

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

- **Fund A Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Loan Amount</u>	<u>County</u>
A17-033	Paducah McCracken County Joint Sewer Agency	\$ 9,100,000	McCracken

EXECUTIVE SUMMARY		Reviewer	Ashley Adams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	June 1, 2017	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A17-033	
REVOLVING LOAN FUND		WRIS Number	SX21145023	
BORROWER		PADUCAH MCCRACKEN COUNTY JOINT SEWER AGENCY MCCRACKEN COUNTY		
BRIEF DESCRIPTION				
This project will construct a 15 MG combined sewer storage tank along with related appurtenances. The project is the first project required under the Agency's Long Term Control Plan (LTCP) and Consent Judgment (Civil Action 07-CI-1252). The primary purpose of the tank will be to receive future excess wet weather flows.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$9,100,000	RD Fee %	Actual %	
				Administrative Expenses \$0
				Legal Expenses 7,500
				Land, Easements 300,000
				Planning 30,000
		Eng - Design / Const 6.5%	6.4%	513,050
		Eng - Insp 3.1%	2.8%	225,000
				Construction 7,085,000
				Contingency 934,450
				Other 5,000
TOTAL	<u>\$9,100,000</u>	TOTAL		<u>\$9,100,000</u>
REPAYMENT	Rate	1.75%	Est. Annual Payment	\$559,428
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	JR Wauford & Company		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Aug-18		
	Construction Start	Sep-18		
	Construction Stop	Jan-20		
DEBT PER CUSTOMER	Existing	\$1,227		
	Proposed	\$1,621		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	18,098	\$23.32	(for 4,000 gallons)
	Additional	0	\$23.32	(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 2014	2,916,526	1,280,235	1,636,291	2.3
Audited 2015	2,960,038	1,572,243	1,387,795	1.9
Audited 2016	3,502,846	1,375,321	2,127,525	2.5
Projected 2017	4,099,052	1,569,471	2,529,581	2.6
Projected 2018	5,079,827	1,647,984	3,431,844	3.1
Projected 2019	4,991,062	1,715,046	3,276,016	2.9
Projected 2020	4,900,522	1,988,932	2,911,590	2.5
Projected 2021	4,808,171	2,267,122	2,541,049	2.1

Reviewer: Ashley Adams
Date: June 1, 2017
Loan Number: A17-033

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND "A")
PADUCAH MCCRACKEN JOINT SEWER AGENCY, MCCRACKEN COUNTY
PROJECT REVIEW
SX21145023**

I. PROJECT DESCRIPTION

Paducah McCracken Joint Sewer Agency is requesting a Fund A loan in the amount of \$9,100,000 for the Combined Sewer Storage Tank – Harrison Street Phase 1 project. This project will construct a 15 MG combined sewer storage tank along with related appurtenances. The project is the first project required under the Agency's Long Term Control Plan (LTCP) and Consent Judgment (Civil Action 07-CI-1252). The primary purpose of the tank will be to receive future excess wet weather flows.

The Agency currently serves approximately 18,000 customers.

II. PROJECT BUDGET

	<u>Total</u>
Legal Expenses	\$ 7,500
Land, Easements	300,000
Planning	30,000
Engineering Fees - Design / Const	513,050
Engineering Fees - Inspection	225,000
Construction	7,085,000
Contingency	934,450
Other	5,000
Total	\$ 9,100,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 9,100,000	100%
Total	\$ 9,100,000	100%

IV. KIA DEBT SERVICE

Amortized Loan Amount	\$ 9,100,000
Interest Rate	1.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 541,228
Administrative Fee (0.20%)	18,200
Total Estimated Annual Debt Service	\$ 559,428

V. PROJECT SCHEDULE

Bid Opening	March 2018
Construction Start	May 2018
Construction Stop	October 2019

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	18,098
Total	18,098

B) Rates

	Future	Current	Prior
Date of Last Rate Increase	07/01/17	03/01/16	07/01/14
Minimum (3,000 gallons) per 1,000	\$17.49 5.83	\$15.45 5.15	\$13.29 4.43
Cost for 4,000 gallons	\$23.32	\$20.60	\$17.72
Increase %	13.2%	16.3%	
Affordability Index (Rate/MHI)	0.8%	0.7%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2010-2014, the Utility's service area population was 34,452 with a Median Household Income (MHI) of \$36,650. The median household income for the Commonwealth is \$43,342. The project will qualify for a 1.75% interest rate.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	29,315		61,310		June 2005	6.3%
1990	27,256	-7.0%	62,879	2.6%	June 2010	9.0%
2000	26,307	-3.5%	65,514	4.2%	June 2015	5.8%
2010	25,024	-4.9%	65,565	0.1%	June 2016	6.2%
Current	25,046	0.1%	65,545	0.0%		
Cumulative %		-14.6%		6.9%		

VIII. 2016 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 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 years ended June 30, 2014 through June 30, 2016. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2016 operating expenses (\$181 thousand). Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Revenues increased 7% from \$6.9 million in 2014 to \$7.4 million in 2016 due to previously approved rate increases. Operating expenses decreased 2% from \$4.4 million in 2014 to \$4.3 million in 2016. The debt coverage ratio was 2.3, 1.9, and 2.5 from 2014 to 2016, respectively.

The balance sheet reflects a current ratio of 5.4, a debt to equity ratio of 0.5, and a collection period of 24.4 days. Unrestricted cash equals 16.1 months of operating expenses.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase 9.2% in 2017 and 13.2% in 2018 due to previously approved rate increases. The utility also has a CPI clause that states they

may adjust rates based on CPI-U each April although no CPI assumptions for revenue growth were factored into this analysis.

- 2) Expenses will increase 2% for inflation
- 3) Debt service coverage is 2.1 in 2021 when principal and interest repayments begin.

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

REPLACEMENT RESERVE

The Agency currently has designated reserves which include (1) restricted reserves related to outstanding debt and (2) reserves established by the agency for high dollar capital equipment purchases, emergencies and rate stabilization (currently funded to the maximum level of \$3,000,000). In the case of the second reserve account, the agency has a policy that this account cannot drop below \$750,000 and anytime the balance is less than \$3,000,000 their policy states that they will deposit \$135,000 annually until the maximum balance is obtained. There will be no additional reserve requirement for this loan as long as the Agency continues to maintain their current designated reserve policies.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Revenue Bonds 2011	\$ 4,140,500	2051
Revenue Refunding Bonds 2014	4,000,000	2031
KIA (A03-01)	550,968	2023
KIA (A03-08)	645,346	2026
KIA (A04-03)	431,264	2025
KIA (A08-01)	1,076,076	2029
KIA (A09-02)	5,340,434	2033
KIA (A12-08)	6,025,318	2035
KIA (A16-072) (i/a/o \$2,385,000)		
Total	\$ 22,209,906	

XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
Massac Creek Interceptor	Delta Regional Authority	\$ 100,000	Grant
Walker Boat Yard Extension & Pump Station	EDA	425,680	Grant

XII. CONTACTS

Legal Applicant

Name	Paducah McCracken Joint Sewer Agency
Address	621 Northview St Paducah, KY 42001
County	McCracken
Authorized Official	John Hodges, Executive Director
Phone	270-575-0056
Email	jhodges@jointsewer.com

Project Contact - Applicant

Name	Amy Darnell, Director of Finance
Representing	Paducah McCracken Joint Sewer Agency
Address	621 Northview St Paducah, KY 42001
Phone	270-575-0056
Email	adarnell@jointsewer.com

Project Administrator

Name	Paducah McCracken Joint Sewer Agency
Address	621 Northview St Paducah, KY 42001
Contact	Josh Webb
Phone	270-575-0056
Email	jwebb@jointsewer.com

Consulting Engineer

Name	Greg Davenport, PE
Firm	JR Wauford & Company
Address	2835 Lebanon Rd., PO Box 140350 Nashville, TN 37214
Phone	615-883-3243
Email	gregd@jrwauford.com

XIII. RECOMMENDATIONS

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

**PADUCAH MCCRACKEN COUNTY JOINT SEWER AGENCY
FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2014</u>	<u>Audited</u> <u>2015</u>	<u>Audited</u> <u>2016</u>	<u>Projected</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>
Balance Sheet								
Assets								
Current Assets	14,773,081	13,346,415	13,992,586	14,544,039	15,301,708	15,956,911	16,539,229	17,047,439
Other Assets	65,256,863	68,423,112	67,910,623	69,368,198	69,344,569	69,954,611	77,628,945	76,665,182
Total	80,029,944	81,769,527	81,903,209	83,912,238	84,646,277	85,911,522	94,168,174	93,712,621
Liabilities & Equity								
Current Liabilities	1,758,635	2,137,269	2,581,348	2,591,318	2,627,085	2,652,789	2,679,435	2,711,026
Long Term Liabilities	20,559,124	24,108,560	23,890,401	25,012,361	23,648,914	23,092,703	30,167,984	28,945,015
Total Liabilities	22,317,759	26,245,829	26,471,749	27,603,679	26,275,999	25,745,492	32,847,419	31,656,041
Net Assets	57,712,185	55,523,698	55,431,460	56,308,558	58,370,278	60,166,031	61,320,755	62,056,580
Cash Flow								
Revenues	6,912,425	6,921,452	7,407,866	8,089,390	9,157,189	9,157,189	9,157,189	9,157,189
Operating Expenses	4,341,692	4,251,438	4,265,905	4,351,223	4,438,247	4,527,012	4,617,552	4,709,903
Other Income	345,793	290,024	360,885	360,885	360,885	360,885	360,885	360,885
Cash Flow Before Debt Service	2,916,526	2,960,038	3,502,846	4,099,052	5,079,827	4,991,062	4,900,522	4,808,171
Debt Service								
Existing Debt Service	1,280,235	1,572,243	1,375,321	1,569,471	1,647,984	1,715,046	1,709,218	1,707,694
Proposed KIA Loan	0	0	0	0	0	0	279,714	559,428
Total Debt Service	1,280,235	1,572,243	1,375,321	1,569,471	1,647,984	1,715,046	1,988,932	2,267,122
Cash Flow After Debt Service	1,636,291	1,387,795	2,127,525	2,529,581	3,431,844	3,276,016	2,911,590	2,541,049
Ratios								
Current Ratio	8.4	6.2	5.4	5.6	5.8	6.0	6.2	6.3
Debt to Equity	0.4	0.5	0.5	0.5	0.5	0.4	0.5	0.5
Days Sales in Accounts Receivable	22.7	26.5	24.4	24.4	24.4	24.4	24.4	24.4
Months Operating Expenses in Unrestricted Cash	14.5	17.1	16.1	17.2	18.7	20.1	21.2	22.1
Debt Coverage Ratio	2.3	1.9	2.5	2.6	3.1	2.9	2.5	2.1