b>	<b>9,008,900</b>
<b>Net Assets</b>	<b>14,929,017</b>	<b>15,146,336</b>	<b>14,035,557</b>	<b>14,580,034</b>	<b>15,244,531</b>	<b>14,900,887</b>	<b>14,563,217</b>	<b>14,240,444</b>
<b>Cash Flow</b>								
Revenues	3,943,692	3,615,739	4,025,182	4,025,182	4,025,182	4,025,182	4,025,182	4,025,182
Operating Expenses	3,249,177	2,721,533	3,216,737	3,218,335	3,218,335	3,223,535	3,223,535	3,223,535
Other Income	32,522	32,639	41,770	41,770	41,770	41,770	41,770	41,770
<b>Cash Flow Before Debt Service</b>	<b>727,037</b>	<b>926,845</b>	<b>850,215</b>	<b>848,617</b>	<b>848,617</b>	<b>843,417</b>	<b>843,417</b>	<b>843,417</b>
<b>Debt Service</b>								
Existing Debt Service	352,764	405,601	472,247	513,091	488,112	520,259	520,682	512,194
Proposed KIA Loan	0	0	0	0	0	69,381	69,381	69,381
<b>Total Debt Service</b>	<b>352,764</b>	<b>405,601</b>	<b>472,247</b>	<b>513,091</b>	<b>488,112</b>	<b>589,640</b>	<b>590,063</b>	<b>581,575</b>
<b>Cash Flow After Debt Service</b>	<b>374,273</b>	<b>521,244</b>	<b>377,968</b>	<b>335,526</b>	<b>360,505</b>	<b>253,777</b>	<b>253,355</b>	<b>261,843</b>

**Ratios**

Current Ratio	1.2	1.5	0.9	1.9	2.0	2.1	2.1	2.1
Debt to Equity	0.4	0.4	0.7	0.6	0.7	0.6	0.6	0.6
Days Sales in Accounts Receivable	31.1	38.6	49.6	49.6	49.6	49.6	49.6	49.6
Months Operating Expenses in Unrestricted Cash	0.0	0.1	2.5	2.7	3.0	3.2	3.4	3.6
Debt Coverage Ratio	2.1	2.3	1.8	1.7	1.7	1.4	1.4	1.5

**EXECUTIVE SUMMARY**  
**KENTUCKY INFRASTRUCTURE AUTHORITY**  
**FUND C, GOVERNMENTAL AGENCIES FUND**  
**REVOLVING LOAN FUND**

Reviewer Melissa Rife  
 Date June 12, 2018  
 KIA Loan Number C18-S007

**BORROWER** LEBANON WATER WORKS, CO., INC.  
 MARION COUNTY

**BRIEF DESCRIPTION**  
 This loan will be used to purchase surplus equipment.

PROJECT FINANCING		PROJECT BUDGET	RD Fee %	Actual %
Fund C Loan -Surplus Equipment	\$50,000	Equipment		50,000
<b>TOTAL</b>	<b>\$50,000</b>	<b>TOTAL</b>		<b>\$50,000</b>

REPAYMENT	Rate	2.00%	Est. Annual Payment	\$10,658
	Term	5 Years	1st Payment	6 Mo. after first draw

**PROFESSIONAL SERVICES**  
 Bond Counsel Dinsmore & Shohl, LLP

PROJECT SCHEDULE	Bid Opening	Jun-18
	Construction Start	Jun-18
	Construction Stop	May-20

DEBT PER CUSTOMER	Existing	\$2,321
	Proposed	\$2,730

**OTHER DEBT** See Attached  
**OTHER STATE-FUNDED PROJECTS LAST 5 YRS** See Attached

RESIDENTIAL RATES	Users	Avg. Bill
Current	2,629	\$25.26 (for 4,000 gallons)
Additional	0	\$25.26 (for 4,000 gallons)

**REGIONAL COORDINATION** This project is consistent with regional planning recommendations.

CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2016	1,039,129	401,726	637,403	2.6
Audited 2017	969,492	423,100	546,392	2.3
Projected 2018	826,174	497,839	328,335	1.7
Projected 2019	917,886	559,554	358,332	1.6
Projected 2020	869,469	620,126	249,343	1.4
Projected 2021	836,751	573,217	263,534	1.5
Projected 2022	786,711	573,215	213,496	1.4

Reviewer: Melissa Rife  
Date: July 10, 2018  
Loan Number: C18-S007

**KENTUCKY INFRASTRUCTURE AUTHORITY  
GOVERNMENTAL AGENCIES LOAN FUND (FUND C)  
CITY OF LEBANON f/b/o LEBANON WATER WORKS CO., INC., MARION COUNTY  
LOAN REVIEW**

**I. DESCRIPTION**

The City of Lebanon is requesting a Fund C Federal Surplus Property Equipment Loan in the amount of \$50,000 for the benefit of Lebanon Water Works Co., Inc. The loan will be used to purchase the following items if and when they are available: pallet shelving, backhoe, hydraulic hoe ram, valve turning trailer, service/maintenance truck with crane, mini-excavator, zero turn mower, and/or a tractor.

**II. BUDGET**

	Total
Equipment	\$ 50,000
	<b>\$ 50,000</b>

**III. FUNDING**

	Amount	%
Fund C Loan	\$ 50,000	100%
<b>Total</b>	<b>\$ 50,000</b>	<b>100%</b>

**IV. KIA DEBT SERVICE**

Construction Loan	\$ 50,000
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 50,000
Interest Rate	2.00%
Loan Term (Years)	5
Estimated Annual Debt Service	\$ 10,558
Administrative Fee (0.20%)	100
<b>Total Estimated Annual Debt Service</b>	<b>\$ 10,658</b>

**V. SCHEDULE**

Loan Opening                      June 30, 2018  
 The loan will close when all funds are expended or on  
 Loan Closing                      June 30, 2020, whichever occurs first.

**VI. CUSTOMER COMPOSITION AND RATE STRUCTURE**

**A) Customers**

	Current
Residential	2,543
Commercial	86
Total	2,629

**B) Rates**

	Current	Prior
Date of Last Rate Increase	11/15/17	09/17/13
Meter Charge	\$ 7.35	\$ 6.75
100 Cubic Feet (748.052 Gallons)	3.35	2.50
Cost for 4,000 gallons	\$ 25.26	\$ 20.12
Increase %	25.6%	
Affordability Index (Rate/MHI)	1.1%	

**VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the Utility’s service area population was 6,144 with a Median Household Income (MHI) of \$26,445. The median household income for the Commonwealth is \$43,740. Fund C loans with terms less than or equal to 5 years carry an interest rate of 2.00%.

Year	Population				Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	6,590		17,910		June 2005	6.2%
1990	5,695	-13.6%	16,499	-7.9%	June 2010	11.9%
2000	5,718	0.4%	18,212	10.4%	June 2015	5.2%
2010	5,539	-3.1%	19,820	8.8%	June 2017	4.8%
Current	5,604	1.2%	19,497	-1.6%		
Cumulative %		-15.0%		8.9%		

## VIII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2016 through June 30, 2017. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from operating expenses for fiscal year 2016 (\$61,390) and fiscal year 2017 (\$69,228). Percentage references in the History section below are based on actual dollar amounts, not the rounded amounts presented.

### HISTORY

Operating revenues increased 1.2% from \$2.67 million in 2016 to \$2.71 million in 2017. Operating expenses increased 7.8% from \$1.65 million in 2016 to \$1.79 million in 2017. The debt coverage ratio was 2.6 in 2016 and 2.3 in 2017.

The 2017 balance sheet shows a debt coverage ratio of 2.3, a current ratio of 1.0, 48.1 days of sales in accounts receivable, and 4.8 months of operating expenses in unrestricted cash.

### AUDIT INFORMATION

#### Opinion:

2016 Unqualified

2017 Unqualified

#### Internal Control over Financial Reporting:

2016 Auditor did not identify any deficiencies in internal control considered to be material weaknesses.

Auditor did identify a deficiency in internal control. See finding 2016-1.

2017 Auditor did not identify any deficiencies in internal control considered to be material weaknesses.

#### Compliance and Other Matters:

2016 Auditor's tests did not disclose any instances of noncompliance or other matters required to be reported under Government Auditing Standards.

2017 Auditor's tests did not disclose any instances of noncompliance or other matters required to be reported under Government Auditing Standards.

#### Summary of Findings:

##### 2016-1

The Company does not have the internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles.

##### 2017-1

The Company does not have the internal control procedures required to draft the

financial statements in conformity with generally accepted accounting principles.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase by 10.1% in 2018, 11.9% in 2018, and remain flat thereafter. The increases are due to a rate increase that became effective September 29, 2017 for retail customers and April 16, 2018 for Marion County Water District. The rate increase for Marion County Water District is still pending PSC approval as of June 2018.
- 2) Operating expenses will increase by approximately 2.0% each year due to inflation.
- 3) Operating expenses will increase when the Utility begins purchasing 400,000 gallons of water a day from the City of Campbellsville. This will increase costs by approximately \$220,000 in 2018 and \$450,000 afterwards.
- 4) Debt service coverage is 1.4 in 2021 when full principal and interest payments are expected to begin.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund C loan.

## REPLACEMENT RESERVE

A replacement reserve is not required for Fund C Federal Surplus Property Equipment Loans.

## IX. DEBT OBLIGATIONS

	Outstanding	Maturity
KIA B08-09	\$ 406,911	2031
KIA F14-036 (in progress, \$593,372 available)	1,667,628	2036
KIA F15-057	703,283	2037
Citizens National Bank	3,157,847	2029
Citizens National Bank	165,293	2020
KIA F18-006 i/a/o \$2,641,680 (\$1,000,000 principal forgiveness; \$1,641,680 to be repaid)		tbd
<b>Total</b>	<b>\$ 6,100,962</b>	



**X. CONTACTS**

<b>Legal Applicant</b>	
Name	City of Lebanon f/b/o Lebanon Water Works Co., Inc.
Address	P. O. Box 840 Lebanon, KY 40033
County	Marion
Authorized Official	Gary D. Crenshaw, Mayor
Phone	270-692-6272
Email	gdcrenshaw@windstream.net

<b>Project Contact - Applicant</b>	
Name	Daren Thompson, Operations & Management Superintendent
Representing	Lebanon Water Works Co., Inc.
Address	120 S. Proctor Knott Avenue Lebanon, KY 40033
Phone	270-692-2491
Email	Daren.Thompson@lebanonwaterworks.com

<b>Project Administrator</b>	
Organization Name	Lebanon Water Works Co., Inc.
Name	Daren Thompson, Operations & Management Superintendent
Address	120 S. Proctor Knott Avenue Lebanon, KY 40033
Phone	270-692-2491
Email	Daren.Thompson@lebanonwaterworks.com

**XI. RECOMMENDATIONS**

KIA staff recommends approval of the loan with the standard conditions.

**LEBANON WATER WORKS, CO., INC.**  
**FINANCIAL SUMMARY (JUNE YEAR END)**

	<b>Audited <u>2016</u></b>	<b>Audited <u>2017</u></b>	<b>Projected <u>2018</u></b>	<b>Projected <u>2019</u></b>	<b>Projected <u>2020</u></b>	<b>Projected <u>2021</u></b>	<b>Projected <u>2022</u></b>
<b>Balance Sheet</b>							
<b>Assets</b>							
Current Assets	1,190,292	1,315,012	1,249,398	1,331,131	1,356,065	1,382,418	1,403,768
Other Assets	11,653,477	14,134,160	14,146,543	16,510,721	16,133,880	15,769,811	15,360,707
<b>Total</b>	<b>12,843,769</b>	<b>15,449,172</b>	<b>15,395,940</b>	<b>17,841,852</b>	<b>17,489,945</b>	<b>17,152,229</b>	<b>16,764,475</b>
<b>Liabilities &amp; Equity</b>							
Current Liabilities	563,148	627,239	680,554	687,866	650,156	664,377	700,979
Long Term Liabilities	5,277,799	6,917,220	7,108,072	8,346,142	7,985,342	7,615,521	7,214,398
<b>Total Liabilities</b>	<b>5,840,947</b>	<b>7,544,459</b>	<b>7,788,626</b>	<b>9,034,008</b>	<b>8,635,498</b>	<b>8,279,898</b>	<b>7,915,377</b>
<b>Net Assets</b>	<b>7,002,822</b>	<b>7,904,713</b>	<b>7,607,314</b>	<b>8,807,844</b>	<b>8,854,447</b>	<b>8,872,331</b>	<b>8,849,098</b>
<b>Cash Flow</b>							
Revenues	2,674,904	2,708,423	2,977,549	3,326,439	3,326,439	3,326,439	3,326,439
Operating Expenses	1,654,789	1,794,034	2,163,677	2,420,855	2,469,272	2,501,990	2,552,030
Other Income	19,014	55,103	12,302	12,302	12,302	12,302	12,302
<b>Cash Flow Before Debt Service</b>	<b>1,039,129</b>	<b>969,492</b>	<b>826,174</b>	<b>917,886</b>	<b>869,469</b>	<b>836,751</b>	<b>786,711</b>
<b>Debt Service</b>							
Existing Debt Service	401,726	423,100	497,839	559,554	614,797	562,559	562,557
Proposed KIA Loan	0	0	0	0	5,329	10,658	10,658
<b>Total Debt Service</b>	<b>401,726</b>	<b>423,100</b>	<b>497,839</b>	<b>559,554</b>	<b>620,126</b>	<b>573,217</b>	<b>573,215</b>
<b>Cash Flow After Debt Service</b>	<b>637,403</b>	<b>546,392</b>	<b>328,335</b>	<b>358,332</b>	<b>249,343</b>	<b>263,534</b>	<b>213,496</b>

**Ratios**

Current Ratio	2.1	2.1	1.8	1.9	2.1	2.1	2.0
Debt to Equity	0.8	1.0	1.0	1.0	1.0	0.9	0.9
Days Sales in Accounts Receivable	49.9	48.1	48.1	48.0	48.0	48.0	48.0
Months Operating Expenses in Unrestricted Cash	4.6	4.8	4.2	3.9	4.0	4.1	4.1
Debt Coverage Ratio	2.6	2.3	1.7	1.6	1.4	1.5	1.4

**KEDFA BOND INFORMATION FORM**

**Name of Issue:** Kentucky Economic Development Authority Taxable Hospital Revenue Refunding Bonds, Series 2018A (Baptist Healthcare System Obligated Group)

**Name of project(s) covered by Issue:** Refunding of costs of various existing Baptist Healthcare System Projects – See Exhibit A

**Purpose of Issue:** The 2018A Bonds are being issued to (i) defease and refund all of the outstanding Kentucky Economic Development Finance Authority Hospital Revenue Bonds, Series 2009A (Baptist Healthcare System Obligated Group), currently outstanding in a total principal amount of \$74,405,000 (the “2009A Bonds”); (ii) refund all of the outstanding Kentucky Economic Development Finance Authority Hospital Revenue Bonds, Series 2017C (Baptist Healthcare System Obligated Group), currently outstanding in a total principal amount of \$65,245,000 (the “2017C Bonds”) (the 2009A Bonds and the 2017C Bonds, collectively, the “Prior Bonds”); (iii) fund a debt service reserve fund, if required, and (iv) pay costs of issuance of the 2018A Bonds and of the Refunding

**Size:** Not to exceed \$145,000,000

**Proposed date of Sale:** August 9, 2018 [Preliminary date only; subject to change]  
**Proposed date of issue:** August 23, 2018 [Preliminary date only; subject to change]  
**Maturity:** [To be determined; maximum term of 40 years]

**Ratings:** \_\_\_\_\_ (Moody’s) / \_\_\_\_\_ (Fitch)  
**Security:** Master Trust Indenture Obligation of Baptist Healthcare System, secured by a pledge of revenues of the Baptist Health Obligated Group

**Date authorization(s):** June 28, 2018 (KEDFA approval)  
July \_\_\_\_, 2018 (State Property and Buildings Commission)  
July \_\_\_\_, 2018 (Capital Projects and Bond Oversight Committee)  
July \_\_\_\_, 2018 (Office of Financial Management of the Finance and Administration Cabinet)

Net Proceeds for Refunding: \$ \_\_\_\_\_

Plus: Issuance Costs \$ \_\_\_\_\_

**GROSS PROCEEDS:** \$ \_\_\_\_\_

**Terms of issue:** \_\_\_\_\_ **Net interest rate:** \_\_\_\_%

**Length of term:** [Up to 40] years

**Gross debt service amount:** \$ \_\_\_\_\_

**Average annual debt service:** \$ \_\_\_\_\_

**First call date:** [August 15, 2028] **Premium at first call:** None

**Security:** See above

**Method of sale:** Negotiated

**Purchasers:** Bank of America Merrill Lynch

## Professional Services

Pursuant to the provisions of KRS Chapter 47, the

Agency: Kentucky Economic Development Finance Authority  
 Issue: Taxable Hospital Revenue Refunding Bonds, Series 2018A (Baptist Healthcare System Obligated Group)

is providing information on all costs associated, either directly or indirectly, with the issuance of revenue bonds or notes.

<u>Payee Name/Address*</u>	<u>Participation</u>	<u>Fees, commissions, or any other economic benefits received or anticipated to be received</u>
Kentucky Economic Development Finance Authority Old Capitol Annex 300 West Broadway Frankfort, KY 40601	Issuance Fee	\$10,000
Hall, Render, Killian, Heath & Lyman, P.C. 500 North Meridian St., Suite 400 Indianapolis, IN 46204	Bond Counsel Fee and Expenses	\$(TBD)
Stoll Keenon Ogden PLLC 500 West Jefferson Street Suite 2000 Louisville, KY 40202	Borrower Counsel Fee and Expenses	\$(TBD)
U.S. Bank National Association One Financial Square Louisville, KY 40202	Trustee's Fee	\$(TBD)
Stites & Harbison PLLC 400 West Market Street, Suite 1800 Louisville, KY 40202	Issuer's Counsel Fee and Expenses	\$(TBD)
Hammond Hanlon Camp LLC 623 Fifth Avenue, 29 <sup>th</sup> Floor New York, NY 10022	Financial Advisory Fee	\$(TBD)
Senior Manager Bank of America Merrill Lynch One Bryant Park New York, NY 10036	Underwriters' Discount	\$(TBD)
Chapman and Cutler LLP 111 West Monroe Street Chicago, IL 60603	Underwriters' Counsel Fee and Expenses	\$(TBD)
Deloitte & Touche LLP 220 West Main Street, Suite 2100 Louisville, KY 40202	Accountant's Fee	\$(TBD)

Moody's Investors Service 7 WTC at 250 Greenwich Street New York, NY 10007	Rating Fee	[\$TBD]
Fitch Ratings 33 Whitehall Street New York, NY 10004	Rating Fee	[\$TBD]
ImageMaster 1182 Oak Valley Drive Ann Arbor, MI 48108	Printing Fee	[\$TBD]

\* Payees listed shall include issuers, underwriters, placement agents and advisors, financial advisors, remarketing agents, credit enhancers, trustees, accountants, and the counsel of all such persons, bond counsel, special tax counsel, and any other persons receiving financing benefit from the issuance of revenue bonds or notes.

Note: Changes or additions in amounts or names of payees or recipients shall be furnished to the Capital Projects and Bond Oversight Committee and the Interim Joint Committee on Appropriations and Revenue, and shall be made available to the public, within three (3) days following such change or addition.

**SOURCES AND USES** (attach)

Sources: Bond Proceeds \$ \_\_\_\_\_  
Total Sources \_\_\_\_\_

Debt Service: (attach)

Uses: Refunding of 2017C Bonds \$ \_\_\_\_\_  
Refunding of 2009A Bonds \$ \_\_\_\_\_  
[Debt Service Reserve Fund] \$ \_\_\_\_\_]  
Cost of Issuance \$ \_\_\_\_\_  
Total Uses \$ \_\_\_\_\_

FOR REFUNDING ONLY

**Bond issue being refinanced:** (i) all of the outstanding Kentucky Economic Development Finance Authority Hospital Revenue Bonds, Series 2017C (Baptist Healthcare System Obligated Group) and (ii) all of the outstanding Kentucky Economic Development Finance Authority Hospital Revenue Bonds, Series 2009A (Baptist Healthcare System Obligated Group)

**Amount of principal:** \$ \_\_\_\_\_ **Amount to be refunded:** \$

**Terms of existing bond issue:**

**Net interest rate:** 2017C = LIBOR + 0.25% **Length of term:** 2017C = \_\_months  
2009A = [5.44%] 2009A = \_\_\_\_

**First call date:** 2017C = Any date **Call at par:**  
2009A = 8/15/2018

**Average annual debt service:** 2017C = currently interest only  
2009A = \$ \_\_\_\_\_

REFUNDING ACTIVITY

Funds to apply to refunding: \$ 0.00  
Proceeds from New Bonds \$ \_\_\_\_\_  
Released Debt Service Reserve \$ \_\_\_\_\_  
Total Available to Pay Old Bond Issue \$

SAVINGS RESULTING FROM REFINANCING

Average annual debt service savings: N/A



Number of years savings will accrue: N/A

Total present value savings: N/A

Note: The Bonds are being issued as Taxable Revenue Refunding Bonds in order to extend the maturity and re-structure the debt service payments on the Bonds to provide cash flow savings to Baptist Health and to appropriately position Baptist Health's entire debt portfolio.

## **EXHIBIT A**

### **PRIOR BONDS TO BE REFUNDED**

The Prior Bonds will be advance refunded with a portion of the proceeds of the Bonds.

### **PRIOR PROJECTS**

Proceeds of the Prior Bonds were used to finance and refinance all or any portion of the purchase, acquisition, construction, enlargement, remodeling, renovation, improvement, furnishing or equipping of the hospitals, other health facilities, and their related facilities, including land, owned or operated by Baptist Health or its affiliates and generally located at the addresses, all as described below:

1. Baptist Health Corbin, generally located at 1 Trillium Way, Corbin, Whitley County, Kentucky (\$15,000,000 maximum principal amount).
  - a. Acquisition, construction or renovation of behavioral health facilities, HVAC systems, plumbing systems, surgical centers and medical and office equipment and furnishings.
2. Baptist Health LaGrange, generally located at 1025 New Moody Land, LaGrange, Oldham County, Kentucky (\$30,000,000 maximum principal amount).
  - a. Acquisition, construction or renovation of facility safety systems, laboratory facilities, HVAC equipment, emergency and patient room improvements and medical and office equipment and furnishings.
3. Baptist Health Lexington, generally located at 1740 Nicholasville Road, Lexington, Fayette County, Kentucky (\$50,000,000 maximum principal amount).
  - a. Acquisition, construction or renovation of a two-story tower addition, power plant upgrades, laboratories, operating rooms, HVAC equipment, emergency systems, medical and office equipment and furnishings and other general facility improvements.
4. Baptist Health Paducah, generally located at 2501 Kentucky Avenue, Paducah, McCracken County, Kentucky (\$15,000,000 maximum principal amount).
  - a. Acquisition, construction or renovation of facilities for cardiovascular services, women's health services, diagnostic imaging services, chaplain services, safety system upgrades, and medical and office equipment and furnishings.

5. Baptist Health Louisville, generally located at 4000 Kresge Way, St. Matthews, Jefferson County, Kentucky (\$15,000,000 maximum principal amount).
  - a. Acquisition, construction or renovation of a patient bed and surgery tower, cardiovascular facilities, diagnostic imaging facilities, pediatric facilities, HVAC systems and related equipment, north building renovations and medical and office equipment and furnishings.
  
6. Baptist Health Support Services, generally located at 4007 Kresge Way, St. Matthews, Jefferson County, Kentucky (\$20,000,000 maximum principal amount).
  - a. Acquisition, construction or renovation of facility safety equipment and medical and office equipment and furnishings.

## NEW BOND ISSUE REPORT

Name of Bond Issue:	Kentucky Housing Corporation Tax-Exempt Conduit Multifamily Housing Revenue Bonds (City View Park Project), Series 2018
Purpose of Issue:	The bonds will be used to finance the acquisition, rehabilitation, and equipping of the City View Park Project, a five hundred and three unit property located at (i) 1001 Place Jaune, Louisville, Kentucky 40203, (ii) 1279 Place Noir, Louisville, Kentucky 40203 and (iii) 625 S. 10th St., Louisville, Kentucky 40203 and to be owned by Russell New Neighborhood 1, LP, Russell New Neighborhood 2, LP and Russell New Neighborhood 3, LP (collectively, the "Borrower"). The Kentucky Housing Corporation has conducted a public hearing concerning the proposed project on May 7, 2018 following the delivery of notice to the public on April 22, 2018. The Bond, if approved, will be the sole obligations of the Borrower.
Name of Project:	City View Park Project
Date of Sale:	September 6, 2018
Date of Issuance:	September 13, 2018
Anticipated Ratings:	Standard & Poor's (A-1+)
Anticipated Net Proceeds:	\$22,000,000
Cost of Issuance:	See Exhibit A attached (costs of issuance paid from owner equity)
Debt Service Reserve Fund:	\$0, but a \$2,293,335 operating reserve will be funded from equity.
Insurance Premium:	N/A
Total Project Cost:	\$48,098,559
Net Interest Rate:	1.00%
Term:	24 months
Average Debt Service:	\$220,000
Gross Debt Service:	\$440,000 (with a balloon payment due at maturity)
First Call Date:	September 2020
Premium at First Call:	No premium
Method of Sale:	Public Offereing
Bond Counsel:	Dinsmore & Shohl LLP
Underwriter:	Stifel, Nicolaus & Company, Inc.
Underwriter Counsel:	Tiber Hudson LLC
Financial Advisor:	N/A
Trustee:	The Huntington National Bank
Developer:	Telesis Louisville

## Exhibit A

### Project Funding Sources:

HUD FHA Loan	\$ 31,445,085
Deferred Developer Fee	555,486
Cash Flow Loan	1,000,000
FHLB Affordable Housing Program	700,000
Louisville Metro HOME Loan	800,000
Construction Period Income	1,043,584
Replacement Reserve Funds	471,890
LIHTC Anticipated Proceeds (4%)	<u>12,082,514</u>
<b>TOTAL</b>	<b>\$ 48,098,559</b>

### Costs of Issuance:

Origination Fee	\$ 156,287
KHC Counsel	21,177
KHC Financing Fee	52,942
KHC Application Fee & Expenses	7,500
KHC Admin Fee	5,000
Bond Counsel	95,000
Trustee Counsel	5,000
Placement Agent Counsel	35,000
Borrowers Counsel	51,000
Trustee Fee	6,500
Rating Agency	5,000
TEFRA/Publication/Print	5,000
Cost of Issuance Contingency	<u>99,000</u>
<b>TOTAL</b>	<b>\$ 544,406</b>



TELESIS  
CORPORATION

## Background of the Firm

Telesis Corporation plans, finances, and builds urban communities that are livable, beautiful, and safe. Since our founding, in 1985, Telesis has planned or structured a complex mix of over \$2.8 billion in public and private financing for the planning and regeneration of neighborhoods with more than 17,000 units of housing and a diversity of commercial and civic uses. Based in Washington, DC, our work has taken us to neighborhoods from New York to San Francisco, Chicago to Miami, and many communities in between.

We focus on large-scale neighborhood transformations with a mix of uses, including rental, homeownership, commercial, and community facilities. Our experience encompasses a mix of leveraged financing tools and sources, including RAD, HOPEVI, Low Income Housing Tax Credits, New Markets Tax Credits, other local and federal subsidies, and private debt and equity.

Our expertise lies in bringing together public and private partners—housing agencies and banks; resident corporations and local community leaders; federal and municipal agencies; and a range of private and public investors—to strengthen the physical, social, and economic fabric of neighborhoods. By doing so, we're able to secure the organizational, civic and financial support required to make

neighborhood developments successful. Our goal is constant: neighborhoods that offer sound opportunities for investment and conditions conducive to family life.

Telesis believes that physical and community development are inseparable. In all of our neighborhoods, we address the diverse elements of an investment-worthy community and undertake comprehensive revitalization— from affordable homeownership opportunities to mixed-income rental opportunities; from world-class architecture to world-class landscape design; from learning centers to employment centers; from community policing to community daycare. This breadth of approach to development assures public and private investors positive financial and social returns. And it assures residents of a good place to live and continued affordability.

Telesis builds equitable, sustainable communities that spark the reemergence of neighborhoods and cities. We view the existing infrastructure and neighborhood resources as foundations to build upon and as sources of energy for renewal. Cities have always been the locus of innovation and vivid human and civic experience. At Telesis, our goal is to preserve and enhance urban life by nurturing the essence of cities: their neighborhoods. We are a team of creative professionals motivated by a singular commitment: to build strong communities as the bedrock of vibrant cities.

## EXPERIENCE

# Financial Expertise



Telesis has worked closely with global and local banks, public and private agencies, and different levels of government to assemble financing for over 17,000 units of housing and a diversity of commercial, civic, and community activities. To meet the special needs of each neighborhood, our work has involved a complex mix of financing, including:

- Private mortgage financing
- Private institutional equity
- Subordinate financing
- Loan guarantees
- Credit enhancement
- Homebuyer secondary mortgage assistance
- Tax credits (LIHTC, Historic Rehabilitation, New Markets)
- Public investment and foundation grants
- Tax-exempt bonds
- Mortgage insurance

Each community confronts a different set of financing opportunities and constraints. Telesis specializes in identifying the needs of the projects and the availability of funds from public and private sources to meet those specific needs. Telesis obtains the appropriate funds and maximizes the value received for each budgeted dollar. Private financial partners include J.P. Morgan Chase, Fannie Mae, U.S. Bank, PNC, Morgan Stanley, Capital One, and Enterprise Community Investments, among others.

### Tax Credits

Telesis has developed more than 2,500 units of tax-credit assisted housing in partnership with residents, housing agencies, nonprofits, and investors. We have been awarded over \$200 million in LIHTCs. Within the last five years,

Telesis has been secured 9% LIHTC allocations in Arlington, VA; Pittsburgh, PA; Bradenton, FL; Baltimore, MD, and Washington, DC. We have expertise with federal and state Historic Rehabilitation Tax Credits, and combining 4% LIHTCs with tax-exempt bond financing. Moreover, Telesis has substantial experience using New Markets Tax Credits (NMTCs). Through our CDE, Telesis has been awarded multiple NMTC allocations totaling \$135 million, which have been used for projects covering a mix of residential, commercial, civic and institutional uses.

### Federal, State, and Local Programs

Telesis has collaborated extensively with housing authorities to redevelop public housing into mixed-finance communities. We actively participated in the HOPEVI program, both as developer and as consultant to public housing authorities, serving as master planner for nine HOPEVI applications and developer or program manager for six. These efforts for 15 projects secured over \$377 million in HOPEVI awards and leveraged more than \$1 billion in other investments. In addition to HOPEVI, Telesis has participated actively in federal programs such as RAD, NSP2, CDBG, HOME, and Section 8. Specializing in leveraging public funding with private investment, Telesis has been able to successfully combine federal programs with additional local and state gap financing tools, such as tax-increment financing, tax credits, and Affordable Housing Program grants from Federal Home Loan Banks.

## EXPERIENCE

# Highlights of Our Approach



### Quality Design

Excellence in site and building design is essential to the creation of safe, livable environments. Our projects are known for high-quality architectural and landscape design. For example, Ellen Wilson Townhomes in Washington, DC, was awarded the prestigious Urban Design award by the American Institute of Architects, the Urban Land Institute's Award of Excellence, and the Congress for New Urbanism's Charter Award. The architects and planners with whom we work are carefully selected as collaborators and are nationally known for their creativity.

### Sustainable Development

All Telesis communities are designed to meet or exceed green building certifications, such as Enterprise Green Communities, Energy Star, LEED, and EarthCraft. Bass Circle Apartments in Washington, DC, for example, exceeded Enterprise Green Communities requirements and incorporated a site design that represents the region's first large-scale application of low-impact development (LID) measures for revitalized housing. Bass Circle was awarded Best Large Affordable Housing Project by HAND.

### Mixed-Income Neighborhoods

We focus on reducing concentrated poverty and creating mixed-income communities. In Baltimore, we created a redevelopment strategy for the Barclay neighborhood that includes the scattered-site development of hundreds of parcels into mixed-income housing, with both rental and homeownership opportunities. The redevelopment effort, now over two-thirds complete, also introduced vital community amenities and commercial amenities.

### Family Self Sufficiency

Working with residents, Telesis has incorporated family programs as a key component of community revitalization since its first neighborhood transformation in 1985. Telesis believes that providing opportunities for work, education, and recreation is an integral part of the community revitalization process.

### MBE/WBE Participation

Telesis, a woman-owned business, is committed to working with minority- and women-owned businesses. All of our projects have met and exceeded goals for MBE/WBE contracts. In many cases, Telesis has provided training and organizational assistance to help create local business enterprises.

### Section 3 Goals

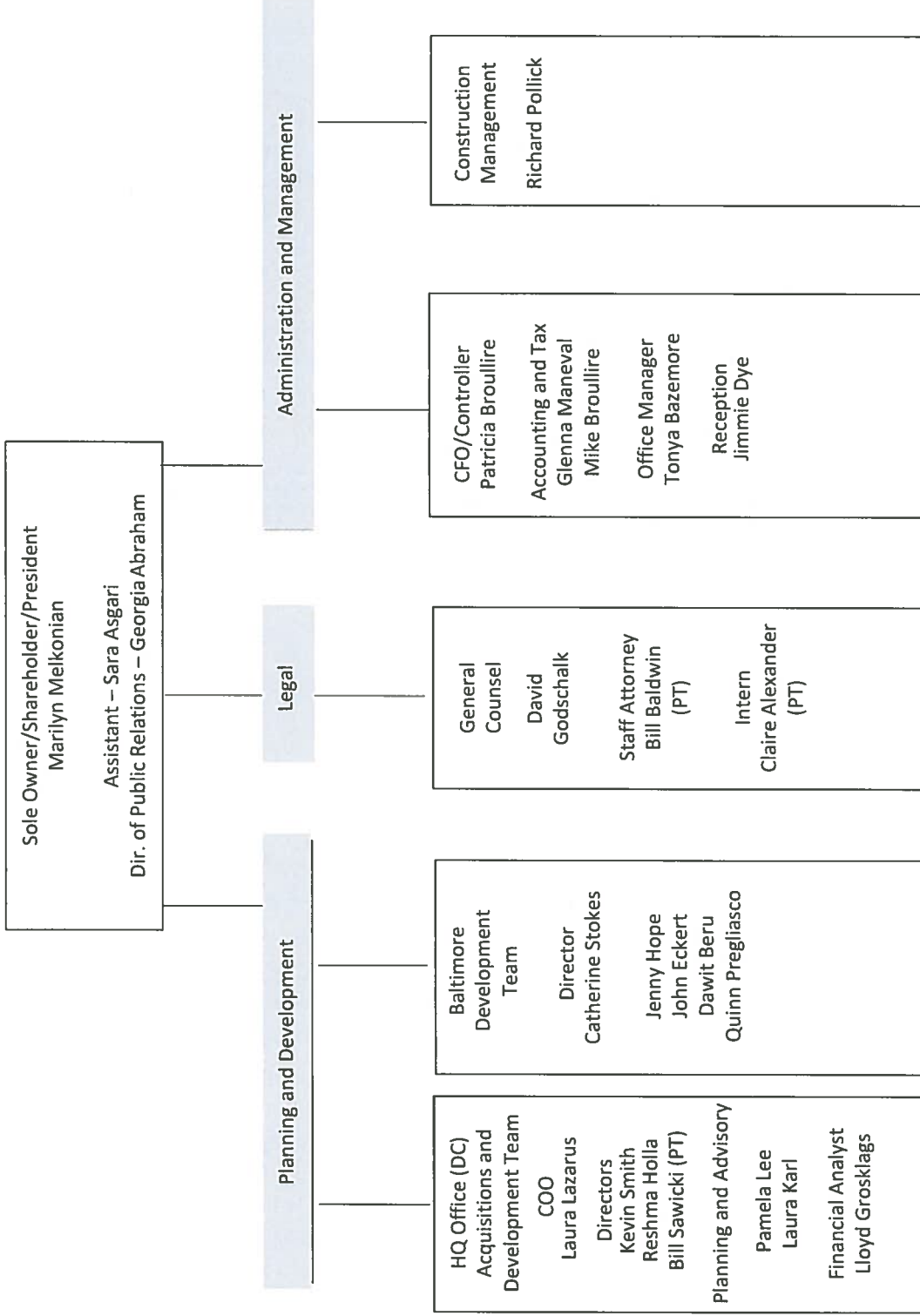
Telesis is an experienced supporter of Section 3 efforts. We always hire residents in the communities where we work. Telesis has designed and overseen highly successful resident-training and apprenticeship programs, in particular, construction-training programs.

### Market Analysis

Commissioning a market analysis is a fundamental starting point for all of our development projects, as is a Taking Stock report, which examines community and supportive service attributes not normally considered in traditional market analyses.



**TELESIS CORPORATION**



## KEY TELESIS PERSONNEL

- **Marilyn Melkonian, President**

Marilyn Melkonian founded Telesis Corporation in 1985. She has over 30 years of experience in housing policy, real estate development, and finance. She brings her knowledge and expertise to the various boards on which she serves, including the Eisenhower Foundation, Brookings, and the National Housing Trust, which she founded in 1986 and chairs. Former positions include Deputy Assistant Secretary for Housing at HUD, under President Carter, General Counsel for Lucasfilm, and counsel to the architecture firm of John Carl Warnecke & Associates. She practiced law for 15 years in New York and DC and is a graduate of Princeton University and Stanford Law School.

- **Laura Lazarus, Chief Operating Officer**

Laura recently returned to Telesis after serving as Executive Director of Lantern Community Services, a supportive housing nonprofit, and Chief Program Officer at Lenox Hill Neighborhood House, a New York-based settlement house serving 20,000 people annually. Laura has a longstanding commitment to high-impact projects that bring change to low-income and distressed communities. While at Telesis, Laura led the redevelopment East Hills in Pittsburgh and laid the foundation for the Barclay regeneration in Baltimore. In 2007, she served as Deputy Commissioner of New York's Department of Housing Preservation and Development. Laura serves as Vice Chair of Women in Housing and Finance in New York. Laura earned her A.B. from Princeton and her J.D. from Georgetown.

- **Bertrand Mason, Director of Development**

Bert has extensive experience in commercial and residential development and finance. His development experience includes single-family and multifamily housing; rental and homeownership; office, retail, and mixed-use complexes; and new construction and substantial rehabilitation. He has arranged debt and equity financing utilizing private and public sources, FHA insurance, Fannie Mae and Freddie Mac credit enhancements, private offerings, and a variety of public subsidies and tax credits. Bert's work as an attorney has included private practice, as a partner in a large law firm, and public service, as executive assistant to the Federal Housing Commissioner and general counsel of the California Department of Housing and Community Development.

- **Catherine Stokes, Director of Telesis Baltimore**

Catherine has 15 years of real estate and community development experience. She has extensive experience working with community partners and leads multidisciplinary teams of design, finance, and construction professionals on mixed-income and mixed-finance redevelopment projects. Previously, Catherine worked at the New York City Department of Housing Preservation and Development. From 2003 to 2005, she was a Presidential Management Fellow with the Treasury Department's Community Development Financial Institutions Fund. Catherine is a graduate of the University of Notre Dame and received her Master of City Planning from MIT.

- **Kevin Smith, Director of Preservation and Acquisitions**

Kevin has more than 30 years of real estate management and development experience. At Telesis, he focuses on preservation of affordable housing in existing Telesis communities and expansion of Telesis' portfolio through real estate acquisitions. He has worked on complex multifamily

transactions with nonprofit and for-profit firms. Prior to Telesis, Kevin was the Director of Asset Management for a national syndicator that placed over \$1 billion in LIHTC equity. Previously, he held Director of Special Asset Management roles with two national syndicators. Kevin's underlying experience is in property operations, and he holds CPM and HCCP certifications.

- **Juanita Waddell Priddy, Construction Consultant**

Juanita has nearly four decades of experience in development and management. She has held leadership positions with the Northwestern Regional Housing Authority, Marshall Blackwell Group, and MB Corporation. In her work as a consultant, working with numerous firms across the country, she has supervised the development of dozens of LIHTC properties across the country. Juanita specializes in the acquisition, development, and substantial renovation of tax-credit properties and developments receiving Section 8 or other rental assistance or subsidized financing.

- **David Godschalk, General Counsel**

David has 15 years of experience in housing and government finance, including at HUD, where he led investigations into program compliance and civil rights matters at several housing authorities. David spent seven years in private practice at Hawkins, Delafield & Wood and Vinson & Elkins, where his practice encompassed affordable housing and public finance, including the first bond issuance backed by public housing operating grant funds, and related securities law. He earned his J.D. from the University of North Carolina and has a Master in Public Administration from Harvard.

- **Reshma Holla, Senior Project Manager**

Reshma oversees the development and preservation of affordable/mixed-income housing. In addition to managing several development efforts, she focuses on broader community revitalization, including the creation of supportive commercial and civic uses. Prior to joining Telesis, Reshma worked as a consultant at the real estate advisory services firm RCLCO. She is a graduate of the University of Pennsylvania and is certified by the National Development Council as a Housing Development Finance Professional. Reshma is a member of the Executive Committee for the Young Leaders in Affordable Housing, serving as chair of its Philanthropy and Service Committee. She is also an active member of ULI Washington Young Leader's Group and her neighborhood's Economic Development Committee.

- **Pamela Lee, Project Manager**

Pam manages design, predevelopment, and construction for a pipeline of mixed-use multifamily projects. Prior to Telesis, Pam was a housing finance advisor at FHA, where she worked on housing finance reform with the White House, energy-efficiency policies, and a multiagency initiative to increase access to credit. Pam was a founding member of the Urban Institute's Housing Finance Policy Center, and was a development fellow at the Cambridge Housing Authority and an editor at Random House. Pam holds a Master in Urban Planning from Harvard University and a B.A. from Cornell University.



**MATTHEW G. BEVIN**  
Governor

**Commonwealth of Kentucky**  
**FINANCE AND ADMINISTRATION CABINET**  
**Office of Financial Management**  
702 Capital Avenue  
Suite 76  
Frankfort, Kentucky 40601  
(502) 564-2924  
(502) 564-7416 Facsimile

**WILLIAM M. LANDRUM III**  
Secretary

**RYAN BARROW**  
Executive Director

June 19, 2018

William M. Landrum III  
Secretary  
Finance and Administration Cabinet  
Executive Director  
State Property and Buildings Commission  
702 Capital Avenue  
Frankfort, KY 40601

Dear Secretary Landrum:

Pursuant to KRS 42.420, the Office of Financial Management is required to review and approve the issuance of debt by all state agencies. The attached constitutes the review and approval of the \$271,170,000 State Property and Buildings Commission Revenue Bonds, Project No. 119 and \$9,580,000 State Property and Buildings Commission Revenue Refunding Bonds, Project No. 120 dated June 19, 2018.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Barrow".

Ryan Barrow  
Executive Director  
Office of Financial Management

Attachments

**OFM APPROVAL PURSUANT TO KRS 42.420**  
**\$280,750,000**  
**COMMONWEALTH OF KENTUCKY**  
**STATE PROPERTY AND BUILDINGS COMMISSION**  
**\$271,170,000 REVENUE BONDS, PROJECT NO. 119**  
**\$9,580,000 REVENUE REFUNDING BONDS, PROJECT NO. 120**

**DESCRIPTION:**

The Bonds are being issued to provide funds with which to (i) provide permanent financing for approximately \$300 million of General Fund supported capital projects authorized by the General Assembly of the Commonwealth of Kentucky in H.B. 380 and H.B. 557 (2006 Session), H.B. 1 (2010 Special Session), H.B. 265 (2012 Session), H.B. 235 (2014 Session), H.B. 303 (2016 Session) and H.B. 200 (2018 Session); (ii) refund the outstanding bonds of the State Property and Buildings Commission (Project No. 92 & 97) and the outstanding Kentucky Asset/Liability Commission Project Notes, 2005 Agency Fund Taxable First Series for present value savings; and, (iii) pay costs of issuance.

**BOND SUMMARY STATISTICS:**

Par Amount:	\$280,750,000
Pricing Date:	June 5, 2018
Closing Date:	June 19, 2018
Dated Date:	June 19, 2018
Final Maturity:	May 1, 2038
Arbitrage Yield:	3.366965%
TIC:	3.720987%
NIC:	3.977726%
All-In TIC:	3.732309%
Benchmark (BBWK20GO):	3.92% (June 14, 2018)
Method of Sale:	Negotiated
Underwriter:	Citigroup

**RATINGS:**

Moody's:	A1
Fitch Ratings:	A+
S&P:	A-

**SOURCES AND USES OF FUNDS:**

**SOURCES OF FUNDS:**

Par Amount of Bonds	\$	280,750,000.00
Net Original Issue Premium		<u>31,373,001.20</u>
<b>TOTAL SOURCES</b>	\$	<b>312,123,001.20</b>

**USES OF FUNDS:**

Deposit to the Construction Fund	\$	300,000,000.00
Deposit to Escrow		8,889,020.73
Deposit to Debt Service Reserve Fund		1,516,700.00
Costs of Issuance*		<u>1,717,280.47</u>
<b>TOTAL USES</b>	\$	<b>312,123,001.20</b>

\*Includes underwriters' discount, legal fees, rating agency fees, trustee fees, printing and other expenses of the issuance and offering of the Bonds.

**REFUNDING:**

Par Amount of Refunded Bonds:	\$	10,605,000.00
Net PV Savings:	\$	1,509,517.65
Percentage Savings of Refunded Bonds:		14.234018%

## PROFESSIONAL SERVICES:

Pursuant to KRS Chapter 45, the Issuer is providing information on all costs associated, either directly or indirectly, with this bond issuance. Costs are actual or estimated as of the date of closing of the issue.

<b>Firm</b>	<b>Service</b>	<b>Fee</b>
Imagemaster	Printer / Roadshow	\$ 3,100.00
U.S. Bank	Trustee	10,000.00
Dinsmore & Shohl, LLP	Bond Counsel	53,387.20
Moody's	Rating Service	45,000.00
Fitch Ratings	Rating Service	82,000.00
Standard & Poor's	Rating Service	31,766.00
AMTEC	Verification Agent	1,250.00
OFM	Financial Advisor	70,187.50
Build America Mutual	Insurance	253,533.27
	Contingency / Misc.	<u>16,638.05</u>
<b>TOTAL</b>		<b>\$ 566,862.02</b>

## GROSS SPREAD/UNDERWRITER'S DISCOUNT:

	<b>Per Bond</b>	<b>Total</b>
Underwriter's Average Takedown	3.834230	\$1,076,460.00
Underwriter's Other Fee	0.131225	36,841.45
Underwriter's Counsel	<u>0.132206</u>	<u>37,117.00</u>
<b>TOTAL</b>	<b>4.097661</b>	<b>\$1,150,418.45</b>

**COST OF ISSUANCE GRAND TOTAL:** **\$1,717,280.47**

## ATTACHMENTS:

OS Cover  
Project List  
Bond Debt Service Schedule  
Savings Schedule  
Summary of Bonds Refunded

*In the opinion of Bond Counsel for the Bonds, based upon an analysis of laws, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants made by the Commission, and subject to the conditions and limitations set forth herein under the caption "TAX TREATMENT," interest on the Bonds is excludible from gross income for Federal income tax purposes and is not a specific item of tax preference for purposes of the Federal individual or corporate alternative minimum taxes. Interest on the Bonds is exempt from Kentucky income tax and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. See "TAX TREATMENT" herein for a more complete discussion, and EXHIBIT G - "FORMS OF BOND COUNSEL OPINIONS FOR THE BONDS."*

**\$280,750,000**

**COMMONWEALTH OF KENTUCKY  
State Property and Buildings Commission**

**\$271,170,000  
Revenue Bonds,  
Project No. 119**

**\$9,580,000  
Agency Fund Revenue Refunding Bonds,  
Project No. 120**

**Dated: See inside cover**

**Due: See inside cover**

The Revenue Bonds, Project No.119 (the "Project No. 119 Bonds") and the Agency Fund Revenue Refunding Bonds, Project No. 120 (the "Project No. 120 Bonds", and together with the Project No. 119 Bonds, the "Bonds") will be issued only as fully registered bonds, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of, premium, if any, and interest due on the Bonds will be made directly to DTC. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Project No. 119 Bonds will bear interest payable on each May 1 and November 1, commencing on November 1, 2018. The Project No. 120 Bonds will bear interest payable on each June 1 and December 1, commencing on December 1, 2018. Principal of, premium, if any, and interest on the Bonds will be paid directly to DTC by U.S. Bank National Association, Louisville, Kentucky, as Trustee and Paying Agent.

The Bonds mature on the dates and in the principal amounts, bearing semiannual interest and have the prices and/or yields shown on the inside cover.

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Redemption".

The Bonds are being issued by the State Property and Buildings Commission (the "Commission"), an independent agency of the Commonwealth of Kentucky (the "Commonwealth"), at the request of the Finance and Administration Cabinet of the Commonwealth (the "Cabinet") pursuant to Bond Resolutions adopted on April 12, 2018 (the "Resolutions"). The Project No. 119 Bonds are being issued to (i) pay the costs of Project No. 119 (as defined herein), and (ii) pay costs of issuing the Project No. 119 Bonds. The Project No. 120 Bonds are being issued to (i) refund (a) outstanding Commission Taxable Agency Fund Revenue Bonds, Project No. 92 and Project No. 97, and (b) outstanding Kentucky Asset/Liability Commission Project Notes, 2005 Agency Fund Taxable First Series, as more completely identified in EXHIBIT D - SUMMARY OF PRIOR BONDS, (ii) fund a debt service reserve, and (iii) pay costs of issuing the Project No. 120 Bonds.

The scheduled payment of principal of and interest on the Project No. 119 Bonds maturing on May 1, of the years 2031 (CUSIP #49151FZB9), 2032 (CUSIP #49151FZC7), 2033 (CUSIP #49151FZD5) and 2034 (CUSIP #49151FZF0) (the "Insured Bonds"), when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by Build America Mutual Assurance Company.



THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE COMMONWEALTH, OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE COMMONWEALTH, BUT ARE PAYABLE SOLELY FROM AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS CREATED BY THE RESPECTIVE RESOLUTIONS AND FROM RENTAL INCOME DERIVED FROM (i) WITH RESPECT TO THE PROJECT NO. 119 BONDS, THE BIENNIAL RENEWABLE LEASE WITH THE CABINET AND SUBLEASES (AS DESCRIBED AND DEFINED HEREIN), AND (ii) WITH RESPECT TO THE PROJECT NO. 120 BONDS, THE BIENNIAL RENEWABLE LEASE WITH THE CABINET AND THE KENTUCKY DEPARTMENT OF MILITARY AFFAIRS, THE RENT FROM WHICH IS SUBJECT TO APPROPRIATION BY THE GENERAL ASSEMBLY OF THE COMMONWEALTH ON A BIENNIAL BASIS. THE BONDHOLDERS HAVE NO SECURITY INTEREST IN ANY PROPERTIES CONSTITUTING THE PROJECTS (AS DEFINED HEREIN) OR ANY AMOUNTS DERIVED THEREFROM. See "SECURITY FOR THE BONDS" herein.

The cover page contains information for quick reference only and is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Stites & Harbison, PLLC, Louisville, Kentucky. It is expected that delivery of the Bonds will be made on or about June 19, 2018, in New York, New York, through the facilities of DTC, against payment therefor.

**Citigroup**

**Morgan Stanley**

**Raymond James**

**Baird**

**J.J.B. Hilliard, W.L. Lyons, LLC**

**FTN Financial Capital Markets**

**First Kentucky Securities Corp.**

**Ross, Sinclair & Associates, LLC**



**EXHIBIT C**

**PROJECT NO. 119**

<b>Agency</b>	<b>Project Title</b>	<b>Amount</b>
<b>2006-08</b>		
Economic Development	Economic Development Bond Pool	1,932,873.81
<b>2010-12</b>		
Local Government	Flood Control - State Match 2010-12	310,542.40
Economic Development	BRAC Water/Sewer Projects	11,495,000.00
Economic Development	Economic Development Bonds 2010-12	5,389,083.36
Economic Development	KY Economic Development Authority Loan Pool 2010-12	22,050,000.00
Environmental Protection	State Owned Dam Repair	555,803.00
Energy & Environment	Ky Heritage Land Conservation Fund Projects	375,944.67
<b>2012-14</b>		
Local Government	Flood Control Matching 2012-14	2,000,000.00
Environmental Protection	Maxey Flats Cap	2,008,138.57
Natural Resources	State Owned Dam Repair 2012-14	2,500,000.00
Finance and Administration - Facilities and Support Services	Maintenance Pool 2012-14	60,594.21
Finance and Administration - Facilities and Support Services	Statewide Microwave Network (KEWS) Maintenance	668,799.16
Finance and Administration - Facilities and Support Services	Council of State Government's Building Complex	77,387.02
Health and Family Services	Electrical System Upgrade at Western State Hospital- Design	482,378.99
<b>2014-16</b>		
Ky Infrastructure Authority	KIA Fund A - Federally Assisted Wastewater Program - 2014-16	800,084.25
Ky Infrastructure Authority	KIA Fund F - Federally Assisted DWRL Program - 2014-16	288,468.74
Military Affairs	Maintenance Pool - 2014-16	105,513.48
Veterans' Affairs	Construct Fourth State Veterans' Nursing Home - Additional	980,656.64
Economic Development	Economic Development Bond Program - 2014-2016	3,875,000.00
Economic Development	Ky Economic Development Finance Authority Loan Pool - 2014-2016	3,875,000.00
Economic Development	High Tech Construction/Investment Pool - 2014-2016	3,875,000.00
Department of Education	Maintenance Pool - 2014-2016	5,000.00
Environmental Protection	State-Owned Dam Repair - 2014-2016	600,000.00
Finance and Administration	Next Generation Kentucky Information Highway	18,286,933.58
Finance and Administration	Business-One Stop Portal - Phase II	376,868.29
Finance and Administration - Facilities and Support Services	Maintenance Pool - 2014-16	32,902.65
Finance and Administration - Facilities and Support Services	Upgrade State Data Center Readiness	470,028.45
Health and Family Services	Maintenance Pool - 2014-16	169.12
Health and Family Services	Radiation Monitoring Equipment	816,694.60

**EXHIBIT C**

**PROJECT NO. 119**

Eastern Ky University	Construct Science Building - Phase II & III	6,117,041.47
Ky State University	Replace Boilers and Repair Aging Distribution Lines	2,032,343.15
Morehead State University	Renovate/Expand Student Services Facility	14,781,960.05
Murray State University	Construct New Breathitt Veterinary Center	3,091,564.02
Northern Ky University	Renovate Old Science and Construct Health Innovation	24,644,243.51
University of Kentucky	Expand/Renovate/Upgrade Law Building	27,926,650.86
University of Louisville	Construct Belknap Classroom/Academic Building	45,365,075.74
Western Ky University	Renovate Science Campus - Phase IV	13,345,176.36
KY Community & Technical College System	Construct Advanced Manufacturing Facility - Georgetown	1,966,363.15
Kentucky Center for the Arts	Roof Replacement	496,240.76
Kentucky Historical Society	Digital Initiatives	1,000,000.00
Parks	Maintenance Pool - 2014-16	45,334.52
Parks	Upgrade Guest Accommodations	1,165,532.08
State Fair Board	Ky International Convention Center Renovation and Expansion	43,869,146.24
State Fair Board	Freedom Hall Sewer Line Replacement	1,066,659.01
 <b>2016-18</b>		
Ky Infrastructure Authority	KIA Fund A -Federally Assisted Wastewater Program-2016-2018	7,500,000.00
Ky Infrastructure Authority	KIA Fund F - Federally Assisted DWRL Program-2016-2018	3,803,200.00
Economic Development	Economic Development Bond Program - 2016-2018	3,875,000.00
Economic Development	High-Tech Construction/Investment Pool - 2016-2018	3,875,000.00
Economic Development	Kentucky Economic Development Finance Authority Loan Pool - 2016-2018	3,875,000.00
Education and Workforce-Gen Admin & Program Support	Workforce Development Construction Pool	66,939,337.00
Dept of Education-Operations & Support Services	Maintenance Pool 2016-2018	1,125,600.00
Dept of Education-Operations & Support Services	Kentucky School for the Blind Howser Hall Renovation	4,805,750.00
Dept of Education-Operations & Support Services	Kentucky School for the Deaf New Elementary Building	5,671,374.42
Dept of Education-Operations & Support Services	Kentucky School for the Deaf McDaniel/Scoggin Education Building	595,162.75
Environmental Protection	State-Owned Dam Repair - 2016-2018	4,000,000.00
Finance and Administration	Business One-Stop Portal-Phase III	12,000,000.00
Finance and Administration	Lexington Convention Center Replacement	60,000,000.00
Finance and Administration - Facilities and Support Services	Maintenance Pool 2016-2018	1,666,294.49
Finance and Administration - Facilities and Support Services	Upgrade L&N Building	4,327,192.32
Finance and Administration - Facilities and Support Services	HVAC Replacement-CHR Building	4,390,850.00
Health & Family Services	Maintenance Pool 2016-2018	646,853.90
Health & Family Services	Western State Hospital-Electrical Upgrade-Phase I	3,348,259.56
Justice Cabinet-Corrections-Adult Institutions	Maintenance Pool 2016-2018	310,997.82

**EXHIBIT C**

**PROJECT NO. 119**

Justice Cabinet-Corrections-Adult Institutions	Kentucky Correctional Institution for Women-Sewer Plant/Lines	2,508,154.00
Parks	Maintenance Pool 2016-2018	1,978,393.24
Parks	Life Safety Maintenance Pool	5,000,000.00
State Fair Board	Kentucky Exposition Center Roof Repair	8,000,000.00
<b>2017</b>		
KY Department of Veterans' Affairs	Bowling Green Veterans Center	10,500,000.00
<b>2018-2020</b>		
Ky Infrastructure Authority	KIA Fund A - Federally Assisted Wastewater Program - 2018-2020	6,802,000.00
Ky Infrastructure Authority	KIA Fund F - Federally Assisted Drinking Water Revolving Loan Program - 2018-2020	5,176,000.00
Education and Workforce Development-KET	FCC Transmitter Repack 2018-2020	2,100,000.00
Environmental Protection	State-Owned Dam Repair - 2018-2020	10,000,000.00
Finance and Administration - Facilities and Support Services	Maintenance Pool - 2018-2020	5,700,000.00
Finance and Administration - Facilities and Support Services	L&N Building Security and Structural Repairs	9,800,000.00
Finance and Administration - Facilities and Support Services	Upgrade Capitol Mechanical and Electrical System, Phase I	4,500,000.00
Finance and Administration - Facilities and Support Services	Emergency Generator Replacement COT/CHR	2,600,000.00
Health & Family Services	Maintenance Pool - 2018-2020	4,750,000.00
Health & Family Services-BHDID	Electrical & Telecommunications Upgrade-Western State Hospital, Phase II	3,410,000.00
Health & Family Services-BHDID	HVAC System Replacement - Hazelwood	8,000,000.00
Health & Family Services-BHDID	Renovate/Replace Cottages - Oakwood, Phase I	4,000,000.00
Justice Cabinet-Corrections-Adult Institutions	Maintenance Pool - 2018-2020	6,000,000.00
Justice Cabinet-Corrections-Adult Institutions	Demolish and Repair Tower Ky State Reformatory	7,871,000.00
Justice Cabinet-Corrections-Adult Institutions	Replace Perimeter Fence, Kentucky State Reformatory	3,116,000.00
Justice Cabinet - State Police	Two-Way Radio System Replacement, Phase I	35,100,000.00
Military Affairs	Armory Modernization Pool - 2018-2020	2,000,000.00
Parks	Maintenance Pool - 2018-2020	20,000,000.00
State Fair Board	Kentucky International Convention Center East Roof Replacement	5,000,000.00
State Fair Board	Maintenance Pool - 2018-2020	6,000,000.00
Revenue	Integrated Tax System	92,500,000.00
Finance - COT	Legacy System Replacement	20,000,000.00
University of Kentucky	HealthCare Disparities Initiative	40,000,000.00
	Unallocated Bond Proceeds from SPBC 117B	(100,000,000.00)
	<b>Grand Total</b>	<b><u><u>696,375,615.41</u></u></b>

BOND DEBT SERVICE BREAKDOWN

Kentucky State Property and Buildings Commission  
 Revenue Bonds, Project No. 119  
 Agency Fund Revenue Refunding Bonds, Project No. 120  
 Rates as of June 5, 2018  
 \*\*\*Final Numbers\*\*\*

Date	Revenue Bonds, Project No 119	Agency Fund Revenue Refunding Bonds, Project No 120	Total	Annual Total
11/01/2018	4,912,368.54		4,912,368.54	
12/01/2018		195,615	195,615.00	
05/01/2019	16,553,684.38		16,553,684.38	
06/01/2019		1,317,350	1,317,350.00	
06/30/2019				22,979,017.92
11/01/2019	6,452,309.38		6,452,309.38	
12/01/2019		200,850	200,850.00	
05/01/2020	15,012,309.38		15,012,309.38	
06/01/2020		1,315,850	1,315,850.00	
06/30/2020				22,981,318.76
11/01/2020	6,238,309.38		6,238,309.38	
12/01/2020		184,125	184,125.00	
05/01/2021	15,223,309.38		15,223,309.38	
06/01/2021		1,129,125	1,129,125.00	
06/30/2021				22,974,868.76
11/01/2021	6,013,684.38		6,013,684.38	
12/01/2021		155,500	155,500.00	
05/01/2022	15,448,684.38		15,448,684.38	
06/01/2022		1,360,500	1,360,500.00	
06/30/2022				22,978,368.76
11/01/2022	5,777,809.38		5,777,809.38	
12/01/2022		125,375	125,375.00	
05/01/2023	15,687,809.38		15,687,809.38	
06/01/2023		1,380,375	1,380,375.00	
06/30/2023				22,971,368.76
11/01/2023	5,530,059.38		5,530,059.38	
12/01/2023		94,000	94,000.00	
05/01/2024	15,935,059.38		15,935,059.38	
06/01/2024		1,419,000	1,419,000.00	
06/30/2024				22,978,118.76
11/01/2024	5,269,934.38		5,269,934.38	
12/01/2024		60,875	60,875.00	
05/01/2025	16,194,934.38		16,194,934.38	
06/01/2025		1,450,875	1,450,875.00	
06/30/2025				22,976,618.76
11/01/2025	4,996,809.38		4,996,809.38	
12/01/2025		26,125	26,125.00	
05/01/2026	16,466,809.38		16,466,809.38	
06/01/2026		356,125	356,125.00	
06/30/2026				21,845,868.76
11/01/2026	4,710,059.38		4,710,059.38	
12/01/2026		17,875	17,875.00	
05/01/2027	16,755,059.38		16,755,059.38	
06/01/2027		367,875	367,875.00	
06/30/2027				21,850,868.76
11/01/2027	4,408,934.38		4,408,934.38	
12/01/2027		9,125	9,125.00	
05/01/2028	17,053,934.38		17,053,934.38	
06/01/2028		374,125	374,125.00	
06/30/2028				21,846,118.76
11/01/2028	4,092,809.38		4,092,809.38	
05/01/2029	17,372,809.38		17,372,809.38	
06/30/2029				21,465,618.76
11/01/2029	3,760,809.38		3,760,809.38	
05/01/2030	17,700,809.38		17,700,809.38	
06/30/2030				21,461,618.76
11/01/2030	3,412,309.38		3,412,309.38	
05/01/2031	18,052,309.38		18,052,309.38	
06/30/2031				21,464,618.76
11/01/2031	3,046,309.38		3,046,309.38	
05/01/2032	18,416,309.38		18,416,309.38	
06/30/2032				21,462,618.76
11/01/2032	2,662,059.38		2,662,059.38	
05/01/2033	18,802,059.38		18,802,059.38	
06/30/2033				21,464,118.76
11/01/2033	2,265,225.00		2,265,225.00	
05/01/2034	19,200,225.00		19,200,225.00	
06/30/2034				21,465,450.00
11/01/2034	1,841,850.00		1,841,850.00	
05/01/2035	19,621,850.00		19,621,850.00	
06/30/2035				21,463,700.00
11/01/2035	1,397,350.00		1,397,350.00	
05/01/2036	20,067,350.00		20,067,350.00	
06/30/2036				21,464,700.00
11/01/2036	930,600.00		930,600.00	
05/01/2037	20,530,600.00		20,530,600.00	
06/30/2037				21,461,200.00
11/01/2037	440,600.00		440,600.00	
05/01/2038	21,020,600.00		21,020,600.00	
06/30/2038				21,461,200.00
	429,276,715.56	11,740,665	441,017,380.56	441,017,380.56

## SAVINGS

Kentucky State Property and Buildings Commission  
Revenue Bonds, Project No. 119  
Agency Fund Revenue Refunding Bonds, Project No. 120  
Rates as of June 5, 2018  
\*\*\*Final Numbers\*\*\*

Date	Prior Debt Service	Refunding Debt Service	Savings	Annual Savings	Present Value to 06/19/2018 @ 3.3669648%
12/30/2018	324,984.25	195,615.00	129,369.25		127,439.98
06/30/2019	1,439,984.25	1,317,350.00	122,634.25	252,003.50	118,805.35
12/30/2019	293,865.25	200,850.00	93,015.25		88,619.23
06/30/2020	1,473,865.25	1,315,850.00	158,015.25	251,030.50	148,054.77
12/30/2020	260,515.75	184,125.00	76,390.75		70,390.45
06/30/2021	1,505,515.75	1,329,125.00	176,390.75	252,781.50	159,844.75
12/30/2021	224,357.00	155,500.00	68,857.00		61,364.93
06/30/2022	1,544,357.00	1,360,500.00	183,857.00	252,714.00	161,139.47
12/30/2022	185,748.50	125,375.00	60,373.50		52,037.65
06/30/2023	1,580,748.50	1,380,375.00	200,373.50	260,747.00	169,848.30
12/30/2023	144,691.50	94,000.00	50,691.50		42,257.68
06/30/2024	1,624,691.50	1,419,000.00	205,691.50	256,383.00	168,630.63
12/30/2024	100,678.50	60,875.00	39,803.50		32,091.57
06/30/2025	1,665,678.50	1,450,875.00	214,803.50	254,607.00	170,318.03
12/30/2025	53,831.25	26,125.00	27,706.25		21,604.62
06/30/2026	453,831.25	356,125.00	97,706.25	125,412.50	74,927.42
12/30/2026	37,331.25	17,875.00	19,456.25		14,673.28
06/30/2027	472,331.25	367,875.00	104,456.25	123,912.50	77,473.30
12/30/2027	19,387.50	9,125.00	10,262.50		7,485.49
06/30/2028	489,387.50	374,125.00	115,262.50	125,525.00	82,680.83
	13,895,781.50	11,740,665.00	2,155,116.50	2,155,116.50	1,849,687.74

Savings Summary

PV of savings from cash flow	1,849,687.74
Less: Prior funds on hand	-1,859,570.75
Plus: Refunding funds on hand	1,519,400.66
Net PV Savings	1,509,517.65

## SUMMARY OF BONDS REFUNDED

Kentucky State Property and Buildings Commission  
 Revenue Bonds, Project No. 119  
 Agency Fund Revenue Refunding Bonds, Project No. 120  
 Rates as of June 5, 2018  
 \*\*\*Final Numbers\*\*\*

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Project Notes, 2005 Agency Fund (Taxable), 2005ALCO:					
TERM20	06/01/2019	5.060%	655,000.00	07/06/2018	100.000
	06/01/2020	5.060%	690,000.00	07/06/2018	100.000
TERM25	06/01/2021	5.230%	725,000.00	07/06/2018	100.000
	06/01/2022	5.230%	765,000.00	07/06/2018	100.000
	06/01/2023	5.230%	805,000.00	07/06/2018	100.000
	06/01/2024	5.230%	845,000.00	07/06/2018	100.000
	06/01/2025	5.230%	890,000.00	07/06/2018	100.000
			5,375,000.00		
Project No. 92 (Taxable), PROJ92:					
TERM28	06/01/2019	8.250%	230,000.00	07/06/2018	100.000
	06/01/2020	8.250%	250,000.00	07/06/2018	100.000
	06/01/2021	8.250%	270,000.00	07/06/2018	100.000
	06/01/2022	8.250%	295,000.00	07/06/2018	100.000
	06/01/2023	8.250%	315,000.00	07/06/2018	100.000
	06/01/2024	8.250%	345,000.00	07/06/2018	100.000
	06/01/2025	8.250%	370,000.00	07/06/2018	100.000
	06/01/2026	8.250%	400,000.00	07/06/2018	100.000
	06/01/2027	8.250%	435,000.00	07/06/2018	100.000
06/01/2028	8.250%	470,000.00	07/06/2018	100.000	
			3,380,000.00		
Project No. 97 (Taxable), PROJ97B:					
SERIAL	06/01/2019	4.400%	230,000.00		
	06/01/2020	4.650%	240,000.00		
	06/01/2021	4.850%	250,000.00	06/01/2020	100.000
	06/01/2022	4.950%	260,000.00	06/01/2020	100.000
	06/01/2023	5.100%	275,000.00	06/01/2020	100.000
	06/01/2024	5.300%	290,000.00	06/01/2020	100.000
	06/01/2025	5.450%	305,000.00	06/01/2020	100.000
			1,850,000.00		
			10,605,000.00		



## School Facilities Construction Commission

Finance and Administration Cabinet

700 Louisville Rd

Carriage House

Frankfort, Kentucky 40601

(502) 564-5582

(888) 979-6152 Fax

[www.sfcc.ky.gov](http://www.sfcc.ky.gov)

**MATT BEVIN**

Governor

**MR. WILLIAM LANDRUM III**

Secretary

**DAVID PRATER**

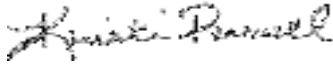
Chairman

**CHELSEY BIZZLE**

Executive Director

### **MEMORANDUM**

**TO:** Ryan Barrow  
Office of Financial Management

**FROM:** Kristi Russell, SFCC 

**DATE:** July 2, 2018

**SUBJECT:** Capital Projects and Bond Oversight Committee (CPBO)

The following information is submitted for consideration by CPBO at their next meeting tentatively scheduled for July 18, 2018:

Jenkins Independent - \$860,000 estimated – Middle & High School improvements are planned. State estimated annual debt service is \$60,443 and local is \$0. No tax increase is necessary to finance this project.

Scott County- \$15,860,000 estimated – Phase II of Great Crossing High School is planned. State estimated annual debt service is \$123,491 and local is \$1,166,382. No tax increase is necessary to finance this project.

If you or the Committee needs any additional information please feel free to contact me.





June 12, 2018

Ms. Chelsey Bizzle  
Schools Facilities Construction Commission  
700 Louisville Road – Carriage House  
Frankfort, Kentucky 40601

Re: Reporting of Bond Issuance Costs to the Capital Projects and Bond Oversight  
Committee ("Bond Oversight Committee")

Dear Ms. Bizzle:

Enclosed please find a Bond Payee Disclosure form for the following bond issue:

\$860,000 (est.)  
Jenkins Independent  
School District Finance Corporation  
School Building Revenue Bonds,  
Series 2018

Please be advised that the enclosed costs are estimated. Actual costs will not be known until the bonds are sold. Please be advised that no tax increases are necessary to support this financing.

We hereby request that the above bond issue be considered by the Bond Oversight Committee at its next meeting.

If you need any additional information, please do not hesitate to call me at 502.588.8695.

Sincerely,

*/s/ Bobby Koch*

Bobby Koch  
Analyst



## BOND PAYEE DISCLOSURE FORM

Par Amount:	\$860,000
Issue Name:	Jenkins Independent School District Finance Corporation School Building Revenue Bonds, Series 2018
Purpose:	Various renovations and improvements to Middle School and High School
Projected Sale Date of Bonds:	August 2018
First Call Date:	2027
Method of Sale:	Competitive
Place/Time of Sale:	TBD
Bond Rating:	Expected "A1" – Moody's
Bond Counsel:	Rubin & Hays
Fiscal Agent:	J.J.B. Hilliard, W.L. Lyons, LLC
Construction Manager/General Contractor:	N/A
Architect/Engineer:	alt32 Architecture/Design

Date Received by SFCC: 

/ /
-----

*To be filled in by SFCC*

Date Scheduled for Committee Review: 

/ /
-----

*To be filled in by SFCC*

	SFCC Portion	Local Portion	Total
Estimated par amount of Bonds:	\$860,000	\$-	\$860,000
% Share of total Bonds:	100%	-	100%
Estimated average annual debt service:	60,443	-	60,443
Estimated debt service reserve:	-	-	-
<b>Estimated Costs of Issuance (1):</b>	-		
Fiscal Agent, Bond Counsel, Advertisements, Printing, etc.	9,600	-	9,600
Special Tax Counsel	-	-	-
Number Verifications	-	-	-
Bond Rating	4,000	-	4,000
Underwriter's Discount	17,200	-	17,200
Paying Agent/Escrow Agent Bank	3,500	-	3,500
<b>Total Cost of Issuance:</b>	<b>34,300</b>	<b>-</b>	<b>34,300</b>

**Anticipated Interest Rates:**

5 Years: 2.900%	10 Years: 3.400%
15 Years: 3.600%	20 Years: 3.850%

**TABLE OF CONTENTS**

Jenkins Independent  
Jenkins Independent BG-1

<b>Report</b>	<b>Page</b>
Sources and Uses of Funds . . . . .	1
Bond Debt Service . . . . .	2
Bond Summary Statistics . . . . .	4
Bond Pricing . . . . .	5
Bond Solution . . . . .	6
Disclosure Report . . . . .	7

**SOURCES AND USES OF FUNDS**

Jenkins Independent  
Jenkins Independent BG-1

Dated Date 09/01/2018  
Delivery Date 09/01/2018

**Sources:**

<hr/>	
Bond Proceeds:	
Par Amount	860,000.00
Other Sources of Funds:	
SFCC Cash Requirements	321,063.00
	<hr/>
	1,181,063.00
	<hr/> <hr/>

**Uses:**

<hr/>	
Project Fund Deposits:	
Project Fund	1,086,309.19
Construction Contingencies	49,945.25
Other	8,597.26
	<hr/>
	1,144,851.70
Cost of Issuance:	
FA/BC	9,600.00
Rating Fee	4,000.00
Paying Agent	3,500.00
	<hr/>
	17,100.00
Delivery Date Expenses:	
Underwriter's Discount	17,200.00
Other Uses of Funds:	
Additional Proceeds	1,911.30
	<hr/>
	1,181,063.00
	<hr/> <hr/>

**BOND DEBT SERVICE**

Jenkins Independent  
Jenkins Independent BG-1

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
03/01/2019			14,425.00	14,425.00	
06/30/2019					14,425.00
09/01/2019	30,000	2.375%	14,425.00	44,425.00	
03/01/2020			14,068.75	14,068.75	
06/30/2020					58,493.75
09/01/2020	35,000	2.500%	14,068.75	49,068.75	
03/01/2021			13,631.25	13,631.25	
06/30/2021					62,700.00
09/01/2021	35,000	2.650%	13,631.25	48,631.25	
03/01/2022			13,167.50	13,167.50	
06/30/2022					61,798.75
09/01/2022	35,000	2.800%	13,167.50	48,167.50	
03/01/2023			12,677.50	12,677.50	
06/30/2023					60,845.00
09/01/2023	35,000	2.900%	12,677.50	47,677.50	
03/01/2024			12,170.00	12,170.00	
06/30/2024					59,847.50
09/01/2024	35,000	3.000%	12,170.00	47,170.00	
03/01/2025			11,645.00	11,645.00	
06/30/2025					58,815.00
09/01/2025	40,000	3.150%	11,645.00	51,645.00	
03/01/2026			11,015.00	11,015.00	
06/30/2026					62,660.00
09/01/2026	40,000	3.250%	11,015.00	51,015.00	
03/01/2027			10,365.00	10,365.00	
06/30/2027					61,380.00
09/01/2027	40,000	3.375%	10,365.00	50,365.00	
03/01/2028			9,690.00	9,690.00	
06/30/2028					60,055.00
09/01/2028	40,000	3.400%	9,690.00	49,690.00	
03/01/2029			9,010.00	9,010.00	
06/30/2029					58,700.00
09/01/2029	45,000	3.450%	9,010.00	54,010.00	
03/01/2030			8,233.75	8,233.75	
06/30/2030					62,243.75
09/01/2030	45,000	3.500%	8,233.75	53,233.75	
03/01/2031			7,446.25	7,446.25	
06/30/2031					60,680.00
09/01/2031	45,000	3.500%	7,446.25	52,446.25	
03/01/2032			6,658.75	6,658.75	
06/30/2032					59,105.00
09/01/2032	50,000	3.550%	6,658.75	56,658.75	
03/01/2033			5,771.25	5,771.25	
06/30/2033					62,430.00
09/01/2033	50,000	3.600%	5,771.25	55,771.25	
03/01/2034			4,871.25	4,871.25	
06/30/2034					60,642.50
09/01/2034	50,000	3.650%	4,871.25	54,871.25	
03/01/2035			3,958.75	3,958.75	
06/30/2035					58,830.00
09/01/2035	55,000	3.700%	3,958.75	58,958.75	
03/01/2036			2,941.25	2,941.25	
06/30/2036					61,900.00
09/01/2036	55,000	3.750%	2,941.25	57,941.25	
03/01/2037			1,910.00	1,910.00	
06/30/2037					59,851.25
09/01/2037	60,000	3.800%	1,910.00	61,910.00	
03/01/2038			770.00	770.00	
06/30/2038					62,680.00
09/01/2038	40,000	3.850%	770.00	40,770.00	
06/30/2039					40,770.00
	860,000		348,852.50	1,208,852.50	1,208,852.50

**BOND SUMMARY STATISTICS**

Jenkins Independent  
Jenkins Independent BG-1

Dated Date	09/01/2018
Delivery Date	09/01/2018
Last Maturity	09/01/2038
Arbitrage Yield	3.530386%
True Interest Cost (TIC)	3.755735%
Net Interest Cost (NIC)	3.725725%
All-In TIC	3.986437%
Average Coupon	3.550662%
Average Life (years)	11.424
Duration of Issue (years)	9.093
Par Amount	860,000.00
Bond Proceeds	860,000.00
Total Interest	348,852.50
Net Interest	366,052.50
Total Debt Service	1,208,852.50
Maximum Annual Debt Service	62,700.00
Average Annual Debt Service	60,442.63
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	20.000000
Total Underwriter's Discount	20.000000
Bid Price	98.000000

Bond Component	Par Value	Price	Average Coupon	Average Life
Bond Component	860,000.00	100.000	3.551%	11.424
	860,000.00			11.424

	TIC	All-In TIC	Arbitrage Yield
Par Value	860,000.00	860,000.00	860,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount	-17,200.00	-17,200.00	
- Cost of Issuance Expense		-17,100.00	
- Other Amounts			
Target Value	842,800.00	825,700.00	860,000.00
Target Date	09/01/2018	09/01/2018	09/01/2018
Yield	3.755735%	3.986437%	3.530386%

**BOND SOLUTION**

Jenkins Independent  
Jenkins Independent BG-1

<b>Period Ending</b>	<b>Proposed Principal</b>	<b>Proposed Debt Service</b>	<b>Total Adj Debt Service</b>	<b>Revenue Constraints</b>	<b>Unused Revenues</b>	<b>Debt Serv Coverage</b>
06/30/2019		14,425	14,425	19,976	5,551	138.48180%
06/30/2020	30,000	58,494	58,494	109,918	51,424	187.91409%
06/30/2021	35,000	62,700	62,700	109,918	47,218	175.30781%
06/30/2022	35,000	61,799	61,799	109,918	48,119	177.86444%
06/30/2023	35,000	60,845	60,845	109,918	49,073	180.65248%
06/30/2024	35,000	59,848	59,848	109,918	50,071	183.66348%
06/30/2025	35,000	58,815	58,815	109,918	51,103	186.88770%
06/30/2026	40,000	62,660	62,660	109,918	47,258	175.41973%
06/30/2027	40,000	61,380	61,380	109,918	48,538	179.07788%
06/30/2028	40,000	60,055	60,055	109,918	49,863	183.02889%
06/30/2029	40,000	58,700	58,700	109,918	51,218	187.25383%
06/30/2030	45,000	62,244	62,244	109,918	47,674	176.59283%
06/30/2031	45,000	60,680	60,680	109,918	49,238	181.14370%
06/30/2032	45,000	59,105	59,105	109,918	50,813	185.97073%
06/30/2033	50,000	62,430	62,430	109,918	47,488	176.06599%
06/30/2034	50,000	60,643	60,643	109,918	49,276	181.25572%
06/30/2035	50,000	58,830	58,830	109,918	51,088	186.84005%
06/30/2036	55,000	61,900	61,900	109,918	48,018	177.57351%
06/30/2037	55,000	59,851	59,851	109,918	50,067	183.65197%
06/30/2038	60,000	62,680	62,680	109,918	47,238	175.36375%
06/30/2039	40,000	40,770	40,770	89,942	49,172	220.60829%
	860,000	1,208,853	1,208,853	2,198,360	989,508	

## DISCLOSURE REPORT

Jenkins Independent  
Jenkins Independent BG-1

### SEC REQUIRED DISCLOSURES as a potential Municipal Advisor

Hilliard Lyons may seek the position of Municipal Advisor with you. (The activities to be discussed herein will meet the SEC's definition of Municipal Advisor activities.) Therefore, we are legally required to make certain disclosures at the very beginning of this process.

- Our compensation may be contingent on the closing of a transaction
- We may be advising other clients who could seek to go to market at the same time as you, if a public offering is planned
- Our firm is also a broker-dealer and provides advisory services to clients who may buy or sell your securities; we have duties to them as well
- As a broker-dealer, we may participate in principal transactions (we trade on our own behalf) in your securities. [If you were to select an underwriting firm via a negotiated process, we might be involved in a syndicate with that underwriting firm for an unrelated transaction during the time we serve as your Municipal Advisor.]

We also disclose relevant and material regulatory or legal matters that involve our firm.

Please review the complete statement containing our disclosures.



June 22, 2018

Ms. Chelsey Bizzle  
Schools Facilities Construction Commission  
700 Louisville Road – Carriage House  
Frankfort, Kentucky 40601

Re: Reporting of Bond Issuance Costs to the Capital Projects and Bond Oversight  
Committee ("Bond Oversight Committee")

Dear Ms. Bizzle:

Enclosed please find a Bond Payee Disclosure form for the following bond issue:

\$15,860,000 (est.)  
Scott County  
School District Finance Corporation  
School Building Revenue Bonds,  
Second Series of 2018

Please be advised that the enclosed costs are estimated. Actual costs will not be known until the bonds are sold. Please be advised that no tax increases are necessary to support this financing.

We hereby request that the above bond issue be considered by the Bond Oversight Committee at its next meeting.

If you need any additional information, please do not hesitate to call me at 502.588.1783.

Sincerely,

*/s/ Logan Clevenger*

Logan Clevenger  
Analyst



## BOND PAYEE DISCLOSURE FORM

Par Amount:	\$15,860,000
Issue Name:	Scott County School District Finance Corporation School Building Revenue Bonds, Second Series of 2018
Purpose:	Phase II of Great Crossing High School
Projected Sale Date of Bonds:	August 2018
First Call Date:	2026
Method of Sale:	Competitive
Place/Time of Sale:	TBD
Bond Rating:	Expected: Moody's "A1" – Enhanced / "Aa3" – Underlying
Bond Counsel:	Steptoe & Johnson
Fiscal Agent:	J.J.B. Hilliard, W.L. Lyons, LLC
Construction Manager/General Contractor:	N/A
Architect/Engineer:	Clotfelter Samokar

Date Received by SFCC: 

/	/
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*To be filled in by SFCC*

Date Scheduled for Committee Review: 

/	/
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*To be filled in by SFCC*

	SFCC Portion	Local Portion	Total
Estimated par amount of Bonds:	\$1,784,419	\$14,075,581	\$15,860,000
% Share of total Bonds:	11.3%	88.7%	100%
Estimated average annual debt service:	123,491	1,166,382	1,289,873
Estimated debt service reserve:	-0-	-0-	-0-
<b>Estimated Costs of Issuance (1):</b>			
Fiscal Agent, Bond Counsel, Advertisements, Printing, etc.	8,600	67,840	76,440
Special Tax Counsel	-0-	-0-	-0-
Number Verifications	-0-	-0-	-0-
Bond Rating	2,700	21,300	24,000
Underwriter's Discount	35,689	281,511	317,200
Paying Agent/Escrow Agent Bank	450	3,550	4,000
<b>Total Cost of Issuance:</b>	<b>47,439</b>	<b>374,201</b>	<b>421,640</b>

**Anticipated Interest Rates:**      5 Years: 2.450%      10 Years: 3.050%  
    15 Years: 3.500%      20 Years: 3.700%

(1) Actual costs will not be known until the bonds are sold.

**SOURCES AND USES OF FUNDS**

Scott County School District Finance Corporation  
Great Crossing High School Phase II

Dated Date 09/01/2018  
Delivery Date 09/01/2018

<b>Sources:</b>	<b>SFCC Portion</b>	<b>District Portion</b>	<b>Total</b>
Bond Proceeds:			
Par Amount	1,784,419.00	14,075,581.00	15,860,000.00
Other Sources of Funds:			
SFCC Cash Requirements - Capital Outlay Fund		456,705.91	456,705.91
	1,784,419.00	14,532,286.91	16,316,705.91

<b>Uses:</b>	<b>SFCC Portion</b>	<b>District Portion</b>	<b>Total</b>
Project Fund Deposits:			
Construction Cost	1,588,875.93	12,911,124.07	14,500,000.00
Architect/Engineer	79,443.80	645,556.20	725,000.00
Contingency	73,175.95	594,624.05	667,800.00
	1,741,495.68	14,151,304.32	15,892,800.00
Cost of Issuance:			
FA/BC	8,600.31	67,839.69	76,440.00
Rating Fee	2,700.26	21,299.74	24,000.00
Paying Agent	450.04	3,549.96	4,000.00
	11,750.61	92,689.39	104,440.00
Delivery Date Expenses:			
Underwriter's Discount	35,688.38	281,511.62	317,200.00
Other Uses of Funds:			
Additional Proceeds	-4,515.67	6,781.58	2,265.91
	1,784,419.00	14,532,286.91	16,316,705.91

**BOND DEBT SERVICE**

Scott County School District Finance Corporation  
Great Crossing High School Phase II

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
03/01/2019			278,511.50	278,511.50	
06/30/2019					278,511.50
09/01/2019	195,000	2.000%	278,511.50	473,511.50	
03/01/2020			276,561.50	276,561.50	
06/30/2020					750,073.00
09/01/2020	195,000	2.100%	276,561.50	471,561.50	
03/01/2021			274,514.00	274,514.00	
06/30/2021					746,075.50
09/01/2021	205,000	2.250%	274,514.00	479,514.00	
03/01/2022			272,207.75	272,207.75	
06/30/2022					751,721.75
09/01/2022	210,000	2.350%	272,207.75	482,207.75	
03/01/2023			269,740.25	269,740.25	
06/30/2023					751,948.00
09/01/2023	215,000	2.450%	269,740.25	484,740.25	
03/01/2024			267,106.50	267,106.50	
06/30/2024					751,846.75
09/01/2024	220,000	2.650%	267,106.50	487,106.50	
03/01/2025			264,191.50	264,191.50	
06/30/2025					751,298.00
09/01/2025	220,000	2.750%	264,191.50	484,191.50	
03/01/2026			261,166.50	261,166.50	
06/30/2026					745,358.00
09/01/2026	230,000	2.900%	261,166.50	491,166.50	
03/01/2027			257,831.50	257,831.50	
06/30/2027					748,998.00
09/01/2027	240,000	3.000%	257,831.50	497,831.50	
03/01/2028			254,231.50	254,231.50	
06/30/2028					752,063.00
09/01/2028	245,000	3.050%	254,231.50	499,231.50	
03/01/2029			250,495.25	250,495.25	
06/30/2029					749,726.75
09/01/2029	250,000	3.200%	250,495.25	500,495.25	
03/01/2030			246,495.25	246,495.25	
06/30/2030					746,990.50
09/01/2030	260,000	3.300%	246,495.25	506,495.25	
03/01/2031			242,205.25	242,205.25	
06/30/2031					748,700.50
09/01/2031	265,000	3.400%	242,205.25	507,205.25	
03/01/2032			237,700.25	237,700.25	
06/30/2032					744,905.50
09/01/2032	280,000	3.450%	237,700.25	517,700.25	
03/01/2033			232,870.25	232,870.25	
06/30/2033					750,570.50
09/01/2033	290,000	3.500%	232,870.25	522,870.25	
03/01/2034			227,795.25	227,795.25	
06/30/2034					750,665.50
09/01/2034	300,000	3.550%	227,795.25	527,795.25	
03/01/2035			222,470.25	222,470.25	
06/30/2035					750,265.50
09/01/2035	310,000	3.600%	222,470.25	532,470.25	
03/01/2036			216,890.25	216,890.25	
06/30/2036					749,360.50
09/01/2036	325,000	3.650%	216,890.25	541,890.25	
03/01/2037			210,959.00	210,959.00	
06/30/2037					752,849.25
09/01/2037	335,000	3.680%	210,959.00	545,959.00	
03/01/2038			204,795.00	204,795.00	
06/30/2038					750,754.00
09/01/2038	11,070,000	3.700%	204,795.00	11,274,795.00	
06/30/2039					11,274,795.00
	15,860,000		9,937,477.00	25,797,477.00	25,797,477.00

**BOND SUMMARY STATISTICS**

Scott County School District Finance Corporation  
Great Crossing High School Phase II

Dated Date	09/01/2018
Delivery Date	09/01/2018
Last Maturity	09/01/2038
Arbitrage Yield	3.618900%
True Interest Cost (TIC)	3.780969%
Net Interest Cost (NIC)	3.746754%
All-In TIC	3.835304%
Average Coupon	3.630858%
Average Life (years)	17.257
Duration of Issue (years)	12.658
Par Amount	15,860,000.00
Bond Proceeds	15,860,000.00
Total Interest	9,937,477.00
Net Interest	10,254,677.00
Total Debt Service	25,797,477.00
Maximum Annual Debt Service	11,274,795.00
Average Annual Debt Service	1,289,873.85
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	20.000000
Total Underwriter's Discount	20.000000
Bid Price	98.000000

Bond Component	Par Value	Price	Average Coupon	Average Life
Bond Component	15,860,000.00	100.000	3.631%	17.257
	15,860,000.00			17.257

	TIC	All-In TIC	Arbitrage Yield
Par Value	15,860,000.00	15,860,000.00	15,860,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount	-317,200.00	-317,200.00	
- Cost of Issuance Expense		-104,440.00	
- Other Amounts			
Target Value	15,542,800.00	15,438,360.00	15,860,000.00
Target Date	09/01/2018	09/01/2018	09/01/2018
Yield	3.780969%	3.835304%	3.618900%

**BOND SOLUTION**

Scott County School District Finance Corporation  
District Portion

<b>Period Ending</b>	<b>Proposed Principal</b>	<b>Proposed Debt Service</b>	<b>Existing Debt Service</b>	<b>Total Adj Debt Service</b>	<b>Revenue Constraints</b>	<b>Unused Revenues</b>	<b>Debt Serv Coverage</b>
06/30/2019		250,757	10,553,415	10,804,172	12,731,996	1,927,824	117.84333%
06/30/2020	126,330	626,581	10,554,309	11,180,890	12,731,996	1,551,105	113.87283%
06/30/2021	124,907	622,583	10,555,729	11,178,312	12,731,996	1,553,684	113.89909%
06/30/2022	133,366	628,230	10,553,034	11,181,264	12,731,996	1,550,732	113.86902%
06/30/2023	136,698	628,456	10,553,419	11,181,875	12,731,996	1,550,121	113.86280%
06/30/2024	139,917	628,355	10,553,444	11,181,799	12,731,996	1,550,197	113.86358%
06/30/2025	142,977	627,806	10,552,819	11,180,625	12,731,996	1,551,371	113.87553%
06/30/2026	140,868	621,866	10,557,057	11,178,923	12,731,996	1,553,073	113.89287%
06/30/2027	148,600	625,506	10,554,906	11,180,412	12,731,996	1,551,584	113.87770%
06/30/2028	156,162	628,571	10,553,541	11,182,112	12,731,996	1,549,884	113.86038%
06/30/2029	158,587	626,235	10,552,390	11,178,625	12,731,996	1,553,371	113.89590%
06/30/2030	160,842	623,498	10,556,663	11,180,161	12,731,996	1,551,835	113.88026%
06/30/2031	167,896	625,208	10,553,636	11,178,845	12,731,996	1,553,151	113.89366%
06/30/2032	169,757	621,413	10,556,928	11,178,342	12,731,996	1,553,654	113.89879%
06/30/2033	181,438	627,079	10,553,979	11,181,058	12,731,996	1,550,938	113.87112%
06/30/2034	187,952	627,174	10,553,567	11,180,741	12,731,996	1,551,255	113.87435%
06/30/2035	194,290	626,774	10,552,636	11,179,410	12,731,996	1,552,586	113.88791%
06/30/2036	200,441	625,868	10,553,110	11,178,979	12,731,996	1,553,017	113.89230%
06/30/2037	211,396	629,357	10,552,564	11,181,922	12,731,996	1,550,074	113.86232%
06/30/2038	217,154	627,262	10,555,271	11,182,533	12,731,996	1,549,463	113.85610%
06/30/2039	10,976,003	11,179,059		11,179,059	12,483,702	1,304,643	111.67041%
	14,075,581	23,327,639	211,082,419	234,410,058	267,123,620	32,713,562	