

**Kentucky Infrastructure Authority  
Projects for January 2021  
Capital Projects and Bond Oversight Committee**

▪ **Fund A Loan**

<b>Loan #</b>	<b>Borrower</b>	<b>Amount Requested</b>	<b>Amount Loan Total</b>	<b>County</b>
A19-003	City of Hopkinsville F/B/O Hopkinsville Water Environment Authority (Increase)	\$ 5,000,000	\$ 14,000,000	Christian

▪ **Fund F Loan**

<b>Loan #</b>	<b>Borrower</b>	<b>Amount Requested</b>	<b>Amount Loan Total</b>	<b>County</b>
F21-009	City of Albany	\$ 2,500,000	\$ 2,500,000	Clinton

<b>EXECUTIVE SUMMARY</b>		Reviewer	Alex Fisher		
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	January 7, 2021		
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A19-003 (Increase)		
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21047028		
BORROWER		CITY OF HOPKINSVILLE F/B/O HOPKINSVILLE WATER ENVIRONMENT AUTHORITY CHRISTIAN COUNTY			
BRIEF DESCRIPTION					
The City of Hopkinsville, for the benefit of the Hopkinsville Water Environment Authority (HWEA), is requesting a Fund A loan increase in the amount of \$5,000,000 for the multi-phased Expand Hammond-Wood Wastewater Treatment Plant and Interceptor project. The initial phase of KIA Loan A19-003 (\$9,000,000), will bring the total current project amount requested to date to \$14,000,000.					
HWEA is proposing renovation and expansion of the Hammond-Wood WWTP, located on the North Fork of the Little River, south of Hopkinsville. Renovation will occur by replacing the existing river siphon with a new influent interceptor river crossing, new influent pump station, new headworks (screening and grit removal), new anaerobic phosphorus release tank, renovation of two existing oxidation ditches and two existing clarifiers, modification of the existing activated sludge pump station, modifications to return and waste activated sludge pumping station, post aeration steps and new outfall, new operations building, new electrical building and standby power, controls and Instrumentation, demolition of existing structures, construction of two sludge holding tanks, aeration, and dewatering equipment, and renovation of the existing ultraviolet disinfection process.					
Expansion of the plant to 9 MGD with a hydraulic capacity of 27 MGD will occur with the construction of a new oxidation ditch and site development, addition of a third clarifier, excavation, grading, and site piping, new sludge holding tank, new belt filter presses with additional pump, conveyor system, and a new blower building, controls, and instrumentation. Improvements to the 36" and 48" influent interceptor transporting wastewater to the plant will occur as determined through inspection.					
The total project cost is currently estimated to be \$48,300,000 and the budget and funding breakdowns are shown below.					
Hammond-Wood WWTP currently serves over 12,000 customers in Christian County including the cities of Hopkinsville and Pembroke. In addition, Hopkinsville Water Environment Authority also provides sewer service to the cities of Crofton and Oak Grove and drinking water to the cities of Hopkinsville, Pembroke and Crofton.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
KIA Fund A Loan (2021)					
Increase	\$5,000,000	Administrative Expenses			\$2,500
KIA P&D Loan (A16-005)	1,500,000	Legal Expenses			3,000
KIA Fund A Loan (A19-003)	7,500,000	Land, Easements			2,500
KIA Fund A Loan (2022)	19,750,000	Planning			92,000
KIA Fund A Loan (2023)	11,250,000	Eng - Design / Const	6.4%	4.2%	1,962,400
Local Funds	3,300,000	Eng - Other			46,500
		Construction			45,517,700
		Contingency			673,400
TOTAL	\$48,300,000	TOTAL			\$48,300,000
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$726,219	
	Term	20 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	J.R. Wauford & Company			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	Aug-19			
	Construction Start	Jun-20			
	Construction Stop	May-23			
DEBT PER CUSTOMER	Existing	\$4,805			
	Proposed	\$4,998			
OTHER DEBT	See Attached				
RESIDENTIAL RATES		Users	Avg. Bill		
	Current	12,788	\$28.77 (for 4,000 gallons)		
	Additional	0	\$28.77 (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	7,277,252	5,665,131	1,612,121	1.3	
Audited 2018	8,086,210	6,297,640	1,788,570	1.3	
Audited 2019	8,580,631	5,944,951	2,635,680	1.4	
Projected 2020	9,208,507	5,995,945	3,212,562	1.5	
Projected 2021	10,251,955	5,958,731	4,293,224	1.7	
Projected 2022	10,049,429	6,079,856	3,969,573	1.7	
Projected 2023	9,715,653	6,325,541	3,390,112	1.5	
Projected 2024	9,499,645	6,662,475	2,837,170	1.4	

Reviewer: Alex Fisher  
Date: January 7, 2021  
Loan Number: A19-003 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND A)  
CITY OF HOPKINSVILLE F/B/O HOPKINSVILLE WATER ENVIRONMENT  
AUTHORITY, CHRISTIAN COUNTY  
PROJECT REVIEW  
SX21047028**

**I. PROJECT DESCRIPTION**

The City of Hopkinsville, for the benefit of the Hopkinsville Water Environment Authority (HWEA), is requesting a Fund A19-003 loan increase in the amount of \$5,000,000 for continued progress in the Expand Hammond-Wood Wastewater Treatment Plant and Interceptor project. Prior KIA Loan A16-005 (\$1,500,000 planning and design loan) was rolled into the initial A19-003 construction loan totaling \$9,000,000. This additional loan increase will bring the total project amount requested to date to \$14,000,000.

FY 2016	\$1,500,000	Planning & Design
FY 2019	\$7,500,000	Construction
FY 2021	\$5,000,000	Construction
FY 2022	\$19,750,000	Construction
FY 2023	\$11,250,000	Construction

HWEA is proposing renovation and expansion of the Hammond-Wood WWTP, located on the North Fork of the Little River, south of Hopkinsville. Renovation will occur by replacing the existing river siphon with a new influent interceptor river crossing, new influent pump station, new head works (screening and grit removal), new anaerobic phosphorus release tank, renovation of two existing oxidation ditches and two existing clarifiers, modification of the existing activated sludge pump station, modifications to return and waste activated sludge pumping station, post aeration steps and new outfall, new operations building, new electrical building and standby power, controls and Instrumentation, demolition of existing structures, construction of two sludge holding tanks, aeration, and dewatering equipment, and renovation of the existing ultraviolet disinfection process.

Expansion of the plant to 9 MGD with a hydraulic capacity of 27 MGD will occur with the construction of a new oxidation ditch and site development, addition of a third clarifier, excavation, grading, and site piping, new sludge holding tank, new belt filter presses with additional pump, conveyor system, and a new blower building, controls, and instrumentation. Improvements to the 36" and 48" influent interceptor transporting wastewater to the plant will occur as determined through inspection.

The total project cost is currently estimated to be \$48,300,000 and the budget and funding breakdowns are shown below.

Hammond-Wood WWTP currently serves over 12,000 customers in Christian County including the cities of Hopkinsville and Pembroke. In addition, Hopkinsville Water Environment Authority also provides sewer service to the cities of Crofton and Oak Grove and drinking water to the cities of Hopkinsville, Pembroke and Crofton.

## II. PROJECT BUDGET

	<b>KIA Fund A Loan (2021) Increase</b>	<b>Estimated Project Total</b>
Administrative Expenses		\$2,500
Legal Expenses		3,000
Land, Easements		2,500
Planning		92,000
Engineering Fees - Design		1,408,000
Engineering Fees - Construction		554,400
Engineering Fees - Other		46,500
Construction	5,000,000	45,517,700
Contingency		673,400
<b>Total</b>	<b>\$ 5,000,000</b>	<b>\$ 48,300,000</b>

## III. PROJECT FUNDING

	<b>Amount</b>	<b>%</b>
KIA Fund A Loan (2021) Increase	\$ 5,000,000	10%
KIA P&D Loan (A16-005)	1,500,000	3%
KIA Fund A Loan A19-003	7,500,000	16%
KIA Fund A Loan (2022)	19,750,000	41%
KIA Fund A Loan (2023)	11,250,000	23%
Local Funds	3,300,000	7%
<b>Total</b>	<b>\$48,300,000</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Note that the table below shows the total projected KIA loan amounts of \$45,000,000. This is a different total project budget of \$48,300,000 due to the City self-funding \$3,300,000.

	<b>KIA Fund A Loan (2021) Increase</b>	<b>Total KIA Loans</b>
Construction Loan	\$ 5,000,000	\$ 45,000,000
Less: Principal Forgiveness	0	0
Amortized Loan Amount	\$ 5,000,000	\$ 45,000,000
Interest Rate	0.50%	0.50%
Loan Term (Years)	20	20
Estimated Annual Debt Service	\$ 263,020	\$ 2,367,184
Administrative Fee (0.20%)	10,000	90,000
<b>Total Estimated Annual Debt Service</b>	<b>\$ 273,020</b>	<b>\$ 2,457,184</b>

#### V. PROJECT SCHEDULE

Bid Opening	August 2019
Construction Start	June 2020
Construction Stop	May 2023

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

	<b>Current</b>
Residential	10,829
Commercial	1,897
Industrial	62
<b>Total</b>	<b>12,788</b>

##### B) Rates

<b>Hopkinsville Sewer</b>	<b>Future</b>	<b>Current</b>	<b>Prior</b>	<b>Prior</b>
Date of Last Rate Increase	01/01/21	07/01/19	07/01/18	07/01/17
Flat Rate (300 cu.ft. or less)	\$18.39	\$16.14	\$14.16	\$13.05
Flat rate, per 100 cu.ft.	6.13	5.38	4.72	4.35
Cost for 4,000 gallons	\$32.78	\$28.77	\$25.24	\$23.26
Increase %	13.9%	14.0%	8.5%	
Affordability Index (Rate/MHI)	1.1%	1.0%	0.8%	

<b>Pembroke Sewer</b>	Future	Current	Prior	Prior
Date of Last Rate Increase	01/01/21	07/01/19	07/01/18	07/01/14
Flat Rate (300 cu.ft. or less)	\$25.13	\$22.04	\$19.33	\$16.96
Flat rate, per 100 cu.ft.	7.39	6.48	5.68	4.98
Cost for 4,000 gallons	\$42.48	\$37.25	\$32.66	\$28.65
Increase %	14.0%	14.0%	14.0%	
Affordability Index (Rate/MHI)	1.4%	1.2%	1.1%	

<b>Crofton Sewer</b>	Current	Prior
Date of Last Rate Increase	07/01/18	07/01/07
Flat Rate (150 cu.ft. or less)	\$12.50	\$11.91
Flat rate, per 100 cu.ft.	3.60	2.50
Cost for 4,000 gallons	\$26.35	\$17.78
Increase %	48.2%	
Affordability Index (Rate/MHI)	0.9%	0.6%

<b>Oak Grove Sewer</b>	Future	Current	Prior	Prior
Date of Last Rate Increase	01/01/21	07/01/19	07/01/18	07/01/12
Minimum (1,000 gallons)	\$26.20	\$24.26	\$21.28	\$18.67
All over 1,000 gallons	7.65	7.08	6.21	5.45
Surcharge	2.00	2.00	2.00	2.00
Cost for 4,000 gallons	\$51.15	\$47.50	\$41.91	\$37.02
Increase %	7.7%	13.3%	13.2%	
Affordability Index (Rate/MHI)	1.7%	1.6%	1.4%	

## **VII. 2020 CAPITALIZATION GRANT EQUIVALENCIES**

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 2) Additional Subsidization – This project does not qualify for additional subsidization.

## **VIII. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2017 through June 30, 2019 and include both the water and sewer funds. 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 2019 operating expenses. Percentage references

in the History section below are based on whole dollar amounts and not the rounded amounts presented.

## HISTORY

Combined revenues for water and sewer increased 14.1% from \$15.6 million in 2017 to \$17.8 million in 2019. Sewer revenues have increased around 16% from \$7.5 million in 2017 to \$8.7 million in 2019 and water revenues have increased 8% from \$10.9 million in 2017 to \$11.8 million in 2019. Sewer revenue growth can be attributed to rate increases during the observed time period for ongoing capital projects while the water increase is due to normal growth. Combined expenses increased 17% from \$8.3 million to \$9.7 million from 2017 to 2019.

The 2019 balance sheet reflects a current ratio of 1.6, a debt to equity ratio of 1.7, 22.8 days sales in accounts receivable, and 9 months operating expenses in unrestricted cash.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Sewer revenues will increase according to the approved rate increases by the utility through FY 2021 (14% annually). Water revenues will remain flat for growth and volume.
- 2) Expenses will increase 2% for inflation.
- 3) All debt service and replacement reserves for pending KIA loans A11-08, A16-005, F13-020, and F16-001 have been included in this analysis.
- 4) Debt service coverage is 1.43 in 2024 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% (\$700,000 total) of the final amount borrowed to be funded annually (\$35,000 yearly) each December 1 for 20 years and maintained for the life of the loan.

## IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Series 1998 Bonds	\$ 185,000	2021
Series 2010B Bonds	2,174,000	2030
KIA Loan B95-02	1,431,861	2026
KIA Loan A94-01	16,849	2020
KIA Loan A99-03	86,649	2021
KIA Loan A03-05	1,633,304	2026
KIA Loan F02-04	718,578	2028
KIA Loan A04-05	1,050,270	2027
KIA Loan F06-02	2,101,739	2028
KIA Loan F08-06	6,130,190	2032
KIA Loan A09-19	5,885,902	2034
KIA Loan A11-07	358,222	2033
KIA Loan A11-08	9,887,230	2036
KIA Loan A11-09	6,197,968	2036
KIA Loan A16-005 (P&D i/a/o \$1.5m)	726,900	TBD
KIA Loan F13-020 (i/a/o \$4m)	1,675,596	TBD
KIA Loan F16-001 (i/a/o \$8m)	1,692,872	TBD
Revenue Lease: USACE (Water)	1,385,460	2027
Revenue Lease: USACE (Gas)	2,040,196	2027
City of Hopkinsville- Series 2013B	2,835,000	2034
City of Hopkinsville- Series 2014B	1,635,000	2038
City of Hopkinsville- Series 2014C	1,145,000	2029
City of Hopkinsville- Series 2015A	10,915,000	2026
<b>Total</b>	<b>\$61,908,786</b>	

## X. CONTACTS

<b>Legal Applicant</b>	
Entity Name	City of Hopkinsville f/b/o Hopkinsville Water Environment Authority
Authorized Official	Wendell Lynch (Mayor)
County	Christian
Email	wlynch@hopkinsvilleky.us
Phone	270-890-0200
Address	PO Box 628 Hopkinsville, KY 42241

**Applicant Contact**

Name	Derrick Watson
Organization	Hopkinsville Water Environment Authority
Email	dwatson@hwea-ky.com
Phone	270-887-4237
Address	PO Box 628 Hopkinsville, KY 42241

**Project  
Administrator**

Name	Travis Barnett
Organization	Hopkinsville Water Environment Authority
Email	tbarnett@hwea-ky.com
Phone	270-887-4242
Address	PO Box 628 Hopkinsville, KY 42241

**Consulting Engineer**

PE Name	James Gregory Davenport
Firm Name	J.R. Wauford & Company
Email	gregd@jrwauford.com
Phone	615-883-3242
Address	PO Box 140350 Nashville, TN 37214

**XI. RECOMMENDATIONS**

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

**CITY OF HOPKINSVILLE F/B/O HOPKINSVILLE WATER ENVIRONMENT AUTHORITY**  
**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	9,600,607	9,577,564	8,680,884	9,082,240	9,589,863	9,986,820	10,325,831	10,609,548
Other Assets	121,881,192	122,883,567	116,628,044	112,403,220	119,703,995	117,345,140	127,855,601	124,590,760
Total	131,481,799	132,461,131	125,308,928	121,485,460	129,293,858	127,331,960	138,181,432	135,200,308
<b>Liabilities &amp; Equity</b>								
Current Liabilities	8,197,043	5,168,069	5,595,280	5,632,946	5,642,191	6,026,524	6,167,632	6,315,267
Long Term Liabilities	76,101,003	82,217,271	73,206,960	68,383,860	71,294,409	66,326,278	74,520,759	69,302,205
Total Liabilities	84,298,046	87,385,340	78,802,240	74,016,806	76,936,600	72,352,802	80,688,391	75,617,472
Net Assets	47,183,753	45,075,791	46,506,688	47,468,654	52,357,258	54,979,158	57,493,041	59,582,836
<b>Cash Flow</b>								
Revenues	15,634,463	16,797,209	17,799,083	19,043,628	20,295,631	20,295,631	20,295,631	20,295,631
Operating Expenses	8,417,608	8,906,373	9,733,064	10,054,475	10,263,030	10,465,556	10,799,332	11,015,340
Other Income	60,397	195,374	514,612	219,354	219,354	219,354	219,354	219,354
Cash Flow Before Debt Service	7,277,252	8,086,210	8,580,631	9,208,507	10,251,955	10,049,429	9,715,653	9,499,645
<b>Debt Service</b>								
Existing Debt Service	5,665,131	6,297,640	5,944,951	5,995,945	5,949,345	6,070,470	6,316,155	6,299,365
Proposed KIA Loan 2021 Increase	0	0	0	0	9,386	9,386	9,386	363,110
Total Debt Service	5,665,131	6,297,640	5,944,951	5,995,945	5,958,731	6,079,856	6,325,541	6,662,475
Cash Flow After Debt Service	1,612,121	1,788,570	2,635,680	3,212,562	4,293,224	3,969,573	3,390,112	2,837,170
<b>Ratios</b>								
Current Ratio	1.2	1.9	1.6	1.6	1.7	1.7	1.7	1.7
Debt to Equity	1.8	1.9	1.7	1.6	1.5	1.3	1.4	1.3
Days Sales in Accounts Receivable	23.4	23.8	22.8	22.8	22.8	22.8	22.8	22.8
Months Operating Expenses in Unrestricted Cash	11.9	11.0	9.0	9.2	9.5	9.8	10.0	10.1
Debt Coverage Ratio	1.3	1.3	1.4	1.5	1.7	1.7	1.5	1.4

<b>EXECUTIVE SUMMARY</b>		Reviewer		Meili Sun	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date		January 7, 2020	
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number		F21-009	
<b>REVOLVING LOAN FUND</b>		WRIS Number		WX21053015	
<b>BORROWER</b>		CITY OF ALBANY CLINTON COUNTY			
<b>BRIEF DESCRIPTION</b>					
This project will install 30,000 LF of 8-inch water lines to replace the current 6-inch and 4-inch water lines to extend from US Highway 127 to an existing water booster pump station located in Duvall Valley. The construction will include a water booster pump station upgrade, a new 500,000 gallon water storage tank, and associated appurtenances.					
<b>PROJECT FINANCING</b>		<b>PROJECT BUDGET</b>		<b>RD Fee %</b>	<b>Actual %</b>
Fund F Loan	\$2,500,000	Administrative Expenses			\$10,000
AML Grant	3,000,000	Legal Expenses			10,000
ARC Grant	400,000	Land, Easements			50,000
		Eng - Design / Const	6.7%	6.7%	348,000
		Eng - Insp	3.5%	3.5%	179,000
		Eng - Other			50,000
		Construction			4,699,500
		Contingency			470,500
		Other			83,000
<b>TOTAL</b>	<b>\$5,900,000</b>	<b>TOTAL</b>			<b>\$5,900,000</b>
<b>REPAYMENT</b>	<b>Rate</b>	0.25%	<b>Est. Annual Payment</b>		\$92,799
	<b>Term</b>	30 Years	<b>1st Payment</b>	6 Mo. after first draw	
<b>PROFESSIONAL SERVICES</b>	Engineer	Monarch Engineering, Inc			
	Bond Counsel	Rubin & Hays			
<b>PROJECT SCHEDULE</b>	Bid Opening	Jun-21			
	Construction Start	Jul-21			
	Construction Stop	Apr-22			
<b>DEBT PER CUSTOMER</b>	Existing			\$668	
	Proposed			\$954	
<b>OTHER STATE-FUNDED PROJECTS LAST 5 YRS</b>		See Attached			
<b>RESIDENTIAL RATES</b>					
		<u>Users</u>	<u>Avg. Bill</u>		
	Current	6,227	\$29.02 (for 4,000 gallons)		
	Additional	0	\$29.02 (for 4,000 gallons)		
<b>REGIONAL COORDINATION</b>					
This project is consistent with regional planning recommendations.					
<b>CASHFLOW</b>	<b>Cash Flow Before Debt Service</b>	<b>Debt Service</b>	<b>Cash Flow After Debt Service</b>		<b>Coverage Ratio</b>
Audited 2017	409,556	339,901	69,655		1.2
Audited 2018	402,807	345,699	57,108		1.2
Audited 2019	459,411	342,811	116,600		1.3
Projected 2020	468,301	344,896	123,405		1.4
Projected 2021	984,908	345,354	639,554		2.9
Projected 2022	936,752	339,462	597,290		2.8
Projected 2023	881,333	425,744	455,589		2.1
Projected 2024	831,232	428,504	402,728		1.9

Reviewer: Meili Sun  
Date: January 7, 2021  
Loan Number: F21-009

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
CITY OF ALBANY, CLINTON COUNTY  
PROJECT REVIEW  
WX21053015**

**I. PROJECT DESCRIPTION**

The City of Albany ("City") is requesting a Fund F loan in the amount of \$2,500,000 for the Duvall Valley Area Water System Improvements project. This project will install 30,000 LF of 8-inch water lines to replace the current 6-inch and 4-inch water lines, which will extend from US Highway 127 to an existing water booster pump station located in Duvall Valley. The construction will include a water booster pump station upgrade, a new 500,000-gallon water storage tank, and associated appurtenances. The purpose of this project is to provide a reliable source of potable water to the existing residential customers and poultry farms that are experiencing water shortage due to high demand in the area. The new water lines, connection, and water storage tank will ensure a steady water flow and alleviate the water shortage problems.

The City currently serves approximately 6,200 retail customers and provides wholesale water to the Cumberland County Water District which is a PSC regulated utility. The wholesale rates are subject to PSC approval.

**II. PROJECT BUDGET**

	Total
Administrative Expenses	\$ 10,000
Legal Expenses	10,000
Land, Easements	50,000
Engineering Fees – Design	348,000
Engineering Fees – Inspection	179,000
Engineering Fees – Other	50,000
Construction	4,699,500
Contingency	470,500
Other	83,000
<b>Total</b>	<b>\$ 5,900,000</b>

### III. PROJECT FUNDING

	Amount	%
KIA Fund F Loan	\$ 2,500,000	42%
AML Grant	3,000,000	51%
ARC Grant	400,000	7%
<b>Total</b>	<b>\$ 5,900,000</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$ 2,500,000
Principal Forgiveness	0
Amortized Loan Amount	\$ 2,500,000
Interest Rate	0.25%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 86,549
Administrative Fee (0.25%)	6,250
<b>Annual Debt Service</b>	<b>\$ 92,799</b>

### V. PROJECT SCHEDULE

Bid Opening	June 2021
Construction Start	July 2021
Construction Stop	April 2022

### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

#### A) Customers

Customers	Current
Residential	5,871
Commercial	255
Industrial / Institutional	101
<b>Total</b>	<b>6,227</b>

## B) Rates

	<b>Water Inside City</b>		
	Current	Prior	Prior
Date of Last Rate Increase	10/01/20	10/01/19	10/01/18
Minimum 2,000 Gallons	\$18.16	\$14.53	14.18
Next 3,000 Gallons	5.43	4.34	4.23
Cost for 4,000 gallons	\$29.02	\$23.21	\$22.64
Increase %	25.0%	2.5%	
Affordability Index (Rate/MHI)	1.2%	1.0%	0.9%

	<b>Water Outside City</b>		
	Current	Prior	Prior
Date of Last Rate Increase	10/01/20	10/01/19	10/01/18
Minimum 2,000 Gallons	\$26.10	\$20.88	20.37
Next 3,000 Gallons	6.12	4.90	4.78
Cost for 4,000 gallons	\$38.34	\$30.68	\$29.93
Increase %	25.0%	2.5%	
Affordability Index (Rate/MHI)	1.6%	1.3%	1.2%

	<b>Sewer Inside City</b>		
	Current	Prior	Prior
Date of Last Rate Increase	10/01/20	10/01/19	10/01/18
Minimum 2,000 Gallons	\$15.81	\$12.65	12.34
Next 3,000 Gallons	1.74	1.39	1.36
Cost for 4,000 gallons	\$19.29	\$15.43	\$15.06
Increase %	25.0%	2.5%	
Affordability Index (Rate/MHI)	0.8%	0.6%	0.6%

	<b>Sewer Outside City</b>		
	Current	Prior	Prior
Date of Last Rate Increase	10/01/20	10/01/19	10/01/18
Minimum 2,000 Gallons	\$25.30	\$20.24	19.75
Next 3,000 Gallons	2.69	2.15	2.10
Cost for 4,000 gallons	\$30.68	\$24.54	\$23.95
Increase %	25.0%	2.5%	
Affordability Index (Rate/MHI)	1.3%	1.0%	1.0%

The City approved in the 2017-04-04 ordinance to apply an automatic cost of living increase of 2.5% on October 1 every year to water and sewer rates.

## **VII. 2020 CAPITALIZATION GRANT EQUIVALENCIES**

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

## **VIII. 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 5.2% from \$2.63 million in 2017 to \$2.76 million in 2019 from annual cost of living rate adjustments while operating expenses increased 4.3% due to general inflation during the same time period. The debt coverage ratio was 1.2, 1.2, and 1.3 for 2017, 2018, and 2019 respectively.

The balance sheet reflected a current ratio of 1.0, debt to equity ratio of 0.4, 58.0 days of sales in accounts receivable, and 0.6 month of operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Combined water and sewer revenues will go up 20% based on the approved rate increases effective October 1, 2020
- 2) Annual 2.5% cost of living adjustment will resume in October, SFY 2022.
- 3) Expenses will increase 2% each year for inflation.
- 4) Debt service coverage is 2.1 in 2023 when debt service for this loan is due.

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% (\$126,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$6,300 yearly) each December 1 for 20 years and maintained for the life of the loan.

## IX. DEBT OBLIGATIONS

	Outstanding	Maturity
Series 2012 Revenue Bonds	\$ 3,911,250	2038
KIA Loan B07-02	198,143	2042
KIA Loan B18-002	51,738	2038
<b>Total</b>	<b>\$ 4,161,131</b>	

## X. CONTACTS

### **Legal Applicant**

Name	City of Albany
Address	204 S Cross Street, PO Box 129 Albany, KY 42602
County	Clinton
Authorized Official	Lyle G Pierce, Mayor
Phone	(606) 387-6011
Email	asst-pierce@hotmail.com

### **Project Contact - Applicant**

Name	Melissa Smith, City Clerk
Organization	City of Albany
Address	204 S Cross Street, PO Box 129 Albany, KY 42602
Phone	(606) 387-6011
Email	Albanycityhall9@mchsi.com

### **Project Administrator / Engineer**

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

## XI. RECOMMENDATIONS

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

**CITY OF ALBANY**  
**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	852,725	831,249	819,494	951,724	1,680,878	2,278,168	2,733,757	3,136,485
Other Assets	28,195,325	27,565,868	26,980,846	25,909,957	24,839,068	29,668,179	28,456,090	27,244,001
Total	29,048,050	28,397,117	27,800,340	26,861,681	26,519,946	31,946,347	31,189,847	30,380,486
<b>Liabilities &amp; Equity</b>								
Current Liabilities	824,079	752,601	817,019	824,909	826,672	911,352	922,381	937,483
Long Term Liabilities	6,058,231	6,880,491	6,620,426	6,377,367	6,135,545	8,312,043	7,980,611	7,637,278
Total Liabilities	6,882,310	7,633,092	7,437,445	7,202,276	6,962,217	9,223,395	8,902,993	8,574,761
Net Assets	22,165,740	20,764,025	20,362,895	19,659,405	19,557,729	22,722,952	22,286,854	21,805,725
<b>Cash Flow</b>								
Revenues	2,626,928	2,740,470	2,763,817	2,819,093	3,382,912	3,382,912	3,382,912	3,382,912
Operating Expenses	2,218,067	2,351,256	2,314,297	2,360,683	2,407,895	2,456,051	2,511,470	2,561,571
Other Income	695	13,593	9,891	9,891	9,891	9,891	9,891	9,891
Cash Flow Before Debt Service	409,556	402,807	459,411	468,301	984,908	936,752	881,333	831,232
<b>Debt Service</b>								
Existing Debt Service	339,901	345,699	342,811	344,896	345,354	339,462	332,945	335,705
Proposed KIA Loan	0	0	0	0	0	0	92,799	92,799
Total Debt Service	339,901	345,699	342,811	344,896	345,354	339,462	425,744	428,504
Cash Flow After Debt Service	69,655	57,108	116,600	123,405	639,554	597,290	455,589	402,728
<b>Ratios</b>								
Current Ratio	1.0	1.1	1.0	1.2	2.0	2.5	3.0	3.3
Debt to Equity	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Days Sales in Accounts Receivable	79.6	77.2	58.0	58.0	58.0	58.0	58.0	58.0
Months Operating Expenses in Unrestricted Cash	0.9	0.7	0.6	1.2	4.4	7.2	9.3	11.0
Debt Coverage Ratio	1.2	1.2	1.3	1.4	2.9	2.8	2.1	1.9