

# Kentucky Infrastructure Authority Projects for March 2020 Capital Projects Meeting

- Fund A Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Loan Total</u>	<u>County</u>
A20-025	City of Hodgenville (P&D)	\$ 227,000	\$ 227,000	Larue

- Fund C Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Loan Total</u>	<u>County</u>
C20-001	Cannonsburg Water District	\$ 622,000	\$ 622,000	Boyd
C20-003	City of Lewisport	\$ 100,000	\$ 100,000	Hancock

<b>EXECUTIVE SUMMARY</b>		Reviewer		Meili Sun	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date		January 9, 2020	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number		A20-025 (P&D)	
<b>REVOLVING LOAN FUND</b>		WRIS Number		SX21123007	
BORROWER		CITY OF HODGENVILLE LARUE COUNTY			
BRIEF DESCRIPTION					
This is the Planning and Design portion of the WWTP Upgrade & Wet Weather Storage project. It will evaluate current and future wastewater flows and treatment processes to design appropriate upgrades to the existing wastewater treatment plant. The purpose of this project is to provide a review of the options that will achieve better treatment in the most efficient manner. The planned upgrades and improvements include additional wet weather retention, additional treatment units, and updated treatment equipment.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund A Loan P&D	\$227,000	Planning			\$50,000
		Eng - Design / Const			\$177,000
TOTAL	\$227,000	TOTAL			\$227,000
REPAYMENT	Rate	2.50%	Est. Annual Payment		\$49,033
	Term	5 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	GRW Engineers, Inc			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	P&D Start	Feb-20			
	P&D Stop	Feb-21			
	Bid Opening	Apr-21			
DEBT PER CUSTOMER	Existing	\$4,048			
	Proposed	\$3,846			
OTHER DEBT		See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>		
	Current	1,399	\$29.72 (for 4,000 gallons)		
	Additional	0	\$29.72 (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	169,417	168,444	973	1.0	
Audited 2017	152,843	153,208	(365)	1.0	
Audited 2018	212,038	155,758	56,280	1.4	
Projected 2019	243,498	153,208	90,290	1.6	
Projected 2020	252,435	180,337	72,099	1.4	
Projected 2021	264,232	207,466	56,766	1.3	
Projected 2022	276,478	256,499	19,979	1.1	
Projected 2023	289,189	256,501	32,688	1.1	

Reviewer: Meili Sun  
Date: January 9, 2020  
Loan Number: A20-025 P&D

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND A)  
CITY OF HODGENVILLE, LARUE COUNTY  
PROJECT REVIEW  
SX21123007**

**I. PROJECT DESCRIPTION**

The City of Hodgenville ("City") is requesting a Planning and Design loan for the WWTP Upgrade and Wet Weather Storage project. It will evaluate current and future wastewater flows and treatment processes to design appropriate upgrades to the existing wastewater treatment plant. Flow monitoring, CCTV inspection, evaluation of pumping facilities, review of existing treatment processes and results, projections of future flows (volumes and characteristics), consideration of wet weather flow storage, and comparisons of alternate treatment processes will be performed to provide a review of the options that will achieve better treatment in the most efficient manner. The planned upgrades and improvements include additional wet weather retention, additional treatment units, and updated treatment equipment.

The system currently serves approximately 1,400 existing customers in the City of Hodgenville ("City") and the surrounding Larue County.

**II. PROJECT BUDGET**

	Total
Planning	\$ 50,000
Engineering Fees – Design	177,000
	<b>\$ 227,000</b>

**III. PROJECT FUNDING**

	Amount	%
KIA Fund A P&D Loan	<b>\$ 227,000</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

KIA Loan	\$ 227,000
Interest Rate	2.50%
Loan Term (Years)	5
Estimated Annual Debt Service	\$ 48,579
Administrative Fee (0.20%)	454
<b>Total Estimated Annual Debt Service</b>	<b>\$ 49,033</b>

#### V. PROJECT SCHEDULE

Estimated P&D Start	February 2020
Estimated P&D Completion	February 2021
Bid Opening	April 2021
Construction Start	June 2021
Construction Stop	August 2023

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current
Residential	1,222
Commercial	172
Industrial	5
Total	1,399

##### B) Rates

Date of Rate Increase	Sewer Inside City			
	Prior	Prior	Current	Proposed
	07/01/17	07/01/18	07/01/19	07/01/20
First 3,000 Gallons	\$21.50	\$22.10	22.76	23.45
Next 7,000 Gallons	6.44	6.76	6.96	7.17
Next 10,000 Gallons	6.75	7.42	7.64	7.87
Cost for 4,000 gallons	\$27.94	\$28.86	\$29.72	\$30.62
Increase %		3.3%	3.0%	3.0%
Affordability Index (Rate/MHI)	1.0%	1.0%	1.1%	1.1%

Date of Rate Increase	Sewer Outside City			
	Prior 07/01/17	Prior 07/01/18	Current 07/01/19	Proposed 07/01/20
First 3,000 Gallons	\$26.06	\$33.10	34.09	35.12
Next 7,000 Gallons	7.98	10.13	10.43	10.75
Next 10,000 Gallons	7.98	10.13	10.43	10.75
Cost for 4,000 gallons	\$34.04	\$43.23	44.52	\$45.87
Increase %		27.0%	3.0%	3.0%
Affordability Index (Rate/MHI)	1.2%	1.6%	1.6%	1.7%

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 3,629 with a Median Household Income (MHI) of \$33,030. The median household income for the Commonwealth is \$46,535. The standard planning and design loan term is 5 years at 2.5% interest rate.

Year	Population				County Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	2,531		11,922		June 2005	5.8%
1990	2,721	7.5%	11,679	-2.0%	June 2010	10.7%
2000	2,874	5.6%	13,373	14.5%	June 2015	5.4%
2010	3,206	11.6%	14,193	6.1%	June 2019	5.0%
Current	3,204	-0.1%	14,102	-0.6%		
Cumulative %		26.6%		18.3%		

## VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

1) Additional Subsidization – This project does not qualify for additional subsidization.

## IX. FINANCIAL ANALYSIS

Cash flow Information on sewer operations was extracted from the proprietary funds of the audited financial statements for the years ended June 30, 2016 through June 30, 2018 based on the profit and loss analysis provided by the City's auditor. The non-cash impacts of GASB 68 - Accounting and Financial Reporting for Pensions and GASB 75 - Other Postemployment Benefit has been removed from operating expenses.

## HISTORY

Sewer revenues increased 5.7% from \$619,707 in 2016 to \$655,627 in 2018 due to a previously approved rate increase. Operating expenses increased less than 1% during the same period. The debt coverage ratio was 1.0, 1.0, and 1.4 in 2016, 2017, and 2018 respectively.

The balance sheet of proprietary funds reflects a current ratio of 0.9, a debt to equity ratio of 1.1, 31.6 days sales in accounts receivable, and 3.2 months of operating expenses in unrestricted cash.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Inside City rates will go up 3% each year on July 1 through 2024. Outside City rates will increase 27% in FY 2019 and afterwards 3% annually through 2024.
- 2) Operating expenses will increase 2% annually for inflation.
- 3) Should the City return to request funding assistance from KIA for the construction portion of the project, additional \$96,000 revenues or an 11% sewer rate increase will be required to support a construction loan up to \$3,570,000 after planning & design phase is completed.
- 4) Debt coverage ratio 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 A loan.

## X. DEBT OBLIGATIONS

	Outstanding	Maturity
KIA Loan A11-17	\$ 1,357,887	2034
KIA Loan A04-10	411,253	2026
KIA Loan A16-029 i/a/o \$970,000	0	TBD
<b>Total</b>	<b>\$ 1,769,140</b>	

## **XI. CONTACTS**

### **Legal Applicant**

Name	City of Hodgenville
Address	200 S Lincoln Blvd, PO Box 189 Hodgenville, KY 42748
County	Larue
Authorized Official	James Phelps Jr, Mayor
Phone	(270) 358-3832
Email	mayor@cityofhodgenvilleky.com

### **Project Contact - Applicant**

Name	Toni Burton
Representing	City of Hodgenville
Address	200 S Lincoln Blvd, PO Box 189 Hodgenville, KY 42748
Phone	(270) 358-3832
Email	cityclerk@cityofhodgenvilleky.com

### **Project Administrator**

Name	Laura Gilkerson
Organization	GRW Engineers, Inc
Address	801 Corporate Dr Lexington, KY 40503
Phone	(270) 229-2667
Email	lgilkerson@grwinc.com

### **Consulting Engineer**

Name	John Everette Martin
Firm	GRW Engineering, Inc.
Address	801 Corporate Drive Lexington, KY 40503
Phone	(859) 223-3999
Email	jmartin@grwinc.com

## **XII. RECOMMENDATIONS**

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

1. The City shall pass a modified ordinance no later than January 31, 2020 to increase sewer rate by 3% on July 1 each year through 2024.

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

	<b>Audited 2016</b>	<b>Audited 2017</b>	<b>Audited 2018</b>	<b>Projected 2019</b>	<b>Projected 2020</b>	<b>Projected 2021</b>	<b>Projected 2022</b>	<b>Projected 2023</b>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	846,434	443,891	529,371	538,569	612,468	671,034	692,913	727,601
Other Assets	12,088,420	12,456,339	14,068,355	13,211,035	13,255,379	13,206,753	12,931,127	12,655,501
Total	<u>12,934,854</u>	<u>12,900,230</u>	<u>14,597,726</u>	<u>13,749,604</u>	<u>13,867,847</u>	<u>13,877,787</u>	<u>13,624,040</u>	<u>13,383,102</u>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	423,034	752,892	604,303	527,807	533,207	591,387	595,387	599,887
Long Term Liabilities	4,957,456	5,013,719	7,050,413	6,590,304	6,658,010	6,576,966	6,267,422	5,955,878
Total Liabilities	<u>5,380,490</u>	<u>5,766,611</u>	<u>7,654,716</u>	<u>7,118,111</u>	<u>7,191,217</u>	<u>7,168,353</u>	<u>6,862,809</u>	<u>6,555,765</u>
Net Assets	<u>7,554,364</u>	<u>7,133,619</u>	<u>6,943,010</u>	<u>6,631,493</u>	<u>6,676,630</u>	<u>6,709,434</u>	<u>6,761,231</u>	<u>6,827,337</u>
<b>Cash Flow</b>								
Revenues	619,707	590,743	655,627	696,275	717,009	738,365	760,361	783,017
Operating Expenses	456,797	445,271	459,388	468,576	480,373	489,932	499,682	509,627
Other Income	6,506	7,371	15,799	15,799	15,799	15,799	15,799	15,799
Cash Flow Before Debt Service	<u>169,417</u>	<u>152,843</u>	<u>212,038</u>	<u>243,498</u>	<u>252,435</u>	<u>264,232</u>	<u>276,478</u>	<u>289,189</u>
<b>Debt Service</b>								
Existing Debt Service	168,444	153,208	155,758	153,208	180,337	207,466	207,466	207,468
Proposed KIA Loan	0	0	0	0	0	0	49,033	49,033
Total Debt Service	<u>168,444</u>	<u>153,208</u>	<u>155,758</u>	<u>153,208</u>	<u>180,337</u>	<u>207,466</u>	<u>256,499</u>	<u>256,501</u>
Cash Flow After Debt Service	<u>973</u>	<u>(365)</u>	<u>56,280</u>	<u>90,290</u>	<u>72,099</u>	<u>56,766</u>	<u>19,979</u>	<u>32,688</u>
<b>Ratios</b>								
Current Ratio	2.0	0.6	0.9	1.0	1.1	1.1	1.2	1.2
Debt to Equity	0.7	0.8	1.1	1.1	1.1	1.1	1.0	1.0
Days Sales in Accounts Receivable	28.4	31.6	31.6	31.6	31.6	31.6	31.6	31.6
Months Operating Expenses in Unrestricted Cash	6.8	2.8	3.2	3.2	3.2	3.2	3.2	3.2
Debt Coverage Ratio	1.0	1.0	1.4	1.6	1.4	1.3	1.1	1.1

<b>EXECUTIVE SUMMARY</b>		Reviewer		Ashley Adams	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date		February 6, 2020	
<b>FUND C, GOVERNMENTAL AGENCIES FUND</b>		KIA Loan Number		C20-001	
<b>REVOLVING LOAN FUND</b>		WRIS Number		WX21019056	
BORROWER		CANNONSBURG WATER DISTRICT BOYD COUNTY			
BRIEF DESCRIPTION					
This project will install zone meters at key locations throughout the Cannonsburg Water District's system in order to monitor system flows in real time in an effort to reduce unaccounted for water in the system.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund C Loan	\$622,000	Administrative Expenses			\$10,000
Local Funds	530,000	Legal Expenses			30,000
		Eng - Design / Const	8.9%	7.1%	71,000
		Eng - Insp	5.7%	4.7%	47,000
		Construction			904,000
		Contingency			90,000
TOTAL	<u>\$1,152,000</u>	TOTAL			<u>\$1,152,000</u>
REPAYMENT	Rate	2.00%	Est. Annual Payment		\$163,823
	Term	4 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Bell Engineering			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	Apr-20			
	Construction Start	Jul-20			
	Construction Stop	Dec-20			
DEBT PER CUSTOMER	Existing	\$519			
	Proposed	\$672			
OTHER DEBT		See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS		See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>		
	Current	3,597	\$48.41	(for 4,000 gallons)	
	Additional	0	\$48.41	(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	235,331	78,757	156,574	3.0	
Audited 2017	67,202	70,701	(3,499)	1.0	
Audited 2018	179,056	94,563	84,493	1.9	
Projected 2019	313,654	92,525	221,129	3.4	
Projected 2020	403,316	97,451	305,865	4.1	
Projected 2021	377,519	264,557	112,962	1.4	
Projected 2022	352,838	280,410	72,428	1.3	
Projected 2023	327,663	280,549	47,114	1.2	

Reviewer: Ashley Adams  
Date: February 6, 2020  
Loan Number: C20-001

**KENTUCKY INFRASTRUCTURE AUTHORITY  
GOVERNMENTAL AGENCIES LOAN FUND (FUND C)  
CANNONSBURG WATER DISTRICT, BOYD COUNTY  
PROJECT REVIEW  
WX21019056**

**I. PROJECT DESCRIPTION**

The Cannonsburg Water District is requesting a Fund C loan in the amount of \$622,000 for the Phase 1 Zone Metering project. The purpose of the project is to reduce unaccounted for water in the system through improved operating efficiency and capital planning. Currently the District has reported water loss of approximately 27%. The project is consistent with the efforts of the District to reduce unaccounted for water and has been presented to, and has the support of, the Public Service Commission.

This project will involve the installation of approximately 53 zone meters. The meters will be installed throughout the existing distribution system at critical locations identified by the owner and engineer. Of the 53 zone meters, 10 will replace existing malfunctioning metering devices. Installation of the zone meters will enable the Cannonsburg Water District to subdivide their existing system into designated metering areas (DMA) and sub-metering areas.

Metered output will be incorporated into the existing smart metering system currently used by the Cannonsburg Water District. The proposed project will allow the District to monitor system flows in real time and compare metered flows to metered billings within the established DMAs.

The District serves approximately 3,597 customers in Boyd, Greenup, and Carter counties. It is a distribution system only, purchasing the majority of its water (389 million gallons annually) from the City of Ashland. The District is under order from the PSC to reduce water loss from Case No. 2014-00267. Water loss has been reduced from approximately 55% in January 2017 to approximately 27% in January 2019.

## II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 10,000
Legal Expenses	30,000
Engineering Fees - Design	50,000
Engineering Fees - Construction	21,000
Engineering Fees - Inspection	47,000
Construction	904,000
Contingency	90,000
<b>Total</b>	<b>\$ 1,152,000</b>

## III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund C Loan	\$ 622,000	55%
Local Funds	530,000	45%
<b>Total</b>	<b>\$ 1,152,000</b>	<b>100%</b>

## IV. KIA DEBT SERVICE

Construction Loan	\$ 622,000
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 622,000
Interest Rate	2.00%
Loan Term (Years)	4
Estimated Annual Debt Service	\$ 162,579
Administrative Fee (0.20%)	1,244
<b>Total Estimated Annual Debt Service</b>	<b>\$ 163,823</b>

## V. PROJECT SCHEDULE

Bid Opening	April 2020
Construction Start	July 2020
Construction Stop	December 2020

## VI. RATE STRUCTURE

### A. Customers

	<u>Current</u>
Residential	3,309
Commercial	286
Industrial	2
<b>Total</b>	<b>3,597</b>

## B. Rates

	<u>Current</u>	<u>Prior</u>
Date of Last Rate Increase	05/13/19	01/01/17
Minimum (2,000 gallons)	\$25.33	\$24.34
Next 3,000 Gallons	9.54	9.17
Water Loss Surcharge	4.00	
<b>Cost for 4,000 gallons</b>	<b>\$48.41</b>	<b>\$42.68</b>
Increase %	13.4%	
Affordability Index (Rate/MHI)	1.1%	

## VII. DEMGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 8,985 with a Median Household Income (MHI) of \$54,840. The median household income for the Commonwealth is \$46,535. The project will qualify for a 2% interest rate based on the shortened loan terms allowable in Fund C.

Population			County Unemployment	
Year	County	% Change	Date	Rate
1980	55,513		June 2005	6.5%
1990	51,150	-7.9%	June 2010	10.2%
2000	49,752	-2.7%	June 2015	7.1%
2010	49,542	-0.4%	June 2019	6.6%
Current	48,486	-2.1%		
Cumulative %		-12.7%		

## VIII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2016 through June 30, 2018. 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 decreased 3% from \$2.5 million in 2016 to \$2.4 million in 2018. Fluctuations in revenue are attributable to the closing of a steel mill in the area which reopened at the end of 2018 under new ownership. Water revenue from the idled mill

in 2018 was around \$30,000 while revenues have since increased back to \$128,000 annually in 2019 according to the system (audit not yet complete). Operating expenses remained relatively flat at \$2.3 million during the same time period. Debt coverage was 3.0, 1.0, and 1.9 from 2016-2018, respectively.

The balance sheet reflects a current ratio of 2.6, a debt to equity ratio of 1.0, 43.1 days sales in accounts receivable and 1.5 months operating expenses in unrestricted cash.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Rate revenues will increase 4.1% based on a previously approved rate increase in May 2019 and remain flat thereafter.
- 2) A surcharge was approved by the PSC in May 2019 to pay for this project. It is expected to generate approximately \$172,656 annually each year through 2023 (or until the surcharge collected equals \$680,000).
- 3) Revenues will increase for the reopened steel mill, however, they were not factored into this analysis which should result in an even better cash position than what is forecasted.
- 4) Expenses will increase 2% for inflation.
- 5) Debt service coverage is 1.4 in 2021 when full principal and interest repayments begin.

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

## REPLACEMENT RESERVE

The replacement reserve will be 5% (\$32,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$1,600 yearly) each December 1 for 20 years and maintained for the life of the loan.

## IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KRWFC	\$ 222,000	2025
USDA Bond	1,654,000	2055
KIA Loan (B18-011 i/a/o \$57,271)		TBD
<b>Total</b>	<b>\$ 1,867,000</b>	

## **X. CONTACTS**

### **Legal Applicant**

Entity Name	Cannonsburg Water District
Authorized Official	Robert McGuire (Chairman)
County	Boyd
Email	tim@cannonsburgwater.com
Phone	606-928-9808
Address	1606 Cannonsburg Road Ashland, KY 41102

### **Project Administrator**

Name	Tim Webb
Organization	Cannonsburg Water District
Email	tim@cannonsburgwater.com
Phone	606-928-9808
Address	1606 Cannonsburg Rd Ashland, KY 41102

### **Consulting Engineer**

PE Name	Alan Bowman
Firm Name	Bell Engineering
Email	abowman@hkbell.com
Phone	606-365-2534
Address	2480 Fortune Dr Ste 350 Stanford, KY 40484

## **XI. RECOMMENDATIONS**

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

**CANNONBURG WATER DISTRICT**  
**FINANCIAL SUMMARY (DECEMBER YEAR END)**

	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	787,144	668,422	671,770	734,608	809,181	831,773	846,259	855,682
Other Assets	6,310,003	6,475,954	6,270,771	6,037,000	7,242,737	7,113,352	6,951,539	6,769,475
Total	<u>7,097,147</u>	<u>7,144,376</u>	<u>6,942,541</u>	<u>6,771,608</u>	<u>8,051,918</u>	<u>7,945,125</u>	<u>7,797,798</u>	<u>7,625,157</u>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	266,716	265,503	257,832	259,832	268,353	450,176	453,176	456,176
Long Term Liabilities	2,765,552	3,283,672	3,227,543	1,840,271	2,364,750	2,131,406	1,895,062	1,655,718
Total Liabilities	<u>3,032,268</u>	<u>3,549,175</u>	<u>3,485,375</u>	<u>2,100,103</u>	<u>2,633,103</u>	<u>2,581,582</u>	<u>2,348,238</u>	<u>2,111,894</u>
Net Assets	<u>4,064,879</u>	<u>3,595,201</u>	<u>3,457,166</u>	<u>4,671,505</u>	<u>5,418,815</u>	<u>5,363,543</u>	<u>5,449,560</u>	<u>5,513,263</u>
<b>Cash Flow</b>								
Revenues	2,508,250	2,407,259	2,443,029	2,600,884	2,714,269	2,714,269	2,714,269	2,714,269
Operating Expenses	2,275,941	2,343,548	2,270,507	2,293,764	2,317,487	2,343,284	2,367,965	2,393,140
Other Income	3,022	3,491	6,534	6,534	6,534	6,534	6,534	6,534
Cash Flow Before Debt Service	<u>235,331</u>	<u>67,202</u>	<u>179,056</u>	<u>313,654</u>	<u>403,316</u>	<u>377,519</u>	<u>352,838</u>	<u>327,663</u>
<b>Debt Service</b>								
Existing Debt Service	78,757	70,701	94,563	92,525	97,451	100,734	116,587	116,726
Proposed KIA Loan	0	0	0	0	0	163,823	163,823	163,823
Total Debt Service	<u>78,757</u>	<u>70,701</u>	<u>94,563</u>	<u>92,525</u>	<u>97,451</u>	<u>264,557</u>	<u>280,410</u>	<u>280,549</u>
Cash Flow After Debt Service	<u>156,574</u>	<u>(3,499)</u>	<u>84,493</u>	<u>221,129</u>	<u>305,865</u>	<u>112,962</u>	<u>72,428</u>	<u>47,114</u>
<b>Ratios</b>								
Current Ratio	3.0	2.5	2.6	2.8	3.0	1.8	1.9	1.9
Debt to Equity	0.7	0.9	1.0	0.4	0.5	0.5	0.4	0.4
Days Sales in Accounts Receivable	40.6	50.8	43.1	43.1	43.1	43.1	43.1	43.1
Months Operating Expenses in Unrestricted Cash	2.0	1.3	1.5	1.7	2.0	2.1	2.1	2.1
Debt Coverage Ratio	3.0	1.0	1.9	3.4	4.1	1.4	1.3	1.2

EXECUTIVE SUMMARY		Reviewer		Ashley Adams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		February 6, 2020	
FUND C, GOVERNMENTAL AGENCIES FUND		KIA Loan Number		C20-003	
REVOLVING LOAN FUND		WRIS Number		SX21091019	
				WX21091100	
BORROWER		CITY OF LEWISPORT			
		HANCOCK COUNTY			
BRIEF DESCRIPTION					
This project will fund the upgrade of the current UV system and replace the headworks at the Lewisport Wastewater Treatment Plant. In addition, the project will also run 300 LF of 8" waterline under the Yellow Creek in order to create redundancy in case of failure as this line supplies water to over 400 customers in the system.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund C Loan	\$100,000	Administrative Expenses			\$6,000
Local Funds	30,500	Eng - Design / Const			5,500
		Construction			109,000
		Contingency			10,000
TOTAL	\$130,500	TOTAL			\$130,500
REPAYMENT	Rate	2.75%	Est. Annual Payment		\$6,734
	Term	20 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Bluegrass Engineering			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	Mar-20			
	Construction Start	May-20			
	Construction Stop	Nov-20			
DEBT PER CUSTOMER	Existing	\$515			
	Proposed	\$442			
OTHER DEBT		See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS		See Attached			
RESIDENTIAL RATES		Users	Avg. Bill		
	Current	703	\$27.03 (for 4,000 gallons)		
	Additional	0	\$27.03 (for 4,000 gallons)		
REGIONAL COORDINATION					
		This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service		Coverage Ratio
Audited 2016	222,895	31,291	191,604		7.1
Audited 2017	103,607	37,262	66,345		2.8
Audited 2018	461,562	161,169	300,393		2.9
Projected 2019	417,977	49,625	368,352		8.4
Projected 2020	394,681	49,625	345,056		8.0
Projected 2021	349,347	29,092	320,255		12.0
Projected 2022	303,413	24,618	278,795		12.3
Projected 2023	256,560	24,211	232,349		10.6

Reviewer: Ashley Adams  
Date: February 6, 2020  
Loan Number: C20-003

**KENTUCKY INFRASTRUCTURE AUTHORITY  
GOVERNMENTAL AGENCIES LOAN FUND (FUND C)  
CITY OF LEWISPORT, HANCOCK COUNTY  
PROJECT REVIEW  
SX21091019/WX21091100**

**I. PROJECT DESCRIPTION**

The City of Lewisport is requesting a Fund C loan in the amount of \$100,000 for the Lewisport UV & Headworks Upgrade project and the Yellow Creek Waterline Replacement project. This loan has both a water and sewer component.

The sewer project will involve upgrading the current UV systems at the Wastewater Treatment Plant as well as replacing the headworks. The UV upgrade will be a sole source upgrade with the original UV company in order to keep some of the existing components of the system as a cost savings measure.

The water project will add approximately 300 LF of 8" waterline at the Yellow Creek in order to create redundancy and prevent service loss to 400 customers in the area in the event the existing line fails. This will require boring under the creek in order to connect the line on both sides.

Lewisport Municipal Water Works serves approximately 1,086 drinking water customers and 700 sewer customers in Hancock County. The City also has a natural gas distribution system which services 1,238 customers including one industrial customer.

**II. PROJECT BUDGET**

	<b>Total</b>
Administrative Expenses	\$ 6,000
Engineering Fees - Design	3,500
Engineering Fees - Construction	2,000
Construction	109,000
Contingency	10,000
<b>Total</b>	<b>\$ 130,500</b>

### III. PROJECT FUNDING

	<b>Amount</b>	<b>%</b>
Fund C Loan	\$ 100,000	77%
Local Funds	30,500	23%
<b>Total</b>	<b>\$ 130,500</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$ 100,000
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 100,000
Interest Rate	2.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 6,534
Administrative Fee (0.20%)	200
<b>Total Estimated Annual Debt Service</b>	<b>\$ 6,734</b>

### V. PROJECT SCHEDULE

Bid Opening	March 2020
Construction Start	May 2020
Construction Stop	November 2020

### VI. RATE STRUCTURE

#### A. Customers

	<b>Water</b>	<b>Sewer</b>
Residential	977	622
Commercial	106	79
Industrial	3	2
<b>Total</b>	<b>1086</b>	<b>703</b>

#### B. Rates

<b>Sewer</b>	<b>Current</b>	<b>Prior</b>
Date of Last Rate Increase	06/15/17	06/18/15
Minimum (1,000 gallons)	\$12.48	\$11.89
All Over 1,000 Gallons	4.85	4.62
<b>Cost for 4,000 gallons</b>	<b>\$27.03</b>	<b>\$25.75</b>
Increase %	5.0%	
Affordability Index (Rate/MHI)	0.8%	

<b>Water</b>	<b>Inside City</b>		<b>Outside City</b>	
	Current	Prior	Current	Prior
Date of Last Rate Increase	06/20/19	06/15/17	06/20/19	06/15/17
Minimum (1,000 gallons)	\$9.81	\$9.34	\$18.14	\$17.28
All Over 1,000 Gallons	4.53	4.31	6.05	5.76
<b>Cost for 4,000 gallons</b>	<b>\$23.40</b>	<b>\$22.27</b>	<b>\$36.29</b>	<b>\$34.56</b>
Increase %	5.1%		5.0%	
Affordability Index (Rate/MHI)	0.7%		1.1%	

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population for sewer was 1,939 and 2,604 for drinking water with a Median Household Income (MHI) of \$51,629. The median household income for the Commonwealth is \$46,535. The project will qualify for a 2.75% interest rate which is the standard rate for Fund C.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	1,832		7,742		June 2005	6.5%
1990	1,778	-2.9%	7,864	1.6%	June 2010	9.9%
2000	1,639	-7.8%	8,392	6.7%	June 2015	5.0%
2010	1,670	1.9%	8,565	2.1%	June 2019	4.3%
Current	1,829	9.5%	8,700	1.6%		
Cumulative %		-0.2%		12.4%		

## VIII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2016 through June 30, 2018 from the water, sewer, and gas 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 have increased 26% from \$2 million in 2016 to \$2.6 million in 2018. The majority of the increase was realized in the gas fund which increased 35% from \$1.4 million in 2016 to \$1.9 million in 2018. Water revenues increased 9.5% from \$380,000 in 2016 to \$417,000 in 2018, and sewer revenues grew 3% from \$252,000 in 2016 to \$260,000 during the same time period. Total operating expenses increased 16% from \$1.9 million in 2016 to \$2.2 million in 2018. Gas expenses increased 18%, water 16%, and sewer 7.5%. Gas has historically greatly subsidized both water and sewer operations.

The 2018 balance sheet reflects a current ratio of 4.5, a debt to equity ratio of 0.4, and 5.1 months operating expenses in unrestricted cash. Days sales in accounts receivable has been excluded because of the need to present a combined balance sheet of the water, sewer, and gas funds which results in skewed numbers.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues will increase 5% in 2020 due to a previously approved rate increase and remain flat thereafter. Sewer and gas revenues will remain flat for both growth and volume.
- 2) Expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 12.0 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 C loan.

## REPLACEMENT RESERVE

The replacement reserve will be 5% (\$6,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$300 yearly) each December 1 for 20 years and maintained for the life of the loan.

## IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KIA Loan (B16-011)	\$ 262,439	2037
Capital Lease (Gas)	66,271	2022
Short-Term Note Payable	99,955	2019
<b>Total</b>	<b>\$ 428,665</b>	

## **X. CONTACTS**

### **Legal Applicant**

Entity Name	City of Lewisport
Authorized Official	Chad Gregory (Mayor)
County	Hancock
Email	cgregory@hancockbankonline.com
Phone	270-295-3324
Address	PO Box 22 Lewisport, KY 42351

### **Applicant Contact**

Name	Brent Wigginton
Organization	City of Lewisport
Email	brentwcol@tds.net
Phone	270-295-3324
Address	PO Box 22 Lewisport, KY 42351

### **Project Administrator**

Name	Skyler Stewart
Organization	Green River ADD
Email	skylerstewart@gradd.com
Phone	270-926-4433
Address	300 GRADD Way Owensboro, KY 42301

### **Consulting Engineer**

PE Name	Matthew Ray Curtis
Firm Name	Bluegrass Engineering
Email	mcurtis@bluegrassengineering.net
Phone	502-370-6551
Address	PO Box 1657 Georgetown, KY 40324

## **XI. RECOMMENDATIONS**

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

1. The City of Lewisport shall pledge the revenues of all of the proprietary funds including water, sewer, and gas in order to properly secure the loan. Inclusion of all existing rate ordinances shall occur in the preparation of the assistance agreement Exhibit C.

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

	<b>Audited 2016</b>	<b>Audited 2017</b>	<b>Audited 2018</b>	<b>Projected 2019</b>	<b>Projected 2020</b>	<b>Projected 2021</b>	<b>Projected 2022</b>	<b>Projected 2023</b>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	1,126,797	978,945	1,028,144	1,101,856	1,171,768	1,235,819	1,291,577	1,338,047
Other Assets	6,035,827	5,968,826	6,149,285	5,773,669	5,911,543	5,895,814	5,846,917	5,760,863
Total	<u>7,162,624</u>	<u>6,947,771</u>	<u>7,177,429</u>	<u>6,875,525</u>	<u>7,083,311</u>	<u>7,131,633</u>	<u>7,138,494</u>	<u>7,098,910</u>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	227,554	257,726	230,782	173,034	175,967	158,353	156,057	157,768
Long Term Liabilities	906,287	1,109,526	1,858,499	434,515	523,200	500,699	482,194	463,778
Total Liabilities	<u>1,133,841</u>	<u>1,367,252</u>	<u>2,089,281</u>	<u>607,549</u>	<u>699,167</u>	<u>659,052</u>	<u>638,251</u>	<u>621,546</u>
Net Assets	<u>6,028,783</u>	<u>5,580,519</u>	<u>5,088,148</u>	<u>6,267,976</u>	<u>6,384,144</u>	<u>6,472,581</u>	<u>6,500,243</u>	<u>6,477,365</u>
<b>Cash Flow</b>								
Revenues	2,076,176	2,165,752	2,618,711	2,618,711	2,639,566	2,639,566	2,639,566	2,639,566
Operating Expenses	1,862,825	2,070,380	2,164,251	2,207,836	2,251,987	2,297,321	2,343,255	2,390,108
Other Income	9,544	8,235	7,102	7,102	7,102	7,102	7,102	7,102
Cash Flow Before Debt Service	<u>222,895</u>	<u>103,607</u>	<u>461,562</u>	<u>417,977</u>	<u>394,681</u>	<u>349,347</u>	<u>303,413</u>	<u>256,560</u>
<b>Debt Service</b>								
Existing Debt Service	31,291	37,262	161,169	49,625	49,625	22,358	17,884	17,477
Proposed KIA Loan	0	0	0	0	0	6,734	6,734	6,734
Total Debt Service	<u>31,291</u>	<u>37,262</u>	<u>161,169</u>	<u>49,625</u>	<u>49,625</u>	<u>29,092</u>	<u>24,618</u>	<u>24,211</u>
Cash Flow After Debt Service	<u>191,604</u>	<u>66,345</u>	<u>300,393</u>	<u>368,352</u>	<u>345,056</u>	<u>320,255</u>	<u>278,795</u>	<u>232,349</u>
<b>Ratios</b>								
Current Ratio	5.0	3.8	4.5	6.4	6.7	7.8	8.3	8.5
Debt to Equity	0.2	0.2	0.4	0.1	0.1	0.1	0.1	0.1
Months Operating Expenses in Unrestricted Cash	6.8	5.3	5.1	5.5	5.8	6.1	6.3	6.4
Debt Coverage Ratio	7.1	2.8	2.9	8.4	8.0	12.0	12.3	10.6