



MATTHEW G. BEVIN
Governor

Commonwealth of Kentucky
FINANCE AND ADMINISTRATION CABINET
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WILLIAM M. LANDRUM III
Secretary

RYAN BARROW
Executive Director

December 4, 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 December 18, 2018, meeting.

The Kentucky Infrastructure Authority (“KIA”) will present the following loans for the Committee’s approval:

<u>Fund A Loan</u>	
Farmdale Sanitation District	\$321,753
<u>Fund F Loan</u>	
City of Lancaster	\$4,000,000

The Office of Financial Management will present two (2) new bond issue reports for the Committee’s approval:

Kentucky Higher Education Student Loan Corporation Student Loan Revenue Bonds, Series 2019-1	\$135,000,000+
University of Kentucky General Receipts Refunding Bonds, 2019 Series A	\$14,220,000*

+Not to Exceed
*Estimated

The School Facilities Construction Commission does not have any projects for the Committee’s approval this month.

Senator Humphries
Representative Brown
December 4, 2018
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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,

A handwritten signature in black ink, appearing to read 'R. Barrow', written in a cursive style.

Ryan Barrow
Executive Director

Attachments

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

- ***Fund A Loan***

<u>Loan #</u>	<u>Borrower</u>	<u>Loan Amount</u>	<u>County</u>
A16-084	Farmdale Sanitation District (Director Increase)	\$ 321,753	Franklin

- ***Fund F Loan***

<u>Loan #</u>	<u>Borrower</u>	<u>Loan Amount</u>	<u>County</u>
F18-017	City of Lancaster	\$ 4,000,000	Garrard

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND A, FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND		Reviewer Date KIA Loan Number WRIS Number	Meili Sun December 11, 2018 A16-084 (Increase) SX21073082	
BORROWER	FARMDALE SANITATION DISTRICT FRANKLIN COUNTY			
BRIEF DESCRIPTION				
<p>This is an increase in the amount of \$21,753 to a previously approved loan in the amount of \$300,000. The new total loan amount is \$321,753. The increase is needed to address the emergency conditions at the Coolbrook plant. Recent and progressive failing structural integrity affecting the main metal tank of the wastewater treatment plant severely threatens the ability of Farmdale Sanitation District to provide safe treatment of wastewater serving approximately 200 of its customers in the Coolbrook Subdivision.</p> <p>The Farmdale Sanitation District received a \$300,000 Fund A loan commitment for the Ridgelea Investments Inc. Package Treatment Plant Abandonment project on June 2, 2016. The original scope involved improvements to three package treatment plants: Edgewood, Meadowbrook, and Farmgate, but has been expanded to include Evergreen, Farmdale Subdivision, and Coolbrook systems. This project will provide improvements to a total of six package treatment plants along with collection system repairs to mitigate excessive infiltration and inflow (I/I) which cause sanitary sewer overflows and treatment plant violations.</p>				
PROJECT FINANCING		PROJECT BUDGET	RD Fee % Actual %	
Fund A Loan	\$321,753	Administrative Expenses	\$8,000	
		Eng - Design / Const	12.2% 10.5% 21,000	
		Eng - Insp	10.4% 9.1% 18,300	
		Construction	138,903	
		Contingency	61,490	
TOTAL	\$321,753	TOTAL	\$321,753	
REPAYMENT	Rate Term	1.75% 1 Years	Est. Annual Payment 1st Payment 6 Mo. after first draw \$16,332	
PROFESSIONAL SERVICES	Engineer Bond Counsel	HMB Professional Engineers Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	Sep-17 Oct-17 Apr-19		
DEBT PER CUSTOMER	Existing Proposed	\$0 \$46		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	Users 349	Avg. Bill \$34.50 (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
PSC Report 2015	14,714	0	14,714	n/a
PSC Report 2016	(4,059)	0	(4,059)	n/a
PSC Report 2017	(2,570)	0	(2,570)	n/a
Projected 2018	(4,790)	0	(4,790)	n/a
Projected 2019	12,946	8,166	4,780	1.6
Projected 2020	10,637	8,166	2,471	1.3
Projected 2021	8,281	0	8,281	n/a
Projected 2022	5,878	0	5,878	n/a

Reviewer: Meili Sun
Date: December 11, 2018
Loan Number: A16-084 (Increase)

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
FARMDALE SANITATION DISTRICT, FRANKLIN COUNTY
PROJECT REVIEW
SX21073082**

I. PROJECT DESCRIPTION

This is an increase in the amount of \$21,753 to a previously approved loan in the amount of \$300,000. The new loan amount is \$321,753. The increase is needed to address the emergency conditions at the Coolbrook plant. Recent and progressive failing structural integrity of the main tank at the wastewater treatment plant severely threatens the ability of Farmdale Sanitation District to provide safe treatment of wastewater serving approximately 200 of its customers in the Coolbrook Subdivision.

The Farmdale Sanitation District received a \$300,000 Fund A loan commitment for the Ridgelea Investments Inc. Package Treatment Plant Abandonment project on June 2, 2016. The original scope involved improvements to three package treatment plants: Edgewood, Meadowbrook, and Farmgate, but has been expanded to include Evergreen, Farmdale Subdivision, and Coolbrook systems. This project will provide improvements to a total of six package treatment plants along with collection system repairs to mitigate excessive infiltration and inflow (I/I) which cause sanitary sewer overflows and treatment plant violations.

This project is being funded out of an Emergency Project CWSRF account. This account allows projects that do not appear on the Project Priority List but require assistance as a result of unanticipated failures of wastewater infrastructure that have a direct adverse effect on public health and the quality of surface and groundwater, to receive funding and potential loan principal forgiveness.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 8,000
Legal Expenses	4,250
Land, Easements	1,000
Planning	68,810
Engineering Fees - Design / Const	21,000
Engineering Fees - Inspection	18,300
Construction	138,903
Contingency	61,490
Total	\$ 321,753

III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 321,753	100%
Total	\$ 321,753	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 321,753
Less: Principal Forgiveness	305,665
Amortized Loan Amount	\$ 16,088
Interest Rate	1.75%
Loan Term (Years)	1
Estimated Annual Debt Service	\$ 16,299
Administrative Fee (0.20%)	32
Total Estimated Annual Debt Service	\$ 16,332

V. PROJECT SCHEDULE

Bid Opening	September 2017
Construction Start	October 2017
Construction Stop	April 2019

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	349
Commercial	0
Industrial	0
Total	349

B) Rates

	Current
Date of Last Rate Increase	04/08/11
Flat Rate	\$ 34.50
Increase %	
Affordability Index (Rate/MHI)	0.9%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the Districts service area population was 848 with the City of Frankfort's Median Household Income (MHI) at \$44,256. The median household income for the Commonwealth is \$43,036. The project will qualify for a 1.75% interest rate.

Year	Population		County Unemployment	
	County	% Change	Date	Rate
1980	41,830		June 2005	5.0%
1990	43,781	4.7%	June 2010	8.8%
2000	47,687	8.9%	June 2015	4.6%
2010	49,285	3.4%	June 2018	4.3%
Current	49,982	1.4%		
Cumulative %		19.5%		

VIII. 2015 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 2) Additional Subsidization – This project qualifies for additional subsidization in the amount of \$305,665.

IX. FINANCIAL ANALYSIS

Financial information was obtained from the Public Service Commission annual reports for the years ended December 31, 2015 through December 31, 2017 for Ridgelea Investments, Inc. for the initial three systems (Edgewood, Meadowbrook, and Farmgate) that were acquired in 2017.

Projections for the four additional systems (Farmdale, Coolbrook, Evergreen, and Huntington Woods) that were subsequently acquired are excluded due to insufficient credible historical data. Projections will be updated in conjunction with ongoing credit monitoring once the District has four consecutive quarters of financial experience for all seven locations.

HISTORY

Operating revenues decreased 12.0% from \$123,323 in 2015 to \$108,420 in 2017 while expenses averaged \$118,638 during the same period. The debt coverage ratio was not applicable from 2015 to 2017 due to the absence of any debt service.

The balance sheet reflects a current ratio of 0.1, a debt to equity ratio of (1.3), and 0.9 month of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues remain flat for growth and inflation.
- 2) Cash flow will increase approximately \$20,000 by the end of fiscal 2019. Improvements could be attributable to a combination of expense decreases and revenue increases once the District is permitted to adjust rates for the originally acquired locations.
- 3) 2% increase will be applied annually to operating expenses for general inflation.
- 4) Debt service coverage is 1.6 in 2019 when the principal and interest repayments begin.

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

REPLACEMENT RESERVE

There is no replacement reserve requirement due to a short loan term.

X. DEBT OBLIGATIONS

None.

XI. CONTACTS

Legal Applicant	
Entity Name	Farmdale Sanitation District
Authorized Official	Allan Alsip (Chairman)
County	Franklin
Email	afalsip@gmail.com
Phone	(502) 227-7630
Address	161 Travis Circle Frankfort, KY 40601

Project Contact - Applicant

Name	Ann Northcutt
Organization	Franklin County Fiscal Court
Email	anorthcutt@franklincountyky.com
Phone	(502) 875-8751
Address	313 W Main St Frankfort, KY 40601

Project Administrator / Consulting Engineer

Name	Jeff Reynolds
Organization	HMB Professional Engineers
Email	jreynolds@hmbpe.com
Phone	(502) 695-9800
Address	3 HMB Circle Frankfort, KY 40601

XII. RECOMMENDATIONS

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

**FARMDALE SANITATION DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)**

	<u>PSC Report</u> <u>2015</u>	<u>PSC Report</u> <u>2016</u>	<u>PSC Report</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>
Balance Sheet								
Assets								
Current Assets	3,744	6,849	6,776	1,986	6,766	9,237	17,518	23,396
Other Assets	39,125	34,359	17,752	15,364	324,004	310,891	297,778	284,665
Total	42,869	41,208	24,528	17,350	330,770	320,128	315,296	308,061
Liabilities & Equity								
Current Liabilities	91,330	100,890	100,890	102,850	104,850	106,950	109,050	111,150
Long Term Liabilities	0	0	0	0	16,088	0	0	0
Total Liabilities	91,330	100,890	100,890	102,850	120,938	106,950	109,050	111,150
Net Assets	(48,461)	(59,682)	(76,362)	(85,500)	209,832	213,178	206,246	196,911
Cash Flow								
Revenues	123,323	132,256	108,420	108,420	128,420	128,420	128,420	128,420
Operating Expenses	108,609	136,315	110,990	113,210	115,474	117,783	120,139	122,542
Cash Flow Before Debt Service	14,714	(4,059)	(2,570)	(4,790)	12,946	10,637	8,281	5,878
Debt Service								
Proposed KIA Loan	0	0	0	0	8,166	8,166	0	0
Total Debt Service	0	0	0	0	8,166	8,166	0	0
Cash Flow After Debt Service	14,714	(4,059)	(2,570)	(4,790)	4,780	2,471	8,281	5,878
Ratios								
Current Ratio	0.0	0.1	0.1	0.0	0.1	0.1	0.2	0.2
Debt to Equity	(1.9)	(1.7)	(1.3)	(1.2)	0.6	0.5	0.5	0.6
Days Sales in Accounts Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Months Operating Expenses in Unrestricted Cash	0.4	0.7	0.7	0.2	0.7	0.9	1.7	2.2
Debt Coverage Ratio	n/a	n/a	n/a	n/a	1.6	1.3	n/a	n/a

EXECUTIVE SUMMARY		Reviewer	Meili Sun			
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	May 8, 2018			
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number	F18-017			
REVOLVING LOAN FUND		WRIS Number	WX21079015			
BORROWER	CITY OF LANCASTER GARRARD COUNTY					
BRIEF DESCRIPTION						
The project will construct a new 3.0 million gallon per day (MGD), conventional water treatment facility. The new treatment facility, with lagoon system to accept wastewater discharge, will be constructed at a site owned by the City near the existing plant. Expansion at the current site was ruled out due to the age of the current water treatment plant components and unavailability of land to expand the footprint. The City will leave two pumps at the abandoned treatment plant site that will have the ability to pump raw water to the new treatment plant site from the Lancaster Reservoir as a backup source water supply.						
PROJECT FINANCING		PROJECT BUDGET			RD Fee %	Actual %
Fund F Loan	\$4,000,000	Administrative Expenses				\$30,000
RD	6,000,000	Legal Expenses				20,000
ARC	500,000	Planning				20,000
HB 265 State Grant	500,000	Eng - Design / Const	6.4%	5.8%		569,000
		Eng - Insp	4.2%	3.8%		370,000
		Eng - Other				85,000
		Construction				8,866,000
		Contingency				887,000
		Other				153,000
TOTAL	<u>\$11,000,000</u>	TOTAL				<u>\$11,000,000</u>
REPAYMENT	Rate	0.50%	Est. Annual Payment		\$115,312	
	Term	30 Years	1st Payment	6 Mo. after first draw		
PROFESSIONAL SERVICES	Engineer	Kentucky Engineering Group				
	Bond Counsel	Dinsmore & Shohl, LLP				
PROJECT SCHEDULE	Bid Opening	Sep-18				
	Construction Start	Dec-18				
	Construction Stop	Jul-20				
DEBT PER CUSTOMER	Existing	\$2,552				
	Proposed	\$6,719				
OTHER DEBT	See Attached					
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>			
	Current	1,711	\$35.59 (for 4,000 gallons)			
	Additional	0	\$35.59 (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	431,570	366,484	65,086	1.2		
Audited 2016	351,970	292,252	59,718	1.2		
Audited 2017	507,930	266,522	241,408	1.9		
Projected 2018	431,996	265,499	166,497	1.6		
Projected 2019	523,668	277,086	246,582	1.9		
Projected 2020	534,459	289,386	245,073	1.8		
Projected 2021	628,303	532,846	95,457	1.2		
Projected 2022	641,697	591,027	50,670	1.1		

Reviewer: Meili Sun
Date: May 8, 2018
Loan Number: F18-017

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND F)
CITY OF LANCASTER, GARRARD COUNTY
PROJECT REVIEW
WX21079015**

I. PROJECT DESCRIPTION

The City of Lancaster is requesting \$4,000,000 in loan funding to construct a new 3.0 million gallon per day (MGD), conventional water treatment facility. The current 2.1 MGD plant was constructed in 1951 with the last major improvement occurring in 1994. Many of the plant components have exceeded their life spans and are in need of replacement. In addition, the City currently has no means for sludge holding after a backwash or basin cleaning and has received Notice of Violation (NOV) for high total suspended solids in their discharge to a nearby stream. To address these issues, a new treatment facility, with lagoon system to accept wastewater discharge, will be constructed at a nearby site already owned by the City. Other improvements will include improved coagulation and filtration, maximizing efficiency of the carbon feed system and points of chlorination, and a larger diameter intake pipe and screen on the Kentucky River. Expansion at the current site was ruled out due to the age of the current water treatment plant components and unavailability of land to expand the footprint. The City will leave two pumps at the abandoned treatment plant site that will have the ability to pump raw water to the new treatment plant site from the Lancaster Reservoir as a backup source water supply.

Lancaster Water Works is a regional facility, selling to the Crab Orchard Water Works and the Garrard County Water Association.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 30,000
Legal Expenses	20,000
Planning	20,000
Engineering Fees - Design / Const	569,000
Engineering Fees - Inspection	370,000
Engineering Fees – Other	85,000
Construction	8,866,000
Contingency	887,000
Other	153,000
Total	\$ 11,000,000

III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 4,000,000	36%
RD (\$1.5 million grant & \$4.5 million loan)	6,000,000	54%
ARC Grant	500,000	5%
HB 265 State Grant	500,000	5%
Total	\$ 11,000,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 4,000,000
Principal Forgiveness	1,000,000
Amortized Loan Amount	3,000,000
Interest Rate	0.50%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 107,812
Administrative Fee (0.25%)	7,500
Total Estimated Annual Debt Service	\$ 115,312

V. PROJECT SCHEDULE

Bid Opening	September, 2018
Construction Start	December, 2018
Construction Stop	July, 2020

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	
Residential	1,495
Commercial	208
Industrial	8
Total	1,711

B) Rates

<u>Water</u>	Current	Prior
Date of Last Rate Increase	04/01/18	04/01/17
Minimum 1,000 Gallons	\$ 13.30	\$ 13.14
Next 3,000 Gallons	7.43	6.63
Cost for 4,000 gallons	\$ 35.59	\$ 33.03
Increase %	7.8%	
Affordability Index (Rate/MHI)	1.4%	

Sewer	Current	Prior
Date of Last Rate Increase	04/01/18	04/01/17
Per 1,000 Gallons	\$ 7.83	\$ 7.52
Cost for 4,000 gallons	\$ 31.32	\$ 30.08
Increase %	4.1%	
Affordability Index (Rate/MHI)	1.2%	

Wholesale Water

Date	1/10/18	7/10/18	7/10/19	07/10/20	07/10/21
Per 1,000 Gallons	\$2.10	\$2.15	\$2.20	\$ 2.25	\$ 2.49
Increase %		2.4%	2.3%	2.3%	10.7%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the Utility's service area population was 3,943 with a Median Household Income (MHI) of \$31,032. The median household income for the Commonwealth is \$43,740. The project will qualify for a 0.50% interest rate as its MHI is below 80% of the state MHI.

Year	Population		County		County Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	3,365		10,853		June 2005	6.2%
1990	3,421	1.7%	11,579	6.7%	June 2010	11.1%
2000	3,734	9.1%	14,792	27.7%	June 2015	5.2%
2010	3,442	-7.8%	16,912	14.3%	June 2017	5.4%
Current	3,831	11.3%	17,051	0.8%		
Cumulative %		13.8%		57.1%		

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 in the amount of \$1,000,000.

IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements combining both water and sewer operations for the years ended June 30, 2015 through June 30, 2017. An accounting error applying \$117,082 grant income to water revenues has been deducted from operating revenues. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has also been removed from fiscal year 2015, 2016, and 2017 operating expenses.

This project is a joint financial effort of multiple funding sources. Other funding sources include commitments of a \$1.5 million RD grant, a \$4.5 million RD loan, and a \$0.5 million HB265 state grant. The City has applied for an ARC grant in the amount of \$0.5 million and is anticipating the award in the near future.

HISTORY

Combined water and sewer revenues went up 10.6% from \$1.85 million in 2015 to \$2.05 million in 2017 due to CPI adjustments and volume increase. Operating expenses increased 8.4% from \$1.43 million in 2015 to \$1.55 million in 2017 due to higher contractual expenses and general inflation. The debt coverage ratio was 1.2, 1.2, and 1.9 for 2015, 2016, and 2017 respectively.

The balance sheet reflects a current ratio of 5.7, debt to equity ratio of 0.8, 57.2 days sales in accounts receivable, and 2.4 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Total revenues reflect all previously approved rate increases. Retail water revenues will increase approximately 6% equivalent to \$40,000 by April 1, 2019.
- 2) Wholesale water will go up annually based on the rate schedule in the water purchase agreements with the Garrard County Water Association and the City of Crab Orchard.
- 3) Expenses will increase 2% annually for general inflation.
- 4) The City will receive a grant in the amount of \$500,000 from ARC in addition to this loan, the RD grant and loan, as well as the HB265 state grant.
- 5) After 2019, the City will continue to automatically adjust retail water and sewer rates based on the Consumer Price Index.
- 6) Debt service coverage is 1.1 in 2022 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 replacement reserve will be 5% (\$200,000 total) of the final amount borrowed (prior to principal forgiveness) to be funded annually (\$10,000) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
Water and Sewer Revenue Bonds Series 1988	\$ 638,000	2028
Water and Sewer Revenue Bonds Series 2000	467,500	2040
Water and Sewer Revenue Bonds Series 2005A	218,100	2045
Water and Sewer Revenue Bonds Series 2005B	147,300	2045
Water and Sewer Revenue Bonds Series 2009	897,000	2048
Water and Sewer Revenue Bonds Series 2010	1,505,500	2050
KIA Loan B08-002	288,900	2028
KIA Loan B16-013 i/a/o \$406,868		TBD
RD Bonds i/a/o \$4.5 million		TBD
Total	\$4,162,300	

XI. CONTACTS

Legal Applicant	
Name	City of Lancaster
Address	308 W Maple Ave, Suite 1 Lancaster, KY 40444
County	Garrard
Authorized Official	Chris Davis, Mayor
Phone	(859) 792-2241
Email	cdavis@cityoflancasterky.com

Project Contact - Applicant	
Name	Debbie Carrier, City Clerk
Representing	City of Lancaster
Address	308 W Maple Ave, Suite 1 Lancaster, KY 40444
Phone	(859) 792-2241
Email	dcarrier@cityoflancasterky.com

Consulting Engineer & Project Administrator

Name	Ryan Carr
Firm	Kentucky Engineering Group
Address	PO Box 1034 Versailles, KY 40383
Phone	(859) 251-4127
Email	rcarr@kyengr.com

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions and one special condition to increase retail water revenues by approximately 6% equivalent to \$40,000 on or before April 1, 2019.

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

	<u>Audited 2015</u>	<u>Audited 2016</u>	<u>Audited 2017</u>	<u>Projected 2018</u>	<u>Projected 2019</u>	<u>Projected 2020</u>	<u>Projected 2021</u>	<u>Projected 2022</u>
Balance Sheet								
Assets								
Current Assets	1,469,534	1,479,526	1,838,847	1,865,111	1,933,928	1,989,642	2,043,234	2,060,668
Other Assets	10,459,985	10,258,586	10,183,626	9,730,712	9,692,534	14,676,170	19,540,114	18,868,228
Total	11,929,519	11,738,112	12,022,473	11,595,823	11,626,462	16,665,813	21,583,348	20,928,896
Liabilities & Equity								
Current Liabilities	207,234	323,961	320,621	328,770	337,918	346,166	355,614	366,685
Long Term Liabilities	4,910,312	4,886,005	5,037,302	4,886,399	4,942,244	8,541,663	12,135,534	11,972,234
Total Liabilities	5,117,546	5,209,966	5,357,923	5,215,169	5,280,162	8,887,829	12,491,148	12,338,919
Net Assets	6,811,973	6,528,146	6,664,550	6,380,654	6,346,300	7,777,984	9,092,200	8,589,977
Cash Flow								
Revenues	1,852,941	1,821,842	2,049,621	2,004,602	2,128,824	2,171,779	2,392,154	2,439,011
Operating Expenses	1,425,693	1,474,044	1,545,746	1,576,661	1,609,211	1,641,375	1,767,906	1,801,369
Other Income	4,322	4,172	4,055	4,055	4,055	4,055	4,055	4,055
Cash Flow Before Debt Service	431,570	351,970	507,930	431,996	523,668	534,459	628,303	641,697
Debt Service								
Existing Debt Service	366,484	292,252	266,522	265,499	277,086	289,386	475,190	475,715
Proposed KIA Loan	0	0	0	0	0	0	57,656	115,312
Total Debt Service	366,484	292,252	266,522	265,499	277,086	289,386	532,846	591,027
Cash Flow After Debt Service	65,086	59,718	241,408	166,497	246,582	245,073	95,457	50,670
Ratios								
Current Ratio	7.1	4.6	5.7	5.7	5.7	5.7	5.7	5.6
Debt to Equity	0.8	0.8	0.8	0.8	0.8	1.1	1.4	1.4
Days Sales in Accounts Receivable	34.8	30.9	57.2	57.2	57.2	57.2	57.2	57.2
Months Operating Expenses in Unrestricted Cash	1.4	1.4	2.4	2.6	2.9	3.2	3.3	3.3
Debt Coverage Ratio	1.2	1.2	1.9	1.6	1.9	1.8	1.2	1.1

NEW BOND ISSUE REPORT

Name of Issue: Kentucky Higher Education Student Loan Corporation (KHESLC) Student Loan Revenue Bonds, Series 2019-1

Purpose of Issue: The Taxable Fixed Rate Bonds are being issued for the purpose of purchasing, originating and financing Advantage Refinance, Education and Parent Loans (“Advantage Loans”)

Proposed Date of Sale: 2/20/2019
Proposed Date of Delivery: 3/1/2019
Ratings (Anticipated): Senior Bonds: AA (S&P)
Subordinate Bonds: BBB (S&P)

Projected Sources and Uses:

Sources	
Senior Bonds	\$ 110,000,000
Subordinate Bonds	25,000,000
Equity	15,700,000
Total Sources	\$ 150,700,000

Uses	
Deposit to Loan Account	\$ 145,975,000
Deposit to Debt Service Reserve Fund	2,700,000
Cost of Issuance	2,025,000
Total Uses	\$ 150,700,000

True Interest Cost: 4.69%
First Call Date: June 1, 2027
Final Maturity Date: June 1, 2037
Average Annual Debt Service: \$ 10,803,528
Total Debt Service: \$ 195,902,125
Average Life of the Bonds: 9.80 years

Method of Sale: Negotiated
Bond Counsel: Hawkins Delafield & Wood LLP
Senior Managing Underwriter: Bank of America Merrill Lynch
Underwriter’s Counsel: Kutak Rock LLP
Trustee: TBD

Kentucky Higher Education Student Loan Corporation (KHESLC)
Series 2019-1 Taxable Fixed Rate Bonds

Series 2019-1 Semi-Annual Debt Service				
	Principal	Coupon	Interest	Debt Service
3/1/2019	\$ -	-	\$ -	\$ -
6/1/2019	-	-	1,438,625	1,438,625
6/1/2020	3,500,000	3.50%	5,754,500	9,254,500
6/1/2021	5,500,000	3.60%	5,632,000	11,132,000
6/1/2022	8,000,000	3.68%	5,434,000	13,434,000
6/1/2023	11,000,000	3.71%	5,139,600	16,139,600
6/1/2024	13,000,000	3.81%	4,731,500	17,731,500
6/1/2025	12,000,000	3.90%	4,236,200	16,236,200
6/1/2026	11,000,000	4.00%	3,768,200	14,768,200
6/1/2027	10,000,000	4.14%	3,328,200	13,328,200
6/1/2028	5,000,000	4.19%	2,914,200	7,914,200
6/1/2029	4,000,000	4.24%	2,704,700	6,704,700
6/1/2030	-	-	2,535,100	2,535,100
6/1/2031	-	-	2,535,100	2,535,100
6/1/2032	-	-	2,535,100	2,535,100
6/1/2033	27,000,000	4.13%	2,535,100	29,535,100
6/1/2034	-	-	1,420,000	1,420,000
6/1/2035	-	-	1,420,000	1,420,000
6/1/2036	-	-	1,420,000	1,420,000
6/1/2037	25,000,000	5.68%	1,420,000	26,420,000
Total	\$ 135,000,000		\$ 60,902,125	\$ 195,902,125

Preliminary New Bond Issue Report

Issue: \$14,220,000 (est.) University of Kentucky General Receipts Refunding Bonds, 2019 Series A

Purpose of Issue: Bond proceeds of the 2019 Series A will be used to 1.) currently refund and retire all the outstanding University of Kentucky General Receipts Bonds, 2009 Series A; and 2.) pay associated costs of issuance.

Proposed Date of Sale: January 23, 2019
Proposed Date of Delivery: February 25, 2019

Ratings:
Moody's TBD
S&P TBD

Sources:

Par amount of bonds:	\$14,220,000.00
Premium:	\$1,117,922.10
Total Sources:	<hr/> \$15,337,922.10

Uses:

Refunding Escrow Deposits:	\$15,162,838.96
Cost of Issuance:	\$103,983.14
Underwriter Discount:	\$71,100.00
Total Uses:	<hr/> \$15,337,922.10

All-in True Interest Cost:	2.852%
Final Maturity Date:	11/2/2024
Average Annual Debt Service:	\$2,916,087.98
Total Debt Service:	\$16,573,100.00
Average Life (years):	33.310

Refunding Summary:

Bond Issue Being Refinanced:	See Summary of Bonds Refunded (attached)
Par Amount of Refunded Bonds:	\$14,945,000
Net PV Savings:	\$816,908
Percentage Savings of Refunded Bonds:	5.467%

Method of Sale:	Competitive
Bond Counsel:	Dinsmore & Shohl, LLP
Financial Advisor:	Hilliard Lyons
Trustee:	U.S. Bank

Based off cashflows as of 12/3/2018
Preliminary Subject to Change

BOND DEBT SERVICE

University of Kentucky
 Refunding of 2009A
 Tax-Exempt Refunding
 Current Market

Dated Date 02/25/2019
 Delivery Date 02/25/2019

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service	Bond Balance	Total Bond Value
02/25/2019						14,220,000	14,220,000
05/01/2019	90,000	5.000%	130,350	220,350		14,130,000	14,130,000
06/30/2019					220,350	14,130,000	14,130,000
11/01/2019	2,070,000	5.000%	353,250	2,423,250		12,060,000	12,060,000
05/01/2020			301,500	301,500		12,060,000	12,060,000
06/30/2020					2,724,750	12,060,000	12,060,000
11/01/2020	2,175,000	5.000%	301,500	2,476,500		9,885,000	9,885,000
05/01/2021			247,125	247,125		9,885,000	9,885,000
06/30/2021					2,723,625	9,885,000	9,885,000
11/01/2021	2,290,000	5.000%	247,125	2,537,125		7,595,000	7,595,000
05/01/2022			189,875	189,875		7,595,000	7,595,000
06/30/2022					2,727,000	7,595,000	7,595,000
11/01/2022	2,405,000	5.000%	189,875	2,594,875		5,190,000	5,190,000
05/01/2023			129,750	129,750		5,190,000	5,190,000
06/30/2023					2,724,625	5,190,000	5,190,000
11/01/2023	2,530,000	5.000%	129,750	2,659,750		2,660,000	2,660,000
05/01/2024			66,500	66,500		2,660,000	2,660,000
06/30/2024					2,726,250	2,660,000	2,660,000
11/01/2024	2,660,000	5.000%	66,500	2,726,500			
06/30/2025					2,726,500		
	14,220,000		2,353,100	16,573,100	16,573,100		

SAVINGS

University of Kentucky
 Refunding of 2009A
 Tax-Exempt Refunding
 Current Market

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 02/25/2019 @ 2.4853633%
06/30/2019	343,956.25	220,350.00	123,606.25	123,047.77
06/30/2020	2,849,637.50	2,724,750.00	124,887.50	122,988.17
06/30/2021	2,849,862.50	2,723,625.00	126,237.50	121,189.81
06/30/2022	2,849,962.50	2,727,000.00	122,962.50	115,066.40
06/30/2023	2,848,312.50	2,724,625.00	123,687.50	112,955.99
06/30/2024	2,848,562.50	2,726,250.00	122,312.50	109,010.84
06/30/2025	2,851,031.25	2,726,500.00	124,531.25	108,221.02
	17,441,325.00	16,573,100.00	868,225.00	812,480.02

Savings Summary

PV of savings from cash flow	812,480.02
Plus: Refunding funds on hand	4,428.14
	<hr/>
Net PV Savings	816,908.16

SUMMARY OF BONDS REFUNDED

University of Kentucky
 Refunding of 2009A
 Tax-Exempt Refunding
 Current Market

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
General Receipts Bonds, 2009 Series A, 2009A:					
BOND	11/01/2019	5.250%	2,220,000.00	02/25/2019	100.000
	11/01/2020	4.000%	2,325,000.00	02/25/2019	100.000
	11/01/2021	4.000%	2,420,000.00	02/25/2019	100.000
	11/01/2022	5.000%	2,530,000.00	02/25/2019	100.000
	11/01/2023	5.000%	2,660,000.00	02/25/2019	100.000
	11/01/2024	4.375%	2,790,000.00	02/25/2019	100.000
			14,945,000.00		