

**Kentucky Infrastructure Authority  
Projects for April 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>
A15-026	Lexington-Fayette Urban County Government (Increase)	\$ 15,788,138	\$ 83,732,326	Fayette
A19-009	City of Georgetown (Director Level Increase #2)	\$ 2,140,000	\$ 23,540,000	Scott
A20-032	Paducah-McCracken County Joint Sewer Agency (Increase)	\$ 2,046,410	\$ 7,216,410	McCracken
A21-026	City of Fleming-Neon	\$ 1,558,120	\$ 1,558,120	Letcher
A21-034	City of Russell Springs	\$ 682,000	\$ 682,000	Russell

▪ **Fund F Loan**

<b>Loan #</b>	<b>Borrower</b>	<b>Amount Requested</b>	<b>Amount Loan Total</b>	<b>County</b>
F19-005	City of Burnside (Director Level Increase #2)	\$ 100,000	\$ 2,900,000	Pulaski
F20-009	Adair County Water District (Director Level Increase)	\$ 134,253	\$ 1,476,783	Adair
F21-004	City of Fleming-Neon	\$ 1,191,114	\$ 1,191,114	Letcher
F21-040	Louisville Water Company	\$ 537,850	\$ 537,850	Bullitt
F21-052	City of Augusta	\$ 80,000	\$ 80,000	Bracken

<b>EXECUTIVE SUMMARY</b>		Reviewer	Alex Fisher	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	April 1, 2021	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A15-026 (Increase)	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21067048	
<b>BORROWER</b>		LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT FAYETTE COUNTY		
<b>BRIEF DESCRIPTION</b>				
<p>The Lexington-Fayette Urban County Government (LFUCG) is requesting a Fund A loan increase of \$15,788,138 as part of Phase 2 of the West Hickman WWTP Wet Weather Storage Tanks. This project was initially approved on December 4, 2014 and had one increase on April 9, 2018 that brought the total of Phase 1 to \$67,944,188. With this Phase 2 increase it will bring the total loan amount to \$83,732,326.</p> <p>Design and construct Phase 2 of the Consent Decree required wastewater storage facility located at West Hickman WWTP in Jessamine County. Phase 1 included a 22 million gallon (MG) above ground storage tank along the necessary pumping facilities, piping and site work needed to place Phase 1 into service and integrate Phase 2 into future service.</p> <p>Phase 2 will consist of a second 18 MG above ground storage tank along with infrastructure needed to operate Phase 1 and 2 in series. As recently as calendar year 2019, 13 sanitary sewer overflows (SSOs) were documented / reported on the trunk sewer immediately upstream from the Phase 1 tank. Completion of Phase 2 will further mitigate wet weather SSOs on this trunk sewer while at the same time providing sewer service for un-sewered parcels within Fayette / northern Jessamine counties.</p> <p>In parts of the existing sanitary sewer it lacks sufficient capacity to meet LFUCG's EPA mandated Capacity Assurance Program. This \$15.8 M project is listed in LFUCG's approved Remedial Measures Plan submitted to USEPA on October 12, 2011 with capital construction schedule with a full compliance completion date of 12/31/2023.</p>				
<b>PROJECT FINANCING</b>		<b>PROJECT BUDGET</b>		
Fund A Loan	\$83,732,326	RD Fee %	Actual %	
		Administrative Expenses		\$36,000
		Eng - Design / Const	6.4%	7.3%
		Eng - Inspection	3.0%	1.2%
		Construction		75,116,762
		Contingency		2,029,436
<b>TOTAL</b>	<b>\$83,732,326</b>	<b>TOTAL</b>		<b>\$83,732,326</b>
<b>REPAYMENT</b>	Rate	1.75%	Est. Annual Payment	\$5,147,495
	Term	20 Years	1st Payment	6 Mo. after first draw
<b>PROFESSIONAL SERVICES</b>	Engineer	Tetra Tech		
	Bond Counsel	Rubin & Hays		
<b>PROJECT SCHEDULE</b>	Bid Opening	Jun-21		
	Construction Start	Sep-21		
	Construction Stop	Apr-23		
<b>DEBT PER CUSTOMER</b>	Existing	\$1,939		
	Proposed	\$2,343		
<b>RESIDENTIAL RATES</b>		<u>Users</u>	<u>Avg. Bill</u>	
	Current	109,411	\$31.44	(for 4,000 gallons)
<b>REGIONAL COORDINATION</b>	This project is consistent with regional planning recommendations.			
<b>CASHFLOW</b>	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2018	27,204,648	8,258,739	18,945,909	3.3
Audited 2019	33,166,894	10,595,289	22,571,605	3.1
Audited 2020	33,341,428	14,610,132	18,731,296	2.3
Projected 2021	33,408,585	20,712,683	12,695,902	1.6
Projected 2022	33,793,770	18,991,135	14,802,635	1.8
Projected 2023	34,236,070	18,993,983	15,242,087	1.8
Projected 2024	34,648,078	20,558,481	14,089,597	1.7
Projected 2025	35,108,248	20,609,092	14,499,156	1.7

Reviewer: Alex Fisher  
Date: April 1, 2021  
Loan Number: A15-026 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND A)  
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, FAYETTE COUNTY  
PROJECT REVIEW  
SX21067048**

**I. PROJECT DESCRIPTION**

The Lexington-Fayette Urban County Government (LFUCG) is requesting a Fund A loan increase of \$15,788,138 as part of Phase 2 of the West Hickman WWTP Wet Weather Storage Tanks. This project was initially approved on December 4, 2014 and had one increase on April 9, 2018 that brought the total of Phase 1 to \$67,944,188. With this Phase 2 increase it will bring the total loan amount to \$83,732,326.

This project is to design and construct Phase 2 of the Consent Decree required wastewater storage facility located at West Hickman WWTP in Jessamine County. Phase 1 included a 22 million gallon (MG) above ground storage tank along the necessary pumping facilities, piping and site work needed to place Phase 1 into service and integrate Phase 2 into future service.

Phase 2 will consist of a second 18 MG above ground storage tank along with infrastructure needed to operate Phase 1 and 2 in series. As recently as calendar year 2019, 13 sanitary sewer overflows (SSOs) were documented / reported on the trunk sewer immediately upstream from the Phase 1 tank. Completion of Phase 2 will further mitigate wet weather SSOs on this trunk sewer while at the same time providing sewer service to unserved customers within Fayette / northern Jessamine counties.

In parts of the existing sanitary sewer it lacks sufficient capacity to meet LFUCG's EPA mandated Capacity Assurance Program. This \$15.8 M project is listed in LFUCG's approved Remedial Measures Plan submitted to USEPA on October 12, 2011 with capital construction schedule with a full compliance completion date of 12/31/2023.

## II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 36,000
Engineering Fees - Design / Const.	5,642,627
Engineering Fees - Inspection	907,501
Construction	75,116,762
Contingency	<u>2,029,436</u>
<b>Total</b>	<b>\$ 83,732,326</b>

## III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 83,732,326	100%
<b>Total</b>	<b>\$ 83,732,326</b>	<b>100%</b>

## IV. KIA DEBT SERVICE

Construction Loan	\$ 83,732,326
Less: Principal Forgiveness	<u>0</u>
Amortized Loan Amount	\$ 83,732,326
Interest Rate	1.75%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 4,980,031
Administrative Fee (0.20%)	<u>167,465</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$ 5,147,495</b>

## V. PROJECT SCHEDULE

Bid Opening	June 2021
Construction Start	September 2021
Construction Stop	April 2023

## VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

### A) Customers

Customers	Current	Proposed	Total
Residential	101,454	0	101,454
Commercial	7,245	0	7,245
Industrial & Institutional	712	0	712
Total	109,411	0	109,411

### B) Rates

Residential	Current	Prior	Prior	Prior	Prior
Date of Last Rate Increase	07/01/20	07/01/19	07/01/18	07/01/17	07/01/16
First 100 Cubic Feet (CF)	\$7.36	\$7.01	\$6.68	\$6.52	\$6.38
Each Add'l 100 CF	5.54	5.28	5.03	4.91	4.80
Cost for 4,000 gallons	\$31.44	\$29.96	\$28.55	\$27.86	\$27.25
Increase %	4.9%	5.0%	2.4%	2.3%	
Affordability Index (Rate/MHI)	0.8%	0.7%	0.7%	0.7%	0.7%

Industrial & Institutional	Current	Prior	Prior	Prior	Prior
Date of Last Rate Increase	07/01/20	07/01/19	07/01/18	07/01/17	07/01/16
First 100 Cubic Feet (CF)	\$8.94	\$8.51	\$8.10	\$7.91	\$7.74
Each Add'l 100 CF	6.75	6.43	6.12	5.97	5.84
Cost for 4,000 gallons	\$38.28	\$36.46	\$34.70	\$33.86	\$33.13
Increase %	5.0%	5.1%	2.5%	2.2%	
Affordability Index (Rate/MHI)	0.9%	0.9%	0.9%	0.8%	0.8%

Rates are adjustable each July 1 based on the Consumer Price Index for All Urban Consumers for the prior twelve months ending in April before the adjustment.

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2018, the Utility's service area population was 311,529 with a Median Household Income (MHI) of \$48,779. The median household income for the Commonwealth was \$42,610. The project qualifies for a 1.75% interest rate as it is a component of the Remedial Measures Plan submitted to the U.S. Environmental Protection Agency to comply with the Consent Decree.

## **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 qualifies does not qualify for additional subsidization.

## **IX. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 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 21.3% from \$63.7 million in 2018 to \$77.2 million in 2020 due to previously approved rate increases. Operating expenses increased 20.9% from \$37.1 million to \$44.9 million during the same period primarily due to administrative expenses. The debt coverage ratio was 3.3, 3.1 and 2.3 respectively for 2018, 2019, and 2020.

The LFUCG has adopted since 2014 a new Sewer Indenture that outlines parity provisions for the issuance of additional bonds for the acquisition or construction of sewer system facilities. The Net Revenues of the System, as defined in the bond ordinance, must provide coverage of 120% of Maximum Annual Debt Service.

The balance sheet reflects a current ratio of 5.1 and a debt to equity ratio of 0.9, 18.7 days sales in account receivables, and 9.1 months operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Revenues will increase approximately 2% annually based on the Consumer Price Index.
- 2) Expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 1.7 in FY 2024 when full-year principal and interest repayments begin.

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

## REPLACEMENT RESERVE

The replacement reserve will be 2.5% (\$2,090,000 total) of the final amount borrowed to be funded annually (\$209,000 yearly) each December 1 for 10 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
2014A Refunding Sewer Bond	\$ 21,890,000	2030
2019A Sewer Series	49,455,000	2031
KIA Loan (A209-08)	720,736	2030
KIA Loan (A209-09)	62,663	2030
KIA Loan (A09-01)	8,753,655	2031
KIA Loan (A10-08)	7,300,295	2035
KIA Loan (A12-16)	1,323,857	2036
KIA Loan (A13-002 i/a/o \$8.9M)	7,942,098	2038
KIA Loan (A13-003 i/a/o \$10.2M)	8,494,525	2036
KIA Loan (A13-015 i/a/o \$23.9M)	21,350,251	2038
KIA Loan (A13-018 i/a/o \$6.0M)	4,586,717	2037
KIA Loan (A14-001 i/a/o \$12.2M)	10,865,698	2038
KIA Loan (A15-026 i/a/o \$83.7M)	58,178,310	2038
KIA Loan (A17-003 i/a/o \$1.3M)	1,177,188	2037
KIA Loan (A17-005 i/a/o \$10M)	4,367,248	2040
<b>Total</b>	<b>\$206,468,241</b>	

## XI. CONTACTS

<b>Legal Applicant</b>	
Entity Name	Lexington-Fayette Urban County Government
Authorized Official	Linda Gorton (Mayor)
County	Fayette
Email	mayor@lexingtonky.gov
Phone	(859) 258-3100
Address	200 East Main Street Lexington, KY 40507

**Applicant Contact**

Name	Charles H. Martin, P.E.
Organization	Lexington-Fayette Urban County Government
Email	chmartin@lexingtonky.gov
Phone	(859) 425-2455
Address	125 Lisle Industrial Avenue, Suite 180 Lexington, KY 40511

**Consulting Engineer**

PE Name	Tetra Tech
Firm Name	Herb LeMaster
Email	herb.lemaster@tetrattech.com
Phone	(859) 223-8000
Address	424 Lewis Hargett Circle, Suite 110 Lexington, KY 40503

**XII. RECOMMENDATIONS**

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



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
FINANCIAL SUMMARY (JUNE YEAR END)**

	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2025</u></b>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	90,439,582	51,081,487	38,040,927	40,644,350	43,671,377	46,790,195	49,679,914	52,652,945
Other Assets	369,051,891	410,638,325	488,371,713	440,966,955	439,469,538	522,056,009	520,027,300	518,326,239
Total	<u>459,491,473</u>	<u>461,719,812</u>	<u>526,412,640</u>	<u>481,611,306</u>	<u>483,140,916</u>	<u>568,846,204</u>	<u>569,707,215</u>	<u>570,979,185</u>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	7,367,642	7,702,677	7,522,851	7,673,000	7,814,249	7,963,249	8,114,249	8,269,249
Long Term Liabilities	177,600,664	195,531,904	247,545,640	236,441,053	222,685,486	292,004,296	278,857,612	265,285,409
Total Liabilities	<u>184,968,306</u>	<u>203,234,581</u>	<u>255,068,491</u>	<u>244,114,053</u>	<u>230,499,735</u>	<u>299,967,545</u>	<u>286,971,861</u>	<u>273,554,658</u>
Net Assets	<u>274,523,167</u>	<u>258,485,231</u>	<u>271,344,149</u>	<u>237,497,253</u>	<u>252,641,181</u>	<u>268,878,659</u>	<u>282,735,354</u>	<u>297,424,527</u>
<b>Cash Flow</b>								
Revenues	63,733,728	76,534,529	77,235,237	78,510,250	79,810,764	81,186,699	82,590,154	84,021,678
Operating Expenses	37,149,885	44,531,498	44,869,061	46,076,917	46,992,246	47,925,881	48,917,328	49,888,682
Other Income	620,805	1,163,863	975,252	975,252	975,252	975,252	975,252	975,252
Cash Flow Before Debt Service	<u>27,204,648</u>	<u>33,166,894</u>	<u>33,341,428</u>	<u>33,408,585</u>	<u>33,793,770</u>	<u>34,236,070</u>	<u>34,648,078</u>	<u>35,108,248</u>
<b>Debt Service</b>								
Existing Debt Service	8,258,739	10,595,289	14,610,132	20,712,683	18,991,135	18,993,983	18,987,532	19,038,143
Proposed KIA Loan	0	0	0	0	0	0	1,570,949	1,570,949
Total Debt Service	<u>8,258,739</u>	<u>10,595,289</u>	<u>14,610,132</u>	<u>20,712,683</u>	<u>18,991,135</u>	<u>18,993,983</u>	<u>20,558,481</u>	<u>20,609,092</u>
Cash Flow After Debt Service	<u>18,945,909</u>	<u>22,571,605</u>	<u>18,731,296</u>	<u>12,695,902</u>	<u>14,802,635</u>	<u>15,242,087</u>	<u>14,089,597</u>	<u>14,499,156</u>
<b>Ratios</b>								
Current Ratio	12.3	6.6	5.1	5.3	5.6	5.9	6.1	6.4
Debt to Equity	0.7	0.8	0.9	1.0	0.9	1.1	1.0	0.9
Days Sales in Accounts Receivable	26.0	19.4	18.7	18.7	18.7	18.7	18.7	18.7
Months Operating Expenses in Unrestricted Cash	26.9	12.6	9.1	9.6	10.2	10.7	11.2	11.7
Debt Coverage Ratio	3.3	3.1	2.3	1.6	1.8	1.8	1.7	1.7

<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	April 12, 2021	
		KIA Loan Number	A19-009 (Increase)	
		WRIS Number	SX21209012	
BORROWER	CITY OF GEORGETOWN SCOTT COUNTY			
BRIEF DESCRIPTION				
<p>The City of Georgetown is requesting another loan increase of \$2,140,000 to loan A19-009 approved on June 18, 2019 in the amount of \$13,542,784 with an increase of \$7,857,216 approved on February 4, 2021, bringing the new loan amount to \$23,540,000. Seven (7) construction bids for the referenced project were received on October 29, 2020. The low bid received was from Howell Contractors Inc., Walton, KY (Howell) in the amount of \$19,207,712.00. They mathematically checked and tabulated the bids on this project and found no errors. Due to the complexity of the funding parties involved and other large capital projects for the City of Georgetown Howell agreed to extending the 90-day bid holding period to 150 days with an agreement to revise unit prices with respect to material and labor increases and decreases. This revised bid was negotiated with Howell to get revised unit price bid numbers, reviewed and accepted by Hazen and Sawyer (Hazen) and Georgetown Municipal Water and Sewer Service on March 30, 2021 in the amount of \$20,664,758.00. Project cost increases are related to Davis Bacon Wage Rates, annual price index increases (concrete, pumps, building materials, cast iron manhole frame and lids), and PVC pipe material and PVC pipe availability. Power outages in Texas (major manufacturing location for PVC chemical components) and increased global demand for PVC material and extruder resins, along with infrastructure construction increases are fueling the increases in the pipe markets and overall increased construction costs. 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 decommissioned as a result of the project.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan Increase	\$23,540,000	RD Fee %	Actual %	
HB 265 Non-Coal Grant	1,075,000	Administrative Expenses		\$156,218
319 Non-Point Source Grant	750,000	Legal Expenses		22,000
Scott County	250,000	Land, Easements		255,000
LFUCG	475,000	Planning		93,884
City of Georgetown	250,000	Eng - Design / Const	6.4%	5.8%
		Eng - Insp	3.0%	1.5%
		Eng - Other		306,900
		Construction		21,698,354
		Contingency		2,066,476
TOTAL	\$26,340,000	TOTAL		\$26,340,000
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$855,109
	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	\$2,102		
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	5,271,419	2,013,218	3,258,201	2.6
Projected 2024	5,815,099	1,718,374	4,096,725	3.4
Projected 2025	5,602,296	1,719,991	3,882,305	3.3

Reviewer: Sarah Parsley  
Date: April 12, 2021  
Loan Number: A19-009 (2<sup>nd</sup> 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 an additional loan increase of \$2,140,000 after an increase of \$7,857,216 was approved February 4, 2021 to loan A19-009 approved on June 18, 2019 in the amount of \$13,542,784 bringing the new loan amount to \$23,540,000. Seven (7) construction bids for the referenced project were received on October 29, 2020. The low bid received was from Howell Contractors Inc., Walton, KY (Howell) in the amount of \$19,207,712.00. We have mathematically checked and tabulated the bids on this project and find no errors. Due to the complexity of the funding parties involved and other large capital projects for the City of Georgetown Howell agreed to extending the 90-day bid holding period to 150 days with an agreement to revise unit prices with respect to material and labor increases and decreases. This revised bid was negotiated with Howell to get revised unit price bid numbers, reviewed and accepted by Hazen and Sawyer (Hazen) and Georgetown Municipal Water and Sewer Service on March 30, 2021 in the amount of \$20,664,758.00. Project cost increases are related to Davis Bacon Wage Rates, annual price index increases (concrete, pumps, building materials, cast iron manhole frame and lids), and PVC pipe material and PVC pipe availability. Power outages in Texas (major manufacturing location for PVC chemical components) and increased global demand for PVC material and extruder resins, along with infrastructure construction increases are fueling the increases in the pipe markets and overall increased construction costs. With that, the City of Georgetown is requesting a 10% increase or \$2,140,000.00

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

	<u>Total</u>
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	306,900
Construction	21,698,354
Contingency	2,066,476
<b>Total</b>	<b>\$ 26,340,000</b>

## III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 23,540,000	89%
HB 265 Non-Coal Grant	1,075,000	4%
319 Non-Point Source Grant	750,000	3%
Scott County	250,000	1%
LFUCG	475,000	2%
City of Georgetown	250,000	1%
<b>Total</b>	<b>\$ 26,340,000</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 23,540,000
Less: Principal Forgiveness	\$ 1,000,000
Amortized Loan Amount	\$ 22,540,000
Interest Rate	0.50%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 810,029
Administrative Fee (0.20%)	45,080
<b>Total Estimated Annual Debt Service</b>	<b>\$ 855,109</b>

#### V. PROJECT SCHEDULE

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

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

	<b>Current</b>
Residential	12,204
Commercial	1,373
Industrial	11
Total	13,588

##### B) Rates

<b>Sewer</b>	<b>Current</b>	<b>Prior</b>	<b>Prior</b>
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
<b>Cost for 4,000 gallons<sup>1</sup></b>	<b>\$ 25.38</b>	<b>\$ 18.98</b>	<b>\$ 17.25</b>
Increase %	33.7%	10.0%	
Affordability Index (Rate/MHI) <sup>2</sup>	0.5%	0.4%	

  

<b>Water</b>	<b>Current</b>	<b>Prior</b>	<b>Prior</b>
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
<b>Cost for 4,000 gallons<sup>1</sup></b>	<b>\$ 24.59</b>	<b>\$ 18.14</b>	<b>\$ 16.48</b>

Increase %	35.6%	10.1%
Affordability Index (Rate/MHI) <sup>2</sup>	0.5%	0.4%

<sup>1</sup> 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.

<sup>2</sup> 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 2.6 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% (\$1,178,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$58,900 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
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
<b>Total</b>	<b>\$ 9,128,651</b>	

## **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)**

	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2025</u></b>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	1,940,782	1,864,215	2,210,078	2,637,021	3,089,495	3,503,115	4,716,388	4,920,818
Other Assets	95,845,628	99,428,720	101,105,154	111,452,096	122,623,780	120,557,291	118,585,479	117,437,112
Total	<u>97,786,410</u>	<u>101,292,935</u>	<u>103,315,232</u>	<u>114,089,117</u>	<u>125,713,275</u>	<u>124,060,406</u>	<u>123,301,866</u>	<u>122,357,930</u>
<b>Liabilities &amp; Equity</b>								
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	26,796,741	36,528,223	35,735,821	34,809,570	34,334,662
Total Liabilities	<u>21,166,076</u>	<u>22,150,694</u>	<u>22,890,898</u>	<u>29,126,353</u>	<u>38,882,235</u>	<u>37,824,233</u>	<u>36,921,482</u>	<u>36,264,274</u>
Net Assets	<u>76,620,334</u>	<u>79,142,241</u>	<u>80,424,334</u>	<u>84,962,764</u>	<u>86,831,041</u>	<u>86,236,173</u>	<u>86,380,384</u>	<u>86,093,656</u>
<b>Cash Flow</b>								
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	10,490,408	10,699,038	10,911,841
Other Income	9,922	24,038	24,038	24,038	24,038	24,038	24,038	24,038
Cash Flow Before Debt Service	<u>4,433,128</u>	<u>2,960,474</u>	<u>3,869,168</u>	<u>4,275,923</u>	<u>4,806,184</u>	<u>5,271,419</u>	<u>5,815,099</u>	<u>5,602,296</u>
<b>Debt Service</b>								
Existing Debt Service	1,468,221	1,170,371	1,161,166	1,180,669	1,161,449	1,158,109	1,718,374	1,719,991
Proposed KIA Loan	0	0	0	0	0	855,109	855,109	855,109
Total Debt Service	<u>1,468,221</u>	<u>1,170,371</u>	<u>1,161,166</u>	<u>1,180,669</u>	<u>1,161,449</u>	<u>2,013,218</u>	<u>2,573,483</u>	<u>2,575,100</u>
Cash Flow After Debt Service	<u>2,964,907</u>	<u>1,790,103</u>	<u>2,708,002</u>	<u>3,095,254</u>	<u>3,644,735</u>	<u>3,258,201</u>	<u>4,096,725</u>	<u>3,882,305</u>
<b>Ratios</b>								
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	2.6	3.4	3.3

<b>EXECUTIVE SUMMARY</b>		Reviewer	Alex Fisher		
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	April 1, 2021		
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A20-032 (Increase)		
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21145034		
BORROWER	PADUCAH MCCRACKEN COUNTY JOINT SEWER AGENCY MCCRACKEN COUNTY				
BRIEF DESCRIPTION					
<p>Paducah McCracken Joint Sewer Agency is requesting a loan increase of \$2,046,410 for the Fund A LTCP Project #3 – Outfall 003 Fine Screening Phase 1 project due to bids coming in higher than budgeted. This will bring the total loan amount for A20-032 to \$7,216,410. The project work and scope remain the same.</p> <p>Project is phase one of a multi-phase project related to Paducah's Long Term Control Plan and one of the combined sewer outfalls (Outfall 003) here at Paducah. During design of this first phase, all efforts were made to achieve the lowest overall project cost for all phases. Decisions were made to size the wet well for this project for future phases and purchase the pumps for future phases now, which will reduce future costs. In addition, the combination of the project's unique design, location in a Brownfield, and location in Paducah where no local contractors were able to bid on the project also made the project difficult to estimate.</p>					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund A Loan	\$7,216,410	Legal Expenses			\$5,000
		Planning			20,000
		Eng - Design / Const	6.6%	4.4%	300,000
		Eng - Insp	3.2%	1.8%	120,000
		Eng - Other			10,650
		Construction			6,146,760
		Contingency			614,000
TOTAL	\$7,216,410	TOTAL			\$7,216,410
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$394,045	
	Term	20 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	J.R. Wauford & Company			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	January 19, 2021			
	Construction Start	Jun-21			
	Construction Stop	Oct-22			
DEBT PER CUSTOMER	Existing	\$1,471			
	Proposed	\$2,062			
OTHER DEBT	See Attached				
RESIDENTIAL RATES	Current	<u>Users</u>	<u>Avg. Bill</u>		
		19,024	\$23.76	(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	4,774,436	1,604,158	3,170,278	3.0	
Audited 2019	4,903,413	1,681,385	3,222,028	2.9	
Audited 2020	5,222,837	2,253,095	2,969,742	2.3	
Projected 2021	5,129,595	2,792,829	2,336,766	1.8	
Projected 2022	5,034,488	2,792,600	2,241,888	1.8	
Projected 2023	4,937,479	2,950,359	1,987,121	1.7	
Projected 2024	4,838,530	3,113,663	1,724,867	1.6	
Projected 2025	4,737,602	3,066,663	1,670,939	1.5	

Reviewer: Alex Fisher  
Date: April 1, 2021  
Loan Number: A20-032 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND A)  
PADUCAH-MCCRACKEN JOINT SEWER AGENCY, MCCRACKEN COUNTY  
PROJECT REVIEW  
SX21145034**

**I. PROJECT DESCRIPTION**

Paducah-McCracken Joint Sewer Agency is requesting a loan increase of \$2,046,410 for the Fund A LTCP Project #3 – Outfall 003 Fine Screening Phase 1 project due to bids coming in higher than budgeted. This will bring the total loan amount for A20-032 to \$7,216,410. The project work and scope remain the same.

Project is phase one of a multi-phase project related to Paducah's Long Term Control Plan and one of the combined sewer outfalls (Outfall 003) here at Paducah. During design of this first phase, all efforts were made to achieve the lowest overall project cost for all phases. Decisions were made to size the wet well for this project for future phases and purchase the pumps for future phases now, which will reduce future costs. In addition, the combination of the project's unique design, location in a Brownfield, and location in Paducah where no local contractors were able to bid on the project also made the project difficult to estimate.

**II. PROJECT BUDGET**

	<u>Total</u>
Legal Expenses	\$ 5,000
Planning	20,000
Engineering Fees - Design	255,000
Engineering Fees - Construction	45,000
Engineering Fees - Inspection	120,000
Engineering Fees - Other	10,650
Construction	6,146,760
Contingency	614,000
<b>Total</b>	<b>\$ 7,216,410</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 7,216,410	100%
<b>Total</b>	<b>\$ 7,216,410</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 7,216,410
Less: Principal Forgiveness	0
Amortized Loan Amount	<u>\$ 7,216,410</u>
Interest Rate	0.50%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 379,613
Administrative Fee (0.20%)	<u>14,433</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$ 394,045</b>

#### V. PROJECT SCHEDULE

Bid Opening	Jan 2021
Construction Start	June 2021
Construction Stop	October 2022

Paducah-McCracken JSA has completed the design, bid the project, opened the bids, which confirmed higher costs with the project.

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

	Current
Residential/ Commercial/ Industrial	<u>19,024</u>
<b>Total</b>	<b>19,024</b>

##### B) Rates

	<u>Current</u>	<u>Prior</u>
Date of Last Rate Increase	07/01/19	07/01/17
Minimum (3,000 gallons)	\$17.82	\$17.49
Each Additional (1,000 gallons)	5.94	5.83
<b>Cost for 4,000 gallons</b>	<b>\$23.76</b>	<b>\$23.32</b>
Increase %	1.9%	
Affordability Index (Rate/MHI)	0.8%	

The Board may elect to adjust rates according to CPI-U annually.

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 34,452 with a Median Household Income (MHI) of \$37,195. The median household income for the Commonwealth is \$46,535. This increase to the project will qualify for the initial loan 0.50% interest rate based on MHI.

## **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. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2018-2020 operating expenses and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, has been removed from 2018 and 2020 operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### HISTORY

Revenues have increased 5.4% from \$9.14 million in 2018 to \$9.63 million in 2020 mostly due to rate increases. Expenses have increased 4.7% from \$4.45 million in 2018 to \$4.66 million in 2020. Debt coverage was 3.0, 2.9 and 2.3 in 2018, 2019 and 2020 respectively.

The balance sheet reflects a current ratio of 4.5, a debt to equity ratio of 0.6, 52.8 days sales in accounts receivable, and 15.5 months operating expenses in unrestricted cash.

### PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will remain flat throughout the forecast. The JSA Board has the ability to raise rates according to the CPI-U but does not do so automatically therefore this assumption was not made in the forecast.
- 2) Expenses will increase 2% based on inflation.
- 3) Debt service coverage is 1.7 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 Agency currently has designated reserves of \$3,000,000. The reserves are specifically for high dollar capital equipment purchases, for emergencies, or for rate stabilization in the event of a loss of a substantial revenue stream. No additional reserves will be required.

**X. DEBT OBLIGATIONS**

	<b>Outstanding</b>	<b>Maturity</b>
Sewer Revenue Bonds (Series 2012)	\$ 3,866,500	2051
Sewer Revenue Bonds (Series 2014)	3,050,000	2031
KIA Loan A03-01	262,251	2023
KIA Loan A03-08	394,905	2026
KIA Loan A04-03	244,363	2025
KIA Loan A08-01	759,710	2029
KIA Loan A09-02	4,241,288	2033
KIA Loan A12-08	5,803,184	2035
KIA Loan A16-072	2,049,056	2038
KIA Loan A17-033 i/a/o \$9,100,000	7,059,493	TBD
KIA Loan A18-022 i/a/o \$511,206	255,724	TBD
KIA Loan A19-044 i/a/o \$2,314,500		TBD
KIA Loan A19-039 i/a/o \$5,193,000		TBD
<b>Total</b>	<b>\$27,986,474</b>	

**XI. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	Paducah McCracken County Joint Sewer Agency
Authorized Official	Justin Hancock (Board Chairman)
County	McCracken
Email	justin@hancocks-paducah.com
Phone	270-575-0056
Address	621 Northview St Paducah, KY 42001

**Project Administrator**

Name	John Hodges
Organization	Paducah McCracken County Joint Sewer Agency
Email	jhodges@jointsewer.com
Phone	270-575-0056
Address	621 Northview St Paducah, KY 42001

**Consulting Engineer**

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

**XII. RECOMMENDATIONS**

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



**PADUCAH MCCRACKEN COUNTY JOINT SEWER AGENCY  
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	12,978,262	12,537,198	13,111,489	13,345,209	13,569,397	13,768,109	13,940,596	14,274,784
Other Assets	72,089,951	78,728,088	82,094,697	89,951,032	96,082,761	94,768,788	93,218,787	91,453,158
<b>Total</b>	<b>85,068,213</b>	<b>91,265,286</b>	<b>95,206,186</b>	<b>103,296,241</b>	<b>109,652,158</b>	<b>108,536,898</b>	<b>107,159,384</b>	<b>105,727,942</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	1,831,780	2,913,199	2,888,435	3,030,813	3,785,576	4,000,853	4,026,686	2,390,593
Long Term Liabilities	26,720,572	30,310,920	31,963,707	40,060,397	44,809,498	42,147,512	39,480,693	38,471,367
<b>Total Liabilities</b>	<b>28,552,352</b>	<b>33,224,119</b>	<b>34,852,142</b>	<b>43,091,209</b>	<b>48,595,074</b>	<b>46,148,365</b>	<b>43,507,379</b>	<b>40,861,960</b>
<b>Net Assets</b>	<b>56,515,861</b>	<b>58,041,167</b>	<b>60,354,044</b>	<b>60,205,032</b>	<b>61,057,085</b>	<b>62,388,533</b>	<b>63,652,005</b>	<b>64,865,982</b>
<b>Cash Flow</b>								
Revenues	9,142,934	9,192,706	9,634,138	9,634,138	9,634,138	9,634,138	9,634,138	9,634,138
Operating Expenses	4,454,330	4,519,970	4,662,113	4,755,355	4,850,462	4,947,471	5,046,420	5,147,348
Other Income	85,832	230,677	250,812	250,812	250,812	250,812	250,812	250,812
<b>Cash Flow Before Debt Service</b>	<b>4,774,436</b>	<b>4,903,413</b>	<b>5,222,837</b>	<b>5,129,595</b>	<b>5,034,488</b>	<b>4,937,479</b>	<b>4,838,530</b>	<b>4,737,602</b>
<b>Debt Service</b>								
Existing Debt Service	1,604,158	1,681,385	2,253,095	2,792,829	2,792,600	2,753,336	2,719,618	2,672,618
Proposed KIA Loan	0	0	0	0	0	197,023	394,045	394,045
<b>Total Debt Service</b>	<b>1,604,158</b>	<b>1,681,385</b>	<b>2,253,095</b>	<b>2,792,829</b>	<b>2,792,600</b>	<b>2,950,359</b>	<b>3,113,663</b>	<b>3,066,663</b>
<b>Cash Flow After Debt Service</b>	<b>3,170,278</b>	<b>3,222,028</b>	<b>2,969,742</b>	<b>2,336,766</b>	<b>2,241,888</b>	<b>1,987,121</b>	<b>1,724,867</b>	<b>1,670,939</b>
<b>Ratios</b>								
Current Ratio	7.1	4.3	4.5	4.4	3.6	3.4	3.5	6.0
Debt to Equity	0.5	0.6	0.6	0.7	0.8	0.7	0.7	0.6
Days Sales in Accounts Receivable	51.7	49.8	52.8	52.8	52.8	52.8	52.8	52.8
Months Operating Expenses in Unrestricted Cash	13.1	18.3	15.5	15.8	16.0	16.2	16.3	16.7
Debt Coverage Ratio	3.0	2.9	2.3	1.8	1.8	1.7	1.6	1.5

<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	Alex Fisher April 1, 2021 A21-026 SX21133015	
BORROWER		CITY OF FLEMING-NEON LETCHER COUNTY		
BRIEF DESCRIPTION				
<p>The City of Fleming Neon ("City") is requesting a Fund A loan in the amount of \$1,558,120 for the Fleming Neon Sewer Rehabilitation project. This project will create a working map of the sewer system suitable for a flow study and for use during construction. Flow monitoring at 3 to 5 key locations in the sewer system to determine where Inflow and Infiltration (I/I) is excessive will be conducted. This project will televise and smoke test the sewers which are found to have excessive I/I and repair sewer sections and manholes. The city will be assessing presently mapped areas which will focus on vitrified clay pipe that is known to be leaking.</p> <p>The existing sewer system experiences high flows during and after rainfall events that wash out the wastewater treatment plant making it very difficult to meet the KPDES permit. During rainfall-induced high flow periods the main pump station often runs continuously. This pump station affects two other pump stations which pump into the same force main and cannot overcome the pressure from the mains pump station and must be turned off. If the pumps in the other stations are allowed to run, the motors sometimes burn up because there is no flow through the pumps for an extended period.</p> <p>Currently the City of Fleming Neon serves 755 residential and 15 commercial customers.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$1,558,120	RD Fee %	Actual %	
		Administrative Expenses	\$40,000	
		Legal Expenses	5,000	
		Planning	5,000	
		Eng - Design / Const	103,320	
		Eng - Insp	64,800	
		Eng - Other	20,000	
		Construction	1,200,000	
		Contingency	120,000	
TOTAL	\$1,558,120	TOTAL	\$1,558,120	
REPAYMENT	Rate Term	0.25% 30 Years	Est. Annual Payment 1st Payment 6 Mo. after first draw	
			\$28,529	
PROFESSIONAL SERVICES	Engineer Bond Counsel	Nesbitt Engineering, Inc. Rubin & Hays		
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	Oct-21 Nov-21 Nov-22		
DEBT PER CUSTOMER	Existing Proposed	\$2,115 \$3,370		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	Users 770	Avg. Bill \$33.13 (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	168,727	77,800	90,927	2.2
Audited 2018	21,790	86,906	(65,116)	0.3
Audited 2019	130,920	92,783	38,137	1.4
Projected 2020	138,213	132,463	5,750	1.0
Projected 2021	143,136	152,888	(9,752)	0.9
Projected 2022	151,999	100,878	51,121	1.5
Projected 2023	160,467	126,420	34,048	1.3
Projected 2024	173,359	147,702	25,657	1.2

Reviewer: Alex Fisher  
Date: April 1, 2021  
Loan Number: A21-026

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND A)  
CITY OF FLEMING NEON, LETCHER COUNTY  
PROJECT REVIEW  
SX21133015**

**I. PROJECT DESCRIPTION**

The City of Fleming Neon (“City”) is requesting a Fund A loan in the amount of \$1,558,120 for the Fleming Neon Sewer Rehabilitation project. This project will create a working map of the sewer system suitable for a flow study and for use during construction. Flow monitoring at 3 to 5 key locations in the sewer system to determine where Inflow and Infiltration (I/I) is excessive will be conducted. This project will televise and smoke test the sewers which are found to have excessive I/I and repair sewer sections and manholes. The city will be assessing presently mapped areas which will focus on vitrified clay pipe that is known to be leaking.

The existing sewer system experiences high flows during and after rainfall events that wash out the wastewater treatment plant making it very difficult to meet the KPDES permit. During rainfall-induced high flow periods the main pump station often runs continuously. This pump station affects two other pump stations which pump into the same force main and cannot overcome the pressure from the mains pump station and must be turned off. If the pumps in the other stations are allowed to run, the motors sometimes burn up because there is no flow through the pumps for an extended period.

Currently the City of Fleming Neon serves 755 residential and 15 commercial customers.

**II. PROJECT BUDGET**

	<b>Total</b>
Administrative Expenses	\$ 40,000
Legal Expenses	5,000
Planning	5,000
Engineering Fees - Design	103,320
Engineering Fees - Inspection	64,800
Engineering Fees - Other	20,000
Construction	1,200,000
Contingency	120,000
<b>Total</b>	<b>\$ 1,558,120</b>

### III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 1,558,120	100%
<b>Total</b>	<b>\$ 1,558,120</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$ 1,558,120
Less: Principal Forgiveness	779,060
Amortized Loan Amount	<u>\$ 779,060</u>
Interest Rate	0.25%
Loan Term (Years)	<u>30</u>
Estimated Annual Debt Service	\$ 26,971
Administrative Fee (0.20%)	1,558
<b>Total Estimated Annual Debt Service</b>	<b>\$ 28,529</b>

### V. PROJECT SCHEDULE

Bid Opening	October 2021
Construction Start	November 2021
Construction Stop	November 2022

### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

#### A) Customers

<u>Customers</u>	<u>Current</u>
Residential	755
Commercial	15
Industrial	<u>0</u>
<b>Total</b>	<b>770</b>

## B) Rates

<b>In City - Water</b>	Current	Prior	Prior
Date of Last Rate Increase	07/01/20	07/01/19	7/1/2018
Minimum (1st 2,000 gallons)	\$19.77	\$19.19	18.63
Additional 1,000 Gallons	6.68	6.68	6.48
Cost for 4,000 gallons	\$33.13	\$32.55	\$31.59
Increase %	1.8%	3.0%	
Affordability Index (Rate/MHI)	1.4%	1.3%	

<b>Out of City - Water</b>	Current	Prior	Prior
Date of Last Rate Increase	07/01/20	07/01/19	7/1/2018
Minimum (1st 2,000 gallons)	\$23.01	\$22.34	\$21.69
Additional 1,000 Gallons	6.68	6.68	6.48
Cost for 4,000 gallons	\$36.37	\$35.70	\$34.65
Increase %	1.9%	3.0%	
Affordability Index (Rate/MHI)	1.5%	1.5%	

<b>In City - Sewer</b>	Current	Prior	Prior
Date of Last Rate Increase	07/01/20	07/01/19	7/1/2018
Minimum (1st 2,000 gallons)	\$17.36	\$16.86	15.86
Additional 1,000 Gallons	5.75	5.51	5.51
Cost for 4,000 gallons	\$28.86	\$27.88	\$26.88
Increase %	3.5%	3.7%	
Affordability Index (Rate/MHI)	1.2%	1.1%	

<b>Out of City - Sewer</b>	Current	Prior	Prior
Date of Last Rate Increase	07/01/20	07/01/19	7/1/2018
Minimum (1st 2,000 gallons)	\$17.36	\$16.86	\$15.86
Additional 1,000 Gallons	5.75	5.51	5.51
Cost for 4,000 gallons	\$28.86	\$27.88	\$26.88
Increase %	3.5%	3.7%	
Affordability Index (Rate/MHI)	1.2%	1.1%	

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's service area population was 2,696 with a Median Household Income (MHI) of \$29,440. The median household income for the Commonwealth is \$48,392. The project will qualify for a 0.25% 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 qualifies for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$779,060 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. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

**HISTORY**

Revenues increased 32.1% from \$642 thousand in 2017 to \$848 in 2019 while operating expenses increased 51.5% from \$473 thousand to \$717 during the same period primarily due to cost increases in materials, supplies and service charges. The debt coverage ratio was 2.2, 0.3, and 1.4 in 2017, 2018, and 2019 respectively.

The balance sheet reflects a current ratio of 0.8, a debt to equity ratio of 0.2, 29.1 days of sales in accounts receivable, and 0.6 months of operating expenses in unrestricted cash.

**PROJECTIONS**

Projections are based on the following assumptions:

- 1) Revenues for both water and sewer will increase as shown below as already approved in ordinance by the city:

	2020	2021	2022	2023	2024
Water	3.0%	1.8%	3.0%	3.0%	3.0%
Sewer	3.0%	3.5%	3.0%	3.0%	3.0%

- 2) Expenses will rise 2% annually for inflation.
- 3) Both city loans A21-026 and F21-004 are factored into the debt service coverage.
- 4) Debt service coverage is 1.2 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 A loan.

#### REPLACEMENT RESERVE

The replacement reserve will be 5% (\$78,000 total) of the final amount borrowed (prior to principal forgiveness) to be funded annually (\$3,900 yearly) each December 1 for 20 years and maintained for the life of the loan.

#### X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Water Bonds 1983	\$ 34,534	2021
Water Bonds 1997	184,860	2035
Water Bonds 2001	315,585	2041
Sewer Bonds 1987	63,899	2024
Sewer Bonds 1985	65,864	2021
Sewer Bonds 2010	206,935	2044
KIA Loan F17-003	756,884	2048
KIA Loan F21-004 (i.a.o \$1.2M)		TBD
<b>Total</b>	<b>\$ 1,628,561</b>	

#### XI. CONTACTS

<b>Legal Applicant</b>	
Entity Name	City of Fleming-Neon
Authorized Official	Susan Polis (Mayor)
County	Letcher
Email	flemingneon@hotmail.com
Phone	(606) 855-7900
Address	PO Box 66 Fleming-Neon, KY 41840

**Applicant Contact**

Name	Janice Banks
Organization	City of Fleming-Neon
Email	flemingneon@hotmail.com
Phone	(606) 855-7900
Address	PO Box 66 Neon, KY 41840

**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 41702

**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

**XII. RECOMMENDATIONS**

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



**CITY OF FLEMING-NEON**  
**FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2017</u>	<u>Audited</u> <u>2018</u>	<u>Audited</u> <u>2019</u>	<u>Projected</u> <u>2020</u>	<u>Projected</u> <u>2021</u>	<u>Projected</u> <u>2022</u>	<u>Projected</u> <u>2023</u>	<u>Projected</u> <u>2024</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	91,430	113,116	101,070	108,849	100,697	153,918	190,166	218,123
Other Assets	8,891,484	10,034,689	10,636,271	10,141,440	9,646,609	10,306,939	11,338,175	10,811,291
<b>Total</b>	<b>8,982,914</b>	<b>10,147,805</b>	<b>10,737,341</b>	<b>10,250,289</b>	<b>9,747,306</b>	<b>10,460,857</b>	<b>11,528,341</b>	<b>11,029,414</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	247,281	627,314	125,778	126,185	126,685	149,292	178,321	178,821
Long Term Liabilities	994,027	918,227	1,576,631	1,480,176	1,383,721	1,860,716	2,492,685	2,345,594
<b>Total Liabilities</b>	<b>1,241,308</b>	<b>1,545,541</b>	<b>1,702,409</b>	<b>1,606,361</b>	<b>1,510,406</b>	<b>2,010,008</b>	<b>2,671,006</b>	<b>2,524,415</b>
<b>Net Assets</b>	<b>7,741,606</b>	<b>8,602,264</b>	<b>9,034,932</b>	<b>8,643,928</b>	<b>8,236,900</b>	<b>8,450,849</b>	<b>8,857,335</b>	<b>8,504,999</b>
<b>Cash Flow</b>								
Revenues	641,650	671,695	847,671	873,101	892,648	919,428	947,011	975,422
Operating Expenses	472,978	649,993	716,866	735,003	749,627	767,544	786,659	802,178
Other Income	55	88	115	115	115	115	115	115
<b>Cash Flow Before Debt Service</b>	<b>168,727</b>	<b>21,790</b>	<b>130,920</b>	<b>138,213</b>	<b>143,136</b>	<b>151,999</b>	<b>160,467</b>	<b>173,359</b>
<b>Debt Service</b>								
Existing Debt Service	77,800	86,906	92,783	132,463	152,888	89,824	90,048	97,066
Proposed KIA Loans	0	0	0	0	0	11,054	36,372	50,636
<b>Total Debt Service</b>	<b>77,800</b>	<b>86,906</b>	<b>92,783</b>	<b>132,463</b>	<b>152,888</b>	<b>100,878</b>	<b>126,420</b>	<b>147,702</b>
<b>Cash Flow After Debt Service</b>	<b>90,927</b>	<b>(65,116)</b>	<b>38,137</b>	<b>5,750</b>	<b>(9,752)</b>	<b>51,121</b>	<b>34,048</b>	<b>25,657</b>
<b>Ratios</b>								
Current Ratio	0.4	0.2	0.8	0.9	0.8	1.0	1.1	1.2
Debt to Equity	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Days Sales in Accounts Receivable	28.6	30.6	29.1	29.1	29.1	29.1	29.1	29.1
Months Operating Expenses in Unrestricted Cash	1.0	1.0	0.6	0.6	0.5	1.3	1.8	2.1
Debt Coverage Ratio	2.2	0.3	1.4	1.0	0.9	1.5	1.3	1.2

<b>EXECUTIVE SUMMARY</b>		Reviewer	Alex Fisher	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	April 1, 2021	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A21-034	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21207019	
BORROWER	CITY OF RUSSELL SPRINGS RUSSELL COUNTY			
BRIEF DESCRIPTION				
<p>The City of Russell Springs ("City") is requesting a Fund A loan in the amount of \$682,000 for the KY 80 Gravity Sewer Rehab project. The City of Russell Springs plans to rehabilitate existing sanitary sewer lines to reduce the infiltration and inflow in portions of the sewer system along KY 80, Butler Drive and Roy Drive, including manhole rehabs, point repairs, sewer line repairs and reconnection of lateral lines. Slip line approximately 5,900 LF of 8" VCP and reconnect 50 existing customers.</p> <p>Currently the City of Russell Springs serves over 1,300 residential and 220 commercial customers.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$682,000	RD Fee %	Actual %	
TOTAL	\$682,000	TOTAL		\$682,000
REPAYMENT	Rate	0.25%	Est. Annual Payment	\$18,172
	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	Nov-21		
DEBT PER CUSTOMER	Existing	\$1,489		
	Proposed	\$1,415		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u>	<u>Avg. Bill</u>	
		1,525	\$38.67	(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	299,276	219,259	80,017	1.4
Audited 2018	383,868	210,887	172,981	1.8
Audited 2019	411,586	212,958	198,628	1.9
Projected 2020	419,429	209,621	209,808	2.0
Projected 2021	444,569	210,965	233,604	2.1
Projected 2022	468,512	196,071	272,441	2.4
Projected 2023	494,668	194,683	299,985	2.5
Projected 2024	521,348	194,295	327,053	2.7

Reviewer: Alex Fisher  
Date: April 1, 2021  
Loan Number: A21-034

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND A)  
CITY OF RUSSELL SPRINGS, RUSSELL COUNTY  
PROJECT REVIEW  
SX21207019**

**I. PROJECT DESCRIPTION**

The City of Russell Springs ("City") is requesting a Fund A loan in the amount of \$682,000 for the KY 80 Gravity Sewer Rehab project. The City of Russell Springs plans to rehabilitate existing sanitary sewer lines to reduce the infiltration and inflow in portions of the sewer system along KY 80, Butler Drive and Roy Drive, including manhole rehabs, point repairs, sewer line repairs and reconnection of lateral lines. Slip line approximately 5,900 LF of 8" VCP and reconnect 50 existing customers.

Currently the City of Russell Springs serves over 1,300 residential and 220 commercial customers.

**II. PROJECT BUDGET**

	<b>Total</b>
Administrative Expenses	\$ 15,000
Engineering Fees - Design	52,700
Engineering Fees - Inspection	37,700
Engineering Fees - Other	8,000
Construction	516,750
Contingency	51,850
<b>Total</b>	<b>\$ 682,000</b>

**III. PROJECT FUNDING**

	<b>Amount</b>	<b>%</b>
Fund A Loan	\$ 682,000	100%
<b>Total</b>	<b>\$ 682,000</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 682,000
Less: Principal Forgiveness	341,000
Amortized Loan Amount	<u>\$ 341,000</u>
Interest Rate	0.25%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 17,490
Administrative Fee (0.20%)	682
<b>Total Estimated Annual Debt Service</b>	<b>\$ 18,172</b>

#### V. PROJECT SCHEDULE

Bid Opening	July 2021
Construction Start	September 2021
Construction Stop	November 2021

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current
Residential	1,305
Commercial	220
Industrial	0
Total	<u>1,525</u>

##### B) Rates

Sewer In City	Current	Prior	Prior
Date of Last Rate Increase	1/1/2021	1/1/2020	3/15/2018
Minimum (2,000 Gallons)	\$21.01	\$20.60	20.20
Next 2,000 Gallons	8.83	8.66	8.49
Cost for 4,000 gallons	\$38.67	\$37.92	\$37.18
Increase %	2.0%	2.0%	
Affordability Index (Rate/MHI)	1.2%	1.2%	

**Sewer Out of City**

	Current	Prior	Prior
Date of Last Rate Increase	1/1/2021	1/1/2020	3/15/2018
Minimum (2,000 Gallons)	\$23.70	\$23.24	22.78
Next 2,000 Gallons	9.11	8.93	8.75
Cost for 4,000 gallons	\$41.92	\$41.10	\$40.28
Increase %	2.0%	2.0%	
Affordability Index (Rate/MHI)	1.3%	1.3%	

**Water In City**

	Current	Prior	Prior
Date of Last Rate Increase	1/1/2021	1/1/2020	3/15/2018
Minimum (2,000 Gallons)	\$15.06	\$14.77	14.48
Next 2,000 Gallons	5.25	5.15	5.05
Cost for 4,000 gallons	\$25.56	\$25.07	\$24.58
Increase %	2.0%	2.0%	
Affordability Index (Rate/MHI)	0.8%	0.8%	

**Water Out of City**

	Current	Prior	Prior
Date of Last Rate Increase	1/1/2021	1/1/2020	3/15/2018
Minimum (2,000 Gallons)	\$26.18	\$25.67	25.70
Next 2,000 Gallons	7.59	7.44	7.03
Cost for 4,000 gallons	\$41.36	\$40.55	\$39.75
Increase %	2.0%	2.0%	
Affordability Index (Rate/MHI)	1.3%	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 4,218 with a Median Household Income (MHI) of \$37,880. The median household income for the Commonwealth is \$48,392. The project will qualify for a 0.25% 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 qualifies for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$341,000 will be credited to the loan balance upon release of liens on all contracts and disbursement of the final draw request by KIA to the borrower.

## **IX. FINANCIAL ANALYSIS**

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

### **HISTORY**

Combined water, sewer and sanitation revenues increased 15.6% from \$2.95 million in 2017 to \$3.41 in 2019 while operating expenses increased 12.8% from \$1.93 million to \$2.18 million during the same period primarily due to a 13.9% increase in sanitation expenses. Since sanitation is factored into the water and sewer fund the large increase in sanitation expenses has been a major contributor to overall operating expense increases from 2017 to 2019. The debt coverage ratio was 1.4, 1.8, and 1.9 in 2017, 2018, and 2019 respectively.

The balance sheet reflects a current ratio of 2.4, a debt to equity ratio of 0.7, 61.6 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) Revenues for sewer and water are set to increase according to city ordinance based upon the consumer price index for urban wage earners and clerical workers (CPI-W). The annual increase will be at least 2% and not to exceed 6%. The projection years reflect 2% annual rate increases.
- 2) Expenses are to increase 2% annually due to inflation.
- 3) Debt service coverage is 2.4 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 A 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>
1981 Revenue Bonds	\$ 47,999	*
1986 Revenue Bonds	102,000	*
1996A Revenue Bonds	386,000	*
1996B Revenue Bonds	871,000	*
2001 Revenue Bonds	238,600	*
2004 Revenue Bonds	99,000	*
Equipment & Vehicle Loans	526,830	2024
<b>Total</b>	<b>\$ 2,271,429</b>	

The maturities with an asterisk (\*) have various maturities from years 2020 to 2044.

**XI. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Russell Springs
Authorized Official	Eddie Thomas (Mayor)
County	Russell
Email	ethomas@russellsprings.net
Phone	(270) 866-3981
Address	PO Box 247 Russell Springs, KY 42642

<b>Applicant Contact</b>	
Name	Terry Russell
Organization	City of Russell Springs
Email	trussell@russellsprings.net
Phone	(270) 866-3981
Address	487 Main St Russell Springs, KY 42642

**Project Administrator**

Name	Judy Hachey
Organization	LCADD
Email	judyh@lcadd.org
Phone	(270) 866-4200
Address	PO Box 1570 Russell Springs, KY 42642

**Consulting Engineer**

PE Name	Eddie W Brown
Firm Name	Kenvirons, Inc.
Email	ebrown@kenvirons.com
Phone	(502) 695-4357
Address	770 Wilkinson Blvd. Frankfort, KY 40601

**XII. RECOMMENDATIONS**

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



**CITY OF RUSSELL SPRINGS  
FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2017</u>	<u>Audited</u> <u>2018</u>	<u>Audited</u> <u>2019</u>	<u>Projected</u> <u>2020</u>	<u>Projected</u> <u>2021</u>	<u>Projected</u> <u>2022</u>	<u>Projected</u> <u>2023</u>	<u>Projected</u> <u>2024</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	747,703	868,075	925,219	1,146,543	1,391,846	1,676,287	1,988,471	2,328,024
Other Assets	9,210,428	9,317,204	8,944,021	8,493,399	8,042,777	8,258,805	7,792,833	7,326,861
<b>Total</b>	<b>9,958,131</b>	<b>10,185,279</b>	<b>9,869,240</b>	<b>9,639,942</b>	<b>9,434,623</b>	<b>9,935,092</b>	<b>9,781,304</b>	<b>9,654,885</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	384,816	487,644	391,968	439,094	413,574	437,437	444,355	450,474
Long Term Liabilities	3,397,559	3,807,364	3,751,228	3,575,278	3,427,948	3,600,955	3,429,344	3,254,914
<b>Total Liabilities</b>	<b>3,782,375</b>	<b>4,295,008</b>	<b>4,143,196</b>	<b>4,014,372</b>	<b>3,841,522</b>	<b>4,038,392</b>	<b>3,873,699</b>	<b>3,705,388</b>
<b>Net Assets</b>	<b>6,175,756</b>	<b>5,890,271</b>	<b>5,726,044</b>	<b>5,625,570</b>	<b>5,593,101</b>	<b>5,896,700</b>	<b>5,907,605</b>	<b>5,949,497</b>
<b>Cash Flow</b>								
Revenues	2,948,946	3,246,990	3,409,618	3,477,810	3,547,366	3,618,313	3,690,679	3,764,493
Operating Expenses	2,724,344	2,942,325	3,082,932	3,126,477	3,170,893	3,217,897	3,264,107	3,311,241
Other Income	74,674	79,203	84,900	68,096	68,096	68,096	68,096	68,096
<b>Cash Flow Before Debt Service</b>	<b>299,276</b>	<b>383,868</b>	<b>411,586</b>	<b>419,429</b>	<b>444,569</b>	<b>468,512</b>	<b>494,668</b>	<b>521,348</b>
<b>Debt Service</b>								
Existing Debt Service	219,259	210,887	212,958	209,621	210,965	177,899	176,511	176,123
Proposed KIA Loan	0	0	0	0	0	18,172	18,172	18,172
<b>Total Debt Service</b>	<b>219,259</b>	<b>210,887</b>	<b>212,958</b>	<b>209,621</b>	<b>210,965</b>	<b>196,071</b>	<b>194,683</b>	<b>194,295</b>
<b>Cash Flow After Debt Service</b>	<b>80,017</b>	<b>172,981</b>	<b>198,628</b>	<b>209,808</b>	<b>233,604</b>	<b>272,441</b>	<b>299,985</b>	<b>327,053</b>
<b>Ratios</b>								
Current Ratio	1.9	1.8	2.4	2.6	3.4	3.8	4.5	5.2
Debt to Equity	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.6
Days Sales in Accounts Receivable	49.4	63.9	61.6	61.6	61.6	61.6	61.6	61.6
Months Operating Expenses in Unrestricted Cash	1.3	1.0	1.2	2.0	2.8	3.8	4.9	6.0
Debt Coverage Ratio	1.4	1.8	1.9	2.0	2.1	2.4	2.5	2.7

<b>EXECUTIVE SUMMARY</b>		Reviewer	Sarah Parsley	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	Director Level Increase	
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>			3/10/2021	
<b>REVOLVING LOAN FUND</b>		KIA Loan Number	F19-005 (Increase)	
		WRIS Number	WX21199128	
BORROWER	CITY OF BURNSIDE PULASKI COUNTY			
BRIEF DESCRIPTION				
A loan increase of \$100,000 is requested to fund original portions of the project previously deleted by a change order. This will include a portion of Line H and switching meters from existing 4" cast iron line to 8" PVC line on a portion of East Lakeshore Drive. This will bring the total loan amount to \$2,900,000.				
The proposed project will replace approximately 28,375 LF of waterline, along with valves and fire hydrants in residential and commercial areas within the Burnside Water System. The replacement lines will be 6" PVC. The completion of the project will restore proper fire protection by upsizing lines and replacing fire hydrants. It will also improve domestic service and reduce water loss eliminating leaks as well as provide a direct connection between the WTP and old Burnside.				
u				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$2,900,000	RD Fee %	Actual %	
		Administrative Expenses		\$65,000
		Legal Expenses		10,000
		Planning		15,000
		Eng - Design / Const	7.4%	5.4%
		Eng - Insp	4.3%	3.3%
		Eng - Other		6,500
		Construction		2,356,290
		Contingency		223,210
TOTAL	\$2,900,000	TOTAL		\$2,900,000
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$68,668
	Term	30 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	HMB, Inc		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Nov-19		
	Construction Start	May-20		
	Construction Stop	Feb-21		
DEBT PER CUSTOMER	Existing	\$2,608		
	Proposed	\$5,452		
OTHER DEBT	See Attached			
RESIDENTIAL RATES		Users	Avg. Bill	
	Current	597	\$53.58 (for 4,000 gallons)	
	Additional	0	\$53.58 (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	91,775	65,635	26,140	1.4
Audited 2018	147,995	92,634	55,361	1.6
Audited 2019	69,051	92,249	(23,198)	0.7
Projected 2020	100,910	90,284	10,626	1.1
Projected 2021	122,136	90,418	31,718	1.4
Projected 2022	177,485	154,973	22,512	1.1
Projected 2023	181,367	153,168	28,199	1.2
Projected 2024	185,308	149,668	35,640	1.2

Reviewer: Sarah Parsley  
Date: March 10, 2021  
Loan Number: F19-005 2<sup>nd</sup> increase

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
CITY OF BURNSIDE, PULASKI COUNTY  
PROJECT REVIEW  
WX21199128**

**I. PROJECT DESCRIPTION**

The City of Burnside is requesting a Fund F loan additional increase amount of \$100,000, bringing the total amount to \$2,900,000 for the Burnside Combined Waterline Improvements project. This project will replace approximately 28,375 LF of waterline with valves and fire hydrants in residential and commercial areas in the Burnside Water System. The replacement lines will be 6" PVC. The completion of the project will restore proper fire protection by upsizing lines and replacing fire hydrants. It will also improve domestic service and reduce water loss to Burnside's customers by eliminating leaks as well as provide a direct connection between the WTP and old Burnside.

The City of Burnside produces more than 80% and purchases around 15% of its water supply from the Southeastern Water Association to serve approximately 570 customers within the system. In a Town Hall meeting held on December 10, 2018 to address the need for the project and the KIA assistance, the City received full support from its residents to move forward with the project.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 65,000
Legal Expenses	10,000
Planning	15,000
Engineering Fees - Design	111,300
Engineering Fees - Construction	27,825
Engineering Fees - Inspection	84,875
Engineering Fees - Other	6,500
Construction	2,356,290
Contingency	223,210
<b>Total</b>	<b><u>\$ 2,900,000</u></b>

### III. PROJECT FUNDING

	Amount	%
KIA Fund F Loan	\$ 2,900,000	100%
<b>Total</b>	<b>\$ 2,900,000</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$ 2,900,000
Principal Forgiveness (50%)	1,113,500
Amortized Loan Amount	\$ 1,786,500
Interest Rate	0.50%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 64,202
Administrative Fee (0.25%)	4,466
<b>Total Estimated Annual Debt Service</b>	<b>\$ 68,668</b>

### V. PROJECT SCHEDULE

Bid Opening	November 2019
Construction Start	May 2020
Construction Stop	February 2021

### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

#### A) Customers

Customers	Current
Residential	538
Commercial/Institutional	44
Other	15
<b>Total</b>	<b>597</b>

#### B) Rates

Date of Last Rate Increase	Water Inside City			Water Outside City		
	Current	Prior	Prior	Current	Prior	Prior
	07/01/20	07/01/19	07/01/18	07/01/20	07/01/19	07/01/18
First 1,000 Gallons	\$21.69	\$21.14	\$19.22	\$26.22	\$25.55	\$23.23
1,000 Gallons and Above	11.82	11.52	10.47	14.71	14.33	
3,000 Gallons and Above	8.25	8.04	7.31	10.21	9.96	
Cost for 4,000 gallons	\$53.58	\$52.22	\$47.47	\$65.85	\$64.17	\$58.34
Increase %	2.6%	10.0%		2.6%	9.1%	
Affordability Index (Rate/MHI)	1.8%	1.8%		2.2%	2.2%	

	Sewer		
	Current	Prior	Prior
Date of Last Rate Increase	07/01/20	07/01/19	07/01/18
First 1,000 Gallons	\$20.03	\$9.58	\$9.13
Debt Service		\$8.22	\$8.22
1,000 Gallons and Above	\$10.30	\$9.58	\$9.13
Cost for 4,000 gallons	\$50.93	\$46.54	\$44.74
Increase %	9.4%	4.0%	
Affordability Index (Rate/MHI)	1.7%	1.6%	

The City adopted a CPI clause in the 2014 rate ordinance to automatically adjust both water and sewer rates each year based on the Consumer Price Index.

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the Utility's service area population was 1,388 with a Median Household Income (MHI) of \$35,706. The median household income for the Commonwealth is \$44,811. The project will qualify for a 0.5% interest rate with a below 80% of the State MHI.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	775		45,803		June 2005	5.4%
1990	695	-10.3%	49,489	8.0%	June 2010	14.4%
2000	637	-8.3%	56,217	13.6%	June 2015	5.8%
2010	611	-4.1%	63,063	12.2%	June 2018	5.1%
Current	1,270	93.9%	63,772	1.4%		
Cumulative %		52.9%		39.7%		

## VIII. 2018 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 \$1,113,500 will be credited to the loan balance upon release of liens on all contracts and disbursement of the final draw request by KIA to the borrower.

## **IX. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2017 through June 30, 2019. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2016 and 2017 operating expenses.

### **HISTORY**

Combined water and sewer revenues decreased 6.5% from \$594,558 in 2017 to \$556,128 in 2019 due to lost customer base and issues with the Burnside marina, while operating expenses increased 2.6% during the same period. The debt coverage ratio was 1.4, 1.6, and 0.75 in 2017 to 2019, respectively.

The balance sheet reflects a current ratio of 0.4, a debt to equity ratio of 0.5, 32 days sales in accounts receivable, and 0.7 month operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Water revenues will increase 9.5% in 2020 and 4.5% in 2021 while sewer revenues will increase 4% in fiscal year 2020 and 9.5% in 2021 with the implemented rate increases by the City effective July 1, 2019.
- 2) The City will deposit \$5,000 additionally into the Reserve and Sinking Fund accounts starting 2020 for 4 years to replenish the minimum fund balances. This will be subject to annual KIA administrative compliance monitoring.
- 3) The City will continue to adjust rates based on the Consumer Price Index in 2022 and going forward.
- 4) Expenses will increase 2% annually for general inflation.
- 5) Debt coverage ratio is 1.15 in 2022 when full year principal and interest repayments begin.

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

### **REPLACEMENT RESERVE**

The replacement reserve will be 5% (\$146,000 total) of the final amount borrowed prior to principal forgiveness to be funded annually (\$7,300 yearly) each December 1 for 20 years and maintained for the life of the loan. As of June 30, 2017, the Reserve and Sinking Fund balances were under funded by approximately \$20,000. The City will set aside additional cash to fund the balances appropriately.

**X. DEBT OBLIGATIONS**

	<u>Outstanding</u>	<u>Maturity</u>
Sewer Revenue and Waterworks Bonds	\$ 1,108,000	2055
<b>Total</b>	<b>\$ 1,108,000</b>	

**XI. CONTACTS**

<b>Legal Applicant</b>	
Name	City of Burnside
Address	7929 S Hwy 27, PO Box 8 Burnside, KY 42519
County	Pulaski
Authorized Official	Robert Lawson, Mayor
Phone	(606) 561-4113
Email	mayor@burnsidecitygovernment.com

<b>Project Contact - Applicant</b>	
Name	Crissa Morris
Organization	City of Burnside
Address	7929 S Hwy 27, PO Box 8 Burnside, KY 42519
Phone	(606) 561-4113
Email	clerk@burnsidecitygovernment.com

<b>Project Administrator</b>	
Name	Stephanie Smith
Organization	Lake Cumberland Area Development District
Address	2384 Lakeway Dr, PO Box 1570 Russell Springs, KY 42642
Phone	(270) 866-4200
Email	stephanie@lcadd.org

**Consulting Engineer**

Name	Barry Cloyd
Firm	HMB, Inc
Address	3 HMB Circle Frankfort, KY 40601
Phone	(502) 695-9800
Email	bcloyd@hmbpe.com

**XII. RECOMMENDATIONS**

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



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

	<u>Audited</u> <u>2017</u>	<u>Audited</u> <u>2018</u>	<u>Audited</u> <u>2019</u>	<u>Projected</u> <u>2020</u>	<u>Projected</u> <u>2021</u>	<u>Projected</u> <u>2022</u>	<u>Projected</u> <u>2023</u>	<u>Projected</u> <u>2024</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	174,224	198,133	183,507	189,573	198,817	205,719	212,259	220,287
Other Assets	8,565,742	8,333,898	8,072,766	7,756,897	10,323,926	9,920,891	9,522,405	9,129,872
Total	<u>8,739,966</u>	<u>8,532,031</u>	<u>8,256,273</u>	<u>7,946,470</u>	<u>10,522,743</u>	<u>10,126,610</u>	<u>9,734,664</u>	<u>9,350,159</u>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	376,864	359,718	474,148	450,331	453,131	515,548	519,948	524,448
Long Term Liabilities	1,973,240	1,962,339	2,097,835	2,052,635	3,793,935	3,689,218	3,583,002	3,475,285
Total Liabilities	<u>2,350,104</u>	<u>2,322,057</u>	<u>2,571,983</u>	<u>2,502,966</u>	<u>4,247,066</u>	<u>4,204,766</u>	<u>4,102,949</u>	<u>3,999,733</u>
Net Assets	<u>6,389,862</u>	<u>6,209,974</u>	<u>5,684,290</u>	<u>5,443,504</u>	<u>6,275,677</u>	<u>5,921,844</u>	<u>5,631,715</u>	<u>5,350,427</u>
<b>Cash Flow</b>								
Revenues	594,558	593,956	556,128	594,641	627,654	655,226	665,330	675,617
Operating Expenses	502,783	445,961	487,077	493,731	505,518	477,741	483,963	490,309
Other Income	0	0	0	0	0	0	0	0
Cash Flow Before Debt Service	<u>91,775</u>	<u>147,995</u>	<u>69,051</u>	<u>100,910</u>	<u>122,136</u>	<u>177,485</u>	<u>181,367</u>	<u>185,308</u>
<b>Debt Service</b>								
Existing Debt Service	65,635	92,634	92,249	90,284	90,418	86,305	84,500	81,000
Proposed KIA Loan	0	0	0	0	0	68,668	68,668	68,668
Total Debt Service	<u>65,635</u>	<u>92,634</u>	<u>92,249</u>	<u>90,284</u>	<u>90,418</u>	<u>154,973</u>	<u>153,168</u>	<u>149,668</u>
Cash Flow After Debt Service	<u>26,140</u>	<u>55,361</u>	<u>(23,198)</u>	<u>10,626</u>	<u>31,718</u>	<u>22,512</u>	<u>28,199</u>	<u>35,640</u>
<b>Ratios</b>								
Current Ratio	0.5	0.6	0.4	0.4	0.4	0.4	0.4	0.4
Debt to Equity	0.4	0.4	0.5	0.5	0.7	0.7	0.7	0.7
Days Sales in Accounts Receivable	39.7	20.7	32.0	32.0	32.0	32.0	32.0	32.0
Months Operating Expenses in Unrestricted Cash	0.3	1.7	0.7	0.7	0.9	1.1	1.2	1.4
Debt Coverage Ratio	1.4	1.6	0.7	1.1	1.4	1.1	1.2	1.2

<b>EXECUTIVE SUMMARY</b>		Reviewer	Meili Sun	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	April 5, 2021	
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number	F20-009 (Increase)	
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21001029	
BORROWER	ADAIR COUNTY WATER DISTRICT ADAIR COUNTY			
BRIEF DESCRIPTION				
The Adair County Water District is requesting to increase the loan amount for the Water Main Replacement Project from \$1,342,530 to \$1,476,783 due to higher bids than estimated.				
This project consists of construction of 7,400 linear feet of 8-inch water main to replace existing undersized asbestos cement waterlines along Tutt Street and Bomar Heights and 5,250 linear feet of 6-inch water main in the area. The construction will require replacement of approximately 89 customer services along the new water main route. Additionally, the project will renovate and repaint the elevated 300,000 gallon City Industrial Tank and demolish the elevated 500,000 gallon Paige Street and the elevated 200,000 gallon Bomar Heights Tanks.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$1,476,783	RD Fee %	Actual %	
		Administrative Expenses		\$7,500
		Legal Expenses		2,500
		Planning		25,000
		Eng - Design / Const	8.6%	7.2%
		Eng - Insp	5.4%	4.5%
		Eng - Other		20,000
		Construction		1,180,394
		Contingency		92,609
TOTAL	\$1,476,783	TOTAL		\$1,476,783
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$30,962
	Term	30 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Kentucky Engineering Group, PLLC		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Mar-21		
	Construction Start	May-21		
	Construction Stop	Feb-22		
DEBT PER CUSTOMER	Existing	\$2,699		
	Proposed	\$2,834		
OTHER DEBT	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	7,943	\$40.90	(for 4,000 gallons)
	Additional	0	\$40.90	(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	1,520,068	1,767,710	(247,642)	0.9
Audited 2018	1,493,692	1,985,357	(491,665)	0.8
Audited 2019	1,634,648	1,613,445	21,203	1.0
Projected 2020	1,484,913	1,663,835	(178,922)	0.9
Projected 2021	2,361,782	1,564,091	797,691	1.5
Projected 2022	2,298,583	1,629,293	669,290	1.4
Projected 2023	2,220,303	1,685,876	534,427	1.3
Projected 2024	2,154,550	1,721,819	432,731	1.3

Reviewer: Meili Sun  
Date: April 5, 2021  
Loan Number: F20-009 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND F)  
ADAIR COUNTY WATER DISTRICT, ADAIR COUNTY  
PROJECT REVIEW  
WX21001029**

**I. PROJECT DESCRIPTION**

The Adair County Water District (ACWD) is requesting an increase of \$134,253 to the initial loan of \$1,342,530 approved in March, 2020 for the Water Main Replacement Project. The reason for the loan increase is due to higher pipe prices and less competition for the elevated storage tank contract. The increase has been approved on the executive director level as it is not more than 10 percent of the total loan amount.

This project will construct 7,400 linear feet of 8-inch water main to replace existing undersized asbestos-cement waterlines along Tutt Street and Bomar Heights and 5,250 linear feet of 6-inch water main on some cross streets in the area, which will require replacement of approximately 89 customer services along the new water main route. Additionally, the project will renovate and repaint the 300,000-gallon City Industrial Tank and demolish the 500,000 gallon Paige Street and the 200,000 gallon Bomar Heights Tanks.

The aging asbestos-cement waterlines are considered hazardous as they become brittle and prone to breaking. They must be removed for protection of public health. The City Industrial Tank is in poor condition and overdue for renovation and repainting. The other two tanks were taken out of service when a new tank was constructed in the past. They are no longer useful and have become a liability to ACWD.

ACWD is a Public Service Commission (PSC) regulated utility producing 93% of the water supply and purchasing the remainder to serve approximately 1,700 retail customers in Adair County and 3 wholesale customers. All retail and wholesale rate adjustments are subject to PSC approval.

## II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 7,500
Legal Expenses	2,500
Planning	25,000
Engineering Fees – Design	63,826
Engineering Fees – Construction	27,354
Engineering Fees – Inspection	57,600
Engineering Fees – Other	20,000
Construction	1,180,394
Contingency	92,609
<b>Total</b>	<b>\$ 1,476,783</b>

## III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
<b>KIA Fund F Loan</b>	<b>\$ 1,476,783</b>	<b>100%</b>

## IV. KIA DEBT SERVICE

Construction Loan	\$ 1,476,783
Principal Forgiveness	671,265
Amortized Loan Amount	\$ 805,518
Interest Rate	0.50%
Loan Term (Year)	30
Estimated Annual Debt Service	\$ 28,948
Administrative Fee (0.25%)	2,014
<b>Total Estimated Annual Debt Service</b>	<b>\$ 30,962</b>

## V. PROJECT SCHEDULE

Bid Opening	March 2021
Construction Start	May 2021
Construction Stop	February 2022

## VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

### A) Customers

	Current
Residential	7,391
Commercial	481
Industrial	71
Total	<u>7,943</u>

### B) Rates

	Sewer	
	Current	Prior
Date of Last Rate Increase	10/21/20	07/23/14
Minimum (No Usage)	\$7.00	\$5.00
All Usage per 1,000 Gallons	7.20	5.20
Cost for 4,000 gallons	\$35.80	\$25.80
Increase %	38.8%	
Affordability Index (Rate/MHI)	1.6%	1.1%

	Water	
	Current	Prior
Date of Last Rate Increase	10/21/20	02/03/12
First 1,000 Gallons	19.90	
Next 4,000 Gallons	7.00	
First 2,000 Gallons		\$19.90
Next 3,000 Gallons		7.00
Next 5,000 Gallons	\$6.25	6.25
Cost for 4,000 gallons	\$40.90	\$33.90
Increase %	20.6%	
Affordability Index (Rate/MHI)	1.4%	1.2%

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 16,785 with a Median Household Income (MHI) of \$34,172. The median household income for the Commonwealth is \$46,535. The project will qualify for a 30 year loan at 0.50% interest rate.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	3,710		15,233		June 2005	5.7%
1990	3,845	3.6%	15,360	0.8%	June 2010	11.8%
2000	4,014	4.4%	17,244	12.3%	June 2015	7.6%
2010	4,452	10.9%	18,656	8.2%	June 2019	6.0%
Current	4,852	9.0%	19,304	3.5%		
Cumulative %		30.8%		26.7%		

### **VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES**

Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$671,265 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 December 31, 2017 through December 31, 2019. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – 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 4.0% from \$4.49 million in 2017 to \$4.67 million in 2019 while operating expenses increased 2.3% from \$2.97 million to \$3.04 million during the same period. The debt coverage ratios of 2017, 2018, and 2019 were 0.9, 0.8, and 1.0 respectively.

The balance sheet reflects a current ratio of 1.9, a debt to equity ratio of 1.2, 34.1 days of sales in accounts receivable, and 0.7 month of operating expenses in unrestricted cash.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Combined water and sewer revenues will increase approximately \$900,000 based on the rate increases approved by the PSC in October, 2020.
- 2) Combined operating expenses including water purchase will increase 2% annually for inflation.
- 3) Debt coverage ratio is 1.3 in 2023 for the first principal and interest repayment.

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

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
2004 Utilities Revenue Bonds	\$ 393,500	2043
2005 Water Revenue Bonds	994,000	2045
2006 Water Revenue Bonds	2943,500	2045
2007 Water Revenue Bonds	639,000	2046
2008 Water Revenue Bonds	265,400	2048
2008 Utilities Revenue Bonds	99,200	2047
2009 Water Revenue Bonds	972,500	2050
2011 Water Revenue Bonds	1,072,500	2051
2012 Water Revenue Bonds	1,333,000	2052
2013D Water Revenue Bonds (Refunding)	2,515,000	2040
2014 Water Revenue Bonds	655,500	2054
KIA Loan F06-01	2,032,831	2028
KIA Loan F07-01	474,750	2028
KIA Loan F10-01	2,689,800	2032
KIA Loan F10-02	1,097,995	2032
KIA Loan F11-10	743,437	2034
KIA Loan F12-04	2,417,516	2044
Bank of Columbia Note	121,210	2019
KIA Loan A20-016 i.a.o. \$2,104,870		TBD
RD Loan i.a.o. \$1,945,000		TBD
<b>Total</b>	<b>\$ 21,440,639</b>	

## **XI. CONTACTS**

### **Legal Applicant**

Name	Adair County Water District DBA Columbia/Adair Utilities District
Address	109 Grant Lane, PO Box 567 Columbia, KY 42728
County	Adair
Authorized Official	William Harris
Phone	(270) 384-2181
Email	utility@caud.net

### **Project Contact - Applicant**

Name	Lenny Stone, Manager
Organization	Columbia/Adair Utilities District
Address	109 Grant Lane, PO Box 567 Columbia, KY 42728
Phone	(270) 384-2181
Email	lenny.stone@caud.net

### **Project Administrator**

Name	Holly Nicholas
Organization	Kentucky Engineering Group, PLLC
Address	161 North Locust St, PO Box 1034 Versailles, KY 40383
Phone	(859) 333-9742
Email	hnicholas@kyengr.com

### **Consulting Engineer**

Name	James C Thompson
Firm	Kentucky Engineering Group, PLLC
Address	161 North Locust St, PO Box 1034 Versailles, KY 40383
Phone	(859) 251-4127
Email	jthompson@kyengr.com



## **XII. RECOMMENDATIONS**

KIA staff recommends approval of the loan with the standard conditions and two special conditions related to the PSC regulations:

1. ACWD shall apply to the Public Service Commission (PSC), pursuant to KRS 278.300, for debt authorization for KIA loan A20-016, F20-009, and the pending RD loan. This debt authorization application should include a forecast meeting debt service projected through 2025.
2. Prior to the assistance agreement being executed, ACWD must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020, from the PSC for any portion of the project that may require it, or provide an opinion from legal counsel or the staff of the PSC, or a declaratory order from the PSC, that a CPCN is not required for any portion of the assets to be constructed as part of the loan agreement.

**ADAIR COUNTY WATER DISTRICT  
FINANCIAL SUMMARY (DECEMBER YEAR END)**

	<u>Audited</u> <u>2017</u>	<u>Audited</u> <u>2018</u>	<u>Audited</u> <u>2019</u>	<u>Projected</u> <u>2020</u>	<u>Projected</u> <u>2021</u>	<u>Projected</u> <u>2022</u>	<u>Projected</u> <u>2023</u>	<u>Projected</u> <u>2024</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	890,914	760,210	869,865	681,824	1,567,315	2,236,605	2,771,032	3,203,764
Other Assets	50,935,078	49,753,410	48,018,817	45,908,179	44,034,692	47,924,885	45,927,048	43,929,212
Total	<u>51,825,992</u>	<u>50,513,620</u>	<u>48,888,682</u>	<u>46,590,003</u>	<u>45,602,007</u>	<u>50,161,490</u>	<u>48,698,081</u>	<u>47,132,975</u>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	343,040	445,105	458,084	463,341	468,741	474,241	479,841	485,541
Long Term Liabilities	26,053,948	26,495,332	25,844,846	24,293,102	23,218,715	26,517,462	25,360,992	24,088,028
Total Liabilities	<u>26,396,988</u>	<u>26,940,437</u>	<u>26,302,930</u>	<u>24,756,443</u>	<u>23,687,456</u>	<u>26,991,703</u>	<u>25,840,833</u>	<u>24,573,569</u>
Net Assets	<u>25,429,004</u>	<u>23,573,183</u>	<u>22,585,752</u>	<u>21,833,560</u>	<u>21,914,551</u>	<u>23,169,787</u>	<u>22,857,248</u>	<u>22,559,406</u>
<b>Cash Flow</b>								
Revenues	4,486,762	4,557,728	4,668,345	4,668,345	5,607,174	5,607,174	5,607,174	5,607,174
Operating Expenses	2,970,140	3,083,669	3,037,262	3,186,997	3,248,957	3,312,156	3,390,436	3,456,189
Other Income	3,446	19,633	3,565	3,565	3,565	3,565	3,565	3,565
Cash Flow Before Debt Service	<u>1,520,068</u>	<u>1,493,692</u>	<u>1,634,648</u>	<u>1,484,913</u>	<u>2,361,782</u>	<u>2,298,583</u>	<u>2,220,303</u>	<u>2,154,550</u>
<b>Debt Service</b>								
Existing Debt Service	1,767,710	1,985,357	1,613,445	1,663,835	1,564,091	1,629,293	1,654,914	1,690,857
Proposed KIA Loan	0	0	0	0	0	0	30,962	30,962
Total Debt Service	<u>1,767,710</u>	<u>1,985,357</u>	<u>1,613,445</u>	<u>1,663,835</u>	<u>1,564,091</u>	<u>1,629,293</u>	<u>1,685,876</u>	<u>1,721,819</u>
Cash Flow After Debt Service	<u>(247,642)</u>	<u>(491,665)</u>	<u>21,203</u>	<u>(178,922)</u>	<u>797,691</u>	<u>669,290</u>	<u>534,427</u>	<u>432,731</u>
<b>Ratios</b>								
Current Ratio	2.6	1.7	1.9	1.5	3.3	4.7	5.8	6.6
Debt to Equity	1.0	1.1	1.2	1.1	1.1	1.2	1.1	1.1
Days Sales in Accounts Receivable	34.8	32.3	34.1	34.1	34.1	34.1	34.1	34.1
Months Operating Expenses in Unrestricted Cash	0.9	0.4	0.7	0.0	3.1	5.5	7.3	8.7
Debt Coverage Ratio	0.9	0.8	1.0	0.9	1.5	1.4	1.3	1.3

<b>EXECUTIVE SUMMARY</b> <b>KENTUCKY INFRASTRUCTURE AUTHORITY</b> <b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b> <b>REVOLVING LOAN FUND</b>		Reviewer Date KIA Loan Number WRIS Number	Alex Fisher April 1, 2021 F21-004 WX21133034	
BORROWER	CITY OF FLEMING-NEON LETCHER COUNTY			
BRIEF DESCRIPTION				
<p>The City of Fleming-Neon is requesting a Fund F loan in the amount of \$1,191,114 for the Fleming-Neon Waterline Improvement Project Phase 1. In order to combat high water loss due to aging water lines, the City of Fleming-Neon is planning to replace and modernize their water system. When the original system was created, GIS mapping was not available and data and information as to locations, line size and material have been lost over the years, making it almost impossible to detect or prevent breaks.</p> <p>Phase 1 will replace approximately 10,200 feet of 8" PVC and 4,400 feet of PVC waterlines from the water treatment plant on Shea Fork to the Neon city limits on Hwy 343 and Northeast along Hwy 343 to its intersection with Chopping Branch in the McRoberts area and any side roads. The project will address lines from the water treatment plant along Shea Fork to its end. The McRoberts area has been deemed the worst in the system. This phase will enhance the systems conversion to radio read meters by adding 149 new meters and provide flow-leak detectors in the system. Creek crossings will be directionally drilled to prevent biological disturbance. Trenchless/low-impact technology will be used when applicable.</p> <p>The City of Fleming- Neon currently serves over 1,000 residential customers in Letcher county.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$1,191,114	RD Fee %	Actual %	
		Administrative Expenses	\$50,000	
		Legal Expenses	5,000	
		Planning	5,000	
		Eng - Design / Const	7.5% 8.9% 87,000	
		Eng - Insp	4.3% 5.6% 55,000	
		Eng - Other	5,000	
		Construction	979,214	
TOTAL	\$1,191,114	TOTAL	\$1,191,114	
REPAYMENT	Rate	0.25%	Est. Annual Payment \$22,107	
	Term	30 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Nesbitt Engineering, Inc.		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Jul-21		
	Construction Start	Aug-21		
	Construction Stop	Feb-22		
DEBT PER CUSTOMER	Existing	\$1,256		
	Proposed	\$1,492		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		1,297	\$33.13 (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	168,727	77,800	90,927	2.2
Audited 2018	21,790	86,906	(65,116)	0.3
Audited 2019	130,920	92,783	38,137	1.4
Projected 2020	138,213	132,463	5,750	1.0
Projected 2021	143,136	152,888	(9,752)	0.9
Projected 2022	151,999	100,878	51,122	1.5
Projected 2023	160,467	126,420	34,047	1.3
Projected 2024	173,359	147,702	25,657	1.2

Reviewer: Alex Fisher  
Date: April 1, 2021  
Loan Number: F21-004

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
CITY OF FLEMING NEON, LETCHER COUNTY  
PROJECT REVIEW  
WX21133034**

**I. PROJECT DESCRIPTION**

The City of Fleming-Neon is requesting a Fund F loan in the amount of \$1,191,114 for the Fleming-Neon Waterline Improvement Project Phase 1. In order to combat high water loss due to aging water lines, the City of Fleming-Neon is planning to replace and modernize their water system. When the original system was created, GIS mapping was not available and data and information as to locations, line size and material have been lost over the years, making it almost impossible to detect or prevent breaks.

Phase 1 will replace approximately 10,200 feet of 8" PVC and 4,400 feet of PVC waterlines from the water treatment plant on Shea Fork to the Neon city limits on Hwy 343 and Northeast along Hwy 343 to its intersection with Chopping Branch in the McRoberts area and any side roads. The project will address lines from the water treatment plant along Shea Fork to its end. The McRoberts area has been deemed the worst in the system. This phase will enhance the systems conversion to radio read meters by adding 149 new meters and provide flow-leak detectors in the system. Creek crossings will be directionally drilled to prevent biological disturbance. Trenchless/low-impact technology will be used when applicable.

The City of Fleming- Neon currently serves over 1,000 residential customers in Letcher county.

**II. PROJECT BUDGET**

	<b>Total</b>
Administrative Expenses	\$ 50,000
Legal Expenses	5,000
Land, Easements	4,900
Planning	5,000
Engineering Fees - Design	69,000
Engineering Fees - Construction	18,000
Engineering Fees - Inspection	55,000
Engineering Fees - Other	5,000
Construction	979,214
<b>Total</b>	<b>\$ 1,191,114</b>

### III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 1,191,114	100%
<b>Total</b>	<b>\$ 1,191,114</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$ 1,191,114
Less: Principal Forgiveness	<u>595,557</u>
Amortized Loan Amount	\$ 595,557
Interest Rate	0.25%
Loan Term (Years)	<u>30</u>
Estimated Annual Debt Service	\$ 20,618
Administrative Fee (0.25%)	<u>1,489</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$ 22,107</b>

### V. PROJECT SCHEDULE

Bid Opening	July 2021
Construction Start	August 2021
Construction Stop	February 2022

### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

#### A) Customers

Customers	<u>Current</u>
Residential	1,297
Commercial	0
Industrial	<u>0</u>
<b>Total</b>	<b>1,297</b>

#### B) Rates

<b>In City - Water</b>	<u>Current</u>	<u>Prior</u>	<u>Prior</u>
Date of Last Rate Increase	07/01/20	07/01/19	7/1/2018
Minimum (1st 2,000 gallons)	\$19.77	\$19.19	18.63
Additional 1,000 Gallons	6.68	6.68	6.48
Cost for 4,000 gallons	<u>\$33.13</u>	<u>\$32.55</u>	<u>\$31.59</u>
Increase %	1.8%	3.0%	
Affordability Index (Rate/MHI)	1.4%	1.3%	

<b>Out of City - Water</b>	Current	Prior	Prior
Date of Last Rate Increase	07/01/20	07/01/19	7/1/2018
Minimum (1st 2,000 gallons)	\$23.01	\$22.34	\$21.69
Additional 1,000 Gallons	6.68	6.68	6.48
Cost for 4,000 gallons	\$36.37	\$35.70	\$34.65
Increase %	1.9%	3.0%	
Affordability Index (Rate/MHI)	1.5%	1.5%	

<b>In City - Sewer</b>	Current	Prior	Prior
Date of Last Rate Increase	07/01/20	07/01/19	7/1/2018
Minimum (1st 2,000 gallons)	\$17.36	\$16.86	15.86
Additional 1,000 Gallons	5.75	5.51	5.51
Cost for 4,000 gallons	\$28.86	\$27.88	\$26.88
Increase %	3.5%	3.7%	
Affordability Index (Rate/MHI)	1.2%	1.1%	

<b>Out of City - Sewer</b>	Current	Prior	Prior
Date of Last Rate Increase	07/01/20	07/01/19	7/1/2018
Minimum (1st 2,000 gallons)	\$17.36	\$16.86	\$15.86
Additional 1,000 Gallons	5.75	5.51	5.51
Cost for 4,000 gallons	\$28.86	\$27.88	\$26.88
Increase %	3.5%	3.7%	
Affordability Index (Rate/MHI)	1.2%	1.1%	

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's service area population was 3,081 with a Median Household Income (MHI) of \$29,478. The median household income for the Commonwealth is \$48,392. The project will qualify for a 0.25% interest rate on the 30-year loan.

## **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 \$595,557 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. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

Revenues increased 32.1% from \$642 thousand in 2017 to \$848 in 2019 while operating expenses increased 51.5% from \$473 thousand to \$717 during the same period primarily due to cost increases in materials, supplies and service charges. The debt coverage ratio was 2.2, 0.3, and 1.4 in 2017, 2018, and 2019 respectively.

The balance sheet reflects a current ratio of 0.8, a debt to equity ratio of 0.2, 29.1 days of sales in accounts receivable, and 0.7 months of operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Revenues for both water and sewer will increase as shown below as already approved in ordinance by the city:

	2020	2021	2022	2023	2024
Water	3.0%	1.8%	3.0%	3.0%	3.0%
Sewer	3.0%	3.5%	3.0%	3.0%	3.0%

- 2) Expenses will rise 2% annually for inflation.
- 3) Both city loans A21-026 and F21-004 are factored into the debt service coverage.
- 4) Debt service coverage is 1.2 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% (\$60,000 total) of the final amount borrowed (prior to principal forgiveness) to be funded annually (\$3,000 yearly) each December 1 for 20 years and maintained for the life of the loan.

## **X. DEBT OBLIGATIONS**

	<u>Outstanding</u>	<u>Maturity</u>
Water Bonds 1983	\$ 34,534	2021
Water Bonds 1997	184,860	2035
Water Bonds 2001	315,585	2041
Sewer Bonds 1987	63,899	2024
Sewer Bonds 1985	65,864	2021
Sewer Bonds 2010	206,935	2044
KIA Loan F17-003	756,884	2048
KIA Loan A21-026 (i.a.o. \$1.56M)		TBD
<b>Total</b>	<b>\$ 1,628,561</b>	

## XI. CONTACTS

<b>Legal Applicant</b>	
Entity Name	City of Fleming-Neon
Authorized Official	Susan Polis (Mayor)
County	Letcher
Email	flemingneon@hotmail.com
Phone	(606) 855-7900
Address	PO Box 66 Fleming-Neon, KY 41840

<b>Applicant Contact</b>	
Name	Janice Banks
Organization	City of Fleming-Neon
Email	flemingneon@hotmail.com
Phone	(606) 855-7900
Address	PO Box 66 Neon, KY 41840

<b>Project Administrator</b>	
Name	Angelia Hall
Organization	Kentucky River Area Development District
Email	angelia@kradd.org
Phone	(606) 436-3158
Address	941 N Main St. Hazard, KY 41702



**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

**XII. RECOMMENDATIONS**

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

**CITY OF FLEMING-NEON  
FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited 2017</u>	<u>Audited 2018</u>	<u>Audited 2019</u>	<u>Projected 2020</u>	<u>Projected 2021</u>	<u>Projected 2022</u>	<u>Projected 2023</u>	<u>Projected 2024</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	91,430	113,116	101,070	108,849	100,697	153,919	190,166	218,123
Other Assets	8,891,484	10,034,689	10,636,271	10,141,440	9,646,609	10,316,114	11,356,525	10,838,816
<b>Total</b>	<b>8,982,914</b>	<b>10,147,805</b>	<b>10,737,341</b>	<b>10,250,289</b>	<b>9,747,306</b>	<b>10,470,033</b>	<b>11,546,691</b>	<b>11,056,939</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	247,281	627,314	125,778	126,185	126,685	149,292	178,321	178,821
Long Term Liabilities	994,027	918,227	1,576,631	1,480,176	1,383,721	1,860,716	2,492,685	2,345,594
<b>Total Liabilities</b>	<b>1,241,308</b>	<b>1,545,541</b>	<b>1,702,409</b>	<b>1,606,361</b>	<b>1,510,406</b>	<b>2,010,008</b>	<b>2,671,006</b>	<b>2,524,415</b>
<b>Net Assets</b>	<b>7,741,606</b>	<b>8,602,264</b>	<b>9,034,932</b>	<b>8,643,928</b>	<b>8,236,900</b>	<b>8,460,025</b>	<b>8,875,685</b>	<b>8,532,524</b>
<b>Cash Flow</b>								
Revenues	641,650	671,695	847,671	873,101	892,648	919,428	947,011	975,422
Operating Expenses	472,978	649,993	716,866	735,003	749,627	767,544	786,659	802,178
Other Income	55	88	115	115	115	115	115	115
<b>Cash Flow Before Debt Service</b>	<b>168,727</b>	<b>21,790</b>	<b>130,920</b>	<b>138,213</b>	<b>143,136</b>	<b>151,999</b>	<b>160,467</b>	<b>173,359</b>
<b>Debt Service</b>								
Existing Debt Service	77,800	86,906	92,783	132,463	152,888	89,824	90,048	97,066
Proposed KIA Loans	0	0	0	0	0	11,054	36,372	50,636
<b>Total Debt Service</b>	<b>77,800</b>	<b>86,906</b>	<b>92,783</b>	<b>132,463</b>	<b>152,888</b>	<b>100,878</b>	<b>126,420</b>	<b>147,702</b>
<b>Cash Flow After Debt Service</b>	<b>90,927</b>	<b>(65,116)</b>	<b>38,137</b>	<b>5,750</b>	<b>(9,752)</b>	<b>51,122</b>	<b>34,047</b>	<b>25,657</b>
<b>Ratios</b>								
Current Ratio	0.4	0.2	0.8	0.9	0.8	1.0	1.1	1.2
Debt to Equity	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Days Sales in Accounts Receivable	28.6	30.6	29.1	29.1	29.1	29.1	29.1	29.1
Months Operating Expenses in Unrestricted Cash	1.0	1.0	0.6	0.6	0.5	1.3	1.8	2.1
Debt Coverage Ratio	2.2	0.3	1.4	1.0	0.9	1.5	1.3	1.2

<b>EXECUTIVE SUMMARY</b>		Reviewer	Alex Fisher	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	April 1, 2021	
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number	F21-040	
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21029166	
BORROWER	LOUISVILLE WATER COMPANY BULLITT COUNTY			
BRIEF DESCRIPTION				
The Louisville Water Company is requesting a Fund F loan in the amount of \$537,850 for the Roe Hill Road Area Water Main Extension and Pump Station project.				
This project will install 12,040 feet of 4-inch water main and a booster pump station to provide potable water to 37 unserved residences on Roe Hill Road, Kerr Lane, P'Poole Lane and Perkins Court in Bullitt County, Kentucky for an estimated project cost of \$1,075,700.				
The project will construct a booster pump station at the bottom of Roe Hill Road, providing the capability to pump water up the hill to the residences. The booster pump station will be a 100 gallons per minute (GPM) unit and will utilize Variable Frequency Drive (VFD) motor control systems.				
The project will then install a water main along Roe Hill Road beginning 1,200 feet northwest of Highway 1526 to the end of Roe Hill Road in Bullitt County, Kentucky and to residents along Kerr Lane, P'Poole Lane and Perkins Court, which all branch off of Roe Hill Road. There will be 2,500 linear feet of 4-inch ductile iron water main laid along Roe Hill Road from the existing dead end water line to an elevation of 795 feet and then 5,370 linear feet of PVC 4-inch water main will be laid from the 795 elevation point to the end of Roe Hill Road. Once on top of the knob that Roe Hill Road traverses, the project will install 2,100 linear feet of 4-inch PVC water main along Kerr Lane from Roe Hill Road to the end of Kerr Lane. There will be 1,420 linear feet of 4-inch PVC water main installed along P'Poole Lane starting at the intersection of Roe Hill Road to the end of P'Poole Lane and then 650 linear feet of 4-inch PVC water main will be installed along Perkins Court starting at the intersection of Roe Hill Road and ending at the end of Perkins Court.				
Currently the Louisville Water Company serves over 250,000 residential and over 23,500 commercial and industrial customers.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$537,850	Administrative Expenses	RD Fee %	Actual %
CDBG	537,850	Eng - Design / Const	9.0%	7.4%
TOTAL	\$1,075,700	Eng - Insp	5.8%	3.3%
		Construction		
		Other		
		TOTAL		\$1,075,700
REPAYMENT	Rate	0.25%	Est. Annual Payment \$14,466	
	Term	20 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Louisville Water Company		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Sep-21		
	Construction Start	Nov-21		
	Construction Stop	Sep-22		
DEBT PER CUSTOMER	Existing	\$1,155		
	Proposed	\$1,099		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	275,751	\$24.91 (for 4,000 gallons)	
	Additional	37	\$24.91 (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	93,599,394	28,840,134	64,759,260	3.2
Audited 2018	96,385,165	30,068,291	66,316,874	3.2
Audited 2019	98,389,672	28,565,974	69,823,698	3.4
Projected 2020	96,290,174	28,393,869	67,896,305	3.4
Projected 2021	94,159,396	28,301,131	65,858,265	3.3
Projected 2022	91,996,503	29,102,643	62,893,860	3.2
Projected 2023	89,790,183	29,364,043	60,426,140	3.1
Projected 2024	87,540,826	28,464,693	59,076,133	3.1

Reviewer: Alex Fisher  
Date: April 1, 2021  
Loan Number: F21-040

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
LOUISVILLE WATER COMPANY, BULLITT COUNTY  
PROJECT REVIEW  
WX21029166**

**I. PROJECT DESCRIPTION**

The Louisville Water Company is requesting a Fund F loan in the amount of \$537,850 for the Roe Hill Road Area Water Main Extension and Pump Station project.

This project will install 12,040 feet of 4-inch water main and a booster pump station to provide potable water to 37 unserved residences on Roe Hill Road, Kerr Lane, P'Poole Lane and Perkins Court in Bullitt County, Kentucky for an estimated project cost of \$1,075,700.

The project will construct a booster pump station at the bottom of Roe Hill Road, providing the capability to pump water up the hill to the residences. The booster pump station will be a 100 gallons per minute (GPM) unit and will utilize Variable Frequency Drive (VFD) motor control systems.

The project will then install a water main along Roe Hill Road beginning 1,200 feet northwest of Highway 1526 to the end of Roe Hill Road in Bullitt County, Kentucky and to residents along Kerr Lane, P'Poole Lane and Perkins Court, which all branch off of Roe Hill Road. There will be 2,500 linear feet of 4-inch ductile iron water main laid along Roe Hill Road from the existing dead end water line to an elevation of 795 feet and then 5,370 linear feet of PVC 4-inch water main will be laid from the 795 elevation point to the end of Roe Hill Road. Once on top of the knob that Roe Hill Road traverses, the project will install 2,100 linear feet of 4-inch PVC water main along Kerr Lane from Roe Hill Road to the end of Kerr Lane. There will be 1,420 linear feet of 4-inch PVC water main installed along P'Poole Lane starting at the intersection of Roe Hill Road to the end of P'Poole Lane and then 650 linear feet of 4-inch PVC water main will be installed along Perkins Court starting at the intersection of Roe Hill Road and ending at the end of Perkins Court.

Currently the Louisville Water Company serves over 250,000 residential and over 23,500 commercial and industrial customers.

## II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 50,000
Land, Easements	2,000
Engineering Fees - Design	51,700
Engineering Fees - Construction	15,000
Engineering Fees - Inspection	29,700
Construction	896,100
Other	31,200
<b>Total</b>	<b>\$ 1,075,700</b>

## III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 537,850	50%
CDBG	537,850	50%
<b>Total</b>	<b>\$ 1,075,700</b>	<b>100%</b>

## IV. KIA DEBT SERVICE

Construction Loan	\$ 537,850
Less: Principal Forgiveness	268,925
Amortized Loan Amount	\$ 268,925
Interest Rate	0.25%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 13,794
Administrative Fee (0.25%)	672
<b>Total Estimated Annual Debt Service</b>	<b>\$ 14,466</b>

## V. PROJECT SCHEDULE

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

## VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

### A) Customers

Customers	Current	Proposed	Total
Residential	252,133	37	252,170
Commercial	23,183	0	23,183
Industrial	435	0	435
<b>Total</b>	<b>275,751</b>	<b>37</b>	<b>275,788</b>

### B) Rates

	Water Inside City		
	Current	Prior	Prior
<b>Last Rate Increase</b>	<b>01/01/21</b>	<b>01/01/20</b>	<b>01/01/19</b>
Minimum	\$13.79	\$12.89	\$12.04
First 2,000 Gallons (Min.)	3.56	3.90	4.24
Next 2,000	7.56	7.22	6.88
<b>Cost for 4,000 gallons</b>	<b>24.91</b>	<b>24.01</b>	<b>23.16</b>
Increase %	3.75%	3.67%	
Affordability Index	0.52%	0.50%	

	Water In Elevated Areas			Roe Hill Rd
	Current	Prior	Prior	Projected
<b>Last Rate Increase</b>	<b>01/01/21</b>	<b>01/01/20</b>	<b>01/01/19</b>	<b>1/1/2021</b>
Minimum	13.79	12.89	12.04	13.79
First 2,000 Gallons (Min.)	4.44	4.72	5.02	4.44
Next 2,000	8.44	8.04	7.66	8.44
Financed Tapping Fee				12.61
<b>Cost for 4,000 gallons</b>	<b>26.67</b>	<b>25.65</b>	<b>24.72</b>	<b>39.28</b>
Increase %	3.98%	3.76%		
Affordability Index	0.91%	0.88%		1.35%

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's county population was 807,578 and a service area of 275,788 with a Median Household Income (MHI) of the Roe Hill Road area is \$35,000. The median household income for the Commonwealth is \$48,392. The project will qualify for a 20-year loan term at a 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 does not qualify for additional subsidization.

## **IX. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended December 31, 2017 through December 31, 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 8.6% from \$184.6 million in 2017 to \$200.4 million in 2019 while operating expenses increased 11.9% from \$93.3 million to \$104.4 million during the same period primarily due to operating and maintenance expenses. The debt coverage ratio was 3.2, 3.2, and 3.4 in 2017, 2018, and 2019 respectively.

The balance sheet reflects a current ratio of 2.5, a debt to equity ratio of 0.5, 22.4 days of sales in accounts receivable, and 4.1 months of operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Revenues are projected flat during the projected years.
- 2) The pending CDBG grant funding will provide the other 50% of the project cost of \$537,850.
- 3) Expenses are expected to increase 2% annually for inflation.
- 4) Debt service coverage is 3.1 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 F loan.

## REPLACEMENT RESERVE

The replacement reserve will be 5% (\$26,000 total) of the final amount borrowed to be funded annually (\$1,300 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
2014A Water Revenue Bonds	\$ 52,360,000	2031
2015 Water Revenue Bonds	109,375,000	2035
2019 Water Revenue Bonds	155,540,000	2039
KIA F209-06 (ARRA)	1,240,699	2031
<b>Total</b>	<b>\$ 318,515,699</b>	

## XI. CONTACTS

<b>Legal Applicant</b>	
Entity Name	Louisville Water Company
Authorized Official	Spencer Bruce (President)
County	Bullitt
Email	sbruce@lwcky.com
Phone	502-569-3675
Address	550 S Third St Louisville, KY 40202

<b>Applicant Contact</b>	
Name	James Grunow
Organization	Louisville Water Company
Email	jgrunow@lwcky.com
Phone	502-533-5096
Address	550 S Third St Louisville, KY 40202



**Project Administrator**

Name	Justin Carter
Organization	Kentuckiana Regional Planning & Development Agency (KIPDA)
Email	justin.carter@kipda.org
Phone	502-266-6084
Address	11520 Commonwealth Dr. Louisville , KY 40299

**Consulting Engineer**

PE Name	Joseph Keith Bentley
Firm Name	Louisville Water Company
Email	jbentley@lwcky.com
Phone	502-548-0852
Address	550 S 3rd St Louisville , KY 40202

**XII. RECOMMENDATIONS**

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

**LOUISVILLE WATER COMPANY**  
**FINANCIAL SUMMARY (DECEMBER YEAR END)**

	<u>Audited</u> <u>2017</u>	<u>Audited</u> <u>2018</u>	<u>Audited</u> <u>2019</u>	<u>Projected</u> <u>2020</u>	<u>Projected</u> <u>2021</u>	<u>Projected</u> <u>2022</u>	<u>Projected</u> <u>2023</u>	<u>Projected</u> <u>2024</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	114,675,771	92,963,707	94,521,147	110,610,011	123,414,777	130,449,678	136,559,475	142,949,696
Other Assets	1,233,933,387	1,277,620,109	1,385,325,399	1,360,786,018	1,372,460,841	1,387,989,931	1,400,874,513	1,412,101,770
Total	<u>1,348,609,158</u>	<u>1,370,583,816</u>	<u>1,479,846,546</u>	<u>1,471,396,029</u>	<u>1,495,875,618</u>	<u>1,518,439,609</u>	<u>1,537,433,987</u>	<u>1,555,051,466</u>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	41,535,944	41,018,363	37,549,242	22,055,623	22,329,823	22,609,523	22,909,289	23,200,289
Long Term Liabilities	370,212,789	379,752,349	460,775,787	460,775,787	460,775,787	461,044,712	461,030,246	461,015,780
Total Liabilities	<u>411,748,733</u>	<u>420,770,712</u>	<u>498,325,029</u>	<u>482,831,410</u>	<u>483,105,610</u>	<u>483,654,235</u>	<u>483,939,535</u>	<u>484,216,069</u>
Net Assets	<u>936,860,425</u>	<u>949,813,104</u>	<u>981,521,517</u>	<u>988,564,619</u>	<u>1,012,770,008</u>	<u>1,034,785,374</u>	<u>1,053,494,452</u>	<u>1,070,835,397</u>
<b>Cash Flow</b>								
Revenues	184,565,198	191,958,588	200,368,668	200,368,668	200,368,668	200,368,668	200,380,509	200,392,350
Operating Expenses	93,322,802	98,607,959	104,449,894	106,549,392	108,680,170	110,843,063	113,061,224	115,322,422
Other Income	2,356,998	3,034,536	2,470,898	2,470,898	2,470,898	2,470,898	2,470,898	2,470,898
Cash Flow Before Debt Service	<u>93,599,394</u>	<u>96,385,165</u>	<u>98,389,672</u>	<u>96,290,174</u>	<u>94,159,396</u>	<u>91,996,503</u>	<u>89,790,183</u>	<u>87,540,826</u>
<b>Debt Service</b>								
Existing Debt Service	28,840,134	30,068,291	28,565,974	28,393,869	28,301,131	29,102,643	29,349,577	28,450,227
Proposed KIA Loan	0	0	0	0	0	0	14,466	14,466
Total Debt Service	<u>28,840,134</u>	<u>30,068,291</u>	<u>28,565,974</u>	<u>28,393,869</u>	<u>28,301,131</u>	<u>29,102,643</u>	<u>29,364,043</u>	<u>28,464,693</u>
Cash Flow After Debt Service	<u>64,759,260</u>	<u>66,316,874</u>	<u>69,823,698</u>	<u>67,896,305</u>	<u>65,858,265</u>	<u>62,893,860</u>	<u>60,426,140</u>	<u>59,076,133</u>
<b>Ratios</b>								
Current Ratio	2.8	2.3	2.5	5.0	5.5	5.8	6.0	6.2
Debt to Equity	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5
Days Sales in Accounts Receivable	26.3	24.8	22.4	22.4	22.4	22.4	22.4	22.4
Months Operating Expenses in Unrestricted Cash	1.2	1.8	4.1	5.8	7.1	7.7	8.2	8.7
Debt Coverage Ratio	3.2	3.2	3.4	3.4	3.3	3.2	3.1	3.1

<b>EXECUTIVE SUMMARY</b> <b>KENTUCKY INFRASTRUCTURE AUTHORITY</b> <b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b> <b>REVOLVING LOAN FUND</b>		Reviewer	Sarah Parsley	
		Date	April 1, 2021	
		KIA Loan Number	F21-052	
		WRIS Number	WX21023039	
BORROWER	CITY OF AUGUSTA BRACKEN COUNTY			
BRIEF DESCRIPTION				
This project will clean out the two lagoons the system has. Due to accumulated solids, the lagoons have become very shallow and are not functioning at a required level. The system has findings on their Sanitary Survey and has an NOV due to the lagoons. The Water Treatment Plant provides water to the City of Augusta and Bracken County Water District. Bracken County Water District sells water to the City of Brooksville and East Pendleton Water District.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$80,000	Administrative Expenses	\$4,000	
		Construction	76,000	
TOTAL	\$80,000	TOTAL	\$80,000	
REPAYMENT	Rate	1.00%	Est. Annual Payment	\$4,623
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	NA		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Oct-21		
	Construction Start	Dec-21		
	Construction Stop	May-22		
DEBT PER CUSTOMER	Existing	\$2,021		
	Proposed	\$1,964		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	575	\$27.25 (for 4,000 gallons)	
	Additional	0	\$27.25 (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	202,532	93,809	108,723	2.2
Audited 2019	240,411	89,281	151,130	2.7
Audited 2020	226,492	89,293	137,199	2.5
Projected 2021	398,039	94,584	303,455	4.2
Projected 2022	397,645	93,542	304,103	4.3
Projected 2023	397,043	101,789	295,254	3.9
Projected 2024	396,633	100,082	296,551	4.0
Projected 2025	396,215	98,372	297,843	4.0

Reviewer: Sarah Parsley  
 Date: April 1, 2021  
 Loan Number: F21-052

**KENTUCKY INFRASTRUCTURE AUTHORITY  
 DRINKING WATER STATE REVOLVING FUND (FUND F)  
 CITY OF AUGUSTA, BRACKEN COUNTY  
 PROJECT REVIEW  
 WX21023039**

**I. PROJECT DESCRIPTION**

The City of Augusta is requesting a Fund F loan in the amount of \$80,000 for the Augusta Lagoon Cleaning project. This project will involve cleaning out the two lagoons the system has. Due to accumulated solids, the lagoons have become very shallow and are not functioning at a required level. The system has findings on their Sanitary Survey and has an NOV due to the lagoons. The Water Treatment Plant provides water to the City of Augusta and Bracken County Water District. Bracken County Water District sells water to the City of Brooksville and East Pendleton Water District. Due to the scope of a lagoon cleanup, an engineer is not needed for this project.

The City of Augusta serves 575 customers.

**II. PROJECT BUDGET**

	<b>Total</b>
Administrative Expenses	\$ 4,000
Construction	76,000
<b>Total</b>	<b>\$ 80,000</b>

**III. PROJECT FUNDING**

	<b>Amount</b>	<b>%</b>
Fund F Loan	\$ 80,000	100%
<b>Total</b>	<b>\$ 80,000</b>	<b>100%</b>

**IV. KIA DEBT SERVICE**

Construction Loan	\$ 80,000
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 80,000
Interest Rate	1.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 4,423
Administrative Fee (0.25%)	200
<b>Total Estimated Annual Debt Service</b>	<b>\$ 4,623</b>

**V. PROJECT SCHEDULE**

Bid Opening                      October 2021  
 Construction Start            December 2021  
 Construction Stop              May 2022

**VI. CUSTOMER COMPOSITION AND RATE STRUCTURE**

**A) Customers**

<u>Customers</u>	<u>Current</u>	<u>Proposed</u>	<u>Total</u>
Residential	525	0	525
Commercial	41	0	41
Industrial	9	0	9
Total	575	0	575

**B) Rates**

<u>Water Rates</u>	<u>Current</u>	<u>Prior</u>
Date of Last Rate Increase	07/02/20	5/10/12
Minimum, 1000 Gallons	\$14.50	\$12.79
Next 3,000 Gallons	4.25	2.79
Cost for 4,000 gallons	\$27.25	\$21.16
Increase %	28.8%	
Affordability Index (Rate/MHI)	0.7%	

<u>Sewer Rates</u>	<u>Current</u>	<u>Prior</u>
Date of Last Rate Increase	07/02/20	05/10/12
Minimum, 1000 Gallons	\$13.94	\$12.79
Next 3,000 Gallons	3.41	2.79
Cost for 4,000 gallons	\$24.17	\$21.16
Increase %	14.2%	
Affordability Index (Rate/MHI)	0.6%	

## **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 does not qualify for additional subsidization.

## **VIII. 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**

Revenues are from combined water, sewer, and gas operations. Revenues remained steady from \$1,143,644 in 2018 to \$1,148,013 in 2020. Operating expenses decreased 2.1% from \$941,479 in 2018 to \$922,103 in 2020.

The 2020 balance sheet reflects a current ratio of 2.6, a debt to equity ratio of 0.8, 29.7 days sales in accounts receivable, and 10.7 months operating expense in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Revenues will remain constant with gas revenues pledged for debt repayment of this loan.
- 2) Expenses will increase 2% for inflation.
- 3) Debt service coverage is 3.9 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% (\$4,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$200 yearly) each December 1 for 20 years and maintained for the life of the loan.

**IX. DEBT OBLIGATIONS**

	<u>Outstanding</u>	<u>Maturity</u>
KRWFC 2016 Series C	1,005,000	2035
RD 2004 Series	80,600	2044
BTADD-refinance well	76,462	2028
<b>Total</b>	<b>\$ 1,162,062</b>	

**X. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Augusta
Authorized Official	Michael C. Taylor (Mayor)
County	Bracken
Email	gengland@augustaky.com
Phone	(606) 756-2183
Address	PO Box 85, 219 Main St Augusta, KY 41002

<b>Applicant Contact</b>	
Name	Doug Padgett
Organization	City of Augusta
Email	dpadgett@augustaky.com
Phone	(606) 756-3305
Address	203 Ferry St Augusta, KY 41002

<b>Project Administrator</b>	
Name	Cindy Ring
Organization	Buffalo Trace ADD
Email	cring@btadd.com
Phone	(606) 564-6894
Address	PO Box 460, 201 Government St Maysville, KY 41056

**XI. RECOMMENDATIONS**

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

**CITY OF AUGUSTA**  
**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	1,496,435	1,729,929	1,988,776	2,064,961	2,127,282	2,187,832	2,248,743	2,309,911
Other Assets	2,357,268	2,288,706	2,195,615	2,266,803	2,418,509	2,481,137	2,544,801	2,609,500
<b>Total</b>	<b>3,853,703</b>	<b>4,018,635</b>	<b>4,184,391</b>	<b>4,331,764</b>	<b>4,545,791</b>	<b>4,668,969</b>	<b>4,793,544</b>	<b>4,919,411</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	583,367	662,242	770,427	779,530	789,728	790,307	790,890	796,512
Long Term Liabilities	1,246,046	1,204,423	1,135,882	1,075,184	1,084,588	1,013,713	942,555	866,075
<b>Total Liabilities</b>	<b>1,829,413</b>	<b>1,866,665</b>	<b>1,906,309</b>	<b>1,854,714</b>	<b>1,874,316</b>	<b>1,804,020</b>	<b>1,733,445</b>	<b>1,662,587</b>
<b>Net Assets</b>	<b>2,024,290</b>	<b>2,151,970</b>	<b>2,278,082</b>	<b>2,477,050</b>	<b>2,671,475</b>	<b>2,864,949</b>	<b>3,060,099</b>	<b>3,256,824</b>
<b>Cash Flow</b>								
Revenues	1,143,644	1,236,906	1,148,014	1,338,003	1,356,420	1,375,205	1,394,366	1,413,910
Operating Expenses	941,479	997,309	922,103	940,545	959,356	978,743	998,314	1,018,276
Other Income	367	814	581	581	581	581	581	581
<b>Cash Flow Before Debt Service</b>	<b>202,532</b>	<b>240,411</b>	<b>226,492</b>	<b>398,039</b>	<b>397,645</b>	<b>397,043</b>	<b>396,633</b>	<b>396,215</b>
<b>Debt Service</b>								
Existing Debt Service	93,809	89,281	89,293	94,584	93,542	97,166	95,459	93,749
Proposed KIA Loan	0	0	0	0	0	4,623	4,623	4,623
<b>Total Debt Service</b>	<b>93,809</b>	<b>89,281</b>	<b>89,293</b>	<b>94,584</b>	<b>93,542</b>	<b>101,789</b>	<b>100,082</b>	<b>98,372</b>
<b>Cash Flow After Debt Service</b>	<b>108,723</b>	<b>151,130</b>	<b>137,199</b>	<b>303,455</b>	<b>304,103</b>	<b>295,254</b>	<b>296,551</b>	<b>297,843</b>
<b>Ratios</b>								
Current Ratio	2.6	2.6	2.6	2.6	2.7	2.8	2.8	2.9
Debt to Equity	0.9	0.9	0.8	0.7	0.7	0.6	0.6	0.5
Days Sales in Accounts Receivable	24.5	24.5	29.7	29.7	29.7	29.7	29.7	29.7
Months Operating Expenses in Unrestricted Cash	5.9	7.8	10.7	11.2	11.8	12.3	12.7	13.2
Debt Coverage Ratio	2.2	2.7	2.5	4.2	4.3	3.9	4.0	4.0