

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

▪ **Fund A Loan**

Loan #	Borrower	Amount Requested	Amount Loan Total	County
A19-009	City of Georgetown (Increase)	\$ 7,857,216	\$ 21,400,000	Scott
A19-050	City of Richmond (Increase)	\$ 3,000,000	\$ 13,142,000	Madison
A20-030	City of Jackson	\$ 1,017,000	\$ 1,017,000	Breathitt
A21-020	Farmdale Sanitation District	\$ 300,000	\$ 300,000	Franklin
A21-041	City of Whitesburg	\$ 1,800,000	\$ 1,800,000	Letcher

▪ **Fund B Loan**

Loan #	Borrower	Amount Requested	Amount Loan Total	County
B19-008	Hyden-Leslie County Water District (Director Level Increase)	\$ 100,000	\$ 2,835,000	Leslie

▪ **Fund F Loan**

Loan #	Borrower	Amount Requested	Amount Loan Total	County
F17-005	City of Stanford (Increase)	\$ 268,293	\$ 2,958,293	Lincoln

EXECUTIVE SUMMARY		Reviewer		Sandy Williams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		February 4, 2021	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number		A19-009 (Increase)	
REVOLVING LOAN FUND		WRIS Number		SX21209012	
BORROWER		CITY OF GEORGETOWN SCOTT COUNTY			
BRIEF DESCRIPTION					
The City of Georgetown is requesting a loan increase of \$7,857,216 to loan A19-009 approved on June 18, 2019 in the amount of \$13,542,784 bringing the new loan amount to \$21,400,000. The City received seven (7) bid submissions on the SSE project on 10/29/2020. The low bid amount is above the current KIA-SRF project budget. Additionally, the 319(h) Non-Point Source grant amount going toward construction is reduced to cover 319(h) administration fees. For the project to move forward and award the bid, additional KIA-SRF funding is requested. The original project remains unchanged and will expand sanitary sewer service from the intersection of US-25 and Bypass US-62 to the intersection of US-25 and KY-1963 in Scott County. Approximately 10 properties will be provided sanitary sewer service along the project route, two of which are mobile home parks (Spindletop and Ponderosa), with a capacity of approximately 500 households that are currently served by two package treatment plants in severe disrepair. The project will install approximately 17,000 linear feet (LF) of gravity trunk sewers and appurtenances, one sanitary sewer pump station, and approximately 6,400 LF of force main. The mobile home park sewer collection system will undergo rehab and replacement estimated at approximately 17,000 LF of collector sewers and various manholes as determined necessary. Approximately 320 service laterals will be installed for existing residents in the mobile home parks. Both of the failing package treatment plants will be decomissioned as a result of the project.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund A Loan Increase	\$21,400,000	Administrative Expenses			\$156,218
HB 265 Non-Coal Grant	1,075,000	Legal Expenses			22,000
319 Non-Point Source Grant	750,000	Land, Easements			255,000
Scott County	250,000	Planning			93,884
LFUCG	475,000	Eng - Design / Const	6.4%	6.4%	1,382,234
City of Georgetown	250,000	Eng - Insp	3.0%	1.7%	358,934
		Eng - Other			206,900
		Construction			19,207,712
		Contingency			2,517,118
TOTAL	\$24,200,000	TOTAL			\$24,200,000
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$773,923	
	Term	30 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Hazen and Sawyer			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	Oct-20			
	Construction Start	May-21			
	Construction Stop	May-23			
DEBT PER CUSTOMER	Existing	\$674			
	Proposed	\$1,944			
OTHER DEBT	See Attached				
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached				
RESIDENTIAL RATES		Users	Avg. Bill		
	Current	13,588	\$25.38 (for 4,000 gallons)		
	Additional	0	\$25.38 (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	4,433,128	1,468,221	2,964,907	3.0	
Audited 2019	2,960,474	1,170,371	1,790,103	2.5	
Audited 2020	3,869,168	1,161,166	2,708,002	3.3	
Projected 2021	4,275,923	1,180,669	3,095,254	3.6	
Projected 2022	4,806,184	1,161,449	3,644,735	4.1	
Projected 2023	5,330,319	1,932,032	3,398,287	2.8	
Projected 2024	5,820,499	1,637,188	4,183,311	3.6	
Projected 2025	5,607,696	1,638,805	3,968,891	3.4	

Reviewer: Sandy Williams
Date: February 4, 2021
Loan Number: A19-009 (Increase)

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF GEORGETOWN, SCOTT COUNTY
PROJECT REVIEW
SX21209012**

I. PROJECT DESCRIPTION

The City of Georgetown is requesting a loan increase of \$7,857,216 to loan A19-009 approved on June 18, 2019 in the amount of \$13,542,784 bringing the new loan amount to \$21,400,000. The City received seven (7) bid submissions on the project on 10/29/2020. The low bid amount is above the current KIA-SRF project budget. Additionally, the 319(h) Non-Point Source grant amount going toward construction was reduced to cover 319(h) administration fees. The additional funding is necessary for the project to move forward.

The original project, named the Georgetown/Scott County South Sewer Extension project, remains unchanged. The purpose of this project is to eliminate the untreated sanitary discharges from two package treatment plants and remove major point sources of pollution to the Cane Run Creek and Cane Run Watershed thus improving the public health of the region. It will provide adequate sanitary sewer service to approximately 500 mobile home units (around 320 are currently occupied) with the Ponderosa and Spindletop mobile home parks (MHPs) by replacing all leaking collector sewers within the two MHPs and extending a gravity interceptor (approximately 17,000 LF) to a new pump station where the flows will be conveyed into Georgetown Municipal Water and Sewer Service (GMWSS) collection system. Once the two MHPs are fully connected to the new gravity collection system and pump station, the two existing package treatment plants, Ponderosa and Spindletop, will be decommissioned and demolished. The mobile home park collection systems will also undergo rehab and replacement of approximately 17,000 LF of collector sewers and various manholes as determined necessary. The gravity interceptor route will also provide sanitary sewer service for an area previously unserved. Both of the mobile home parks will be served by master meters billed to the owners of the parks with associated treatment and project costs being passed on to residents as part of their lot rent.

Georgetown Municipal Water and Sewer Service currently serves approximately 13,588 residential, commercial, and industrial customers in the City of Georgetown and Scott County.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 156,218
Legal Expenses	22,000
Land, Easements	255,000
Planning	93,884
Engineering Fees - Design	1,152,200
Engineering Fees - Construction	230,034
Engineering Fees - Inspection	358,934
Engineering Fees - Other	206,900
Construction	19,207,712
Contingency	2,517,118
Total	\$ 24,200,000

III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 21,400,000	88%
HB 265 Non-Coal Grant	1,075,000	5%
319 Non-Point Source Grant	750,000	3%
Scott County	250,000	1%
LFUCG	475,000	2%
City of Georgetown	250,000	1%
Total	\$ 24,200,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 21,400,000
Less: Principal Forgiveness	\$ 1,000,000
Amortized Loan Amount	\$ 20,400,000
Interest Rate	0.50%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 733,123
Administrative Fee (0.20%)	40,800
Total Estimated Annual Debt Service	\$ 773,923

V. PROJECT SCHEDULE

Bid Opening:	October 2020
Construction Start:	May 2021
Construction Stop:	May 2023

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	Current
Residential	12,204
Commercial	1,373
Industrial	11
Total	13,588

B) Rates

Sewer	Current	Prior	Prior
Date of Last Rate Increase	7/1/20	11/15/07	05/15/04
Minimum (incl. 2,000 Gallons)	\$ 11.02	\$ 7.82	\$ 7.11
All Over 2,000 Gallons	7.18	5.58	5.07
Cost for 4,000 gallons¹	\$ 25.38	\$ 18.98	\$ 17.25
Increase %	33.7%	10.0%	
Affordability Index (Rate/MHI) ²	0.5%	0.4%	

Water	Current	Prior	Prior
Date of Last Rate Increase	7/1/20	11/15/07	05/15/04
Minimum (incl. 2,000 Gallons)	\$ 11.77	\$ 8.54	\$ 7.76
All Over 2,000 Gallons	6.41	4.80	4.36
Cost for 4,000 gallons¹	\$ 24.59	\$ 18.14	\$ 16.48
Increase %	35.6%	10.1%	
Affordability Index (Rate/MHI) ²	0.5%	0.4%	

¹ Rates stated here do not necessarily reflect anticipated rates for the entire project area as both MHPs will be served by master meters billed to the Spindletop and Ponderosa MHP property owners and passed through to residents.

² Please note the Affordability Index calculated here is for the City of Georgetown's Median Household Income as identified in WRIS, not for this specific project area, which received Disadvantaged Community Status via an Income Survey approved by KIA Staff.

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the Utility's service area population was 28,325 with a Median Household Income (MHI) of \$60,705. However, this project received Disadvantaged Community Status after completing an Income Survey of the project area. There were 199 surveys completed of which 180 identified a household income below \$35,849 or 80% of Kentucky's median household income level (\$44,811). Because of this, the project will qualify for a 0.5% interest rate, a 30 year loan term, and \$1 million in principal forgiveness.

VIII. 2018 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 2) Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$1,000,000, will be credited to the loan balance upon release of liens on all contracts and disbursement of the final draw request by KIA to the borrower.

IX. FINANCIAL ANALYSIS

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

HISTORY

Total water and sewer revenues have increased 6.1% from \$12.5 million in 2018 to \$13.3 million in 2020 largely due to Georgetown's continued population growth and enacted rate increases. Water revenues as of 2020 contribute approximately \$5.45 million to the total while sewer revenues contribute approximately \$5.43 million. Total operating expenses for both water and sewer increased approximately 16.6% from \$8.1 million in 2018 to \$9.4 million in 2020 mostly due to inflation. Cash flow before debt service was \$4.4 million in 2018, \$2.96 million in 2019, and \$3.9 million in 2020. The debt coverage ratio was 3.0, 2.5, and 3.3 from 2018-2020, respectively.

The 2020 balance sheet reflects a current ratio of 0.9, a debt to equity ratio of 0.3, 44 days sales in accounts receivable, and 0.7 months operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues are anticipated to increase 7.5% in 2021 and sewer revenues are anticipated to increase 9.6% as a result of previously enacted rate increases. Beginning in 2022 and going through 2024 water revenues will increase approximately 6% annually and sewer revenues will increase approximately 5% annually. Revenues in 2025 will remain flat.
- 2) Expenses will increase 6% in 2021. Beginning in 2022 expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 2.8 in 2023 when full principal and interest repayments begin.

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

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$1,070,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$53,500 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
Revenue Bond Series 2013A	\$ 3,420,000	2033
Revenue Bond Series 2013B	835,000	2023
Revenue Bond Series 2018A	3,537,000	2027
Bank LOC and BANs	1,336,651	2022
Total	\$ 9,128,651	

XI. CONTACTS

Legal Applicant	
Entity Name	City of Georgetown
Authorized Official	Tom Prather (Mayor)
County	Scott
Email	tom.prather@georgetownky.gov
Phone	502-863-9800
Address	100 N Court St Georgetown, KY 40324

Applicant Contact

Name	Chase Azevedo
Organization	Georgetown Municipal Water & Sewer Service
Email	cazevedo@gmwss.com
Phone	502-863-7816
Address	100 W Main St. Georgetown, KY 40324

Project Administrator

Name	Karyn Leverenz
Organization	Bluegrass Area Development District
Email	kleverenz@bgadd.org
Phone	859-269-8021
Address	699 Perimeter Dr. Lexington, KY 40517

Consulting Engineer

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

XII. RECOMMENDATIONS

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

CITY OF GEORGETOWN
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>
Balance Sheet								
Assets								
Current Assets	1,940,782	1,864,215	2,210,078	2,637,021	3,089,495	3,517,124	4,739,055	4,952,144
Other Assets	95,845,628	99,428,720	101,105,154	110,382,096	120,555,114	118,686,035	116,858,084	115,853,578
Total	97,786,410	101,292,935	103,315,232	113,019,117	123,644,609	122,203,159	121,597,138	120,805,722
Liabilities & Equity								
Current Liabilities	2,051,394	2,918,405	2,350,657	2,329,612	2,354,012	2,088,412	2,111,912	1,929,612
Long Term Liabilities	19,114,682	19,232,289	20,540,241	25,726,741	34,388,223	33,595,821	32,669,570	32,194,662
Total Liabilities	21,166,076	22,150,694	22,890,898	28,056,353	36,742,235	35,684,233	34,781,482	34,124,274
Net Assets	76,620,334	79,142,241	80,424,334	84,962,764	86,902,374	86,518,926	86,815,656	86,681,447
Cash Flow								
Revenues	12,535,831	11,846,092	13,304,036	14,278,325	15,009,115	15,737,789	16,490,099	16,490,099
Operating Expenses	8,112,625	8,909,656	9,458,906	10,026,440	10,226,969	10,431,508	10,693,638	10,906,441
Other Income	9,922	24,038	24,038	24,038	24,038	24,038	24,038	24,038
Cash Flow Before Debt Service	4,433,128	2,960,474	3,869,168	4,275,923	4,806,184	5,330,319	5,820,499	5,607,696
Debt Service								
Existing Debt Service	1,468,221	1,170,371	1,161,166	1,180,669	1,161,449	1,158,109	1,637,188	1,638,805
Proposed KIA Loan	0	0	0	0	0	773,923	773,923	773,923
Total Debt Service	1,468,221	1,170,371	1,161,166	1,180,669	1,161,449	1,932,032	2,411,111	2,412,728
Cash Flow After Debt Service	2,964,907	1,790,103	2,708,002	3,095,254	3,644,735	3,398,287	4,183,311	3,968,891
Ratios								
Current Ratio	0.9	0.6	0.9	1.1	1.3	1.7	2.2	2.6
Debt to Equity	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4
Days Sales in Accounts Receivable	37.9	44.5	44.0	44.0	44.0	44.0	44.0	44.0
Months Operating Expenses in Unrestricted Cash	0.8	0.5	0.7	1.1	1.5	1.8	2.3	2.7
Debt Coverage Ratio	3.0	2.5	3.3	3.6	4.1	2.8	3.6	3.4

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND A, FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND		Reviewer Date KIA Loan Number WRIS Number	Sarah Parsley February 4, 2021 A19-050 (Increase) SX21151054		
BORROWER		CITY OF RICHMOND MADISON COUNTY			
BRIEF DESCRIPTION					
The City of Richmond is requesting a \$3,000,000 loan increase due to bids coming in higher than expected, making the total loan amount \$13,142,000. The original project addresses capacity issues within the Silver Creek sewer shed and three sanitary sewer overflows (SSO's) within the TC-15 sub-basin of the Silver Creek sewer shed as well as provide additional capacity for future growth. This is being accomplished by constructing a new 1,500 gpm pump station at Silver Creek WWTP and pumping flows through 14,500 lf of 16 – inch PVC force main to 3,500 lf of 30 – inch and 11,500 lf of 24 – inch gravity sewer. This new gravity sewer will collect flows from 2,550 lf of 12 – inch and 1,500 lf of 15 – inch gravity sewers within the TC-15 sewer basin and discharge flows to the Wilgreen pump station. A new parallel 12 – inch force main will increase capacity at the pump station to handle the new flows from Taylor Fork.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee % Actual %	
Fund A Loan	\$13,142,000	Administrative Expenses		\$25,000	
Local Funds	382,021	Legal Expenses		50,000	
	-	Land, Easements		100,000	
		Planning		50,000	
		Eng - Design / Const	6.4%	5.9%	710,000
		Eng - Insp	3.0%	3.8%	455,000
	-	Eng - Other			70,000
	-	Construction			10,967,292
	-	Contingency			1,096,729
TOTAL	\$13,524,021	TOTAL			\$13,524,021
REPAYMENT	Rate Term	0.50% 20 Years	Est. Annual Payment 1st Payment		\$681,568 6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer Bond Counsel	Bell Engineering Rubin & Hays			
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	Oct-20 Feb-21 Feb-22			
DEBT PER CUSTOMER	Existing Proposed	\$4,623 \$4,880			
OTHER DEBT	See Attached				
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached				
RESIDENTIAL RATES		Users	Avg. Bill		
	Current	11,778	\$47.17 (for 4,000 gallons)		
	Additional	0	\$47.17 (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	10,337,798	5,783,370	4,554,428	1.8	
Audited 2019	11,230,674	5,862,993	5,367,681	1.9	
Audited 2020	10,575,877	5,657,053	4,918,824	1.9	
Projected 2021	9,366,964	5,549,574	3,817,390	1.7	
Projected 2022	9,542,798	5,403,070	4,139,728	1.8	
Projected 2023	9,688,941	6,075,024	3,613,917	1.6	
Projected 2024	9,871,565	6,074,705	3,796,860	1.6	
Projected 2025	10,057,842	6,063,387	3,994,455	1.7	

Reviewer: Sarah Parsley
Date: February 4, 2021
Loan Number: A19-050

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF RICHMOND, MADISON COUNTY
PROJECT REVIEW
SX21151054**

I. PROJECT DESCRIPTION

The City of Richmond is requesting a Fund A loan increase in the amount of \$3,000,000, making the total loan amount \$13,142,000 for the Silver Creek Outfall Sewer Phase 1 project. This increase request is due to bids coming in higher than originally expected. The purpose of this project is to eliminate known overflows and provide additional capacity in the collection system for future growth. In 2009, soon after the construction of the Otter Creek Waste Water Treatment Plant (WWTP), two existing WWTP's (Dreaming Creek and Tates Creek) were taken off-line with flows directed to this new large WWTP. The other large WWTP (Silver Creek), was built in the summer of 1999 to treat waste generated on the south side of Richmond, primarily the area along Duncannon Road and the new industrial park. This project will eliminate this Kentucky Pollutant Discharge Elimination System (KPDES) permit and convey flows through the existing conveyance system to the Otter Creek WWTP.

Division A - Silver Creek WWTP to Existing Pavilion Force Main

The existing Silver Creek WWTP will be used as an equalization basin to store wet weather flows. A new 1,500 gallon per minute (gpm) pump station will be built at the Silver Creek WWTP site along with 14,500 linear feet (lf) of 16 - inch force main that will discharge into an existing 14 - inch force main for approximately 10,500 lf to a point of discharge at the existing Pavilion pump station. The Pavilion pump station will be de-commissioned and all flows will be diverted to the new Taylor Fork gravity Sewer (Division B).

Division B – Taylor Fork Gravity Sewer

Flows from the Silver Creek and Pavilion pump stations will be diverted to approximately 3,500 lf of 30 inch, 11,500 lf of 24 inch gravity sewer and approximately 49 manholes along Taylor Fork. This line will discharge into the existing Wilgreen pump station on the west side of Interstate 75.

Division C – TC-15 Collector Sewers

The TC15 drainage basin of the Richmond Utilities Sanitary Sewer Collection System is subject to frequent wet weather induced overflows at three primary locations: TC15-

M4- 11, TC15-M8-18, and TC15-M10-3. This division of the project will replace approximately 1,500 lf of 15 inch and 2,550 lf of 12 inch gravity sewer along with 25 manhole replacements.

Division D – Wilgreen Parallel Force Main

The existing Wilgreen pump station is capable of pumping a peak flow of approximately 2,500 gpm through the existing 12 inch force main. This project will extend a second 12 inch force main parallel to the existing force main for approximately 4,900 lf. The new force main will add approximately 1,100 gpm of peak capacity to the Wilgreen pump station for a total peak flow of 3,600 gpm.

Richmond Water, Gas, and Sewerage Works provides sanitary sewer service to almost 12,000 residential, commercial, and industrial customers in Madison County.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 25,000
Legal Expenses	50,000
Land, Easements	100,000
Planning	50,000
Engineering Fees - Design	560,000
Engineering Fees - Construction	150,000
Engineering Fees - Inspection	455,000
Engineering Fees - Other	70,000
Construction	10,967,292
Contingency	1,096,729
Total	\$ 13,524,021

III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$13,142,000	97%
Local Funds	382,021	3%
Total	\$13,524,021	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 13,142,000
Less: Principal Forgiveness	660,000
Amortized Loan Amount	\$ 12,482,000
Interest Rate	0.50%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 656,604
Administrative Fee (0.20%)	24,964
Total Estimated Annual Debt Service	\$ 681,568

V. PROJECT SCHEDULE

Bid Opening	October 2020
Construction Start	February 2021
Construction Stop	February 2022

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	<u>Current</u>
Residential	10,586
Commercial	1,167
Industrial	25
Total	11,778

B) Rates

Sewer	Inside City		Outside City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/01/20	07/01/19	07/01/18	07/01/17
First 300 CF (min. bill)	\$27.64	\$27.15	\$55.28	\$54.30
Next 400 CF (per 100 CF)	8.32	8.17	16.63	16.34
Next 5,000 CF (per 100 CF)	7.51	7.38	15.07	14.80
Next 5,000 CF (per 100 CF)	6.72	6.60	13.40	13.16
Cost for 4,000 gallons	\$47.17	\$46.33	\$94.31	\$92.65
Increase %	1.8%		1.8%	
Affordability Index (Rate/MHI)	1.7%		3.4%	

Water	Inside City		Outside City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/01/20	07/01/20	07/01/20	07/01/19
First 300 CF (min. bill)	\$11.59	\$11.39	\$14.67	\$14.41
Next 400 CF (per 100 CF)	3.45	3.39	4.36	4.28
Next 5,000 CF (per 100 CF)	3.41	3.35	3.96	3.89
Next 5,000 CF (per 100 CF)	2.57	2.52	3.30	3.24
Cost for 4,000 gallons	\$19.69	\$19.35	\$24.90	\$24.46
Increase %	1.8%		1.8%	
Affordability Index (Rate/MHI)	0.7%		0.9%	

The Utility adjusts both water and sewer rates annually for inflation based on the Consumer Price Index for all Urban Consumers (CPI-U).

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the Utility's service area population was 32,243 with a Median Household Income (MHI) of \$34,112. The median household income for the Commonwealth is \$44,811. The project will qualify for a 0.50% interest rate based on MHI.

VIII. 2018 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 2) Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of approximately 6.5% of the assistance amount, not to exceed \$660,000 will be credited to the loan balance upon release of liens on all contracts and disbursement of the final draw request by KIA to the borrower.

IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for Richmond Water, Gas, and Sewerage Works the years ended June 30, 2018 through June 30, 2020. The balance sheet and income statement include water, sewer, and gas operations. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions has been removed from fiscal 2018-2020 operating expense totals. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Total revenues for water, sewer, and gas increased 1.5% from \$20.1 million in 2018 to \$20.4 million in 2020 while total operating expenses increased 4.7% from \$16.5 million to \$17.3 million during the same time period. Sewer revenues increased 4.7% from \$9.8 million to \$10.3 million from 2018-2020 and sewer expenses increased 13% from \$3.8 million to \$4.3 million. The increase in sewer operating expenses was due to increased maintenance and repairs on the plant and increased flows due to wet seasons. Water revenues increased 4.1% from \$7.1 million to \$7.4 million and water expenses increased 6% from \$4.6 million to \$4.8 million during the same time period. Gas revenues decreased 13.2% from \$3M to \$2.6M and expenses decreased 1% from \$3.28M to \$3.25.

The 2020 balance sheet reflects a 2.9 current ratio, a 0.7 debt to equity ratio, 49.9 days sales in accounts receivable and 10.3 months operating expenses in unrestricted cash. The debt coverage ratio from 2018-2020 was 1.8, 1.9, and 1.1, respectively.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water and sewer revenues will increase approximately 2% annually for both growth and inflation adjustments via the City's CPI clause.
- 2) Expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 1.6 in 2023 when full principal and interest repayments begin.

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

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$658,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$32,900 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
2010 B Revenue Bonds	\$ 132,167	2021
2010 Revenue Bonds	1,285,000	2030
2013 Revenue Bonds	3,040,000	2025
2016 Revenue Bonds	1,620,000	2027
2019 Revenue Bonds	3,824,100	2028
KIA Loan (F07-03)	1,798,020	2028
KIA Loan (A07-07)	42,035,466	2033
KIA Loan (A209-30)	32,920	2030
KIA Loan (C15-002)	833,888	2036
Total	\$ 54,601,561	

XI. CONTACTS

Legal Applicant

Entity Name	City of Richmond
Authorized Official	Robert Blythe (Mayor)
County	Madison
Email	rblythe@richmond.ky.us
Phone	859-661-0289
Address	PO Box 250 Richmond, KY 40475

Applicant Contact

Name	Scott Althausen
Organization	Richmond Water, Gas, and Sewerage Works
Email	salthausen@richmondutilities.com
Phone	859-623-2323
Address	300 Hallie Irvine St Richmond, KY 40476

Project Administrator / Consulting Engineer

Name	David Schrader
Organization	Bell Engineering
Email	dschrader@hkbell.com
Phone	859-278-5412
Address	2480 Fortune Drive, Suite 350 Lexington, KY 40509

XII. RECOMMENDATIONS

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

CITY OF RICHMOND
FINANCIAL SUMMARY (JUNE YEAR END)

	Audited 2018	Audited 2019	Audited 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025
Balance Sheet								
Assets								
Current Assets	12,415,706	15,609,835	17,412,664	17,669,726	18,133,099	18,544,891	18,975,977	19,427,822
Other Assets	148,839,182	144,613,504	142,776,673	138,358,978	149,618,530	146,542,731	143,631,580	140,898,264
Total	161,254,888	160,223,339	160,189,337	156,028,704	167,751,629	165,087,621	162,607,556	160,326,086
Liabilities & Equity								
Current Liabilities	6,285,982	6,664,438	6,029,381	5,950,478	6,019,159	6,098,304	6,168,215	6,236,099
Long Term Liabilities	70,717,849	65,763,370	62,414,975	45,389,685	53,136,524	48,329,918	43,461,301	38,532,800
Total Liabilities	77,003,831	72,427,808	68,444,356	51,340,163	59,155,683	54,428,222	49,629,516	44,768,899
Net Assets	84,251,057	87,795,531	91,744,981	104,688,541	108,595,946	110,659,399	112,978,040	115,557,187
Cash Flow								
Revenues	20,106,913	20,700,147	20,416,393	20,770,523	21,131,737	21,500,174	21,875,980	22,259,302
Operating Expenses	10,873,618	10,704,285	11,283,350	12,846,393	13,031,773	13,254,067	13,447,249	13,644,294
Other Income	1,104,503	1,234,812	1,442,834	1,442,834	1,442,834	1,442,834	1,442,834	1,442,834
Cash Flow Before Debt Service	10,337,798	11,230,674	10,575,877	9,366,964	9,542,798	9,688,941	9,871,565	10,057,842
Debt Service								
Existing Debt Service	5,783,370	5,862,993	5,657,053	5,549,574	5,403,070	5,393,456	5,393,137	5,381,819
Proposed KIA Loan	0	0	0	0	0	681,568	681,568	681,568
Total Debt Service	5,783,370	5,862,993	5,657,053	5,549,574	5,403,070	6,075,024	6,074,705	6,063,387
Cash Flow After Debt Service	4,554,428	5,367,681	4,918,824	3,817,390	4,139,728	3,613,917	3,796,860	3,994,455
Ratios								
Current Ratio	2.0	2.3	2.9	3.0	3.0	3.0	3.1	3.1
Debt to Equity	0.9	0.8	0.7	0.5	0.5	0.5	0.4	0.4
Days Sales in Accounts Receivable	56.2	54.5	49.9	49.9	49.9	49.9	49.9	49.9
Months Operating Expenses in Unrestricted Cash	11.2	9.0	10.3	10.5	10.9	11.1	11.3	11.6
Debt Coverage Ratio	1.8	1.9	1.9	1.7	1.8	1.6	1.6	1.7

EXECUTIVE SUMMARY						Reviewer	Alex Fisher
KENTUCKY INFRASTRUCTURE AUTHORITY						Date	February 4, 2021
FUND A, FEDERALLY ASSISTED WASTEWATER						KIA Loan Number	A20-030
REVOLVING LOAN FUND						WRIS Number	SX21025009
BORROWER		CITY OF JACKSON BREATHITT COUNTY					
BRIEF DESCRIPTION							
<p>The City of Jackson ("City") is requesting a Fund A loan in the amount of \$1,017,000 for the Jackson Sewer Rehabilitation project. The City of Jackson's initial sanitary sewer collection system was installed prior to 1950, with extensions to various areas of the city in the 1970's. The existing sewer system experiences high flows during and after rainfall events. The high flows impair the performance of the wastewater treatment plant resulting in frequent KPDE permit violations. The City knows of problem areas where there are pipe failures that need to be addressed immediately. This project will address both the planning needs for future projects as well as construction of the immediate needs of the collection system. There are two different phases that will be addressed at the same time.</p> <p>1. The immediate areas that need to be addressed, as funds are available, include but are not limited to:</p> <p>A. A 12-inch gravity sewer and manholes that are collapsing along East Main Street</p> <p>B. An 8-inch gravity line along Quicksand Road that is collapsing into the North Fork of the Kentucky River due to the riverbank failing. This will need to be relocated as needed or re- laid and strengthened with bank erosion protection.</p> <p>2. While the design for the above phase is on-going, a study of the sewer system will also be on- going. This will include:</p> <p>A. Development of a working map that includes flow line elevations of the sewer lines</p> <p>B. Manhole inspections</p> <p>C. Flow studies at key points to determine where the most concentrated I/I is located</p> <p>D. A report that quantifies the I/I problem and outlines future projects to address the I/I results.</p> <p>Currently the City of Jackson serves 3,083 residential and over 297 commercial customers.</p>							
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %		
Fund A Loan	\$1,017,000	Administrative Expenses			\$36,600		
		Legal Expenses			5,000		
		Eng - Design / Const		9.2%	8.5%	68,664	
		Eng - Insp		6.0%	5.7%	45,944	
		Eng - Other				54,492	
		Construction				726,430	
		Contingency				79,870	
TOTAL	\$1,017,000	TOTAL				\$1,017,000	
REPAYMENT	Rate	0.50%	Est. Annual Payment		\$19,291		
	Term	30 Years	1st Payment		6 Mo. after first draw		
PROFESSIONAL SERVICES	Engineer	Nesbitt Engineering, Inc					
	Bond Counsel	Rubin & Hays					
PROJECT SCHEDULE	Bid Opening	Mar-21					
	Construction Start	May-21					
	Construction Stop	Aug-22					
DEBT PER CUSTOMER	Existing	\$1,739					
	Proposed	\$1,527					
OTHER DEBT	See Attached						
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>				
	Current	3,379	\$38.80 (for 4,000 gallons)				
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.						
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service			Coverage Ratio	
Audited 2018	649,854	691,687	(41,833)			0.9	
Audited 2019	504,165	712,334	(208,169)			0.7	
Audited 2020	389,376	604,976	(215,600)			0.6	
Projected 2021	382,879	455,537	(72,658)			0.8	
Projected 2022	414,117	425,911	(11,794)			1.0	
Projected 2023	444,185	416,393	27,792			1.1	
Projected 2024	478,131	412,630	65,501			1.2	
Projected 2025	513,506	407,630	105,876			1.3	

Reviewer: Alex Fisher
Date: February 4th, 2021
Loan Number: A20-030

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF JACKSON, BREATHTT COUNTY
PROJECT REVIEW
SX21025009**

I. PROJECT DESCRIPTION

The City of Jackson ("City") is requesting a Fund A loan in the amount of \$1,017,000 for the Jackson Sewer Rehabilitation project. The City of Jackson's initial sanitary sewer collection system was installed prior to 1950, with extensions to various areas of the city in the 1970's. The existing sewer system experiences high flows during and after rainfall events. The high flows impair the performance of the wastewater treatment plant resulting in frequent KPDE permit violations. The City knows of problem areas where there are pipe failures that need to be addressed immediately. This project will address both the planning needs for future projects as well as construction of the immediate needs of the collection system. There are two different phases that will be addressed at the same time.

1. The immediate areas that need to be addressed, as funds are available, include but are not limited to:

- A. A 12-inch gravity sewer and manholes that are collapsing along East Main Street
- B. An 8-inch gravity line along Quicksand Road that is collapsing into the North Fork of the Kentucky River due to the riverbank failing. This will need to be relocated as needed or re- laid and strengthened with bank erosion protection.

2. While the design for the above phase is on-going, a study of the sewer system will also be on- going. This will include:

- A. Development of a working map that includes flow line elevations of the sewer lines
- B. Manhole inspections
- C. Flow studies at key points to determine where the most concentrated I/I is located
- D. A report that quantifies the I/I problem and outlines future projects to address the I/I results.

Currently the City of Jackson serves 3,083 residential and over 297 commercial customers.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 36,600
Legal Expenses	5,000
Engineering Fees - Design	54,931
Engineering Fees - Construction	13,733
Engineering Fees - Inspection	45,944
Engineering Fees - Other	54,492
Construction	726,430
Contingency	79,870
Total	\$ 1,017,000

III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 1,017,000	100%
Total	\$ 1,017,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,017,000
Less: Principal Forgiveness	508,500
Amortized Loan Amount	\$ 508,500
Interest Rate	0.50%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 18,274
Administrative Fee (0.20%)	1,017
Total Estimated Annual Debt Service	\$ 19,291

V. PROJECT SCHEDULE

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

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current	Proposed	Total
Residential	3,083	0	3,083
Commercial	296	0	296
Industrial	0	0	0
Total	3,379	0	3,379

B) Rates

Water in the City	Current	Prior	Prior
Date of Last Rate Increase	07/01/20	07/01/19	8/1/2017
Minimum (2,000 gallons)	\$19.40	\$19.08	\$19.08
All Over 2,000 Gallons	9.70	9.54	9.26
Cost for 4,000 gallons	\$38.80	\$38.16	\$37.04
Increase %	1.7%	3.0%	
Affordability Index (Rate/MHI)	1.7%	1.7%	

Water Outside the City	Current	Prior	Prior
Date of Last Rate Increase	07/01/20	07/01/19	8/1/2017
Minimum	\$28.26	\$27.78	\$26.96
All Over 2,000 Gallons	14.13	13.89	13.48
Cost for 4,000 gallons	\$56.52	\$55.56	\$53.92
Increase %	1.7%	3.0%	
Affordability Index (Rate/MHI)	2.5%	2.4%	

Sewer in the City	Current	Prior	Prior
Date of Last Rate Increase	07/01/20	07/01/19	8/1/2017
Minimum (2,000 gallons)	\$24.08	\$23.68	\$22.98
All Over 2,000 Gallons	12.04	11.84	11.49
Cost for 4,000 gallons	\$48.16	\$47.36	\$45.96
Increase %	1.7%	3.0%	
Affordability Index (Rate/MHI)	2.1%	2.1%	

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 qualifies for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$508,500 will be credited to the loan balance upon release of liens on all contracts and disbursement of the final draw request by KIA to the borrower.

VIII. 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 increased 3% from \$2.25 million in 2018 to \$2.32 million in 2020 while operating expenses increased 20.5% from \$1.60 million to \$1.93 million during the same period primarily due to supply cost increases for one time specialized and emergency repairs. The debt coverage ratio was .9, .7 and .6 in 2018, 2019 and 2020 respectively.

The balance sheet reflects a current ratio of .3, a debt to equity ratio of 0.9, 43.2 days of sales in accounts receivable, and .4 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues for water and sewer will both increase 3% in FY 2022, 2023, 2024 and 2025 as already approved in the city ordinances.
- 2) Expenses are projected to rise 2% per year.
- 3) Debt service coverage is 1.1 in 2023 when principal and interest repayments begin.

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

REPLACEMENT RESERVE

The annual maintenance replacement cost is 5% (\$50,000) of the final amount borrowed (prior to principal forgiveness) to be funded annually (\$2,500) each December 1 over 20 years and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Sewer Revenue Bonds 1983	\$ 6,000	2022
Sewer Revenue Bonds 2016	627,000	2056
Capital Lease KY League Cities	91,740	2022
Capital Lease KY League Cities	696,670	2040
Capital Lease KY League Cities	316,667	2038
Capital Lease KY League Cities	2,685,833	2040
KIA F209-09 (ARRA)	395,603	2030
KIA A12-023	469,126	2034
KIA A17-015	282,024	2038
Citizens Bank & Trust	99,197	2021
Local Bank Loan	30,149	2023
Revenue Bond 2020D		TBD
Total	\$ 5,700,009	

X. CONTACTS

Legal Applicant

Entity Name	City of Jackson
Authorized Official	Laura Thomas (Mayor)
County	Breathitt
Email	laura.thomas@cityofjacksonky.org
Phone	(606) 666-7069
Address	333 Broadway St Jackson, KY 41339

Applicant Contact

Name	Angela Combs
Organization	City of Jackson
Email	angie.combs@cityofjacksonky.org
Phone	(606) 666-7069
Address	333 Broadway St Jackson, KY 41339

Project Administrator

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

Consulting Engineer

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

XI. RECOMMENDATIONS

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

CITY OF JACKSON
FINANCIAL SUMMARY (JUNE YEAR END)

	Audited	Audited	Audited	Projected	Projected	Projected	Projected	Projected
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Balance Sheet								
Assets								
Current Assets	379,862	467,977	334,316	266,348	262,954	299,346	373,747	488,723
Other Assets	17,107,687	16,915,225	17,511,054	16,693,729	15,904,739	16,109,824	15,297,909	14,485,994
Total	17,487,549	17,383,202	17,845,370	16,960,077	16,167,693	16,409,170	15,671,656	14,974,717
Liabilities & Equity								
Current Liabilities	1,029,750	1,128,768	1,271,763	1,178,757	1,162,049	1,158,188	1,165,155	1,165,255
Long Term Liabilities	7,213,778	6,920,323	7,081,263	6,833,461	6,527,555	6,735,610	6,429,798	6,125,486
Total Liabilities	8,243,528	8,049,091	8,353,026	8,012,218	7,689,604	7,893,798	7,594,953	7,290,741
Net Assets	9,244,021	9,334,111	9,492,344	8,947,859	8,478,089	8,515,372	8,076,703	7,683,976
Cash Flow								
Revenues	2,252,155	2,356,554	2,317,857	2,357,187	2,427,773	2,500,476	2,575,360	2,652,491
Operating Expenses	1,603,772	1,852,919	1,928,825	1,974,652	2,014,000	2,056,635	2,097,573	2,139,329
Other Income	1,471	530	344	344	344	344	344	344
Cash Flow Before Debt Service	649,854	504,165	389,376	382,879	414,117	444,185	478,131	513,506
Debt Service								
Existing Debt Service	691,687	712,334	604,976	455,537	425,911	397,102	393,339	388,339
Proposed KIA Loan	0	0	0	0	0	19,291	19,291	19,291
Total Debt Service	691,687	712,334	604,976	455,537	425,911	416,393	412,630	407,630
Cash Flow After Debt Service	(41,833)	(208,169)	(215,600)	(72,658)	(11,794)	27,792	65,501	105,876
Ratios								
Current Ratio	0.4	0.4	0.3	0.2	0.2	0.3	0.3	0.4
Debt to Equity	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Days Sales in Accounts Receivable	48.0	49.2	43.2	43.2	43.3	43.3	43.3	43.2
Months Operating Expenses in Unrestricted Cash	0.6	0.3	0.4	(0.1)	(0.1)	0.0	0.4	1.0
Debt Coverage Ratio	0.9	0.7	0.6	0.8	1.0	1.1	1.2	1.3

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND A, FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND		Reviewer Date KIA Loan Number WRIS Number	Sarah Parsley February 4, 2021 A21-020 SX21073026
BORROWER		FARMDALE SANITATION DISTRICT FRANKLIN COUNTY	
BRIEF DESCRIPTION			
This project involves the rehabilitation of the existing sanitary sewer collection systems in order to reduce the I&I in the Farmdale, Coolbrook, Edgewood, Farmgate, Evergreen, Huntington Woods, and Meadowbrook subdivisions. It will include point repairs, manhole rehab, sewer line rehab, sewer line replacement and repairing lateral connections. The Quail Run Pump Station will also be eliminated as part of this project with the construction of approximately 1300 linear feet of 8" gravity sewer. This will eliminate SSOs.			
PROJECT FINANCING		PROJECT BUDGET	
Fund A Loan	\$300,000	RD Fee %	Actual %

Reviewer: Sarah Parsley
Date: February 4, 2021
Loan Number: A21-020

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
FARMDALE SANITATION DISTRICT, FRANKLIN COUNTY
PROJECT REVIEW
SX21073026**

I. PROJECT DESCRIPTION

The Farmdale Sanitation District is requesting a Fund A loan in the amount of \$300,000 for the Farmdale Sanitation District-Rehabilitation Project. This project will involve the rehabilitation of the existing sanitary sewer collection systems in order to reduce the I&I in the Farmdale, Coolbrook, Edgewood, Farmgate, Evergreen, Huntington Woods, and Meadowbrook subdivisions. It will include point repairs, manhole rehab, sewer line rehab, sewer line replacement and repairing lateral connections. The Quail Run Pump Station will also be eliminated as part of this project with the construction of approximately 1300 linear feet of 8" gravity sewer. This will eliminate SSOs.

The Farmdale Sanitation District serves approximately 1,076 customers.

II. PROJECT BUDGET

	<u>Total</u>
Legal Expenses	2,000
Land, Easements	2,500
Planning	12,500
Engineering Fees - Design	22,000
Engineering Fees - Construction	5,000
Engineering Fees - Inspection	21,000
Engineering Fees - Other	15,000
Construction	200,000
Contingency	20,000
Total	<u>\$ 300,000</u>

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 300,000	100%
Total	<u>\$ 300,000</u>	<u>100%</u>

IV. KIA DEBT SERVICE

Construction Loan	\$ 300,000
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 300,000
Interest Rate	1.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 16,587
Administrative Fee (0.20%)	600
Total Estimated Annual Debt Service	\$ 17,187

V. PROJECT SCHEDULE

Bid Opening	October 1, 2021
Construction Start	December 1, 2021
Construction Stop	March 1, 2022

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current	Proposed	Total
Residential	1,076	0	1,076
Commercial	0	0	0
Industrial	0	0	0
Total	1,076	0	1,076

B) Rates

	Current	Prior
Date of Last Rate Increase	07/01/19	06/01/17
Flat Rate		39.95
Minimum	\$25.00	
1000 gallons	5.00	
Cost for 4,000 gallons	\$45.00	\$39.95
Increase %	12.6%	
Affordability Index (Rate/MHI)	0.8%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2015-2019, the Utility's service area population was 1,672 with a Median Household Income (MHI) of \$66,000. The median household income for the Commonwealth is \$48,392. The project will qualify for a 1.0% 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.

3) FINANCIAL ANALYSIS

Financial information was obtained from the unaudited initial year of June 30, 2017 and the audited financial statements for the years ended June 30, 2018 through June 30, 2019. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Revenues increased 269% from \$108,420 in 2017 to \$399,692 in 2019. The increase between audited years 2018 and 2019 was 21% from \$330,424 to \$399,692. Expenses increased 212% from \$110,990 in 2017 to \$345,964 in 2019, with a decrease of 7.4% between 2018 and 2019 from \$373,717 to \$345,964.

The 2019 balance sheet reflects a current ratio of 3.6, a debt to equity ratio of 0.1, 56.5 days sales in accounts receivable, and 3.7 months operating expense in unrestricted cash. The Sanitation District has combined debt of only \$44,512, which is all expected to be paid off by 2022. There were no legal debt obligations to be paid during 2017-2019.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Sewer revenues will remain constant.
- 2) Expenses will increase 2% for inflation.
- 3) Debt service coverage is 1.6 in 2023 when principal and interest repayments begin.

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

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$16,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$800 yearly) each December 1 for 20 years and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KIA A16-084	\$ 16,088	2020
Franklin Co Fiscal Court	30,000	2022
Total	\$ 46,088	

X. CONTACTS

Legal Applicant

Entity Name	Farmdale Sanitation District
Authorized Official	Allan Alsip (Chairman)
County	Franklin
Email	afalsip@gmail.com
Phone	(502) 330-0077
Address	321 W Main Street Frankfort KY 40601

Applicant Contact

Name	Ann Northcutt
Organization	Franklin County Fiscal Court
Email	ann.northcutt@franklincountyky.gov
Phone	(502) 875-8751
Address	321 W Main St Frankfort, KY 40601

Project Administrator

Name	Chris A Stewart
Organization	HMB Professional Engineers
Email	castewart@hmbpe.com
Phone	(502) 695-9800
Address	3 HMB Circle Frankfort, KY 40601

Consulting Engineer

PE Name	Jeff Reynolds
Firm Name	Haworth Meyer & Boleyn, Inc.
Email	jdreynolds@hmbpe.com
Phone	(502) 695-9800
Address	3 HMB Circle Frankfort, KY 40601

XI. RECOMMENDATIONS

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

FARMDALE SANITATION DISTRICT
FINANCIAL SUMMARY (JUNE YEAR END)

	Unaudited 2017	Audited 2018	Audited 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Balance Sheet								
Assets								
Current Assets	6,776	174,523	209,833	200,231	238,406	240,958	250,680	252,962
Other Assets	17,752	569,686	867,736	856,523	845,310	1,126,597	1,107,884	1,089,171
Total	24,528	744,209	1,077,569	1,056,754	1,083,716	1,367,555	1,358,564	1,342,133
Liabilities & Equity								
Current Liabilities	100,890	48,273	57,548	43,900	74,800	45,700	46,600	47,500
Long Term Liabilities	0	30,000	30,000	30,000	0	300,000	300,000	300,000
Total Liabilities	100,890	78,273	87,548	73,900	74,800	345,700	346,600	347,500
Net Assets	(76,362)	665,936	990,021	982,854	1,008,916	1,021,855	1,011,964	994,633
Cash Flow								
Revenues	108,420	572,859	670,653	399,692	399,692	399,692	399,692	399,692
Operating Expenses	110,990	373,717	345,964	352,883	359,941	367,140	372,783	380,223
Other Income	0	0	0	0	0	0	0	0
Cash Flow Before Debt Service	(2,570)	199,142	324,689	46,809	39,751	32,552	26,909	19,469
Debt Service								
Existing Debt Service	0	0	0	14,512	1,576	30,000	0	0
Proposed KIA Loan	0	0	0	0	0	0	17,187	17,187
Total Debt Service	0	0	0	14,512	1,576	30,000	17,187	17,187
Cash Flow After Debt Service	(2,570)	199,142	324,689	32,297	38,175	2,552	9,722	2,282
Ratios								
Current Ratio	0.1	3.6	3.6	4.6	3.2	5.3	5.4	5.3
Debt to Equity	(1.3)	0.1	0.1	0.1	0.1	0.3	0.3	0.3
Days Sales in Accounts Receivable	0.0	62.8	56.5	56.5	56.5	56.5	56.5	56.5
Months Operating Expenses in Unrestricted Cash	0.7	2.4	3.7	4.7	5.9	5.9	6.1	6.0
Debt Coverage Ratio	#DIV/0!	#DIV/0!	#DIV/0!	3.2	25.2	1.1	1.6	1.1

Reviewer: Sarah Parsley
Date: February 4, 2021
Loan Number: A21-041

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND A)
CITY OF WHITESBURG, LETCHER COUNTY
PROJECT REVIEW
SX21133021**

I. PROJECT DESCRIPTION

The City of Whitesburg ("City") is requesting a Fund A loan in the amount of \$1,800,000 for the Sewer Lift Station Rehab Project. This project will rehabilitate the system's 18 lift stations. They are aging and in need of new pumps, new control panels, rails and mounting hardware, valves, and the interior coating of wet wells needs treated to prevent hydrogen sulfide. The pumps will remain the same size.

The City provides sewer services to approximately 615 residential customers, 140 commercial customers, and 11 industrial customers.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 40,000
Planning	5,000
Engineering Fees - Design	94,000
Engineering Fees - Construction	24,000
Engineering Fees - Inspection	73,000
Engineering Fees - Other	10,000
Construction	1,413,000
Contingency	141,000
Total	\$1,800,000

III. PROJECT FUNDING

	Amount	%
KIA Fund A Loan	\$ 1,800,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$1,800,000
Less: Principal Forgiveness	900,000
Amortized Loan Amount	\$ 900,000
Interest Rate	0.25%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 31,158
Administrative Fee (0.20%)	1,800
Total Estimated Annual Debt Service	\$ 32,958

V. PROJECT SCHEDULE

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

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current	Proposed	Total
Residential	615	0	615
Commercial	140	0	140
Industrial	11	0	11
Total	766	0	766

B) Rates

Date of Last Rate Increase	Water Inside City		Water Outside City	
	Current	Prior	Current	Prior
	07/01/19	01/11/08	07/01/19	01/11/08
Minimum 2,000 Gallons	\$13.40	\$9.40	\$24.00	\$20.00
Next 2,000 Gallons (Per 1,000 Gallons)	5.50	3.50	9.00	7.00
Next 1,000 Gallons	8.00	6.00	9.50	7.50
Next 1,000 Gallons & after	11.56	9.56	16.56	14.56
Cost for 4,000 gallons	\$24.40	\$16.40	\$42.00	\$34.00
Increase %	48.8%		23.5%	
Affordability Index (Rate/MHI)	0.8%	0.6%	1.4%	1.2%

	Sewer Inside City		Sewer Outside City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/01/19	07/01/09	07/01/19	07/01/09
Minimum 2,000 Gallons	\$15.41	\$12.67	\$27.60	\$12.67
Next 2,000 Gallons (Per 1,000 Gallons)	6.33	8.57	10.35	8.57
Next 1,000 Gallons	9.20	8.57	10.93	8.57
Cost for 4,000 gallons	\$28.07	\$29.81	\$48.30	\$29.81
Increase %	-5.8%		62.0%	
Affordability Index (Rate/MHI)	1.0%	1.0%	1.6%	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 2,430 with a Median Household Income (MHI) of \$36,207. The median household income for the Commonwealth is \$48,392. The project will qualify for the disadvantaged community interest rate at 0.25%.

VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Additional Subsidization – This project does qualify for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$900,000 will be credited to the loan balance upon release of liens on all contracts and disbursement of the final draw request by KIA to the borrower.

IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2017 through June 30, 2019. The City's proprietary funds consolidate water, sewer, and sanitation operations. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Accounting and Financial Reporting for Other Postemployment Benefit have been removed from the operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

On December 20, 2017, the Kentucky Auditor of Public Accounts released an Examination of Certain Policies, Procedures, and Financial Activity of the City of Whitesburg, Kentucky, which identified several findings regarding the City's financial and accounting practices. The Examination revealed more than \$350,000 in delinquent money for billing of water and sewer department. The cause of the delinquent payments was a combination of improper meter readings and erroneous customer billings. Based on the APA recommendations, the City had made drastic improvements to implement sound procedures for collecting all accounts receivable,

establish a consistent process for the treatment of past-due accounts, and apply policies and procedures to the adjustment of water utility accounts. In 2019, a restatement of approximately \$550,000 was made to write off aged or inactive accounts.

HISTORY

Combined operating revenues of proprietary funds increased 3.8% from \$1.50 million in 2017 to \$1.55 million in 2019 while operating expenses decreased 8.1% from \$1.22 million to 1.12 million during the same period as a result of less repairs and maintenance required. The debt coverage ratios of 2017 and 2018 were below 1.1 because of increased bad debt expenses and no rate increases since 2009. The ratio went up to 2.2 in 2019 after the City paid off 3 existing debts.

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

PROJECTIONS

Projections are based on the following assumptions:

- 1) Inside City water revenues will go up 48.8% and outside city rates up 23.5% from the rate increases that took effect in July, 2019.
- 2) Sewer revenues will remain at 115% of water usage rates.
- 3) Expenses will increase 2% annually for inflation.
- 4) Debt service coverage is 3.2 in 2023 when principal and interest repayments begin.

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

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$90,000 total) of the final amount borrowed to be funded annually (\$4,500 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
USDA RD 91-03 Bonds	\$ 42,000	2024
USDA RD 92-05 Bonds	116,000	2029
USDA RD 92-07 Bonds	37,900	2041
USDA RD 92-09 Bonds	809,500	2047
KIA Loan F209-03	47,215	2030
KIA Loan A07-03	648,601	2031
TCF Equipment Finance	65,716	2021
Community Trust Bank	8,040	2020
KIA Loan F20-026 i.a.o. \$300,000		TBD
KIA Loan F21-019 i.a.o \$2,200,000		TBD
Total	\$ 1,774,972	

XI. CONTACTS

Legal Applicant

Entity Name	City of Whitesburg
Authorized Official	James W. Craft (Mayor)
County	Letcher
Email	whitesburgclerk@gmail.com
Phone	(606) 633-3700
Address	38 E Main St Whitesburg, KY 41858

Applicant Contact

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

Project Administrator

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

Consulting Engineer

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

XII. RECOMMENDATIONS

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

CITY OF WHITESBURG
FINANCIAL SUMMARY (JUNE YEAR END)

	Audited 2017	Audited 2018	Audited 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Balance Sheet								
Assets								
Current Assets	500,899	488,905	348,105	497,989	601,614	705,202	800,163	868,635
Other Assets	9,151,148	8,996,404	8,012,424	7,981,048	7,934,135	11,104,577	12,677,011	12,373,489
Total	9,652,047	9,485,309	8,360,529	8,479,037	8,535,749	11,809,779	13,477,174	13,242,123
Liabilities & Equity								
Current Liabilities	371,482	338,578	192,470	189,238	169,788	165,388	215,394	224,140
Long Term Liabilities	2,605,757	3,143,947	2,888,340	2,769,642	2,671,294	5,078,246	5,836,092	5,686,092
Total Liabilities	2,977,239	3,482,525	3,080,810	2,958,880	2,841,082	5,243,634	6,051,486	5,910,232
Net Assets	6,674,808	6,002,784	5,279,719	5,520,157	5,694,667	6,566,145	7,425,688	7,331,891
Cash Flow								
Revenues	1,495,125	1,638,068	1,551,488	1,851,229	1,851,229	1,851,229	1,899,834	1,899,834
Operating Expenses	1,218,533	1,548,126	1,120,224	1,157,628	1,165,481	1,188,791	1,262,467	1,287,486
Other Income	150	242	0	0	0	0	0	0
Cash Flow Before Debt Service	276,742	90,184	431,264	693,601	685,748	662,438	637,367	612,348
Debt Service								
Existing Debt Service	353,670	313,104	193,307	174,809	167,626	144,498	183,584	237,030
Proposed KIA Loan	0	0	0	0	0	0	16,479	32,958
Total Debt Service	353,670	313,104	193,307	174,809	167,626	144,498	200,063	269,988
Cash Flow After Debt Service	(76,928)	(222,920)	237,957	518,792	518,122	517,940	437,304	342,360
Ratios								
Current Ratio	1.3	1.4	1.8	2.6	3.5	4.3	3.7	3.9
Debt to Equity	0.4	0.6	0.6	0.5	0.5	0.8	0.8	0.8
Days Sales in Accounts Receivable	99.8	87.4	56.2	56.2	56.2	56.2	56.2	56.2
Months Operating Expenses in Unrestricted Cash	0.9	0.7	1.2	2.2	3.3	4.2	4.9	5.4
Debt Coverage Ratio	0.8	0.3	2.2	4.0	4.1	4.6	3.2	2.3

EXECUTIVE SUMMARY		Reviewer		Sarah Parsley	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		Executive Level Increase	
Fund B Infrastructure		KIA Loan Number		B19-008 (Increase)	
REVOLVING LOAN FUND		WRIS Number		21131111	
BORROWER		HYDEN-LESLIE COUNTY WATER DISTRICT LESLIE COUNTY			
BRIEF DESCRIPTION					
Permanent financing for a short term Kentucky Rural Water Finance Corporation (RWFC) loan on a previous project.					
The Hyden-Leslie Water District is requesting an increase of \$100,000 to cover the interest costs that occurred while awaiting PSC approval for the original loan. This would bring the total to \$2,835,000. The short term financing was to advance refund a 2013F bond with KRWFC. The original work was a \$4.1 million dollar project which included: 61.45 miles of water line, the addition of 317 customers, two 50,000 gallon water tanks, and three pump stations.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
		Other		\$	2,835,000
TOTAL	\$2,835,000	TOTAL			\$2,835,000
REPAYMENT	Rate	0.50%	Est. Annual Payment		\$107,552
	Term	30 Years	1st Payment		6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	N/A			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	N/A			
	Construction Start	N/A			
	Refinancing	Jan-21			
DEBT PER CUSTOMER	Existing	\$0			
	Proposed	\$1,596			
OTHER DEBT		See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS		See Attached			
RESIDENTIAL RATES					
		Users	Avg. Bill		
	Current	3,696	\$31.48 (for 4,000 gallons)		
	Proposed	3,696	\$56.27 (for 4,000 gallons)		
REGIONAL COORDINATION This project is consistent with regional planning recommendations.					
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service		Coverage Ratio
Audited 2016	290,068	264,763	25,305		1.1
Audited 2017	133,132	260,901	(127,769)		0.5
Audited 2018	(21,915)	257,349	(279,264)		-0.1
Audited 2019	(20,334)	304,242	(324,576)		-0.1
Projected 2020	(83,180)	227,582	(310,762)		-0.4
Projected 2021	3,137,206	2,929,602	207,604		1.1
Projected 2022	423,635	300,889	122,746		1.4
Projected 2023	416,290	376,184	40,106		1.1
Projected 2024	408,018	375,549	32,469		1.1
Projected 2025	425,062	190,633	234,429		2.2

Reviewer: Sarah Parsley
Date: January 27, 2021
Loan Number: B 19-008 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND (FUND B)
HYDEN-LESLIE WATER DISTRICT, LESLIE COUNTY
PROJECT REVIEW**

I. PROJECT DESCRIPTION

The Hyden-Leslie Water District (the "District") is requesting a Fund B loan increase in the amount of \$100,000 to bring the total amount of \$2,835,000 for the Refinance of the Kentucky Rural Water Short-Term Note for a \$4.1 million project which included 61.5 miles of water line, two 50,000 gallon water tanks, three pump stations, and the addition of 317 customers. The District originally sought the short-term financing to complete the project and needs to convert the loan into a long-term arrangement.

The District serves nearly 3,700 customers in Leslie County and is regulated by the PSC.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ -
Other	2,835,000
Total	\$ 2,835,000

III. PROJECT FUNDING

	Amount	%
Fund B Loan	\$ 2,835,000	100%
Total	\$ 2,835,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 2,835,000
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 2,835,000
Interest Rate	0.50%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 101,882
Administrative Fee (0.20%)	5,670
Total Estimated Annual Debt Service	\$ 107,552

V. PROJECT SCHEDULE

Estimated Bid Opening Date	N/A
Estimated Construction Start	N/A
Estimated Construction Completion	January 1, 2021

VI. RATE STRUCTURE**A. Customers**

Customers	Current	Proposed
Residential	3,428	0
Commercial	268	0
Industrial	0	0
Total	3,696	0

B. Rates

	Proposed	Current	Prior	Prior
Date of Last Rate Increase	11/06/21	11/06/20	10/29/10	05/22/92
Minimum (includes 2,000 gallons)	29.78	23.44	\$20.24	\$17.30
Next 3,000 Gallons	12.48	9.82	5.62	4.80
Water Loss Surcharge	1.53	1.53		
Cost for 4,000 gallons	\$56.27	\$44.61	\$31.48	\$26.90
Increase %	26%	42%	17.0%	
Affordability Index (Rate/MHI)	2.4%		1.3%	1.1%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 10,296 with a Median Household Income (MHI) of \$28,648. The median household income for the Commonwealth is \$46,535. Based on the MHI of the service area of the utility, the project will qualify for a 30-year term with a 0.50% interest rate.

VIII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2016 through June 30, 2019. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Water revenues for the District have remained flat for the period 2016-2019 with a slight reduction in Penalties and Service Charges paid. Over the same time period, the Operating Expenses increased \$299,457 over the same time period, or 23.5%. The debt coverage ratio dropped from 1.1 to a negative 0.1 in 2019.

The District has been using cash reserves to cover operating increases, but recognizes that they need a rate increase.

The Balance sheet current ratio was 7.0 in 2019, debt to equity was 0.3, and the District had 8.2 months operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues have been projected to increase 40% in 2020 based on a PSC rate increase. The District is in the process of working on an additional improvement project with Rural Development, and expects to increase rates in 2020. Revenues are expected to increase 3% each year after that.
- 2) Operating expenses are projected to increase 4% each year beginning in 2019, based on the average increase of expenses over the last 3 years.
- 3) Debt projections include a projected \$1,727,000 loan from Rural Development at 2.375% interest, with repayment beginning in 2022.
- 4) Debt service coverage is 1.4 in 2022 when principal and interest repayments begin.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund B loan only if the District completes the required conditions for the loan.

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$142,000 total) of the final amount borrowed to be funded annually (\$7,100 yearly) each December 1 for 20 years and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

	Outstanding	Maturity
1989 KRWFC (RD)	\$ 347,500	2028
2000 RD	230,300	2040
2012 RD Series A	1,016,000	2051
2012 RD Series B	1,750,000	2051
2014 Interim Financing KRWFC	2,735,000	2021
Total	\$ 6,078,800	

X. CONTACTS

Legal Applicant

Entity Name	Hyden-Leslie County Water District
Authorized Official	Augustus Roberts (Chairman)
County	Leslie
Email	augustusroberts@icloud.com
Phone	606-672-2791
Address	356 Wendover Road Hyden, KY 41749

Applicant Contact

Name	Larry J Turner
Organization	Hyden Leslie County Water District
Email	hlwater@tds.net
Phone	606-672-2791
Address	356 Wendover Road Hyden, KY 41749

XI. RECOMMENDATIONS

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

**HYDEN-LESLIE COUNTY WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)**

	Audited 2016	Audited 2017	Audited 2018	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Balance Sheet								
Assets								
Current Assets	2,408,052	2,064,388	1,698,353	1,110,379	1,408,683	1,540,929	1,590,835	1,633,404
Other Assets	26,471,495	26,010,389	25,393,733	23,915,635	25,965,206	25,108,902	24,252,598	23,396,294
Total	28,879,547	28,074,777	27,092,086	25,026,014	27,373,889	26,649,831	25,843,433	25,029,698
Liabilities & Equity								
Current Liabilities	182,533	197,112	230,740	3,031,648	302,805	306,147	309,891	313,537
Long Term Liabilities	6,110,406	6,085,791	6,019,892	3,115,807	5,759,650	5,566,152	5,369,909	5,171,120
Total Liabilities	6,292,939	6,282,903	6,250,632	6,147,455	6,062,455	5,872,298	5,679,800	5,484,657
Net Assets	22,586,608	21,791,874	20,841,454	18,878,559	21,311,434	20,777,533	20,163,633	19,545,041
Cash Flow								
Revenues	1,562,058	1,541,622	1,539,435	1,539,355	2,125,101	2,186,604	2,249,952	2,315,201
Operating Expenses	1,290,896	1,411,370	1,564,322	1,653,199	1,718,559	1,793,633	1,864,326	1,937,847
Other Income	18,906	2,880	2,972	30,664	2,730,664	30,664	30,664	30,664
Cash Flow Before Debt Service	290,068	133,132	(21,915)	(83,180)	3,137,206	423,635	416,290	408,018
Debt Service								
Existing Debt Service	264,763	260,901	257,349	227,582	2,929,602	193,337	268,632	267,997
Proposed KIA Loan	0	0	0	0	0	107,552	107,552	107,552
Total Debt Service	264,763	260,901	257,349	227,582	2,929,602	300,889	376,184	375,549
Cash Flow After Debt Service	25,305	(127,769)	(279,264)	(310,762)	207,604	122,746	40,106	32,469
Ratios								
Current Ratio	13.2	10.5	7.4	0.4	4.7	5.0	5.1	5.2
Debt to Equity	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Days Sales in Accounts Receivable	55.4	64.9	67.5	56.5	56.5	56.5	56.5	56.5
Months Operating Expenses in Unrestricted Cash	19.8	14.7	10.1	5.6	6.9	7.4	7.4	7.3
Debt Coverage Ratio	1.1	0.5	(0.1)	(0.4)	1.9	1.4	1.1	1.1

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND F, FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND		Reviewer	Alex Fisher	
		Date	February 4, 2021	
		KIA Loan Number	F17-005 Increase	
		WRIS Number	WX21137051	
BORROWER		CITY OF STANFORD LINCOLN COUNTY		
BRIEF DESCRIPTION				
The City of Stanford ("City") is requesting a Fund F loan increase of \$268,293 to supplement the Water System Upgrades project initially approved on March 2, 2017, which will bring the total loan amount up to \$2,958,293. The increase is due to unforeseen obstacles encountered during construction and an unexpected highway relocation. The unforeseen obstacles during construction include issues that resulted in a necessary increase in quantities beyond the bid scope. There were streets approved to receive new waterlines as part of the original project scope, and were bid with the project. However, this work had to be subsequently removed due to an unforeseen highway relocation project advanced by KYTC in the middle of construction. A change order was submitted.				
The initial project description and scope is help improve water pressure and replace aging and tuberculated cast iron waterlines that have been in service since the 1950's. A major portion of this project will be replacing a cross country 8" cast iron waterline which provides water directly to the City from the water treatment plant. This waterline needs to be replaced very soon due to its necessity and the fact that it is aging and has experienced many breaks. The remainder of the project will be various system wide replacements and connections of dead-end waterlines to create loops throughout the system.				
The city of Stanford currently serves 3,179 residential and 241 industrial and commercial customers.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan Increase	2,958,293	RD Fee %	Actual %	
USDA Rural Development	910,500	Legal Expenses		53,000
ARC	500,000	Relocation Expense & Payments		96,250
		Eng - Design / Const	7.2%	7.5%
		Eng - Insp	3.9%	4.1%
		Eng - Other		25,000
		Construction		3,159,612
		Equipment		657,591
		Contingency		10,340
TOTAL	\$4,368,793	TOTAL		\$4,368,793
REPAYMENT	Rate	0.25%	Est. Annual Payment	\$89,202
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Kenvirons, Inc.		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Jul-21		
	Construction Start	Sep-21		
	Construction Stop	Dec-21		
DEBT PER CUSTOMER	Existing	\$2,470		
	Proposed	\$2,876		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		3,420	\$21.86 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2017	574,346	3,753,839	(3,179,493)	0.2
Audited 2018	552,542	463,278	89,264	1.2
Audited 2019	511,627	467,295	44,332	1.1
Projected 2020	454,802	437,761	17,041	1.0
Projected 2021	418,192	439,688	(21,496)	1.0
Projected 2022	373,450	529,358	(155,908)	0.7
Projected 2023	335,361	530,367	(195,006)	0.6
Projected 2024	296,510	530,107	(233,597)	0.6

Reviewer: Alex Fisher
Date: February 4th, 2021
Loan Number: F17-005 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND F)
CITY OF STANFORD, LINCOLN COUNTY
PROJECT REVIEW
WX21137051**

I. PROJECT DESCRIPTION

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II. PROJECT BUDGET

	Total
Legal Expenses	53,000
Relocation Expense & Payments	96,250
Engineering Fees - Design	189,600
Engineering Fees - Construction	47,400
Engineering Fees - Inspection	130,000
Engineering Fees - Other	25,000
Construction	3,159,612
Equipment	657,591
Contingency	10,340
Total	\$ 4,368,793

III. PROJECT FUNDING

	Amount	%
Fund F Loan Increase	\$ 2,958,293	68%
USDA Rural Development	910,500	21%
ARC	500,000	11%
Total	\$ 4,368,793	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 2,958,293
Less: Principal Forgiveness	1,300,000
Amortized Loan Amount	\$ 1,658,293
Interest Rate	0.25%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 85,057
Administrative Fee (0.25%)	4,146
Total Estimated Annual Debt Service	\$ 89,202

V. PROJECT SCHEDULE

Bid Opening	July 15, 2021
Construction Start	September 1, 2021
Construction Stop	December 1, 2021

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current	Proposed	Total
Residential	3,179	0	3,179
Commercial	239	0	239
Industrial	2	0	2
Total	3,420	0	3,420

B) Rates

Water (In City)	Current	Prior
Date of Last Rate Increase	06/01/17	7/1/2013
Minimum 2,000 Gallons	\$13.08	\$12.24
Next 8,000 Gallons	4.39	4.11
Cost for 4,000 gallons	\$21.86	\$20.46
Increase %	6.8%	
Affordability Index (Rate/MHI)	0.7%	

Water (Out of City)	Current	Prior
Date of Last Rate Increase	06/01/17	7/1/2013
Minimum 2,000 Gallons	\$14.93	\$13.97
Next 8,000 Gallons	4.99	4.67
Cost for 4,000 gallons	\$24.91	\$23.31
Increase %	6.9%	
Affordability Index (Rate/MHI)	0.8%	

Sewer (In City)	Current	Prior
Date of Last Rate Increase	06/01/17	7/1/2013
Minimum 2,000 Gallons of water usage	\$14.32	\$11.64
Next 1,000 Gallons thereafter	5.39	4.38
Cost for 4,000 gallons	\$25.10	\$20.40
Increase %	23.0%	
Affordability Index (Rate/MHI)	0.8%	

Sewer (Out of City)	Current	Prior
Date of Last Rate Increase	06/01/17	7/1/2013
Minimum 2,000 Gallons of water usage	\$21.70	\$17.64
Next 1,000 Gallons thereafter	8.22	6.68
Cost for 4,000 gallons	\$38.14	\$31.00
Increase %	23.0%	
Affordability Index (Rate/MHI)	1.2%	

VII. 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 \$1,300,000 will be credited to the loan balance upon release of liens on all contracts and disbursement of the final draw request by KIA to the borrower.

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

Revenues increased 7.5% from \$2.00 million in 2017 to \$2.15 million in 2019 while operating expenses increased 15% from \$1.43 million to \$1.64 million during the same period primarily due to increase in wages and related benefits. The debt coverage ratio was .2, 1.2, and 1.1 in 2017, 2018, and 2019 respectively.

The balance sheet reflects a current ratio of 1.5, a debt to equity ratio of 1.3, 33.8 days of sales in accounts receivable, and 1.3 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues for water and sewer are projected flat.
- 2) Operating Expenses are projected to increase 2% per year.
- 3) Debt service coverage is 0.7 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% (\$148,000 total) of the final amount borrowed (prior to principal forgiveness) to be funded annually (\$7,400 yearly) each December 1 for 20 years and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

	Outstanding	Maturity
Rural Water Bond	\$ 3,210,000	2047
Rural Utility Service Preachersville	166,400	2039
Rural Utility Service Danville	722,500	2055
Rural Utility Service Rehab	350,000	2058
USDA WTP Series A	3,427,500	2051
USDA WTP Series B	465,000	2051
KIA Loan F17-005 (i/a/o \$2,958,293)		TBD
Total	\$ 8,341,400	

X. CONTACTS

Legal Applicant

Entity Name	City of Stanford
Authorized Official	Dalton Miller (Mayor)
County	Lincoln
Email	clerkallen@stanfordky.gov
Phone	(606) 510-1045
Address	305 E Main St Stanford, KY 40484

Applicant Contact

Name	Ryan Owens
Organization	Stanford Water Commission
Email	rowens@stanfordwater.com
Phone	(606) 365-4510
Address	842 E Main St Stanford, KY 40484

Project Administrator

Name	Ryan Owens
Organization	Stanford Water Commission
Email	rowens@stanfordwater.com
Phone	(606) 365-4510
Address	842 E Main St Stanford , KY 40484

Consulting Engineer

PE Name	Brandon Hamilton
Firm Name	Kenvirons, Inc.
Email	bhamilton@kenvirons.com
Phone	(502) 695-4357
Address	770 Wilkinson Blvd Frankfort, KY 40601

XI. RECOMMENDATIONS

KIA staff recommends approval of the loan with one special condition below.

The comprehensive rate study currently under review shall be completed by December 31, 2021 and rates shall be adjusted to provide a 1.1 debt coverage ratio on all outstanding debt within 3 months of completion of the rate study. If rates are not adjusted within the allowable timeline, \$268,293 shall be immediately due and payable in full on June 1, 2022.

CITY OF STANFORD
FINANCIAL SUMMARY (JUNE YEAR END)

	Audited 2017	Audited 2018	Audited 2019	Projected 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024
Balance Sheet								
Assets								
Current Assets	1,177,172	1,204,399	1,813,814	1,167,375	1,145,879	989,971	794,965	561,368
Other Assets	19,160,345	18,619,153	18,908,482	17,951,823	16,995,164	20,305,478	19,246,999	18,188,520
Total	<u>20,337,517</u>	<u>19,823,552</u>	<u>20,722,296</u>	<u>19,119,198</u>	<u>18,141,043</u>	<u>21,295,449</u>	<u>20,041,964</u>	<u>18,749,888</u>
Liabilities & Equity								
Current Liabilities	506,862	499,739	1,247,626	551,223	562,323	572,323	583,123	594,223
Long Term Liabilities	9,645,903	10,125,226	10,450,135	10,246,235	10,034,035	11,823,028	11,595,828	11,360,528
Total Liabilities	<u>10,152,765</u>	<u>10,624,965</u>	<u>11,697,761</u>	<u>10,797,458</u>	<u>10,596,358</u>	<u>12,395,351</u>	<u>12,178,951</u>	<u>11,954,751</u>
Net Assets	<u>10,184,752</u>	<u>9,198,587</u>	<u>9,024,535</u>	<u>8,321,740</u>	<u>7,544,685</u>	<u>8,900,098</u>	<u>7,863,013</u>	<u>6,795,137</u>
Cash Flow								
Revenues	1,998,960	2,144,159	2,148,975	2,280,463	2,280,463	2,280,463	2,280,463	2,280,463
Operating Expenses	1,429,628	1,602,899	1,644,331	1,830,494	1,867,104	1,911,846	1,949,935	1,988,786
Other Income	5,014	11,282	6,983	4,833	4,833	4,833	4,833	4,833
Cash Flow Before Debt Service	<u>574,346</u>	<u>552,542</u>	<u>511,627</u>	<u>454,802</u>	<u>418,192</u>	<u>373,450</u>	<u>335,361</u>	<u>296,510</u>
Debt Service								
Existing Debt Service	3,753,839	463,278	467,295	437,761	439,688	440,156	441,165	440,905
Proposed KIA Loan	0	0	0	0	0	89,202	89,202	89,202
Total Debt Service	<u>3,753,839</u>	<u>463,278</u>	<u>467,295</u>	<u>437,761</u>	<u>439,688</u>	<u>529,358</u>	<u>530,367</u>	<u>530,107</u>
Cash Flow After Debt Service	<u>(3,179,493)</u>	<u>89,264</u>	<u>44,332</u>	<u>17,041</u>	<u>(21,496)</u>	<u>(155,908)</u>	<u>(195,006)</u>	<u>(233,597)</u>
Ratios								
Current Ratio	2.3	2.4	1.5	2.1	2.0	1.7	1.4	0.9
Debt to Equity	1.0	1.2	1.3	1.3	1.4	1.4	1.5	1.8
Days Sales in Accounts Receivable	34.7	39.1	33.8	33.8	33.8	33.8	33.8	33.8
Months Operating Expenses in Unrestricted Cash	1.1	1.0	1.3	1.3	1.1	0.1	(1.1)	(2.5)
Debt Coverage Ratio	0.2	1.2	1.1	1.0	1.0	0.7	0.6	0.6