

**Kentucky Infrastructure Authority
Projects for
March 2019 Capital Projects Meeting**

- **Fund A Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Loan Amount</u>	<u>County</u>
A19-026	City of La Center	\$ 1,050,049	Ballard
A19-045	City of Burkesville	\$ 251,000	Cumberland
A19-047	City of Bardstown	\$ 5,400,000	Nelson

EXECUTIVE SUMMARY		Reviewer	Ashley Adams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	February 7, 2019	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A19-026	
REVOLVING LOAN FUND		WRIS Number	SX21007019	
BORROWER	CITY OF LA CENTER BALLARD COUNTY			
BRIEF DESCRIPTION				
This project will fund upgrades to the Wastewater Treatment Plant (WWTP) as well as the collection system. Upgrades to the WWTP include the addition of Actiflo tertiary treatment and ultra-violet disinfection. Collection system rehabilitation will include an SSES, camera work, and line repair of up to an estimated 36,000 linear feet of vitrified clay pipe to control inflow and infiltration in the over 50 year old system.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$1,050,049	RD Fee %	Actual %	
CDBG	1,000,000	Administrative Expenses		\$25,000
		Legal Expenses		5,000
		Planning		20,000
		Eng - Design / Const	7.9%	7.4%
		Eng - Insp	4.8%	4.5%
		Construction		1,625,000
		Contingency		162,500
TOTAL	\$2,050,049	TOTAL		\$2,050,049
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$19,918
	Term	30 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Cann-Tech		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Apr-19		
	Construction Start	May-19		
	Construction Stop	Apr-20		
DEBT PER CUSTOMER	Existing	\$2,547		
	Proposed	\$3,526		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	430	\$36.66	(for 4,000 gallons)
	Additional	0	\$36.66	(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	(9,450)	112,106	(121,556)	-0.1
Audited 2017	(8,293)	83,608	(91,901)	-0.1
Audited 2018	130,745	93,218	37,527	1.4
Projected 2019	131,069	82,493	48,576	1.6
Projected 2020	126,469	82,068	44,401	1.5
Projected 2021	124,383	102,062	22,321	1.2
Projected 2022	122,208	102,114	20,094	1.2
Projected 2023	119,943	102,114	17,829	1.2

Reviewer: Ashley Adams
Date: February 7, 2019
Loan Number: A19-026

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF LA CENTER, BALLARD COUNTY
PROJECT REVIEW
SX21007019**

I. PROJECT DESCRIPTION

The City of La Center is requesting a Fund A loan in the amount of \$1,050,049 for the Wastewater Treatment Plant Upgrade and I/I Reduction project. This project will consist of upgrading the Wastewater Treatment Plant and the collection system. The City is under an agreed order (DOW 130159). The City plans to upgrade the WWTP by adding Actiflo tertiary treatment and ultra-violet disinfection to ensure effluent falls within their permitted limits. The City discharges into an Impaired Stream, Humphrey Creek, and must meet stringent discharge limits. Other work at the treatment plant will be done to ensure the proper operation of all components including a sludge pump station, slide gates, and necessary yard piping.

The city's gravity system was constructed in excess of 50 years ago and is mostly Vitrified Clay pipe. The pipes have deteriorated significantly over time and are contributing excessive inflow/infiltration into the system. The city has been doing repair work based on the 2000 SSES report with its own funds. In order to continue the necessary repairs a new SSES study and report is required, as well as, the estimated 36,000 linear feet of line that will need repair. The majority of the line repairs will utilize trenchless technology methods (I.E. Cured-in-place pipe, pipe bursting, etc.). This approach will reduce disturbance to the community during construction, reduce the strain on the WWTP, adding to its longevity and resulting in substantial improvements to the customers' service. The City will also complete camera work to determine the most egregious portions for Inflow and Infiltration of their system. Once those portions are identified, the city will rehab the system lines.

The City of La Center provides sewer service to 364 residential and 66 commercial customers and water service to 372 residential and 73 commercial customers in Ballard County.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 25,000
Legal Expenses	5,000
Planning	20,000
Engineering Fees - Design	92,137
Engineering Fees - Construction	39,487
Engineering Fees - Inspection	80,925
Construction	1,625,000
Contingency	162,500
Total	\$ 2,050,049

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 1,050,049	51%
CDBG	1,000,000	49%
Total	\$ 2,050,049	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,050,049
Less: Principal Forgiveness	525,025
Amortized Loan Amount	\$ 525,024
Interest Rate	0.50%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 18,868
Administrative Fee (0.20%)	1,050
Total Estimated Annual Debt Service	\$ 19,918

V. PROJECT SCHEDULE

Bid Opening	April 2019
Construction Start	May 2019
Construction Stop	April 2020

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	<u>Current</u>
Residential	364
Commercial	66
Total	430

B) Rates

	Sewer	Proposed*	Current	Prior
Date of Last Rate Increase		04/01/19	03/14/17	01/11/11
First 3,000 Gallons		\$32.98	\$16.25	\$16.25
Next 2,000 Gallons (per 1,000 gallons)		4.22	2.50	2.50
All over 5,000 Gallons (per 1,000 gallons)		3.55	1.83	1.83
Capital Improvement Fee			8.00	
Construction/Maintenance Flat Fee			5.11	5.11
Construction/Maintenance (per 1,000 gallons)			1.20	1.20
Cost for 4,000 gallons		\$37.20	\$36.66	\$28.66
Increase %		1.5%	27.9%	
Affordability Index (Rate/MHI)		1.3%	1.3%	

	Water	Proposed*	Current	Prior
Date of Last Rate Increase		04/01/19	03/14/17	01/11/11
First 3,000 Gallons		\$32.98	\$16.25	\$16.25
Next 2,000 Gallons (per 1,000)		4.22	2.50	2.50
All over 5,000 Gallons (per 1,000)		3.55	1.83	1.83
Capital Improvement Fee			8.00	
Construction/Maintenance Flat Fee			2.00	2.00
Construction/Maintenance (per 1,000 gallons)			1.72	1.72
Cost for 4,000 gallons		\$37.20	\$35.63	\$27.63
Increase %		4.4%	29.0%	
Affordability Index (Rate/MHI)		1.3%	1.3%	

The City will be implementing a CPI clause in their ordinance in addition to consolidating their rates. The first reading is expected to be February 12, 2019 and second reading expected March 12, 2019.

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the Utility's service area population was 1,063 with a Median Household Income (MHI) of \$34,006. The median household income for the Commonwealth is \$44,811. The project will qualify for a 0.5% interest rate based on MHI.

Year	Population		County		County Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	1,044		8,798		June 2005	7.1%
1990	1,040	-0.4%	7,902	-10.2%	June 2010	9.5%
2000	1,038	-0.2%	8,286	4.9%	June 2015	6.3%
2010	1,009	-2.8%	8,249	-0.4%	June 2018	7.7%
Current	1,054	4.5%	8,216	-0.4%		
Cumulative %		1.0%		-6.6%		

VIII. 2018 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. Principal forgiveness of 50% of the assistance amount, not to exceed \$525,025 will be credited to the loan balance upon release of liens on all contracts and disbursement of the final draw request by KIA to the borrower.

IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2016 through June 30, 2018. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Combined water and sewer revenues have increased 27% from 2016 through 2018 due to rate increases. Operating expenses have declined 12% during the same time period. Cash flow after debt service was -\$121,556 in 2016, -\$91,901 in 2017, and \$37,527 in 2018 with debt coverage not being met in 2016 and 2017 from revenues generated within the water and sewer utilities. The utility makes regular transfers in to the water and sewer fund from both the gas fund and the general fund to make up for shortfalls. Transfers in during the audited time period observed include \$149,478 in 2016, \$98,999 in 2017, and \$97,355 in 2018.

A capital improvement fee in the amount of \$8 per bill (both water and sewer) was instituted in March 2017 which increased revenues nearly \$100,000 to make up for the ongoing deficit in the water and sewer funds and generate money for capital improvements. This brought the water and sewer fund into a positive cash flow position (\$37,527) and a 1.4 debt coverage ratio for 2018.

The 2018 balance sheet reflects a 1.1 current ratio, a 0.6 debt to equity ratio, 46.2 days sales in accounts receivable, and 2.2 months operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will remain flat for growth and volume and increase marginally (1.5% sewer, 4.4% water) for additional proposed rate increases in 2019.
- 2) Expenses will increase 2% annually for inflation, however, inflation will be offset by a soon to be implemented CPI clause.
- 3) Transfers in from other accounts will cease in 2019 and throughout the forecast.
- 4) Debt service coverage is 1.2 in 2021 when 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

The replacement reserve will be 5% (\$52,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$2,600 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Revenue Bonds Series 2004	\$ 432,500	2044
KIA Loan (A10-15)	662,812	2032
Total	\$ 1,095,312	

XI. CONTACTS

Legal Applicant

Entity Name	City of La Center
Authorized Official	Nicky Hutcherson (Mayor)
County	Ballard
Email	lacityhall@brtc.net
Phone	270-665-9140
Address	PO Box 420 La Center, KY, 42056

Applicant Contact

Name	Jody Brown
Organization	City of La Center
Email	lacenterwater@brtc.net
Phone	270-665-5162
Address	PO Box 420 La Center, KY, 42056

Project Administrator

Name	Bjarne Hansen
Organization	Purchase ADD
Email	bjarne.hansen@purchaseadd.org
Phone	270-274-7171
Address	PO Box 588 Mayfield, KY 42066

Consulting Engineer

PE Name	Matthew Baker
Firm Name	Cann-Tech
Email	mbaker@kih.net
Phone	502-859-0907
Address	1100 Glensboro Rd, Suite 9 Lawrenceburg, KY 40342

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions and the following special condition:

1. The City of La Center shall implement a CPI clause in their proposed rate ordinance, consolidate all miscellaneous fees into their normal rates by ordinance, and raise rates, at a minimum, as indicated in Section VI, B of this analysis. The ordinance will be reviewed and approved by KIA staff prior to execution.

**CITY OF LA CENTER
FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2016</u>	<u>Audited</u> <u>2017</u>	<u>Audited</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>	<u>Projected</u> <u>2023</u>
Balance Sheet								
Assets								
Current Assets	76,650	69,688	121,538	131,915	141,395	146,460	151,078	167,673
Other Assets	2,859,247	2,785,124	2,765,446	3,738,306	4,656,576	4,532,156	4,405,956	4,263,680
Total	2,935,897	2,854,812	2,886,984	3,870,222	4,797,971	4,678,616	4,557,034	4,431,353
Liabilities & Equity								
Current Liabilities	116,536	125,212	106,985	110,043	112,311	114,595	116,495	60,494
Long Term Liabilities	1,194,951	1,144,382	1,091,827	1,302,780	1,510,775	1,454,874	1,397,973	1,348,902
Total Liabilities	1,311,487	1,269,594	1,198,812	1,412,823	1,623,086	1,569,469	1,514,468	1,409,396
Net Assets	1,624,410	1,585,218	1,688,172	2,457,399	3,174,885	3,109,147	3,042,566	3,021,957
Cash Flow								
Revenues	357,722	361,892	454,810	463,856	468,470	473,130	477,836	482,589
Operating Expenses	367,187	370,201	324,196	332,918	342,132	348,878	355,759	362,777
Other Income	15	16	131	131	131	131	131	131
Cash Flow Before Debt Service	(9,450)	(8,293)	130,745	131,069	126,469	124,383	122,208	119,943
Debt Service								
Existing Debt Service	112,106	83,608	93,218	82,493	82,068	82,144	82,196	82,196
Proposed KIA Loan	0	0	0	0	0	19,918	19,918	19,918
Total Debt Service	112,106	83,608	93,218	82,493	82,068	102,062	102,114	102,114
Cash Flow After Debt Service	(121,556)	(91,901)	37,527	48,576	44,401	22,321	20,094	17,829
Ratios								
Current Ratio	0.7	0.6	1.1	1.2	1.3	1.3	1.3	2.8
Debt to Equity	0.8	0.8	0.7	0.6	0.5	0.5	0.5	0.5
Days Sales in Accounts Receivable	61.0	47.5	46.2	46.2	46.2	46.2	46.2	46.2
Months Operating Expenses in Unrestricted Cash	0.5	0.6	2.2	2.5	2.8	2.9	3.0	3.5
Debt Coverage Ratio	(0.1)	(0.1)	1.4	1.6	1.5	1.2	1.2	1.2

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND A, FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND		Reviewer Date KIA Loan Number WRIS Number	Meili Sun February 7, 2019 A19-045 SX21057002	
BORROWER		CITY OF BURKESVILLE CUMBERLAND COUNTY		
BRIEF DESCRIPTION This is the Planning and Design portion of the WWTP Improvements project. It will allow the City to evaluate the plant's current condition, create a Preliminary Engineering Report, identify needed improvements, evaluate options for future treatment limits, and make recommendations for improvements.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan Plan & Design	\$251,000	RD Fee %	Actual %	
		Planning	66,500	
		Eng - Design / Const	184,500	
TOTAL	\$251,000	TOTAL	\$251,000	
REPAYMENT	Rate Term	3.00% 5 Years	Est. Annual Payment 1st Payment 6 Mo. after first draw	
			\$54,936	
PROFESSIONAL SERVICES	Engineer Bond Counsel	GRW Engineers, Inc Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	P&D Start P&D Completion Bid Opening	Jul-18 Jun-19 Mar-20		
DEBT PER CUSTOMER	Existing Proposed	\$4,781 \$4,623		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current Additional	<u>Users</u> 605 0	<u>Avg. Bill</u> \$31.41 (for 4,000 gallons) \$31.41 (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	233,234	209,353	23,881	1.1
Audited 2017	222,159	233,209	(11,050)	1.0
Audited 2018	383,109	249,609	133,500	1.5
Projected 2019	371,411	243,115	128,296	1.5
Projected 2020	359,449	279,951	79,498	1.3
Projected 2021	347,218	282,538	64,680	1.2
Projected 2022	334,712	281,890	52,822	1.2
Projected 2023	321,926	282,234	39,692	1.1

Reviewer: Meili Sun
Date: February 7, 2019
Loan Number: A19-045 P&D

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF BURKESVILLE, CUMBERLAND COUNTY
PROJECT REVIEW
SX21057002**

I. PROJECT DESCRIPTION

This the Planning and Design portion of the Waste Water Treatment Plant Improvements project. It will allow the City to evaluate the plant's current condition, create a Preliminary Engineering Report, identify needed improvements, evaluate options for future treatment limits, and make recommendations for improvements.

The project will improve the plant's headworks facilities, which includes replacing the grit removal system and influent sampler, refurbishing the influent piping, HVAC, electrical and architectural components. It will replace the oxidation ditch equipment (motors, gear boxes, line shafts, bearings, etc.), the final clarifier equipment, and the chlorine gas disinfection system with a peracetic acid system. The scope of work also covers improvements to the chlorine contact basin, installation of new RAS/WAS pumping and new sludge processing equipment, upgrades to the existing electrical and instrumentation equipment, and replacement of an existing pump station that serves one major industrial customer.

The system currently serves approximately 600 customers within the city limits and the Cumberland County and supplies wholesale water to the Cumberland County Water District which is regulated by the PSC.

II. PROJECT BUDGET

	<u>Total</u>
Planning	\$ 66,500
Engineering Fees – Design	<u>184,500</u>
Total	\$ 251,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
KIA Fund A Loan	\$ 251,000	100%

IV. KIA DEBT SERVICE

Planning & Design Loan	\$ 251,000
Interest Rate	3.00%
Loan Term (Year)	5
Estimated Annual Debt Service	\$ 54,434
Administrative Fee (0.20%)	502
Annual Debt Service	\$ 54,936

V. PROJECT SCHEDULE

P&D Start Date	July 2018
P&D Completion Date	June 2019
Estimated Bid Date	March 2020
Estimated Construction Start	May 2020
Estimated Construction Completion	June 2021

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	Current
Residential	430
Commercial	133
Industrial	42
Total	605

B) Rates

	Water		Sewer	
	Current	Prior	Current	Prior
Date of Last Rate Increase	10/19/18	10/19/17	10/19/18	10/19/17
Minimum 2,000 Gallons	\$18.87	\$18.68	\$18.87	\$18.68
Next 13,000 Gallons	6.27	6.21	6.89	6.82
Cost for 4,000 gallons	\$31.41	\$31.10	\$32.65	\$32.32
Increase %	1.0%		1.0%	
Affordability Index (Rate/MHI)	1.9%	1.9%	2.0%	1.9%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the Utility's service area population was 1,491 with a Median Household Income (MHI) of \$20,028. The median household income for the Commonwealth was \$44,811. The Planning & Design loan will qualify for a 3.00% interest rate.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	2,051		7,289		June 2005	6.6%
1990	1,815	-11.5%	6,784	-6.9%	June 2010	10.5%
2000	1,756	-3.3%	7,147	5.4%	June 2015	5.3%
2010	1,521	-13.4%	6,856	-4.1%	June 2018	4.5%
Current	1,586	4.3%	6,780	-1.1%		
Cumulative %		-22.7%		-7.0%		

VIII. 2018 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, 2016 through 2018. The non-cash impacts of GASB 68 - Accounting and Financial Reporting for Pensions and GASB 75 - Other Postemployment Benefit have been removed from operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Combined water and sewer revenues went up 16.3% from \$0.96 million in 2016 to \$1.11 million in 2018 due to change in terms of service agreement with the Cumberland County Water District while operating expenses increased less than 1.0% from \$0.72 million to \$0.73 million during the same period. The debt coverage ratio was 1.1, 1.0, and 1.5 for 2016, 2017, and 2018 respectively.

The balance sheet reflects a current ratio of 2.6, debt to equity ratio of 0.6, 39.7 days sales in accounts receivable, and 7.0 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Sewer revenues will increase 1% annually based on the automatic adjustment clause adopted in the 2011 rate ordinance.

- 2) Water revenues will stay flat as wholesale rate is not expected to increase although retail rate will go up 1% each year. Wholesale water accounts for approximately 60% of the total water revenues.
- 3) Should the City decide to pursue a construction loan from KIA after the planning and design work is completed, additional \$100,000 revenues will be required to support a total loan amount of \$3.8 million.
- 4) Expenses will increase 2% each year for inflation.
- 5) Debt service coverage is 1.2 in 2021 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 A loan.

REPLACEMENT RESERVE

Replacement reserve is not required for a planning and design loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
1980 Bonds	\$ 15,000	2019
1990 Bonds	176,000	2028
1992 Bonds	640,000	2032
1998 Bonds	134,600	2036
KIA Loan F209-13	343,754	2031
KIA Loan A11-18	587,358	2035
KIA Loan B13-004	417,815	2035
KIA Loan F15-017	577,881	2037
Total	\$ 2,892,408	

XI. CONTACTS

Legal Applicant	
Name	City of Burkesville
Address	214 Upper River St, PO Box 250 Burkesville, KY 42717
County	Cumberland
Authorized Official	Billy Guffey, Mayor
Phone	(270) 459-2314
Email	cityofburkesvillemayor@gmail.com

Project Contact - Applicant	
Name	Brenda Spears
Organization	City of Burkesville
Address	214 Upper River St, PO Box 250 Burkesville, KY 42717
Phone	(270) 459-2314
Email	cityofburkesville1846@gmail.com

Project Administrator	
Name	Laura Gilkerson
Organization	GRW Engineers, Inc
Address	801 Corporate Dr Lexington, KY 40503
Phone	(859) 229-2667
Email	lgilkerson@grwinc.com

Consulting Engineer	
Name	Michael Lynn Jacobs
Firm	GRW Engineers, Inc
Address	801 Corporate Dr Lexington, KY 40503
Phone	(859) 229-3999
Email	mjacobs@grwinc.com

XII. RECOMMENDATIONS

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

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

	<u>Audited 2016</u>	<u>Audited 2017</u>	<u>Audited 2018</u>	<u>Projected 2019</u>	<u>Projected 2020</u>	<u>Projected 2021</u>	<u>Projected 2022</u>	<u>Projected 2023</u>
Balance Sheet								
Assets								
Current Assets	505,500	448,931	549,793	575,802	592,002	605,238	616,102	624,340
Other Assets	10,344,079	10,168,277	9,950,387	9,448,191	9,400,740	9,084,159	8,758,093	8,421,522
Total	10,849,579	10,617,208	10,500,180	10,023,993	9,992,741	9,689,397	9,374,195	9,045,862
Liabilities & Equity								
Current Liabilities	191,366	194,792	211,539	200,199	232,165	263,140	267,756	272,382
Long Term Liabilities	3,445,534	3,452,096	3,567,884	3,335,271	3,387,340	3,157,734	2,923,812	2,685,564
Total Liabilities	3,636,900	3,646,888	3,779,423	3,535,470	3,619,505	3,420,874	3,191,568	2,957,946
Net Assets	7,212,679	6,970,320	6,720,757	6,488,523	6,373,236	6,268,523	6,182,627	6,087,917
Cash Flow								
Revenues	955,744	956,132	1,111,815	1,114,770	1,117,754	1,120,768	1,123,812	1,126,887
Operating Expenses	725,473	737,087	732,639	747,292	762,238	777,483	793,033	808,894
Other Income	2,963	3,114	3,933	3,933	3,933	3,933	3,933	3,933
Cash Flow Before Debt Service	233,234	222,159	383,109	371,411	359,449	347,218	334,712	321,926
Debt Service								
Existing Debt Service	209,353	233,209	249,609	243,115	252,483	227,602	226,954	227,298
Proposed KIA Loan	0	0	0	0	27,468	54,936	54,936	54,936
Total Debt Service	209,353	233,209	249,609	243,115	279,951	282,538	281,890	282,234
Cash Flow After Debt Service	23,881	(11,050)	133,500	128,296	79,498	64,680	52,822	39,692
Ratios								
Current Ratio	2.6	2.3	2.6	2.9	2.5	2.3	2.3	2.3
Debt to Equity	0.5	0.5	0.6	0.5	0.6	0.5	0.5	0.5
Days Sales in Accounts Receivable	41.3	40.8	39.7	39.7	39.7	39.7	39.7	39.7
Months Operating Expenses in Unrestricted Cash	6.6	5.6	7.0	7.3	7.4	7.5	7.5	7.4
Debt Coverage Ratio	1.1	1.0	1.5	1.5	1.3	1.2	1.2	1.1

EXECUTIVE SUMMARY		Reviewer	Jeff Abshire	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	February 7, 2019	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A19-047	
REVOLVING LOAN FUND		WRIS Number	SX21179029	
BORROWER	CITY OF BARDSTOWN NELSON COUNTY			
BRIEF DESCRIPTION				
This project will replace the existing 0.75 million gallon per day (MGD) Pottershop pump station with a 3.5 MGD station and will upgrade approximately 17,000 linear feet of sewer lines with 12 to 36 inch lines. Mechanical screening facilities will also be constructed at the headworks of the treatment plant to remove trash and debris prior to waste treatment. Capacity will be increased in a growth area as well as mitigation of sanitary sewer overflows and hydraulic overloading during wet weather events as a result of the project.				
PROJECT FINANCING		PROJECT BUDGET	RD Fee %	Actual %
Fund A Loan	\$5,400,000	Administrative Expenses		\$10,000
EDA Grant	1,600,000	Legal Expenses		10,000
		Land, Easements		25,000
		Planning		10,000
		Eng - Design / Const	6.6%	6.1%
		Eng - Insp	3.3%	3.4%
		Eng - Other		25,000
		Construction		5,747,200
		Contingency		574,980
TOTAL	\$7,000,000	TOTAL		\$7,000,000
REPAYMENT	Rate	2.00%	Est. Annual Payment	\$339,720
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	HDR Engineering, Inc.		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Nov-19		
	Construction Start	May-19		
	Construction Stop	Sep-20		
DEBT PER CUSTOMER	Existing	\$1,376		
	Proposed	\$1,477		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u>	<u>Avg. Bill</u>	
		7,464	\$25.93	(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	7,126,017	1,739,721	5,386,296	4.1
Audited 2017	5,974,080	1,735,035	4,239,045	3.4
Audited 2018	8,035,097	1,785,327	6,249,770	4.5
Projected 2019	7,757,591	1,793,259	5,964,332	4.3
Projected 2020	7,503,304	1,866,477	5,636,827	4.0
Projected 2021	7,246,787	2,033,423	5,213,364	3.6
Projected 2022	6,971,640	943,443	6,028,197	7.4
Projected 2023	6,704,760	943,442	5,761,318	7.1

Reviewer: Jeff Abshire
Date: February 7, 2019
Loan Number: A19-047

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND "A")
CITY OF BARDSTOWN, NELSON COUNTY
PROJECT REVIEW
SX21179029**

I. PROJECT DESCRIPTION

The City of Bardstown provides wastewater service to approximately 7,500 customers and also treats waste for the City of Bloomfield's 455 customers.

The City is requesting \$5,400,000 for the Rowan Creek Sewer Upgrade project. The project will replace the existing 0.75 million gallon per day (MGD) Pottershop pump station with a 3.5 MGD station and will upgrade approximately 17,000 linear feet of sewer lines with 12 to 36 inch lines. Mechanical screening facilities will also be constructed at the headworks of the treatment plant to remove trash and debris prior to waste treatment. The pump station is a recurring sanitary sewer overflow (SSO) location due to hydraulic overloading during wet weather while the Rowan Creek trunk sewer has high levels of inflow and infiltration (I/I) and has numerous defects. Existing and proposed development within the Rowan Creek sewershed will exceed the capacity of the existing trunk sewer and pump station, thus justifying the replacement and upgrades. Replacement of the influent sewer at the Town Creek WWTP is needed to eliminate a hydraulic constriction that causes the headworks to back up during high influent flows while the screening facilities are needed to remove trash and debris from the influent to prevent plugging problems with floating aerators and the biological reactor.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 10,000
Legal Expenses	10,000
Land, Easements	25,000
Planning	10,000
Engineering Fees - Design / Const	383,610
Engineering Fees - Inspection	214,210
Engineering Fees - Other	25,000
Construction	5,747,200
Contingency	574,980
Total	\$ 7,000,000

III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 5,400,000	77%
EDA Grant	1,600,000	23%
Total	\$ 7,000,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 5,400,000
Interest Rate	2.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 328,920
Administrative Fee (0.20%)	10,800
Total Estimated Annual Debt Service	\$ 339,720

V. PROJECT SCHEDULE

Bid Opening	February 2019
Construction Start	May 2019
Construction Stop	September 2020

VI. RATE STRUCTURE

A. Customers

Residential	6,196
Commercial	1,268
Total	7,464

B. Rates

Water	Inside City Limits		Outside City Limits	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/03/11	06/28/09	07/03/11	06/28/09
First 2,000 Gallons (Minimum)	\$10.49	\$9.49	\$15.37	\$13.75
Next 2,000	3.30	2.95	3.30	2.95
Cost for 4,000 gallons	\$17.09	\$15.39	\$21.97	\$19.65
Increase %	11.0%		11.8%	
Affordability Index (Rate/MHI)	0.5%		0.6%	

Sewer	Inside City Limits		Outside City Limits	
	Current	Prior	Current	Prior
Date of Last Rate Increase	09/01/11	07/15/09	09/01/11	07/15/09
First 2,000 Gallons (Minimum)	\$17.25	\$15.00	\$18.84	\$15.60
Next 2,000	4.34	3.77	5.66	4.92
Cost for 4,000 gallons	\$25.93	\$22.54	\$30.16	\$25.44
Increase %	15.0%		18.6%	
Affordability Index (Rate/MHI)	0.7%		0.8%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the City's service area population was 17,207 with a Median Household Income (MHI) of \$43,372. The median household income for the Commonwealth is \$44,811. The project will qualify for a 2.00% interest rate.

Year	Population		County		County Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	6,155		27,584		June 2004	5.1%
1990	6,801	10.5%	29,710	7.7%	June 2009	12.5%
2000	10,374	52.5%	37,477	26.1%	June 2015	6.7%
2010	11,700	12.8%	43,437	15.9%	June 2018	4.5%
Current	13,026	11.3%	44,875	3.3%		
Cumulative %		111.6%		62.7%		

VIII. CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project will not be reported 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 City's audited financial statements for the years ended June 30, 2016 through 2018 for the Combined Utilities Operating Fund which includes electric distribution, water treatment and distribution, wastewater treatment, garbage pickup, cable TV, and Internet services. While revenues and expenses are separated in the audit based on the above segments, the balance sheet and debt information is only presented on a consolidated basis. The non cash impacts of GASB 68, Accounting and Financial Reporting for Pensions, and GASB 75,

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, have been removed from consolidated operating expenses. Percentage references in the History section below are based on whole dollar amounts as outlined in the audited financial statements.

HISTORY

Revenues increased 10.5% from \$36.2 million to \$40.0 million from 2015 to 2018 due primarily to growth, while operating expenses increased 10.8% from \$29.1 million to \$32.0 million. Consolidated cash flow before debt service averaged \$7.1 million during the three years. Sewer cash flow averaged \$2.1 million, or 29% of consolidated cash flow before debt service. The debt coverage ratio was 4.1, 3.4, and 4.6 for 2016 through 2018, respectively.

The balance sheet reflects a current ratio of 2.6, day's sales in account receivable of 28.7, and the number of months of operating expenses in unrestricted cash is 4.7.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will be flat for volume.
- 2) Expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 3.6 in 2021 when principal and interest repayments begin.

Based on the proforma assumptions, the City shows adequate cash flow to repay the requested loan.

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$270,000 total) of the final amount borrowed to be funded annually (\$13,500 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
General Obligation Bond, Series 2010	\$ 3,610,000	2021
KIA (A10-14)	1,374,107	2033
KIA (B17-008)	1,194,885	2037
KIA (B17-012, i/a/o \$1,129,000)	0	TBD
KIA (C09-01)	1,514,575	2034
KIA (C09-02)	2,773,563	2033
Total	\$10,467,130	

XI. CONTACTS

Legal Applicant	
Entity Name	City of Bardstown
Authorized Official	Mayor Richard Heaton
County	Nelson
Email	mayorheaton@bardstowncable.net
Phone	502-348-5947
Address	220 N Fifth Street Bardstown, KY 40004

Applicant Contact	
Name	Jessica Filiatreau
Organization	City of Bardstown
Email	jhfiliatreau@bardstowncable.net
Phone	502-348-5947
Address	220 N Fifth Street Bardstown, KY 40004

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	Rich Smith
Firm Name	HDR Engineering, Inc.
Email	rich.smith@hdrinc.com
Phone	(859) 629-4844
Address	2517 Sir Barton Way Lexington, KY 40509

XII. RECOMMENDATIONS

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

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

	Audited 2016	Audited 2017	Audited 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023
Balance Sheet								
Assets								
Current Assets	14,944,647	14,588,035	16,907,475	17,503,763	18,067,590	18,588,954	19,192,151	19,767,469
Other Assets	71,588,535	72,630,750	75,366,181	71,322,252	76,149,568	75,190,884	73,758,200	72,219,516
Total	<u>86,533,182</u>	<u>87,218,785</u>	<u>92,273,656</u>	<u>88,826,015</u>	<u>94,217,158</u>	<u>93,779,838</u>	<u>92,950,351</u>	<u>91,986,985</u>
Liabilities & Equity								
Current Liabilities	4,694,994	4,899,502	6,561,926	6,784,244	6,890,967	5,724,196	5,798,965	5,867,695
Long Term Liabilities	16,141,497	15,407,788	20,344,086	19,005,730	21,983,168	21,114,931	20,675,734	20,225,282
Total Liabilities	<u>20,836,491</u>	<u>20,307,290</u>	<u>26,906,012</u>	<u>25,789,974</u>	<u>28,874,135</u>	<u>26,839,127</u>	<u>26,474,699</u>	<u>26,092,977</u>
Net Assets	<u>65,696,691</u>	<u>66,911,495</u>	<u>65,367,644</u>	<u>63,036,041</u>	<u>65,343,023</u>	<u>66,940,711</u>	<u>66,475,652</u>	<u>65,894,008</u>
Cash Flow								
Revenues	36,198,440	36,863,711	40,009,058	40,009,058	40,009,058	40,009,058	40,009,058	40,009,058
Operating Expenses	29,091,482	30,936,964	32,117,356	32,394,862	32,649,149	32,905,666	33,180,813	33,447,693
Other Income	19,059	47,333	143,395	143,395	143,395	143,395	143,395	143,395
Cash Flow Before Debt Service	<u>7,126,017</u>	<u>5,974,080</u>	<u>8,035,097</u>	<u>7,757,591</u>	<u>7,503,304</u>	<u>7,246,787</u>	<u>6,971,640</u>	<u>6,704,760</u>
Debt Service								
Existing Debt Service	1,739,721	1,735,035	1,785,327	1,793,259	1,866,477	1,863,563	603,723	603,722
Proposed KIA Loan	0	0	0	0	0	169,860	339,720	339,720
Total Debt Service	<u>1,739,721</u>	<u>1,735,035</u>	<u>1,785,327</u>	<u>1,793,259</u>	<u>1,866,477</u>	<u>2,033,423</u>	<u>943,443</u>	<u>943,442</u>
Cash Flow After Debt Service	<u>5,386,296</u>	<u>4,239,045</u>	<u>6,249,770</u>	<u>5,964,332</u>	<u>5,636,827</u>	<u>5,213,364</u>	<u>6,028,197</u>	<u>5,761,318</u>
Ratios								
Current Ratio	3.2	3.0	2.6	2.6	2.6	3.2	3.3	3.4
Debt to Equity	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Days Sales in Accounts Receivable	23.0	23.0	28.7	28.7	28.7	28.7	28.7	28.7
Months Operating Expenses in Unrestricted Cash	4.4	4.1	4.4	4.6	4.8	5.0	5.2	5.3
Debt Coverage Ratio	4.1	3.4	4.5	4.3	4.0	3.6	7.4	7.1