

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

• **Fund A Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Loan Total</u>	<u>County</u>
A20-004	City of Pineville (Construction)	\$ 2,454,000	\$ 2,600,000	Bell
A20-018	City of Calvert City	\$ 2,908,500	\$ 2,908,500	Marshall
A20-019	City of Dawson Springs	\$ 1,000,000	\$ 1,000,000	Hopkins
A21-001	City of Lewisburg (Construction)	\$ 533,894	\$ 750,000	Logan

• **Fund B Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Loan Total</u>	<u>County</u>
B20-005	City of Bardstown	\$ 1,472,400	\$ 1,472,400	Nelson

• **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 (Increase)	\$ 15,000	\$ 315,000	Livingston

• **Fund F Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Loan Total</u>	<u>County</u>
F20-026	City of Whitesburg	\$ 1,100,000	\$ 1,100,000	Letcher

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND A, FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND		Reviewer	Sarah Parsley	
		Date	July 9, 2020	
		KIA Loan Number	A20-004	
		WRIS Number	SX21013003	
BORROWER		CITY OF PINEVILLE BELL COUNTY		
BRIEF DESCRIPTION				
The City of Pineville operates a combined sewer system (CSS) that contains two permitted combined sewer overflows (CSO) which discharge in the the Cumberland River. To comply with their Consent Judgement with KDOW, the CSS will have to be completely separated. This is the construction loan after the planning and design loan that will complete another phase in accomplishing this goal by separating the existing storm and sanitary sewers in the four block area surrounding Bell County Courthouse, around the Courthouse Square, and the side streets. The project constructs 4430 LF of sewer line and 4088 LF of storm sewers, inlets, curbs and gutters, and replacement of existing sidewalks.				
PROJECT FINANCING		PROJECT BUDGET		RD Fee % Actual %
Fund A Loan	\$2,454,000	Administrative Expenses		\$50,000
KIA P&D Loan (A18-027)	146,000	Legal Expenses		5,000
CDBG	1,000,000	Planning		15,000
		Eng - Design / Const	7.2%	6.8%
		Eng - Insp	5.2%	3.8%
	-	Construction		2,897,940
	-	Contingency		294,060
TOTAL	\$3,600,000	TOTAL		\$3,600,000
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$63,771
	Term	30 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Vaughn & Melton Consulting Engineers, Inc.		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Apr-21		
	Construction Start	Jun-21		
	Construction Stop	Mar-22		
DEBT PER CUSTOMER	Existing	\$8,576		
	Proposed	\$10,862		
OTHER DEBT		See Attached		
OTHER STATE-FUNDED PROJECTS LAST 5 YRS		See Attached		
RESIDENTIAL RATES		Users	Avg. Bill	
	Current	802	\$25.74 (for 4,000 gallons)	
	Additional	0	\$25.74 (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	853,071	472,247	380,824	1.8
Audited 2018	948,367	562,320	386,047	1.7
Audited 2019	609,096	551,594	57,502	1.1
Projected 2020	521,867	577,275	(55,408)	0.9
Projected 2021	722,532	522,067	200,466	1.4
Projected 2022	673,165	560,929	112,236	1.2
Projected 2023	671,869	607,456	64,413	1.1
Projected 2024	661,235	600,847	60,388	1.1

Reviewer: Sarah Parsley
Date: July 9, 2020
Loan Number: A20-004

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF PINEVILLE, BELL COUNTY
PROJECT REVIEW
SX21013003**

I. PROJECT DESCRIPTION

The City of Pineville is requesting a Fund A loan in the amount of \$2,454,000 for the Virginia Avenue/Courthouse Square Utility Replacements project. The purpose of this project is to separate the existing the storm and sanitary sewers in the four block area surrounding the Courthouse and the side streets.

The project consists of construction of approximately 4430 linear feet of gravity sewer line and 4088 linear feet of storm sewers, new storm sewer inlets, new curb and gutters, and replacement of existing sidewalks. This project is being funded with a previous planning and design loan as well as CDBG funds. This project will be funded for 30 years and is necessary to satisfy agreed order DOW CS 060162.

The City of Pineville serves 802 customers in Bell County.

II. PROJECT BUDGET

Administrative Expenses	\$	50,000
Legal Expenses		5,000
Planning		15,000
Engineering Fees - Design		174,000
Engineering Fees - Construction		44,000
Engineering Fees - Inspection		120,000
Construction		2,897,940
Contingency		294,060
Total	\$	3,600,000

III. PROJECT FUNDING

Fund A Loan	\$2,454,000	68%
KIA P&D Loan (A18-027)	146,000	4%
CDBG	1,000,000	28%
Total	\$3,600,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$2,600,000
Less: Principal Forgiveness	<u>919,050</u>
Amortized Loan Amount	\$1,680,950
Interest Rate	0.50%
Loan Term (Years)	<u>30</u>
Estimated Annual Debt Service	\$ 60,409
Administrative Fee (0.20%)	<u>3,362</u>
Total Estimated Annual Debt Service	\$ 63,771

V. PROJECT SCHEDULE

Bid Opening	April 1, 2021
Construction Start	June 1, 2021
Construction Stop	March 1, 2022

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	Current	Proposed	Total
Residential	723	0	723
Commercial	79	0	79
Industrial	0	0	0
Total	<u>802</u>	<u>0</u>	<u>802</u>

B) Rates

	Current	Prior
Date of Last Rate Increase	<u>07/01/14</u>	<u>07/01/13</u>
Minimum	\$8.22	\$7.68
Next 9,000 Gallons	5.84	5.46
Over 10,000 Gallons	5.55	5.19
Cost for 4,000 gallons	<u>\$25.74</u>	<u>\$24.06</u>
Increase %	7.0%	
Affordability Index (Rate/MHI)	1.4%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 3,106 with a Median Household Income (MHI) of \$21,683. The median household income for the Commonwealth is \$46,535. The project will qualify for a 0.5% interest rate.

Year	Population		County	% Change	Unemployment	
	City	% Change			Date	Rate
1980	2,599		34,330		June 2005	8.0%
1990	2,198	-15.4%	31,506	-8.2%	June 2010	12.7%
2000	2,093	-4.8%	30,060	-4.6%	June 2015	8.5%
2010	1,732	-17.2%	28,691	-4.6%	June 2018	7.4%
Current	1,734	0.1%	26,032	-9.3%		
Cumulative %		-33.3%		-24.2%		

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 qualifies for additional subsidization. Principal forgiveness of \$919,500 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. 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 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 have decreased 6.8% from 2017 to 2019. This decrease was caused by two major customers closing during that time frame. Pineville Community Healthcare was restructured from 300 employees down to 60 employees. At the same

time, Rock Hampton Energy, a mining company, filed for bankruptcy in October 2019. The hospital will continue to be partially staffed but the mining company has reopened and income is expected to return to levels in previous years from the mining company. The City is also in the process of bringing a Wildlife Reserve Park, slated to open in spring 2022, which is expected to generate at least \$36,000-\$70,000 additional revenues. During the analysis, the City was very conservative with the estimates of increased revenue so we used the conservative figures.

The Utility has also been sending money to the City of Pineville in order to help out with the loss of hospital revenue. This amount has been \$10,000 monthly but has recently decreased to \$5,000 monthly. The Utility can suspend these payments if they find themselves in need of the funds.

Total operating expenses stayed pretty constant between 2017 to 2019 with only a \$1,682 decrease from 2017 to 2019.

The 2019 balance sheet reflects a current ratio of 1.0, a debt to equity ratio of 1.0, 48 days sales in accounts receivable, and 0.5 months operating expenses in unrestricted cash. The debt coverage ratio from 2017 to 2019 was 1.8, 1.7, and 1.1 respectively.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase after factoring in the addition of \$40,000 annually for the collection of city garbage fees, the mining company reopening, and the hospital reopening partially. The animal park is slated to open in the spring of 2022 and is expected to generate at least \$36,000 annually as well. An increase in revenue of 1% in 2023 and 1.5% in 2024 (in addition to the projected increases) will be needed to maintain the required debt coverage ratio unless revenues increase more than expected at this time.
- 2) Expenses will increase 2% per year for inflation. There has also been a payroll expense reduction of \$140,000 factored in. This decrease is expected to be permanent.
- 3) Debt service coverage is 1.11 in 2023 after the recommended revenue increases 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% (\$129,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$4,300 yearly) each December 1 for 30 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

Debt Issue	Outstanding	Maturity (Fiscal Year)
KIA Loan (A209-05)	706,208	2032
KIA Loan (F01-03)	25,196	2021
KIA Loan (A11-051) \$300,486 remaining	489,553	2038
KIA Loan (F115-016)	-	2022
KIA Loan (B16-003)	247,948	2036
KIA Loan (B13-003)	1,218,585	2036
KIA Loan (F18-003)	172,764	TBD
KIA Loan A18-027 (P&D i/a/o \$146,000)	69,000	TBD
Home Federal Bank (LOC \$250k)		
First State Bank (Vehicle)	90,687	2020
KRWFC Bond Series 2012	3,187,917	2040
KRWFC Bond Series 2016C	670,000	2042
Total	6,877,858	

XI. CONTACTS**Legal Applicant**

Entity Name	City of Pineville
Authorized Official	David Scott Madon (Mayor)
County	Bell
Email	pinevillemayor@gmail.com
Phone	(606) 337-2958
Address	PO Box 688, 300 Virginia Ave Pineville, KY 40977

Applicant Contact

Name	Robert Roan
Organization	Pineville Utility Commission
Email	robert.roan@mypuc.org
Phone	(606) 337-6611
Address	PO Box 277 Pineville, KY 40977

Project Administrator

Name	Robert Roan
Organization	Pineville Utility Commission
Email	robert.roan@mypuc.org
Phone	(606) 337-6611
Address	PO Box 277 Pineville, KY 40977

Consulting Engineer

PE Name	Mitchel Brunisma
Firm Name	Vaughn & Melton Consulting Engineers, Inc.
Email	mlbrunisma@vaughnmelton.com
Phone	(606) 248-6600
Address	109 South 24th Street, PO Box 1425 Middlesboro, KY 40965

XII. RECOMMENDATIONS

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

1. The City of Pineville will increase revenues by either instituting a rate increase ordinance that phases in rates over the time period of 2022 through 2024, or consider doing a CPI increase ordinance beginning in 2022. They will need to have a rate ordinance, effective no later than January 1, 2022 that raises sufficient revenues in place before we process the loan.

CITY OF PINEVILLE	Water Rev +/-	-3%	-4%	0%	4%	0%	1%	1%
CASH FLOW ANALYSIS (JUNE YEAR END)	Sewer Rev +/-	142%	-31%	0%	0%	0%	0%	0%
	2017	2018	2019	2020	2021	2022	2023	2024
	Audited	Audited	Audited	Projected	Projected	Projected	Projected	Projected
Operating Revenues	2017	2018	2019	2020	2021	2022	2023	2024
Sales and Service Charges	3,816,523	3,706,945	3,556,316	3,556,316	3,682,316	3,682,316	3,719,139	3,774,926
Penalties	96,814	234,628	161,848	161,848	161,848	161,848	161,848	161,848
Other Operating Revenues	111,845	55,457	73,733	73,733	73,733	73,733	73,733	73,733
Other						9,000	36,000	36,000
Total Revenues	4,025,182	3,997,030	3,791,897	3,791,897	3,917,897	3,926,897	3,990,720	4,046,507
		109,578	150,629	260,207				
Operating Expenses	OpExp +/-	-4.0%	4.1%	2.0%	-2.3%	2.0%	2.0%	2.0%
Purchased Water (or Treatment) Cost	9,486	8,292	8,141	8,141	8,141	8,141	8,141	8,141
Operating Expenses	3,204,395	3,075,809	3,202,713	3,266,767	3,192,102	3,255,944	3,321,063	3,387,484
Depreciation	856,065	889,778	916,790	916,790	916,790	1,006,790	1,006,790	1,006,790
Replacement Reserve	0			23,175	23,175	17,700	17,700	17,700
Total Expenses	4,069,946	3,973,879	4,127,644	4,214,873	4,140,208	4,288,575	4,353,694	4,420,115
Net Operating Income	(44,764)	23,151	(335,747)	(422,976)	(222,311)	(361,678)	(362,974)	(373,608)
Non-Operating Income and Expenses								
Interest Income	41,770	35,438	28,053	28,053	28,053	28,053	28,053	28,053
Other				0	0	0	0	0
Total Non-Operating Income & Expenses	41,770	35,438	28,053	28,053	28,053	28,053	28,053	28,053
Add Non-Cash Expenses								
Depreciation	856,065	889,778	916,790	916,790	916,790	1,006,790	1,006,790	1,006,790
Cash Available for Debt Service	853,071	948,367	609,096	521,867	722,532	673,165	671,869	661,235
Debt Service								
Existing Principal	287,877	370,732	367,280	405,959	322,418	321,636	324,897	324,964
Existing Interest	184,370	191,588	184,314	171,316	164,958	156,912	149,407	142,731
Proposed KIA Loan (A20-004)						13,000	63,771	63,771
KIA Loan F18-003					34,691	69,381	69,381	69,381
Total Debt Service	472,247	562,320	551,594	577,275	522,067	560,929	607,456	600,847
Income After Debt Service	380,824	386,047	57,502	(55,408)	200,466	112,236	64,413	60,388
Debt Coverage Ratio	1.81	1.69	1.10	0.90	1.38	1.20	1.11	1.10

CITY OF PINEVILLE
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	1,790,621	1,806,035	1,250,256	1,194,877	1,412,043	1,525,479	1,598,392	1,666,180
Other Assets	22,093,179	22,503,250	22,014,520	21,097,730	26,104,530	25,097,740	24,090,950	23,084,160
Total	23,883,800	24,309,285	23,264,776	22,292,607	27,516,573	26,623,219	25,689,342	24,750,340
Liabilities & Equity								
Current Liabilities	2,097,856	1,069,919	1,272,221	949,358	951,776	958,237	961,604	963,254
Long Term Liabilities	8,398,347	10,041,785	10,201,024	9,878,606	12,683,001	12,358,104	12,033,140	11,709,926
Total Liabilities	10,496,203	11,111,704	11,473,245	10,827,964	13,634,777	13,316,341	12,994,744	12,673,180
Net Assets	13,387,597	13,197,581	11,791,531	11,464,643	13,881,796	13,306,878	12,694,598	12,077,160
Cash Flow								
Revenues	4,025,182	3,997,030	3,791,897	3,791,897	3,917,897	3,926,897	3,990,720	4,046,507
Operating Expenses	3,213,881	3,084,101	3,210,854	3,298,083	3,223,418	3,281,785	3,346,904	3,413,325
Other Income	41,770	35,438	28,053	28,053	28,053	28,053	28,053	28,053
Cash Flow Before Debt Service	853,071	948,367	609,096	521,867	722,532	673,165	671,869	661,235
Debt Service								
Existing Debt Service	472,247	562,320	551,594	577,275	522,067	560,929	607,456	600,847
Proposed KIA Loan	0	0	0	0	0	0	0	0
Total Debt Service	472,247	562,320	551,594	577,275	522,067	560,929	607,456	600,847
Cash Flow After Debt Service	380,824	386,047	57,502	(55,408)	200,466	112,236	64,413	60,388
Ratios								
Current Ratio	0.9	1.7	1.0	1.3	1.5	1.6	1.7	1.7
Debt to Equity	0.7	0.8	1.0	0.9	1.0	1.0	1.0	1.0
Days Sales in Accounts Receivable	49.6	73.6	48.4	48.4	48.4	48.4	48.4	48.4
Months Operating Expenses in Unrestricted Cash	2.5	1.2	0.5	0.2	1.0	1.4	1.6	1.8
Debt Coverage Ratio	1.8	1.7	1.1	0.9	1.4	1.2	1.1	1.1

EXECUTIVE SUMMARY		Reviewer		Meili Sun	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		August 6, 2020	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number		A20-018	
REVOLVING LOAN FUND		WRIS Number		SX21157039	
BORROWER		CITY OF CALVERT CITY MARSHALL COUNTY			
BRIEF DESCRIPTION					
This project will rehabilitate the influent lift station and headworks for the wastewater treatment plant, improve the disinfection, aeration and mixing systems, upgrade the SCADA and control system, and replace the outfall diffuser in the Tennessee River.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund A Loan	\$2,908,500	Administrative Expenses			\$30,000
		Legal Expenses			3,000
		Eng - Design / Const	7.4%	7.1%	180,700
		Eng - Insp	4.3%	4.1%	105,000
		Eng - Other			42,800
		Construction			2,316,000
		Contingency			231,000
TOTAL	\$2,908,500	TOTAL			\$2,908,500
REPAYMENT	Rate	1.50%	Est. Annual Payment		\$174,685
	Term	20 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Rivercrest Engineering			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	Jan-21			
	Construction Start	Apr-21			
	Construction Stop	Mar-22			
DEBT PER CUSTOMER	Existing	\$1,304			
	Proposed	\$4,266			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS		See Attached			
RESIDENTIAL RATES		Users	Avg. Bill		
	Current	1,019	\$37.12 (for 4,000 gallons)		
	Additional	0	\$37.12 (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	332,675	156,966	175,709		2.1
Audited 2018	211,517	172,206	39,311		1.2
Audited 2019	471,789	176,927	294,862		2.7
Projected 2020	711,909	176,961	534,948		4.0
Projected 2021	723,763	225,249	498,514		3.2
Projected 2022	739,907	158,838	581,069		4.7
Projected 2023	746,397	272,035	474,362		2.7
Projected 2024	760,462	271,946	488,516		2.8

Reviewer: Meili Sun
Date: August 6, 2020
Loan Number: A20-018

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CALVERT CITY, MARSHALL COUNTY
PROJECT REVIEW
SX21157039**

I. PROJECT DESCRIPTION

Calvert City ("City") is requesting a Fund A loan in the amount of \$2,908,500 for the WWTP Influent Lift Station and Plant Improvements project. This project will rehabilitate the influent lift station and headworks for the wastewater treatment plant, improve the disinfection, aeration and mixing systems, upgrade the SCADA and control system, and replace the outfall diffuser in the Tennessee River.

The City is currently under an Agreed Order issued by the Kentucky Department for Environmental Protection to upgrade its wastewater collection and treatment facilities. The work associated with this project has been identified as necessary in the Corrective Action Plan to restore the ability to comply with the terms of the KPDES permit.

The City treats wastewater for approximately 1,000 retailer customers and supplies drinking water to 1,700 retail customers in the City and Marshall County.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 30,000
Legal Expenses	3,000
Engineering Fees – Design & Construction	180,700
Engineering Fees – Inspection	105,000
Engineering Fees – Other	42,800
Construction	2,316,000
Contingency	231,000
Total	\$ 2,908,500

III. PROJECT FUNDING

	Amount	%
KIA Fund A Loan	\$ 2,908,500	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 2,908,500
Less: Principal Forgiveness	0
Amortized Loan Amount	<u>\$ 2,908,500</u>
Interest Rate	1.50%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 168,868
Administrative Fee (0.20%)	<u>5,817</u>
Total Estimated Annual Debt Service	\$ 174,685

V. PROJECT SCHEDULE

Bid Opening	January 2021
Construction Start	April 2021
Construction Stop	March 2022

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	<u>Current</u>
Residential	882
Commercial	133
Industrial/Institutional	<u>4</u>
Total	1,019

B) Rates

	Sewer Inside City		
	<u>Current</u>	<u>Prior</u>	<u>Prior</u>
Date of Last Rate Increase	01/01/20	01/01/19	01/01/18
Minimum 2,000 Gallons	\$15.91	\$15.41	\$14.87
Over 2,000 Gallons	<u>7.07</u>	<u>6.85</u>	<u>6.61</u>
Cost for 4,000 gallons	\$37.12	\$35.96	\$28.09
Increase %	3.2%	28.0%	
Affordability Index (Rate/MHI)	0.8%	0.8%	0.6%

Sewer Outside City			
	Current	Prior	Prior
Date of Last Rate Increase	01/01/20	01/01/19	01/01/18
Minimum 2,000 Gallons	\$23.85	\$23.09	\$22.29
Over 2,000 Gallons	10.65	10.31	9.95
Cost for 4,000 gallons	\$55.80	\$54.02	\$42.19
Increase %	3.3%	28.0%	
Affordability Index (Rate/MHI)	1.2%	1.2%	0.9%

Water Inside City			
	Current	Prior	Prior
Date of Last Rate Increase	01/01/20	01/01/19	01/01/18
Minimum 2,000 Gallons	\$10.17	\$9.85	\$9.51
Next 5,000 Gallons	2.91	2.82	2.72
Cost for 4,000 gallons	\$18.90	\$18.31	\$14.95
Increase %	3.2%	22.5%	
Affordability Index (Rate/MHI)	0.4%	0.4%	0.3%

Water Outside City			
	Current	Prior	Prior
Date of Last Rate Increase	01/01/20	01/01/19	01/01/18
Minimum 2,000 Gallons	\$15.31	\$14.83	\$14.31
Next 5,000 Gallons	4.42	4.28	4.13
Cost for 4,000 gallons	\$28.57	\$27.67	\$22.57
Increase %	3.3%	22.6%	
Affordability Index (Rate/MHI)	0.6%	0.6%	0.5%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 2,424 with a Median Household Income (MHI) of \$54,234. The median household income for the Commonwealth is \$46,535. The City will qualify for a 20-year term at 1.50% interest rate for being under an Agreed Order.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	2,388		25,637		June 2005	6.5%
1990	2,531	6.0%	27,205	6.1%	June 2010	9.8%
2000	2,701	6.7%	30,125	10.7%	June 2015	5.3%
2010	2,566	-5.0%	31,448	4.4%	June 2019	5.0%
Current	2,519	-1.8%	31,177	-0.9%		
Cumulative %		5.5%		21.6%		

VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

Additional Subsidization – This project qualifies 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 non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Accounting and Financial Reporting for 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

Consolidated water and sewer revenues increased 23.4% from \$1.63 million in 2017 to \$2.01 million in 2019 due to a combination of previously approved water and sewer rate increases, meter replacements, and industrial sales volume growth. Operating expenses increased 18.3% from \$1.31 million to \$1.55 million during the same period attributable to higher treatment, maintenance, and utility costs associated with volume increase. The debt coverage ratio was 0.9, 1.3, and 1.6 in 2017, 2018, and 2019 respectively.

The balance sheet reflects a current ratio of 4.3, a debt to equity ratio of 0.2, 49.3 days of sales in accounts receivable, and 8.5 months operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues will go up 14% and sewer 11% based on the approved rate increases that took effect on January 1, 2019.
- 2) The City will continue to apply the CPI adjustments to both water and sewer rates annually.
- 3) Operating expenses will increase 2% each year for inflation.
- 4) Debt service coverage is 2.7 in 2023 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% (\$146,000 total) of the final amount borrowed to be funded annually (\$7,300 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
KY League of Cities Lease	\$ 280,000	2022
KIA Loan A209-07	317,220	2031
KIA Loan B17-004	436,864	2037
KIA Loan B19-001 i.a.o. \$542,900		TBD
Total	\$ 1,034,093	

XI. CONTACTS

Legal Applicant	
Name	City of Calvert City
Address	PO Box 36 Calvert City, KY 42029
County	Marshall
Authorized Official	Lynn Jones, Mayor
Phone	(270) 395-4124
Email	mayorjones@gmail.com

Project Contact - Applicant

Name	Glenda Adair, City Clerk
Organization	City of Calvert City
Address	PO Box 36 Calvert City, KY 42029
Phone	(270) 395-7138
Email	gadair@calvertcity.com

Project Administrator

Name	Roger Colburn, General Manager
Organization	City of Calvert City
Address	PO Box 36 Calvert City, KY 42029
Phone	(270) 395-7138
Email	rcolburn@calvertcity.com

Consulting Engineer

Name	Charles McCann
Firm	Rivercrest Engineering
Address	7020 U.S. Highway 68 W. Paducah, KY 42003
Phone	(618) 521-5421
Email	cmccan@rivercresteng.com

XII. RECOMMENDATIONS

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

CITY OF CALVERT CITY
CASH FLOW ANALYSIS (JUNE YEAR END)

	2017	2018	2019	2020	2021	2022	2023	2024
	Audited 2017	Audited 2018	Audited 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Operating Revenues								
Water and Sewer Revenues	1,575,647	1,770,817	1,964,775	2,239,844	2,284,641	2,330,334	2,376,941	2,424,480
Penalties and Service Charges	51,242	73,512	42,785	42,785	42,785	42,785	42,785	42,785
Other								
Total Revenues	1,626,889	1,844,329	2,007,560	2,282,629	2,327,426	2,373,119	2,419,726	2,467,265
Operating Expenses								
Purchased Water (or Treatment) Cost								
Operating Expenses	1,306,770	1,640,873	1,546,218	1,577,142	1,608,685	1,640,859	1,673,676	1,707,150
Depreciation	479,634	501,755	532,805	532,805	546,378	619,091	619,091	619,091
Replacement Reserve	0			4,025	5,425	2,800	10,100	10,100
Total Expenses	1,786,404	2,142,628	2,079,023	2,113,972	2,160,488	2,262,750	2,302,867	2,336,341
Net Operating Income	(159,515)	(298,299)	(71,463)	168,657	166,939	110,370	116,860	130,925
Non-Operating Income and Expenses								
Interest Income	12,531	9,320	9,445	9,445	9,445	9,445	9,445	9,445
Service Fees	(5,002)	(6,156)	(4,430)	(4,430)	(4,430)	(4,430)	(4,430)	(4,430)
Rental & Miscellaneous Income	5,027	4,897	5,432	5,432	5,432	5,432	5,432	5,432
Total Non-Operating Income & Expenses	12,556	8,061	10,447	10,447	10,447	10,447	10,447	10,447
Add Non-Cash Expenses								
Depreciation	479,634	501,755	532,805	532,805	546,378	619,091	619,091	619,091
Cash Available for Debt Service	332,675	211,517	471,789	711,909	723,763	739,907	746,397	760,462
Debt Service								
Existing Principal	115,416	129,083	139,572	140,723	161,907	103,126	44,380	45,671
Existing Interest	41,550	43,123	37,355	36,238	29,188	21,558	18,816	17,436
Proposed KIA Loan							174,685	174,685
KIA Loan B19-001					34,154	34,154	34,154	34,154
Total Debt Service	156,966	172,206	176,927	176,961	225,249	158,838	272,035	271,946
Income After Debt Service	175,709	39,311	294,862	534,948	498,514	581,069	474,362	488,516
Debt Coverage Ratio	2.1	1.2	2.7	4.0	3.2	4.7	2.7	2.8

CITY OF CALVERT CITY
FINANCIAL SUMMARY (JUNE YEAR END)

	<u>Audited</u> <u>2017</u>	<u>Audited</u> <u>2018</u>	<u>Audited</u> <u>2019</u>	<u>Projected</u> <u>2020</u>	<u>Projected</u> <u>2021</u>	<u>Projected</u> <u>2022</u>	<u>Projected</u> <u>2023</u>	<u>Projected</u> <u>2024</u>
Balance Sheet								
Assets								
Current Assets	1,844,039	1,437,748	1,488,446	1,632,536	1,738,238	1,860,652	1,961,825	2,065,928
Other Assets	12,504,847	12,763,336	13,049,949	12,949,127	13,349,886	16,106,951	15,877,450	15,659,272
Total	<u>14,348,886</u>	<u>14,201,084</u>	<u>14,538,395</u>	<u>14,581,663</u>	<u>15,088,125</u>	<u>17,967,603</u>	<u>17,839,275</u>	<u>17,725,200</u>
Liabilities & Equity								
Current Liabilities	286,920	243,305	346,518	370,036	340,800	429,979	433,770	437,699
Long Term Liabilities	1,886,426	2,225,937	2,551,106	2,389,199	2,801,828	5,493,378	5,275,137	5,055,567
Total Liabilities	<u>2,173,346</u>	<u>2,469,242</u>	<u>2,897,624</u>	<u>2,759,235</u>	<u>3,142,628</u>	<u>5,923,357</u>	<u>5,708,907</u>	<u>5,493,266</u>
Net Assets	<u>12,175,540</u>	<u>11,731,842</u>	<u>11,640,771</u>	<u>11,822,428</u>	<u>11,945,497</u>	<u>12,044,246</u>	<u>12,130,368</u>	<u>12,231,934</u>
Cash Flow								
Revenues	1,626,889	1,844,329	2,007,560	2,282,629	2,327,426	2,373,119	2,419,726	2,467,265
Operating Expenses	1,306,770	1,640,873	1,546,218	1,581,167	1,614,110	1,643,659	1,683,776	1,717,250
Other Income	12,556	8,061	10,447	10,447	10,447	10,447	10,447	10,447
Cash Flow Before Debt Service	<u>332,675</u>	<u>211,517</u>	<u>471,789</u>	<u>711,909</u>	<u>723,763</u>	<u>739,907</u>	<u>746,397</u>	<u>760,462</u>
Debt Service								
Existing Debt Service	156,966	172,206	176,927	176,961	225,249	158,838	97,350	97,261
Proposed KIA Loan	0	0	0	0	0	0	174,685	174,685
Total Debt Service	<u>156,966</u>	<u>172,206</u>	<u>176,927</u>	<u>176,961</u>	<u>225,249</u>	<u>158,838</u>	<u>272,035</u>	<u>271,946</u>
Cash Flow After Debt Service	<u>175,709</u>	<u>39,311</u>	<u>294,862</u>	<u>534,948</u>	<u>498,514</u>	<u>581,069</u>	<u>474,362</u>	<u>488,516</u>
Ratios								
Current Ratio	6.4	5.9	4.3	4.4	5.1	4.3	4.5	4.7
Debt to Equity	0.2	0.2	0.2	0.2	0.3	0.5	0.5	0.4
Days Sales in Accounts Receivable	56.5	59.0	49.3	49.3	49.3	49.3	49.3	49.3
Months Operating Expenses in Unrestricted Cash	14.0	7.9	8.5	9.1	9.7	10.3	10.8	11.3
Debt Coverage Ratio	2.1	1.2	2.7	4.0	3.2	4.7	2.7	2.8

EXECUTIVE SUMMARY		Reviewer		Meili Sun
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		August 6, 2020
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number		A20-019
REVOLVING LOAN FUND		WRIS Number		SX21107025
BORROWER		CITY OF DAWSON SPRINGS HOPKINS COUNTY		
BRIEF DESCRIPTION				
This is a two-prong approach to solving the problems that exist within the City's wastewater system. The collection system improvement portion involves an SSES investigation phase followed by a rehabilitation (construction) phase. The WWTP portion includes clarifier improvements, bar screen and scrapper mechanism replacement, grit removal equipment, and cleaning and repair of the effluent line. The purpose of the project is to improve sewer lines and reduce inflow and infiltration.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$1,000,000	Administrative Expenses	RD Fee %	Actual %
CDBG	1,000,000	Legal Expenses		
DRA	408,000	Planning		
		Eng - Design / Const	7.8%	7.8%
		Eng - Insp	5.2%	5.0%
		Construction		
		Contingency		
TOTAL	\$2,408,000	TOTAL		\$2,408,000
REPAYMENT	Rate	0.50%	Est. Annual Payment	
	Term	30 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	GRW Engineers		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Sep-20		
	Construction Start	Dec-20		
	Construction Stop	Sep-21		
DEBT PER CUSTOMER	Existing	\$2,702		
	Proposed	\$2,805		
OTHER DEBT	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	845	\$35.85 (for 4,000 gallons)	
	Additional	0	\$35.85 (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	232,338	246,329	(13,991)	0.9
Audited 2018	288,253	226,052	62,201	1.3
Audited 2019	322,390	207,378	115,012	1.6
Projected 2020	456,143	203,296	252,847	2.2
Projected 2021	433,824	201,070	232,754	2.2
Projected 2022	405,653	208,623	197,030	1.9
Projected 2023	383,323	222,196	161,127	1.7
Projected 2024	354,014	219,658	134,356	1.6

Reviewer: Meili Sun
Date: August 6, 2020
Loan Number: A20-019

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF DAWSON SPRINGS, HOPKINS COUNTY
PROJECT REVIEW
SX21107025**

I. PROJECT DESCRIPTION

The City of Dawson Springs is requesting a Fund A loan in the amount of \$1,000,000 for the Sanitary Sewer Rehab and Wastewater Treatment Plant Improvements project. This project is a two-prong approach to solving the problems that exist within the City's wastewater system. The collection system improvement portion involves an SSES investigation phase followed by a rehabilitation (construction) phase. The WWTP portion includes clarifier improvements, bar screen and scrapper mechanism replacement, grit removal equipment, and cleaning and repair of the effluent line. These efforts will address an Agreed Order issued by the Kentucky Department for Environmental Protection and bring the system in compliance with the KPDES permit.

The City serves approximately 800 sewer customers and 950 water customers while providing wholesale water to the South Hopkins Water District. The Agreement between the City and the District expires in 2069 and permits rate adjustments every two years beginning in 2021 subject to the PSC approval.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 50,000
Legal Expenses	5,000
Planning	280,000
Engineering Fees - Design	115,000
Engineering Fees - Construction	29,000
Engineering Fees - Inspection	92,600
Construction	1,768,000
Contingency	68,400
Total	\$ 2,408,000

III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 1,000,000	42%
CDBG	1,000,000	42%
Delta Regional Authority	408,000	16%
Total	\$ 2,408,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,000,000
Less: Principal Forgiveness	475,500
Amortized Loan Amount	\$ 524,500
Interest Rate	0.50%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 18,849
Administrative Fee (0.20%)	1,049
Total Estimated Annual Debt Service	\$ 19,898

V. PROJECT SCHEDULE

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

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	Current
Residential	717
Commercial	101
Institutional	27
Total	845

B) Rates

	Sewer Inside & Outside City		
	Current	Prior	Prior
Date of Last Rate Increase	01/01/19	08/01/17	06/01/14
First 267 Per Cubic Foot	\$18.80	\$16.35	\$15.72
Next 401 Per Cubic Foot	0.06370	0.05540	0.05330
Next 2,006 Per Cubic Foot	0.05740	0.04990	0.04800
Cost for 4,000 gallons	\$35.85	\$31.18	\$29.99
Increase %	15.0%	4.0%	
Affordability Index (Rate/MHI)	1.8%	1.5%	1.5%

	Water Inside & Outside City		
	Current	Prior	Prior
Date of Last Rate Increase	01/01/19	08/01/17	06/01/14
First 267 Per Cubic Foot	\$15.44	\$15.15	\$14.84
Next 401 Per Cubic Foot	0.04994	0.04896	0.04800
Next 2,006 Per Cubic Foot	0.04214	0.04131	0.04050
Cost for 4,000 gallons	\$28.81	\$28.26	\$27.69
Increase %	2.0%	2.0%	
Affordability Index (Rate/MHI)	1.4%	1.4%	1.4%

	07/01/19	07/01/14
Wholesale per 1,000 gallons	2.19	1.87
	17.1%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 2,674 with a Median Household Income (MHI) of \$24,198. The median household income for the Commonwealth is \$46,535. The project will qualify for a 30-year term at 0.50% interest rate.

Year	Population		County	% Change	Unemployment	
	City	% Change			Date	Rate
1980	3,275		46,174		June 2005	6.0%
1990	3,129	-4.5%	46,126	-0.1%	June 2010	9.7%
2000	2,980	-4.8%	46,519	0.9%	June 2015	6.1%
2010	2,764	-7.2%	46,920	0.9%	June 2019	5.1%
Current	2,711	-1.9%	45,985	-2.0%		
Cumulative %		-17.2%		-0.4%		

VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$475,500 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 for the Waterworks and Sewer System. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Accounting and Financial Reporting for 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 16.3% from \$1.44 million in 2017 to \$1.68 in 2019 due to previously approved water and sewer rate increases. Wholesale water revenues to South Hopkins Water District increased 30.4% or \$200,000 from volume increase related to the escalated water losses in the District. Operating expenses increased 12.0% from \$1.21 million to \$1.35 million during the same period attributable to higher treatment costs for the increased wholesale volume. The debt coverage ratio was 0.9, 1.3, and 1.6 in 2017, 2018, and 2019 respectively.

The balance sheet reflects a current ratio of 1.4, a debt to equity ratio of 0.7, 36.3 days of sales in accounts receivable, and 1.4 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Retail water and sewer revenues will continue to grow from the rate increases effective January 1, 2019.
- 2) Wholesale water revenues will go up 17% for a rate increase approved by the PSC to take effect on July 1, 2019.
- 3) Wholesale volume may decrease as the South Hopkins Water District improves the water loss control, which is expected to be offset by a combination of declined operating costs and periodic rate adjustments.
- 4) Expenses will increase 2% each year for inflation.
- 5) Debt service coverage is 1.9 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% (\$50,000 total) of the final amount borrowed to be funded annually (\$2,500 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KRWFC 2012C	\$ 603,615	2028
KIA Loan F209-12	584,808	2031
KIA Loan B14-012	244,373	2036
2004 Revenue Bonds	386,000	2044
2007 Revenue Bonds	464,000	2046
Total	\$ 2,282,796	

XI. CONTACTS

Legal Applicant

Name	City of Dawson Springs
Authorized Official	Chris Smiley, Mayor
County	Hopkins
Email	mayor@dawsonspringsky.com
Phone	(270) 871-5526
Address	200 West Arcadia Ave, PO 345 Dawson Springs, KY 42408

Project Contact - Applicant

Name	Michael Midkiff
Organization	Dawson Springs Water and Sewer
Email	dawsoncitywater@bellsouth.net
Phone	(270) 797-2844
Address	200 West Arcadia Avenue Dawson Springs, KY 42408

Project Administrator

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

Consulting Engineer

PE Name	James Hilborn
Firm Name	GRW Engineers
Email	jhilborn@grwinc.com
Phone	(615) 366-1600
Address	404 BNA Drive, Suite 201 Nashville, TN 37217

XII. RECOMMENDATIONS

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

CITY OF DAWSON SPRINGS
CASH FLOW ANALYSIS (JUNE YEAR END)

	2017	2018	2019	2020	2021	2022	2023	2024
	Audited 2017	Audited 2018	Audited 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Operating Revenues								
Water Revenues	392,687	393,193	389,901	393,800	393,800	393,800	393,800	393,800
Wholesale Water	638,799	737,913	832,744	975,143	975,143	975,143	975,143	975,143
Sewer Revenues	377,431	395,780	426,876	458,892	458,892	458,892	458,892	458,892
Other	31,778	28,061	25,754	25,754	25,754	25,754	25,754	25,754
Total Revenues	1,440,695	1,554,947	1,675,275	1,853,589	1,853,589	1,853,589	1,853,589	1,853,589
Operating Expenses								
Purchased Water (or Treatment) Cost								
Operating Expenses	1,208,478	1,267,106	1,353,851	1,380,928	1,408,547	1,436,718	1,465,452	1,494,761
Depreciation	394,867	394,984	395,809	395,809	395,809	456,009	456,009	456,009
Replacement Reserve	0			17,484	12,184	12,184	5,780	5,780
Total Expenses	1,603,345	1,662,090	1,749,660	1,794,221	1,816,540	1,904,911	1,927,241	1,956,550
Net Operating Income	(162,650)	(107,143)	(74,385)	59,368	37,049	(51,322)	(73,652)	(102,961)
Non-Operating Income and Expenses								
Interest Income	121	412	966	966	966	966	966	966
Other				0	0	0	0	0
Total Non-Operating Income & Expenses	121	412	966	966	966	966	966	966
Add Non-Cash Expenses								
Depreciation	394,867	394,984	395,809	395,809	395,809	456,009	456,009	456,009
Cash Available for Debt Service	232,338	288,253	322,390	456,143	433,824	405,653	383,323	354,014
Debt Service								
Existing Principal	173,083	152,727	137,183	138,762	139,932	140,934	147,978	148,542
Existing Interest	73,246	73,325	70,195	64,534	61,138	57,740	54,320	51,218
Proposed KIA Loan						9,949	19,898	19,898
Total Debt Service	246,329	226,052	207,378	203,296	201,070	208,623	222,196	219,658
Income After Debt Service	(13,991)	62,201	115,012	252,847	232,754	197,030	161,127	134,356
Debt Coverage Ratio	0.9	1.3	1.6	2.2	2.2	1.9	1.7	1.6

CITY OF DAWSON SPRINGS
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	281,752	341,287	389,293	434,926	481,477	520,883	553,109	579,980
Other Assets	8,460,017	8,304,628	7,945,483	7,765,788	7,547,234	9,653,201	9,316,041	8,963,869
Total	8,741,769	8,645,915	8,334,776	8,200,714	8,028,711	10,174,084	9,869,150	9,543,849
Liabilities & Equity								
Current Liabilities	284,205	262,872	284,887	286,492	305,377	312,821	313,885	315,343
Long Term Liabilities	3,024,305	3,359,571	3,216,758	3,076,826	2,918,409	3,277,447	3,111,422	2,944,439
Total Liabilities	3,308,510	3,622,443	3,501,645	3,363,318	3,223,786	3,590,269	3,425,307	3,259,782
Net Assets	5,433,259	5,023,472	4,833,131	4,837,396	4,804,925	6,583,815	6,443,843	6,284,067
Cash Flow								
Revenues	1,440,695	1,554,947	1,675,275	1,853,589	1,853,589	1,853,589	1,853,589	1,853,589
Operating Expenses	1,208,478	1,267,106	1,353,851	1,398,412	1,420,731	1,448,902	1,471,232	1,500,541
Other Income	121	412	966	966	966	966	966	966
Cash Flow Before Debt Service	232,338	288,253	322,390	456,143	433,824	405,653	383,323	354,014
Debt Service								
Existing Debt Service	246,329	226,052	207,378	203,296	201,070	198,674	202,298	199,760
Proposed KIA Loan	0	0	0	0	0	9,949	19,898	19,898
Total Debt Service	246,329	226,052	207,378	203,296	201,070	208,623	222,196	219,658
Cash Flow After Debt Service	(13,991)	62,201	115,012	252,847	232,754	197,030	161,127	134,356
Ratios								
Current Ratio	1.0	1.3	1.4	1.5	1.6	1.7	1.8	1.8
Debt to Equity	0.6	0.7	0.7	0.7	0.7	0.5	0.5	0.5
Days Sales in Accounts Receivable	37.6	39.4	36.3	36.3	36.3	36.3	36.3	36.3
Months Operating Expenses in Unrestricted Cash	0.6	1.0	1.4	1.8	2.2	2.5	2.7	2.8
Debt Coverage Ratio	0.9	1.3	1.6	2.2	2.2	1.9	1.7	1.6

EXECUTIVE SUMMARY			Reviewer		Meili Sun
KENTUCKY INFRASTRUCTURE AUTHORITY			Date		August 6, 2020
FUND A, FEDERALLY ASSISTED WASTEWATER			KIA Loan Number		A21-001
REVOLVING LOAN FUND			WRIS Number		SX21141014
BORROWER			CITY OF LEWISBURG LOGAN COUNTY		
BRIEF DESCRIPTION This is the construction portion of the Sewer System Upgrade project, which will rehabilitate approximately 3,650 linear feet of sanitary sewer line and 14 manholes in the City's collection system in order to reduce inflow and infiltration. The rehabilitation work will decrease sanitary sewer overflows (SSOs), improve services to the existing customers, and reduce the loading on the wastewater treatment plant. The project also includes upgrades to the wastewater treatment plant to improve its operational efficiency, and to replace obsolete equipment and structures that have exceeded their useful lives.					
PROJECT FINANCING			PROJECT BUDGET		
KIA P&D	B18-007	\$216,106	Administrative Expenses	RD Fee %	Actual %
KIA A21-001	Construction	533,894	Legal Expenses		
CDBG		750,000	Planning		
			Eng - Design / Const	8.6%	7.8%
			Eng - Insp	6.8%	6.7%
			Eng - Other		
			Construction		
			Contingency		
TOTAL		\$1,500,000	TOTAL		\$1,500,000
REPAYMENT		Rate	0.25%	Est. Annual Payment	
		Term	30 Years	1st Payment	
				6 Mo. after first draw	
PROFESSIONAL SERVICES		Engineer	McGhee Engineering, Inc		
		Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE		Bid Opening	Dec-20		
		Construction Start	Mar-21		
		Construction Stop	Nov-21		
DEBT PER CUSTOMER		Existing	\$2,847		
		Proposed	\$3,215		
OTHER DEBT		See Attached			
RESIDENTIAL RATES			<u>Users</u>	<u>Avg. Bill</u>	
		Current	359	\$40.57	(for 4,000 gallons)
		Additional	0	\$40.57	(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	59,303	123,202	(63,899)	0.5	
Audited 2018	75,879	124,947	(49,068)	0.6	
Audited 2019	61,892	124,517	(62,625)	0.5	
Projected 2020	52,459	122,581	(70,122)	0.4	
Projected 2021	102,495	121,691	(19,196)	0.8	
Projected 2022	140,347	121,801	18,546	1.2	
Projected 2023	145,879	131,899	13,980	1.1	
Projected 2024	152,848	134,746	18,102	1.1	

Reviewer: Meili Sun
Date: August 6, 2020
Loan Number: A21-001

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF LEWISBURG, LOGAN COUNTY
PROJECT REVIEW
SX21141014**

I. PROJECT DESCRIPTION

The City of Lewisburg ("City") is requesting a KIA Fund A loan in the amount of \$750,000 to fund the construction portion of the Sewer System Upgrade project. The total project cost is \$1,500,000 including a KIA Fund B P&D loan previously approved on December 6, 2017 and a \$750,000 CDBG grant. This project will rehabilitate approximately 3,650 linear feet of sanitary sewer line and 14 manholes in the City's collection system in order to reduce inflow and infiltration. The rehabilitation work will decrease sanitary sewer overflows (SSOs), improve services to the existing customers, and reduce the loading on the wastewater treatment plant. The wastewater treatment plant will also be upgraded to improve its operational efficiency by replacing obsolete equipment and structures that have exceeded their useful lives.

The purpose of this project is to address an Agreed Order issued by the Kentucky Department for Environmental Protection. The scope of work is proposed in the City's plan for Corrective Actions (CAP) to bring its facility and collection system into compliance with its KPDES permit.

The City is a home rule-class city in Logan County, purchasing 100% of its water supply from Logan-Todd Regional Water Commission while treating all of its wastewater to serve approximately 360 customers within the service area.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 20,000
Legal Expenses	5,000
Planning	19,000
Engineering Fees – Design	65,000
Engineering Fees – Construction	28,000
Engineering Fees – Inspection	80,000
Engineering Fees – Other	95,000
Construction	1,085,106
Contingencies	102,894
Total	\$ 1,500,000

III. PROJECT FUNDING

	Amount	%
KIA Construction Loan A21-001	\$ 533,894	36%
KIA P&D Loan B18-007	216,106	14%
CDBG Grant	750,000	50%
Total	\$ 1,500,000	100%

IV. KIA DEBT SERVICE

KIA Construction Loan	\$ 750,000
Principal Forgiveness	375,000
Amortized Loan Amount	\$ 375,000
Interest Rate	0.25%
Loan Term (Year)	30
Estimated Annual Debt Service	\$ 12,982
Administrative Fee (0.20%)	750
Annual Debt Service	\$ 13,732

V. PROJECT SCHEDULE

Estimated Bid Opening	December 2020
Estimated Construction Start	March 2021
Estimated Construction Completion	November 2021

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	Current
Residential	313
Commercial	39
Other – Governmental Entity	7
Total	359

B) Rates

	Sewer		
	Approved	Current	Prior
Date of Last Rate Increase	07/01/21	07/01/20	09/25/17
Minimum 2,000 Gallons	\$20.28	\$19.13	\$17.70
Over 2,000 Gallons	10.14	9.57	8.85
Cost for 4,000 gallons	\$40.57	\$38.27	\$35.40
Increase %	6.0%	8.1%	
Affordability Index (Rate/MHI)	1.4%	1.3%	1.2%

	Water Inside City		
	Approved	Current	Prior
Date of Last Rate Increase	07/01/21	07/01/20	08/18/14
Minimum 2,000 Gallons	\$18.90	\$17.83	\$16.49
Next 15,000 Gallons	11.37	10.73	9.92
Cost for 4,000 gallons	\$41.65	\$39.29	\$36.33
Increase %	6.0%	8.1%	
Affordability Index (Rate/MHI)	1.4%	1.3%	1.2%

	Water Outside City		
	Approved	Current	Prior
Date of Last Rate Increase	07/01/21	07/01/20	08/18/14
Minimum 2,000 Gallons	\$25.59	\$24.14	\$22.32
Next 15,000 Gallons	19.41	18.31	16.93
Cost for 4,000 gallons	\$64.41	\$60.76	\$56.18
Increase %	6.0%	8.2%	
Affordability Index (Rate/MHI)	2.2%	2.1%	1.9%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's service area population was 856 with a Median Household Income (MHI) of \$35,071. The median household income for the Commonwealth is \$48,392. The project will qualify for the 0.25% non-standard interest rate and up to 50% in principal forgiveness.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	972		24,138		June 2005	6.9%
1990	772	-20.6%	24,416	1.2%	June 2010	9.9%
2000	903	17.0%	26,573	8.8%	June 2015	5.0%
2010	810	-10.3%	26,835	1.0%	June 2019	4.5%
Current	783	-3.3%	26,849	0.1%		
Cumulative %		-19.4%		11.2%		

VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES

Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$375,000 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 June 30, 2017 through June 30, 2019. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Accounting and Financial Reporting for 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 increased 7.8% from \$0.72 million in 2017 to \$0.78 million in 2019 due to previously approved sewer rate increase. Combined operating expenses increased 8.1% from \$0.67 million to \$0.72 million during the same period. The increase in expenses was attributable to additional repair & maintenance for line breakage and meter failures and higher utility and chemical usage in 2019. The debt coverage ratio was 0.5, 0.6, and 0.5 for 2017, 2018, and 2019 respectively.

The balance sheet reflects a current ratio of 1.9, debt to equity ratio of 1.5, 34.0 day sales in accounts receivable, and 5.7 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Combined water and sewer revenues will go up 8% in FY2021 and again 6% in FY2022 from the approved rate increases. Starting FY2023, the City will either apply the annual CPI adjustment or raise rates as needed to ensure that debt service requirements are met.
- 2) The City will receive a \$750,000 grant from CDBG prior to KIA assistance agreement to co-fund the project.
- 3) Expenses will increase 2% each year for inflation.
- 4) Debt coverage ratio is 1.1 in FY2023 when full year principal and interest repayments begin.

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

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$38,000 total) of the final amount borrowed to be funded annually (\$1,900 yearly) each December 1 for 20 years and maintained for the life of the loan Replacement reserve is not required for a planning and design loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
RD Bonds 1989 Series	\$ 233,800	2029
RD Bonds 1990 Series	265,000	2030
RD Bonds 1999 Series	97,500	2038
KRWFC Bonds 2002 Series	227,000	2026
RD Bonds 2003 Series	144,500	2043
Total	\$ 967,800	

XI. CONTACTS

Legal Applicant

Name	City of Lewisburg
Address	PO Box 239 Lewisburg, KY 42256
County	Logan
Authorized Official	Teddy Harper, Mayor
Phone	(270) 755-2388
Email	mayorcityoflewisburg@logantele.com

Project Contact - Applicant

Name	Elly Saye, City Clerk
Organization	City of Lewisburg
Address	PO Box 239 Lewisburg, KY 42101
Phone	(270) 755-4687
Email	lewisky@logantele.com

Project Administrator

Name	Katie Ford
Organization	BRADD
Address	177 Graham Ave Bowling Green, KY 42240
Phone	(270) 781-2381
Email	kford@bradd.org

Consulting Engineer

Name	Michael Wayne McGhee
Firm	McGhee Engineering, Inc
Address	202 S Ewing St, PO Box 267 Guthrie, KY 42234
Phone	(270) 519-7675
Email	mike.mcghee@mcgheeengineering.com

XII. RECOMMENDATIONS

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

CITY OF LEWISBURG
CASH FLOW ANALYSIS (JUNE YEAR END)

	2017	2018	2019	2020	2021	2022	2023	2024
	Audited 2017	Audited 2018	Audited 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Operating Revenues								
Water Revenues	571,828	577,341	594,125	594,125	642,249	680,784	694,400	708,288
Sewer Revenues	112,731	128,856	140,646	140,646	152,179	161,310	164,536	167,827
Tapping and Reconnects	15,460	9,200	15,888	15,888	15,888	15,888	15,888	15,888
Penalties and Miscellaneous	24,890	18,250	30,809	30,809	30,809	30,809	30,809	30,809
Additional Revenues								
Total Revenues	724,909	733,647	781,468	781,468	841,125	888,791	905,633	922,812
Operating Expenses								
Purchased Water (or Treatment) Cost	251,730	212,372	249,028	249,028	249,028	249,028	249,028	249,028
Operating Expenses	415,060	446,509	471,630	481,063	490,684	500,498	510,508	520,718
Depreciation	131,047	131,456	130,192	130,192	130,192	167,692	205,192	205,192
Replacement Reserve	0						1,300	1,300
Total Expenses	797,837	790,337	850,850	860,283	869,904	917,218	966,028	976,238
Net Operating Income	(72,928)	(56,690)	(69,382)	(78,815)	(28,779)	(28,427)	(60,395)	(53,426)
Non-Operating Income and Expenses								
Interest Income	1,184	1,113	1,082	1,082	1,082	1,082	1,082	1,082
Other								
Total Non-Operating Income & Expenses	1,184	1,113	1,082	1,082	1,082	1,082	1,082	1,082
Add Non-Cash Expenses								
Depreciation	131,047	131,456	130,192	130,192	130,192	167,692	205,192	205,192
Cash Available for Debt Service	59,303	75,879	61,892	52,459	102,495	140,347	145,879	152,848
Debt Service								
Existing Principal	66,100	71,000	72,900	77,500	80,500	84,700	85,300	92,600
Existing Interest	57,102	53,947	51,617	45,081	41,191	37,101	32,867	28,414
Proposed KIA Loan							13,732	13,732
Total Debt Service	123,202	124,947	124,517	122,581	121,691	121,801	131,899	134,746
Income After Debt Service	(63,899)	(49,068)	(62,625)	(70,122)	(19,196)	18,546	13,980	18,102
Debt Coverage Ratio	0.5	0.6	0.5	0.4	0.8	1.2	1.1	1.1

CITY OF LEWISBURG
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	531,980	488,326	481,820	411,747	398,151	421,097	436,677	456,379
Other Assets	2,815,242	2,724,266	2,642,228	2,512,036	2,381,844	3,714,152	3,508,960	3,303,768
Total	3,347,222	3,212,592	3,124,048	2,923,783	2,779,995	4,135,249	3,945,637	3,760,147
Liabilities & Equity								
Current Liabilities	222,445	209,613	250,368	254,662	260,162	262,162	270,862	274,662
Long Term Liabilities	1,422,492	1,453,463	1,628,355	1,547,855	1,463,155	1,752,855	1,660,255	1,565,255
Total Liabilities	1,644,937	1,663,076	1,878,723	1,802,517	1,723,317	2,015,017	1,931,117	1,839,917
Net Assets	1,702,285	1,549,516	1,245,325	1,121,266	1,056,678	2,120,232	2,014,520	1,920,230
Cash Flow								
Revenues	724,909	733,647	781,468	781,468	841,125	888,791	905,633	922,812
Operating Expenses	666,790	658,881	720,658	730,091	739,712	749,526	760,836	771,046
Other Income	1,184	1,113	1,082	1,082	1,082	1,082	1,082	1,082
Cash Flow Before Debt Service	59,303	75,879	61,892	52,459	102,495	140,347	145,879	152,848
Debt Service								
Existing Debt Service	123,202	124,947	124,517	122,581	121,691	121,801	118,167	121,014
Proposed KIA Loan	0	0	0	0	0	0	13,732	13,732
Total Debt Service	123,202	124,947	124,517	122,581	121,691	121,801	131,899	134,746
Cash Flow After Debt Service	(63,899)	(49,068)	(62,625)	(70,122)	(19,196)	18,546	13,980	18,102
Ratios								
Current Ratio	2.4	2.3	1.9	1.6	1.5	1.6	1.6	1.7
Debt to Equity	1.0	1.1	1.5	1.6	1.6	1.0	1.0	1.0
Days Sales in Accounts Receivable	26.5	26.9	34.0	34.0	34.1	34.0	34.1	34.1
Months Operating Expenses in Unrestricted Cash	7.1	6.3	5.7	4.4	4.1	4.3	4.5	4.7
Debt Coverage Ratio	0.5	0.6	0.5	0.4	0.8	1.2	1.1	1.1

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND B, INFRASTRUCTURE REVOLVING LOAN FUND		Reviewer	Meili Sun	
		Date	August 6, 2020	
		KIA Loan Number	B20-005	
		WRIS Number	SX21179030	
BORROWER		CITY OF BARDSTOWN NELSON COUNTY		
BRIEF DESCRIPTION				
This project will increase the capacities of Corman's Crossing, Royal Crest, and American Greetings pump stations. New controls and valve vaults will be installed at all 3 pump stations. Other improvements include conversion from suction lift or dry pit submersible to wet pit submersible pumps, access road upgrades, and an emergency generator.				
The project will allow these stations to meet current and anticipated demand efficiently and replace components that are at the end of their useful life expectancy. It will also make the stations safer to maintain by reducing confined space entry hazards.				
PROJECT FINANCING		PROJECT BUDGET		RD Fee % Actual %
Fund B Loan	\$1,472,400	Legal Expenses		5,000
		Land, Easements		10,000
		Planning		7,500
		Eng - Design / Const	8.5%	10.4%
		Eng - Insp	5.3%	3.9%
		Eng - Other		10,000
		Construction		1,160,000
		Contingency		100,800
TOTAL	\$1,472,400	TOTAL		\$1,472,400
REPAYMENT	Rate	1.50%	Est. Annual Payment	\$88,433
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	HDR Engineering, Inc		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Sep-20		
	Construction Start	Dec-20		
	Construction Stop	Jun-21		
DEBT PER CUSTOMER	Existing	\$1,243		
	Proposed	\$1,811		
OTHER DEBT		See Attached		
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	8,018	\$25.93	(for 4,000 gallons)
	Additional	101	\$25.93	(for 4,000 gallons)
REGIONAL COORDINATION This project is consistent with regional planning recommendations.				
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2017	5,974,080	1,735,035	4,239,045	3.4
Audited 2018	8,035,097	1,785,327	6,249,770	4.5
Audited 2019	6,661,877	1,822,038	4,839,839	3.7
Projected 2020	6,436,934	1,764,536	4,672,398	3.6
Projected 2021	6,224,573	1,861,588	4,362,985	3.3
Projected 2022	5,969,626	1,097,286	4,872,340	5.4
Projected 2023	5,700,644	1,097,285	4,603,359	5.2
Projected 2024	5,425,752	1,097,386	4,328,366	4.9

Reviewer: Meili Sun
Date: August 6, 2020
Loan Number: B20-005

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND (FUND B)
CITY OF BARDSTOWN, NELSON COUNTY
PROJECT REVIEW
SX21179030**

I. PROJECT DESCRIPTION

The City of Bardstown ("City") is requesting a Fund B loan in the amount of \$1,472,400 for the Pump Station Improvements 2020 project. This project will increase the capacities of the Corman's Crossing, the Royal Crest, and the American Greetings pump stations. Other improvements include new valve vaults, conversions from suction lift or dry pit submersible to wet pit submersible pumps, access road upgrades, and an emergency generator. The improvements will allow the pump stations to meet current and anticipated demands efficiently and replace components that are at the end of the useful life expectancy. They will also make the stations safer to maintain by reducing confined space entry hazards.

The Bardstown Sewer System is a regional provider that serves approximately 8,000 retail customers and treats wastewater for the Bloomfield Wastewater Collection System through the Kentucky Inter-System Operational Permit (KISOP).

II. PROJECT BUDGET

	Total
Legal Expenses	\$ 5,000
Land, Easements	10,000
Planning	7,500
Engineering Fees – Design	98,200
Engineering Fees – Construction	32,300
Engineering Fees – Inspection	48,600
Engineering Fees – Other	10,000
Construction	1,160,000
Contingency	100,800
Total	\$ 1,472,400

III. PROJECT FUNDING

	Amount	%
KIA Fund B Loan	\$ 1,472,400	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,472,400
Principal Forgiveness	0
Amortized Loan Amount	\$ 1,472,400
Interest Rate	1.50%
Loan Term (Year)	20
Estimated Annual Debt Service	\$ 85,488
Administrative Fee (0.20%)	2,945
Total Estimated Annual Debt Service	\$ 88,433

V. PROJECT SCHEDULE

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

VI. RATE STRUCTURE

A. Customers

Customers	Current	Proposed
Residential	6,190	101
Commercial	1,225	0
Industrial	603	0
Total	8,018	101

B. Rates

	Sewer Inside City		Sewer Outside City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	09/01/11	07/15/09	09/01/11	07/15/09
First 2,000 Gallons (Minimum)	\$17.25	\$15.00	\$18.94	\$15.60
Next 2,000	4.34	3.77	5.66	4.92
Cost for 4,000 gallons	\$25.93	\$22.54	\$30.26	\$25.44
Increase %	15.0%		18.9%	
Affordability Index (Rate/MHI)	0.6%	0.5%	0.7%	0.6%

Date of Last Rate Increase	Water Inside City		Water Outside City	
	Current	Prior	Current	Prior
	07/03/11	06/28/09	07/03/11	06/28/09
First 2,000 Gallons (Minimum)	\$10.49	\$9.49	\$15.37	\$13.75
Next 2,000	3.30	2.95	3.30	2.95
Cost for 4,000 gallons	\$17.09	\$15.39	\$21.97	\$19.65
Increase %	11.0%		11.8%	
Affordability Index (Rate/MHI)	0.4%	0.4%	0.5%	0.5%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 17,207 with a Median Household Income (MHI) of \$50,790. The median household income for the Commonwealth is \$46,535. As a regional provider, the City will qualify for a 20-year loan term at 1.50% interest rate.

Year	Population				County Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	6,155		27,584		June 2005	5.9%
1990	6,801	10.5%	29,710	7.7%	June 2010	10.3%
2000	10,374	52.5%	37,477	26.1%	June 2015	5.1%
2010	11,700	12.8%	43,437	15.9%	June 2019	4.9%
Current	13,034	11.4%	45,131	3.9%		
Cumulative %		111.8%		63.6%		

VIII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2017 through June 30, 2019. The financial reporting of the City's Proprietary Funds consolidates electric, water, wastewater treatment, garbage pickup, cable TV, and internet operations. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Accounting and Financial Reporting for 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 6.4% from \$36.86 million in 2017 to \$39.24 in 2019 while operating expenses increased 6.2% from \$30.94 million to \$32.85 million during the same period primarily due to volume growth. Consolidated cash flow before debt service averaged \$6.89 million in the 3 audited years. Sewer cash flow averaged \$1.87 million or 27.2% of consolidated cash flow before debt service. The debt coverage ratio was 3.4, 4.5, and 3.7 in 2017, 2018, and 2019 respectively.

The balance sheet reflects a current ratio of 2.7, a debt to equity ratio of 0.4, 25.2 days of sales in accounts receivable, and 5.0 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Consolidated revenues will go up steadily due to wholesale rate increases and volume growth.
- 2) Wholesale water rate will increase 22.5% from \$2.00 to \$2.45 per thousand gallons in January, 2020 and grow incrementally each July 1 through 2023 based on the rate schedule approved by the PSC.

<u>Effective Date</u>	<u>Rate Per 1,000 Gallons</u>
January 1, 2020	\$2.45
July 1, 2020	\$2.49
July 1, 2021	\$2.56
July 1, 2022	\$2.64
July 1, 2023	\$2.72

- 3) Expenses will increase 2% annually for inflation.
- 4) Debt service coverage is 5.4 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 B loan.

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$74,000 total) of the final amount borrowed to be funded annually (\$3,700 yearly) each December 1 for 20 years and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

	Outstanding	Maturity
General Obligation Bond Series 2010	\$ 2,445,000	2021
KIA Loan A10-014	1,291,538	2033
KIA Loan B17.008	1,142,978	2037
KIA Loan B17-012	1,088,603	2039
KIA Loan C09-01	1,439,188	2034
KIA Loan C09-02	2,621,762	2033
KIA Loan A19-047 i.a.o. \$6,471,088		TBD
Total	\$ 10,029,069	

X. CONTACTS

Legal Applicant

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

Project Contact - Applicant

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

Project Administrator

Name	Bob Sturdivant
Organization	HDR Engineering, Inc.
Address	2517 Sir Barton Way Lexington, KY 40509
Phone	(859) 629-4826
Email	bob.sturdivant@hdrinc.com

Consulting Engineer

Name	Rich Smith
Firm	HDR Engineering, Inc.
Address	881 Corporate Dr., Suite 100 Lexington, KY 40503
Phone	(502) 223-3755
Email	rich.smith@hdrinc.com

XI. RECOMMENDATIONS

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

CITY OF BARDSTOWN
CASH FLOW ANALYSIS (JUNE YEAR END)

	2017	2018	2019	2020	2021	2022	2023	2024
Electric, Water, Sewer, Cable, & Garbage	Audited	Audited	Audited	Projected	Projected	Projected	Projected	Projected
Operating Revenues	2017	2018	2019	2020	2021	2022	2023	2024
Utility Revenues	35,752,052	38,873,729	38,025,435	38,099,840	38,174,245	38,197,394	38,223,849	38,250,304
Intergovernmental	3,000	0	0	0	0	0	0	0
Penalties	340,094	308,097	322,727	322,727	322,727	322,727	322,727	322,727
Misc.	768,565	827,232	891,371	891,371	891,371	891,371	891,371	891,371
Additional Revenues - New Customers						31,427	31,427	31,427
Total Revenues	36,863,711	40,009,058	39,239,533	39,313,938	39,388,343	39,442,919	39,469,375	39,495,830
Operating Expenses								
Purchased Electric & Cable Costs	18,775,613	19,789,544	18,932,096	18,932,096	18,932,096	18,932,096	18,932,096	18,932,096
Operating Expenses	12,161,351	12,327,812	13,919,882	14,198,280	14,482,246	14,771,891	15,067,329	15,368,676
Depreciation	3,538,351	3,648,634	3,808,266	3,808,266	4,020,076	4,020,076	4,020,076	4,020,076
Replacement Reserve	0			20,950	23,750	43,628	43,628	43,628
Total Expenses	34,475,315	35,765,990	36,660,244	36,959,592	37,458,168	37,767,691	38,063,129	38,364,476
Net Operating Income	2,388,396	4,243,068	2,579,289	2,354,346	1,930,175	1,675,228	1,406,246	1,131,354
Non-Operating Income and Expenses								
Interest Income - Water	47,333	143,395	274,322	274,322	274,322	274,322	274,322	274,322
Other				0	0	0	0	0
Total Non-Operating Income & Expenses	47,333	143,395	274,322	274,322	274,322	274,322	274,322	274,322
Add Non-Cash Expenses								
Depreciation	3,538,351	3,648,634	3,808,266	3,808,266	4,020,076	4,020,076	4,020,076	4,020,076
Cash Available for Debt Service	5,974,080	8,035,097	6,661,877	6,436,934	6,224,573	5,969,626	5,700,644	5,425,752
Debt Service								
Existing Principal	1,331,753	1,400,471	1,460,095	1,533,143	1,668,645	439,494	450,632	462,066
Existing Interest	403,282	384,856	361,943	231,393	192,943	162,255	151,116	139,783
Proposed KIA Loan						88,433	88,433	88,433
A19-047						407,104	407,104	407,104
Total Debt Service	1,735,035	1,785,327	1,822,038	1,764,536	1,861,588	1,097,286	1,097,285	1,097,386
Income After Debt Service	4,239,045	6,249,770	4,839,839	4,672,398	4,362,985	4,872,340	4,603,359	4,328,366
Debt Coverage Ratio	3.4	4.5	3.7	3.6	3.3	5.4	5.2	4.9

CITY OF BARDSTOWN
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	14,588,035	16,907,475	18,096,875	19,036,516	19,914,213	20,892,481	21,814,952	22,682,426
Other Assets	72,630,750	75,366,181	76,278,434	76,229,036	85,686,145	85,607,569	85,313,808	84,800,052
Total	87,218,785	92,273,656	94,375,309	95,265,552	105,600,358	106,500,050	107,128,760	107,482,478
Liabilities & Equity								
Current Liabilities	4,899,502	6,561,926	6,806,382	7,011,481	6,250,404	6,333,942	6,419,176	6,516,410
Long Term Liabilities	15,407,788	20,344,086	19,804,306	18,202,231	25,309,051	24,461,244	23,602,004	22,720,829
Total Liabilities	20,307,290	26,906,012	26,610,688	25,213,712	31,559,455	30,795,187	30,021,180	29,237,240
Net Assets	66,911,495	65,367,644	67,764,621	70,051,840	74,040,903	75,704,863	77,107,580	78,245,238
Cash Flow								
Revenues	36,863,711	40,009,058	39,239,533	39,313,938	39,388,343	39,442,919	39,469,375	39,495,830
Operating Expenses	30,936,964	32,117,356	32,851,978	33,151,326	33,438,092	33,747,615	34,043,053	34,344,400
Other Income	47,333	143,395	274,322	274,322	274,322	274,322	274,322	274,322
Cash Flow Before Debt Service	5,974,080	8,035,097	6,661,877	6,436,934	6,224,573	5,969,626	5,700,644	5,425,752
Debt Service								
Existing Debt Service	1,735,035	1,785,327	1,822,038	1,764,536	1,861,588	1,008,853	1,008,852	1,008,953
Proposed KIA Loan	0	0	0	0	0	88,433	88,433	88,433
Total Debt Service	1,735,035	1,785,327	1,822,038	1,764,536	1,861,588	1,097,286	1,097,285	1,097,386
Cash Flow After Debt Service	4,239,045	6,249,770	4,839,839	4,672,398	4,362,985	4,872,340	4,603,359	4,328,366
Ratios								
Current Ratio	3.0	2.6	2.7	2.7	3.2	3.3	3.4	3.5
Debt to Equity	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Days Sales in Accounts Receivable	23.0	28.7	25.2	25.2	25.2	25.2	25.2	25.2
Months Operating Expenses in Unrestricted Cash	4.1	4.4	5.0	5.3	5.5	5.8	6.1	6.4
Debt Coverage Ratio	3.4	4.5	3.7	3.6	3.3	5.4	5.2	4.9

EXECUTIVE SUMMARY		Reviewer	Meili Sun	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	September 24, 2020	
FUND C, GOVERNMENTAL AGENCIES FUND		KIA Loan Number	C20-002 (Increase)	
REVOLVING LOAN FUND		WRIS Number	WX21139031	
BORROWER		CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT LIVINGSTON COUNTY		
BRIEF DESCRIPTION				
The Crittenden-Livingston County Water District is requesting an increase of \$15,000 to the Fund C loan initially approved on May 7, 2020. The increase will fund the overage due to higher bids than budgeted costs and will not involve additional work or change of scope. 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		
Fund C Loan	\$315,000	Administrative Expenses	RD Fee %	Actual %
		Equipment		
		Contingency		
TOTAL	\$315,000	TOTAL		
REPAYMENT	Rate	2.75%	Est. Annual Payment	\$21,212
	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	\$2,750		
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	1,139,012	1,067,179	71,833	1.1
Projected 2020	1,378,922	1,054,623	324,299	1.3
Projected 2021	1,596,865	1,061,590	535,275	1.5
Projected 2022	1,702,180	1,096,973	605,207	1.6
Projected 2023	1,672,484	1,099,216	573,268	1.5

Reviewer: Meili Sun
Date: September 24, 2020
Loan Number: C20-002 Increase

**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 an increase of \$15,000 to the Fund C loan initially approved on May 7, 2020. The new total loan amount of \$315,000 will cover the overage due to higher bids than budgeted costs without additional work or change of scope. The Automatic Meter Reading (AMR) Replacement 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 municipalities. All retail and wholesale rates are subject to PSC approval.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 7,250
Equipment	305,000
Contingency	2,750
Total	\$ 315,000

III. PROJECT FUNDING

	Amount	%
KIA Fund C Loan	\$ 315,000	100%

IV. KIA DEBT SERVICE

Fund C Loan	\$ 315,000
Interest Rate	2.75%
Loan Term (Year)	20
Estimated Annual Debt Service	\$ 20,582
Administrative Fee (0.20%)	630
Total Annual Debt Service	\$ 21,212

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% (\$16,000 total) of the final amount borrowed to be funded annually (\$800 yearly) each December 1 for 20 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
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Phone	(270) 988-2680
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Project Administrator

Name	Kyle Cunningham, Infrastructure Coordinator
Organization	Pennyrile ADD
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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
CASH FLOW ANALYSIS (DECEMBER YEAR END)**

	2016	2017	2018	2019	2020	2021	2022	2023
	Audited 2016	Audited 2017	Audited 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023
Operating Revenues								
Water Revenues	2,222,519	2,351,468	2,340,739	2,487,035	2,755,635	3,003,642	3,138,806	3,138,806
Other	69,185	66,275	66,814	66,814	66,814	66,814	66,814	66,814
Total 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								
Purchased Water (or Treatment) Cost				0	0	0	0	0
Operating Expenses	1,398,318	1,340,456	1,406,376	1,434,504	1,463,194	1,492,458	1,522,307	1,552,753
Depreciation	665,072	665,746	677,669	677,669	677,669	698,669	698,669	698,669
Replacement Reserve	0			3,350	3,350	4,150	4,150	3,400
Total Expenses	2,063,390	2,006,202	2,084,045	2,115,523	2,144,213	2,195,277	2,225,126	2,254,822
Net Operating Income	228,314	411,541	323,508	438,326	678,236	875,179	980,494	950,798
Non-Operating Income and Expenses								
Interest Income	507	1,681	4,167	4,167	4,167	4,167	4,167	4,167
Tap-On Fees	24,750	23,020	18,850	18,850	18,850	18,850	18,850	18,850
Total Non-Operating Income & Expenses	25,257	24,701	23,017	23,017	23,017	23,017	23,017	23,017
Add Non-Cash Expenses								
Depreciation	665,072	665,746	677,669	677,669	677,669	698,669	698,669	698,669
Cash Available for Debt Service	918,643	1,101,988	1,024,194	1,139,012	1,378,922	1,596,865	1,702,180	1,672,484
Debt Service								
Existing Principal	560,481	569,690	661,250	651,062	663,369	685,877	738,431	771,032
Existing Interest	491,108	529,390	500,976	416,117	391,254	365,107	337,330	306,972
Proposed KIA Loan						10,606	21,212	21,212
Total Debt Service	1,051,589	1,099,080	1,162,226	1,067,179	1,054,623	1,061,590	1,096,973	1,099,216
Income After Debt Service	(132,946)	2,908	(138,032)	71,833	324,299	535,275	605,207	573,268
Debt Coverage Ratio	0.9	1.0	0.9	1.1	1.3	1.5	1.6	1.5

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	530,559	618,918	747,673	880,515	995,168
Other Assets	21,022,320	20,852,855	19,701,562	19,084,709	18,669,830	18,722,681	18,512,327	18,275,673
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>19,470,354</u>	<u>19,392,842</u>	<u>19,270,841</u>
Liabilities & Equity								
Current Liabilities	1,613,922	744,023	720,830	733,990	773,148	826,602	860,103	836,971
Long Term Liabilities	12,306,339	13,094,014	12,708,712	12,045,343	11,343,716	10,904,535	10,117,753	9,355,003
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>11,731,137</u>	<u>10,977,856</u>	<u>10,191,974</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>7,739,217</u>	<u>8,414,986</u>	<u>9,078,867</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	1,437,854	1,466,544	1,496,608	1,526,457	1,556,153
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>1,139,012</u>	<u>1,378,922</u>	<u>1,596,865</u>	<u>1,702,180</u>	<u>1,672,484</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	10,606	21,212	21,212
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>1,061,590</u>	<u>1,096,973</u>	<u>1,099,216</u>
Cash Flow After Debt Service	<u>(132,946)</u>	<u>2,908</u>	<u>(138,032)</u>	<u>71,833</u>	<u>324,299</u>	<u>535,275</u>	<u>605,207</u>	<u>573,268</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	3.4
Debt Coverage Ratio	0.9	1.0	0.9	1.1	1.3	1.5	1.6	1.5

EXECUTIVE SUMMARY		Reviewer		Meili Sun	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		August 6, 2020	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number		F20-026	
REVOLVING LOAN FUND		WRIS Number		WX21133100	
BORROWER		CITY OF WHITESBURG LETCHER COUNTY			
BRIEF DESCRIPTION					
This project will replace two tanks in the Whitesburg Water System. Both tanks have been experiencing leaks that are cost ineffective to repair. The Shady Drive tank is a 175,000 gallon tank which will be replaced with a 200,000 gallon tank to lessen pump cycling. The new tank will increase the overall storage for the system and improve the techniques of isolating areas during leaks. Hale Drive tank will also be replaced, but will remain at its current capacity of 275,000 gallons.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund F Loan	\$1,100,000	Administrative Expenses			\$50,000
		Legal Expenses			5,000
		Planning			5,000
		Eng - Design / Const		9.0%	9.0%
		Eng - Insp		5.8%	5.8%
		Eng - Other			10,000
		Construction			822,500
		Contingency			75,000
TOTAL	\$1,100,000	TOTAL			\$1,100,000
REPAYMENT	Rate	0.50%	Est. Annual Payment		\$42,281
	Term	30 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Nesbitt Engineering, Inc.			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	Mar-21			
	Construction Start	Apr-21			
	Construction Stop	Sep-22			
DEBT PER CUSTOMER	Existing	\$1,294			
	Proposed	\$1,780			
OTHER DEBT		See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>		
	Current	1,372	\$24.40 (for 4,000 gallons)		
	Additional	0	\$24.40 (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	276,742	353,670	(76,928)		0.8
Audited 2018	90,184	313,104	(222,920)		0.3
Audited 2019	431,264	193,307	237,957		2.2
Projected 2020	693,601	174,809	518,792		4.0
Projected 2021	685,748	167,626	518,122		4.1
Projected 2022	662,438	144,498	517,940		4.6
Projected 2023	635,862	158,127	477,736		4.0
Projected 2024	611,611	186,116	425,495		3.3

Reviewer: Meili Sun
Date: August 6, 2020
Loan Number: F20-026

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND F)
CITY OF WHITESBURG, LETCHER COUNTY
PROJECT REVIEW
WX21133100**

I. PROJECT DESCRIPTION

The City of Whitesburg ("City") is requesting a Fund F loan in the amount of \$1,100,000 for the Water Storage Tank Replacement project. This project will replace two tanks in the Whitesburg Water System. Both tanks have been experiencing leaks that are cost ineffective to repair. The Shady Drive tank is a 175,000 gallon tank which will be replaced with a 200,000 gallon tank to lessen pump cycling. The new tank will increase the overall storage for the system and improve the techniques of isolating areas during leaks. Hale Drive tank will also be replaced, but will remain at its current capacity of 275,000 gallons. The replacements will ensure that the tanks are in an adequate and safe condition to continue serving the existing customers in the City and surrounding area.

The City provides retail water to approximately 1,400 customers and wholesale water to the Letcher County Water and Sewer District, which is a PSC regulated entity. Wholesale water is less than 10% of the total usage.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 50,000
Legal Expenses	5,000
Planning	5,000
Engineering Fees – Design	65,000
Engineering Fees – Construction	15,500
Engineering Fees – Inspection	52,000
Engineering Fees – Other	10,000
Construction	822,500
Contingency	75,000
Total	\$ 1,100,000

III. PROJECT FUNDING

	Amount	%
KIA Fund F Loan	\$ 1,100,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,100,000
Principal Forgiveness	0
Amortized Loan Amount	\$ 1,100,000
Interest Rate	0.50%
Loan Term (Year)	30
Estimated Annual Debt Service	\$ 39,531
Administrative Fee (0.25%)	2,750
Total Estimated Annual Debt Service	\$ 42,281

V. PROJECT SCHEDULE

Bid Opening	March 2021
Construction Start	April 2021
Construction Stop	September 2022

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	1,141
Commercial	231
Industrial	0
Total	1,372

B) Rates

	Water Inside City		Water Outside City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/01/19	01/11/08	07/01/19	01/11/08
Minimum 2,000 Gallons	\$13.40	\$9.40	\$24.00	\$20.00
Next 2,000 Gallons (Per 1,000 Gallons)	5.50	3.50	9.00	7.00
Next 1,000 Gallons	8.00	6.00	9.50	7.50
Next 1,000 Gallons & after	11.56	9.56	16.56	14.56
Cost for 4,000 gallons	\$24.40	\$16.40	\$42.00	\$34.00
Increase %	48.8%		23.5%	
Affordability Index (Rate/MHI)	0.8%	0.6%	1.5%	1.2%

Date of Last Rate Increase	Sewer Inside City		Sewer Outside City	
	Current	Prior	Current	Prior
	07/01/19	07/01/09	07/01/19	07/01/09
Minimum 2,000 Gallons	\$15.41	\$12.67	\$27.60	\$12.67
Next 2,000 Gallons (Per 1,000 Gallons)	6.33	8.57	10.35	8.57
Next 1,000 Gallons	9.20	8.57	10.93	8.57
Cost for 4,000 gallons	\$28.07	\$29.81	\$48.30	\$29.81
Increase %	-5.8%		62.0%	
Affordability Index (Rate/MHI)	1.0%	1.0%	1.7%	1.0%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 3,203 with a Median Household Income (MHI) of \$34,559. The median household income for the Commonwealth is \$46,535. The project will qualify for the disadvantaged community interest rate at 0.5%.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	1,525		30,687		June 2005	7.8%
1990	1,636	7.3%	27,000	-12.0%	June 2010	11.1%
2000	1,600	-2.2%	25,277	-6.4%	June 2015	11.6%
2010	2,139	33.7%	24,519	-3.0%	June 2019	7.6%
Current	2,230	4.3%	23,011	-6.2%		
Cumulative %		46.2%		-25.0%		

VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

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 City's proprietary funds consolidate water, sewer, and sanitation operations. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Accounting and Financial Reporting for 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.

On December 20, 2017, the Kentucky Auditor of Public Accounts released an Examination of Certain Policies, Procedures, and Financial Activity of the City of Whitesburg, Kentucky, which identified several findings regarding the City's financial and accounting practices. The Examination revealed more than \$350,000 in delinquent money for billing of water and sewer department. The cause of the delinquent payments was a combination of improper meter readings and erroneous customer billings. Based on the APA recommendations, the City had made drastic improvements to implement sound procedures for collecting all accounts receivable, establish a consistent process for the treatment of past-due accounts, and apply policies and procedures to the adjustment of water utility accounts. In 2019, a restatement of approximately \$550,000 was made to write off aged or inactive accounts.

HISTORY

Combined operating revenues of proprietary funds increased 3.8% from \$1.50 million in 2017 to \$1.55 million in 2019 while operating expenses decreased 8.1% during the same period as a result of less repairs and maintenance required. Consolidated cash flow before debt service was \$336,580 in 2019. Sewer cash flow was \$77,158 or 22.9% of consolidated cash flow before debt service. The debt coverage ratios of 2017 and 2018 were below 1.1 as there had been no rate increases since 2009. The ratio went up to 2.2 in 2019 after the City paid off 3 existing debts.

The balance sheet reflects a current ratio of 1.8, a debt to equity ratio of 0.6, 56.2 days of sales in accounts receivable, and 1.2 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Inside City water revenues will go up 48.8% and outside city rates up 23.5% from the rate increases that took effect in July, 2019.
- 2) Wholesale water will remain at the current rate.
- 3) Expenses will increase 2% annually for inflation.
- 4) Debt service coverage is 4.0 in 2023 when 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% (\$56,000 total) of the final amount borrowed to be funded annually (\$2,800 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
USDA RD 91-03 Bonds	\$ 42,000	2024
USDA RD 92-05 Bonds	116,000	2029
USDA RD 92-07 Bonds	37,900	2041
USDA RD 92-09 Bonds	809,500	2047
KIA Loan F209-03	47,215	2030
KIA Loan A07-03	648,601	2031
TCF Equipment Finance	65,716	2021
Community Trust Bank	8,040	2020
Total	\$ 1,774,972	

XI. CONTACTS

Legal Applicant

Name	City of Whitesburg
Address	38 E Main St Whitesburg, KY 4185
County	Letcher
Authorized Official	James W Craft, Mayor
Phone	(606) 633-3700
Email	ewcabc@gmail.com

Project Contact - Applicant

Name	Jessica Keene
Organization	City of Whitesburg
Address	38 E Main St Whitesburg, KY 41858
Phone	(606) 633-3705
Email	whitesburgcityclerk@gmail.com

Project Administrator

Name	Angelia Hall
Organization	Kentucky River Area Development District
Address	941 N Main St Hazard, KY 41701
Phone	(606) 436-3158
Email	angelia@kradd.org

Consulting Engineer

Name	Paul Nesbitt
Firm	Nesbitt Engineering, Inc.
Address	227 North Upper Street Lexington, KY 40507
Phone	(859) 233-3111
Email	pnesbitt@nei-ky.com

XII. RECOMMENDATIONS

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

CITY OF WHITESBURG	Water Rev +/-	0.0956061	-0.0528549	0.193196	-1.08E-07	0	0	0
CASH FLOW ANALYSIS (JUNE YEAR END)	Sewer Rev +/-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
	2017	2018	2019	2020	2021	2022	2023	2024
	Audited	Audited	Audited	Projected	Projected	Projected	Projected	Projected
	2017	2018	2019	2020	2021	2022	2023	2024
Operating Revenues								
Water, Sewer, and Sanitation Revenues	1,495,125	1,638,068	1,551,488	1,851,229	1,851,229	1,851,229	1,851,229	1,851,229
Sewer Revenues								
Penalties and Service Charges								
Other								
Total Revenues	1,495,125	1,638,068	1,551,488	1,851,229	1,851,229	1,851,229	1,851,229	1,851,229
Operating Expenses								
OpExp +/-		27.0%	-27.6%	2.0%	2.0%	2.0%	2.0%	2.0%
Purchased Water (or Treatment) Cost				0	0	0	0	0
Operating Expenses	1,218,533	1,548,126	1,120,224	1,142,628	1,165,481	1,188,791	1,212,567	1,236,818
Depreciation	483,529	464,975	461,410	461,410	461,410	461,410	488,910	488,910
Replacement Reserve	0			15,000			2,800	2,800
Total Expenses	1,702,062	2,013,101	1,581,634	1,619,038	1,626,891	1,650,201	1,704,277	1,728,528
Net Operating Income	(206,937)	(375,033)	(30,146)	232,191	224,338	201,028	146,952	122,701
Non-Operating Income and Expenses								
Interest Income	150	242	0	0	0	0	0	0
Other								
Total Non-Operating Income & Expenses	150	242	0	0	0	0	0	0
Add Non-Cash Expenses								
Depreciation	483,529	464,975	461,410	461,410	461,410	461,410	488,910	488,910
Cash Available for Debt Service	276,742	90,184	431,264	693,601	685,748	662,438	635,862	611,611
Debt Service								
Existing Principal	278,598	252,537	146,349	122,775	118,698	98,348	93,048	102,154
Existing Interest	75,072	60,567	46,958	52,034	48,928	46,150	43,938	41,681
Proposed KIA Loan							21,141	42,281
Total Debt Service	353,670	313,104	193,307	174,809	167,626	144,498	158,127	186,116
Income After Debt Service	(76,928)	(222,920)	237,957	518,792	518,122	517,940	477,736	425,495
Debt Coverage Ratio	0.8	0.3	2.2	4.0	4.1	4.6	4.0	3.3

CITY OF WHITESBURG
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	500,899	488,905	348,105	497,989	601,614	705,202	800,749	885,848
Other Assets	9,151,148	8,996,404	8,012,424	7,981,048	7,934,135	7,887,077	8,883,156	8,737,442
Total	9,652,047	9,485,309	8,360,529	8,479,037	8,535,749	8,592,279	9,683,905	9,623,290
Liabilities & Equity								
Current Liabilities	371,482	338,578	192,470	189,238	169,788	165,388	212,061	220,807
Long Term Liabilities	2,605,757	3,143,947	2,888,340	2,769,642	2,671,294	2,578,246	3,539,425	3,392,759
Total Liabilities	2,977,239	3,482,525	3,080,810	2,958,880	2,841,082	2,743,634	3,751,486	3,613,565
Net Assets	6,674,808	6,002,784	5,279,719	5,520,157	5,694,667	5,848,645	5,932,419	6,009,724
Cash Flow								
Revenues	1,495,125	1,638,068	1,551,488	1,851,229	1,851,229	1,851,229	1,851,229	1,851,229
Operating Expenses	1,218,533	1,548,126	1,120,224	1,157,628	1,165,481	1,188,791	1,215,367	1,239,618
Other Income	150	242	0	0	0	0	0	0
Cash Flow Before Debt Service	276,742	90,184	431,264	693,601	685,748	662,438	635,862	611,611
Debt Service								
Existing Debt Service	353,670	313,104	193,307	174,809	167,626	144,498	136,986	143,835
Proposed KIA Loan	0	0	0	0	0	0	21,141	42,281
Total Debt Service	353,670	313,104	193,307	174,809	167,626	144,498	158,127	186,116
Cash Flow After Debt Service	(76,928)	(222,920)	237,957	518,792	518,122	517,940	477,736	425,495
Ratios								
Current Ratio	1.3	1.4	1.8	2.6	3.5	4.3	3.8	4.0
Debt to Equity	0.4	0.6	0.6	0.5	0.5	0.5	0.6	0.6
Days Sales in Accounts Receivable	99.8	87.4	56.2	56.2	56.2	56.2	56.2	56.2
Months Operating Expenses in Unrestricted Cash	0.9	0.7	1.2	2.2	3.3	4.2	5.1	5.8
Debt Coverage Ratio	0.8	0.3	2.2	4.0	4.1	4.6	4.0	3.3