

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

- Fund A Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Loan Total</u>	<u>County</u>
A19-047	City of Bardstown (Increase)	\$ 1,071,088	\$ 6,471,088	Nelson

- Fund B Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Loan Total</u>	<u>County</u>
B20-004	Western Pulaski County Water District	\$ 1,146,000	\$ 1,146,000	Pulaski

- Fund C Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Loan Total</u>	<u>County</u>
C20-003	City of Lewisport (Increase)	\$ 49,350	\$ 149,350	Hancock

<b>EXECUTIVE SUMMARY</b> <b>KENTUCKY INFRASTRUCTURE AUTHORITY</b> <b>FUND A, FEDERALLY ASSISTED WASTEWATER</b> <b>REVOLVING LOAN FUND</b>		Reviewer Date KIA Loan Number WRIS Number	Meili Sun September 24, 2020 A19-047 (Increase) SX21179029	
<b>BORROWER</b>		CITY OF BARDSTOWN NELSON COUNTY		
<b>BRIEF DESCRIPTION</b> The City of Bardstown is requesting an increase of \$1,071,088 to the Fund A loan A19-047 initially approved on February 7, 2019, which will bring the toal loan amount up to \$6,471,088. The increase is due to higher bids than budgeted and involves no additional work or change of scope.  This project will replace the existing 0.75 million gallon per day (MGD) Pottershop pump station with a 3.5 MGD station and will upgrade approximately 17,000 linear feet of sewer lines with 12 to 36 inch lines. Mechanical screening facilities will also be constructed at the headworks of the treatment plant to remove trash and debris prior to waste treatment. Capacity will be increased in a growth area as well as mitigation of sanitary sewer overflows and hydraulic overloading during wet weather events as a result of the project.				
<b>PROJECT FINANCING</b>		<b>PROJECT BUDGET</b>		
Fund A Loan	\$6,471,088	Administrative Expenses	RD Fee %	Actual %
EDA Grant	1,600,000	Legal Expenses		
Local Funds	419,559	Land, Easements		
		Planning		
		Eng - Design / Const	6.5%	5.7%
		Eng - Insp	3.5%	4.0%
		Eng - Other		
		Construction		
		Contingency		
<b>TOTAL</b>	<b>\$8,490,647</b>	<b>TOTAL</b>		
<b>REPAYMENT</b>	Rate Term	2.00% 20 Years	Est. Annual Payment 1st Payment	\$407,104 6 Mo. after first draw
<b>PROFESSIONAL SERVICES</b>	Engineer Bond Counsel	HDR Engineering, Inc. Dinsmore & Shohl, LLP		
<b>PROJECT SCHEDULE</b>	Bid Opening Construction Start Construction Stop	May-20 Aug-20 Jul-21		
<b>DEBT PER CUSTOMER</b>	Existing Proposed	\$1,335 \$1,876		
<b>OTHER DEBT</b>	See Attached			
<b>RESIDENTIAL RATES</b>		<u>Users</u>	<u>Avg. Bill</u>	
	Current	7,464	\$25.93	(for 4,000 gallons)
	Additional	101	\$25.93	(for 4,000 gallons)
<b>REGIONAL COORDINATION</b> This project is consistent with regional planning recommendations.				
<b>CASHFLOW</b>	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	5,969,604	1,097,286	4,872,318	5.4
Projected 2023	5,700,622	1,097,285	4,603,337	5.2
Projected 2024	5,425,730	1,097,386	4,328,344	4.9

Reviewer: Meili Sun  
Date: September 24, 2020  
Loan Number: A19-047 Increase

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

**I. PROJECT DESCRIPTION**

The City of Bardstown ("City") is requesting an increase of \$1,071,088 to supplement the Rowan Creek Sewer Upgrade project initially approved on February 7, 2019, which will bring the total loan amount up to \$6,471,088. The increase is due to higher bids than budgeted and involves no additional work or change of scope.

This project will replace the existing 0.75 million gallons per day ("MGD") Pottershop pump station with a 3.5 MGD station and will upgrade approximately 17,000 linear feet of sewer lines with 12 to 36 inch lines. Mechanical screening facilities will also be constructed at the headworks of the treatment plant to remove trash and debris prior to waste treatment. Capacity will be increased in a growth area as well as mitigation of sanitary sewer overflows and hydraulic overloading during wet weather events.

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
Administrative Expenses	\$ 35,000
Legal Expenses	10,000
Land, Easements	25,000
Planning	10,000
Engineering Fees – Design	318,193
Engineering Fees – Construction	114,316
Engineering Fees – Inspection	308,203
Engineering Fees – Other	25,000
Construction	7,423,630
Contingency	221,305
<b>Total</b>	<b>\$ 8,490,647</b>

### III. PROJECT FUNDING

	Amount	%
KIA Fund A Loan	\$ 6,471,088	76%
EDA Grant	1,600,000	19%
Local Funds	419,559	5%
<b>Total</b>	<b>\$ 8,490,647</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$ 6,471,088
Principal Forgiveness	0
<b>Amortized Loan Amount</b>	<b>\$ 6,471,088</b>
Interest Rate	2.00%
Loan Term (Year)	20
<b>Estimated Annual Debt Service</b>	<b>\$ 394,162</b>
Administrative Fee (0.20%)	12,942
<b>Total Estimated Annual Debt Service</b>	<b>\$ 407,104</b>

### V. PROJECT SCHEDULE

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

### VI. RATE STRUCTURE

#### A. Customers

Customers	Current
Residential	6,196
Commercial and Industrial	1,268
<b>Total</b>	<b>7,464</b>

## 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)	0.7%	0.6%	0.8%	0.7%

	Water Inside City		Water Outside City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/03/11	06/28/09	07/03/11	06/28/09
First 2,000 Gallons (Minimum)	\$10.49	\$9.49	\$15.37	\$13.75
Next 2,000	3.30	2.95	3.30	2.95
Cost for 4,000 gallons	\$17.09	\$15.39	\$21.97	\$19.65
Increase %	11.0%		11.8%	
Affordability Index (Rate/MHI)	0.5%	0.4%	0.6%	0.5%

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2016, the Utility's service area population was 17,207 with a Median Household Income (MHI) of \$43,372. The median household income for the Commonwealth is \$44,811. The increase will qualify for the initial 20 year loan term at 2.00% interest rate.

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

## **VIII. 2018 CAPITALIZATION GRANT EQUIVALENCES**

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 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) The City will pay off the existing General Obligation Bond in 2021 to make available \$2.5 million cash flow for the new KIA debt.
- 5) 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% (\$324,000 total) of the final amount borrowed to be funded annually (\$16,200 yearly) each December 1 for 20 years and maintained for the life of the loan.

### **X. 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 B20-005 i.a.o. \$1,472,400		TBD
<b>Total</b>	<b>\$ 10,029,069</b>	

### **XI. 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

**XII. RECOMMENDATIONS**

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



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

	<b>Audited 2017</b>	<b>Audited 2018</b>	<b>Audited 2019</b>	<b>Projected 2020</b>	<b>Projected 2021</b>	<b>Projected 2022</b>	<b>Projected 2023</b>	<b>Projected 2024</b>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	14,588,035	16,907,475	18,096,875	19,036,516	19,914,213	20,892,476	21,814,943	22,682,412
Other Assets	72,630,750	75,366,181	76,278,434	76,229,036	77,158,232	85,533,041	85,202,018	84,651,001
Total	87,218,785	92,273,656	94,375,309	95,265,552	97,072,445	106,425,517	107,016,962	107,333,413
<b>Liabilities &amp; Equity</b>								
Current Liabilities	4,899,502	6,561,926	6,806,382	7,011,481	5,926,850	6,333,942	6,419,176	6,516,410
Long Term Liabilities	15,407,788	20,344,086	19,804,306	18,202,231	19,161,517	24,784,799	23,925,559	23,044,385
Total Liabilities	20,307,290	26,906,012	26,610,688	25,213,712	25,088,367	31,118,741	30,344,735	29,560,795
Net Assets	66,911,495	65,367,644	67,764,621	70,051,840	71,984,078	75,306,776	76,672,227	77,772,618
<b>Cash Flow</b>								
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	33,747,637	34,043,075	34,344,422
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	5,969,604	5,700,622	5,425,730
<b>Debt Service</b>								
Existing Debt Service	1,735,035	1,785,327	1,822,038	1,764,536	1,861,588	690,182	690,181	690,282
Proposed KIA Loan	0	0	0	0	0	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
Cash Flow After Debt Service	4,239,045	6,249,770	4,839,839	4,672,398	4,362,985	4,872,318	4,603,337	4,328,344
<b>Ratios</b>								
Current Ratio	3.0	2.6	2.7	2.7	3.4	3.3	3.4	3.5
Debt to Equity	0.3	0.4	0.4	0.4	0.3	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		Sarah Parsley	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		September 24, 2020	
FUND B, INFRASTRUCTURE		KIA Loan Number		B20-004	
REVOLVING LOAN FUND		WRIS Number		WX21199136	
BORROWER		WESTERN PULASKI COUNTY WATER DISTRICT PULASKI COUNTY			
BRIEF DESCRIPTION					
This project consists of replacing approximately 1250 linear feet of existing 10-inch, 8-inch, and 6-inch lines along Kentucky Highway 80 before and after the Fishing Creek Bridge as well as removing the existing 1250 linear feet of existing 10-inch water line attached to the bridge and replacing it with 1250 LF of 12-inch ductile iron pipe, support hangers, insulation, and accessories.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund B Loan	\$1,146,000	Eng - Design / Const	8.1%	7.5%	123,000
USDA RD Grant	719,000	Eng - Insp	5.0%	4.6%	76,000
	-	Eng - Other			20,000
	-	Construction			1,496,200
	-	Contingency			149,800
TOTAL	\$1,865,000	TOTAL			\$1,865,000
REPAYMENT	Rate	1.50%	Est. Annual Payment		\$68,829
	Term	20 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Monarch Engineering, Inc.			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	Sep-20			
	Construction Start	Nov-20			
	Construction Stop	Jan-21			
DEBT PER CUSTOMER	Existing	\$942			
	Proposed	\$1,022			
OTHER DEBT	See Attached				
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached				
RESIDENTIAL RATES		Users	Avg. Bill		
	Current	8,279	\$30.20 (for 4,000 gallons)		
	Additional	0	\$30.20 (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	805,074	342,035	463,039		2.4
Audited 2018	670,774	342,663	328,111		2.0
Audited 2019	1,018,107	363,514	654,593		2.8
Projected 2020	988,990	427,903	561,087		2.3
Projected 2021	964,857	468,974	495,884		2.1
Projected 2022	943,199	503,713	439,486		1.9
Projected 2023	921,108	499,763	421,345		1.8
Projected 2024	898,575	499,215	399,360		1.8

Reviewer:	Sarah Parsley
Date:	Sept 24, 2020
Loan Number:	B20-004

**KENTUCKY INFRASTRUCTURE AUTHORITY  
INFRASTRUCTURE REVOLVING LOAN FUND (FUND B)  
WESTERN PULASKI COUNTY WATER DISTRICT, PULASKI COUNTY  
PROJECT REVIEW  
WX21199136**

**I. PROJECT DESCRIPTION**

The Western Pulaski County Water District is requesting a Fund B loan in the amount of \$1,146,000 for the Ky Hwy 80 Waterline Replacement & Fishing Creek Bridge Waterline Replacement project. This project consists of replacing approximately 1250 linear feet of existing 10-inch, 8-inch, and 6-inch lines along Kentucky Highway 80 before and after the Fishing Creek Bridge as well as removing the existing 1250 linear feet of existing 10-inch water line attached to the bridge and replacing it with 1250 LF of 12-inch ductile iron pipe, support hangers, insulation, and accessories.

The Western Pulaski County Water District serves approximately 8,300 customers.

**II. PROJECT BUDGET**

Engineering Fees - Design	\$ 123,000
Engineering Fees - Inspection	76,000
Engineering Fees - Other	20,000
Construction	1,496,200
Contingency	149,800
<hr/>	
<b>Total</b>	<b>\$1,865,000</b>

**III. PROJECT FUNDING**

	Amount	%
Fund B Loan	\$1,146,000	61%
USDA RD Grant	719,000	39%

#### IV. KIA DEBT SERVICE

Construction Loan	\$1,146,000
Less: Principal Forgiveness	<u>0</u>
Amortized Loan Amount	\$1,146,000
Interest Rate	1.50%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 66,537
Administrative Fee (0.20%)	<u>2,292</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$ 68,829</b>

#### V. PROJECT SCHEDULE

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

#### VI. RATE STRUCTURE

##### A. Customers

Customers	Current	Proposed	Total
Residential	8,252	0	8,252
Commercial	27	0	27
Industrial	0	0	0
Total	<u>8,279</u>	<u>0</u>	<u>8,279</u>

##### B. Rates

	Current	Prior
Date of Last Rate Increase	<u>07/16/18</u>	<u>08/01/12</u>
Minimum, First 2000 gallons	\$17.58	\$14.34
Next 1,000 Gallons	6.31	5.82
Cost for 4,000 gallons	<u>\$30.20</u>	<u>\$25.98</u>
Increase %	16.2%	
Affordability Index (Rate/MHI)	0.9%	

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's service area population was 16,871 with a Median Household Income (MHI) of \$39,696. The median household income for the Commonwealth is \$46,535. The project will qualify for a 1.50% interest rate.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	10,649		45,803		June 2005	6.1%
1990	10,733	0.8%	49,489	8.0%	June 2010	9.8%
2000	11,352	5.8%	56,217	13.6%	June 2015	5.9%
2010	11,196	-1.4%	63,063	12.2%	June 2019	5.5%
Current	11,585	3.5%	64,979	3.0%		
Cumulative %		8.8%		41.9%		

## **VIII. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2017 through June 30, 2020). The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2017-2019 operating expenses and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, has been removed from 2018 and 2019 operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

Combined water and sewer revenues increased 15.8% from \$2,921,392 in 2017 to \$3,277,409 in 2019 while operating expenses increased 8.7% from \$957,733 to \$1,040,827 during the same period. The debt coverage ratio was 2.4 in 2017, 2.8 in 2019, and 2.1 in 2021 when debt service begins

The balance sheet reflects a current ratio of 7.2, debt to equity ratio of 1.0, 41.6 days sales in accounts receivable, and 12.1 months of operating expenses in unrestricted cash.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will remain constant in the future.
- 2) Expenses will increase by a 2% inflationary increase.
- 3) Debt service coverage is 2.1 in 2021 when principal and interest repayments begin.
- 4) A Rural Development grant in the amount of \$719,000 will be awarded to help fund his project.

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

## IX. DEBT OBLIGATIONS

	Outstanding	Maturity
Series 2002A RD Bonds	\$ 706,000	2042
Series 2002B RD Bonds	429,000	2042
Series 2010 RD Bonds	788,000	2049
Series 2012E RW Bonds	1,305,000	2035
Series 2013 RD Bonds	1,302,000	2053
Series 2018 WD Bonds	2,225,000	2057
KIA F16-003	1,042,673	TBD
<b>Total</b>	<b>\$ 7,797,673</b>	

## X. CONTACTS

### Legal Applicant

Entity Name	Western Pulaski County Water District
Authorized Official	Don Calder (Chairman)
County	Pulaski
Email	joe-mcclendon@hotmail.com
Phone	(606) 679-3793
Address	2128 W Hwy 80 Somerset, KY 42503

**Applicant Contact**

Name	Don Calder
Organization	Western Pulaski County Water District
Email	tamora.vaught@gmail.com
Phone	(606) 679-1569
Address	1059 W Hwy 80 Somerset, KY 42503

**Project Administrator**

Name	David M Bowles
Organization	Monarch Engineering, Inc.
Email	dbowles@monarchengineering.net
Phone	(502) 859-1310
Address	556 Carlton Dr Lawrenceburg, KY 40342

**Consulting Engineer**

PE Name	Deron S Byrne
Firm Name	Monarch Engineering, Inc.
Email	dbyrne@monarchengineering.net
Phone	(502) 839-1310
Address	556 Carlton Dr Lawrenceburg, KY 40342

## **XI. RECOMMENDATIONS**

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

1. Western Pulaski County Water District shall apply to the Public Service Commission (PSC), pursuant to KRS 278.300, for debt authorization for KIA loan B20-004. This debt authorization application should include a forecast meeting debt service projected through 2025.
2. Prior to the assistance agreement being executed, Western Pulaski County Water District must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020, from the PSC for any portion of the project that may require it, or provide an opinion from legal counsel or the staff of the PSC, or a declaratory order from the PSC, that a CPCN is not required for any portion of the assets to be constructed as part of the loan agreement



**WESTERN PULASKI COUNTY WATER DISTRICT  
FINANCIAL SUMMARY (DECEMBER YEAR END)**

	<b>Audited 2017</b>	<b>Audited 2018</b>	<b>Audited 2019</b>	<b>Projected 2020</b>	<b>Projected 2021</b>	<b>Projected 2022</b>	<b>Projected 2023</b>	<b>Projected 2024</b>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	2,431,187	2,543,555	2,907,410	3,019,628	3,118,805	3,206,702	3,290,971	3,370,843
Other Assets	14,015,842	15,195,085	16,450,828	16,453,169	18,268,346	18,126,781	17,970,703	17,797,037
Total	16,447,029	17,738,640	19,358,238	19,472,797	21,387,152	21,333,484	21,261,675	21,167,881
<b>Liabilities &amp; Equity</b>								
Current Liabilities	503,781	579,359	404,792	416,189	427,089	434,089	444,689	452,789
Long Term Liabilities	6,382,498	7,886,665	9,144,256	8,897,256	9,788,256	9,529,256	9,262,756	8,991,256
Total Liabilities	6,886,279	8,466,024	9,549,048	9,313,445	10,215,345	9,963,345	9,707,445	9,444,045
Net Assets	9,560,750	9,272,616	9,809,190	10,159,352	11,171,807	11,370,139	11,554,230	11,723,836
<b>Cash Flow</b>								
Revenues	2,921,392	2,999,184	3,385,440	3,385,440	3,385,440	3,385,440	3,385,440	3,385,440
Operating Expenses	2,160,007	2,359,458	2,397,341	2,426,458	2,450,591	2,472,249	2,494,340	2,516,873
Other Income	43,689	31,048	30,008	30,008	30,008	30,008	30,008	30,008
Cash Flow Before Debt Service	805,074	670,774	1,018,107	988,990	964,857	943,199	921,108	898,575
<b>Debt Service</b>								
Existing Debt Service	342,035	342,663	363,514	427,903	434,559	434,884	430,934	430,386
Proposed KIA Loan	0	0	0	0	34,415	68,829	68,829	68,829
Total Debt Service	342,035	342,663	363,514	427,903	468,974	503,713	499,763	499,215
Cash Flow After Debt Service	463,039	328,111	654,593	561,087	495,884	439,486	421,345	399,360
<b>Ratios</b>								
Current Ratio	4.8	4.4	7.2	7.3	7.3	7.4	7.4	7.4
Debt to Equity	0.7	0.9	1.0	0.9	0.9	0.9	0.8	0.8
Days Sales in Accounts Receivable	45.1	45.2	41.6	41.6	41.6	41.6	41.6	41.6
Months Operating Expenses in Unrestricted Cash	11.3	10.4	12.1	12.6	13.0	13.3	13.6	13.8
Debt Coverage Ratio	2.4	2.0	2.8	2.3	2.1	1.9	1.8	1.8

<b>EXECUTIVE SUMMARY</b>		Reviewer	Alex Fisher	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	September 24, 2020	
<b>FUND C, GOVERNMENTAL AGENCIES FUND</b>		KIA Loan Number	C20-003 (Increase)	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21091019 WX21091100	
BORROWER		CITY OF LEWISPORT HANCOCK COUNTY		
BRIEF DESCRIPTION				
The City of Lewisport ("City") is requesting a Fund C loan increase of \$49,350 to supplement the UV system and replace the headworks project initially approved on February 6, 2020, which will bring the total loan amount up to \$149,350. The increase is due to higher bids than budgeted and the addition of work to the scope of this project. The bid for the Headworks Pipe Replacement came in at \$89,450 which is \$28,850 higher than originally budgeted. Additionally, since the headworks pipe will have to be replaced, the City of Lewisport wishes to install two new 8" plug valves with full rubber lined internals to the headworks. Installing the new plug valves now will allow the city to avoid having to remove the pipe on the influent and effluent of the current headworks again in the future.				
PROJECT FINANCING		PROJECT BUDGET		
Fund C Loan	\$149,350	RD Fee %	Actual %	
Local Funds	30,500	Administrative Expenses		\$6,000
		Eng - Design / Const		5,500
		Construction		158,350
		Contingency		10,000
TOTAL	\$179,850	TOTAL		\$179,850
REPAYMENT	Rate	2.75%	Est. Annual Payment	\$10,057
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Bluegrass Engineering		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Mar-20		
	Construction Start	May-20		
	Construction Stop	Jan-21		
DEBT PER CUSTOMER	Existing	\$548		
	Proposed	\$540		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES				
		Users	Avg. Bill	
	Current	703	\$27.03 (for 4,000 gallons)	
	Additional	0	\$27.03 (for 4,000 gallons)	
REGIONAL COORDINATION This project is consistent with regional planning recommendations.				
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2017	103,607	37,262	66,345	2.8
Audited 2018	461,562	161,169	300,393	2.9
Audited 2019	400,024	160,768	239,256	2.5
Projected 2020	375,677	147,125	228,552	2.6
Projected 2021	328,662	27,413	301,250	12.0
Projected 2022	280,308	27,791	252,517	10.1
Projected 2023	231,394	27,534	203,860	8.4
Projected 2024	181,502	27,534	153,968	6.6

Reviewer: Alex Fisher  
Date: September 24, 2020  
Loan Number: C20-003 (Increase)

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

**I. PROJECT DESCRIPTION**

The City of Lewisport ("City") is requesting a Fund C loan increase of \$49,350 to supplement the UV system and replace the headworks project initially approved on February 6, 2020, which will bring the total loan amount up to \$149,350. The increase is due to higher bids than budgeted and the addition of work to the scope of this project. The bid for the Headworks Pipe Replacement came in at \$89,450 which is \$28,850 higher than originally budgeted. Additionally, since the headworks pipe will have to be replaced, the City of Lewisport wishes to install two new 8" plug valves with full rubber lined internals to the headworks. Installing the new plug valves now will allow the city to avoid having to remove the pipe on the influent and effluent of the current headworks again in the future.

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

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

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

**II. PROJECT BUDGET**

	<b>Total</b>
Administrative Expenses	\$ 6,000
Engineering Fees - Design	3,500
Engineering Fees - Construction	2,000
Construction	158,350
Contingency	10,000
<b>Total</b>	<b>\$ 179,850</b>

### III. PROJECT FUNDING

	<b>Amount</b>	<b>%</b>
Fund C Loan	\$ 149,350	83%
Local Funds	30,500	17%
<b>Total</b>	<b>\$ 179,850</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$ 149,350
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 149,350
Interest Rate	2.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 9,758
Administrative Fee (0.20%)	299
<b>Total Estimated Annual Debt Service</b>	<b>\$ 10,057</b>

### V. PROJECT SCHEDULE

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

### VI. RATE STRUCTURE

#### A. Customers

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

#### B. Rates

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

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

## VII. DEMOGRAPHICS

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

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

## VIII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2017 through June 30, 2019 from the water, sewer, and gas funds. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2017-2018 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 increased 24.4% from \$2.17 million in 2017 to \$2.70 million in 2019. The majority of the increase was realized in the gas fund which increased 28.9% from \$1.52 million in 2017 to \$1.96 million in 2019. Water revenues increased 24.3% from \$0.37 million in 2017 to \$0.46 million in 2019, and sewer revenues grew 12.0%

from \$0.25 million in 2017 to \$0.28 million during the same time period. Total operating expenses increased 9.8% from \$2.34 million in 2017 to \$2.57 million in 2019. Gas expenses increased 10.5%, water 14.7%, and sewer 10.4%. Gas has historically greatly subsidized both water and sewer operations.

The 2019 balance sheet reflects a current ratio of 4.7, a debt to equity ratio of 0.4, and 5.7 months operating expenses in unrestricted cash. Days sales in accounts receivable has been excluded because of the need to present a combined balance sheet of the water, sewer, and gas funds which results in skewed numbers.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues will increase 5% in 2020 due to a previously approved rate increase and remain flat thereafter. Sewer and gas revenues will remain flat for both growth and volume.
- 2) Expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 8.1 in 2021 when principal and interest repayments begin.

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

## REPLACEMENT RESERVE

The replacement reserve will be 5% (\$8,000 total) of the final amount borrowed to be funded annually (\$400 yearly) each December 1 for 20 years and maintained for the life of the loan.

## IX. DEBT OBLIGATIONS

	<b>Outstanding</b>	<b>Maturity</b>
KIA Loan (B16-011)	\$ 252,108	2037
Capital Lease (Gas)	35,949	2022
Short-Term Note Payable	97,499	2020
<b>Total</b>	<b>\$ 385,556</b>	

## **X. CONTACTS**

### **Legal Applicant**

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

### **Applicant Contact**

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

### **Project Administrator**

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

### **Consulting Engineer**

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

## **XI. RECOMMENDATIONS**

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



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

	<b>Audited 2017</b>	<b>Audited 2018</b>	<b>Audited 2019</b>	<b>Projected 2020</b>	<b>Projected 2021</b>	<b>Projected 2022</b>	<b>Projected 2023</b>	<b>Projected 2024</b>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	978,945	1,028,143	1,151,478	1,200,112	1,260,362	1,310,866	1,351,638	1,382,431
Other Assets	5,968,826	6,149,285	6,410,139	6,327,286	6,482,440	6,414,663	6,307,960	6,161,343
Total	6,947,771	7,177,428	7,561,617	7,527,398	7,742,803	7,725,529	7,659,598	7,543,775
<b>Liabilities &amp; Equity</b>								
Current Liabilities	257,726	230,782	246,435	124,587	121,724	131,344	133,368	135,500
Long Term Liabilities	1,109,526	1,858,499	1,911,153	1,895,360	2,033,480	2,014,331	1,994,857	1,975,052
Total Liabilities	1,367,252	2,089,281	2,157,588	2,019,947	2,155,204	2,145,674	2,128,225	2,110,551
Net Assets	5,580,519	5,088,147	5,404,029	5,507,451	5,587,599	5,579,855	5,531,373	5,433,224
<b>Cash Flow</b>								
Revenues	2,165,752	2,618,711	2,697,747	2,720,192	2,720,192	2,720,192	2,720,192	2,720,192
Operating Expenses	2,070,380	2,164,251	2,304,620	2,351,412	2,398,427	2,446,781	2,495,695	2,545,587
Other Income	8,235	7,102	6,897	6,897	6,897	6,897	6,897	6,897
Cash Flow Before Debt Service	103,607	461,562	400,024	375,677	328,662	280,308	231,394	181,502
<b>Debt Service</b>								
Existing Debt Service	37,262	161,169	160,768	147,125	22,384	17,734	17,477	17,477
Proposed KIA Loan	0	0	0	0	5,029	10,057	10,057	10,057
Total Debt Service	37,262	161,169	160,768	147,125	27,413	27,791	27,534	27,534
Cash Flow After Debt Service	66,345	300,393	239,256	228,552	301,250	252,517	203,860	153,968
<b>Ratios</b>								
Current Ratio	3.8	4.5	4.7	9.6	10.4	10.0	10.1	10.2
Debt to Equity	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Months Operating Expenses in Unrestricted Cash	5.3	5.1	5.7	5.8	6.1	6.2	6.4	6.4
Debt Coverage Ratio	2.8	2.9	2.5	2.6	12.0	10.1	8.4	6.6