

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

- **Fund A Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Loan Total</u>	<u>County</u>
	Louisville and Jefferson County Metropolitan Sewer District (Assumptions of Oldham County Environmental Authority loans A10-04, A10-05, A10-06, A10-07, A11-15, A12-29, A17-28, and A18-010)	\$ 19,492,651	\$ 19,492,651	Jefferson
A20-007	City of Mount Sterling (P&D)	\$ 525,000	\$ 525,000	Montgomery

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND A, FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND		Reviewer	Ashley Adams	
		Date	November 7, 2019	
		KIA Loan Number	A10-04, A10-05, A10-06, A10-07, A11-15, A12-29, A17-028, A18-010	
BORROWER	LOUISVILLE & JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT JEFFERSON COUNTY			
BRIEF DESCRIPTION				
Louisville Metropolitan Sanitation District (MSD) has a pending acquisition for the Oldham County Environmental Authority's sanitary sewer assets and customers. Eight KIA Fund A wastewater loans will be assumed by MSD as part of the transaction. This acquisition has a tentative closing date of November 2019.				
LOAN ASSUMPTIONS		PROJECT BUDGET		
A10-04	\$2,105,559	Loan Assumptions	\$19,492,651	
A10-05	759,688			
A10-06	87,121			
A10-07	1,937,810			
A11-15	496,619			
A12-29	5,805,855			
A17-028	6,300,000			
A18-010	2,000,000			
TOTAL	<u>\$19,492,651</u>	TOTAL	<u>\$19,492,651</u>	
REPAYMENT	Rate Term	Various Various	Est. Annual Payment 1st Payment	Dec-19 \$243,466
PROFESSIONAL SERVICES	Engineer Bond Counsel	N/A Rubin & Hays		
PROJECT SCHEDULE				
	Estimated Closing	Nov-19		
DEBT PER CUSTOMER				
	Existing	\$8,923		
	Proposed	\$8,982		
OTHER DEBT				
	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS				
	See Attached			
RESIDENTIAL RATES				
	Current (MSD)	<u>Users</u> 259,501	<u>Avg. Bill</u> \$49.00	(for 4,000 gallons)
	Additional (OCEA)	6,136	\$79.12	(for 4,000 gallons)
REGIONAL COORDINATION				
	This project is consistent with regional planning recommendations.			
CASHFLOW (in thousands)	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2016	174,026	115,735	58,291	1.5
Audited 2017	186,270	122,034	64,236	1.5
Audited 2018	201,878	124,787	77,091	1.6
Projected 2019	209,361	139,606	69,755	1.5
Projected 2020	225,172	146,466	78,706	1.5
Projected 2021	242,188	151,645	90,543	1.6
Projected 2022	260,503	158,568	101,935	1.6
Projected 2023	280,212	162,926	117,286	1.7

Reviewer: Ashley Adams
 Date: November 7, 2019
 Loan A10-04, A10-05,
 Assumptions: A10-06, A10-07,
 A11-15, A12-29,
 A17-028, A18-010

**KENTUCKY INFRASTRUCTURE AUTHORITY
 WASTEWATER REVOLVING LOAN FUND (FUND A)
 LOUISVILLE AND JEFFERSON COUNTY
 METROPOLITAN SEWER DISTRICT
 LOAN ASSUMPTIONS**

I. DESCRIPTION

Louisville and Jefferson County Metropolitan Sewer District (“MSD”) plans to assume the following Fund A wastewater loans: A10-04, A10-05, A10-06, A10-07, A11-15, A12-29, A17-028, A18-010 from the Oldham County Environmental Authority (“OCEA”) as part of MSD’s acquisition of the OCEA wastewater system and all of its assets. The existing loans were approved between 2010-2018 by the KIA board to fund various wastewater system improvement and expansion projects in Oldham County. At this time, it is estimated that the acquisition will be completed by the end of November 2019.

OCEA was created by ordinance on September 21, 2010 and operates directly, or through arrangements with Veolia North America – South, LLC (“Veolia”). OCEA’s assets include a wastewater collection and treatment system that serves all of Oldham County with the exception of the City of LaGrange and the City of Crestwood, which is now served by MSD. Upon the execution of this transfer of assets, MSD will assume total ownership of OCEA. This merger will help provide the residents of Oldham County a more cost-effective solution to wastewater management in addition to improving water quality in the area and affordably adding capacity to both systems. MSD will continue to honor the operations, management, and maintenance contract with Veolia dated November 1, 2015 until it expires.

II. Assumed Debt from Oldham County Environmental Authority

KIA Loans	A10-04	A10-05	A10-06	A10-07
Project Status	Complete	Complete	Complete	Complete
Balance at October 2, 2019	\$ 2,107,559	\$ 759,688	\$ 87,121	\$ 1,937,810
Available Funds at October 2, 2019	\$ -	\$ -	\$ -	\$ -
Interest Rate	2.00%	3.00%	2.00%	2.00%
Maturity	6/1/2033	6/1/2033	12/1/2032	12/1/2033
Annual P&I	\$ 177,712.80	\$ 68,480.83	\$ 7,583.92	\$ 158,508.06

KIA Loans	A11-15	A12-29	A17-028	A18-010
Project Status	Complete	Complete	In Progress	In Progress
Balance at October 2, 2019	\$ 496,619	\$ 5,805,855	\$ 1,598,622	\$ -
Available Funds at October 2, 2019	\$ -	\$ -	\$ 4,701,378	\$ 2,000,000
Interest Rate	2.00%	1.75%	1.75%	1.75%
Maturity	6/1/2033	12/1/2036	TBD	TBD
Annual P&I	\$ 41,915.47	\$ 398,904.53	TBD	TBD

III. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	MSD Current	OCEA Current	Total
Residential	236,462	6,135	242,597
Commercial	22,596	0	22,596
Industrial	443	1	444
Total	259,501	6,136	265,637

B) Rates

MSD Rates	Current	Prior
Date of Last Rate Increase	08/01/19	08/01/18
Minimum	\$16.84	\$15.75
Per 1,000 Gallons	4.60	4.30
Consent Decree Surcharge	13.76	12.87
Cost for 4,000 gallons	\$49.00	\$45.82
Increase %	6.9%	
Affordability Index (Rate/MHI)	1.3%	
OCEA Rates	Current	Prior
Date of Last Rate Increase	07/27/19	08/15/17
Monthly Meter Charge	\$47.92	\$46.83
Minimum (per 1,000 gallons)	7.80	7.36
Cost for 4,000 gallons	\$79.12	\$76.27
Increase %	3.7%	

Per the interlocal agreement between OCEA and MSD, OCEA customers will keep their current rate during FY 2020, 2021, and 2022 until the existing operating contract with Veolia Water North America expires. In August 2022, OCEA customer rates will be reduced \$10 per month based on their average usage calculation of 5,000 gallons per month (from \$86.92 to \$76.92). Going forward,

MSD will raise rates on OCEA customers no more than 5% per year until rates equalize with rates of MSD's other customers at which time MSD's rates for all customer classes will be applied to OCEA customers going forward.

IV. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for Louisville MSD for the years ended June 30, 2016 through June 30, 2018 from the combined wastewater and stormwater funds. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2016-2018 operating expenses and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, has been removed from 2018 operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Total revenues increased 14.7% from \$243 million in 2016 to \$279 million in 2018. MSD's board can approve rate increases up to 7% without needed approval from Louisville Metro Council which they have done each audited year observed (2016-18) driving the annual increases in revenue. Wastewater service charges totaled \$210.6 million in 2018 while stormwater service charges totaled \$63.8 million. Operating expenses increased 7.6% during the same time period from \$87 million to \$94 million. Expense increases were attributed mostly to increased labor expense as well as various weather events (flooding) that occurred during the audited period observed. The debt coverage ratio for 2016-2018 was 1.5, 1.5, and 1.6 respectively (includes only net operating income).

The 1993 Sewer and Drainage System Revenue Bond Resolution requires MSD to provide available revenues sufficient to pay 110% of each year's aggregate net debt service on revenue bonds and 100% of operating expenses. Each year MSD's audit contains a Comparative Schedule of Debt Service Coverage which includes net operating income as well as other sources of revenue including investment income and current period payments of property owner assessments. When factoring in those additional revenue streams, MSD's debt coverage ratio from 2016-2018 was 1.9, 1.8, and 1.9 respectively. Moody's Investors Service affirmed an Aa3 rating for MSD on June 27, 2018 for outstanding senior revenue bonds with a stable outlook. S&P Global affirmed an AA rating and stable outlook on April 24, 2018.

The 2018 balance sheet reflects a current ratio of 1.1, a debt to equity ratio of 3.7, 34.4 days sales in accounts receivable, and 6.4 months operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase 6.9% each forecasted year due to rate increases anticipated from MSD's Board.
- 2) Expenses will increase 4% for inflation and expected increases in general operational expenses for pending projects.
- 3) The forecast includes debt service for both recently approved KIA loans for MSD including A19-015 and A19-028 (total of \$25,870,000).
- 4) The forecast includes the April 2019 acquisition of the City of Crestwood's wastewater system.
- 5) MSD will make the December 1, 2019 debt service payments for the existing OCEA KIA loans and all other existing OCEA debt assuming that the transfer is complete by that date.
- 6) Debt service coverage is 1.5 in FY 2020 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 assumptions.

REPLACEMENT RESERVE

MSD maintains Debt Reserve Accounts equal to the maximum annual debt service requirements on its senior lien obligations (currently \$152 million). No additional replacement reserves will be required for this loan.

V. DEBT OBLIGATIONS

Amounts in thousands

	<u>Outstanding</u>	<u>Maturity</u>
<u>Senior Debt</u>	\$ 6,640	2022
2009B Series Revenue Bonds	52,975	2023
2009A Series Revenue Bonds	180,000	2040
2009C Series Revenue Bonds	330,000	2043
2010A Series Revenue Bonds	250,565	2034
2011A Series Revenue Bonds	115,790	2036
2013A Series Revenue Bonds	115,550	2038
2013B Series Revenue Bonds	99,500	2044
2013C Series Revenue Bonds	79,850	2045
2014A Series Revenue Bonds	173,735	2046
2015A Series Revenue Bonds	76,685	2038
2015B Series Revenue Bonds	149,760	2047
2016A Series Revenue Bonds	28,095	2036
2016B Series Revenue Bonds	67,685	2023
2016C Series Revenue Bonds	175,000	2048

2017A Series Revenue Bonds	34,520	2025
2017B Series Revenue Bonds	60,380	2038
2018A Series Revenue Bonds		
<u>Subordinated Debt</u>		
BAN Series 2018A	226,340	2019
KIA Loan (A209-41 ARRA)	1,871	2032
KIA Loan (A19-015 i/a/o \$3,870)		
KIA Loan (A19-028 i/a/o \$22,000)		
KIA Loan (A98-04A, Crestwood, \$890,900)		2021
Total	\$ 2,224,941	

VI. **CONTACTS**

Legal Applicant	
Entity Name	Louisville & Jefferson County Metropolitan Sewer District
Authorized Official	Tony Parrott (Executive Director)
County	Jefferson
Email	tony.parrott@louisvillemsd.org
Phone	502-540-6533
Address	PO Box 740011 Louisville, KY 40201

Applicant Contact	
Name	Brad Good (Controller)
Organization	Louisville & Jefferson County Metropolitan Sewer District
Email	brad.good@louisvillemsd.org
Phone	(502) 540-6131
Address	PO Box 740011 Louisville, KY 40201

VII. **RECOMMENDATIONS**

KIA staff recommends approval of the loan assumptions.

**LOUISVILLE & JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
FINANCIAL SUMMARY (JUNE YEAR END)**

DOLLARS IN THOUSANDS

	<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	124,049	125,214	139,927	169,448	175,106	186,160	198,553	212,582
Other Assets	2,775,732	2,934,908	3,164,908	3,283,859	3,396,922	3,377,169	3,354,734	3,346,114
Total	2,899,781	3,060,122	3,304,835	3,453,307	3,572,028	3,563,329	3,553,287	3,558,696
Liabilities & Equity								
Current Liabilities	102,606	99,204	125,320	113,705	128,024	133,262	135,783	136,306
Long Term Liabilities	2,196,595	2,292,430	2,470,841	2,569,050	2,472,407	2,424,728	2,362,493	2,300,636
Total Liabilities	2,299,201	2,391,634	2,596,161	2,682,755	2,600,431	2,557,990	2,498,276	2,436,941
Net Assets	600,580	668,488	708,674	770,552	971,597	1,005,339	1,055,011	1,121,755
Cash Flow								
Revenues	243,290	259,634	279,149	294,368	314,327	335,657	358,458	382,833
Operating Expenses	87,155	87,637	93,800	103,699	107,847	112,161	116,647	121,313
Other Income	17,891	14,273	16,529	18,692	18,692	18,692	18,692	18,692
Cash Flow Before Debt Service	174,026	186,270	201,878	209,361	225,172	242,188	260,503	280,212
Debt Service								
Existing Debt Service	115,735	122,034	124,787	139,606	144,168	149,357	155,784	160,132
OCEA Loan Assumptions & Bonds	0	0	0	0	2,298	2,288	2,784	2,794
Total Debt Service	115,735	122,034	124,787	139,606	146,466	151,645	158,568	162,926
Cash Flow After Debt Service	58,291	64,236	77,091	69,755	78,706	90,543	101,935	117,286
Ratios								
Current Ratio	1.2	1.3	1.1	1.5	1.4	1.4	1.5	1.6
Debt to Equity	3.8	3.6	3.7	3.5	2.7	2.5	2.4	2.2
Days Sales in Accounts Receivable	40.1	33.0	34.4	34.6	34.6	34.6	34.6	34.6
Months Operating Expenses in Unrestricted Cash	9.6	5.8	6.4	5.1	5.7	6.5	7.3	8.2
Debt Coverage Ratio	1.5	1.5	1.6	1.5	1.5	1.6	1.6	1.7

EXECUTIVE SUMMARY		Reviewer	Ashley Adams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	November 7, 2019	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A20-007	
REVOLVING LOAN FUND		WRIS Number	SX21173075	
BORROWER	CITY OF MOUNT STERLING MONTGOMERY COUNTY			
BRIEF DESCRIPTION				
This will fund the planning and design of a project to upgrade Mount Sterling's Hinkston Creek Wastewater Treatment Plant from its current 3.0 MGD rating to 6.0 MGD in order to continue providing adequate service to the community. The future construction project will also increase capacity on the South Queen Street sewer main that is currently experiencing sanitary sewer overflows and issues with inflow and infiltration.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A P&D Loan	\$525,000	RD Fee %	Actual %	
		Planning		75,000
		Eng - Design / Const		450,000
TOTAL	\$525,000	TOTAL		\$525,000
REPAYMENT	Rate	2.50%	Est. Annual Payment	\$113,403
	Term	5 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Bell Engineering		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Sep-20		
	Construction Start	Oct-20		
	Construction Stop	Oct-21		
DEBT PER CUSTOMER	Existing	\$650		
	Proposed	\$499		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	4,948	\$26.15	(for 4,000 gallons)
	Additional	0	\$26.15	(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 2017	2,601,817	1,050,266	1,551,551	2.5
Audited 2018	2,220,724	914,208	1,306,516	2.4
Audited 2019	2,477,152	665,112	1,812,040	3.7
Projected 2020	2,542,515	661,211	1,881,304	3.8
Projected 2021	2,472,497	774,614	1,697,883	3.2
Projected 2022	2,401,078	774,614	1,626,464	3.1
Projected 2023	2,328,231	774,614	1,553,617	3.0
Projected 2024	2,253,927	774,613	1,479,314	2.9

Reviewer: Ashley Adams
Date: November 7, 2019
Loan Number: A20-007

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF MOUNT STERLING, MONTGOMERY COUNTY
PROJECT REVIEW
SX21173075**

I. PROJECT DESCRIPTION

The City of Mount Sterling is requesting a Fund A Planning and Design loan in the amount of \$525,000 for the Wastewater Capacity Upgrade project. The purpose of this project is to maintain and improve public health by expanding capacity at the wastewater treatment plant to meet current and future demand in the City. This project will increase capacity at the Hinkston Creek Wastewater Treatment Plant (WWTP) from its current 3.0 MGD rating to 6.0 MGD. The plant is currently at 79% design capacity hydraulically and 141% capacity based on the design criteria concerning organic loadings. Maximum monthly concentrations for both ammonia and Total Phosphorus exceed design concentrations as well. This upgrade will include increased influent pumping, additional screenings capacity, increased aerator capacity, additional disinfection capabilities, increased sludge removal, improved sludge treatment, and a 50 foot riparian buffer zone along Hinkston Creek. Plant improvements will also include energy efficient pumps with VFDs, higher efficiency aeration equipment, and a SCADA system. The expansion will be constructed on a site adjacent to the current plant.

In addition to WWTP improvements, the South Queen Street area 8 inch sewer main will be replaced with a 12 inch PVC line in order to eliminate sanitary sewer overflows and inflow and infiltration (I/I) issues that have been identified in the area. The City struggles with I/I at this and other locations which they are working aggressively to address in order to maintain compliance with their current wastewater discharge permit.

Mount Sterling Water and Sewer provides service to nearly 5,000 customers in Montgomery County.

II. PROJECT BUDGET

	<u>Total</u>
Planning	\$ 75,000
Engineering Fees - Design	450,000
Total	\$ 525,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A P&D Loan	\$ 525,000	100%
Total	\$ 525,000	100%

IV. KIA DEBT SERVICE

Planning & Design Loan	\$ 525,000
Interest Rate	2.50%
Loan Term (Years)	<u>5</u>
Estimated Annual Debt Service	\$ 112,353
Administrative Fee (0.20%)	<u>1,050</u>
Total Estimated Annual Debt Service	\$ 113,403

V. PROJECT SCHEDULE

Bid Opening	September 2020
Construction Start	October 2020
Construction Stop	October 2021

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	<u>Current</u>
Residential	4,333
Commercial	602
Industrial	<u>13</u>
Total	4,948

B) Rates

	<u>Sewer</u>		<u>Water</u>	
	<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Prior</u>
Date of Last Rate Increase	07/01/19	07/01/18	07/01/19	07/01/18
Minimum (748 gallons)	\$9.76	\$9.48	\$7.58	\$7.43
Next 4,488 Gallons/ 1,000	5.04	4.89	5.33	5.23
Cost for 4,000 gallons	<u>\$26.15</u>	<u>\$25.38</u>	<u>\$24.91</u>	<u>\$24.44</u>
Increase %	3.0%		1.9%	
Affordability Index (Rate/MHI)	0.8%		0.7%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 11,920 with a Median Household Income (MHI) of \$41,280. The median household income for the Commonwealth is \$46,535. The project will qualify for a 2.5% interest rate because it is for Planning and Design only.

Year	Population		County		County Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	5,820		20,046		June 2005	6.7%
1990	5,362	-7.9%	19,561	-2.4%	June 2010	11.5%
2000	5,876	9.6%	22,554	15.3%	June 2015	6.4%
2010	6,895	17.3%	26,499	17.5%	June 2019	6.2%
Current	7,139	3.5%	27,550	4.0%		
Cumulative %		22.7%		37.4%		

VIII. 2019 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 water and sewer funds for the years ended June 30, 2017 through June 30, 2019. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2017-2019 operating expenses and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, has been removed from 2018 and 2019 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 have declined 0.5% from \$5.92 million in 2017 to \$5.89 million in 2019. Sewer revenues declined approximately 2.6% from 2017-2019 while water revenues remained fairly steady. Upon further analysis done by the Utility at KIA's request, revenue declines for sewer during the observed time period can be attributed to loss of two local businesses as well as water saving measures taken by other local industries. Other factors like weather and fluctuations in usage in certain rate tiers also were a factor. Operating expenses for both water and sewer increased 3.5% from \$3.3 million in 2017 to \$3.4 million in 2019. Debt service

coverage from 2017-2019 was 2.5, 2.4, and 3.7, respectively.

The 2019 balance sheet reflects a current ratio of 5.5, a debt to equity ratio of 0.3, 49.2 days sales in accounts receivable, and 25.4 months operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Sewer and water revenues will remain flat for volume and growth. FY 2020 will see water revenues increase 1.9% and sewer revenues increase 3% for previously approved rate increases. The Utility evaluates rates annually and may adjust for inflation as they have in the past but no other increases were factored into this analysis.
- 2) Expenses will increase 2% annually for inflation.
- 3) Full debt service for the future construction loan currently estimated at \$12,320,000 is \$715,000 annually. At this time it is not expected that the utility will need to do any rate increases to repay the construction loan as long as revenues and expenses remain steady.
- 4) Debt service coverage is 2.7 in 2021 when principal and interest repayments begin for the Planning and Design loan which is expected to be rolled into a larger construction loan. Debt service coverage is currently estimated at 1.5 in 2023 when permanent construction financing is expected to go into repayment.
- 5) By 2025, KIA Loan A02-01 (the system's only debt) will be paid off and debt coverage will again rise to approximately 2.6.

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

REPLACEMENT RESERVE

Replacement reserves are not required for Planning and Design Loans.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KIA Loan (A02-01)	\$ 3,216,927	2024
Total	\$ 3,216,927	

XI. CONTACTS

Legal Applicant	
Entity Name	City of Mount Sterling
Authorized Official	Al Botts (Mayor)
County	Montgomery
Email	al.botts@ky.gov
Phone	859-498-8725
Address	33 N Maysville St Mount Sterling, KY 40503

Applicant Contact	
Name	Rick Fletcher
Organization	Mount Sterling Water and Sewer
Email	r.fletcher@mwatersewer.com
Phone	859-498-0166
Address	PO Box 392 Mount Sterling, KY 40353

Project Administrator	
Name	Jocelyn R. Gross
Organization	Gateway ADD
Email	jocelynr.gross@ky.gov
Phone	606-780-0090
Address	110 Lake Park Dr. Morehead, KY 40351

Consulting Engineer	
PE Name	David F. Schrader
Firm Name	Bell Engineering
Email	dschrader@hkbell.com
Phone	859-278-5412
Address	2480 Fortune Dr. Lexington, KY 40509

XII. RECOMMENDATIONS

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

**CITY OF MOUNT STERLING
FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited 2017</u>	<u>Audited 2018</u>	<u>Audited 2019</u>	<u>Projected 2020</u>	<u>Projected 2021</u>	<u>Projected 2022</u>	<u>Projected 2023</u>	<u>Projected 2024</u>
Balance Sheet								
Assets								
Current Assets	6,030,481	7,403,306	8,311,464	8,512,135	8,681,924	8,844,570	8,999,932	9,147,863
Other Assets	32,442,486	31,039,669	29,865,811	29,175,246	28,742,737	28,245,952	27,683,604	27,054,384
Total	38,472,967	38,442,975	38,177,275	37,687,381	37,424,661	37,090,522	36,683,536	36,202,247
Liabilities & Equity								
Current Liabilities	1,588,112	1,437,335	1,518,788	1,501,093	1,623,446	1,632,559	978,975	981,675
Long Term Liabilities	7,538,958	7,743,175	7,227,874	2,467,992	1,704,818	935,131	821,728	708,325
Total Liabilities	9,127,070	9,180,510	8,746,662	3,969,085	3,328,264	2,567,690	1,800,703	1,690,000
Net Assets	29,345,897	29,262,465	29,430,613	33,718,296	34,096,397	34,522,832	34,882,833	34,512,247
Cash Flow								
Revenues	5,924,510	5,637,996	5,895,018	6,029,026	6,029,026	6,029,026	6,029,026	6,029,026
Operating Expenses	3,316,750	3,413,786	3,432,273	3,500,918	3,570,936	3,642,355	3,715,202	3,789,506
Other Income	(5,943)	(3,486)	14,407	14,407	14,407	14,407	14,407	14,407
Cash Flow Before Debt Service	2,601,817	2,220,724	2,477,152	2,542,515	2,472,497	2,401,078	2,328,231	2,253,927
Debt Service								
Existing Debt Service	1,050,266	914,208	665,112	661,211	774,614	661,211	661,211	661,210
Proposed KIA Loan	0	0	0	0	0	113,403	113,403	113,403
Total Debt Service	1,050,266	914,208	665,112	661,211	774,614	774,614	774,614	774,613
Cash Flow After Debt Service	1,551,551	1,306,516	1,812,040	1,881,304	1,697,883	1,626,464	1,553,617	1,479,314
Ratios								
Current Ratio	3.8	5.2	5.5	5.7	5.3	5.4	9.2	9.3
Debt to Equity	0.3	0.3	0.3	0.1	0.1	0.1	0.1	0.0
Days Sales in Accounts Receivable	48.9	47.5	49.2	49.2	49.2	49.2	49.2	49.2
Months Operating Expenses in Unrestricted Cash	18.1	22.6	25.4	25.5	25.6	25.6	25.6	25.6
Debt Coverage Ratio	2.5	2.4	3.7	3.8	3.2	3.1	3.0	2.9