

**Kentucky Infrastructure Authority
Projects for
June 2020 Capital Projects Meeting**

• **Fund A Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Loan Total</u>	<u>County</u>
A20-016	Adair County Water District	\$ 2,104,870	\$ 2,104,870	Adair
A20-020	City of Morehead	\$ 1,363,200	\$ 1,363,200	Rowan
A20-022	City of Kuttawa (Increase)	\$ 453,236	\$ 1,717,436	Lyon
A20-034	City of Maysville	\$ 850,000	\$ 850,000	Mason
A20-037	City of South Shore	\$ 1,035,000	\$ 1,035,000	Greenup
A20-047	McCreary County Water District	\$ 3,244,500	\$ 3,244,500	McCreary
A20-069	Hart County Industrial Authority	\$ 853,442	\$ 853,442	Hart

• **Fund C Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Loan Total</u>	<u>County</u>
C20-002	Crittenden-Livingston County Water District	\$ 300,000	\$ 300,000	Livingston

• **Fund F Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Loan Total</u>	<u>County</u>
F17-007	City of Olive Hill	\$ 122,344	\$ 1,005,344	Carter
F20-009	Adair County Water District	\$ 1,342,530	\$ 1,342,530	Adair
F20-017	City of Salem	\$ 585,000	\$ 585,000	Livingston
F20-021	Cave Run Water Commission	\$ 1,171,350	\$ 1,171,350	Menifee
F20-044	Northern Kentucky Water District	\$ 8,000,000	\$ 8,000,000	Kenton

EXECUTIVE SUMMARY		Reviewer		Meili Sun	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		March 5, 2020	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number		A20-016	
REVOLVING LOAN FUND		WRIS Number		SX21001004	
BORROWER		ADAIR COUNTY WATER DISTRICT DBA COLUMBIA/ADAIR UTILITIES DISTRICT ADAIR COUNTY			
BRIEF DESCRIPTION					
This project will replace or rehab approximately 12,865 LF of 8 inch gravity sewer and public service laterals to alleviate health and safety threats from the stoppages and overflows in portions of downtown Columbia. The scope of work also includes replacements of 75 existing manholes, the Long Hunter Lift Station #1 and #2, and the pumps in the Don Franklin Lift Station.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund A Loan	\$2,104,870	Administrative Expenses			\$7,500
		Legal Expenses			2,500
		Planning			15,000
		Eng - Design / Const	7.9%	7.3%	134,170
		Eng - Insp	4.8%	4.5%	82,200
		Eng - Other			30,000
		Construction			1,666,800
		Contingency			166,700
TOTAL	\$2,104,870	TOTAL			\$2,104,870
REPAYMENT	Rate	0.50%	Est. Annual Payment		\$79,854
	Term	30 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Kentucky Engineering Group, PLLC			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	Jul-20			
	Construction Start	Oct-20			
	Construction Stop	Oct-21			
DEBT PER CUSTOMER	Existing	\$13,316			
	Proposed	\$13,979			
OTHER DEBT		See Attached			
RESIDENTIAL RATES		Users	Avg. Bill		
	Current	1,689	\$25.80 (for 4,000 gallons)		
	Additional	0	\$25.80 (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	1,582,906	2,860,051	(1,277,145)	0.6	
Audited 2017	1,520,068	1,767,710	(247,642)	0.9	
Audited 2018	1,493,692	1,985,357	(491,665)	0.8	
Projected 2019	1,343,029	1,590,920	(247,891)	0.8	
Projected 2020	1,280,122	1,476,224	(196,102)	0.9	
Projected 2021	2,147,673	1,543,825	603,848	1.4	
Projected 2022	2,069,553	1,617,866	451,687	1.3	
Projected 2023	2,002,796	1,650,040	352,756	1.2	

Reviewer: Meili Sun
Date: March 5, 2020
Loan Number: A20-016

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
ADAIR COUNTY WATER DISTRICT, ADAIR COUNTY
PROJECT REVIEW
SX21001004**

I. PROJECT DESCRIPTION

The Adair County Water District (ACWD) is requesting a Fund A loan in the amount of \$2,104,870 for the Downtown Sewer System Improvement project. This project will replace or rehab approximately 12,865 linear feet of 8-inch gravity sewer and public service laterals in portions of downtown Columbia. Also included in the scope of work are replacements of 75 existing manholes, Long Hunter Lift Stations #1 and #2, and the pumps in the Don Franklin Lift Station.

The purpose of this project is to eliminate health and safety threats from sewer stoppages and overflows. The existing manholes are in poor condition that causes constant inflow and infiltration. Most of the current lift stations have exceeded their life expectancy and are in need of larger capacities or pumps to handle the sewage volume.

ACWD is a Public Service Commission (PSC) regulated utility producing 93% of the water supply and purchasing the remainder to serve approximately 1,700 retail customers in Adair County and 3 wholesale customers. All retail and wholesale rate adjustments are subject to PSC approval.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 7,500
Legal Expenses	2,500
Planning	15,000
Engineering Fees – Design	93,919
Engineering Fees – Construction	40,251
Engineering Fees – Inspection	82,200
Engineering Fees – Other	30,000
Construction	1,666,800
Contingency	166,700
Total	\$ 2,104,870

III. PROJECT FUNDING

	Amount	%
KIA Fund A Loan	\$ 2,104,870	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 2,104,870
Principal Forgiveness	0
Amortized Loan Amount	\$ 2,104,870
Interest Rate	0.50%
Loan Term (Year)	30
Estimated Annual Debt Service	\$ 75,644
Administrative Fee (0.20%)	4,210
Total Estimated Annual Debt Service	\$ 79,854

V. PROJECT SCHEDULE

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

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	Current
Residential	1,330
Commercial	288
Industrial	71
Total	1,689

B) Rates

	Sewer	
	Current	Prior
Date of Last Rate Increase	07/23/14	07/01/11
Minimum (No Usage)	\$5.00	\$4.00
All Usage per 1,000 Gallons	5.20	4.10
Cost for 4,000 gallons	\$25.80	\$20.40
Increase %	26.5%	
Affordability Index (Rate/MHI)	1.1%	0.9%

Date of Last Rate Increase	Water	
	Current	Prior
	02/03/12	11/01/09
First 2,000 Gallons	\$19.90	\$15.35
Next 3,000 Gallons	\$7.00	\$5.75
Next 5,000 Gallons	\$6.25	\$5.00
Cost for 4,000 gallons	\$33.90	\$26.85
Increase %	26.3%	
Affordability Index (Rate/MHI)	1.2%	0.9%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 4,562 with a Median Household Income (MHI) of \$27,317. The median household income for the Commonwealth is \$46,535. As a disadvantage community, ACWD will qualify for a 0.50% interest rate.

Year	Population				County Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	3,710		15,233		June 2005	5.7%
1990	3,845	3.6%	15,360	0.8%	June 2010	11.8%
2000	4,014	4.4%	17,244	12.3%	June 2015	7.6%
2010	4,452	10.9%	18,656	8.2%	June 2019	6.0%
Current	4,852	9.0%	19,304	3.5%		
Cumulative %		30.8%		26.7%		

VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve – The total project cost of \$2,104,870 qualifies for the Energy Efficiency category of 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 December 31, 2016 through December 31, 2018. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Other Postemployment Benefit have been removed from the operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Revenues increased 1.5% from \$4.49 million in 2016 to \$4.56 million in 2018 while operating expenses increased 5.8% from \$2.91 million to \$3.08 million during the same period. The Supplies and Materials costs were higher than normal in 2018 due to purchase of radio read meters. The debt coverage ratios of 2016, 2017, and 2018 were below 1.1 due to absence of rate increases since 2014.

The balance sheet reflects a current ratio of 1.7, a debt to equity ratio of 1.1, 32.3 days of sales in accounts receivable, and 0.4 month of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Combined water and sewer revenues will increase approximately \$900,000 based on the special conditions for rate increases.
- 2) The proposed rate increases will be subsequently approved by the PSC.
- 3) RD will commit \$2,316,280 in grant and loan funding to assist ACWD with the Southern Bypass Water Main and Telemetry project which is not funded by KIA.
- 4) Combined operating expenses including water purchase will increase 2% annually for inflation.
- 5) Debt coverage ratio is 1.3 in 2022 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% (\$106,000 total) of the final amount borrowed to be funded annually (\$5,300 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
2004 Utilities Revenue Bonds	\$ 403,000	2043
2005 Water Revenue Bonds	1,017,000	2045
2006 Water Revenue Bonds	3,000,500	2045
2007 Water Revenue Bonds	651,500	2046
2008 Water Revenue Bonds	269,900	2048
2008 Utilities Revenue Bonds	101,100	2047
2009 Water Revenue Bonds	992,200	2050
2011 Water Revenue Bonds	1,095,000	2051
2012 Water Revenue Bonds	1,359,500	2052
2013D Water Revenue Bonds (Refunding)	2,700,000	2040
2014 Water Revenue Bonds	668,500	2054
KIA Loan F06-01	2,260,853	2028
KIA Loan F07-01	524,917	2028
KIA Loan F10-01	2,882,619	2032
KIA Loan F10-02	1,180,062	2032
KIA Loan F11-10	769,490	2034
KIA Loan F12-04	2,491,225	2044
Bank of Columbia Note	123,258	2019
KIA Loan F20-009 i.a.o. \$671,265		TBD
RD Loan i.a.o. \$1,621,396		TBD
Total	\$ 22,490,624	

XI. CONTACTS

Legal Applicant	
Name	Adair County Water District DBA Columbia/Adair Utilities District
Address	109 Grant Lane, PO Box 567 Columbia, KY 42728
County	Adair
Authorized Official	William Harris
Phone	(270) 384-2181
Email	utility@caud.net

Project Contact - Applicant

Name	Lenny Stone, Manager
Organization	Columbia/Adair Utilities District
Address	109 Grant Lane, PO Box 567 Columbia, KY 42728
Phone	(270) 384-2181
Email	lenny.stone@caud.net

Project Administrator

Name	Holly Nicholas
Organization	Kentucky Engineering Group, PLLC
Address	161 North Locust St, PO Box 1034 Versailles, KY 40383
Phone	(859) 333-9742
Email	hnicholas@kyengr.com

Consulting Engineer

Name	James C Thompson
Firm	Kentucky Engineering Group, PLLC
Address	161 North Locust St, PO Box 1034 Versailles, KY 40383
Phone	(859) 251-4127
Email	jthompson@kyengr.com

XII. RECOMMENDATIONS

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

- 1) ACWD shall apply to the Public Service Commission (PSC), pursuant to KRS 278.300, for debt authorization for KIA loan A20-016, F20-009, and the pending RD loan. This debt authorization application should include a forecast meeting debt service projected through 2025.
- 2) By March 31, 2020, ACWD shall pass a resolution for a 20.7% or \$650,000 increase to water revenues and 38.8% or \$250,000 to sewer revenues, effective October 1, 2020 to meet operating expenses and debt service requirements when principal and interest repayments begin.

- 3) Prior to the assistance agreement being executed, ACWD must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020, from the PSC for any portion of the project that may require it, or provide an opinion from legal counsel or the staff of the PSC, or a declaratory order from the PSC, that a CPCN is not required for any portion of the assets to be constructed as part of the loan agreement.

ADAIR COUNTY WATER DISTRICT DBA COLUMBIA/ADAIR UTILITIES DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)

	Audited 2016	Audited 2017	Audited 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023
Balance Sheet								
Assets								
Current Assets	689,863	890,914	760,210	512,317	316,215	1,002,463	1,454,150	1,806,906
Other Assets	52,050,007	50,935,078	49,753,410	47,792,662	45,831,914	49,634,846	47,561,006	45,487,165
Total	<u>52,739,870</u>	<u>51,825,992</u>	<u>50,513,620</u>	<u>48,304,979</u>	<u>46,148,129</u>	<u>50,637,309</u>	<u>49,015,156</u>	<u>47,294,071</u>
Liabilities & Equity								
Current Liabilities	311,132	343,040	445,105	450,292	455,592	460,992	466,492	472,092
Long Term Liabilities	26,105,761	26,053,948	26,495,332	25,343,484	24,291,629	27,614,678	26,475,271	25,234,273
Total Liabilities	<u>26,416,893</u>	<u>26,396,988</u>	<u>26,940,437</u>	<u>25,793,776</u>	<u>24,747,221</u>	<u>28,075,670</u>	<u>26,941,763</u>	<u>25,706,365</u>
Net Assets	<u>26,322,977</u>	<u>25,429,004</u>	<u>23,573,183</u>	<u>22,511,203</u>	<u>21,400,908</u>	<u>22,561,639</u>	<u>22,073,393</u>	<u>21,587,706</u>
Cash Flow								
Revenues	4,490,076	4,486,762	4,557,728	4,557,728	4,557,728	5,489,444	5,489,444	5,489,444
Operating Expenses	2,913,484	2,970,140	3,083,669	3,234,332	3,297,239	3,361,404	3,439,524	3,506,281
Other Income	6,314	3,446	19,633	19,633	19,633	19,633	19,633	19,633
Cash Flow Before Debt Service	<u>1,582,906</u>	<u>1,520,068</u>	<u>1,493,692</u>	<u>1,343,029</u>	<u>1,280,122</u>	<u>2,147,673</u>	<u>2,069,553</u>	<u>2,002,796</u>
Debt Service								
Existing Debt Service	2,860,051	1,767,710	1,985,357	1,590,920	1,476,224	1,543,825	1,577,939	1,570,186
Proposed KIA Loan	0	0	0	0	0	0	39,927	79,854
Total Debt Service	<u>2,860,051</u>	<u>1,767,710</u>	<u>1,985,357</u>	<u>1,590,920</u>	<u>1,476,224</u>	<u>1,543,825</u>	<u>1,617,866</u>	<u>1,650,040</u>
Cash Flow After Debt Service	<u>(1,277,145)</u>	<u>(247,642)</u>	<u>(491,665)</u>	<u>(247,891)</u>	<u>(196,102)</u>	<u>603,848</u>	<u>451,687</u>	<u>352,756</u>
Ratios								
Current Ratio	2.2	2.6	1.7	1.1	0.7	2.2	3.1	3.8
Debt to Equity	1.0	1.0	1.1	1.1	1.2	1.2	1.2	1.2
Days Sales in Accounts Receivable	32.6	34.8	32.3	32.3	32.3	32.3	32.3	32.3
Months Operating Expenses in Unrestricted Cash	0.3	0.9	0.4	(0.5)	(1.3)	1.0	2.6	3.8
Debt Coverage Ratio	0.6	0.9	0.8	0.8	0.9	1.4	1.3	1.2

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND A, FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND		Reviewer	Sarah Parsley	
		Date	June 4, 2020	
		KIA Loan Number	A20-020	
		WRIS Number	SX21205042	
BORROWER		CITY OF MOREHEAD ROWAN COUNTY		
BRIEF DESCRIPTION				
This project will replace the existing Derrickson Lift Station and corresponding force main to address sanitary sewer overflow events by construction a new 700 GPM lift station on the adjacent side. Approximately 14,000 LF of 10 inch force main will be installed to replace existing 6 inch force main in order to increase capacity for expansion and growth in the area.				
PROJECT FINANCING		PROJECT BUDGET		RD Fee % Actual %
KIA Fund A Loan	\$1,363,200	Land, Easements		15,000
KYTC - KY 32 Road Project	600,000	Planning		5,360
		Eng - Design / Const	8.0%	7.5%
		Eng - Insp	4.9%	4.4%
		Eng - Other		18,000
		Construction		1,560,400
		Contingency		156,040
		Other		5,000
TOTAL	\$1,963,200	TOTAL		\$1,963,200
REPAYMENT	Rate	1.50%	Est. Annual Payment	\$81,874
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Bluegrass Engineering, PLLC		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Nov-20		
	Construction Start	Dec-20		
	Construction Stop	Sep-21		
DEBT PER CUSTOMER	Existing	\$2,290		
	Proposed	\$5,642		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	5,581	\$29.76	(for 4,000 gallons)
	Additional	0	\$29.76	(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	2,306,343	1,170,694	1,135,649	2.0
Audited 2018	2,685,132	1,176,634	1,508,498	2.3
Audited 2019	4,328,517	1,275,444	3,053,073	3.4
Projected 2020	3,785,387	1,265,399	2,519,988	3.0
Projected 2021	3,563,021	1,451,796	2,111,225	2.5
Projected 2022	3,240,971	2,182,483	1,058,488	1.5
Projected 2023	2,980,718	2,017,143	963,575	1.5
Projected 2024	2,687,498	2,033,361	654,137	1.3

Reviewers: Sarah Parsley
Date: June 4, 2020
Loan Number: A20-020

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF MOREHEAD, ROWAN COUNTY
PROJECT REVIEW
SX21205042**

I. PROJECT DESCRIPTION

The City of Morehead is requesting a Fund A loan in the amount of \$1,363,200 for the Derrickson Lift Station Upgrade project. They are co-funding the loan with the Kentucky Transportation Cabinet. The project will improve and promote public health and environmental safety by eliminating SSO events. This project will involve replacing the existing Derrickson Lift Station and corresponding force main to address sanitary sewer overflow (SSO) events by constructing a new lift station on the adjacent site. The new lift station (approximately 700 GPM) will be designed with higher flow pumps and a larger wet well, designed to current regulations. Due to the expansion and growth in customer base in the northern part of Rowan County, approximately 14,000 LF of 10-inch force main would be installed to replace the existing 6-inch force main to increase capacity within this section of the collection system. A segment of the force main, approximately 9,800 linear feet, will be realigned from the existing location beginning at the intersection of KY-32 and Litton Road. The realignment is needed for better operations and efficiency.

The Morehead Utility Plant Board currently serves 5,581 sewer customers, 3,453 water customers, and also provides natural gas to customers in Rowan County.

II. PROJECT BUDGET

Land, Easements	\$ 15,000
Planning	5,360
Engineering Fees - Design	95,100
Engineering Fees - Construction	32,900
Engineering Fees - Inspection	75,400
Engineering Fees - Other	18,000
Construction	1,560,400
Contingency	156,040
Other	5,000
Total	\$ 1,963,200

III. PROJECT FUNDING

	Amount	%
KIA Fund A Loan	\$ 1,363,200	69%
KYTC - KY 32 Road Project	600,000	31%
Total	\$ 1,963,200	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,963,200
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 1,963,200
Interest Rate	1.50%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 113,984
Administrative Fee (0.20%)	3,926
Total Estimated Annual Debt Service	\$ 117,910

V. PROJECT SCHEDULE

Bid Opening	November 1, 2020
Construction Start	December 1, 2020
Construction Stop	September 1, 2021

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	Current
Residential	4,783
Commercial	792
Industrial	6
Total	5,581

B) Rates

Water	Inside City		Outside City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	08/01/19	08/01/18	08/01/18	08/01/18
Minimum (First 2,000 gallons)	19.89	17.40	23.87	20.88
Next 4,000 Gallons (per 1,000)	8.04	7.03	9.64	8.43
Cost for 4,000 gallons	\$35.97	\$31.46	\$43.15	\$37.74
Increase %	14.3%		14.3%	
Affordability Index (Rate/MHI)	1.1%		1.3%	

Sewer	Inside City		Outside City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	08/01/18	08/01/17	08/01/18	08/01/17
Minimum (First 2,000 gallons)	14.60	\$10.50	17.53	\$12.61
Next 4,000 Gallons (per 1,000)	7.58	5.45	8.78	6.32
Cost for 4,000 gallons	\$29.76	\$21.40	\$35.09	\$25.25
Increase %	39.1%		39.0%	
Affordability Index (Rate/MHI)	0.9%		1.1%	

The Utility is exploring the implementation of a CPI clause in the future to keep up with inflation.

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 15,127 with a Median Household Income (MHI) of \$40,037. The median household income for the Commonwealth is \$46,535. The project will qualify for a 1.50% interest rate.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	7,789		19,049		June 2005	6.6%
1990	8,357	7.3%	20,353	6.8%	June 2010	10.4%
2000	5,914	-29.2%	22,094	8.6%	June 2015	6.6%
2010	6,845	15.7%	23,333	5.6%	June 2019	6.2%
Current	7,562	10.5%	24,460	4.8%		
Cumulative %		-2.9%		28.4%		

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 years ended June 30, 2017 through June 30, 2019. Morehead Plant Utility Board is comprised of water, sewer, and gas operations and has limited segregation in their financial statements. 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

Total revenues including water, sewer, and gas have increased 33% from 2017 to 2019 mostly due to rate increases. Water revenues increased 22% during that period, sewer revenues increased 61%, and gas revenues increased 16%. Historically, water has contributed the majority of cash available for debt service to the operation while also making up for deficits in sewer. A 39% rate increase in FY 2019 brought sewer into the black for the first time in the observed historical period and contributing almost equal cash flows to debt service. Total operating expenses increased 19% from 2017 to 2019. Water, sewer, and gas share administrative expenses which saw a 28% increase during this time period while water saw a 12% increase, sewer a 14% increase, and gas a 21% increase in operating expenses.

The 2019 balance sheet reflects a current ratio of 1.9, a debt to equity ratio of 0.8, 53 days sales in accounts receivable, and 1.9 months operating expenses in unrestricted cash. The debt coverage ratio from 2017 to 2019 was 2.0, 2.3, and 3.4, respectively.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Sewer revenues will remain flat.
- 2) Residential water revenues will increase 13% in 2020 for an already approved rate increase effective August 1, 2019 and 10.17% for the 2020/2021 year to prepare for an ongoing water treatment plant project. Another rate increase of 9.23% is expected for the 2021/2022 fiscal year. Only the currently known water rate increase is factored into this analysis.
- 3) Expenses will increase 2% annually for inflation.

- 4) Debt coverage is 1.5 in 2022 when full principal and interest payments for loan A20-020, loan A19-032 and the first four increments of pending KIA loan F19-002 for a major water treatment plant project go into repayment.

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% (\$68,000 total) of the final amount borrowed to be funded annually (\$3,400 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
RD Series 2001A	\$ 3,331,000	2042
RD Series 2004	1,231,500	2044
Revenue Bonds 1966	15,000	2019
KIA Loan (F00-05)	1,110,080	2023
KIA Loan (A04-02)	2,680,841	2026
KIA Loan (A10-16)	1,371,231	2033
KIA Loan (A209-36)	229,972	2031
KIA Loan (A209-37)	401,444	2032
KIA Loan (A16-065 i/a/o \$1,800,000)	1,722,805	2038
KIA Loan (F18-004 P&D i/a/o \$1,297,200)	687,943	TBD
KIA Loan (F19-002 i/a/o \$26,428,000)		TBD
Total	\$12,781,816	

XI. CONTACTS

Legal Applicant

Entity Name	City of Morehead
Authorized Official	Laura White-Brown (Mayor)
County	Rowan
Email	mayor.whitebrown@morehead-ky.gov
Phone	606-784-8505
Address	314 Bridge Street Morehead, KY 40351

Applicant Contact

Name	Holly McGrath- Rosas
Organization	Morehead Utility Plant Board
Email	hrosas@mupb.com
Phone	606-784-8313
Address	135 S Wilson Ave Morehead, KY 40351

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	Matthew Ray Curtis
Firm Name	Bluegrass Engineering, PLLC
Email	mcurtis@bludgrassengineering.net
Phone	502-370-6551
Address	222 East Main St, Suite 1 Georgetown, KY 40324

XII. RECOMMENDATIONS

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

CITY OF MOREHEAD
FINANCIAL SUMMARY (JUNE YEAR END)

	Audited 2017	Audited 2018	Audited 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Balance Sheet								
Assets								
Current Assets	3,010,960	2,910,114	3,521,512	3,992,869	4,207,991	4,313,840	4,410,198	4,816,361
Other Assets	40,104,332	42,181,210	42,767,771	46,288,746	51,806,224	54,760,555	53,241,276	46,907,405
Total	43,115,292	45,091,324	46,289,283	50,281,615	56,014,216	59,074,396	57,651,474	51,723,766
Liabilities & Equity								
Current Liabilities	1,393,732	1,819,172	1,816,978	1,825,008	1,685,349	1,540,503	1,575,985	805,323
Long Term Liabilities	16,084,456	18,298,424	18,187,697	18,989,395	25,219,769	31,077,339	32,611,277	32,611,277
Total Liabilities	17,478,188	20,117,596	20,004,675	20,814,403	26,905,118	32,617,842	34,187,262	33,416,600
Net Assets	25,637,104	24,973,728	26,284,608	29,467,212	29,109,098	26,456,554	23,464,212	18,307,166
Cash Flow								
Revenues	9,990,829	11,271,041	13,312,938	13,606,955	13,634,736	13,634,736	13,634,736	13,634,736
Operating Expenses	7,657,223	8,591,321	9,106,436	9,943,583	10,193,730	10,515,780	10,776,033	6,370,156
Other Income	(27,263)	5,412	122,015	122,015	122,015	122,015	122,015	122,015
Cash Flow Before Debt Service	2,306,343	2,685,132	4,328,517	3,785,387	3,563,021	3,240,971	2,980,718	7,386,595
Debt Service								
Existing Debt Service*	1,170,694	1,176,634	1,275,444	1,265,399	1,410,859	2,100,609	1,935,269	1,951,487
Proposed KIA Loan	0	0	0	0	40,937	81,874	81,874	81,874
Total Debt Service	1,170,694	1,176,634	1,275,444	1,265,399	1,451,796	2,182,483	2,017,143	2,033,361
Cash Flow After Debt Service	1,135,649	1,508,498	3,053,073	2,519,988	2,111,225	1,058,488	963,575	5,353,234
Ratios								
Current Ratio	2.2	1.6	1.9	2.2	2.5	2.8	2.8	6.0
Debt to Equity	0.7	0.8	0.8	0.7	0.9	1.2	1.5	1.8
Days Sales in Accounts Receivable	51.0	51.8	53.0	53.0	53.0	53.0	53.0	53.0
Months Operating Expenses in Unrestricted Cash	3.3	1.6	1.9	2.5	3.0	3.2	3.4	4.9
Debt Coverage Ratio	2.0	2.3	3.4	3.0	2.5	1.5	1.5	1.3

* Existing debt service in 2022-2023 includes the first four funding increments of pending KIA loan F19-022

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND A, FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND		Reviewer Date KIA Loan Number WRIS Number	Linda Bridwell May 7, 2020 A20-022 SX21143009	
BORROWER		CITY OF KUTTAWA LYON COUNTY		
BRIEF DESCRIPTION A loan increase of \$453,236 is requested to fund the project after bids were higher than expected. The project will replace the existing Magnolia lift station with a new lift station, sized to handle existing and anticipated future flows, as well as replacement of approximately 1,400 l.f. of existing cast iron force main. This lift station receives flows from the surrounding neighborhoods as well as the Old Kuttawa area. The project will also replace the existing Old Kuttawa lift station with a new lift station, sized to handle existing and anticipated future flows, as well as replacement of approximately 8,000 l.f. of existing cast iron force main. This work will help the City achieve compliance with an EPA Agreed Order.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$1,717,436	Administrative Expenses		\$50,000
		Land, Easements		3,000
		Eng - Design / Const	8.9%	7.1%
		Eng - Insp	5.6%	3.3%
		Eng - Other		18,000
		Construction		1,347,578
		Contingency		134,758
TOTAL	\$1,717,436	TOTAL		\$1,717,436
REPAYMENT	Rate Term	1.50% 20 Years	Est. Annual Payment 1st Payment	\$103,150 6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer Bond Counsel	Rivercrest Engineering Incorporated Rubin & Hays		
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	Dec-19 May-20 Jul-21		
DEBT PER CUSTOMER	Existing Proposed	\$516 \$3,001		
OTHER DEBT		See Attached		
OTHER STATE-FUNDED PROJECTS LAST 5 YRS		See Attached		
RESIDENTIAL RATES		Users	Avg. Bill	
	Current	475	\$0.00 (for 4,000 gallons)	
	Additional	0	\$0.00 (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	(7,001)	114,297	(121,298)	-0.1
Audited 2017	(7,332)	114,573	(121,905)	-0.1
Audited 2018	(54,358)	119,044	(173,402)	-0.5
Audited 2019	(4,572)	85,933	(90,505)	-0.1
Projected 2020	69,081	90,711	(21,630)	0.8
Projected 2021	95,044	85,177	9,867	1.1
Projected 2022	99,005	85,535	13,470	1.2
Projected 2023	101,049	85,535	15,514	1.2

Reviewer: Linda Bridwell
Date: May 7, 2020
Loan Number: A20-022 (Increase)

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF KUTTAWA, LYON COUNTY
PROJECT REVIEW
SX21143009**

I. PROJECT DESCRIPTION

The City of Kuttawa (the “City”) is requesting a Fund A loan increase in the amount of \$453,236 on the previously approved amount of \$1,264,200 for the Lift Station and Force Main Replacement project. The total loan amount will be \$1,717,436. The increase is due to the bids coming in higher than expected. The project will replace the existing Magnolia lift station with a new lift station, sized to handle existing and anticipated future flows, as well as replacement of approximately 1,400 linear feet of existing cast iron force main. This lift station receives flows from the surrounding neighborhoods as well as the Old Kuttawa area. The project will also replace the existing Old Kuttawa lift station with a new lift station, sized to handle existing and anticipated future flows, as well as replacement of approximately 8,000 linear feet of existing cast iron force main. The purpose of the work is to help the City achieve compliance with an EPA Agreed Order related to sanitary sewer system overflows and pollutant removal at their wastewater treatment plant due to excess infiltration and inflow from their collection system.

The City provides water and wastewater services in Kuttawa, serving 475 customers. The City is a regional provider, treating wastewater from the Lyon County Water District, which is a PSC regulated system.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 50,000
Land, Easements	3,000
Planning	10,000
Engineering Fees - Design	78,600
Engineering Fees - Construction	27,000
Engineering Fees - Inspection	48,500
Engineering Fees - Other	18,000
Construction	1,347,578
Contingency	134,758
Total	\$1,717,436

III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 1,717,436	100%
Total	\$ 1,717,436	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,717,436
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 1,717,436
Interest Rate	1.50%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 99,715
Administrative Fee (0.20%)	3,435
	\$
Total Estimated Annual Debt Service	107,450

V. PROJECT SCHEDULE

Bid Opening	January 2020
Construction Start	May 2020
Construction Stop	July 2021

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	Current
Residential	439
Commercial	35
Industrial	1
Total	475

B) Rates

Water Rates

	Inside City		Outside City	
	Current	Prior	Proposed	Current
Date of Last Rate Increase	02/01/20	03/11/19		03/11/19
Minimum (1,000 gallons)	\$15.00	\$12.00	\$25.00	\$22.00
Additional 1,000 Gallons	5.00	3.20	7.50	7.50

Cost for 4,000 gallons	\$30.00	\$21.60	\$47.50	\$44.50
Increase %	38.9%		6.7%	22.7%
Affordability Index (Rate/MHI)	0.7%		1.1%	1.0%

Retail Sewer Customers

	Current	Prior
Date of Last Rate Increase	03/11/19	unknown
Minimum	\$15.00	\$8.73
Per additional 1,000 Gallons	5.00	4.03
Cost for 4,000 gallons	\$30.00	\$20.82
Increase %	44.1%	
Affordability Index (Rate/MHI)	0.7%	
Cumulative Increase		

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's service area population was 901 people with a Median Household Income (MHI) of \$53,419. The median household income for the Commonwealth is \$46,535. The project qualifies the non-standard interest rate of 1.5% because the project will assist the City achieve compliance with an EPA Agreed Order.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	560		6,490		June 2005	7.0%
1990	535	-4.5%	6,624	2.1%	June 2010	10.1%
2000	596	11.4%	8,080	22.0%	June 2015	5.2%
2010	649	8.9%	8,314	2.9%	June 2019	5.1%
Current	671	3.4%	8,268	-0.6%		
Cumulative %		19.8%		27.4%		

VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project qualifies for Green Project Reserve (GPR) funding for \$1,234,000.
- 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 June 30, 2019. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

The utility has a combined water and sewer utility fund. Revenues dropped from 2016 to 2018 by \$27,445 or 6.7%. Revenues increased in 2019 based on the February 2019 rate increase in both sewer and water. Additionally, cash operating expenses increased 5.1% between 2016-2018, then was reduced during 2019. This was addressed previously utilizing cash from gas operations. The City has taken steps to eliminate this with the rate increase, and addressing outstanding accounts receivables.

The City implemented a 44% rate increase on sewer customers and a 2-step water customer increase for a cumulative 64% increase beginning in 2019. The first full year of additional revenues will occur in 2021. These increases are projected to provide over \$148,000 in cash flow available for debt service. This will also provide a debt coverage ratio increase that improves from 0.0 in 2019 to a 1.2 debt coverage ratio beginning in 2022. The City has also implemented a CPI clause that is projected to increase water and sewer revenues to match increasing expenses.

The balance sheet reflects a current ratio of 0.1, which improves to 0.4 by 2024 with the rate increase. The debt to equity moves from a current 0.4 to 1.4 by 2023, current 1.4 months operating expenses in unrestricted cash improves to 5.1 months by 2024.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase \$139,097 between 2019 and 2023 based on rate increases. The City has passed an ordinance that will allow for an annual inflationary increase as needed to maintain financial stability.
- 2) Expenses will increase an average of 2.0% annually based on inflation.
- 3) Debt service coverage is 1.2 in 2022 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% (\$86,000 of total) of the final amount borrowed to be funded annually (\$4,300 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

<u>Debt Issue</u>	<u>Outstanding</u>	<u>Maturity (Fiscal Year)</u>
KADD Refunding 2014	\$ 219,774	2021
KIA A209-20	99,526	2031
Total	\$ 319,300	

XI. CONTACTS

Legal Applicant

Entity Name	City of Kuttawa
Authorized Official	Barbara Campbell (Mayor)
County	Lyon
Email	kuttawamayor@gmail.com
Phone	270-388-7360
Address	P.O. Box 400 Kuttawa, KY 42055

Applicant Contact

Name	Mark Riley
Organization	City of Kuttawa
Email	cityhallkuttawa@gmail.com
Phone	270-388-7151
Address	P.O. Box 400 82 Cedar St Kuttawa, KY 42055

Project Administrator

Name	Kyle Cunningham
Organization	Pennyrile Area Development District
Email	kyle.cunningham@ky.gov
Phone	270-886-9484
Address	300 Hammond Dr Hopkinsville, KY 42240

Consulting Engineer

PE Name	Charles Delcommune McCann
Firm Name	Rivercrest Engineering Incorporated
Email	cmccann@rivercresteng.com
Phone	618-521-5421
Address	7020 US Highway 68 Paducah, KY 42003

XII. RECOMMENDATIONS

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

CITY OF KUTTAWA
FINANCIAL SUMMARY (JUNE YEAR END)

	Audited 2016	Audited 2017	Audited 2018	Audited 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Balance Sheet									
Assets									
Current Assets	109,646	84,318	88,049	93,049	79,527	92,794	107,864	124,478	143,177
Other Assets	2,771,943	2,835,754	2,958,852	2,919,624	4,047,496	3,868,232	3,688,968	3,509,704	3,330,440
Total	2,881,589	2,920,072	3,046,901	3,012,673	4,127,023	3,961,026	3,796,832	3,634,182	3,473,617
Liabilities & Equity									
Current Liabilities	98,262	323,647	501,074	701,159	629,899	642,399	655,099	668,099	681,299
Long Term Liabilities	440,727	336,445	260,895	179,170	1,425,703	1,425,703	1,425,703	1,425,703	1,425,703
Total Liabilities	538,989	660,092	761,969	880,329	2,055,602	2,068,102	2,080,802	2,093,802	2,107,002
Net Assets	2,342,600	2,259,980	2,284,932	2,132,344	2,071,421	1,892,924	1,716,030	1,540,380	1,366,615
Cash Flow									
Revenues	414,768	412,676	388,050	409,690	491,628	526,042	541,823	552,659	563,712
Operating Expenses	421,781	420,954	443,324	414,262	422,547	430,998	442,818	451,610	460,578
Other Income	12	946	916	0	0	0	0	0	0
Cash Flow Before Debt Service	(7,001)	(7,332)	(54,358)	(4,572)	69,081	95,044	99,005	101,049	103,134
Debt Service									
Existing Debt Service	114,297	114,573	119,044	85,933	90,711	85,177	9,607	9,607	9,607
Proposed KIA Loan	0	0	0	0	0	0	75,928	75,928	75,928
Total Debt Service	114,297	114,573	119,044	85,933	90,711	85,177	85,535	85,535	85,535
Cash Flow After Debt Service	(121,298)	(121,905)	(173,402)	(90,505)	(21,630)	9,867	13,470	15,514	17,599
Ratios									
Current Ratio	1.1	0.3	0.2	0.1	0.1	0.1	0.2	0.2	0.2
Debt to Equity	0.2	0.3	0.3	0.4	1.0	1.1	1.2	1.4	1.5
Days Sales in Accounts Receivable	16.7	24.6	33.5	36.2	36.2	36.2	36.2	36.2	36.2
Months Operating Expenses in Unrestricted Cash	2.5	1.5	1.3	1.4	0.8	1.0	1.4	1.8	2.2
Debt Coverage Ratio	(0.1)	(0.1)	(0.5)	(0.1)	0.8	1.1	1.2	1.2	1.2

EXECUTIVE SUMMARY			Reviewer		Jeff Abshire
KENTUCKY INFRASTRUCTURE AUTHORITY			Date		May 7, 2020
FUND A, FEDERALLY ASSISTED WASTEWATER			KIA Loan Number		A20-034
REVOLVING LOAN FUND			WRIS Number		SX21161028
BORROWER		CITY OF MAYSVILLE MASON COUNTY			
BRIEF DESCRIPTION					
This project will install stormwater lines to separate the combined sewers from Wall Street to adjacent storm sewer lines.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund A Loan	\$850,000	Administrative Expenses			\$8,500
		Planning			15,000
		Eng - Design / Const	9.7%	9.3%	59,000
		Eng - Insp	6.8%	6.3%	40,000
		Eng - Other			90,000
		Construction			581,500
		Contingency			56,000
TOTAL	\$850,000	TOTAL			\$850,000
REPAYMENT	Rate	0.50%	Est. Annual Payment		\$46,413
	Term	20 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Cann-Tech, LLC			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	Jul-20			
	Construction Start	Sep-20			
	Construction Stop	Sep-21			
DEBT PER CUSTOMER	Existing	\$3,314			
	Proposed	\$2,848			
OTHER DEBT		See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS		See Attached			
RESIDENTIAL RATES		Users	Avg. Bill		
	Current	3,652	\$0.00 (for 4,000 gallons)		
	Additional	0	\$0.00 (for 4,000 gallons)		
REGIONAL COORDINATION This project is consistent with regional planning recommendations.					
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service		Coverage Ratio
Audited 2015	1,354,240	1,257,630	96,610		1.1
Audited 2016	1,397,970	943,153	454,817		1.5
Audited 2017	1,425,769	915,973	509,796		1.6
Audited 2018	1,247,121	691,393	555,728		1.8
Audited 2019	1,113,255	694,680	418,575		1.6
Projected 2020	1,044,513	669,163	375,350		1.6
Projected 2021	1,041,391	807,650	233,741		1.3
Projected 2022	1,056,506	854,063	202,443		1.2
Projected 2023	1,074,066	854,062	220,004		1.3
Projected 2024	1,091,977	854,060	237,917		1.3

Reviewer: Jeff Abshire
Date: May 7, 2020
Loan Number: A20-034

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF MAYSVILLE, MASON COUNTY
PROJECT REVIEW
SX21161028**

I. PROJECT DESCRIPTION

The City of Maysville is requesting a Fund A loan in the amount of \$850,000 for the Wall Street Combined Sewer Elimination project. The project will separate storm sewer lines which are a component of the City's Long Term Control Plan. These improvements will allow the wastewater treatment facility to better accommodate additional flows generated due to the elimination of sewer overflows throughout the system.

The City utility serves approximately 5,100 water customers and 3,700 wastewater customers. They treat waste for the Western Mason County Sanitation District which has approximately 450 customers. They also supply water to the Buffalo Trail Water Association and Western Lewis-Rectorville Water and Gas District, which are regulated by the Kentucky PSC, and the City of Flemingsburg.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 8,500
Planning	15,000
Engineering Fees - Design	49,000
Engineering Fees - Construction	10,000
Engineering Fees - Inspection	40,000
Engineering Fees - Other	90,000
Construction	581,500
Contingency	56,000
Total	\$ 850,000

III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 850,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$	850,000
Interest Rate		0.50%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	44,713
Administrative Fee (0.20%)		1,700
Total Estimated Annual Debt Service	\$	46,413

V. PROJECT SCHEDULE

Bid Opening	July 2020
Construction Start	Sept 2020
Construction Stop	Sept 2021

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	Current
Residential	3,084
Commercial	568
Total	3,652

B) Rates

	Sewer			Water		
	Approved	Current	Prior	Approved	Current	Prior
Date of Last Rate Increase	07/01/20	06/01/12	06/01/09	07/01/20	06/01/12	06/01/09
Minimum (3,000 Gallons)	24.24	\$23.70	\$15.57	\$9.51	\$9.30	\$8.09
Each additional 1,000 Gallons	8.08	7.90	5.19	4.77	4.66	4.05
Cost for 4,000 gallons	\$32.32	\$31.60	\$20.76	\$23.82	\$23.28	\$20.24
Increase %	2.28%	52.2%		2.32%	15.0%	
Affordability Index (Rate/MHI)	1.30%			0.96%		
Wholesale				\$2.3953	\$2.3414	
Increase %				2.30%		

In Spring 2020 the City adopted a consumer price index (CPI) clause into their water and sewer rate ordinance. Rates will increase about 2.3% effective July 1, 2020 and will adjust each July 1 based on the prior calendar year's CPI.

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate

2013-2017, the Utility's service area population was 8,735 with a Median Household Income (MHI) of \$29,845. The median household income for the Commonwealth is \$46,535. The project will qualify for a 0.50% interest rate.

Year	Population				Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	7,983		17,765		June 2005	7.3%
1990	7,169	-10.2%	16,666	-6.2%	June 2010	11.3%
2000	8,993	25.4%	16,800	0.8%	June 2015	6.2%
2010	9,011	0.2%	17,490	4.1%	June 2019	6.3%
Current	8,804	-2.3%	17,167	-1.8%		
Cumulative %		10.3%		-3.4%		

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 years ended June 30, 2016 through June 30, 2019 for the Maysville Utility Fund which includes water and wastewater facilities. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, has 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

Revenues increased 3% from \$4.4 million to \$4.6 million due to volume variation while operating expenses increased 12% from \$3.0 million to \$3.4 million. Debt service declined from an average of \$930 thousand for 2016 through 2018 to \$700 thousand in 2019. The debt coverage ratio averaged 1.5 while cash flow after debt service averaged \$450 thousand. The balance sheet reflects a current ratio of 4.0, collection period of 32.4 days and the number of months operating expenses in unrestricted cash is 10.2.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will be flat in fiscal 2020 and will increase 2% annually for rates

- (beginning July 1, 2020) due to the CPI clause.
- 2) Expenses will increase 2% annually for inflation.
 - 3) Debt service coverage is 1.24 in 2022 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% (\$42,000 total) of the final amount borrowed (prior to principal forgiveness) to be funded annually (\$2,100 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
KIA (A09-13)	\$10,073,402	2037
KIA (A17-011)	2,030,154	TBD
Total	\$12,103,556	

XI. CONTACTS

Legal Applicant

Entity Name	City of Maysville
Authorized Official	Charles Cotterill (Mayor)
County	Mason
Email	cotterillmayor@gmail.com
Phone	(606) 564-0419
Address	216 Bridge Street Maysville, KY 41056

Project Contact - Applicant

Name	Darren Garrison
Organization	City of Maysville
Email	darrenGarrison@maysvilleky.net
Phone	(606) 564-3531
Address	216 Bridge Street Maysville, KY 41056

Project Administrator

Name	Cindy Ring
Organization	Buffalo Trace Area Development District
Email	cring@btadd.com
Phone	(606) 564-6894
Address	201 Government Street Maysville, KY 41056

Consulting Engineer

PE Name	Matt Baker
Firm Name	Cann-Tech, LLC
Email	mbaker@kih.net
Phone	(502) 859-0907
Address	1100 Glensboro Road Lawrenceburg, KY 40342

XII. RECOMMENDATIONS

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

CITY OF MAYSVILLE
FINANCIAL SUMMARY (JUNE YEAR END)

	Audited	Audited	Audited	Audited	Audited	Projected	Projected	Projected	Projected	Projected
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Balance Sheet										
Assets										
Current Assets	2,153,150	1,718,826	2,693,941	3,229,378	3,526,671	3,603,980	3,662,821	3,715,664	3,772,168	3,832,885
Other Assets	27,281,396	27,643,337	29,480,772	29,911,210	31,903,104	31,564,643	31,434,852	30,432,161	29,443,470	28,468,779
Total	<u>29,434,546</u>	<u>29,362,163</u>	<u>32,174,713</u>	<u>33,140,588</u>	<u>35,429,775</u>	<u>35,168,623</u>	<u>35,097,673</u>	<u>34,147,825</u>	<u>33,215,638</u>	<u>32,301,664</u>
Liabilities & Equity										
Current Liabilities	1,996,002	1,223,624	772,034	989,398	885,242	1,029,287	1,043,855	1,058,716	1,073,875	1,089,339
Long Term Liabilities	13,644,556	14,053,230	12,191,234	13,279,321	15,045,073	14,433,773	13,812,505	13,181,076	12,539,288	11,886,936
Total Liabilities	<u>15,640,558</u>	<u>15,276,854</u>	<u>12,963,268</u>	<u>14,268,719</u>	<u>15,930,315</u>	<u>15,463,060</u>	<u>14,856,360</u>	<u>14,239,792</u>	<u>13,613,163</u>	<u>12,976,275</u>
Net Assets	<u>13,793,988</u>	<u>14,085,309</u>	<u>19,211,445</u>	<u>18,871,869</u>	<u>19,499,460</u>	<u>19,705,563</u>	<u>20,241,313</u>	<u>19,908,033</u>	<u>19,602,475</u>	<u>19,325,389</u>
Cash Flow										
Revenues	4,367,603	4,444,953	4,583,973	4,496,606	4,561,953	4,561,953	4,648,948	4,737,682	4,828,191	4,920,510
Operating Expenses	3,013,909	3,048,280	3,160,225	3,250,852	3,450,335	3,519,077	3,609,194	3,682,813	3,755,762	3,830,170
Other Income	546	1,297	2,021	1,367	1,637	1,637	1,637	1,637	1,637	1,637
Cash Flow Before Debt Service	<u>1,354,240</u>	<u>1,397,970</u>	<u>1,425,769</u>	<u>1,247,121</u>	<u>1,113,255</u>	<u>1,044,513</u>	<u>1,041,391</u>	<u>1,056,506</u>	<u>1,074,066</u>	<u>1,091,977</u>
Debt Service										
Existing Debt Service	1,257,630	943,153	915,973	691,393	694,680	669,163	807,650	807,650	807,649	807,647
Proposed KIA Loan	0	0	0	0	0	0	0	46,413	46,413	46,413
Total Debt Service	<u>1,257,630</u>	<u>943,153</u>	<u>915,973</u>	<u>691,393</u>	<u>694,680</u>	<u>669,163</u>	<u>807,650</u>	<u>854,063</u>	<u>854,062</u>	<u>854,060</u>
Cash Flow After Debt Service	<u>96,610</u>	<u>454,817</u>	<u>509,796</u>	<u>555,728</u>	<u>418,575</u>	<u>375,350</u>	<u>233,741</u>	<u>202,443</u>	<u>220,004</u>	<u>237,917</u>
Ratios										
Current Ratio	1.1	1.4	3.5	3.3	4.0	3.5	3.5	3.5	3.5	3.5
Debt to Equity	1.1	1.1	0.7	0.8	0.8	0.8	0.7	0.7	0.7	0.7
Days Sales in Accounts Receivable	34.3	35.2	33.7	33.0	32.4	32.4	32.4	32.4	32.4	32.4
Months Operating Expenses in Unrestricted Cash	4.9	3.6	8.0	9.8	10.2	10.2	10.2	10.1	10.1	10.2
Debt Coverage Ratio	1.1	1.5	1.6	1.8	1.6	1.6	1.3	1.2	1.3	1.3

EXECUTIVE SUMMARY		Reviewer		Meili Sun	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		May 7, 2020	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number		A20-037	
REVOLVING LOAN FUND		WRIS Number		SX21089096	
BORROWER		CITY OF SOUTH SHORE GREENUP COUNTY			
BRIEF DESCRIPTION					
This project will replace approximately 4,300 linear feet of clay sewer lines with 8" PVC lines, replace 19 manholes, and install new service lines and cleanout to approximately 53 customers. The existing system consists of 6" and 8" clay sewer lines that are undersized and plagued with inflow and infiltration, which could result in sanitary sewer overflow. The streets impacted by this project include Maple St, Mildred St, Mayfield St, Christopher Dr, and Forest Ave.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund A Loan	\$1,035,000	Administrative Expenses			\$10,000
		Legal Expenses			5,000
		Land, Easements			3,000
		Planning			7,500
		Eng - Design / Const	9.0%	8.5%	75,000
		Eng - Insp	5.8%	5.6%	49,000
		Eng - Other			3,000
		Construction			823,525
		Contingency			58,975
TOTAL	\$1,035,000	TOTAL			\$1,035,000
REPAYMENT	Rate	0.50%	Est. Annual Payment		\$19,633
	Term	30 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	HMB Professional Engineers			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	Aug-20			
	Construction Start	Sep-20			
	Construction Stop	Jan-21			
DEBT PER CUSTOMER	Existing	\$4,447			
	Proposed	\$6,837			
OTHER DEBT		See Attached			
RESIDENTIAL RATES		Users	Avg. Bill		
	Current	780	\$46.00 (for 4,000 gallons)		
	Additional	0	\$46.00 (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	342,559	243,963	98,596		1.4
Audited 2018	414,250	243,564	170,686		1.7
Audited 2019	340,003	243,160	96,843		1.4
Projected 2020	325,876	235,917	89,959		1.4
Projected 2021	366,870	230,664	136,206		1.6
Projected 2022	364,126	293,293	70,834		1.2
Projected 2023	371,759	341,540	30,219		1.1
Projected 2024	379,545	341,540	38,005		1.1

Reviewer: Meili Sun
Date: May 7, 2020
Loan Number: A20-037

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF SOUTH SHORE, GREENUP COUNTY
PROJECT REVIEW
SX21089096**

I. PROJECT DESCRIPTION

The City of South Shore ("City") is requesting a Fund A loan in the amount of \$1,035,000 for the Upgrade Forest Heights Collection Lines project. This project will replace approximately 4,300 linear feet of clay sewer lines with 8" PVC lines, replace 19 manholes, and install new service lines and cleanout to 53 customers. The existing system consists of 6" and 8" clay sewer lines that are undersized and plagued with inflow and infiltration, which could result in sanitary sewer overflow. The area impacted includes Mildred Street, Mayfield Street, Maple Street, Christopher Drive, and Forest Avenue.

The South Shore Wastewater Treatment Plant is a Kentucky Pollution Discharge Elimination Systems (KPDES) utility currently serving approximately 780 retail customers in the City and the surrounding area.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 10,000
Legal Expenses	5,000
Land Easements	3,000
Planning	7,500
Engineering Fees – Design	60,000
Engineering Fees – Construction	15,000
Engineering Fees – Inspection	49,000
Engineering Fees – Other	3,000
Construction	823,525
Contingency	58,975
Total	\$ 1,035,000

III. PROJECT FUNDING

	Amount	%
KIA Fund A Loan	\$ 1,035,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,035,000
Principal Forgiveness	517,500
Amortized Loan Amount	\$ 517,500
Interest Rate	0.50%
Loan Term (Year)	30
Estimated Annual Debt Service	\$ 18,598
Administrative Fee (0.20%)	1,035
Total Estimated Annual Debt Service	\$ 19,633

V. PROJECT SCHEDULE

Bid Opening	August 2020
Construction Start	September 2020
Construction Stop	January 2021

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	Current
Residential	677
Commercial	103
Total	780

B) Rates

	Sewer Inside City		
	Proposed	Current	Prior
Date of Last Rate Increase	07/01/20	07/01/11	01/01/08
Minimum 1,000 Gallons	\$22.95	\$22.00	\$20.50
Over 1,000 Gallons	8.34	8.00	6.00
Cost for 4,000 gallons	\$47.97	\$46.00	\$38.50
Increase %	4.3%	19.5%	
Affordability Index (Rate/MHI)	1.6%	1.5%	1.3%

Sewer Outside City			
	Proposed	Current	Prior
Date of Last Rate Increase	07/01/20	07/01/11	01/01/08
Minimum 1,000 Gallons	\$24.75	\$22.00	\$20.50
Over 1,000 Gallons	9.00	8.00	6.00
Cost for 4,000 gallons	\$51.75	\$46.00	\$38.50
Increase %	12.5%	19.5%	
Affordability Index (Rate/MHI)	1.7%	1.5%	1.3%

Water Inside City			
	Proposed	Current	Prior
Date of Last Rate Increase	07/01/20	07/01/19	07/01/17
Minimum 1,000 Gallons	\$14.26	\$13.84	\$13.57
Next 9,000	5.97	5.80	5.69
Over 10,000	4.22	4.10	4.02
Cost for 4,000 gallons	\$32.17	\$31.24	\$30.64
Increase %	3.0%	2.0%	
Affordability Index (Rate/MHI)	1.1%	1.0%	1.0%

Water Outside City			
	Proposed	Current	Prior
Date of Last Rate Increase	07/01/20	07/01/19	07/01/17
Minimum 1,000 Gallons	16.32	\$15.84	\$15.57
Next 9,000	6.10	5.92	5.79
Over 10,000	4.43	4.30	4.22
Cost for 4,000 gallons	\$34.62	\$33.60	\$32.94
Increase %	3.0%	2.0%	
Affordability Index (Rate/MHI)	1.1%	1.1%	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 was 2,277 with a Median Household Income (MHI) of \$36,203. The median household income for the Commonwealth is \$46,535. The project will qualify for a 0.50% interest rate and \$517,500 in principal forgiveness.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	1,525		39,132		June 2005	6.7%
1990	1,318	-13.6%	36,742	-6.1%	June 2010	11.7%
2000	1,226	-7.0%	36,891	0.4%	June 2015	7.7%
2010	1,122	-8.5%	36,910	0.1%	June 2019	7.5%
Current	1,121	-0.1%	36,012	-2.4%		
Cumulative %		-26.5%		-8.0%		

VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$517,500 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, 2017 through June 30, 2019. In 2017, the sewer operations reported \$76,000 for an incidental repair in one of the lift stations, which was later reimbursed by insurance proceeds. The overstated repair costs were removed from the 2017 operating expenses to provide a more accurate projection. GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Other Postemployment Benefit were not applicable to the City's financial reporting. 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 increased 2.4% from \$1.24 million in 2017 to \$1.27 million in 2019. Operating expenses went up 3.5% from \$0.90 million to \$0.93 million during the same period due to increases in professional and contracted services for maintenances and repairs. The debt coverage ratios were 1.4, 1.7, and 1.4 in 2017, 2018, and 2019 respectively.

The balance sheet reflects a current ratio of 2.4, a debt to equity ratio of 0.9, 55.9 days of sales in accounts receivable, and 6.4 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water rates will increase 3% effective July 1, 2020 and resume annual CPI adjustment afterwards.
- 2) Sewer rates will increase 4.3% for inside city customers and 12.5% for outside city customers effective July 1, 2020. Beginning in July, 2021, All sewer rates will be adjusted each year based on the Consumer Price Index.
- 3) Combined operating expenses including water purchase will increase 2% annually for inflation.
- 4) Debt coverage ratio is 1.2 in 2022 when full 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 to be funded annually (\$2,600 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
KIA Loan A99-05	\$ 15,477	2020
KIA Loan B12-09	1,572,998	2035
KIA Loan A12-06	1,879,974	2035
KIA Loan F19-041 i.a.o. \$1,751,133		TBD
Total	\$ 3,468,449	

XI. CONTACTS

Legal Applicant	
Name	City of South Shore
Address	69 Narco Dr, PO Box 516 South Shore, KY 41175
County	Greenup
Authorized Official	Cheryl Moore, Mayor
Phone	(606)932-6144
Email	mayorcoss@windstream.net

Project Contact - Applicant

Name	Cheryl Robbins
Organization	City of South Shore
Address	69 Narco Dr, PO Box 516 South Shore, KY 41175
Phone	(606) 932-6144
Email	cityoss@windstream.net

Project Administrator

Name	Patrick Kirby
Organization	Ceda, Inc
Address	PO Box 855 Richmond, KY 40476
Phone	(859) 624-3396
Email	patrick@cedainc.net

Consulting Engineer

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

XII. RECOMMENDATIONS

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

CITY OF SOUTH SHORE
FINANCIAL SUMMARY (JUNE YEAR END)

	Audited 2017	Audited 2018	Audited 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Balance Sheet								
Assets								
Current Assets	566,112	725,736	692,368	712,849	749,090	767,357	777,601	789,502
Other Assets	7,664,616	7,255,153	6,997,629	6,669,432	10,463,366	10,004,994	9,514,130	9,029,495
Total	8,230,728	7,980,889	7,689,997	7,382,281	11,212,456	10,772,351	10,291,731	9,818,997
Liabilities & Equity								
Current Liabilities	272,268	259,619	284,695	278,506	356,589	359,069	357,502	328,202
Long Term Liabilities	3,675,118	3,474,207	3,269,860	3,071,135	5,063,660	4,785,772	4,510,151	4,264,530
Total Liabilities	3,947,386	3,733,826	3,554,555	3,349,641	5,420,249	5,144,841	4,867,653	4,592,732
Net Assets	4,283,342	4,247,063	4,135,442	4,032,640	5,792,207	5,627,510	5,424,078	5,226,265
Cash Flow								
Revenues	1,238,601	1,301,422	1,268,360	1,284,792	1,343,798	1,370,674	1,398,087	1,426,048
Operating Expenses	899,824	893,999	931,948	962,507	980,519	1,010,139	1,029,919	1,050,094
Other Income	3,782	6,827	3,591	3,591	3,591	3,591	3,591	3,591
Cash Flow Before Debt Service	342,559	414,250	340,003	325,876	366,870	364,126	371,759	379,545
Debt Service								
Existing Debt Service	243,963	243,564	243,160	235,917	230,664	273,660	321,907	321,907
Proposed KIA Loan	0	0	0	0	0	19,633	19,633	19,633
Total Debt Service	243,963	243,564	243,160	235,917	230,664	293,293	341,540	341,540
Cash Flow After Debt Service	98,596	170,686	96,843	89,959	136,206	70,834	30,219	38,005
Ratios								
Current Ratio	2.1	2.8	2.4	2.6	2.1	2.1	2.2	2.4
Debt to Equity	0.9	0.9	0.9	0.8	0.9	0.9	0.9	0.9
Days Sales in Accounts Receivable	56.6	56.3	55.9	55.9	55.8	55.8	55.8	55.8
Months Operating Expenses in Unrestricted Cash	5.0	7.0	6.4	6.5	6.7	6.8	6.7	6.7
Debt Coverage Ratio	1.4	1.7	1.4	1.4	1.6	1.2	1.1	1.1

EXECUTIVE SUMMARY		Reviewer		Meili Sun
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		June 4, 2020
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number		A20-047
REVOLVING LOAN FUND		WRIS Number		SX21147019
BORROWER		MCCREARY COUNTY WATER DISTRICT MCCREARY COUNTY		
BRIEF DESCRIPTION				
This project will expand the sanitary sewer collection system to serve 305 new customers in the Stearns and Smithtown areas. Many of these new customers either have failing septic systems or discharge directly into the environment.				
The collection system expansion will consist of approximately 66,500 linear feet of PVC sewer line extension of various sizes, 15 manholes, 275 grinder pump stations, and other appurtenances such as air release valves and flushing connections.				
PROJECT FINANCING		PROJECT BUDGET		RD Fee % Actual %
Fund A Loan	\$3,244,500	Administrative Expenses		\$80,000
RD Loan	400,000	Legal Expenses		8,920
		Land, Easements		10,000
		Eng - Design / Const	7.2%	7.2% 228,459
		Eng - Insp	3.9%	3.9% 125,821
		Construction		3,091,300
		Contingency		100,000
TOTAL	\$3,644,500	TOTAL		\$3,644,500
REPAYMENT	Rate	0.50%	Est. Annual Payment \$106,016	
	Term	30 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Eclipse Engineers, PLLC		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Sep-20		
	Construction Start	Oct-20		
	Construction Stop	Jun-21		
DEBT PER CUSTOMER	Existing	\$10,267		
	Proposed	\$10,362		
OTHER DEBT		See Attached		
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	1,082	\$41.07 (for 4,000 gallons)	
	Additional	305	\$41.07 (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	756,597	707,190	49,407	1.1
Audited 2017	666,173	687,789	(21,616)	1.0
Audited 2018	517,704	689,414	(171,710)	0.8
Projected 2019	524,842	786,986	(262,144)	0.7
Projected 2020	792,363	1,288,987	(496,624)	0.6
Projected 2021	1,091,049	858,303	232,746	1.3
Projected 2022	1,151,845	933,957	217,888	1.2
Projected 2023	1,069,817	966,472	103,345	1.1

Reviewer: Meili Sun
Date: June 4, 2020
Loan Number: A20-047

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
MCCREARY COUNTY WATER DISTRICT, MCCREARY COUNTY
PROJECT REVIEW
SX21147019**

I. PROJECT DESCRIPTION

The McCreary County Water District (“District”) is requesting a Fund A loan in the amount of \$3,244,500 for the Sanitary Sewer Collection System Expansion – Phase 1 project. This project will expand the sanitary sewer collection system to serve 305 new customers in the Stearns and Smithtown areas. Many of these underserved customers either have failing septic systems or discharge directly into the environment.

The collection system expansion will consist of approximately 66,500 linear feet of PVC sewer line extension of various sizes, 15 manholes, 275 grinder pump stations, and other appurtenances such as air release valves and flushing connections. The purpose of this project is to expand the sanitary sewer collection system to spread the cost of services across more customers while protecting the environment from failing septic tanks and straight pipes.

The District currently serves approximately 1,100 retail customers in McCreary County and provide wholesale water to the Whitley County Water District and the City of Onieda in Tennessee. Both McCreary and Whitley County Water Districts are under the Public Service Commission jurisdiction (“PSC”) and subject to PSC rate regulations. The District had not sold any water to Onieda in the past 3 years due to the need basis agreement but may resume sales in 2020 and 2021 to supply water for Onieda’s source water project.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 80,000
Legal Expenses	8,920
Land Easements	10,000
Engineering Fees – Design & Construction	228,459
Engineering Fees – Inspection	125,821
Construction	3,091,300
Contingency	100,000
Total	\$ 3,644,500

III. PROJECT FUNDING

	Amount	%
KIA Fund A Loan	3,244,500	89%
RD Loan	400,000	11%
Total	3,644,500	100%

IV. KIA DEBT SERVICE

KIA Loan	\$ 3,244,500
Principal Forgiveness	450,000
Amortized Loan Amount	\$ 2,794,500
Interest Rate	0.50%
Loan Term (Year)	30
Estimated Annual Debt Service	\$ 100,427
Administrative Fee (0.20%)	5,589
Total Estimated Annual Debt Service	\$ 106,016

V. PROJECT SCHEDULE

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

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current	Proposed	Total
Residential	862	305	1,167
Commercial	156		156
Industrial/Institutional	64		64
Total	1,082	305	1,387

B) Rates

	Sewer	
	Current	Prior
Date of Last Rate Increase	08/29/19	03/06/15
Minimum 2,000 Gallons	\$24.19	\$19.35
Next 18,000 Gallons	8.44	6.75
Over 20,000 Gallons	7.50	6.00
Cost for 4,000 gallons	\$41.07	\$32.85
Increase %	25.0%	
Affordability Index (Rate/MHI)	2.8%	2.3%

	Water		
	Proposed	Current	Prior
Date of Last Rate Increase	01/01/21	08/02/19	03/06/15
Minimum 2,000 Gallons	\$22.50	\$21.98	\$20.35
Over 2,000 Gallons	9.25	7.29	6.75
Cost for 4,000 gallons	\$41.00	\$36.56	\$33.85
Increase %	12.1%	8.0%	
Affordability Index (Rate/MHI)	2.8%	2.5%	2.3%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 5,274 with a Median Household Income (MHI) of \$17,506. The median household income for the Commonwealth is \$46,535. The project will qualify for a 30-year term at 0.50% interest rate and \$450,000 principal forgiveness.

Population			County Unemployment	
Year	County	% Change	Date	Rate
1980	15,634		June 2005	6.9%
1990	15,603	-0.2%	June 2010	9.9%
2000	17,080	9.5%	June 2015	5.0%
2010	18,306	7.2%	June 2019	4.5%
Current	17,748	-3.0%		
Cumulative %		13.5%		

VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$450,000 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 December 31, 2016 through December 31, 2018. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Other Postemployment Benefit have been removed from the 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 decreased 0.5% from \$4.19 million in 2016 to \$4.16 million in 2018 while operating expenses increased 7.9% from \$3.48 million to \$3.75 million during the same period due to higher repair and maintenance costs. The debt coverage ratios were 1.1, 1.0, and 0.8 in 2016, 2017, 2018 respectively.

The balance sheet reflects a current ratio of 1.5, a debt to equity ratio of 0.6, 31.5 days of sales in accounts receivable, and 1.3 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues will increase 8% in 2020 and 12.1% in 2021.
- 2) Sewer revenues will increase 25% in 2020.
- 3) This project will add 305 new customers to the District's sewer services.
- 4) The District will receive RD commitment of a \$400,000 funding to subsidize this project.
- 5) Expenses will increase 2% each year for inflation.
- 6) Debt service coverage is 1.2 in 2022 when full 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% (\$162,000 total) of the final amount borrowed prior to principal forgiveness to be funded annually (\$8,100 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
United Cumberland Loan	\$ 495,000	2020
BB&T Loan	797,355	2028
RD Series 2013D	955,000	2052
RD Series 2013A	590,000	2030
RD Series 2005A	630,000	2045
RD Series 2008A	285,800	2048
RD Series 2008A	131,900	2048
RD Series 2012D	2,700,000	2040
RD Series 2012D1	1,213,000	2052
RD Series 2015	1,142,000	2055
KIA Loan F04-03	580,057	2026
RD Series 2005A – Sewer	243,000	2045
RD Series 2012D – Sewer	1,345,000	2040
RD Loan i.a.o. \$400,000 for this project		TBD
RD Loan i.a.o. \$722,000 for Marsh Creek project		TBD
RD Loan i.a.o. \$819,750 for Parkers Lake project		TBD
Total	\$ 11,108,612	

XI. CONTACTS

Legal Applicant

Name	McCreary County Water District
Address	PO Box 488 Whitley City, KY 42653
County	McCreary
Authorized Official	Randy Kidd, Chairman
Phone	(606) 376-2540
Email	stepwhitaker@gmail.com

Project Contact - Applicant

Name	Stephen Whitaker, Superintendent
Organization	McCreary County Water District
Address	456 N Hwy 27 Whitley City, KY 42653
Phone	(606) 376-2445
Email	stepwhitaker@gmail.com

Project Administrator

Name	Judy Hachey, Community Development Specialist
Organization	LCADD
Address	2384 Lakeway Drive, PO Box 1570 Russell Springs, KY 42642
Phone	(270) 866-4200
Email	judyh@lcadd.org

Consulting Engineer

Name	Alan Ray Robinson
Firm	Eclipse Engineers, PLLC
Address	113 W Mount Vernon Street Somerset, KY 42501
Phone	(859) 433-9585
Email	arobinson@eclipseengineers.net

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions and the following special conditions as required by the PSC:

- 1) The District shall apply to the Public Service Commission (PSC), pursuant to KRS 278.300, for debt authorization for KIA loan A20-047. This debt authorization application should include a forecast meeting debt service projected through 2025.
- 2) Prior to the assistance agreement being executed, the District must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020, from the PSC for any portion of the project that may require it, or provide an opinion from legal counsel or the staff of the PSC, or a declaratory order from the PSC, that a CPCN is not required for any portion of the assets to be constructed as part of the loan agreement.

MCCREARY COUNTY WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)

	Audited	Audited	Audited	Projected	Projected	Projected	Projected	Projected
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Balance Sheet								
Assets								
Current Assets	1,397,296	1,369,825	1,189,079	939,679	472,755	742,001	972,889	1,076,234
Other Assets	41,255,179	40,348,720	40,044,396	38,469,317	36,894,238	41,113,206	39,423,214	37,733,222
Total	<u>42,652,475</u>	<u>41,718,545</u>	<u>41,233,475</u>	<u>39,408,996</u>	<u>37,366,993</u>	<u>41,855,207</u>	<u>40,396,103</u>	<u>38,809,456</u>
Liabilities & Equity								
Current Liabilities	708,044	690,140	796,881	1,311,504	830,520	956,564	1,006,514	998,533
Long Term Liabilities	12,532,400	13,535,185	14,618,282	13,645,399	13,156,700	17,732,218	17,074,125	16,427,414
Total Liabilities	<u>13,240,444</u>	<u>14,225,325</u>	<u>15,415,163</u>	<u>14,956,903</u>	<u>13,987,220</u>	<u>18,688,781</u>	<u>18,080,639</u>	<u>17,425,946</u>
Net Assets	<u>29,412,031</u>	<u>27,493,220</u>	<u>25,818,312</u>	<u>24,452,093</u>	<u>23,379,773</u>	<u>23,166,426</u>	<u>22,315,465</u>	<u>21,383,510</u>
Cash Flow								
Revenues	4,186,432	4,179,599	4,164,004	4,311,454	4,655,503	5,077,909	5,228,225	5,228,225
Operating Expenses	3,476,694	3,922,787	3,751,384	3,826,412	3,902,940	4,026,660	4,116,180	4,198,208
Other Income	46,859	409,361	105,084	39,800	39,800	39,800	39,800	39,800
Cash Flow Before Debt Service	<u>756,597</u>	<u>666,173</u>	<u>517,704</u>	<u>524,842</u>	<u>792,363</u>	<u>1,091,049</u>	<u>1,151,845</u>	<u>1,069,817</u>
Debt Service								
Existing Debt Service	707,190	687,789	689,414	786,986	1,288,987	858,303	827,941	860,456
Proposed KIA Loan	0	0	0	0	0	0	106,016	106,016
Total Debt Service	<u>707,190</u>	<u>687,789</u>	<u>689,414</u>	<u>786,986</u>	<u>1,288,987</u>	<u>858,303</u>	<u>933,957</u>	<u>966,472</u>
Cash Flow After Debt Service	<u>49,407</u>	<u>(21,616)</u>	<u>(171,710)</u>	<u>(262,144)</u>	<u>(496,624)</u>	<u>232,746</u>	<u>217,888</u>	<u>103,345</u>
Ratios								
Current Ratio	2.0	2.0	1.5	0.7	0.6	0.8	1.0	1.1
Debt to Equity	0.5	0.5	0.6	0.6	0.6	0.8	0.8	0.8
Days Sales in Accounts Receivable	29.8	31.4	31.5	31.5	31.5	31.5	31.5	31.5
Months Operating Expenses in Unrestricted Cash	1.8	1.7	1.3	0.4	(1.1)	(0.4)	0.3	0.6
Debt Coverage Ratio	1.1	1.0	0.8	0.7	0.6	1.3	1.2	1.1

EXECUTIVE SUMMARY		Reviewer		Ashley Adams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		May 7, 2020	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number		A20-069	
REVOLVING LOAN FUND		WRIS Number		SX21099026	
BORROWER		HART COUNTY INDUSTRIAL AUTHORITY HART COUNTY			
BRIEF DESCRIPTION					
This project will upgrade the pretreatment facility serving the Progress Park Industrial Park in Horse Cave in order to increase capacity of the wastewater treatment and accommodate the planned growth of the industrial park.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund A Loan	\$853,442	Administrative Expenses			\$30,000
CDBG	1,000,000	Eng - Design / Const		7.6%	10.0%
ARC	500,000	Construction			1,920,200
		Contingency			192,020
TOTAL	\$2,353,442	TOTAL			\$2,353,442
REPAYMENT	Rate	0.50%	Est. Annual Payment		\$46,601
	Term	20 Years	1st Payment		6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Heritage Engineering, LLC			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	Jul-20			
	Construction Start	Aug-20			
	Construction Stop	Aug-21			
OTHER DEBT		See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS		See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>		
	Current	2	\$0.00 (for 4,000 gallons)		
	Additional	0	\$0.00 (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	460,217	161,086	299,131		2.9
Audited 2018	(401,539)	170,265	(571,804)		-2.4
Audited 2019	107,441	139,113	(31,672)		0.8
Projected 2020	220,079	138,876	81,203		1.6
Projected 2021	214,729	138,638	76,091		1.5
Projected 2022	254,422	185,000	69,422		1.4
Projected 2023	248,856	184,757	64,099		1.3
Projected 2024	243,179	184,512	58,667		1.3

Reviewer: Ashley Adams
Date: May 7, 2020
Loan Number: A20-069

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
HART COUNTY INDUSTRIAL AUTHORITY, HART COUNTY
PROJECT REVIEW
SX21099026**

I. PROJECT DESCRIPTION

The Hart Count Industrial Authority is requesting a Fund A loan in the amount of \$853,442 for the Progress Park Industrial Park Pretreatment Expansion project. This project will upgrade the pretreatment facility serving the Progress Park Industrial Park in Horse Cave in order to increase the capacity of wastewater treatment and accommodate the planned growth of the industrial park. Specifically, this expansion will support a 120,000 square foot, \$50 million expansion at the Sister Schubert's Homemade Rolls Inc. bakery which is expected to bring 70+ additional jobs.

The project will consist of increasing the average flow of the pretreatment facility from 200,000 gallons per day to 300,000 gallons per day, along with adding two stainless steel equalization tanks at the facility with a combined capacity of 500,000 gallons in order to control high hydraulic flows.

The project will also include the following elements:

- New influent screen that will accept flows up to 2,000 gallons per minute that will be located in a new building
- New vacuum press will be installed to handle the extra grease production from the enhancement of the facility's two dissolved air flotation units
- Enhancements to the facility's moving bed biofilm reactor (MBBR) treatment tank with the addition of air blowers and treatment media
- New sludge holding tanks will be added for sludge reduction.
- New effluent storage tank
- New, increased-capacity pumping facility with new yard piping and electrical enhancements

The pretreatment facility supports the T. Marzetti and Sister Schubert's factories located in Progress Park Industrial Park. Caveland Environmental Authority operates and provides maintenance for the pretreatment facility under agreement with the Hart County Industrial Authority.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 30,000
Engineering Fees - Design	211,222
Construction	1,920,200
Contingency	192,020
Total	\$ 2,353,442

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 853,442	36%
CDBG	1,000,000	42%
ARC	500,000	21%
Total	\$ 2,353,442	100%

IV. KIA DEBT SERVICE

Amortized Loan Amount	\$ 853,442
Interest Rate	0.50%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 44,895
Administrative Fee (0.20%)	1,707
Total Estimated Annual Debt Service	\$ 46,601

V. PROJECT SCHEDULE

Bid Opening	July 2020
Construction Start	August 2020
Construction Stop	August 2021

VI. CUSTOMER COMPOSITION

A) Customers

	<u>Current</u>
Industrial	2

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the service area population for the Caveland Environmental Authority, which operates the Pretreatment Facility for the Hart County Industrial Authority, was 8,241 with a Median Household Income (MHI) of \$34,336. The median household income for the Commonwealth is \$46,535. The project will qualify for a 0.5% interest rate based on MHI.

Year	Population		County Unemployment	
	County	% Change	Date	Rate
1980	15,402		June 2005	5.9%
1990	14,890	-3.3%	June 2010	10.0%
2000	17,445	17.2%	June 2015	5.3%
2010	18,199	4.3%	June 2019	4.8%
Current	18,531	1.8%		
Cumulative %		20.3%		

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 years ended June 30, 2017 through June 30, 2019. The audited statements are presented on a modified cash basis of accounting. Revenues are recognized when received and expenditures when paid. Accounts receivable and payable, among other items are not reported under this basis. Depreciation is also not reported on the income statement.

HISTORY

Revenues for the Industrial Authority TIF fund average approximately \$500,000 annually. The pretreatment plant is supported by a TIF tax collected from employees at the T. Marzetti dressing plant and Sister Schubert's Homemade Rolls plant. These funds are specifically designated for debt service, upkeep, expansion, regulatory compliance, and operation of the pretreatment facility. Operating expenses for the pretreatment plant facility increased from \$179,124 in 2017 to \$362,981 in 2019 due to a technology upgrade in the pretreatment facility that was not classified as a capital expense. Expenses also increased in 2018 due to economic development initiatives of \$413,233 and capital outlay of the Industrial Authority of \$150,000 which were exclusive to that year. When excluding these anomaly expense events, the Industrial

Authority demonstrated adequate debt coverage during the historical audit observation time period as demonstrated in 2017.

PROJECTIONS

Projections are based on the following assumptions:

- 1) TIF revenues will increase as a result of the expansion approximately \$47,000 from the 70+ new jobs created at Sister Schubert's by 2022.
- 2) Pretreatment plant operating expenses will normalize to approximately \$250,000 annually in 2020 after the new technology implementation and then increase 2% annually for inflation but will be supported by TIF revenues and cash on hand.
- 3) Debt service coverage will be approximately 1.4 in 2022 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% (\$42,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$2,100 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
KIA Loan (B05-01) - Fiscal Court	\$ 1,350,648	2037
KIA Loan (B10-02)	768,235	2034
Total	\$ 2,118,883	

XI. CONTACTS

Legal Applicant

Entity Name	Hart County Industrial Authority
Authorized Official	John Bunnell
County	Hart
Email	jbunnell@limestonebank.com
Phone	270-524-7283
Address	PO Box 490 Munfordville, KY 42765

Project Administrator

Name	David Peterson
Organization	Caveland Environmental Authority
Email	david@ceawater.com
Phone	270-773-2887
Address	PO Box 426 Cave City, KY 42127

Consulting Engineer

PE Name	David Eberenz
Firm Name	Heritage Engineering, LLC
Email	deberenz@hughesgrp.com
Phone	812-285-4731
Address	603 N. Shore Drive, Unit 204 Jeffersonville, IN 47130

XII. RECOMMENDATIONS

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

1. The Hart County Industrial Authority and/or the Hart County Fiscal Court will make a motion to commit future TIF revenues created by this pretreatment expansion project to repayment of KIA debt service, replacement reserve, maintaining a 1.1 debt coverage ratio, and any other loan conditions for the life of this new KIA loan.

HART COUNTY INDUSTRIAL AUTHORITY
**FINANCIAL SUMMARY (JUNE YEAR END)
MODIFIED CASH BASIS OF ACCOUNTING**

	Audited 2017	Audited 2018	Audited 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Balance Sheet								
Assets								
Current Assets	2,718,412	2,423,271	2,132,100	2,213,321	2,289,412	2,379,234	2,443,333	2,502,000
Other Assets	5,277,712	4,976,935	5,046,577	5,046,577	6,223,298	7,341,183	7,282,347	7,223,511
Total	7,996,124	7,400,206	7,178,677	7,259,898	8,512,710	9,720,417	9,725,680	9,725,511
Liabilities & Equity								
Current Liabilities	172,170	133,252	118,870	119,791	120,719	121,654	122,596	123,596
Long Term Liabilities	2,236,841	2,118,884	2,000,013	1,880,222	2,936,224	3,991,291	3,868,695	3,745,099
Total Liabilities	2,409,011	2,252,136	2,118,883	2,000,013	3,056,943	4,112,945	3,991,291	3,868,695
Net Assets	5,587,113	5,148,070	5,059,794	5,259,885	5,455,767	5,607,472	5,734,389	5,856,816
Cash Flow								
Revenues	658,721	505,677	487,557	487,557	487,557	534,807	534,807	534,807
Operating Expenses	198,504	907,216	380,116	267,478	272,828	280,385	285,951	291,628
Other Income	0	0	0	0	0	0	0	0
Cash Flow Before Debt Service	460,217	(401,539)	107,441	220,079	214,729	254,422	248,856	243,179
Debt Service								
Existing Debt Service	161,086	170,265	139,113	138,876	138,638	138,399	138,156	137,911
Proposed KIA Loan	0	0	0	0	0	46,601	46,601	46,601
Total Debt Service	161,086	170,265	139,113	138,876	138,638	185,000	184,757	184,512
Cash Flow After Debt Service	299,131	(571,804)	(31,672)	81,203	76,091	69,422	64,099	58,667
Ratios								
Current Ratio	15.8	18.2	17.9	18.5	19.0	19.6	19.9	20.2
Debt to Equity	0.4	0.4	0.4	0.4	0.6	0.7	0.7	0.7
Debt Coverage Ratio	2.9	(2.4)	0.8	1.6	1.5	1.4	1.3	1.3

EXECUTIVE SUMMARY		Reviewer		Meili Sun	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		May 7, 2020	
#N/A		KIA Loan Number		C20-002	
REVOLVING LOAN FUND		WRIS Number		WX21139031	
BORROWER		CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT LIVINGSTON COUNTY			
BRIEF DESCRIPTION					
This project will replace 1,400 customer meters in the Crittenden-Livingston service area, primarily in Livingston County, with radio read meters. The installation of new meters will help the District save operating and maintenance costs by reducing up to 50% of the time and labor required for meter reading.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund C Loan	\$300,000	Administrative Expenses			\$7,250
		Equipment			290,000
		Contingency			2,750
TOTAL	\$300,000	TOTAL			\$300,000
REPAYMENT	Rate	2.75%	Est. Annual Payment		\$20,202
	Term	20 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	N/A			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	Aug-20			
	Construction Start	Sep-20			
	Construction Stop	Feb-21			
DEBT PER CUSTOMER	Existing	\$3,218			
	Proposed	\$2,744			
OTHER DEBT		See Attached			
RESIDENTIAL RATES		Users	Avg. Bill		
	Current	3,613	\$56.03 (for 4,000 gallons)		
	Additional	0	\$56.03 (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	918,643	1,051,589	(132,946)		0.9
Audited 2017	1,101,988	1,099,080	2,908		1.0
Audited 2018	1,024,194	1,162,226	(138,032)		0.9
Projected 2019	1,142,362	1,067,179	75,183		1.1
Projected 2020	1,382,272	1,054,623	327,649		1.3
Projected 2021	1,600,015	1,061,085	538,930		1.5
Projected 2022	1,705,330	1,095,963	609,367		1.6
Projected 2023	1,674,884	1,098,206	576,678		1.5

Reviewer: Meili Sun
Date: May 7, 2020
Loan Number: C20-002

**KENTUCKY INFRASTRUCTURE AUTHORITY
GOVERNMENTAL AGENCIES LOAN FUND (FUND C)
CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT, LIVINGSTON COUNTY
PROJECT REVIEW
WX21139031**

I. PROJECT DESCRIPTION

The Crittenden-Livingston County Water District ("District") is requesting a Fund C loan in the amount of \$300,000 for the Automatic Meter Reading (AMR) Replacement project. This project will replace 1,400 aging customer meters in the Crittenden-Livingston service area, primarily in Livingston County, with radio read meters. The installation of new meters will help the District save operating and maintenance costs by reducing up to 50% of the time and labor required for meter reading.

A PSC regulated system, the District is a regional provider that serves approximately 3,600 retail customers and wholesales to 2 water districts and 4 municipals. All retail and wholesale rates are subject to PSC approval.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 7,250
Equipment	290,000
Contingency	2,750
Total	\$ 300,000

III. PROJECT FUNDING

	Amount	%
KIA Fund C Loan	\$ 300,000	100%

IV. KIA DEBT SERVICE

Fund C Loan	\$ 300,000
Interest Rate	2.75%
Loan Term (Year)	20
Estimated Annual Debt Service	\$ 19,602
Administrative Fee (0.20%)	600
Total Annual Debt Service	\$ 20,202

V. PROJECT SCHEDULE

Bid Opening	August 2020
Construction Start	September 2020
Construction Stop	February 2021

VI. RATE STRUCTURE

A. Customers

Customers	Current
Residential	3,586
Commercial	17
Industrial	10
Total	3,613

B. Rates

	Retail			
	Current	Prior	Proposed	Proposed
Date of Last Rate Increase	05/23/19	05/01/15	05/23/20	05/23/21
Minimum	\$20.72	\$17.84	\$22.70	\$24.76
Next 9,000 Gallons	11.77	10.14	12.89	14.08
Over 10,000 Gallons	10.09	8.69	11.05	12.06
Cost for 4,000 gallons	\$56.03	\$48.26	\$61.37	\$67.00
Increase %	16.1%		9.53%	9.17%
Affordability Index (Rate/MHI)	1.7%	1.4%	1.8%	2.0%
	Wholesale			
	Current	Prior	Proposed	Proposed
Date of Last Rate Increase	05/23/19	05/01/15	05/23/20	05/23/21
Per 1,000 Gallons	2.83	2.58	3.08	3.34
Increase %	9.69%		8.83%	8.44%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 9,023 with a Median Household Income (MHI) of \$40,121. The median household income for the Commonwealth is \$46,535. This project will qualify for a standard loan term at 2.75% interest rate.

Year	Population		County Unemployment	
	County	% Change	Date	Rate
1980	9,219		June 2005	5.9%
1990	9,062	-1.7%	June 2010	11.8%
2000	9,804	8.2%	June 2015	7.0%
2010	9,519	-2.9%	June 2019	5.7%
Current	9,288	-2.4%		
Cumulative %		0.7%		

VIII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended December 31, 2016 through December 31, 2018. The non-cash impacts of GASB 68 - Accounting and Financial Reporting for Pensions and GASB 75 - Other Postemployment Benefit had 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

Total revenues increased 5.1% from \$2.29 million in 2016 to \$2.41 million in 2018 while operating expenses increased less than 1% from \$1.40 million to \$1.41 million during the same period. The debt coverage ratio was 0.9, 1.0, and 0.9 for 2016, 2017, and 2018 respectively.

The balance sheet reflected a current ratio of 0.7, a debt to equity ratio of 2.0, 31.9 days of sales in accounts receivable, and 0.2 month of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water rates will go up in 3 phases as approved by the PSC in May, 2019:
 - Phase 1 – 16.1% retail and 9.7% wholesale, effective May 23, 2019
 - Phase 2 - 9.5% retail and 8.8% wholesale, effective May 23, 2020
 - Phase 3 - 9.2% retail and 8.4% wholesale, effective May 23, 2021.
- 2) Operating expenses will increase 2% each year for inflation.
- 3) The District will use force labor with the help of an outside contractor to install the new meters.
- 4) Debt coverage ratio is 1.5 in 2021 when full year principal and interest repayments are expected to 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% (\$15,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$1,000 yearly) each December 1 for 15 years and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

	Outstanding	Maturity
Waterworks Revenue Bonds 2008 Series	\$ 925,000	2030
2013 KRWFC Bonds	2,705,000	2029
2013 KRWFC Bonds	1,870,000	2040
KIA Loan B11-010	413,106	2023
KIA Loan F01-005	229,019	2023
KIA Loan F16-021	918,763	2037
KACO Lease 2017C	2,300,000	2039
KACO Lease 2018 B	2,020,000	2040
Farmers Bank Line of Credit	10,157	2019
Total	\$ 11,391,045	

X. CONTACTS

Legal Applicant	
Name	Crittenden-Livingston County Water District
Address	620 E Main St Salem, KY 42078
County	Livingston
Authorized Official	Randell O'Bryan, Chairman
Phone	(270) 988-2680

Project Contact - Applicant	
Name	Ronnie Slayden, Superintendent
Organization	Crittenden-Livingston County Water District
Address	620 E Main St Salem, KY 42078
Phone	(270) 988-2680
Email	slaydenronnie@yahoo.com

Project Administrator

Name	Kyle Cunningham, Infrastructure Coordinator
Organization	Pennyrile ADD
Address	300 Hammond Dr Hopkinsville, KY 42240
Phone	(270) 886-9484
Email	kyle.cunningham@ky.gov

XI. RECOMMENDATIONS

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

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)

	Audited	Audited	Audited	Projected	Projected	Projected	Projected	Projected
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Balance Sheet								
Assets								
Current Assets	445,375	484,330	503,380	531,229	620,258	749,744	883,418	998,753
Other Assets	21,022,320	20,852,855	19,701,562	19,084,039	18,668,490	18,702,965	18,493,789	18,258,463
Total	<u>21,467,695</u>	<u>21,337,185</u>	<u>20,204,942</u>	<u>19,615,268</u>	<u>19,288,748</u>	<u>19,452,709</u>	<u>19,377,207</u>	<u>19,257,216</u>
Liabilities & Equity								
Current Liabilities	1,613,922	744,023	720,830	733,990	777,398	830,852	864,353	841,221
Long Term Liabilities	12,306,339	13,094,014	12,708,712	12,045,343	11,339,466	10,881,035	10,090,003	9,323,003
Total Liabilities	<u>13,920,261</u>	<u>13,838,037</u>	<u>13,429,542</u>	<u>12,779,333</u>	<u>12,116,864</u>	<u>11,711,887</u>	<u>10,954,356</u>	<u>10,164,224</u>
Net Assets	<u>7,547,434</u>	<u>7,499,148</u>	<u>6,775,400</u>	<u>6,835,935</u>	<u>7,171,884</u>	<u>7,740,822</u>	<u>8,422,851</u>	<u>9,092,992</u>
Cash Flow								
Revenues	2,291,704	2,417,743	2,407,553	2,553,849	2,822,449	3,070,456	3,205,620	3,205,620
Operating Expenses	1,398,318	1,340,456	1,406,376	1,434,504	1,463,194	1,493,458	1,523,307	1,553,753
Other Income	25,257	24,701	23,017	23,017	23,017	23,017	23,017	23,017
Cash Flow Before Debt Service	<u>918,643</u>	<u>1,101,988</u>	<u>1,024,194</u>	<u>1,142,362</u>	<u>1,382,272</u>	<u>1,600,015</u>	<u>1,705,330</u>	<u>1,674,884</u>
Debt Service								
Existing Debt Service	1,051,589	1,099,080	1,162,226	1,067,179	1,054,623	1,050,984	1,075,761	1,078,004
Proposed KIA Loan	0	0	0	0	0	10,101	20,202	20,202
Total Debt Service	<u>1,051,589</u>	<u>1,099,080</u>	<u>1,162,226</u>	<u>1,067,179</u>	<u>1,054,623</u>	<u>1,061,085</u>	<u>1,095,963</u>	<u>1,098,206</u>
Cash Flow After Debt Service	<u>(132,946)</u>	<u>2,908</u>	<u>(138,032)</u>	<u>75,183</u>	<u>327,649</u>	<u>538,930</u>	<u>609,367</u>	<u>576,678</u>
Ratios								
Current Ratio	0.3	0.7	0.7	0.7	0.8	0.9	1.0	1.2
Debt to Equity	1.8	1.8	2.0	1.9	1.7	1.5	1.3	1.1
Days Sales in Accounts Receivable	27.3	32.0	31.9	31.9	31.9	31.9	31.9	31.9
Months Operating Expenses in Unrestricted Cash	0.4	0.4	0.2	0.3	0.8	1.7	2.6	3.5
Debt Coverage Ratio	0.9	1.0	0.9	1.1	1.3	1.5	1.6	1.5

EXECUTIVE SUMMARY		Reviewer		Jeff Abshire	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		June 4, 2020	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number		F17-007 (Increase)	
REVOLVING LOAN FUND		WRIS Number		WX21043041	
BORROWER		CITY OF OLIVE HILL CARTER COUNTY			
BRIEF DESCRIPTION					
The City is requesting an increase of \$122,344 to fund unanticipated connection issues that were identified during construction. The original project scope is as follows:					
This project will replace approximately 5,900 linear feet of failing cast iron water lines with PVC lines in the downtown area. Water loss studies determined this are to have an estimated 50% loss and is also the oldest part of the system. In addition to the line replacement, the project will replace twelve hydrants as well as facilitate the inspection, rehabilitation, and recommission of the Tick Ridge standpipe water tank. The recommission of the existing tank will add 250,000 gallons to the current storage capacity of the City's water system as well as stabilize the available volume and pressure for the downtown area.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund F Loan	\$1,005,344	Administrative Expenses			\$40,000
ARC	243,000	Legal Expenses			5,000
		Planning			35,000
		Eng - Design / Const	8.8%	6.2%	66,000
		Eng - Insp	5.5%	4.3%	45,000
		Construction			994,144
		Contingency			63,200
TOTAL	\$1,248,344	TOTAL			\$1,248,344
REPAYMENT	Rate	0.25%	Est. Annual Payment		\$37,318
	Term	30 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Kenvirons			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	May-17			
	Construction Start	Oct-18			
	Construction Stop	Nov-19			
DEBT PER CUSTOMER	Existing	\$5,345			
	Proposed	\$5,423			
OTHER DEBT	See Attached				
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached				
RESIDENTIAL RATES		Users	Avg. Bill		
	Current	2,278	\$27.43 (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	273,499	378,171	(104,672)		0.7
Audited 2018	469,555	405,326	64,229		1.2
Audited 2019	266,482	515,407	(248,925)		0.5
Projected 2020	543,470	428,530	114,940		1.3
Projected 2021	623,470	567,105	56,365		1.1
Projected 2022	617,220	562,714	54,506		1.1
Projected 2023	617,220	556,654	60,566		1.1

Reviewer: Jeff Abshire
Date: June 4, 2020
Loan Number: F17-007 (Increase)

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND "F")
CITY OF OLIVE HILL, CARTER COUNTY
PROJECT REVIEW
WX21043041**

I. PROJECT DESCRIPTION

The City of Olive Hill is requesting a \$122,344 increase to a Fund "F" loan that was originally approved in October 2016 for \$883,000 for the Olive Hill Downtown Area Waterline Replacement Project. The increase will fund various unanticipated connection issues that were identified during construction. The project replaced approximately 5,900 linear feet of failing cast iron water lines in the downtown area of Olive Hill with new PVC lines. The area covered in this project was determined by water loss studies to have an estimated 50% loss and is also the oldest part of the system. In addition to the line replacement, the project replaced several hydrants as well as facilitated the inspection, rehabilitation, and recommission of the Tick Ridge standpipe water tank. The recommission of the tank will added 250,000 gallons to the current storage capacity of the City's water system and stabilized the available volume and pressure for the downtown area.

The City provides approximately 2,200 water customers and 900 sewer customers. Additionally, they provide electricity, natural gas and sanitation services.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 40,000
Legal Expenses	5,000
Planning	35,000
Engineering Fees – Design / Const	66,000
Engineering Fees - Inspection	45,000
Construction	994,144
Contingency	63,200
Total	\$ 1,248,344

III. PROJECT FUNDING

	Amount	%
Fund F Loan	\$ 1,005,344	81%
ARC	243,000	19%
Total	\$ 1,248,344	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,005,344
Interest Rate	0.25%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 34,805
Administrative Fee (0.25%)	2,513
Total Estimated Annual Debt Service	\$ 37,318

V. PROJECT SCHEDULE

Bid Opening	March 2017
Construction Start	November 2018
Construction Stop	November 2019

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	2,104
Commercial	174
Total	2,278

B) Rates

	Water - City		Water - Outside City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	01/01/19	01/01/18	01/01/19	01/01/18
Minimum	\$11.82	\$11.53	\$21.01	\$20.50
Over 2000 gallons (per 1000 gallons)	7.25	7.07	10.51	10.25
Debt Surcharge (KIA B12-01)	1.11	1.11	1.11	1.11
Cost for 4,000 gallons	\$27.43	\$26.78	\$43.14	\$42.11
Increase %	2.4%		2.4%	
Affordability Index (Rate/MHI)	0.98%		1.53%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2010-2014, the Utility's service area population was 4,964 with a Median Household Income (MHI) of \$33,752. The median household income for the Commonwealth is \$43,342. The project will qualify for a 0.25% interest rate.

Year	Population				Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	2,539		25,060		June 2005	9.0%
1990	1,809	-28.8%	24,340	-2.9%	June 2010	14.6%
2000	1,813	0.2%	26,889	10.5%	June 2015	10.2%
2010	1,599	-11.8%	27,720	3.1%	June 2019	9.1%
Current	1,857	16.1%	27,385	-1.2%		
Cumulative %		-26.9%		9.3%		

VIII. 2016 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - The Drinking Water capitalization grant does not contain a “green” requirement.
- 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 Utility Enterprise Fund (water, sewer, electric, gas, and sanitation) for years ended June 30, 2013 through 2019. The non-cash impacts of GASB 68, Accounting and Financial Reporting for Pensions and GASB 75, Other Postemployment Benefit had been removed from operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented. Water and sewer revenues are discussed for reference in conjunction with consolidated utility financial performance.

HISTORY

Water revenues declined 10% from \$1.5 million in 2013 to \$1.3 million in 2019. Total cash flow available for debt service averaged \$416 thousand for 2013 through 2016 and \$337 from 2017 through 2019. The debt coverage ratio exceeded 1.1 in three of the last seven years and was 0.7, 1.2 and 0.5 during 2017 through 2019, respectively. Cash flow after debt service was -\$300,000 for the past three years combined.

The consolidated balance sheet reflects a current ratio of 0.7 and 2.1 months of operating expenses in unrestricted cash. Days sales in accounts receivable is 49.4. It is noteworthy that the City has carried an allowance for uncollectible accounts of 24% of gross receivables in 2013 and in excess of 30% since then. The allowance has continued to increase even as gross receivables increases which suggests significant ongoing collection issues. The utility issued bond debt totaling \$10.6 million in fiscal 2019 to fund a new water treatment plant, other water infrastructure upgrades, and energy savings initiatives. The project includes numerous cost performance guarantees with a third party with estimated annual savings before revenue and inflation

adjustments of approximately \$400,000.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues and expenses will be flat for inflation and volume. Inflation was excluded from the analysis to facilitate understanding of the impact of the cost savings initiative noted above.
- 2) The analysis incorporates \$225,000 savings in 2020 and \$305,000 annually thereafter related to the performance guarantees. The City's ability to timely convert "opportunity cost" savings into cash flow is critical to the projected financial performance in view of their minimal cash availability and apparent collection issues.
- 3) Debt service coverage is 1.1 in 2021 when full year principal and interest repayments begin.

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

REPLACEMENT RESERVE

The annual replacement cost is \$2,500. This amount should be added to the replacement account each December 1 until the balance reaches \$50,000 and maintained for the life of the loan.

X. DEBT OBLIGATIONS

Description	Amount	Maturity
US Bank	\$ 14,355	2020
US Bank	37,162	2021
FIVCO Area Development	26,364	2022
Commercial Bank of Grayson	195,719	2023
US Bank	127,320	2024
Republic Bank	301,850	2026
KIA (B12-01)	357,143	2035
KIA (F17-007)	639,632	TBD
Series 2019A Revenue Bonds	10,615,000	2049
Total	\$12,314,545	

XI. CONTACTS

Legal Applicant

Entity Name	City of Olive Hill
Authorized Official	Jerry Callahan (Mayor)
County	Carter
Email	jerrycallihan@cityofolivehill.com
Phone	606-286-5532
Address	225 Roger Patton Dr Olive Hill, KY 41164

Project Contact - Applicant

Name	Chimila Hargett
Organization	City of Olive Hill
Email	c.hargett@cityofolivehill.com
Phone	606-286-5532
Address	225 Roger Patton Dr Olive Hill, KY 41164

Project Administrator

Name	Bryan Kirby Community & Economic Development Associates, Inc.
Organization	
Email	bryan@cedainc.net
Phone	859-624-3396
Address	PO Box 855 Richmond, KY 40476

Consulting Engineer

PE Name	Phil Meador
Firm Name	Kenvirons
Email	pmeador@kenvirons.com
Phone	502-695-4357
Address	770 Wilkinson Blvd. Frankfort, KY 40601

XII. RECOMMENDATIONS

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

CITY OF OLIVE HILL
FINANCIAL SUMMARY (JUNE YEAR END)

	Audited 2017	Audited 2018	Audited 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023
Balance Sheet							
Assets							
Current Assets	1,534,138	1,852,222	1,626,073	1,656,439	1,667,804	1,678,310	1,690,876
Other Assets	11,746,810	11,743,177	24,075,628	24,015,105	23,545,370	23,074,635	22,607,900
Total	13,280,948	13,595,399	25,701,701	25,671,544	25,213,174	24,752,945	24,298,776
Liabilities & Equity							
Current Liabilities	642,089	636,005	2,346,211	2,429,668	2,497,909	2,565,680	2,591,247
Long Term Liabilities	2,480,090	3,368,648	14,392,459	14,551,969	14,344,060	14,136,380	13,973,133
Total Liabilities	3,122,179	4,004,653	16,738,670	16,981,637	16,841,969	16,702,060	16,564,380
Net Assets	10,158,769	9,590,746	8,963,031	8,689,907	8,371,205	8,050,885	7,734,396
Cash Flow							
Revenues	4,677,903	4,846,550	4,856,536	4,910,724	4,910,724	4,910,724	4,910,724
Operating Expenses	4,405,205	4,378,212	4,597,754	4,374,954	4,294,954	4,294,954	4,294,954
Other Income	801	1,217	7,700	7,700	7,700	1,450	1,450
Cash Flow Before Debt Service	273,499	469,555	266,482	543,470	623,470	617,220	617,220
Debt Service							
Existing Debt Service	378,171	405,326	515,407	428,530	554,444	550,053	543,993
Proposed KIA Loan	0	0	0	0	12,661	12,661	12,661
Total Debt Service	378,171	405,326	515,407	428,530	567,105	562,714	556,654
Cash Flow After Debt Service	(104,672)	64,229	(248,925)	114,940	56,365	54,506	60,566
Ratios							
Current Ratio	2.4	2.9	0.7	0.7	0.7	0.7	0.7
Debt to Equity	0.3	0.4	1.9	2.0	2.0	2.1	2.1
Days Sales in Accounts Receivable	44.3	50.8	49.4	49.4	49.4	49.4	49.4
Months Operating Expenses in Unrestricted Cash	2.0	2.7	2.1	2.2	2.3	2.3	2.4
Debt Coverage Ratio**	0.7	1.2	0.5	1.3	1.1	1.1	1.1

EXECUTIVE SUMMARY		Reviewer		Meili Sun	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		March 5, 2020	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number		F20-009	
REVOLVING LOAN FUND		WRIS Number		WX21001029	
BORROWER		ADAIR COUNTY WATER DISTRICT DBA COLUMBIA/ADAIR UTILITIES DISTRICT ADAIR COUNTY			
BRIEF DESCRIPTION					
This project consists of construction of 7,400 linear feet of 8-inch water main to replace existing undersized asbestos cement waterlines along Tutt Street and Bomar Heights and 5,250 linear feet of 6-inch water main in the area. The construction will require replacement of approximately 89 customer services along the new water main route.					
Additionally, the project will renovate and repaint the elevated 300,000 gallon City Industrial Tank and demolish the elevated 500,000 gallon Paige Street and the elevated 200,000 gallon Bomar Heights Tanks.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund F Loan	\$1,342,530	Administrative Expenses			\$7,500
		Legal Expenses			2,500
		Planning			25,000
		Eng - Design / Const	8.7%	8.0%	91,180
		Eng - Insp	5.5%	5.1%	57,600
		Eng - Other			20,000
		Construction			1,035,250
		Contingency			103,500
TOTAL	\$1,342,530	TOTAL			\$1,342,530
REPAYMENT	Rate	0.50%	Est. Annual Payment		\$25,802
	Term	30 Years	1st Payment		6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Kentucky Engineering Group, PLLC			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	Jul-20			
	Construction Start	Oct-20			
	Construction Stop	Oct-21			
DEBT PER CUSTOMER	Existing	\$2,832			
	Proposed	\$2,972			
OTHER DEBT		See Attached			
RESIDENTIAL RATES		Users	Avg. Bill		
	Current	7,943	\$33.90 (for 4,000 gallons)		
	Additional	0	\$33.90 (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	1,582,906	2,860,051	(1,277,145)		0.6
Audited 2017	1,520,068	1,767,710	(247,642)		0.9
Audited 2018	1,493,692	1,985,357	(491,665)		0.8
Projected 2019	1,343,029	1,590,920	(247,891)		0.8
Projected 2020	1,280,122	1,476,224	(196,102)		0.9
Projected 2021	2,147,673	1,543,825	603,848		1.4
Projected 2022	2,069,553	1,617,866	451,687		1.3
Projected 2023	2,002,796	1,650,040	352,756		1.2

Reviewer: Meili Sun
Date: March 5, 2020
Loan Number: F20-009

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND F)
ADAIR COUNTY WATER DISTRICT, ADAIR COUNTY
PROJECT REVIEW
WX21001029**

I. PROJECT DESCRIPTION

The Adair County Water District (ACWD) is requesting a Fund F loan in the amount of \$1,342,530 for the Water Main Replacement project. This project will construct 7,400 linear feet of 8-inch water main to replace existing undersized asbestos-cement waterlines along Tutt Street and Bomar Heights and 5,250 linear feet of 6-inch water main on some cross streets in the area, which will require replacement of approximately 89 customer services along the new water main route. Additionally, the project will renovate and repaint the 300,000 gallon City Industrial Tank and demolish the 500,000 gallon Paige Street and the 200,000 gallon Bomar Heights Tanks.

The aging asbestos-cement waterlines are considered hazardous as they become brittle and prone to breaking. They must be removed for protection of public health. The City Industrial Tank is in poor condition and overdue for renovation and repainting. The other two tanks were taken out of service when a new tank was constructed in the past. They are no longer useful and have become a liability to ACWD.

ACWD is a Public Service Commission (PSC) regulated utility producing 93% of the water supply and purchasing the remainder to serve approximately 1,700 retail customers in Adair County and 3 wholesale customers. All retail and wholesale rate adjustments are subject to PSC approval.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 7,500
Legal Expenses	2,500
Planning	25,000
Engineering Fees – Design	63,826
Engineering Fees – Construction	27,354
Engineering Fees – Inspection	57,600
Engineering Fees – Other	20,000
Construction	1,035,250
Contingency	103,500
Total	\$ 1,342,530

III. PROJECT FUNDING

	Amount	%
KIA Fund F Loan	\$ 1,342,530	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,342,530
Principal Forgiveness	671,265
Amortized Loan Amount	\$ 671,265
Interest Rate	0.50%
Loan Term (Year)	30
Estimated Annual Debt Service	\$ 24,124
Administrative Fee (0.25%)	1,678
Total Estimated Annual Debt Service	\$ 25,802

V. PROJECT SCHEDULE

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

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	Current
Residential	7,391
Commercial	481
Industrial	71
Total	7,943

B) Rates

	Sewer	
	Current	Prior
Date of Last Rate Increase	07/23/14	07/01/11
Minimum (No Usage)	\$5.00	\$4.00
All Usage per 1,000 Gallons	5.20	4.10
Cost for 4,000 gallons	\$25.80	\$20.40
Increase %	26.5%	
Affordability Index (Rate/MHI)	1.1%	0.9%

Date of Last Rate Increase	Water	
	Current	Prior
	02/03/12	11/01/09
First 2,000 Gallons	\$19.90	\$15.35
Next 3,000 Gallons	\$7.00	\$5.75
Next 5,000 Gallons	\$6.25	\$5.00
Cost for 4,000 gallons	\$33.90	\$26.85
Increase %	26.3%	
Affordability Index (Rate/MHI)	1.2%	0.9%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 16,785 with a Median Household Income (MHI) of \$34,172. The median household income for the Commonwealth is \$46,535. The project will qualify for a 30 year loan at 0.50% interest rate.

Year	Population				County Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	3,710		15,233		June 2005	5.7%
1990	3,845	3.6%	15,360	0.8%	June 2010	11.8%
2000	4,014	4.4%	17,244	12.3%	June 2015	7.6%
2010	4,452	10.9%	18,656	8.2%	June 2019	6.0%
Current	4,852	9.0%	19,304	3.5%		
Cumulative %		30.8%		26.7%		

VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$671,265 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 December 31, 2016 through December 31, 2018. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Other Postemployment Benefit have been removed from the operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Revenues increased 1.5% from \$4.49 million in 2016 to \$4.56 million in 2018 while operating expenses increased 5.8% from \$2.91 million to \$3.08 million during the same period. The Supplies and Materials costs were higher than normal in 2018 due to purchase of radio read meters. The debt coverage ratios of 2016, 2017, and 2018 were below 1.1 as there had been no rate increases since 2014.

The balance sheet reflects a current ratio of 1.7, a debt to equity ratio of 1.1, 32.3 days of sales in accounts receivable, and 0.4 month of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Combined water and sewer revenues will increase approximately \$900,000 based on the special conditions for rate increases.
- 2) The proposed rate increases will be subsequently approved by the PSC.
- 3) RD will commit \$2,316,280 in grant and loan funding to assist ACWD with the Southern Bypass Water Main and Telemetry project which is not funded by KIA.
- 4) Combined operating expenses including water purchase will increase 2% annually for inflation.
- 5) Debt coverage ratio is 1.3 in 2022 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% (\$68,000 total) of the final amount borrowed to be funded annually (\$3,400 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
2004 Utilities Revenue Bonds	\$ 403,000	2043
2005 Water Revenue Bonds	1,017,000	2045
2006 Water Revenue Bonds	3,000,500	2045
2007 Water Revenue Bonds	651,500	2046
2008 Water Revenue Bonds	269,900	2048
2008 Utilities Revenue Bonds	101,100	2047
2009 Water Revenue Bonds	992,200	2050
2011 Water Revenue Bonds	1,095,000	2051
2012 Water Revenue Bonds	1,359,500	2052
2013D Water Revenue Bonds (Refunding)	2,700,000	2040
2014 Water Revenue Bonds	668,500	2054
KIA Loan F06-01	2,260,853	2028
KIA Loan F07-01	524,917	2028
KIA Loan F10-01	2,882,619	2032
KIA Loan F10-02	1,180,062	2032
KIA Loan F11-10	769,490	2034
KIA Loan F12-04	2,491,225	2044
Bank of Columbia Note	123,258	2019
KIA Loan A20-016 i.a.o. \$2,104,870		TBD
RD Loan i.a.o. \$1,621,396		TBD
Total	\$ 22,490,624	

XI. CONTACTS

Legal Applicant	
Name	Adair County Water District DBA Columbia/Adair Utilities District
Address	109 Grant Lane, PO Box 567 Columbia, KY 42728
County	Adair
Authorized Official	William Harris
Phone	(270) 384-2181
Email	utility@caud.net

Project Contact - Applicant

Name	Lenny Stone, Manager
Organization	Columbia/Adair Utilities District
Address	109 Grant Lane, PO Box 567 Columbia, KY 42728
Phone	(270) 384-2181
Email	lenny.stone@caud.net

Project Administrator

Name	Holly Nicholas
Organization	Kentucky Engineering Group, PLLC
Address	161 North Locust St, PO Box 1034 Versailles, KY 40383
Phone	(859) 333-9742
Email	hnicholas@kyengr.com

Consulting Engineer

Name	James C Thompson
Firm	Kentucky Engineering Group, PLLC
Address	161 North Locust St, PO Box 1034 Versailles, KY 40383
Phone	(859) 251-4127
Email	jthompson@kyengr.com

XII. RECOMMENDATIONS

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

1. ACWD shall apply to the Public Service Commission (PSC), pursuant to KRS 278.300, for debt authorization for KIA loan A20-016, F20-009, and the pending RD loan. This debt authorization application should include a forecast meeting debt service projected through 2025.
2. By March 1, 2020, ACWD shall pass a resolution for a 20.7% or \$650,000 increase to water revenues and 38.8% or \$250,000 to sewer revenues, effective October 1, 2020 to meet operating expenses and debt service requirements when principal and interest repayments begin.

3. Prior to the assistance agreement being executed, ACWD must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020, from the PSC for any portion of the project that may require it, or provide an opinion from legal counsel or the staff of the PSC, or a declaratory order from the PSC, that a CPCN is not required for any portion of the assets to be constructed as part of the loan agreement.

ADAIR COUNTY WATER DISTRICT DBA COLUMBIA/ADAIR UTILITIES DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)

	Audited	Audited	Audited	Projected	Projected	Projected	Projected	Projected
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Balance Sheet								
Assets								
Current Assets	689,863	890,914	760,210	512,317	316,215	1,002,463	1,454,150	1,806,906
Other Assets	52,050,007	50,935,078	49,753,410	47,792,662	45,831,914	49,634,846	47,561,006	45,487,165
Total	<u>52,739,870</u>	<u>51,825,992</u>	<u>50,513,620</u>	<u>48,304,979</u>	<u>46,148,129</u>	<u>50,637,309</u>	<u>49,015,156</u>	<u>47,294,071</u>
Liabilities & Equity								
Current Liabilities	311,132	343,040	445,105	450,292	455,592	460,992	466,492	472,092
Long Term Liabilities	26,105,761	26,053,948	26,495,332	25,343,484	24,291,629	27,614,678	26,475,271	25,234,273
Total Liabilities	<u>26,416,893</u>	<u>26,396,988</u>	<u>26,940,437</u>	<u>25,793,776</u>	<u>24,747,221</u>	<u>28,075,670</u>	<u>26,941,763</u>	<u>25,706,365</u>
Net Assets	<u>26,322,977</u>	<u>25,429,004</u>	<u>23,573,183</u>	<u>22,511,203</u>	<u>21,400,908</u>	<u>22,561,639</u>	<u>22,073,393</u>	<u>21,587,706</u>
Cash Flow								
Revenues	4,490,076	4,486,762	4,557,728	4,557,728	4,557,728	5,489,444	5,489,444	5,489,444
Operating Expenses	2,913,484	2,970,140	3,083,669	3,234,332	3,297,239	3,361,404	3,439,524	3,506,281
Other Income	6,314	3,446	19,633	19,633	19,633	19,633	19,633	19,633
Cash Flow Before Debt Service	<u>1,582,906</u>	<u>1,520,068</u>	<u>1,493,692</u>	<u>1,343,029</u>	<u>1,280,122</u>	<u>2,147,673</u>	<u>2,069,553</u>	<u>2,002,796</u>
Debt Service								
Existing Debt Service	2,860,051	1,767,710	1,985,357	1,590,920	1,476,224	1,543,825	1,592,064	1,624,238
Proposed KIA Loan	0	0	0	0	0	0	25,802	25,802
Total Debt Service	<u>2,860,051</u>	<u>1,767,710</u>	<u>1,985,357</u>	<u>1,590,920</u>	<u>1,476,224</u>	<u>1,543,825</u>	<u>1,617,866</u>	<u>1,650,040</u>
Cash Flow After Debt Service	<u>(1,277,145)</u>	<u>(247,642)</u>	<u>(491,665)</u>	<u>(247,891)</u>	<u>(196,102)</u>	<u>603,848</u>	<u>451,687</u>	<u>352,756</u>
Ratios								
Current Ratio	2.2	2.6	1.7	1.1	0.7	2.2	3.1	3.8
Debt to Equity	1.0	1.0	1.1	1.1	1.2	1.2	1.2	1.2
Days Sales in Accounts Receivable	32.6	34.8	32.3	32.3	32.3	32.3	32.3	32.3
Months Operating Expenses in Unrestricted Cash	0.3	0.9	0.4	(0.5)	(1.3)	1.0	2.6	3.8
Debt Coverage Ratio	0.6	0.9	0.8	0.8	0.9	1.4	1.3	1.2

EXECUTIVE SUMMARY		Reviewer		Meili Sun	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		June 4, 2020	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number		F20-017	
REVOLVING LOAN FUND		WRIS Number		WX21139027	
BORROWER		CITY OF SALEM LIVINGSTON COUNTY			
BRIEF DESCRIPTION					
This is the first phase of the water main replacement project, which will concentrate on the western supply route connecting Salem Municipal Water System to the Crittenden-Livingston County Water District. The City has been experiencing water line failures in the area due to corrosion of aging cast iron pipes. The project will replace 5,500 linear feet of existing lines with 6" PVC lines and add 8 valves and 3 hydrants to the distribution system.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund F Loan	\$585,000	Administrative Expenses			\$27,500
		Land, Easements			5,000
		Eng - Design / Const	10.4%	10.3%	48,500
		Eng - Insp	7.6%	7.6%	35,400
		Construction			436,900
		Contingency			31,700
TOTAL	\$585,000	TOTAL			\$585,000
REPAYMENT	Rate	0.50%	Est. Annual Payment		\$11,243
	Term	30 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Hussey Gay Bell Nashville, LLC			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	Dec-20			
	Construction Start	Jan-21			
	Construction Stop	Jul-21			
DEBT PER CUSTOMER	Existing	\$0			
	Proposed	\$640			
RESIDENTIAL RATES		Users	Avg. Bill		
	Current	457	\$36.48 (for 4,000 gallons)		
	Additional	0	\$36.48 (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	(2,579)	0	(2,579)		n/a
Audited 2018	18,896	0	18,896		n/a
Audited 2019	14,313	0	14,313		n/a
Projected 2020	27,347	0	27,347		n/a
Projected 2021	40,411	0	40,411		n/a
Projected 2022	31,348	5,622	25,727		5.6
Projected 2023	29,758	11,243	18,515		2.6
Projected 2024	28,137	11,243	16,894		2.5

Reviewer: Meili Sun
Date: June 4, 2020
Loan Number: F20-017

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND F)
CITY OF SALEM, LIVINGSTON COUNTY
PROJECT REVIEW
WX21139027**

I. PROJECT DESCRIPTION

The City of Salem ("City") is requesting a Fund F loan in the amount of \$585,000 for the first phase of the Water Main Replacement Project. This phase will concentrate on the western supply route connecting Salem Municipal Water System to the Crittenden-Livingston County Water District. The City has been experiencing water line failures in the area due to corrosion of aging cast iron pipes, which cause service outages and water losses in the area. The scope of work involves replacement of 5,500 linear feet of existing lines with 6" PVC lines and addition of 8 valves and 3 hydrants to the distribution system.

The City purchases 100% of its water supply from the Crittenden-Livingston County Water District to serve approximately 450 retail customers in the City. The City's water purchase rates are regulated by the Public Service Commission.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 27,500
Land Easements	5,000
Engineering Fees – Design	33,950
Engineering Fees – Construction	14,550
Engineering Fees – Inspection	35,400
Construction	436,900
Contingency	31,700
Total	\$ 585,000

III. PROJECT FUNDING

	Amount	%
KIA Loan F20-017	\$ 585,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 585,000
Principal Forgiveness	292,500
Amortized Loan Amount	\$ 292,500
Interest Rate	0.50%
Loan Term (Year)	30
Estimated Annual Debt Amortization	\$ 10,512
Administrative Fees (0.25%)	731
Estimated Annual Debt Service	\$ 11,243

V. PROJECT SCHEDULE

Bid Opening	December 2020
Construction Start	January 2021
Construction Stop	July 2021

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	415
Commercial	42
Industrial	0
Total	457

B) Rates

	Water Rates		
	Current	Prior	Prior
Date of Last Rate Increase	03/27/20	08/20/19	06/21/16
Minimum 2,000 Gallons	\$21.24	\$19.24	\$17.24
Next 30,000 Gallons	7.62	6.62	5.62
Next 30,000 Gallons	6.83	5.83	4.83
Cost for 4,000 gallons	\$36.48	\$32.48	\$28.48
Increase %	12.3%	14.0%	
Affordability Index (Rate/MHI)	1.2%	1.1%	0.9%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 749 with a Median Household Income (MHI) of \$36,106. The median household income for the Commonwealth is \$46,535. The project will qualify for a 30-year loan term at 0.5% interest rate and up to 50% of the loan amount or \$292,500 principal forgiveness.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	833		9,219		June 2005	5.9%
1990	770	-7.6%	9,062	-1.7%	June 2010	11.8%
2000	769	-0.1%	9,804	8.2%	June 2015	7.0%
2010	752	-2.2%	9,519	-2.9%	June 2019	5.7%
Current	822	9.3%	9,288	-2.4%		
Cumulative %		-1.3%		0.7%		

VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$292,500 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, 2017 through June 30, 2019. GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Other Postemployment Benefit were not applicable as the City does not participate in the Kentucky County Employees Retirement System.

HISTORY

Water revenues decreased 5.2% from \$156,710 in 2017 to \$148,633 in 2019 while operating expenses decreased 15.5% from \$159,435 to \$134,783 during the same period. Over the 3 reporting years, the City had improved significantly in water loss control and purchased less water from the Crittenden-Livingston County Water district. The debt coverage ratio was irrelevant in 2017, 2018, and 2019 due to the absence of any existing debt service.

The balance sheet reflects a current ratio of 3.1, a debt to equity ratio of 0.2, 31.8 days of sales in accounts receivable, and 8.3 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues will increase 14.0% in 2020 and 12.3% in 2021.
- 2) Water purchase rates will increase 9.7% in 2020, 8.8% in 2021 and 8.4% in 2022 as approved by the PSC.
- 3) Expenses will increase 2% each year for inflation.
- 4) Debt service coverage is 2.6 in 2023 when full principal and interest repayments begin.

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$30,000 total) of the final amount borrowed prior to principal forgiveness to be funded annually (\$1,500 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

Outstanding	Maturity
N/A	

XI. CONTACTS

Legal Applicant	
Name	City of Salem
Address	PO Box 234 Salem, KY 42078
County	Livingston
Authorized Official	Gary Damron
Phone	(270) 988-2278
Email	cityofsalem@tds.net

Project Contact - Applicant	
Name	Doug Slayden, System Manager
Organization	City of Salem
Address	PO Box 234 Salem, KY 42078
Phone	(270) 988-2600
Email	dslayden@tds.net

Project Administrator

Name	Kyle Cunningham
Organization	Pennyrile ADD
Address	300 Hammond Drive Hopkinsville, KY 42240
Phone	(270) 886-9484
Email	kyle.cunningham@ky.gov

Consulting Engineer

Name	Robert D Stigall
Firm	Hussey Gay Bell Nashville, LLC
Address	4117 Hillsboro Pike Nashville, TN 37215
Phone	(615) 460-7515
Email	rstigall@bellsouth.net

XII. RECOMMENDATIONS

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

CITY OF SALEM
FINANCIAL SUMMARY (JUNE YEAR END)

	Audited 2017	Audited 2018	Audited 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Balance Sheet								
Assets								
Current Assets	113,252	128,886	139,579	146,800	156,683	161,828	165,531	168,910
Other Assets	138,293	130,509	127,305	141,951	167,047	752,272	746,727	739,885
Total	251,545	259,395	266,884	288,751	323,730	914,100	912,258	908,795
Liabilities & Equity								
Current Liabilities	46,852	44,199	44,979	45,070	45,170	54,353	54,499	54,644
Long Term Liabilities	4,654	4,789	4,755	4,755	4,755	288,172	279,043	269,869
Total Liabilities	51,506	48,988	49,734	49,825	49,925	342,525	333,542	324,513
Net Assets	200,039	210,407	217,150	238,926	273,805	571,575	578,716	584,281
Cash Flow								
Revenues	156,710	153,088	148,633	168,974	189,347	189,347	189,347	189,347
Operating Expenses	159,435	134,343	134,783	142,090	149,399	158,462	160,052	161,673
Other Income	146	151	463	463	463	463	463	463
Cash Flow Before Debt Service	(2,579)	18,896	14,313	27,347	40,411	31,348	29,758	28,137
Debt Service								
Existing Debt Service	0	0	0	0	0	0	0	0
Proposed KIA Loan	0	0	0	0	0	5,622	11,243	11,243
Total Debt Service	0	0	0	0	0	5,622	11,243	11,243
Cash Flow After Debt Service	(2,579)	18,896	14,313	27,347	40,411	25,727	18,515	16,894
Ratios								
Current Ratio	2.4	2.9	3.1	3.3	3.5	3.0	3.0	3.1
Debt to Equity	0.3	0.2	0.2	0.2	0.2	0.6	0.6	0.6
Days Sales in Accounts Receivable	32.9	32.1	31.8	31.8	31.8	31.8	31.8	31.8
Months Operating Expenses in Unrestricted Cash	3.3	7.2	8.3	8.4	8.6	8.6	8.8	8.9
Debt Coverage Ratio	N/A	N/A	N/A	N/A	N/A	5.6	2.6	2.5

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND F, FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND		Reviewer Date KIA Loan Number WRIS Number		Sarah Parsley June 4, 2020 F20-021 WX21165025	
BORROWER		CAVE RUN WATER COMMISSION MENIFEE COUNTY			
BRIEF DESCRIPTION					
This project will construct a new 300,000 gallon elevated storage tank on the Meniffee and Morgan County line to service the City of Frenchburg, the City of Jeffersonville, and the Morgan County Water District wholesale finished water purchasers.					
PROJECT FINANCING		PROJECT BUDGET			
Fund F Loan	\$1,171,350	Administrative Expenses	RD Fee %	Actual %	\$42,750
		Legal Expenses			2,500
		Land, Easements			10,000
		Planning			15,000
		Eng - Design / Const	8.9%	8.3%	77,700
		Eng - Insp	5.7%	5.4%	50,400
		Eng - Other			32,500
		Construction			855,000
		Contingency			85,500
TOTAL	\$1,171,350	TOTAL			\$1,171,350
REPAYMENT	Rate Term	1.50% 20 Years	Est. Annual Payment 1st Payment		\$70,937 6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer Bond Counsel	Kentucky Engineering Group PLLC Rubin & Hays			
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	Sep-20 Dec-20 Aug-21			
DEBT PER CUSTOMER	Existing Proposed	N/A (Wholesale) N/A (Wholesale)			
OTHER DEBT	See Attached				
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached				
WHOLESALE RATES		Users	Avg. Bill		
	Current	3	\$2.67	(for 1,000 gallons)	
	Additional	0	\$2.67	(for 1,000 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	336,648	171,512	165,136	2.0	
Audited 2018	349,466	175,662	173,804	2.0	
Audited 2019	439,167	206,714	232,453	2.1	
Projected 2020	424,917	214,471	210,446	2.0	
Projected 2021	410,382	250,414	159,969	1.6	
Projected 2022	392,656	285,318	107,338	1.4	
Projected 2023	377,534	285,559	91,975	1.3	
Projected 2024	362,109	285,761	76,348	1.3	

Reviewer: Sarah Parsley
Date: June 4 2020
Loan Number: F20-021

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND F)
CAVE RUN WATER COMMISSION, MENIFEE COUNTY
PROJECT REVIEW
WX21165025**

I. PROJECT DESCRIPTION

The Cave Run Water Commission is requesting a Fund F loan in the amount of \$1,171,350 for the Elevated Water Storage Tank Construction project. This project will construct a new water tank in order to provide purchase source water protection and water supply redundancy that is currently lacking in the system. A new 300,000 gallon elevated storage tank will be constructed on the Menifee and Morgan County Line to service the City of Frenchburg, City of Jeffersonville, and the Morgan County Water district. SCADA will be installed at the tank to enable remote reading and level control from the Water Treatment Plant along with a security fence and approximately 800 LF of 12" PVC waterline to connect the new tank to the existing transmission line.

With Cave Run Water Commission's current system configuration and operations, Morgan County Water District's Ezel Water Tank (150,000 gallons) empties in 10-12 hours when Cave Run stops producing water at the water treatment plant. The Ezel Water Tank has been emptied two times in the past year because it cannot be filled when the plant isn't producing water. By constructing a new water tank, Cave Run Water Commission will be able to provide additional storage for the service area and allow the Ezel Water Tank to be filled when the water treatment plant is shutdown between production.

Cave Run Water Commission provides approximately 40-50% of Morgan County Water District's water; 95-99% of the City of Frenchburg's water; and 95-99% of the City of Jeffersonville's water. In total, Cave Run Water Commission indirectly services a population of 18,900 from the Cave Run Tank and sells an average of 1 million gallons of water to wholesale customers each day.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 42,750
Legal Expenses	2,500
Land, Easements	10,000
Planning	15,000
Engineering Fees - Design	62,160
Engineering Fees - Construction	15,540
Engineering Fees - Inspection	50,400
Engineering Fees - Other	32,500
Construction	855,000
Contingency	85,500
Total	\$ 1,171,350

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 1,171,350	100%
Total	\$ 1,171,350	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,171,350
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 1,171,350
Interest Rate	1.50%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 68,009
Administrative Fee (0.25%)	2,928
Total Estimated Annual Debt Service	\$ 70,937

V. PROJECT SCHEDULE

Bid Opening	September 2020
Construction Start	December 2020
Construction Stop	August 2021

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	<u>Current</u>
Wholesale	3

B) Rates

	Current	Prior
Date of Last Rate Increase	07/01/18	07/01/17
Wholesale Rate (per 1,000 gallons)	\$2.67	\$2.57
Cost for 1,000 gallons	\$2.67	\$2.57
Increase %	3.9%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was approximately 18,900 based on the three wholesale customers it provides service to in Morgan, Menifee, and Montgomery counties. The project will qualify for the non-standard 1.5% interest rate because Cave Run Water Commission is a regional provider.

VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - The Drinking Water capitalization grant does not contain a "green" requirement.
- 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, 2017 through June 30, 2019. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Revenues increased 18% from \$970,340 in 2017 to \$1.1 million in 2019 due to wholesale rate increases. Operating expenses increased 12% from \$637,746 in 2017 to \$712,498 in 2019 mostly due to inflation. Cash flow before debt service averaged approximately \$375,000 per year from 2017 to 2019 with an average 2.0 debt coverage ratio over the same time period. Existing debt service was adjusted in 2017 and 2018 to normalize debt coverage to better reflect reality due to background loan activity which skewed the audited numbers.

The 2019 balance sheet reflects a current ratio of 4.9, debt to equity ratio of 0.4, 37.2 days sales in accounts receivable, and 15.7 months operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will remain flat for both volume and growth.
- 2) Expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 1.4 in 2022 when full principal and interest repayments begin.

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

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$58,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$2,900 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
RD Bond	\$ 2,463,000	2044
RD Bond	237,000	2048
KIA Loan (F16-032)	631,440	2038
Total	\$ 3,331,440	

XI. CONTACTS

Legal Applicant

Entity Name	Cave Run Water Commission
Authorized Official	Edward Bryant (Chairperson)
County	Menifee
Email	mayor@mrtc.com
Phone	(606) 768-3457
Address	P.O. Box 20, 7533 Hwy 1693 Wellington, KY 40387

Applicant Contact

Name	Larry Workman
Organization	Cave Run Water Commission
Email	crwater@mrtc.com
Phone	(606) 768-6665
Address	P.O. Box 20 Frenchburg, KY 40322

Project Administrator

Name	Jocelyn Gross
Organization	Gateway Area Development District
Email	jocelynr.gross@ky.gov
Phone	(606) 780-0090
Address	110 Lake Park Dr Morehead, KY 40351

Consulting Engineer

PE Name	James C. Thompson
Firm Name	Kentucky Engineering Group PLLC
Email	jthompson@kyengr.com
Phone	(859) 251-4127
Address	161 North Locust Street Versailles, KY 40383

XII. RECOMMENDATIONS

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

CAVE RUN WATER COMMISSION
FINANCIAL SUMMARY (JUNE YEAR END)

	Audited 2017	Audited 2018	Audited 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Balance Sheet								
Assets								
Current Assets	540,685	713,508	1,057,159	1,078,242	1,094,238	1,104,972	1,114,170	1,121,805
Other Assets	11,576,750	11,499,464	11,180,711	11,081,404	12,108,018	11,886,630	11,651,416	11,402,137
Total	12,117,435	12,212,972	12,237,870	12,159,646	13,202,257	12,991,603	12,765,586	12,523,942
Liabilities & Equity								
Current Liabilities	77,133	99,858	215,152	220,982	261,393	302,805	308,850	315,050
Long Term Liabilities	3,296,276	3,423,821	3,298,356	3,143,216	4,180,874	4,008,369	3,832,419	3,652,969
Total Liabilities	3,373,409	3,523,679	3,513,508	3,364,198	4,442,266	4,311,174	4,141,269	3,968,019
Net Assets	8,744,026	8,689,293	8,724,362	8,795,448	8,759,991	8,680,429	8,624,317	8,555,923
Cash Flow								
Revenues	970,340	1,016,576	1,145,689	1,145,689	1,145,689	1,145,689	1,145,689	1,145,689
Operating Expenses	637,746	672,245	712,498	726,748	741,283	759,009	774,131	789,556
Other Income	4,054	5,135	5,976	5,976	5,976	5,976	5,976	5,976
Cash Flow Before Debt Service	336,648	349,466	439,167	424,917	410,382	392,656	377,534	362,109
Debt Service								
Existing Debt Service	171,512	175,662	206,714	214,471	214,945	214,381	214,622	214,824
Proposed KIA Loan	0	0	0	0	35,469	70,937	70,937	70,937
Total Debt Service	171,512	175,662	206,714	214,471	250,414	285,318	285,559	285,761
Cash Flow After Debt Service	165,136	173,804	232,453	210,446	159,969	107,338	91,975	76,348
Ratios								
Current Ratio	7.0	7.1	4.9	4.9	4.2	3.6	3.6	3.6
Debt to Equity	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5
Days Sales in Accounts Receivable	39.1	42.5	37.2	37.2	37.2	37.2	37.2	37.2
Months Operating Expenses in Unrestricted Cash	8.2	10.6	15.7	15.7	15.6	15.5	15.3	15.2
Debt Coverage Ratio	2.0	2.0	2.1	2.0	1.6	1.4	1.3	1.3

EXECUTIVE SUMMARY		Reviewer		Ashley Adams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		May 7, 2020	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number		F20-044	
REVOLVING LOAN FUND		WRIS Number		WX21117210	
BORROWER		NORTHERN KENTUCKY WATER DISTRICT KENTON COUNTY			
BRIEF DESCRIPTION					
This project includes two new generators for providing backup electrical power supply to the Taylor Mill Treatment Plant and pumping station during emergencies. The project will also replace treatment process equipment in two basins at the Fort Thomas Treatment Plant that has reached the end of its useful life as well as repair the concrete walls of the basin.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund F Loan	\$8,000,000	Administrative Expenses			\$2,000
Local Funds	2,050,000	Eng - Design / Const			265,000
		Eng - Insp			75,000
		Construction			8,908,000
		Contingency			800,000
TOTAL	\$10,050,000	TOTAL			\$10,050,000
REPAYMENT	Rate	1.50%	Est. Annual Payment		\$484,482
	Term	20 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	N/A			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	May-20			
	Construction Start	Aug-20			
	Construction Stop	Sep-22			
DEBT PER CUSTOMER	Existing	\$2,694			
	Proposed	\$1,932			
OTHER DEBT		See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS		See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>		
	Current	80,986	\$36.86	(for 4,000 gallons)	
	Additional	0	\$36.86	(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	29,304,645	19,873,250	9,431,395		1.5
Audited 2017	30,916,136	20,084,194	10,831,942		1.5
Audited 2018	31,319,348	24,325,370	6,993,978		1.3
Projected 2019	32,887,365	20,812,692	12,074,673		1.6
Projected 2020	35,375,823	20,851,550	14,524,273		1.7
Projected 2021	35,639,490	19,555,394	16,084,096		1.8
Projected 2022	35,084,922	19,806,891	15,278,031		1.8
Projected 2023	34,519,263	20,046,964	14,472,299		1.7

Reviewer: Ashley Adams
Date: May 7, 2020
Loan Number: F20-044

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND F)
NORTHERN KENTUCKY WATER DISTRICT, KENTON COUNTY
PROJECT REVIEW
WX21117210**

I. PROJECT DESCRIPTION

The Northern Kentucky Water District is requesting a Fund F loan in the amount of \$8,000,000 for the Taylor Mill Treatment Plant Emergency Generator/Fort Thomas Treatment Plant Phase 2 Basin Improvements project. The purpose of this project is to improve water quality and service reliability for customers. This project will include improvements to both the Taylor Mill Treatment Plant and the Fort Thomas Treatment Plant.

The Taylor Mill Treatment Plant was built in the 1950s and is capable of treating up to 10 MGD. Additionally, this plant houses a critical pump station, which transmits water from both the Fort Thomas and Taylor Mill Treatment Plants to about 60% of Kenton County. The pump station and a majority of the plant are fed from a Duke Energy transmission line. In the event of power outage or critical substation/transformer failure, the District would lose the ability to supply water to a majority of Kenton County. This is significant water quality and public health concern. With the proposed standby power project, the plan is to install a generator, switch gear, and new substation. These improvements will be capable of powering the existing treatment plant and one of the larger pumps or potentially two of the smaller pumps within the pump station. This will allow improved system reliability without creating potential water quality concerns.

The preliminary treatment facilities at the Fort Thomas Treatment Plant (FTTP) consists of four uncovered concrete basins. Basins #2 and #3 were constructed in 1936 and underwent extensive rehabilitation in 2015. The current project will address Basins #1 and #4 which were built in 1987 and 1992 respectively. These basins are beginning to show signs of concrete deterioration and the process equipment is worn out requiring frequent repair. To extend the life of these 2 basins, improvements will include concrete repair, reconfiguration of the flocculation process and mixing basins, and replacement of influent/effluent valves and sludge collection equipment. In addition to this work, the existing tube settlers in all 4 basins will be replaced with new plate settlers and the chemical feed manifold piping within the sodium hypochlorite building will be replaced. This will improve water quality and treatment efficiency.

The District serves over 80,000 customers in Kenton, Campbell, and a portion of Boone counties and it is a PSC regulated entity. It is a wholesale water provider to Bullock Pen Water District, Pendleton County Water District #1 North, and Walton Waterworks Department.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 2,000
Engineering Fees - Design	190,000
Engineering Fees - Construction	75,000
Engineering Fees - Inspection	75,000
Construction	8,908,000
Contingency	800,000
Total	\$ 10,050,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 8,000,000	80%
Local Funds	2,050,000	20%
Total	\$ 10,050,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 8,000,000
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 8,000,000
Interest Rate	1.50%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 464,482
Administrative Fee (0.25%)	20,000
Total Estimated Annual Debt Service	\$ 484,482

V. PROJECT SCHEDULE

Bid Opening	May 2020
Construction Start	August 2020
Construction Stop	September 2022

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	<u>Current</u>
Residential	76,378
Commercial	4,499
Industrial	109
Total	80,986

B) Rates

	Proposed	Current	Prior
Date of Last Rate Increase	03/26/20	03/26/19	01/15/17
Monthly Service Charge	\$ 18.50	\$ 17.50	\$ 16.40
Quarterly Service Charge	40.50	36.65	32.80
First 1,500 CF (Per 100 CF)	4.77	4.65	4.53
Next 163,500 CF (Per 100 CF)	4.44	4.19	3.94
Cost for 4,000 gallons (monthly)	\$ 38.78	\$ 36.86	\$ 34.94
Cost for 4,000 gallons (quarterly)	\$ 116.34	\$ 110.59	\$ 104.83
Increase %	5.2%	5.5%	
Affordability Index (Rate/MHI)	0.8%	0.8%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 242,910 with a Median Household Income (MHI) of \$54,429. The median household income for the Commonwealth is \$48,392. The project will qualify for a 1.5% interest rate because it is a regional provider.

Population			County Unemployment	
Year	County	% Change	Date	Rate
1980	137,058		June 2005	5.4%
1990	142,031	3.6%	June 2010	9.6%
2000	151,464	6.6%	June 2015	4.6%
2010	159,720	5.5%	June 2019	4.0%
Current	163,987	2.7%		
Cumulative %		19.6%		

VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - The Drinking Water capitalization grant does not contain a "green" requirement.
- 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 December 30, 2016 through December 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

Revenues have increased 5.2% from \$52.6 million in 2016 to \$55.3 million in 2018. Revenue increases can be attributed to both rate increases and increased water sales during the observed time period. Operating expenses have increased 7.7% from \$24.2 million to \$26.1 million during the same time period. Expense increases are a result of increased cost for both materials and services needed for the efficient operation of the District. The debt coverage ratio averaged 1.4 from 2016-2018 with a slight dip in 2018 as the District paid off two KIA loans (F06-03 and C08-01). The 2018 debt service coverage was adjusted due to inflated principal payments recorded in the cash flows for the 2017 Bond Anticipation Note in order to reflect a more accurate number.

The 2018 balance sheet reflects a current ratio of 1.4, a debt to equity ratio of 1.3, and 13.1 months operating expenses in unrestricted cash. Days sales in accounts receivable is 76.7 as the District does 80-90% of their billing on a quarterly basis as a savings measure.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase approximately 5.2% in 2019 and 5.5% in 2020 as a result of previously approved rate increases through the PSC.
- 2) Expenses will increase 2% yearly for inflation.
- 3) Debt service coverage is 1.7 in 2023 when full principal and interest repayments begin.

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

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$400,000 total) of the final amount borrowed to be funded annually (\$20,000 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
Revenue Bonds Series 2011	\$ 24,505,000	2035
Revenue Bonds Series 2012	41,475,000	2027
Revenue Bonds Series 2013A	23,160,000	2038
Revenue Bonds Series 2013B	15,365,000	2028
Revenue Bonds Series 2014B	8,135,000	2029
Revenue Bonds Series 2016A	37,540,000	2031
RD Loan 91-02	1,741,000	2039
RD Loan 91-03	1,733,000	2057
BAN Series 2017 (i/a/o \$26m)	17,325,000	TBD
KIA Loan F06-03 (paid off)	0	2018
KIA Loan C08-01 (paid off)	0	2018
KIA Loan F08-07	2,882,619	2032
KIA Loan F09-02	18,321,443	TBD
KIA Loan F13-012 (i/a/o \$8m)	4,523,000	TBD
KIA Loan F14-015 (i/a/o \$4m)	3,471,489	2038
KIA Loan F15-011	3,460,901	2038
KIA Loan B15-003	1,328,896	2037
City of Taylor Mill, KY	0	2018
Kenton County Fiscal Court	100,000	TBD
Bond Premiums	8,118,162	
Total	\$ 213,185,510	

XI. CONTACTS

Legal Applicant	
Entity Name	Northern Kentucky Water District
Authorized Official	Lindsey Rechtin (CFO)
County	Kenton
Email	lrechtin@nkywater.org
Phone	859-426-2758
Address	PO Box 18640 Erlanger, KY 41018

Project Administrator

Name	Amy Kramer
Organization	Northern Kentucky Water District
Email	akramer@nkywater.org
Phone	859-426-2734
Address	PO Box 18640 Erlanger, KY 41018

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions and the following special conditions as a PSC regulated borrower:

- 1) The District will need to apply to the Public Service Commission (PSC), pursuant to KRS 278.300, for debt authorization for the \$8,000,000 million loan. This debt authorization application should include a forecast for meeting debt service projected through no less than 2025.
- 2) Prior to the assistance agreement being executed, the District must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020, from the PSC for any portion of the project that may require it, or provide an opinion from legal counsel or the staff of the PSC, or a declaratory order from the PSC, that a CPCN is not required for any portion of the assets to be constructed as part of the loan agreement.

NORTHERN KENTUCKY WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)

	Audited	Audited	Audited	Projected	Projected	Projected	Projected	Projected
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Balance Sheet								
Assets								
Current Assets	35,487,870	43,951,684	45,915,129	48,769,264	52,308,818	55,695,237	58,750,844	61,645,303
Other Assets	399,032,235	423,574,202	407,191,337	395,016,982	394,546,441	400,348,758	405,254,972	404,491,602
Total	<u>434,520,105</u>	<u>467,525,886</u>	<u>453,106,466</u>	<u>443,786,246</u>	<u>446,855,259</u>	<u>456,043,995</u>	<u>464,005,816</u>	<u>466,136,905</u>
Liabilities & Equity								
Current Liabilities	15,245,926	15,690,622	32,611,969	15,216,727	15,839,947	15,128,653	15,960,073	16,802,974
Long Term Liabilities	236,462,599	263,757,630	220,953,441	179,756,117	165,678,335	157,356,647	148,223,739	133,243,530
Total Liabilities	<u>251,708,525</u>	<u>279,448,252</u>	<u>253,565,410</u>	<u>194,972,844</u>	<u>181,518,282</u>	<u>172,485,300</u>	<u>164,183,812</u>	<u>150,046,504</u>
Net Assets	<u>182,811,580</u>	<u>188,077,634</u>	<u>199,541,056</u>	<u>248,813,402</u>	<u>265,336,977</u>	<u>283,558,695</u>	<u>299,822,004</u>	<u>316,090,401</u>
Cash Flow								
Revenues	52,613,882	54,085,214	55,326,622	57,417,221	60,438,712	61,246,073	61,246,073	61,246,073
Operating Expenses	24,250,515	24,461,156	26,129,086	26,651,668	27,184,701	27,728,395	28,282,963	28,848,622
Other Income	941,278	1,292,078	2,121,812	2,121,812	2,121,812	2,121,812	2,121,812	2,121,812
Cash Flow Before Debt Service	<u>29,304,645</u>	<u>30,916,136</u>	<u>31,319,348</u>	<u>32,887,365</u>	<u>35,375,823</u>	<u>35,639,490</u>	<u>35,084,922</u>	<u>34,519,263</u>
Debt Service								
Existing Debt Service	19,873,250	20,084,194	24,325,370	20,812,692	20,851,550	19,555,394	19,564,650	19,562,482
Proposed KIA Loan	0	0	0	0	0	0	242,241	484,482
Total Debt Service	<u>19,873,250</u>	<u>20,084,194</u>	<u>24,325,370</u>	<u>20,812,692</u>	<u>20,851,550</u>	<u>19,555,394</u>	<u>19,806,891</u>	<u>20,046,964</u>
Cash Flow After Debt Service	<u>9,431,395</u>	<u>10,831,942</u>	<u>6,993,978</u>	<u>12,074,673</u>	<u>14,524,273</u>	<u>16,084,096</u>	<u>15,278,031</u>	<u>14,472,299</u>
Ratios								
Current Ratio	2.3	2.8	1.4	3.2	3.3	3.7	3.7	3.7
Debt to Equity	1.4	1.5	1.3	0.8	0.7	0.6	0.5	0.5
Days Sales in Accounts Receivable	79.7	81.1	76.7	76.7	76.7	76.7	76.7	76.7
Months Operating Expenses in Unrestricted Cash	9.0	12.5	13.1	13.9	14.9	16.0	17.0	17.9
Debt Coverage Ratio	1.5	1.5	1.3	1.6	1.7	1.8	1.8	1.7