

**Kentucky Infrastructure Authority  
Projects for March 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>
A21-005	City of Mount Sterling (Construction)	\$ 11,825,000	\$ 12,350,000	Montgomery
A21-021	City of Providence (Planning & Design)	\$ 700,000	\$ 700,000	Webster
A21-022	Louisville & Jefferson County Metropolitan Sewer District	\$ 8,270,000	\$ 8,270,000	Jefferson
A21-031	City of Frankfort	\$ 1,500,000	\$ 1,500,000	Franklin

▪ **Fund F Loan**

<b>Loan #</b>	<b>Borrower</b>	<b>Amount Requested</b>	<b>Amount Loan Total</b>	<b>County</b>
F21-026	City of Scottsville	\$ 696,500	\$ 696,500	Allen

<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	Carmen Ignat March 4, 2021 A21-005 SX21173075	
BORROWER	CITY OF MOUNT STERLING MONTGOMERY COUNTY			
BRIEF DESCRIPTION				
<p>The City of Mt. Sterling is requesting a Fund A loan in amount of \$11,825,000. This is the construction portion of the Wastewater Capacity Upgrade Project that will bring the total cost of the project up to \$12,500,000 after a contribution of \$150,000 in local funds. The planning and design phase has been concluded with KIA loan A20-007 previously approved on July 1, 2019. This project will increase the capacity at Hinkston Creek WWTP from 3.0 MGD up to 6.0MGD and will increase the designed organic loadings from estimative 6000 lbs up to 10,000 lbs/day. The expansion will be constructed on adjacent site. Also, this project will increase capacity on the South Queen Street main sewer that is experiencing overflows. Statistical data indicates the facility is reaching its capacity, being at 79% hydraulically and 141 % capacity based on the design criteria concerning organic overloads. In addition this project will reduce inflow and infiltrations during substantial rainfall events to adequately maintain compliance.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan A20-007	\$525,000	RD Fee %	Actual %	
Fund A Loan A21-005	11,825,000	Administrative Expenses	\$50,000	
Funding Source Local	\$150,000	Legal Expenses	25,000	
TOTAL	\$12,500,000	Planning	75,000	
		Eng - Design / Const	6.4% 5.8% 645,000	
		Eng - Insp	4.1% 3.8% 420,000	
		Eng - Other	135,000	
		Construction	10,150,000	
		Contingency	1,000,000	
		TOTAL	\$12,500,000	
REPAYMENT	Rate Term	1.00% 20 Years	Est. Annual Payment 1st Payment 6 Mo. after first draw \$707,544	
PROFESSIONAL SERVICES	Engineer Bond Counsel	Bell Engineering Rubin & Hays		
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	Jun-21 Jul-21 Jul-22		
DEBT PER CUSTOMER	Existing Proposed	\$514 \$2,575		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current Additional	<u>Users</u> 4,448 0	<u>Avg. Bill</u> \$26.15 (for 4,000 gallons) \$26.15 (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 2018	2,235,838	914,208	1,321,630	2.4
Audited 2019	2,485,277	665,112	1,820,165	3.7
Audited 2020	2,298,553	665,746	1,632,807	3.5
Projected 2021	2,217,399	661,211	1,556,188	3.4
Projected 2022	2,217,399	661,212	1,556,187	3.4
Projected 2023	2,201,949	1,014,982	1,186,967	2.2
Projected 2024	2,186,499	1,368,756	817,743	1.6
Projected 2025	2,186,499	707,544	1,478,955	3.1

Reviewer: Carmen Ignat  
Date: 03/04/2021  
Loan Number: A21-005

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND A)  
CITY OF MOUNT STERLING, MONTGOMERY COUNTY  
PROJECT REVIEW  
SX21173075**

**I. PROJECT DESCRIPTION**

The City of Mt. Sterling is requesting a Fund A loan in amount of \$11,825,000. This is the construction portion of the Wastewater Capacity Upgrade Project that will bring the total cost of the project up to \$12,500,000 after a contribution of \$150,000 in local funds. The planning and design phase has been concluded with KIA loan A20-007 previously approved on July 1, 2019. This project will increase the capacity at Hinkston Creek WWTP from 3.0 MGD up to 6.0MGD and will increase the designed organic loadings from estimative 6000lbs up to 10,000lbs/day. The expansion will be constructed on adjacent site. Also, this project will increase capacity on the South Queen Street main sewer that is experiencing overflows. Statistical data indicates the facility is reaching its capacity, being at 79% hydraulically and 141 % capacity based on the design criteria concerning organic overloads. In addition, this project will reduce inflow and infiltrations during substantial rainfall events to adequately maintain compliance.

**II. PROJECT BUDGET**

	<b>Total</b>
Administrative Expenses	50,000
Legal Expenses	25,000
Planning	75,000
Engineering Fees - Design	450,000
Engineering Fees - Construction	195,000
Engineering Fees - Inspection	420,000
Engineering Fees - Other	135,000
Construction	10,150,000
Contingency	1,000,000
<b>Total</b>	<b>\$12,500,000</b>

### III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan"A20-007	\$525,000	4%
Fund A Loan A21-005	\$11,825,000	95%
Funding Source Local	\$150,000	1%
<b>Total</b>	<b>\$12,500,000</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$12,350,000
Less: Principal Forgiveness	<u>0</u>
Amortized Loan Amount	\$12,350,000
Interest Rate	1.00%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$682,844
Administrative Fee (0.20%)	<u>24,700</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$707,544</b>

### V. PROJECT SCHEDULE

Estimated Bid Opening Date	June 1, 2021
Estimated Construction Start	July 1, 2021
Estimated Construction Completion	July 1, 2022
First Interest Payment	December 1, 2021
First P&I Payment Date	June 1, 2023

## VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

### A) Customers

Customers	Current
Residential	4,448
Commercial	579
Industrial	29
Institutional	10
<b>Total</b>	<b>5,066</b>

### B) Rates

	Sewer Inside City		Sewer Outside City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/01/19	07/01/18	07/01/19	07/01/18
First 748 Gallons (Minimum)	9.76	9.48	10.24	9.94
Next 252	1.27	1.23	1.50	1.46
Next 3000	15.12	14.67	17.85	17.34
Cost for 4,000 gallons	26.15	25.38	29.59	28.74
Increase %	3.02%	N/A	2.97%	N/A
Affordability Index (Rate/MHI)	0.77%	0.74%	0.87%	0.84%

	Water Inside City		Water Outside City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/01/19	07/01/18	07/01/19	07/01/18
First 748 Gallons (Minimum)	7.58	7.43	8.67	8.50
Next 252	1.34	1.32	1.48	1.45
Next 3,000	15.99	15.69	17.67	17.31
Cost for 4,000 gallons	24.91	24.44	27.82	27.26
Increase %	1.94%	N/A	2.05%	N/A
Affordability Index (Rate/MHI)	0.73%	0.72%	0.81%	0.80%

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's service area population was 11,965 with a Median Household Income (MHI) of \$40,976. The median household income for the Commonwealth is \$48,392. The project will qualify for a 1.00% interest rate.

## **VIII. 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.

## **IX. FINANCIAL ANALYSIS**

Financial information was obtained from the Mount Sterling City's audited financial statements for the years ended June 30, 2018 through June 30, 2020 for the business type-activities of Mount Sterling City and Water and Sewer Commission. 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**

Total operating revenues have increased 5.4% from 5.64M in 2018 to 5.94M in 2020 while total operating expenses have increased 9.1% from 3.40M in 2018 to 3.72M in 2020. The debt coverage ratio was above 2.4 for 2018 and above 3.5 for 2019 and 2020 respectively.

The balance sheet for the year of 2020 reflects a current ratio of 5.6, debt to equity ratio of 0.3, 47.7 days of sales in accounts receivable and 26 months operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Future revenue projections are expected to remain flat.
- 2) Expenses are projected to rise 2% annually for inflation.
- 3) The existing debt obligations will be paid off by FY2025.

4) Debt service coverage will be 1.6 in FY2024 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% (\$618,000 total) of the final amount borrowed to be funded annually (\$30,900 yearly) each December 1 for 20 years and maintained for the life of the loan.

**X. DEBT OBLIGATIONS**

	<u>Outstanding</u>	<u>Maturity</u>
KIA Loan A02-01	\$2,586,313	2024
<b>Total</b>	<b>\$2,586,313</b>	

**XI. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Mount Sterling
Authorized Official	Al Botts (Mayor)
County	Montgomery
Email	Al.botts@ky.gov
Phone	859-498-8725
Address	33 N Maysville St Mount Sterling, KY40353

<b>Applicant Contact</b>	
Name	Rick Fletcher
Organization	Mount Sterling Water and Sewer
Email	r.fletcher@mswatersewer.com
Phone	859-498-0166
Address	PO Box 392 Mount Sterling, KY40353

**Project Administrator**

Name	Jocelyn R Gross
Organization	Gateway Area Development District
Email	jocelynr.gross@ky.gov
Phone	606-780-0090
Address	110 Lake Park Dr Morehead, KY40351

**Consulting Engineer**

PE Name	David F. Schrader
Firm Name	Bell Engineering
Email	dschrader@hkbell.com
Phone	859-278-5412
Address	2480 Fortune Drive Lexington, KY40509

**XII. RECOMMENDATIONS**

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



**CITY OF MOUNT STERLING  
FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2018</u>	<u>Audited</u> <u>2019</u>	<u>Audited</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>	<u>Projected</u> <u>2025</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	7,403,306	8,311,464	9,230,894	10,787,040	12,343,227	13,530,194	14,347,937	15,826,892
Other Assets	31,039,669	29,865,811	29,030,020	27,046,791	25,063,562	35,580,333	33,284,604	30,988,875
<b>Total</b>	<b>38,442,975</b>	<b>38,177,275</b>	<b>38,260,914</b>	<b>37,833,831</b>	<b>37,406,789</b>	<b>49,110,527</b>	<b>47,632,541</b>	<b>46,815,767</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	1,437,335	1,530,515	1,646,586	1,653,918	1,663,566	1,673,282	1,727,840	1,731,240
Long Term Liabilities	7,743,175	7,216,147	7,336,393	6,693,071	6,043,301	17,737,015	17,029,471	16,321,927
<b>Total Liabilities</b>	<b>9,180,510</b>	<b>8,746,662</b>	<b>8,982,979</b>	<b>8,346,989</b>	<b>7,706,867</b>	<b>19,410,297</b>	<b>18,757,311</b>	<b>18,053,167</b>
<b>Net Assets</b>	<b>29,262,465</b>	<b>29,430,613</b>	<b>29,277,935</b>	<b>29,486,842</b>	<b>29,699,922</b>	<b>29,700,230</b>	<b>28,875,230</b>	<b>28,762,600</b>
<b>Cash Flow</b>								
Revenues	5,637,996	5,895,018	5,943,048	5,943,048	5,943,048	5,943,048	5,943,048	5,943,048
Operating Expenses	3,406,019	3,444,000	3,716,109	3,716,109	3,716,109	3,731,559	3,747,009	3,747,009
Other Income	3,861	34,259	71,614	(9,540)	(9,540)	(9,540)	(9,540)	(9,540)
<b>Cash Flow Before Debt Service</b>	<b>2,235,838</b>	<b>2,485,277</b>	<b>2,298,553</b>	<b>2,217,399</b>	<b>2,217,399</b>	<b>2,201,949</b>	<b>2,186,499</b>	<b>2,186,499</b>
<b>Debt Service</b>								
Existing Debt Service	914,208	665,112	665,746	661,211	661,212	661,210	661,212	0
Proposed KIA Loan	0	0	0	0	0	353,772	707,544	707,544
<b>Total Debt Service</b>	<b>914,208</b>	<b>665,112</b>	<b>665,746</b>	<b>661,211</b>	<b>661,212</b>	<b>1,014,982</b>	<b>1,368,756</b>	<b>707,544</b>
<b>Cash Flow After Debt Service</b>	<b>1,321,630</b>	<b>1,820,165</b>	<b>1,632,807</b>	<b>1,556,188</b>	<b>1,556,187</b>	<b>1,186,967</b>	<b>817,743</b>	<b>1,478,955</b>
<b>Ratios</b>								
Current Ratio	5.2	5.4	5.6	6.5	7.4	8.1	8.3	9.1
Debt to Equity	0.3	0.3	0.3	0.3	0.3	0.7	0.6	0.6
Days Sales in Accounts Receivable	50.1	49.2	47.7	47.7	47.7	47.7	47.7	47.7
Months Operating Expenses in Unrestricted Cash	22.6	25.3	26.0	31.0	36.1	39.9	42.5	47.3
Debt Coverage Ratio	2.4	3.7	3.5	3.4	3.4	2.2	1.6	3.1

<b>EXECUTIVE SUMMARY</b>		Reviewer	Carmen Ignat	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	March 4, 2021	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A21-021	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21233025	
BORROWER	CITY OF PROVIDENCE WEBSTER COUNTY			
BRIEF DESCRIPTION				
<p>Providence City is requesting a \$700,000 planning and design Fund A loan for Providence Sanitary Sewer Upgrades. The City of Providence has received Notices of Violation from the KY Division of Enforcement concerning the current state of the Providence Wastewater Treatment System and is currently under an Agreed Order. This project will document and prioritize needed repairs and cleaning in the collection system: approximately 42,000 LF of sewer line, 120 manholes and 6 pump stations in order to prevent overflows and reduce excessive inflows &amp; infiltration in the worst identified areas. Also, this project includes planning and designing the WWTP improvements. The sewer project will be associated with a project of replacing waterlines that are running directly parallel with the sewer lines. The total cost of the two projects will be \$7,230,000.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan P&D	\$700,000	Planning	\$350,000	
		Eng - Design / Const	\$320,000	
		Contingency	\$30,000	
TOTAL	\$700,000	TOTAL	\$700,000	
REPAYMENT	Rate	2.50%	Est. Annual Payment \$151,204	
	Term	5 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Haworth, Meyer & Boleyn, Inc		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Nov-22		
	P&D Start	May-21		
	P&D Stop	May-22		
DEBT PER CUSTOMER	Existing	\$655		
	Proposed	\$548		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	1,286	\$20.67	(for 4,000 gallons)
	Additional	0	\$20.67	(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	551,311	311,585	239,726	1.8
Audited 2018	596,963	314,625	282,338	1.9
Audited 2019	1,135,254	318,275	816,979	3.6
Projected 2020	995,789	317,611	678,178	3.1
Projected 2021	915,084	318,363	596,721	2.9
Projected 2022	832,766	224,485	608,281	3.7
Projected 2023	748,801	156,601	592,200	4.8
Projected 2024	663,156	151,204	511,952	4.4

Reviewer: Carmen Ignat  
Date: 03/04/2021  
Loan Number: A21-021

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND A)  
CITY OF PROVIDENCE, WEBSTER COUNTY  
PROJECT REVIEW  
SX21233025**

**I. PROJECT DESCRIPTION**

The City of Providence is requesting a planning and design Fund A loan in the amount of \$700,000 for the Providence Sanitary Sewer Upgrades project.

The City of Providence has received Notices of Violation from the KY Division of Enforcement concerning the current state of the Providence Wastewater Treatment System and is currently under an Agreed Order. This project will document and prioritize needed repairs and cleaning in the collection system: approximately 42,000 LF of sewer line, 120 manholes and 6 pump stations in order to prevent overflows and reduce excessive inflows & infiltration in the worst identified areas. Also, this project includes planning and designing the WWTP improvements.

The sewer project will be associated with a project of replacing waterlines that are running directly parallel on the sewer lines. The total cost of the two projects will be \$7,230,000.

**II. PROJECT BUDGET**

	<b>Total</b>
Planning	\$350,000
Engineering Fees - Design	\$320,000
Contingency	\$30,000
<b>Total</b>	<b>\$700,000</b>

### III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan P&D	\$700,000	100%
<b>Total</b>	<b>\$700,000</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

P & D Loan	\$700,000
Less: Principal Forgiveness	0
Amortized Loan Amount	<u>\$700,000</u>
Interest Rate	2.50%
Loan Term (Years)	<u>5</u>
Estimated Annual Debt Service	\$149,804
Administrative Fee (0.20%)	<u>1,400</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$151,204</b>

### V. PROJECT SCHEDULE

Estimated P&D Start	May 31, 2021
Estimated P&D Completion	May 31, 2022
Estimated Bid Opening Date	November 30, 2022
Estimated Construction Start	March 31, 2023
Estimated Construction Completion	March 31, 2024
First Interest Payment	December 1, 2021
First P&I Payment Date	December 1, 2022

### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

#### A) Customers

	<u>Current</u>
Residential	1,235
Commercial	51
Industrial	<u>0</u>
<b>Total</b>	<b>1,286</b>

## B) Rates

	Sewer
	Current
Date of Last Rate Increase	<b>1991-07</b>
First 3,000 Gallons (Minimum)	15.50
Next 1,000	5.17
Cost for 4,000 gallons	20.67
Increase %	
Affordability Index (Rate/MHI)	0.92%

	Water Inside City		Water Outside City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	<b>2013-07</b>	<b>2000-05</b>	<b>2013-07</b>	<b>2000-05</b>
First 2,000(3000) Gallons (Minimum)	15.67	11.67	25.05	18.67
Next 2,000(1000)	3.38	3.19	4.59	4.33
Cost for 4,000 gallons	22.43	14.86	34.23	23.00
Increase %	50.94%		48.83%	
Affordability Index (Rate/MHI)	1.00%	0.66%	1.53%	1.03%

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's service area population was 2,861 with a Median Household Income (MHI) of \$26,849. The median household income for the Commonwealth is \$48,392. The project will qualify for a 2.50% interest rate.

## **VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES**

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

## **IX. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2017 through June 30, 2019. The 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**

Total operating revenues have increased 5.8% from 4.75 M in 2017 to 5.03 M in 2019 while total operating expenses have decreased 5.6% from 4.19 M in 2017 to 3.96 M in 2019. There was a significant decrease in the water treatment and collection expenses due to several leak repairs in the water and sewer distribution systems.

The balance sheet for the year of 2019 reflects a current ratio of 1.8, debt to equity ratio of 1.1, 42.8 days of sales in accounts receivable, and 0.8 months operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Future revenue projections are expected to remain flat.
- 2) Expenses are projected to rise 2% annually for inflation.
- 3) The existing debt obligations will be paid off by FY2023.
- 4) Debt service coverage is 4.8 in FY2023 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.

**X. DEBT OBLIGATIONS**

	<b>Outstanding</b>	<b>Maturity (Fiscal Year)</b>
KIA Loan F00-008	\$817,863	2022
Dixon Bank Loan 29899(2018)	\$24,447	2023
<b>Total</b>	<b>\$ 842,310</b>	

**XI. CONTACTS**

**Legal Applicant**

Entity Name City of Providence  
Authorized Official Doug Hammers (Mayor)  
County Webster  
Email dhammers@providenceky.com  
Phone 270-667-5463  
Address PO Box 128  
Providence, KY42450

**Applicant Contact**

Name David May  
Organization City of Providence  
Email jdmay28@yahoo.com  
Phone 270-667-2511  
Address 201 E Main St  
Providence, KY42450

**Project Administrator**

Name Skyler Stewart  
Organization Green River Area Development District  
Email skylerstewart@gradd.com  
Phone 270-926-4433  
Address 300 GRADD Way  
Owensboro, KY42301

**Consulting Engineer**

PE Name	Christopher Allen Stewart
Firm Name	Haworth, Meyer & Boleyn, Inc
Email	castewart@hmbpe.com
Phone	502-695-9800
Address	3 Hmb Circle Frankfort, KY40601

**XII. RECOMMENDATIONS**

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



**CITY OF PROVIDENCE  
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>Projected 2025</b>
<b>Balance Sheet</b>									
<b>Assets</b>									
Current Assets	1,109,446	1,111,473	1,260,537	1,382,316	1,501,660	1,623,316	1,741,756	1,844,146	1,941,273
Other Assets	5,338,113	5,421,410	4,792,063	5,002,470	5,147,712	6,002,202	6,143,827	6,221,254	6,277,624
<b>Total</b>	<b>6,447,559</b>	<b>6,532,883</b>	<b>6,052,600</b>	<b>6,384,786</b>	<b>6,649,372</b>	<b>7,625,518</b>	<b>7,885,583</b>	<b>8,065,400</b>	<b>8,218,897</b>
<b>Liabilities &amp; Equity</b>									
Current Liabilities	1,173,419	944,232	704,315	714,704	630,454	417,297	556,128	560,328	564,528
Long Term Liabilities	2,360,662	3,195,813	2,501,342	2,190,766	1,968,340	2,663,071	2,523,071	2,383,071	2,243,071
<b>Total Liabilities</b>	<b>3,534,081</b>	<b>4,140,045</b>	<b>3,205,657</b>	<b>2,905,470</b>	<b>2,598,794</b>	<b>3,080,368</b>	<b>3,079,199</b>	<b>2,943,399</b>	<b>2,807,599</b>
<b>Net Assets</b>	<b>2,913,478</b>	<b>2,392,838</b>	<b>2,846,943</b>	<b>3,479,316</b>	<b>4,050,578</b>	<b>4,545,150</b>	<b>4,806,384</b>	<b>5,122,001</b>	<b>5,411,298</b>
<b>Cash Flow</b>									
Revenues	4,754,493	4,969,722	5,028,160	5,028,160	5,028,160	5,028,160	5,028,160	5,028,160	5,028,160
Operating Expenses	4,190,961	4,265,730	3,956,115	4,035,238	4,115,943	4,198,261	4,282,226	4,367,871	4,394,191
Other Income	(12,221)	(107,029)	63,209	2,867	2,867	2,867	2,867	2,867	2,867
<b>Cash Flow Before Debt Service</b>	<b>551,311</b>	<b>596,963</b>	<b>1,135,254</b>	<b>995,789</b>	<b>915,084</b>	<b>832,766</b>	<b>748,801</b>	<b>663,156</b>	<b>636,836</b>
<b>Debt Service</b>									
Existing Debt Service	311,585	314,625	318,275	317,611	318,363	224,485	5,397	0	0
Proposed KIA Loan	0	0	0	0	0	0	151,204	151,204	151,204
<b>Total Debt Service</b>	<b>311,585</b>	<b>314,625</b>	<b>318,275</b>	<b>317,611</b>	<b>318,363</b>	<b>224,485</b>	<b>156,601</b>	<b>151,204</b>	<b>151,204</b>
<b>Cash Flow After Debt Service</b>	<b>239,726</b>	<b>282,338</b>	<b>816,979</b>	<b>678,178</b>	<b>596,721</b>	<b>608,281</b>	<b>592,200</b>	<b>511,952</b>	<b>485,632</b>
<b>Ratios</b>									
Current Ratio	0.9	1.2	1.8	1.9	2.4	3.9	3.1	3.3	3.4
Debt to Equity	1.2	1.7	1.1	0.8	0.6	0.7	0.6	0.6	0.5
Days Sales in Accounts Receivable	47.7	46.8	42.8	42.8	42.8	42.8	42.8	42.8	42.8
Months Operating Expenses in Unrestricted Cash	0.4	0.2	0.8	1.2	1.6	2.0	2.3	2.6	2.9
Debt Coverage Ratio	1.8	1.9	3.6	3.1	2.9	3.7	4.8	4.4	4.2

<b>EXECUTIVE SUMMARY</b>		Reviewer	Alex Fisher	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	March 4, 2021	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A21-022	
<b>REVOLVING LOAN FUND</b>		WRIS #	SX21111015	
BORROWER	LOUISVILLE & JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT JEFFERSON COUNTY			
<b>BRIEF DESCRIPTION</b>				
<p>The Louisville and Jefferson County Metropolitan Sanitation District (MSD) is requesting a Fund A loan in the amount of \$8,270,000 for the Rosa Terrace, Sanders, Wathen and Sonne Pump Station project. This project will eliminate the Rosa Terrace and Sonne Avenue pump stations and replace the Wathen Lane and Sanders Lane pump stations. These are some of the most problematic pump stations in Jefferson County and all four are in low to moderate income areas. All of the pump stations are in the Dixie Highway area of Louisville adjacent to or just outside this significant commercial corridor.</p> <p>The Rosa Terrace pump station will be eliminated with nearly 1,500 linear feet of eight-inch gravity sewer. Construction will occur in a residential/commercial area and will involve a railroad crossing. Some of the proposed sewer will be relatively deep which may require some more specialized construction techniques such as stacked trench-boxes or shoring, larger excavation equipment, and/or trench-less installation methods (jack-and-bore, micro-tunneling, etc.). Overall, the average depth of the sewer is approximately 17-feet.</p> <p>Over 2,700 linear feet of eight-inch gravity sewer will be used to eliminate the Sonne Avenue Pump Station. In addition to having to cross a state road (Dixie Highway - 31W), portions of the sewer will be somewhat deep and in a residential area. Fortunately, there are numerous detour options and the impact to residents will be relatively minor.</p> <p>To eliminate the Wathen Lane pump station rehabilitation project consists of a full replacement of the existing pump station. The existing pump station will be replaced with a new, modern station and will utilize the existing 6" force main. As part of the layout of the proposed station, a dedicated entrance drive and concrete maintenance pad will be constructed to provide MSD staff with a safe and secure area to service the pump station in the future.</p> <p>The Sanders Lane pump station rehabilitation project consists of the replacement of approximately 450 linear feet of existing 4" force main from the existing pump station. The new force main will follow the same general alignment of the existing. In addition to the force main replacement, there will be additional site improvements to the area immediately adjacent to the existing pump station. A dedicated entrance drive and concrete maintenance pad will be constructed to provide MSD staff with a safe and secure area to service the pump station in the future. This new concrete pad will also house a new emergency backup generator and the upgraded electrical components.</p> <p>Currently MSD serves over 220,000 residential and over 21,000 commercial and industrial customers.</p>				
u				
<b>LOAN ASSUMPTIONS</b>		<b>PROJECT BUDGET</b>		
Fund A Loan	\$8,270,000	Administrative Expenses	\$50,000	
		Construction	\$7,393,000	
		Contingency	\$827,000	
<b>TOTAL</b>	<b>\$8,270,000</b>	<b>TOTAL</b>	<b>\$8,270,000</b>	
<b>REPAYMENT</b>	Rate	2.00%	Est. Annual Payment	
	Term	20 Years	1st Payment 6 Mo. after first draw	
			\$520,276	
<b>PROFESSIONAL SERVICES</b>	Engineer	Louisville & Jefferson County Metropolitan Sewer District		
	Bond Counsel	Rubin & Hays		
<b>PROJECT SCHEDULE</b>	Bid Opening	May-21		
	Construction Start	May-21		
	Construction Stop	Jun-22		
<b>DEBT PER CUSTOMER</b>	Existing	\$10,259		
	Proposed	\$10,005		
<b>OTHER DEBT</b>	See Attached			
<b>RESIDENTIAL RATES</b>		<u>Users</u>	<u>Avg. Bill</u>	
	Current (MSD)	243,512	\$51.45 (for 4,000 gallons)	
<b>REGIONAL COORDINATION</b>	This project is consistent with regional planning recommendations.			
<b>CASHFLOW (in thousands)</b>	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2018	201,878	124,787	77,091	1.6
Audited 2019	209,361	128,227	81,134	1.6
Audited 2020	224,355	131,383	92,972	1.7
Projected 2021	234,453	141,047	93,406	1.7
Projected 2022	249,411	146,238	103,173	1.7
Projected 2023	265,625	151,247	114,378	1.8
Projected 2024	283,190	158,125	125,065	1.8
Projected 2025	302,209	158,862	143,347	1.9

Reviewer: Alex Fisher  
Date: March 4, 2021  
Loan Number: A21-022

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND A)  
LOUISVILLE AND JEFFERSON COUNTY  
METROPOLITAN SEWER DISTRICT (MSD)  
PROJECT REVIEW  
SX21111015**

**I. PROJECT DESCRIPTION**

The Louisville and Jefferson County Metropolitan Sanitation District (MSD) is requesting a Fund A loan in the amount of \$8,270,000 for the Rosa Terrace, Sanders, Wathen and Sonne Pump Station project. This project will eliminate the Rosa Terrace and Sonne Avenue pump stations and replace the Wathen Lane and Sanders Lane pump stations. These are some of the most problematic pump stations in Jefferson County and all four are in low to moderate income areas. All of the pump stations are in the Dixie Highway area of Louisville adjacent to or just outside this significant commercial corridor.

The Rosa Terrace pump station will be eliminated with nearly 1,500 linear feet of eight-inch gravity sewer. Construction will occur in a residential/commercial area and will involve a railroad crossing. Some of the proposed sewer will be relatively deep which may require some more specialized construction techniques such as stacked trench-boxes or shoring, larger excavation equipment, and/or trench-less installation methods (jack-and-bore, micro-tunneling, etc.). Overall, the average depth of the sewer is approximately 17-feet.

Over 2,700 linear feet of eight-inch gravity sewer will be used to eliminate the Sonne Avenue Pump Station. In addition to having to cross a state road (Dixie Highway - 31W), portions of the sewer will be somewhat deep and in a residential area. Fortunately, there are numerous detour options and the impact to residents will be relatively minor.

To eliminate the Wathen Lane pump station rehabilitation project consists of a full replacement of the existing pump station. The existing pump station will be replaced with a new, modern station and will utilize the existing 6" force main. As part of the layout of the proposed station, a dedicated entrance drive and concrete maintenance pad will be constructed to provide MSD staff with a safe and secure area to service the pump station in the future.

The Sanders Lane pump station rehabilitation project consists of the replacement of approximately 450 linear feet of existing 4" force main from the existing pump station. The new force main will follow the same general alignment of the existing. In addition

to the force main replacement, there will be additional site improvements to the area immediately adjacent to the existing pump station. A dedicated entrance drive and concrete maintenance pad will be constructed to provide MSD staff with a safe and secure area to service the pump station in the future. This new concrete pad will also house a new emergency backup generator and the upgraded electrical components.

Currently MSD serves over 220,000 residential and over 21,000 commercial and industrial customers.

## **II. PROJECT BUDGET**

	<b>Total</b>
Administrative Expenses	\$ 50,000
Construction	7,393,000
Contingency	827,000
<b>Total</b>	<b>\$ 8,270,000</b>

## **III. PROJECT FUNDING**

	Amount	%
Fund A Loan	\$ 8,270,000	100%
<b>Total</b>	<b>\$ 8,270,000</b>	<b>100%</b>

## **IV. KIA DEBT SERVICE**

Construction Loan	\$ 8,270,000
Less: Principal Forgiveness	\$ -
Amortized Loan Amount	\$ 8,270,000
Interest Rate	2.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 503,736
Administrative Fee (0.25%)	\$ 16,540
<b>Total Estimated Annual Debt Service</b>	<b>\$ 520,276</b>

## **V. PROJECT SCHEDULE**

Bid Opening	May 2021
Construction Start	May 2021
Construction Stop	June 2022

**VI. CUSTOMER COMPOSITION AND RATE STRUCTURE**

**A) Customers**

Customers	Current
Residential	221,796
Commercial	21,331
Industrial	385
Total	243,512

**B) Rates**

<b>MSD Rates</b>	Current	Prior	Prior
Date of Last Rate Increase	08/01/20	08/01/19	8/1/2018
Minimum	\$17.68	\$16.84	\$15.75
Per 1,000 Gallons	4.83	4.60	4.30
Consent Decree Surcharge	14.45	13.76	12.87
Cost for 4,000 gallons	\$51.45	\$49.00	\$45.82
Increase %	5.0%	6.9%	
Affordability Index (Rate/MHI)	1.2%	1.2%	

**VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility’s county population was 746,580 and a service area of 208,501 with a Median Household Income (MHI) of \$51,104. The median household income for the Commonwealth is \$48,392. The project will qualify for a 2.00% interest rate based on the MHI. The total customer base is utilized for this project as the whole system bears the debt equally.

**VIII. 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.

## **IX. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2018 through June 30, 2020 from the combined wastewater and storm water funds. 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**

Total revenues increased 14.3% from \$279 million in 2018 to \$319 million in 2020. The \$319 million includes \$6.9 million in wastewater revenues that are related to the OCEA acquisition. MSD's board can approve rate increases up to 7% without needed approval from Louisville Metro Council which they have done in 2018 and 2019 audited years and 5% in 2020 driving the annual increases in revenue. Wastewater service charges totaled \$237.8 million in 2020 while storm water service charges totaled \$75 million. Operating expenses increased 17.6% during the same time period from \$93.8 million to \$110.3 million. Expense increases were attributed mostly to increased operations and maintenance expenses in connection with the OCEA as well as various weather events (flooding) that occurred during the audited period observed. The debt coverage ratio for 2018-2020 was 1.62, 1.63, and 1.71 respectively (includes only net operating income).

The 1993 Sewer and Drainage System Revenue Bond Resolution requires MSD to provide available revenues sufficient to pay 110% of each year's aggregate net debt service on revenue bonds and 100% of operating expenses. Each year MSD's audit contains a Comparative Schedule of Debt Service Coverage which includes net operating income as well as other sources of revenue including investment income and current period payments of property owner assessments. When factoring in those additional revenue streams, MSD's debt coverage ratio from 2018-2020 was 1.6, 1.6, and 1.7 respectively. Moody's Investors Service affirmed an Aa3 rating for MSD on September 14, 2020 for outstanding senior revenue bonds with a stable outlook. S&P Rating Service affirmed an AA long term rating and stable outlook on September 11, 2020.

The 2020 balance sheet reflects a current ratio of 1.2, a debt to equity ratio of 3.6, 31.1 days sales in accounts receivable, and 10.9 months operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Revenues will increase 6.9% each forecasted year due to rate increases

- anticipated from MSD's Board.
- 2) Expenses will increase 4% for inflation and expected increases in general operational expenses for pending projects.
  - 3) The forecast includes debt service for both approved KIA loans for MSD including A19-015 and A19-028 (total of \$25,870,000).
  - 4) Debt service coverage is 1.7 and above during the projected FY 2021-2025.

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

## REPLACEMENT RESERVE

MSD maintains Debt Reserve Accounts equal to the maximum annual debt service requirements on its senior lien obligations (currently \$151.1 million). No additional replacement reserves will be required for this loan.

## **X. DEBT OBLIGATIONS**

<i>Amounts in thousands</i>	<u>Outstanding</u>	<u>Maturity</u>
<b><u>Senior Debt</u></b>		
2009C Series Revenue Bonds	180,000	2040
2010A Series Revenue Bonds	330,000	2043
2011A Series Revenue Bonds	246,225	2034
2013A Series Revenue Bonds	115,790	2036
2013B Series Revenue Bonds	112,575	2038
2013C Series Revenue Bonds	99,250	2044
2014A Series Revenue Bonds	79,750	2045
2015A Series Revenue Bonds	173,160	2046
2015B Series Revenue Bonds	71,515	2038
2016A Series Revenue Bonds	149,290	2047
2016B Series Revenue Bonds	23,915	2036
2016C Series Revenue Bonds	50,515	2023
2017A Series Revenue Bonds	161,895	2048
2017B Series Revenue Bonds	32,885	2025
2018A Series Revenue Bonds	60,380	2038
2019A Series Revenue Bonds	24,770	2023
2020A Series Revenue Bonds (225,000)		TBD
2020C Series Revenue Bonds (\$112,065)		TBD
<b><u>Senior Subordinate Debt</u></b>		
BAN Series 2019A	226,340	TBD
Commercial Paper Notes (2018A 1 & 2)	255,000	
Direct Purchase Note - Bank Note	100	2021
2020 BAN (\$226,340)		2021

**Subordinate Debt**

KIA Loan (A209-41 ARRA)	1,659	2033
KIA Loan (A19-015 i/a/o \$3,870)		TBD
KIA Loan (A19-028 i/a/o \$22,000)		TBD
KIA Loan (A98-04A, Crestwood)	454	2021
KIA Loan (A21-022 i/a/o \$8,270)		TBD
OCEA A10-04	1,974	2033
OCEA A10-05	715	2033
OCEA A10-06	81	2033
OCEA A10-07	1,821	2034
OCEA A11-15	465	2033
OCEA A12-29	5,520	2037
OCEA A17-028	2,013	TBD
OCEA A18-010	1,116	TBD
B10-01	500	2030
B10-04	500	2031
B15-006	87	2037
KY Rural Water Finance 2010D	285	2030
KY Rural Water Finance 2013E	545	2043
KY Rural Water Finance 2017A	755	2047
Bank Debt (Bullitt County)	111	2022
<b>Total</b>	<b>\$ 2,411,845</b>	

**XI. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	Louisville & Jefferson County Metropolitan Sewer District
Authorized Official	Tony Parrott (Executive Director)
County	Jefferson
Email	tony.parrott@louisvillemsd.org
Phone	502-540-6533
Address	PO Box 740011 Louisville, KY 40201



**Applicant Contact**

Name	Stephanie Laughlin
Organization	Louisville & Jefferson County Metropolitan Sewer District
Email	stephanie.laughlin@louisvillemsd.org
Phone	(502) 540-6955
Address	700 W Liberty St Louisville, KY 40203

**Project Administrator**

Name	Jason Dempster
Organization	Louisville & Jefferson County Metropolitan Sewer District
Email	jason.dempster@louisvillemsd.org
Phone	(502) 540-6386
Address	700 W Liberty St Louisville, KY 40203

**Consulting Engineer**

PE Name	Jacob Mathis
Firm Name	Louisville & Jefferson County Metropolitan Sewer District
Email	jacob.mathis@louisvillemsd.org
Phone	(502) 540-6500
Address	700 W Liberty St Louisville, KY 40203

**XII.RECOMMENDATIONS**

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

**LOUISVILLE & JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
FINANCIAL SUMMARY (JUNE YEAR END)**

**DOLLARS IN THOUSANDS**

	<u>Audited</u> <u>2018</u>	<u>Audited</u> <u>2019</u>	<u>Audited</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>	<u>Projected</u> <u>2025</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	139,927	169,448	154,200	169,448	177,552	190,990	205,597	222,231
Other Assets	3,164,908	3,278,999	3,491,878	3,465,238	3,469,820	3,463,283	3,466,363	3,485,897
<b>Total</b>	<b>3,304,835</b>	<b>3,448,447</b>	<b>3,646,078</b>	<b>3,634,686</b>	<b>3,647,373</b>	<b>3,654,273</b>	<b>3,671,959</b>	<b>3,708,129</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	125,320	113,705	130,032	140,968	144,641	150,093	149,362	152,885
Long Term Liabilities	2,470,841	2,564,190	2,719,316	2,663,188	2,626,182	2,563,619	2,502,987	2,440,032
<b>Total Liabilities</b>	<b>2,596,161</b>	<b>2,677,895</b>	<b>2,849,348</b>	<b>2,804,156</b>	<b>2,770,823</b>	<b>2,713,712</b>	<b>2,652,349</b>	<b>2,592,917</b>
<b>Net Assets</b>	<b>708,674</b>	<b>770,552</b>	<b>796,730</b>	<b>830,530</b>	<b>876,549</b>	<b>940,560</b>	<b>1,019,610</b>	<b>1,115,211</b>
<b>Cash Flow</b>								
Revenues	279,149	294,368	319,057	336,697	359,364	383,595	409,498	437,188
Operating Expenses	93,800	103,699	110,302	117,858	125,567	133,584	141,922	150,593
Other Income	16,529	18,692	15,600	15,614	15,614	15,614	15,614	15,614
<b>Cash Flow Before Debt Service</b>	<b>201,878</b>	<b>209,361</b>	<b>224,355</b>	<b>234,453</b>	<b>249,411</b>	<b>265,625</b>	<b>283,190</b>	<b>302,209</b>
<b>Debt Service</b>								
Existing Debt Service	124,787	128,227	131,383	141,047	145,718	150,727	157,605	158,342
Proposed KIA Loan A21-022	0	0	0	0	520	520	520	520
<b>Total Debt Service</b>	<b>124,787</b>	<b>128,227</b>	<b>131,383</b>	<b>141,047</b>	<b>146,238</b>	<b>151,247</b>	<b>158,125</b>	<b>158,862</b>
<b>Cash Flow After Debt Service</b>	<b>77,091</b>	<b>81,134</b>	<b>92,972</b>	<b>93,406</b>	<b>103,173</b>	<b>114,378</b>	<b>125,065</b>	<b>143,347</b>
<b>Ratios</b>								
Current Ratio	1.1	1.5	1.2	1.2	1.2	1.3	1.4	1.5
Debt to Equity	3.7	3.5	3.6	3.4	3.2	2.9	2.6	2.3
Days Sales in Accounts Receivable	34.4	34.6	31.1	30.3	30.3	30.3	30.2	30.2
Months Operating Expenses in Unrestricted Cash	6.4	5.1	10.9	4.5	5.2	5.9	6.6	7.4
Debt Coverage Ratio	1.6	1.6	1.7	1.7	1.7	1.8	1.8	1.9

<b>EXECUTIVE SUMMARY</b> <b>KENTUCKY INFRASTRUCTURE AUTHORITY</b> <b>FUND A, FEDERALLY ASSISTED WASTEWATER</b> <b>REVOLVING LOAN FUND</b>		Reviewer	Sarah Parsley	
		Date	March 4, 2021	
		KIA Loan Number	A21-031	
		WRIS Number	SX21073009	
BORROWER	CITY OF FRANKFORT FRANKLIN COUNTY			
BRIEF DESCRIPTION				
This project involves the decommissioning and removal of the Miami Trails Pump Station (MTPS), which is an aging pump station at the end of its useful life. This station is in the Indian Hills Neighborhood. The flow from the existing MTPS will be conveyed to the existing Chinook Pump Station (CPS) by approximately 3,400 LF of new 12" gravity sewer. Currently the flow is pumped from MTPS to CPS, causing redundant pumping of flow, energy, and O&M cost. This project will reduce the life cycle costs of conveying the flow currently coming to MTPS. All homes within the new gravity sewer will be connected and new cleanouts will be installed.				
PROJECT FINANCING		PROJECT BUDGET	RD Fee %	Actual %
Fund A Loan	\$1,500,000	Administrative Expenses		\$30,000
		Legal Expenses		10,000
		Land, Easements		10,000
		Planning		34,000
		Eng - Design / Const	8.7%	11.2%
		Eng - Insp	5.5%	8.5%
		Eng - Other		71,365
		Construction		1,011,021
		Contingency		112,336
TOTAL	\$1,500,000	TOTAL		\$1,500,000
REPAYMENT	Rate	2.00%	Est. Annual Payment	\$94,367
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Hazen and Sawyer, PSC		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Jun-21		
	Construction Start	Sep-21		
	Construction Stop	Jun-22		
DEBT PER CUSTOMER	Existing	\$2,700		
	Proposed	\$3,366		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	14,373	\$42.72	(for 4,000 gallons)
	Additional	0	\$42.72	(for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2018	7,827,703	3,420,582	4,407,121	2.3
Audited 2019	7,483,812	3,604,566	3,879,246	2.1
Audited 2020	7,390,577	3,824,405	3,566,172	1.9
Projected 2021	7,024,108	3,795,844	3,228,264	1.9
Projected 2022	6,893,961	3,808,038	3,085,923	1.8
Projected 2023	6,757,411	3,900,713	2,856,698	1.7
Projected 2024	6,622,006	3,894,649	2,727,357	1.7
Projected 2025	6,483,893	4,206,380	2,277,513	1.5

Reviewer: Sarah Parsley  
 Date: March 4, 2021  
 Loan Number: A21-031

**KENTUCKY INFRASTRUCTURE AUTHORITY  
 WASTEWATER REVOLVING LOAN FUND (FUND A)  
 CITY OF FRANKFORT, FRANKLIN COUNTY  
 PROJECT REVIEW  
 SX21073009**

**I. PROJECT DESCRIPTION**

The City of Frankfort is requesting a Fund A loan in the amount of \$1,500,000 for the Miami Trails Sanitary Sewer project. This project involves the decommissioning and removal of the Miami Trails Pump Station (MTPS), which is an aging pump station at the end of its useful life. This station is in the Indian Hills Neighborhood. The flow from the existing MTPS will be conveyed to the existing Chinook Pump Station (CPS) by approximately 3,400 LF of new 12" gravity sewer. Currently the flow is pumped from MPTS to CPS, causing redundant pumping of flow, energy, and O&M cost. This project will reduce the life cycle costs of conveying the flow currently coming to MTPS. All homes within the new gravity sewer will be connected and new cleanouts will be installed.

The City of Frankfort serves approximately 14,373 customers.

**II. PROJECT BUDGET**

	<b>Total</b>
Administrative Expenses	\$ 30,000
Legal Expenses	10,000
Land, Easements	10,000
Planning	34,000
Engineering Fees - Design	77,278
Engineering Fees - Construction	48,000
Engineering Fees - Inspection	96,000
Engineering Fees - Other	71,365
Construction	1,011,021
Contingency	112,336
<b>Total</b>	<b>\$ 1,500,000</b>

**III. PROJECT FUNDING**

	<b>Amount</b>	<b>%</b>
Fund A Loan	\$ 1,500,000	100%
<b>Total</b>	<b>\$ 1,500,000</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 1,500,000
Less: Principal Forgiveness	0
Amortized Loan Amount	<u>\$ 1,500,000</u>
Interest Rate	2.00%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 91,367
Administrative Fee (0.20%)	<u>3,000</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$ 94,367</b>

#### V. PROJECT SCHEDULE

Bid Opening	June 2021
Construction Start	September 2021
Construction Stop	June 2022

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current	Proposed	Total
Residential	12,177	0	12,177
Commercial	2,182	0	2,182
Industrial	14	0	14
Total	<u>14,373</u>	<u>0</u>	<u>14,373</u>

##### B) Rates

	Current	Prior
Date of Last Rate Increase	<u>07/01/18</u>	<u>01/01/18</u>
Minimum (2000 gallons)	\$21.36	\$21.04
Per 1000 gallons	\$10.68	\$10.52
Cost for 4,000 gallons	<u>\$42.72</u>	<u>\$42.08</u>
Increase %	1.5%	
Affordability Index (Rate/MHI)	1.0%	

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's service area population was 34,505 with a Median Household Income (MHI) of \$51,030. The median household income for the Commonwealth is \$48,392. The project will qualify for a 2.0% interest rate.

## **VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES**

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

## **IX. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2018 through June 30, 2020. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

Operating revenues decreased 5.3% from \$14 million in 2018 to \$13.3 million in 2020 while operating expenses increased 0.5% from \$6.35 million to \$6.38 million during the same period. The debt coverage ratios from 2018 to 2020 were 2.3, 2.1, and 1.9, respectively.

The balance sheet reflects a current ratio of 6.6, a debt to equity ratio of 0.5, 6.0 days of sales in accounts receivable, and 21.8 months of operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Sewer revenues will remain steady.
- 2) Expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 1.7 in 2023 when principal and interest repayments begin.
- 4) Debt service coverage includes KIA proposed loan A21-018 for \$19,725,000.

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% (\$76,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$3,800 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
2007 Revenue Bonds	\$ 3,230,000	2024
2010 Revenue Bonds	6,340,000	2026
2013 Revenue Bonds	8,225,000	2039
KIA Loans Payable	21,083,208	Various
<b>Total</b>	<b>\$38,878,208</b>	

## XI. CONTACTS

<b>Legal Applicant</b>	
Entity Name	City of Frankfort
Authorized Official	Layne Wilkerson (Mayor)
County	Franklin
Email	cmaxwell@frankfort.ky.gov
Phone	(502) 875-8500
Address	315 W Second St, PO Box 697 Frankfort, KY 40602

<b>Applicant Contact</b>	
Name	Kenny Hogsten
Organization	City of Frankfort Sewer Department
Email	khogsten@frankfort.ky.gov
Phone	(502) 587-5244
Address	PO Box 697 Frankfort, KY 40602

**Project Administrator**

Name	Rebecca Hall
Organization	City of Frankfort
Email	rhall@frankfort.ky.gov
Phone	(502) 875-8500
Address	315 W 2nd St, PO Box 697 Frankfort, KY 40602

**Consulting Engineer**

PE Name	Kurt Zehnder
Firm Name	Hazen and Sawyer, PSC
Email	kzehnder@hazenandsawyer.com
Phone	(859) 219-1126
Address	Ste 520, 230 Lexington Green Cir Lexington, KY 40503

**XII. RECOMMENDATIONS**

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



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

	<u>Audited 2018</u>	<u>Audited 2019</u>	<u>Audited 2020</u>	<u>Projected 2021</u>	<u>Projected 2022</u>	<u>Projected 2023</u>	<u>Projected 2024</u>	<u>Projected 2025</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	24,683,964	24,933,613	24,438,683	27,666,958	30,752,881	33,609,579	36,336,936	38,614,449
Other Assets	83,825,333	88,503,047	91,442,597	88,624,051	87,268,005	84,411,959	110,537,788	106,938,617
<b>Total</b>	<b>108,509,297</b>	<b>113,436,660</b>	<b>115,881,280</b>	<b>116,291,009</b>	<b>118,020,886</b>	<b>118,021,538</b>	<b>146,874,724</b>	<b>145,553,066</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	2,501,463	3,061,137	3,695,479	3,725,868	3,841,838	3,958,377	4,075,491	2,842,591
Long Term Liabilities	36,653,105	37,700,898	36,427,916	33,586,089	32,144,392	29,102,556	45,685,306	43,793,056
<b>Total Liabilities</b>	<b>39,154,568</b>	<b>40,762,035</b>	<b>40,123,395</b>	<b>37,311,957</b>	<b>35,986,230</b>	<b>33,060,933</b>	<b>49,760,797</b>	<b>46,635,647</b>
<b>Net Assets</b>	<b>69,354,729</b>	<b>72,674,625</b>	<b>75,757,885</b>	<b>78,979,052</b>	<b>82,034,656</b>	<b>84,960,605</b>	<b>97,113,927</b>	<b>98,917,419</b>
<b>Cash Flow</b>								
Revenues	14,006,274	13,624,489	13,259,315	13,259,315	13,259,315	13,259,315	13,259,315	13,259,315
Operating Expenses	6,347,381	6,500,812	6,379,747	6,595,342	6,725,489	6,862,039	6,997,444	7,135,557
Other Income	168,810	360,135	511,009	360,135	360,135	360,135	360,135	360,135
<b>Cash Flow Before Debt Service</b>	<b>7,827,703</b>	<b>7,483,812</b>	<b>7,390,577</b>	<b>7,024,108</b>	<b>6,893,961</b>	<b>6,757,411</b>	<b>6,622,006</b>	<b>6,483,893</b>
<b>Debt Service</b>								
Existing Debt Service	3,420,582	3,604,566	3,824,405	3,795,844	3,808,038	3,806,346	3,800,282	4,112,013
Proposed KIA Loan	0	0	0	0	0	94,367	94,367	94,367
Proposed KIA Loan A21-018	0	0	0	0	0	0	0	1,179,366
<b>Total Debt Service</b>	<b>3,420,582</b>	<b>3,604,566</b>	<b>3,824,405</b>	<b>3,795,844</b>	<b>3,808,038</b>	<b>3,900,713</b>	<b>3,894,649</b>	<b>4,206,380</b>
<b>Cash Flow After Debt Service</b>	<b>4,407,121</b>	<b>3,879,246</b>	<b>3,566,172</b>	<b>3,228,264</b>	<b>3,085,923</b>	<b>2,856,698</b>	<b>2,727,357</b>	<b>2,277,513</b>
<b>Ratios</b>								
Current Ratio	9.9	8.1	6.6	7.4	8.0	8.5	8.9	13.6
Debt to Equity	0.6	0.6	0.5	0.5	0.4	0.4	0.5	0.5
Days Sales in Accounts Receivable	0.1	4.1	6.0	6.0	6.0	6.0	6.0	6.0
Months Operating Expenses in Unrestricted Cash	24.5	29.3	21.8	27.3	32.4	36.8	40.8	43.9
Debt Coverage Ratio	2.3	2.1	1.9	1.9	1.8	1.7	1.7	1.5

<b>EXECUTIVE SUMMARY</b>		Reviewer	Alex Fisher	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	March 4, 2021	
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number	F21-026	
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21003023	
BORROWER	CITY OF SCOTTSVILLE ALLEN COUNTY			
BRIEF DESCRIPTION				
The City of Scottsville ("City") is requesting a Fund F loan in the amount of \$696,500 for the AMR and Smart Water Meter Replacement project.				
This project is to replace all existing traditional water meters (approx. 2,400 meters) with new, more accurate AMR or AMI/smart meter radio-read type water meters to help reduce non-revenue water. Additionally, labor efficiencies will be enhanced with the installation of electronic endpoints at each meter location. This will provide a safer manner for meter reading and more timely collection of customer usage. Also, the project will include the assessment and mitigation of potential water quality issues throughout the distribution system with the installation of check valves and backflow prevention devices on susceptible customer connections.				
Currently the City of Scottsville serves 2,074 residential and over 300 industrial and commercial customers.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	696,500	RD Fee %	Actual %	
		Eng - Design / Const	20,000	
		Equipment	615,000	
		Contingency	61,500	
TOTAL	<u>\$696,500</u>	TOTAL	<u>\$696,500</u>	
REPAYMENT	Rate	0.25%	Est. Annual Payment \$18,733	
	Term	20 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	GRW Engineers Inc		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	May-21		
	Construction Start	Jul-21		
	Construction Stop	Mar-22		
DEBT PER CUSTOMER	Existing	\$1,065		
	Proposed	\$2,685		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u> 2,386	<u>Avg. Bill</u> \$33.15 (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 2018	(68,494)	93,307	(161,801)	-0.7
Audited 2019	(7,087)	90,371	(97,458)	-0.1
Audited 2020	83,033	78,861	4,172	1.1
Projected 2021	92,430	74,079	18,351	1.2
Projected 2022	228,685	210,594	18,091	1.1
Projected 2023	233,188	210,591	22,597	1.1
Projected 2024	237,805	210,594	27,211	1.1
Projected 2025	242,539	210,594	31,945	1.2

Reviewer: Alex Fisher  
Date: March 4, 2021  
Loan Number: F21-026

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
CITY OF SCOTTSVILLE, ALLEN COUNTY  
PROJECT REVIEW  
WX21003023**

**I. PROJECT DESCRIPTION**

The City of Scottsville (“City”) is requesting a Fund F loan in the amount of \$696,500 for the AMR and Smart Water Meter Replacement project.

This project is to replace all existing traditional water meters (approx. 2,400 meters) with new, more accurate AMR or AMI/smart meter radio-read type water meters to help reduce non-revenue water. Additionally, labor efficiencies will be enhanced with the installation of electronic endpoints at each meter location. This will provide a safer manner for meter reading and more timely collection of customer usage. Also, the project will include the assessment and mitigation of potential water quality issues throughout the distribution system with the installation of check valves and backflow prevention devices on susceptible customer connections.

Currently the City of Scottsville serves 2,074 residential and over 300 industrial and commercial customers.

**II. PROJECT BUDGET**

	<b>Total</b>
Engineering Fees - Design	\$ 20,000
Equipment	615,000
Contingency	61,500
<b>Total</b>	<b>\$ 696,500</b>

**III. PROJECT FUNDING**

	<b>Amount</b>	<b>%</b>
Fund F Loan	\$ 696,500	100%
<b>Total</b>	<b>\$ 696,500</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 696,500
Less: Principal Forgiveness	348,250
Amortized Loan Amount	<u>\$ 348,250</u>
Interest Rate	0.25%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 17,862
Administrative Fee (0.25%)	871
<b>Total Estimated Annual Debt Service</b>	<b>\$ 18,733</b>

#### V. PROJECT SCHEDULE

Bid Opening	May 1, 2021
Construction Start	July 1, 2021
Construction Stop	March 1, 2022

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current
Residential	2,074
Commercial	293
Industrial	19
Total	<u>2,386</u>

##### B) Rates

<b>WATER</b>	Current	Prior
Date of Last Rate Increase	08/01/20	08/01/19
Minimum (2,000 gal.)	\$18.87	\$18.50
2,001- 5,000 Gallons per 1,000 gal.	7.14	7.00
5,001 - 10,000 Gallons	6.05	5.93
Cost for 4,000 gallons	<u>\$33.15</u>	<u>\$32.50</u>
Increase %	2.0%	
Affordability Index (Rate/MHI)	1.3%	

<b>SEWER</b>	<u>Current</u>	<u>Prior</u>
Date of Last Rate Increase	08/01/20	08/01/19
Minimum (2,000 gal.)	\$18.87	\$18.50
2,001- 5,000 Gallons per 1,000 gal.	7.14	7.00
5,001 - 10,000 Gallons	6.05	5.93
Cost for 4,000 gallons	\$33.15	\$32.50
Increase %	2.0%	
Affordability Index (Rate/MHI)	1.3%	

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's service area population was 5,114 with a Median Household Income (MHI) of \$31,624. The median household income for the Commonwealth is \$48,392. The increase will qualify for a 20-year loan term at 0.25% interest rate.

## **VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES**

- 1) Green Project Reserve - The Drinking Water capitalization grant does not contain a "green" requirement.
- 2) Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$348,250 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, 2018 through June 30, 2020. 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 were basically flat from \$2.43 million in 2018 to \$2.44 in 2020 while operating expenses decreased 5.7% from \$2.50 million to \$2.35 million during the same period primarily due to the accounts payable and interest payable portions due to an ongoing expansion project. The debt coverage ratio was (0.7), (0.1), and 1.1 in 2018, 2019, and 2020 respectively.

The balance sheet reflects a current ratio of 0.5, a debt to equity ratio of 1.9, 42.5 days of sales in accounts receivable, and 1 month of operating expenses in unrestricted cash.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will continue to increase annually due to the 2% increase for water and 2% increase for sewer approved by the City.
- 2) Sewer rates are estimated to increase an additional 11% in 2022 to cover debt service for permanent financing for a sewer project currently under construction. The city has a \$3.65 million ongoing sewer project financed with a BAN through the Kentucky Rural Water Association Finance Corporation. Permanent financing is anticipated to be in place around June 2021 through U.S. Rural Development.
- 3) Expenses are projected to continue to increase 2% due to inflation.
- 4) Debt service coverage is 1.1 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 F loan.

## REPLACEMENT RESERVE

The replacement reserve will be 5% (\$34,000 total) of the final amount borrowed (prior to principal forgiveness) to be funded annually (\$1,700 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KIA B12-008	\$ 102,413	2033
KIA B13-005	958,999	2036
Edmonton State South Central Bank	7,425	2022
KY Rural Water Loan	1,473,072	2023
<b>Total</b>	<b>\$ 2,541,909</b>	

## **XI. CONTACTS**

### **Legal Applicant**

Entity Name	City of Scottsville
Authorized Official	David Burch (Mayor)
County	Allen
Email	david.burch@cityofscottsville.org
Phone	270 237 3238
Address	201 W Main St STE 10 Scottsville, KY 42164

### **Applicant Contact**

Name	Evelina Anderson
Organization	City of Scottsville
Email	eanderson@cityofscottsville.org
Phone	(270) 237-4472
Address	201 W Main St STE 8 Scottsville, KY 42164

### **Project Administrator**

Name	Emily Hathcock
Organization	Barren River Area Development District
Email	emily.hathcock@bradd.org
Phone	(270) 781-2381
Address	177 Graham Ave Bowling Green, KY 42103

### **Consulting Engineer**

PE Name	Adalyn D Haney
Firm Name	GRW Engineers Inc
Email	ahaney@grwinc.com
Phone	(502) 489-8484
Address	11909 Shelbyville Rd STE 100 Louisville, KY 40243

## **XII. RECOMMENDATIONS**

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



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

	<u>Audited 2018</u>	<u>Audited 2019</u>	<u>Audited 2020</u>	<u>Projected 2021</u>	<u>Projected 2022</u>	<u>Projected 2023</u>	<u>Projected 2024</u>	<u>Projected 2025</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	525,929	438,761	579,965	531,420	571,011	599,708	633,119	671,364
Other Assets	7,850,683	7,335,067	8,479,744	11,536,689	11,582,033	10,930,877	10,279,721	9,628,565
<b>Total</b>	<b>8,376,612</b>	<b>7,773,828</b>	<b>9,059,709</b>	<b>12,068,109</b>	<b>12,153,044</b>	<b>11,530,585</b>	<b>10,912,840</b>	<b>10,299,929</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	1,111,646	778,972	1,056,472	803,163	821,189	825,724	830,345	835,053
Long Term Liabilities	3,740,386	3,682,112	4,880,129	8,463,274	8,730,623	8,649,245	8,567,387	8,485,044
<b>Total Liabilities</b>	<b>4,852,032</b>	<b>4,461,084</b>	<b>5,936,601</b>	<b>9,266,437</b>	<b>9,551,811</b>	<b>9,474,969</b>	<b>9,397,732</b>	<b>9,320,097</b>
<b>Net Assets</b>	<b>3,524,580</b>	<b>3,312,744</b>	<b>3,123,108</b>	<b>2,801,672</b>	<b>2,601,233</b>	<b>2,055,616</b>	<b>1,515,108</b>	<b>979,832</b>
<b>Cash Flow</b>								
Revenues	2,425,592	2,413,213	2,436,810	2,493,297	2,678,083	2,730,330	2,783,622	2,837,980
Operating Expenses	2,496,727	2,421,453	2,354,481	2,401,571	2,450,102	2,497,846	2,546,521	2,596,145
Other Income	2,641	1,153	704	704	704	704	704	704
<b>Cash Flow Before Debt Service</b>	<b>(68,494)</b>	<b>(7,087)</b>	<b>83,033</b>	<b>92,430</b>	<b>228,685</b>	<b>233,188</b>	<b>237,805</b>	<b>242,539</b>
<b>Debt Service</b>								
Existing Debt Service	93,307	90,371	78,861	74,079	191,861	191,858	191,861	191,861
Proposed KIA Loan	0	0	0	0	18,733	18,733	18,733	18,733
<b>Total Debt Service</b>	<b>93,307</b>	<b>90,371</b>	<b>78,861</b>	<b>74,079</b>	<b>210,594</b>	<b>210,591</b>	<b>210,594</b>	<b>210,594</b>
<b>Cash Flow After Debt Service</b>	<b>(161,801)</b>	<b>(97,458)</b>	<b>4,172</b>	<b>18,351</b>	<b>18,091</b>	<b>22,597</b>	<b>27,211</b>	<b>31,945</b>
<b>Ratios</b>								
Current Ratio	0.5	0.6	0.5	0.7	0.7	0.7	0.8	0.8
Debt to Equity	1.4	1.3	1.9	3.3	3.7	4.6	6.2	9.5
Days Sales in Accounts Receivable	46.6	43.1	42.5	42.5	42.5	42.5	42.5	42.5
Months Operating Expenses in Unrestricted Cash	0.9	0.7	1.0	1.1	1.2	1.3	1.4	1.5
Debt Coverage Ratio	(0.7)	(0.1)	1.1	1.2	1.1	1.1	1.1	1.2