

**Kentucky Infrastructure Authority  
Projects for May 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>
A18-003	City of Marion (Increase - Final Phase)	\$ 9,816,574	\$ 19,410,364	Crittenden
A20-029	Greenup Joint Sewer Agency	\$ 2,715,000	\$ 2,715,000	Greenup
A21-043	City of Frenchburg (Planning & Design)	\$ 258,340	\$ 258,340	Menifee

• **Fund F Loan**

<b>Loan #</b>	<b>Borrower</b>	<b>Amount Requested</b>	<b>Amount Loan Total</b>	<b>County</b>
F19-002	City of Morehead F/B/O Morehead Utility Plant Board (Increase)	\$ 21,873,800	\$ 28,428,000	Rowan
F21-027	Warren County Water District	\$ 2,100,000	\$ 2,100,000	Warren
F21-060	City of Wilmore	\$ 994,648	\$ 994,648	Jessamine

<b>EXECUTIVE SUMMARY</b>		Reviewer	Meili Sun	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	May 6, 2021	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A18-003 (Increase)	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21055006	
BORROWER	CITY OF MARION CRITTENDEN COUNTY			
BRIEF DESCRIPTION				
<p>This is the final of the four funding cycles that KIA has established with the City of Marion to provide incremental fundings through 2021 for the New Wastewater Treatment Plant project. The City obtained a KIA planning and design loan in the amount of \$587,200 in 2016 to complete the Facility Plan and design on the collection system and the wastewater treatment plant. The City was subsequently approved of 2 incremental fundings in 2018 and 2020 totaling \$9 million for the construction portion. This request and the remaining funds from the prior increments will fund the construction of the new wastewater treatment plant.</p> <p>This phase will construct a new 1.5 million gallon per day wastewater treatment plant adjacent to the current plant, which consists of influent pumping, screening, aeration, clarification, disinfection, return activated sludge/waste activated sludge pumping, solids processing, administration building, and maintenance garage. The existing WWTP will be decommissioned.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan 2016	\$587,200	RD Fee %	Actual %	
Fund A Loan 2018	4,801,590	Administrative Expenses		\$50,000
Fund A Loan 2020	4,205,000	Planning		52,000
Fund A Loan 2021	9,816,574	Eng - Design / Const	6.4%	6.7%
		Eng - Insp	3.8%	3.4%
		Eng - Other		311,000
		Construction		16,197,812
		Contingency		1,040,520
TOTAL	\$19,410,364	TOTAL		\$19,410,364
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$314,645
	Term	30 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Eclipse Engineers, PLLC		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Nov-18		
	Construction Start	Feb-19		
	Construction Stop	Apr-23		
DEBT PER CUSTOMER	Existing	\$4,025		
	Proposed	\$18,252		
OTHER DEBT	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	1,335	\$27.52	(for 4,000 gallons)
	Additional	0	\$27.52	(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	369,794	171,251	198,543	2.2
Audited 2019	468,748	172,080	296,668	2.7
Audited 2020	466,858	172,273	294,585	2.7
Projected 2021	545,894	173,323	372,571	3.1
Projected 2022	785,191	172,562	612,629	4.6
Projected 2023	764,074	171,752	592,322	4.4
Projected 2024	954,009	858,958	95,051	1.1
Projected 2025	932,039	859,008	73,031	1.1

Reviewer: Meili Sun  
Date: May 6, 2021  
Loan Number: A18-003 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND A)  
CITY OF MARION, CRITTENDEN COUNTY  
PROJECT REVIEW  
SX21055006**

**I. PROJECT DESCRIPTION**

The City of Marion is requesting an additional \$9,816,574 from the 2021 funding cycle to fund the New Wastewater Treatment Plant project for the construction of a 1.5 million-gallon per day (MGD) Oxidation Ditch (OD) wastewater treatment plant and collection system rehabilitation. This will bring the total funding to \$19,410,364. The new treatment facility will be located approximately half a mile from the existing treatment plant and will also include a new administration building and maintenance garage. The existing 0.66 MGD treatment facility was constructed in the 1970s and can no longer handle wet weather flows during moderate to heavy rains. The City considered alternatives for reducing flow and optimizing treatment as part of the Facility Plan, under review by the KY Division of Water, and has selected this project as the best alternative. The collection system work consists of the rehabilitation of approximately 43,336 linear feet of existing gravity sewer to reduce inflow and infiltration.

The City was under an Agreed Order with the KY Division of Water, mandating the completion of a Facility Plan and proper operation and maintenance of the wastewater treatment facilities and collection system. This project will fully satisfy the requirements of the Agreed Order.

KIA has established a multi-year funding strategy with the City to provide incremental funding through FY2021. The City obtained a KIA planning and design loan of \$587,200 in FY2016 to complete the Facility Plan and subsequent design on the collection system and the treatment plant. The approval of the planning and design loan allowed the City to receive priority funding for three increases to fund the construction portion of the collection system and the wastewater treatment plant. The loan outlay is as below:

Funding Cycle	Requested Amount	Cumulative Amount	Loan Type
FY 2016	\$587,200	\$587,200	Planning & Design
FY 2018	\$4,801,590	\$5,388,790	Construction
FY 2020	\$4,205,000	\$9,593,790	Construction
FY 2021	\$9,816,574	\$19,410,364	Construction

## II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 50,000
Planning	52,000
Engineering Fees – Design	836,800
Engineering Fees – Construction	324,990
Engineering Fees – Inspection	597,242
Engineering Fees – Other	131,500
Construction	16,197,812
Contingency	1,220,020
	<b>\$ 19,410,364</b>

## III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
KIA Fund A Loan 2016	\$ 587,200	3%
KIA Fund A Loan 2018	4,801,590	25%
KIA Fund A Loan 2020	4,205,000	22%
KIA Fund A Loan 2021	9,816,574	50%
	<b>\$ 19,410,364</b>	<b>100%</b>

## IV. KIA DEBT SERVICE

KIA Construction Loan A18-003 FY 2021	\$ 9,816,574
KIA Construction Loan A18-003 FY 2020	4,205,000
KIA Construction Loan A18-003 FY2018	4,801,590
KIA P&D Loan A16-074	587,200
Principal Forgiveness	(1,300,000)
Amortized Loan Amount	<u>\$ 18,110,364</u>
Interest Rate	0.50%
Loan Term (Years)	<u>30</u>
Estimated Annual Debt Service	\$ 650,839
Administrative Fee (0.20%)	<u>36,221</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$ 687,060</b>

## V. PROJECT SCHEDULE

Bid Opening	November 2018
Construction Start	February 2019
Construction Stop	April 2023

## VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

### A) Customers

Customers	
Residential	1,152
Commercial	178
Industrial	5
Total	<u>1,335</u>

### B) Rates

	Sewer	
	Current	Prior
Date of Rate Increase	08/27/15	07/01/13
Minimum (to 1,500 Gallons)	\$14.32	\$13.68
Next 3,500 Gallons	5.28	5.03
Next 10,000 Gallons	4.22	4.02
Cost for 4,000 gallons	<b>\$27.52</b>	<b>\$26.26</b>
Increase %	4.8%	
Affordability Index (Rate/MHI)	1.1%	

	Water	
	Current	Prior
Date of Rate Increase	08/27/15	07/01/13
Minimum (to 1,500 Gallons)	\$19.13	\$18.21
Next 3,500 Gallons	7.04	6.71
Next 10,000 Gallons	5.63	5.35
Cost for 4,000 gallons	<b>\$36.73</b>	<b>\$34.99</b>
Increase %	5.0%	
Affordability Index (Rate/MHI)	1.5%	

Date of Rate Increase	Environmental Assessment Fee			
	Proposed 7/1/2021	Proposed 7/1/2022	Current 7/1/2019	Prior 7/1/2018
Up to 1,500 gallons	\$ 31.21	\$ 41.82	\$20.60	\$ 13.60
1,501 to 5,000 gallons	41.51	55.62	27.40	20.40
5,001 to 15,000 gallons	48.61	62.72	34.50	27.20
15,001 to 25,000 gallons	186.54	270.12	102.95	92.95
Over 25,000 gallons	347.00	497.00	197.00	187.00
Sewer customers not on City water	62.12	83.14	41.00	34.00
Increase % of 4,000 gallons	52%	34%	34%	

The City passed an ordinance in June, 2016 applying a flat-rate environmental assessment fee to all water and sewer customers to raise funds for capital projects. The rate has been reassessed and adjusted in 2018, 2019 and 2021. The latest rate increases approved in March, 2021 will take effect in July 2021 and July 2022.

## VII. DEMOGRAPHICS

Based on Census data from the American Community Survey 5-Year Estimate 2012-2017, the Utility's service area population was 3,175 with a Median Household Income (MHI) of \$29,068. The median household income for the Commonwealth is \$46,535. This project qualifies for a 0.50% interest rate because its MHI is below 80% of the Commonwealth.

## VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES

Additional Subsidization – This loan qualifies for a one-time subsidization in the amount of \$1.3 million for the entire project.

## IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements combining both water and sewer operations for the years ended June 30, 2018 through June 30, 2020. The pension and OPEB liabilities and related deferred inflows and outflows were reported under governmental activities. Percentage references in the History section below were based on whole dollar amounts and not the rounded amounts presented.

### HISTORY

Combined water and sewer revenues went up 14.5% from \$1.28 million in 2018 to \$1.47 million in 2020 due to previously approved environment assessment fees collected from all water and sewer customers. Operating expenses increased 7.3% from \$0.96 million in 2018 to \$1.03 million in 2020 as a result of higher contractual services and material & supplies costs. The debt coverage ratio was 2.2, 2.7, and 2.7 in 2018, 2019, and 2020 respectively.

The balance sheet reflected a current ratio of 2.9, debt to equity ratio of 0.4, 78.8 days of sales in accounts receivable, and 7.9 months of operating expenses in unrestricted cash. The accounts receivable turnaround time was noticeably higher in 2020 as compared with 45 days in 2018 due to financial impact from COVID on the customers.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) The City will raise additional \$500,000 revenues by FY 2024 from increases of the Environment Assessment Fees.
- 2) The City will recover \$16,500 delinquent payments and reduce insurance expenses by \$15,000 from changing distribution base.
- 3) Expenses will increase 2% annually for general inflation.
- 4) Debt service coverage is 1.1 in 2024 when full year principal and interest repayments begin. The ratio is calculated by applying the approved 52% increase on the Environmental Assessment Fee effective July 1, 2021 and another 34% increase effective July 1, 2022.

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% (\$970,000 total) of the final amount borrowed to be funded annually (\$48,500 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
1988 Water and Sewer Bond	\$ 204,000	2028
1993 Water and Sewer Bond	341,000	2033
KIA Loan A04-001	847,148	2025
KIA Loan B10-005	244,406	2034
<b>Total</b>	<b><u>\$1,636,554</u></b>	

## **XI. CONTACTS**

### **Legal Applicant**

Name	City of Marion
Address	217 South Main St Marion, KY 42064
County	Crittenden
Authorized Official	Jared Byford, Mayor
Phone	(270) 965-2266
Email	mayor@marionky.gov

### **Project Contact - Applicant**

Name	Adam Ledford, City Administrator
Organization	City of Marion
Address	217 South Main St. Marion, KY 42064
Phone	(270) 965-2266
Email	aledford@marionky.gov

### **Project Administrator**

Name	Kyle Cunningham
Organization	Pennyriple Area Development District
Address	300 Hammond Dr. Hopkinsville, KY 42240
Phone	(270) 886-9484
Email	kyle.cunningham@ky.gov

### **Consulting Engineer**

Name	Alan Ray Robinson
Firm	Eclipse Engineers, PLLC
Address	113 West Mount Vernon St. Somerset, KY 42501
Phone	(859) 433-9585
Email	arobinson@eclipseengineers.net



## **XII. RECOMMENDATIONS**

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

**CITY OF MARION**  
**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	456,668	807,462	1,134,541	1,120,337	1,298,963	1,417,428	1,492,538	1,507,144
Other Assets	7,487,892	7,586,363	10,480,685	10,523,636	10,758,634	30,387,750	29,771,951	29,138,537
<b>Total</b>	<b>7,944,560</b>	<b>8,393,825</b>	<b>11,615,226</b>	<b>11,643,973</b>	<b>12,057,597</b>	<b>31,805,177</b>	<b>31,264,489</b>	<b>30,645,680</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	239,005	310,347	397,603	388,287	393,401	675,985	682,220	662,673
Long Term Liabilities	2,063,117	2,282,804	5,236,846	5,097,731	4,956,602	23,946,353	23,522,706	23,121,905
<b>Total Liabilities</b>	<b>2,302,122</b>	<b>2,593,151</b>	<b>5,634,449</b>	<b>5,486,018</b>	<b>5,350,003</b>	<b>24,622,338</b>	<b>24,204,925</b>	<b>23,784,578</b>
<b>Net Assets</b>	<b>5,642,438</b>	<b>5,800,674</b>	<b>5,980,777</b>	<b>6,157,955</b>	<b>6,707,594</b>	<b>7,182,839</b>	<b>7,059,564</b>	<b>6,861,103</b>
<b>Cash Flow</b>								
Revenues	1,281,283	1,399,220	1,466,687	1,554,431	1,814,431	1,814,431	2,074,431	2,074,431
Operating Expenses	959,755	974,887	1,029,564	1,038,272	1,058,975	1,080,092	1,150,158	1,172,128
Other Income	48,266	44,415	29,735	29,735	29,735	29,735	29,735	29,735
<b>Cash Flow Before Debt Service</b>	<b>369,794</b>	<b>468,748</b>	<b>466,858</b>	<b>545,894</b>	<b>785,191</b>	<b>764,074</b>	<b>954,009</b>	<b>932,039</b>
<b>Debt Service</b>								
Existing Debt Service	171,251	172,080	172,273	173,323	172,562	171,752	171,898	171,948
Proposed KIA Loan	0	0	0	0	0	0	687,060	687,060
<b>Total Debt Service</b>	<b>171,251</b>	<b>172,080</b>	<b>172,273</b>	<b>173,323</b>	<b>172,562</b>	<b>171,752</b>	<b>858,958</b>	<b>859,008</b>
<b>Cash Flow After Debt Service</b>	<b>198,543</b>	<b>296,668</b>	<b>294,585</b>	<b>372,571</b>	<b>612,629</b>	<b>592,322</b>	<b>95,051</b>	<b>73,031</b>
<b>Ratios</b>								
Current Ratio	1.9	2.6	2.9	2.9	3.3	2.1	2.2	2.3
Debt to Equity	0.4	0.4	0.9	0.9	0.8	3.4	3.4	3.5
Days Sales in Accounts Receivable	45.0	58.6	78.8	78.8	78.8	78.8	78.8	78.8
Months Operating Expenses in Unrestricted Cash	2.2	5.4	7.9	8.8	10.0	11.1	11.1	11.0
Debt Coverage Ratio	2.2	2.7	2.7	3.1	4.6	4.4	1.1	1.1

<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	Linda Bridwell September 24, 2020 A20-029 SX21089111	
BORROWER		GREENUP JOINT SEWER AGENCY GREENUP COUNTY		
BRIEF DESCRIPTION				
This project will establish first time sanitary sewer service to approximately 363 customers in the community of Lloyd. The project will include the decommissioning and demolition of a package treatment plant currently serving the Greenup County School campus. Low pressure sewers will be connected to a new pump station and force main which will convey the wastewater from the Lloyd community to the existing Greenup Joint Sewer Agency Wastewater Treatment Plant in Wurtland.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$2,715,000	Administrative Expenses	\$50,000	
CDBG	1,000,000	Legal Expenses	25,000	
ARC	500,000	Land, Easements	-	
		Relocation Expense & Payments	-	
		Planning	-	
		Eng - Design / Const	240,100	
		Eng - Insp	128,000	
		Eng - Other	50,721	
		Construction	3,382,890	
		Equipment	-	
		Contingency	338,289	
		Other	-	
TOTAL	\$4,215,000	TOTAL	\$4,215,000	
REPAYMENT	Rate Term	0.50% 30 Years	Est. Annual Payment 1st Payment 6 Mo. after first draw	
			\$76,064	
PROFESSIONAL SERVICES	Engineer Bond Counsel	Kenvirons, INC Rubin & Hays		
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	May-21 Jul-21 Jul-22		
DEBT PER CUSTOMER	Existing Proposed	\$0 \$11,332		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current Additional	<u>Users</u> 0 363	<u>Avg. Bill</u> \$50.00 (for 4,000 gallons) \$50.00 (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	(14,660)	108,275	(122,935)	-0.1
Audited 2018	117,952	94,111	23,841	1.3
Audited 2019	123,363	153,527	(30,164)	0.8
Projected 2020	117,930	119,544	(1,614)	1.0
Projected 2021	174,569	119,544	55,025	1.5
Projected 2022	234,926	157,576	77,350	1.5
Projected 2023	225,845	195,608	30,237	1.2
Projected 2024	220,078	195,608	24,470	1.1

Reviewer: Linda Bridwell  
 Date: September 24, 2020  
 Loan Number: A20-029

**KENTUCKY INFRASTRUCTURE AUTHORITY  
 WASTEWATER REVOLVING LOAN FUND (FUND A)  
 GREENUP JOINT SEWER AGENCY, GREENUP COUNTY  
 PROJECT REVIEW  
 SX21089111**

**I. PROJECT DESCRIPTION**

The Greenup Joint Sewer Agency (GJSA) is requesting a Fund A loan in the amount of \$2,715,000 for the Lloyd project. This project will involve providing sanitary sewer service to approximately 363 existing residential, commercial and school buildings which are only served through failing septic systems in the City of Lloyd. De-commissioning and demolition of a package wastewater treatment plant (WWTP) serving the Greenup County Schools campus is included in this Phase. Low pressure sewer will be connected to a new pump station and force main, which will convey the wastewater from the Lloyd community to the existing GJSA WWTP in Wurtland.

The GJSA is a relatively new agency, providing wholesale sewer treatment for two customers, the City of Greenup and the City of Wurtland, in Greenup County.

**II. PROJECT BUDGET**

	<b>Total</b>
Administrative Expenses	\$ 50,000
Legal Expenses	25,000
Engineering Fees - Design	240,100
Engineering Fees - Inspection	128,000
Engineering Fees - Other	50,721
Construction	3,382,890
Contingency	338,289
Other	0
<b>Total</b>	<b>\$4,215,000</b>

**III. PROJECT FUNDING**

	Amount	%
KIA	\$2,715,000	64%
CDBG	1,000,000	24%
ARC	500,000	12%
<b>Total</b>	<b>\$4,215,000</b>	<b>100%</b>

**IV. KIA DEBT SERVICE**

KIA Loan	\$2,715,000
Principal Forgiveness	710,000
Interest Rate	0.50%
Loan Term (Years)	30
Estimated Annual Debt Service	\$72,054
Administrative Fee (0.20%)	4,010
	<u>\$76,064</u>

**V. PROJECT SCHEDULE**

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

**VI. CUSTOMER COMPOSITION AND RATE STRUCTURE**

**A) Customers**

	Current	Proposed	Total
Residential	0	356	356
Commercial	0	7	7
Industrial	0	0	0
Total	<u>0</u>	<u>363</u>	<u>363</u>

**B) Rates**

**Utility Rate Summary**

Current 4,000 Gallon Rate	\$50.00
Prior 4,000 Gallon Rate	\$0.00
Percent Change	-
Last Increase	Proposed

**VII. DEMOGRAPHICS**

Based on current Census data and Income survey data, the Utility's service area population was 827 with a Median Household Income (MHI) of \$37,228. The median household income for the Commonwealth is \$46,535. The project will qualify for a 0.50% interest rate.

Year	Population		Date	Unemployment	
	County	% Change		Rate	
1980	39,132		June 2005	6.0%	
1990	36,742	-6.1%	June 2010	9.7%	
2000	36,891	0.4%	June 2015	6.1%	
2010	36,910	0.1%	June 2018	5.1%	
Current	35,765	-3.1%			
Cumulative %		-8.6%			

**VIII. 2019 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 \$710,000 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, 2016 through June 30, 2019 (identify specific funds if needed). Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

**HISTORY**

Greenup Joint Sewer Agency is a relatively new sewer utility which combined the City of Greenup and Wurtland sewer treatment operations. Both communities have significant I&I issues. Revenue has steadily increased with stabilized financial information, billing and operations.

A significant incident with an industrial customer created higher than normal treatment expenses in 2019.

Cash flow for debt service has increased with revenue increases

Debt coverage ratio has improved from a -3.76 to a 0.80 over the 2016-2019 time period, and will continue to improve with the economies of scale provided by the Lloyd project. The Debt to Equity ratio has reduced from -47.5 to -12.6 while the Sales in Accounts Receivable was 61.7 in 2019.

Cost changes (ditto) (just cash costs)

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will grow with the additional 378 customers from Lloyd. The City of Lloyd will also be a wholesale customer.
- 2) Expenses are expected to grow 1.5% with inflation, in addition to treatment costs for Lloyd.
- 3) Debt service coverage is 1.49 in 2022 when principal and interest repayments begin and will remain at 1.1 into 2025.

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% (\$80,200 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$4,010 yearly) each December 1 for 20 years and maintained for the life of the loan. Additionally, GJSA will make additional \$600 per month reserve payments until the reserve account for current loans is replenished.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KIA Loan (B14-013)	1,727,312	2036

## XI. CONTACTS

<b>Legal Applicant</b>	
Name	Greenup Joint Sewer Agency
Address	201 Main St Room 102 Greenup, KY 41144
County	Greenup
Authorized Official	Ralph Madden (Chairman)
Phone	606-473-6440
Email	dougcollins@zoominternet.net

<b>Project Contact - Applicant</b>	
Name	Phil Biggs
Representing	Greenup Joint Sewer Agency
Address	211 Wurts Road Wurtland, KY 41144
Phone	606-922-6848
Email	Diamond.biggs@zoominternet.net

<b>Project Administrator</b>	
Name	Patrick Kirby
Address	PO Box 855 Richmond, KY 40476
Contact	Patrick Kirby
Phone	859-624-3396
Email	patrick@cedainc.net

<b>Consulting Engineer</b>	
Name	Phil Meador
Firm	Kenvirons, Inc.
Address	770 Wilkinson Boulevard Frankfort, KY 40601
Phone	502-695-4357
Email	pmeador@kenvirons.com

**XII. RECOMMENDATIONS**

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

1. The GJSA will apply an additional \$600 per month to the reserve account to replenish the reserve funds for other debt obligations.



**GREENUP JOINT SEWER AGENCY  
FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2016</u>	<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>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	36,979	162,151	157,398	99,552	92,065	122,870	158,140	164,188
Other Assets	1,938,959	1,767,895	1,691,141	1,632,074	1,556,172	3,633,081	5,622,475	5,466,679
Total	1,975,938	1,930,046	1,848,539	1,731,626	1,648,237	3,755,951	5,780,616	5,630,867
<b>Liabilities &amp; Equity</b>								
Current Liabilities	68,035	215,060	214,380	173,473	132,989	135,145	175,360	215,603
Long Term Liabilities	1,950,404	1,882,298	1,795,316	1,706,804	1,618,293	2,885,726	4,113,544	3,944,219
Total Liabilities	2,018,439	2,097,358	2,009,696	1,880,277	1,751,282	3,020,871	4,288,904	4,159,822
Net Assets	(42,501)	(167,312)	(161,157)	(148,651)	(103,045)	735,081	1,491,712	1,471,045
<b>Cash Flow</b>								
Revenues	210,045	370,293	454,768	485,551	485,551	602,851	720,151	720,151
Operating Expenses	369,065	385,055	336,849	362,213	367,646	428,307	485,250	494,331
Other Income	480	102	33	25	25	25	25	25
Cash Flow Before Debt Service	(158,540)	(14,660)	117,952	123,363	117,930	174,569	234,926	225,845
<b>Debt Service</b>								
Existing Debt Service	42,185	108,275	94,111	153,527	119,544	119,544	119,544	119,544
Proposed KIA Loan	0	0	0	0	0	0	38,032	76,064
Total Debt Service	42,185	108,275	94,111	153,527	119,544	119,544	157,576	195,608
Cash Flow After Debt Service	(200,725)	(122,935)	23,841	(30,164)	(1,614)	55,025	77,350	30,237
<b>Ratios</b>								
Current Ratio	0.5	0.8	0.7	0.6	0.7	0.9	0.9	0.8
Debt to Equity	(47.5)	(12.5)	(12.5)	(12.6)	(17.0)	4.1	2.9	2.8
Days Sales in Accounts Receivable	32.6	122.9	112.2	61.7	61.7	61.7	61.7	61.7
Months Operating Expenses in Unrestricted Cash	0.6	1.2	0.4	0.2	0.2	0.6	1.1	1.2
Debt Coverage Ratio	(3.8)	(0.1)	1.3	0.8	1.0	1.5	1.5	1.2

**GREENUP JOINT SEWER AGENCY**

**A RESOLUTION ESTABLISHING A REPLACEMENT RESERVE POLICY FOR THE  
SANITARY SEWER COLLECTIONS SYSTEM FOR THE LLOYD SERVICE AREA OF  
THE GREENUP COUNTY, KY WASTEWATER DISTRICT**

WHEREAS the Board of Directors (“Board”) of the Greenup Joint Sewer Agency, Inc. (“GJSA”) recognizes the need to establish a Replacement Reserve for the 2021 Clean Water State Revolving Fund Loan# \_\_\_\_\_ via resolution for the Lloyd Service Area of the Greenup County, KY Wastewater District;

IT IS HEREBY RESOLVED:

The annual Replacement Reserve cost is \$5,012.50. This amount shall be added to the Replacement Reserve account each December 1<sup>st</sup> following the beginning of operation until the balance reaches \$100,250.00 and shall be maintained for the 30-year life of this loan on this date of March 19, 2021.

This Resolution having been adopted by the GJSA Board by a vote of 5 for, and 0 against, with No abstentions.

This Resolution shall stand adopted on this date, March 19, 2021.



GJSA Chairman, Chris G. Crum



Attest: Philip T. Biggs, PE, General Manager

<b>EXECUTIVE SUMMARY</b>		Reviewer	Sarah Parsley	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	May 6, 2021	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A21-043	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21165018	
BORROWER	CITY OF FRENCHBURG MENIFEE COUNTY			
BRIEF DESCRIPTION				
This is a planning and design loan to correct the inflow and infiltration (I&I) problems in the City of Frenchburg's wastewater system. The City proposes to rehabilitate the collection system. The City will first complete a Sanitary Sewer Evaluation Survey (SSES) to locate the areas of the collection system that need to be repaired and replaced to reduce I&I. Components that will be assessed in the SSES will include gravity sewer lines, manholes, and customer service lateral lines. It is estimated that up to 10,000 LF of existing sewer lines will need to be replaced. The project will also include the replacement of deteriorated manholes and repairs to lateral lines. A final determination of sewer line replacements cannot be made until the SSES is completed. The proposed project will include the SSES in a P&D phase and the locations for line replacements will be finalized for a construction phase of the project.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$258,340	RD Fee %	Actual %	
		Administrative Expenses		\$0
		Planning		67,100
		Eng - Design / Const	#DIV/0!	118,690
		Eng - Other		72,550
TOTAL	\$258,340	TOTAL		\$258,340
REPAYMENT	Rate	2.50%	Est. Annual Payment	\$55,803
	Term	5 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Kentucky Engineering Group PLLC		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Nov-21		
	Construction Start	Nov-21		
	Construction Stop	Aug-22		
DEBT PER CUSTOMER	Existing	\$4,041		
	Proposed	\$4,187		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	283	\$26.00	(for 4,000 gallons)
	Additional	0	\$26.00	(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	25,812	108,134	(82,322)	0.2
Audited 2019	83,544	93,954	(10,410)	0.9
Unaudited 2020	255,326	107,022	148,304	2.4
Projected 2021	242,867	107,758	135,109	2.3
Projected 2022	230,158	107,566	122,592	2.1
Projected 2023	217,195	136,043	81,153	1.6
Projected 2024	271,865	163,589	108,276	1.7
Projected 2025	329,666	163,172	166,494	2.0

Reviewer: Sarah Parsley  
Date: May 6, 2021  
Loan Number: A21-043

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND A)  
CITY OF FRENCHBURG, MENIFEE COUNTY  
PROJECT REVIEW  
SX21165018**

**I. PROJECT DESCRIPTION**

The City of Frenchburg is requesting a Fund A planning and design loan in the amount of \$258,340 for the City of Frenchburg Wastewater Collection System Rehab project. This project will correct the inflow and infiltration (I&I) problems in the City of Frenchburg's wastewater system. The City proposes to rehabilitate the collection system. The City will first complete a Sanitary Sewer Evaluation Survey (SSES) to locate the areas of the collection system that need to be repaired and replaced to reduce I&I. Components that will be assessed in the SSES will include gravity sewer lines, manholes, and customer service lateral lines. It is estimated that up to 10,000 LF of existing sewer lines will need to be replaced. The project will also include the replacement of deteriorated manholes and repairs to lateral lines. A final determination of sewer line replacements cannot be made until the SSES is completed. The proposed project will include the SSES in a P&D phase and the locations for line replacements will be finalized for a construction phase of the project.

The City of Frenchburg serves approximately 283 customers.

**II. PROJECT BUDGET**

	<u>Total</u>
Planning	\$ 67,100
Engineering Fees - Design	118,690
Engineering Fees - Other	72,550
<b>Total</b>	<b>\$ 258,340</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 258,340	100%
<b>Total</b>	<b>\$ 258,340</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 258,340
Less: Principal Forgiveness	0
Amortized Loan Amount	<u>\$ 258,340</u>
Interest Rate	2.50%
Loan Term (Years)	<u>5</u>
Estimated Annual Debt Service	\$ 55,286
Administrative Fee (0.20%)	517
<b>Total Estimated Annual Debt Service</b>	<b>\$ 55,803</b>

#### V. PROJECT SCHEDULE

Bid Opening	November 1, 2021
Construction Start	November 22, 2021
Construction Stop	August 22, 2022

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current	Proposed	Total
Residential	232	0	232
Commercial	51	0	51
Industrial	0	0	0
Total	<u>283</u>	<u>0</u>	<u>283</u>

##### B) Rates

Sewer	Current	Prior
Date of Last Rate Increase	01/15/99	03/01/98
Minimum, 2000 gallons	\$14.00	\$9.16
Next 2,000 Gallons (per 1000)	6.00	4.31
Over 3,000 Gallons (per 1000)	5.75	4.03
Cost for 4,000 gallons	<u>\$26.00</u>	<u>\$17.78</u>
Increase %	46.2%	
Affordability Index (Rate/MHI)	0.9%	

Water	In City		Out of City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	01/01/19	03/01/98	01/01/19	03/01/98
Minimum, 2000 gallons	\$22.16	\$14.00	\$27.00	\$14.00
Next 2,000 Gallons (per 1000)	4.31	6.75	6.57	6.75
Over 3,000 Gallons (per 1000)	4.03	6.15		6.15
Cost for 4,000 gallons	\$30.78	\$27.50	\$40.14	\$27.50
Increase %	11.9%		46.0%	
Affordability Index (Rate/MHI)	1.0%		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 749 with a Median Household Income (MHI) of \$35,966. The median household income for the Commonwealth is \$48,392. The project will qualify for a 2.50% interest rate.

## VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (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 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 for 2018 and 2019. The City of Frenchburg was not required to have an audit for 2020 so those items were not calculated for 2020. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### HISTORY

Operating revenues increased 16.5% from \$1.16 million in 2018 to \$1.36 million in 2020 while operating expenses decreased 5.5% from \$659,000 million to \$623,000 during the same period. The debt coverage ratios from 2018 to 2020 were 0.2, 0.9, and 2.4, respectively.

The balance sheet reflects a current ratio of 5.3, a debt to equity ratio of 0.5, 50.3 days of sales in accounts receivable, and 4 months of operating expenses in unrestricted cash.

**PROJECTIONS**

Projections are based on the following assumptions:

- 1) Revenues will remain steady until 2024 when the City may need to implement a total 5% rate increase on water and sewer. The City has already signed a commitment to increase the rates up to 5% annually for up to 5 consecutive years to meet funding requirements for this total project. This increase may need to occur sooner depending on when construction begins.
- 2) Operating expenses will increase 2% each year for inflation.
- 3) Debt service coverage is 1.7 in 2024 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.

**X. DEBT OBLIGATIONS**

	<u>Outstanding</u>	<u>Maturity</u>
KBC Revenue Bonds	\$ 1,055,806	2040
<b>Total</b>	<b>\$ 1,055,806</b>	

**XI. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Frenchburg
Authorized Official	Edward Bryant (Mayor)
County	Menifee
Email	mayor@mrtc.com
Phone	(606) 768-3457
Address	PO Box 113 28-B Bible Camp Lane Frenchburg, KY 40322

**Applicant Contact**

Name	Edward Bryant
Organization	City of Frenchburg
Email	mayor@mrtc.com
Phone	(606) 768-3457
Address	PO Box 113 Frenchburg, KY 40322

**Project Administrator**

Name	Jocelyn Gross
Organization	Gateway Area Development District
Email	jocelynr.gross@ky.gov
Phone	(606) 780-0090
Address	110 Lake Park Dr Morehead, KY 40351

**Consulting Engineer**

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

**XII. RECOMMENDATIONS**

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



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

	<u>Audited 2018</u>	<u>Audited 2019</u>	<u>Unaudited 2020</u>	<u>Projected 2021</u>	<u>Projected 2022</u>	<u>Projected 2023</u>	<u>Projected 2024</u>	<u>Projected 2025</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	528,088	403,767	554,098	689,034	811,627	892,780	1,010,456	1,186,751
Other Assets	6,005,740	5,681,450	5,737,119	5,101,611	4,631,727	4,413,724	3,937,381	3,461,038
<b>Total</b>	<b>6,533,828</b>	<b>6,085,217</b>	<b>6,291,218</b>	<b>5,790,646</b>	<b>5,443,354</b>	<b>5,306,504</b>	<b>4,947,838</b>	<b>4,647,789</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	146,746	149,003	104,317	107,083	110,700	113,483	116,266	118,996
Long Term Liabilities	2,005,424	2,026,933	1,897,446	1,001,642	926,642	1,107,899	1,028,733	947,537
<b>Total Liabilities</b>	<b>2,152,170</b>	<b>2,175,936</b>	<b>2,001,763</b>	<b>1,108,725</b>	<b>1,037,342</b>	<b>1,221,382</b>	<b>1,144,999</b>	<b>1,066,533</b>
<b>Net Assets</b>	<b>4,381,658</b>	<b>3,909,281</b>	<b>4,289,455</b>	<b>4,681,921</b>	<b>4,406,012</b>	<b>4,085,122</b>	<b>3,802,839</b>	<b>3,581,256</b>
<b>Cash Flow</b>								
Revenues	1,165,528	1,328,245	1,357,850	1,357,850	1,357,850	1,357,850	1,425,742	1,497,029
Operating Expenses	1,141,024	1,245,721	1,103,571	1,116,030	1,128,739	1,141,702	1,154,924	1,168,410
Other Income	1,308	1,020	1,047	1,047	1,047	1,047	1,047	1,047
<b>Cash Flow Before Debt Service</b>	<b>25,812</b>	<b>83,544</b>	<b>255,326</b>	<b>242,867</b>	<b>230,158</b>	<b>217,195</b>	<b>271,865</b>	<b>329,666</b>
<b>Debt Service</b>								
Existing Debt Service	108,134	93,954	107,022	107,758	107,566	108,141	107,786	107,369
Proposed KIA Loan	0	0	0	0	0	27,902	55,803	55,803
<b>Total Debt Service</b>	<b>108,134</b>	<b>93,954</b>	<b>107,022</b>	<b>107,758</b>	<b>107,566</b>	<b>136,043</b>	<b>163,589</b>	<b>163,172</b>
<b>Cash Flow After Debt Service</b>	<b>(82,322)</b>	<b>(10,410)</b>	<b>148,304</b>	<b>135,109</b>	<b>122,592</b>	<b>81,153</b>	<b>108,276</b>	<b>166,494</b>
<b>Ratios</b>								
Current Ratio	3.6	2.7	5.3	6.4	7.3	7.9	8.7	10.0
Debt to Equity	0.5	0.6	0.5	0.2	0.2	0.3	0.3	0.3
Days Sales in Accounts Receivable	33.2	50.3	50.3	50.3	50.3	50.3	50.3	50.3
Months Operating Expenses in Unrestricted Cash	4.3	2.5	4.0	5.4	6.6	7.4	8.5	10.1
Debt Coverage Ratio	0.2	0.9	2.4	2.3	2.1	1.6	1.7	2.0

<b>EXECUTIVE SUMMARY</b>		Reviewer	Sarah Parsley		
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	May 6, 2021		
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number	F19-002		
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21205048		
<b>BORROWER</b>		CITY OF MOREHEAD, F/B/O MOREHEAD UTILITY PLANT BOARD ROWAN COUNTY			
<b>BRIEF DESCRIPTION</b>					
This will be the second and final construction funding increment in a multi-phased funded loan for a major water treatment plant expansion project for the Morehead Utility Plant Board. KIA previously funded the planning and design of the project in FY 2018 with loan F18-004 which was rolled into the first construction increment for a total of \$6,554,200. This increase of \$21,873,800 will bring the total funding amount to \$28,428,000. The first phase of the project will include a new raw water intake and raw water transmission line. The remainder of the project will include the construction of a new water treatment plant, will construct a new ground storage tank, and a finished raw water line.					
<b>PROJECT FINANCING</b>		<b>PROJECT BUDGET</b>			
KIA Fund F Loan 2021	\$21,873,800	RD Fee %	Actual %		
KIA Fund F Loan 2019	5,257,000	Administrative Expenses	\$20,000		
KIA P&D Loan (F18-004)	1,297,200	Legal Expenses	10,000		
		Land, Easements	10,000		
		Planning	165,450		
		Eng - Design / Const	6.4%	5.5%	
		Eng - Insp	4.0%	3.1%	
		Eng - Other	165,450		
		Construction	24,800,000		
		Contingency	1,034,550		
<b>TOTAL</b>	<b>\$28,428,000</b>	<b>TOTAL</b>	<b>\$28,428,000</b>		
<b>REPAYMENT</b>		Rate	0.50%	Est. Annual Payment	
	Term	30 Years	1st Payment	6 Mo. after first draw	
<b>PROFESSIONAL SERVICES</b>		Engineer	Eclipse Engineers, PLLC		
	Bond Counsel	Rubin & Hays			
<b>PROJECT SCHEDULE</b>					
	Bid Opening	Jul-21			
	Construction Start	Aug-21			
	Construction Stop	Oct-24			
<b>DEBT PER CUSTOMER</b>		Existing	\$3,702		
		Proposed	\$8,875		
<b>OTHER DEBT</b>		See Attached			
<b>OTHER STATE-FUNDED PROJECTS LAST 5 YRS</b>		See Attached			
<b>RESIDENTIAL RATES</b>					
		<u>Users</u>	<u>Avg. Bill</u>		
	Current	3,453	\$39.63 (for 4,000 gallons)		
	Additional	0	\$39.63 (for 4,000 gallons)		
<b>REGIONAL COORDINATION</b>		This project is consistent with regional planning recommendations.			
<b>CASHFLOW</b>		Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2017	2,306,343	1,170,694	1,135,649	2.0	
Audited 2018	3,690,466	1,176,634	2,513,832	3.1	
Audited 2019	4,328,517	1,275,444	3,053,073	3.4	
Projected 2020	3,374,855	1,299,809	2,075,046	2.6	
Projected 2021	3,328,072	1,670,961	1,657,111	2.0	
Projected 2022	3,252,601	2,103,632	1,148,969	1.5	
Projected 2023	2,992,348	1,938,869	1,053,479	1.5	
Projected 2024	2,726,890	1,670,923	1,055,967	1.6	
Projected 2025	3,095,722	2,370,337	725,385	1.3	

Reviewer: Sarah Parsley  
Date: May 6, 2021  
Loan Number: F19-002 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
CITY OF MOREHEAD F/B/O MOREHEAD UTILITY  
PLANT BOARD, ROWAN COUNTY  
PROJECT REVIEW  
WX21205048**

**I. PROJECT DESCRIPTION**

The City of Morehead, for the benefit of Morehead Utility Plant Board, is requesting a Fund F loan increase in the amount of \$21,873,800 for the Regional Water Treatment Plant Construction project. This project will be the second and final construction funding increment in a multi-phased funded loan for a major water treatment plant expansion project for the Morehead Utility Plant Board. KIA previously funded the planning and design of the project in FY 2018 with loan F18-004 which was rolled into the first construction increment for a total of \$6,554,200. The first phase of the project will include a new raw water intake and raw water transmission line. The remainder of the project will include the construction of a new water treatment plant, will construct a new ground storage tank, and a finished raw water line.

The Morehead Utility Plant Board serves 3,453 customers.

**II. PROJECT BUDGET**

	<b>Estimated Project Total</b>
Administrative Expenses	\$ 20,000
Legal Expenses	10,000
Land, Easements	10,000
Planning	165,450
Engineering Fees - Design	1,131,750
Engineering Fees - Construction	301,800
Engineering Fees - Inspection	789,000
Engineering Fees - Other	165,450
Construction	24,800,000
Contingency	1,034,550
<b>Total</b>	<b>\$ 28,428,000</b>

### III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
KIA Fund F Loan 2021	\$ 21,873,800	77%
KIA Fund F Loan 2019	5,257,000	18%
KIA P&D Loan (F18-004)	1,297,200	5%
<b>Total</b>	<b>\$ 28,428,000</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan + P&D Loan (F18-004)	\$ 6,554,200	\$ 28,428,000
Less: Principal Forgiveness	0	0
Amortized Loan Amount	\$ 6,554,200	\$ 28,428,000
Interest Rate	0.50%	0.50%
Loan Term (Years)	30	30
Estimated Annual Debt Service	\$ 235,541	\$ 1,021,628
Administrative Fee (0.25%)	16,386	71,070
<b>Total Estimated Annual Debt Service</b>	<b>\$ 251,926</b>	<b>\$ 1,092,698</b>

### V. PROJECT SCHEDULE

Bid Opening	July 15, 2021
Construction Start	August 15, 2021
Construction Stop	October 30, 2024

### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

#### A) Customers

<u>Customers</u>	<u>Current</u>	<u>Proposed</u>	<u>Total</u>
Residential	2,824	0	2,824
Commercial	623	0	623
Industrial	6	0	6
<b>Total</b>	<b>3,453</b>	<b>0</b>	<b>3,453</b>

## B) Rates

<b>Water</b>	<b>Inside City</b>		<b>Outside City</b>	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/01/20	06/11/19	07/01/20	06/11/19
Minimum (First 2,000 gallons)	21.91	\$19.89	26.30	\$23.87
Next 4,000 Gallons (per 1,000)	8.86	8.04	10.62	9.64
Cost for 4,000 gallons	\$39.63	\$35.97	\$47.54	\$43.15
Increase %	10.2%		10.2%	
Affordability Index (Rate/MHI)	1.3%		1.6%	

<b>Sewer</b>	<b>Inside City</b>		<b>Outside City</b>	
	Current	Prior	Current	Prior
Date of Last Rate Increase	08/01/18	08/01/17	08/01/18	08/01/17
Minimum (First 2,000 gallons)	14.60	\$10.50	17.53	\$12.61
Next 4,000 Gallons (per 1,000)	7.58	5.45	8.78	6.32
Cost for 4,000 gallons	\$29.76	\$21.40	\$35.09	\$25.25
Increase %	39.1%		39.0%	
Affordability Index (Rate/MHI)	1.0%		1.2%	

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey (ACS) 5-Year Estimate 2012-2016, the Utility's service area population was 34,827 with a Median Household Income (MHI) of \$36,586 according to WRIS. The median household income for the Commonwealth is \$44,811. Morehead's water system has historically qualified for KIA's Disadvantaged Community status and subsequent loan terms, however, as ACS data estimates have become more skewed in recent years, the Utility elected to conduct a Modified Weighted Proximity Analysis (MWPA) to better identify the community's MHI. The MWPA demonstrated that the MHI of the water system service area is actually \$35,387. As a result, the Utility will qualify for Disadvantaged Community status and a 0.50% interest rate for the entirety of the multi-phased funded 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 does not qualify for additional subsidization.

## **IX. FINANCIAL ANALYSIS**

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

### **HISTORY**

Total revenues including water, sewer, and gas have increased 33.3% from 2017 to 2019 mostly due to rate increases. Water revenues increased 21.6% during that period, sewer revenues increased 61.2%, and gas revenues increased 16%. Historically, water has contributed the majority of cash available for debt service to the operation while also making up for deficits in sewer. Rate increases in the beginning of fiscal year (FY) 2019 will bring water and sewer almost equal in terms of cash flow available for debt service and other capital improvements. Total operating expenses increased 15.6% from 2017 to 2019. Water, sewer, and gas share administrative expenses which saw a 27.6% increase during this time period while water saw a 11.9% increase, sewer had a 14.4% increase, and gas a 21% increase in operating expenses.

The 2019 balance sheet reflects a current ratio of 1.9, a debt to equity ratio of 0.8, 53.0 days sales in accounts receivable, and 1.9 months operating expenses in unrestricted cash. The debt coverage ratio from 2017 to 2019 was 2.0, 3.14, and 3.4, respectively.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Water revenues for both residential and wholesale customers will increase approximately 16% in FY 2019 as a result of a rate increase. Water revenues will continue to increase in the five year forecast according to planned rate increases by the Utility based on their capital improvements plan and updated annually with KIA. Residential water rates increased 10.2% in FY2021 and expect to increase another 9.23% in FY2022 while wholesale rates will be adjusted based on the wholesale customer's responsibility for debt service coverage for plant expansion projects.
- 2) Sewer revenues will remain flat.
- 3) Expenses will increase 2% annually for inflation.
- 4) Debt coverage is 1.3 in 2025 when full principal and interest payments for the F19-002 full loan go into repayment.

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% (\$1,422,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$71,100 yearly) each December 1 for 20 years and maintained for the life of the loan.

**X. DEBT OBLIGATIONS**

	<u>Outstanding</u>	<u>Maturity</u>
Bond Series 1966	\$ 15,000	2019
RD Series 2001A	3,331,000	2042
RD Series 2004	1,231,500	2023
KIA Loan (F00-05)	1,110,080	2026
KIA Loan (A04-02)	2,680,841	2033
KIA Loan (A10-16)	1,371,231	2031
KIA Loan (A209-36)	229,972	2032
KIA Loan (A209-37)	401,444	2038
KIA Loan (A16-065 i/a/o \$1,800,000)	1,722,805	2038
KIA Loan (A19-032 i/a/o \$4,500,000)	0	TBD
KIA Loan (A20-020 i/a/o \$1,363,200)	0	0
<b>Total</b>	<b>\$ 12,093,873</b>	

**XI. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Morehead
Authorized Official	Laura White-Brown (Mayor)
County	Rowan
Email	mayor.whitebrown@morehead-ky.gov
Phone	606-784-8505
Address	314 Bridge Street Morehead, KY 40351

**Applicant Contact**

Name Holly McGrath- Rosas  
Organization Morehead Utility Plant Board  
Email hrosas@mupb.com  
Phone 606-784-8313  
Address 135 S Wilson Ave  
Morehead, KY 40351

**Project Administrator**

Name Jocelyn R. Gross  
Organization Gateway ADD  
Email jocelynr.gross@ky.gov  
Phone 606-780-0090  
Address 110 Lake Park Dr.  
Morehead, KY 40351

**Consulting Engineer**

PE Name Alan Ray Robinson  
Firm Name Eclipse Engineers, PLLC  
Email arobinson@eclipseengineers.net  
Phone 859-433-9585  
Address 113 W Mount Vernon St  
Somerset, KY 42501

**XII. RECOMMENDATIONS**

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



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

	<b>Audited 2017</b>	<b>Audited 2018</b>	<b>Audited 2019</b>	<b>Projected 2020</b>	<b>Projected 2021</b>	<b>Projected 2022</b>	<b>Projected 2023</b>	<b>Projected 2024</b>	<b>Projected 2025</b>
<b>Balance Sheet</b>									
<b>Assets</b>									
Current Assets	3,010,960	2,910,114	3,521,512	3,729,039	3,924,250	4,067,047	4,172,394	4,277,991	4,350,529
Other Assets	40,025,123	42,181,210	42,767,771	40,883,774	40,108,549	36,535,663	32,784,696	28,941,987	46,579,692
<b>Total</b>	<b>43,036,083</b>	<b>45,091,324</b>	<b>46,289,283</b>	<b>44,612,813</b>	<b>44,032,798</b>	<b>40,602,709</b>	<b>36,957,091</b>	<b>33,219,978</b>	<b>50,930,222</b>
<b>Liabilities &amp; Equity</b>									
Current Liabilities	1,393,732	1,819,172	1,816,978	2,020,817	2,406,335	2,524,192	2,282,582	2,172,224	2,901,196
Long Term Liabilities	14,999,913	18,298,424	18,187,697	13,081,063	13,706,451	11,971,683	10,486,424	9,119,524	28,899,624
<b>Total Liabilities</b>	<b>16,393,645</b>	<b>20,117,596</b>	<b>20,004,675</b>	<b>15,101,880</b>	<b>16,112,786</b>	<b>14,495,874</b>	<b>12,769,006</b>	<b>11,291,747</b>	<b>31,800,820</b>
<b>Net Assets</b>	<b>26,642,438</b>	<b>24,973,728</b>	<b>26,284,608</b>	<b>29,510,933</b>	<b>27,920,012</b>	<b>26,106,835</b>	<b>24,188,085</b>	<b>21,928,231</b>	<b>19,129,402</b>
<b>Cash Flow</b>									
Revenues	9,990,829	11,271,041	13,312,938	13,312,938	13,516,302	13,708,481	13,708,481	13,708,481	13,708,481
Operating Expenses	7,657,223	7,585,987	9,106,436	9,948,083	10,198,230	10,465,880	10,726,133	10,991,591	5,733,818
Other Income	(27,263)	5,412	122,015	10,000	10,000	10,000	10,000	10,000	10,000
<b>Cash Flow Before Debt Service</b>	<b>2,306,343</b>	<b>3,690,466</b>	<b>4,328,517</b>	<b>3,374,855</b>	<b>3,328,072</b>	<b>3,252,601</b>	<b>2,992,348</b>	<b>2,726,890</b>	<b>7,984,663</b>
<b>Debt Service</b>									
Existing Debt Service*	1,170,694	1,176,634	1,275,444	1,299,809	1,670,961	1,851,706	1,686,943	1,418,997	1,277,639
Proposed KIA Loan (Phase 1)	0	0	0	0	0	251,926	251,926	251,926	0
Proposed KIA Loan (Phase 2)	0	0	0	0	0	0	0	0	1,092,698
<b>Total Debt Service</b>	<b>1,170,694</b>	<b>1,176,634</b>	<b>1,275,444</b>	<b>1,299,809</b>	<b>1,670,961</b>	<b>2,103,632</b>	<b>1,938,869</b>	<b>1,670,923</b>	<b>2,370,337</b>
<b>Cash Flow After Debt Service</b>	<b>1,135,649</b>	<b>2,513,832</b>	<b>3,053,073</b>	<b>2,075,046</b>	<b>1,657,111</b>	<b>1,148,969</b>	<b>1,053,479</b>	<b>1,055,967</b>	<b>725,385</b>
<b>Ratios</b>									
Current Ratio	2.2	1.6	1.9	1.8	1.6	1.6	1.8	2.0	1.5
Debt to Equity	0.6	0.8	0.8	0.5	0.6	0.6	0.5	0.5	1.7
Days Sales in Accounts Receivable	51.0	51.8	53.0	53.0	53.0	53.0	53.0	53.0	53.0
Months Operating Expenses in Unrestricted Cash	3.3	1.6	1.9	2.4	2.8	3.0	3.2	3.4	3.5
Debt Coverage Ratio	2.0	3.1	3.4	2.6	2.0	1.5	1.5	1.6	1.3

\* Existing debt service includes pending loan A19-032 starting in 2022

<b>EXECUTIVE SUMMARY</b>		Reviewer	Alex Fisher	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	May 6th, 2021	
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number	F21-027	
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21227083	
BORROWER	WARREN COUNTY WATER DISTRICT WARREN COUNTY			
BRIEF DESCRIPTION				
The Warren County Water District (WCWD) is requesting a Fund F loan in the amount of \$2,100,000 for the WCWD – Woodburn Tank Replacement & Hwy 68W Reservoir project.				
This project consists of:				
1. The design and construction of a new 300,000-gallon tank to replace the existing 150,000 gallon Woodburn tank, which will reach the end of its service life. As a result of this project the capacity of the tank will be increased and the storage configuration will be improved.				
2. The design and construction of a 1,000,000 gallon ground storage tank, a 1,000 GPM booster pump station, and approximately 2,500 LF 12" PVC water line to improve emergency storage, flow capacity, and reliability of the system.				
Currently the Warren County Water District serves 27,745 residential and over 2,400 commercial customers.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	2,100,000	RD Fee %	Actual %	
				Legal Expenses 5,000
				Land, Easements 40,000
		7.8%	6.5%	Eng - Design / Const 121,000
		4.7%	3.4%	Eng - Insp 64,000
				Construction 1,730,000
				Contingency 140,000
TOTAL	\$2,100,000	TOTAL		\$2,100,000
REPAYMENT	Rate	2.00%	Est. Annual Payment	\$133,164
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Warren County Water District		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Aug-21		
	Construction Start	Sep-21		
	Construction Stop	Jun-22		
DEBT PER CUSTOMER	Existing	\$277		
	Proposed	\$287		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u>	<u>Avg. Bill</u>	
		30,147	\$21.42	(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	4,746,478	942,531	3,803,947	5.0
Audited 2018	4,752,876	951,352	3,801,524	5.0
Audited 2019	5,402,787	858,924	4,543,863	6.3
Projected 2020	5,198,193	870,746	4,327,447	6.0
Projected 2021	5,052,966	861,792	4,191,174	5.9
Projected 2022	4,904,834	857,315	4,047,519	5.7
Projected 2023	4,748,440	1,000,735	3,747,705	4.7
Projected 2024	4,594,324	994,560	3,599,764	4.6

Reviewer: Alex Fisher  
Date: May 6, 2021  
Loan Number: F21-027

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
WARREN COUNTY WATER DISTRICT, WARREN COUNTY  
PROJECT REVIEW  
WX21227083**

**I. PROJECT DESCRIPTION**

The Warren County Water District (WCWD) is requesting a Fund F loan in the amount of \$2,100,000 for the WCWD – Woodburn Tank Replacement & Hwy 68W Reservoir project.

This project consists of:

1. The design and construction of a new 300,000-gallon tank to replace the existing 150,000 gallon Woodburn tank, which will reach the end of its service life. As a result of this project the capacity of the tank will be increased and the storage configuration will be improved.
2. The design and construction of a 1,000,000 gallon ground storage tank, a 1,000 GPM booster pump station, and approximately 2,500 LF 12" PVC water line to improve emergency storage, flow capacity, and reliability of the system.

Currently the Warren County Water District serves 27,745 residential and over 2,400 commercial customers.

**II. PROJECT BUDGET**

	<u>Total</u>
Legal Expenses	5,000
Land, Easements	40,000
Engineering Fees - Design	104,000
Engineering Fees - Construction	17,000
Engineering Fees - Inspection	64,000
Construction	1,730,000
Contingency	140,000
<b>Total</b>	<b>\$ 2,100,000</b>

**III. PROJECT FUNDING**

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

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 2,100,000
Less: Principal Forgiveness	0
Amortized Loan Amount	<u>\$ 2,100,000</u>
Interest Rate	2.00%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 127,914
Administrative Fee (0.25%)	<u>5,250</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$ 133,164</b>

#### V. PROJECT SCHEDULE

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

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

<u>Customers</u>	<u>Current</u>
Residential	27,745
Commercial	2,402
Industrial	<u>0</u>
Total	30,147

##### B) Rates

<b>Water</b>	<u>Current</u>	<u>Prior</u>	<u>Prior</u>
Date of Last Rate Increase	07/01/20	07/01/19	7/1/2017
Minimum (2,000 gallons)	\$12.88	\$12.60	11.86
Next 2,000 Gallons	<u>4.27</u>	<u>4.13</u>	<u>3.76</u>
Cost for 4,000 gallons	\$21.42	\$20.86	\$19.38
Increase %	2.7%	7.6%	
Affordability Index (Rate/MHI)	0.4%	0.4%	

<b>Sewer</b>	<u>Current</u>	<u>Prior</u>	<u>Prior</u>
Date of Last Rate Increase	07/01/20	07/01/19	7/1/2017
Minimum (2,000 gallons)	\$11.83	\$11.77	10.78
Next 2,000 Gallons	<u>5.09</u>	<u>5.06</u>	<u>4.59</u>
Cost for 4,000 gallons	\$22.01	\$21.89	\$19.96
Increase %	0.5%	9.7%	
Affordability Index (Rate/MHI)	0.4%	0.4%	

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's service area population was 61,636 with a Median Household Income (MHI) of \$59,496. The median household income for the Commonwealth is \$48,392. The increase will qualify for the initial 20-year loan term at 2.00% 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. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

Revenues increased 13.6% from \$14.83 million in 2017 to \$16.85 in 2019 while operating expenses increased 11.1% from \$6.41 million to \$7.12 million during the same period primarily due to administrative and transmission expenses. The debt coverage ratio was 5.0, 5.0, and 6.3 in 2017, 2018, and 2019 respectively.

The balance sheet reflects a current ratio of 2.8, a debt to equity ratio of 0.1, 34.4 days of sales in accounts receivable, and 8.3 months of operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Revenues are calculated to remain flat for the projection years.
- 2) Expenses will increase 2% annually due to inflation.
- 3) Debt service coverage is 4.7 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% (\$106,000 total) of the final amount borrowed to be funded annually (\$5,300 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
USDA 1993	\$ 446,500	2033
Series 2004A Revenue Bonds	765,000	2025
USDA 2005A	1,026,000	2045
KIA C11-02	608,061	2033
KIA C15-003	964,920	2036
KY Rural Water 2012B	1,490,000	2039
KY Rural Water 2013B	1,200,000	2028
KY Rural Water 2016B	1,885,000	2030
Unamortized Premium (discount)	(22,986)	
<b>Total</b>	<b>\$ 8,362,495</b>	

## XI. CONTACTS

<b>Legal Applicant</b>	
Entity Name	Warren County Water District
Authorized Official	Glen Johnson (Chairman)
County	Warren
Email	info@warrenwater.com
Phone	(270) 842-0052
Address	PO Box 10180 Bowling Green, KY 42102

<b>Applicant Contact</b>	
Name	John Dix
Organization	Warren County Water District
Email	johnd@warrenwater.com
Phone	(270) 842-0052
Address	PO Box 10180 Bowling Green, KY 42102

**Project Administrator**

Name	Ryan Leisey
Organization	Warren County Water District
Email	ryanl@warrenwater.com
Phone	(270) 842-0052
Address	PO Box 10180 Bowling Green, KY 42102

**Consulting Engineer**

PE Name	Ryan Leisey
Firm Name	Warren County Water District
Email	ryanl@warrenwater.com
Phone	(270) 842-0052
Address	PO Box 10180 Bowling Green, KY 42102

**XII. RECOMMENDATIONS**

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

- 1) The District will need to apply to the Public Service Commission (PSC), pursuant to KRS 278.300, for debt authorization for the \$2,100,000 loan. This debt authorization application should include a forecast for meeting debt service projected through no less than (2025).
- 2) Prior to the assistance agreement being executed, the District must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020, from the PSC for any portion of the project that may require it, or provide an opinion from legal counsel or the staff of the PSC, or a declaratory order from the PSC, that a CPCN is not required for any portion of the assets to be constructed as part of the loan agreement.

**WARREN 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	9,900,341	11,069,221	10,678,629	11,498,397	12,355,670	13,167,711	13,909,215	14,633,680
Other Assets	127,663,624	132,006,351	143,139,720	142,861,713	142,339,639	143,757,069	142,956,406	141,953,909
Total	<u>137,563,965</u>	<u>143,075,572</u>	<u>153,818,349</u>	<u>154,360,110</u>	<u>154,695,309</u>	<u>156,924,780</u>	<u>156,865,621</u>	<u>156,587,589</u>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	2,192,434	2,227,897	3,874,572	3,925,145	3,981,086	4,053,404	4,111,200	4,275,090
Long Term Liabilities	17,572,768	16,053,012	13,021,493	12,419,673	11,803,312	13,256,833	12,595,658	11,814,493
Total Liabilities	<u>19,765,202</u>	<u>18,280,909</u>	<u>16,896,065</u>	<u>16,344,818</u>	<u>15,784,398</u>	<u>17,310,237</u>	<u>16,706,858</u>	<u>16,089,583</u>
Net Assets	<u>117,798,763</u>	<u>124,794,663</u>	<u>136,922,284</u>	<u>138,015,292</u>	<u>138,910,911</u>	<u>139,614,543</u>	<u>140,158,763</u>	<u>140,498,006</u>
<b>Cash Flow</b>								
Revenues	14,825,629	15,432,003	16,847,974	16,847,974	16,847,974	16,847,974	16,847,974	16,847,974
Operating Expenses	10,478,441	11,168,089	11,980,382	12,122,761	12,267,988	12,416,120	12,572,514	12,726,630
Other Income	399,290	488,962	535,195	472,980	472,980	472,980	472,980	472,980
Cash Flow Before Debt Service	<u>4,746,478</u>	<u>4,752,876</u>	<u>5,402,787</u>	<u>5,198,193</u>	<u>5,052,966</u>	<u>4,904,834</u>	<u>4,748,440</u>	<u>4,594,324</u>
<b>Debt Service</b>								
Existing Debt Service	942,531	951,352	858,924	870,746	861,792	857,315	867,571	861,396
Proposed KIA Loan	0	0	0	0	0	0	133,164	133,164
Total Debt Service	<u>942,531</u>	<u>951,352</u>	<u>858,924</u>	<u>870,746</u>	<u>861,792</u>	<u>857,315</u>	<u>1,000,735</u>	<u>994,560</u>
Cash Flow After Debt Service	<u>3,803,947</u>	<u>3,801,524</u>	<u>4,543,863</u>	<u>4,327,447</u>	<u>4,191,174</u>	<u>4,047,519</u>	<u>3,747,705</u>	<u>3,599,764</u>
<b>Ratios</b>								
Current Ratio	4.5	5.0	2.8	2.9	3.1	3.2	3.4	3.4
Debt to Equity	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Days Sales in Accounts Receivable	26.3	25.6	34.4	34.4	34.4	34.4	34.4	34.4
Months Operating Expenses in Unrestricted Cash	8.3	9.9	8.3	9.1	9.8	10.5	11.1	11.6
Debt Coverage Ratio	5.0	5.0	6.3	6.0	5.9	5.7	4.7	4.6



<b>EXECUTIVE SUMMARY</b> <b>KENTUCKY INFRASTRUCTURE AUTHORITY</b> <b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b> <b>REVOLVING LOAN FUND</b>		Reviewer	Alex Fisher	
		Date	May 6, 2021	
		KIA Loan Number	F21-060	
		WRIS Number	WX21113037	
BORROWER	CITY OF WILMORE JESSAMINE COUNTY			
BRIEF DESCRIPTION				
The City of Wilmore ("City") is requesting a Fund F loan in the amount of \$994,648 for the Wilmore Elevated Storage Tank Rehabilitation project.				
The project consists of the inspection and rehabilitation of the 500,000 gallon elevated Asbury Tank and inspection and repair of the 500,000 gallon elevated Thomas-Hood Veterans Center Tank for the City of Wilmore, KY. Work is anticipated to include removal/application of interior and exterior coating systems, structural repairs and OSHA complaint upgrades. It is further anticipated that the Asbury Tank will require lead paint abatement.				
Currently the City of Wilmore serves 1,944 residential and over 84 commercial customers.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$994,648	RD Fee %	Actual %	
		Administrative Expenses	\$11,000	
		Legal Expenses	5,000	
		Planning	5,000	
		Eng - Design / Const	9.1% 7.5% 63,873	
		Eng - Insp	5.9% 5.0% 42,275	
		Eng - Other	10,000	
		Construction	775,000	
		Contingency	77,500	
		Other	5,000	
TOTAL	\$994,648	TOTAL	\$994,648	
REPAYMENT	Rate	2.00%	Est. Annual Payment \$63,072	
	Term	20 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	GRW Engineers, Inc.		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Jan-22		
	Construction Start	Mar-22		
	Construction Stop	Jan-23		
DEBT PER CUSTOMER	Existing	\$1,751		
	Proposed	\$2,246		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		2,028	\$25.23 (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	1,431,628	2,242,253	(810,625)	0.6
Audited 2019	1,474,631	159,469	1,315,162	9.2
Audited 2020	1,471,028	160,392	1,310,636	9.2
Projected 2021	1,449,567	196,356	1,253,211	7.4
Projected 2022	1,435,996	197,722	1,238,274	7.3
Projected 2023	1,422,153	196,943	1,225,210	7.2
Projected 2024	1,405,533	259,637	1,145,896	5.4
Projected 2025	1,388,631	260,125	1,128,506	5.3

Reviewer: Alex Fisher  
Date: May 6, 2021  
Loan Number: F21-060

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
CITY OF WILMORE, JESSAMINE COUNTY  
PROJECT REVIEW  
WX21113037**

**I. PROJECT DESCRIPTION**

The City of Wilmore (“City”) is requesting a Fund F loan in the amount of \$994,648 for the Wilmore Elevated Storage Tank Rehabilitation project.

The project consists of the inspection and rehabilitation of the 500,000 gallon elevated Asbury Tank and inspection and repair of the 500,000 gallon elevated Thomas-Hood Veterans Center Tank for the City of Wilmore, KY. Work is anticipated to include removal/application of interior and exterior coating systems, structural repairs and OSHA complaint upgrades. It is further anticipated that the Asbury Tank will require lead paint abatement.

Currently the City of Wilmore serves 1,944 residential and over 84 commercial customers.

**II. PROJECT BUDGET**

	<b>Total</b>
Administrative Expenses	\$ 11,000
Legal Expenses	5,000
Planning	5,000
Engineering Fees - Design	51,098
Engineering Fees - Construction	12,775
Engineering Fees - Inspection	42,275
Engineering Fees - Other	10,000
Construction	775,000
Contingency	77,500
Other	5,000
<b>Total</b>	<b>\$ 994,648</b>

**III. PROJECT FUNDING**

	<b>Amount</b>	<b>%</b>
Fund F Loan	\$ 994,648	100%
<b>Total</b>	<b>\$ 994,648</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 994,648
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 994,648
Interest Rate	2.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 60,585
Administrative Fee (0.25%)	2,487
<b>Total Estimated Annual Debt Service</b>	<b>\$ 63,072</b>

#### V. PROJECT SCHEDULE

Bid Opening	January 2022
Construction Start	March 2022
Construction Stop	January 2023

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current
Residential	1,944
Commercial	84
Industrial	0
Total	2,028

##### B) Rates

In City Water	Current	Prior
Date of Last Rate Increase	07/15/20	07/15/19
Minimum (2,000 Gallons)	\$11.29	\$11.07
Next 2,000 Gallons	6.97	6.83
Cost for 4,000 gallons	\$25.23	\$24.73
Increase %	2.0%	
Affordability Index (Rate/MHI)	0.6%	

Out of City Water	Current	Prior
Date of Last Rate Increase	07/15/20	N/A
Minimum (2,000 Gallons)	\$17.41	
Next 2,000 Gallons	7.28	
Cost for 4,000 gallons	\$31.97	
Affordability Index (Rate/MHI)	0.8%	

<b>Sewer</b>	<u>Current</u>	<u>Prior</u>
Date of Last Rate Increase	07/15/20	07/15/19
Minimum (2,000 Gallons)	\$14.47	\$14.19
Next 2,000 Gallons	7.82	7.67
Cost for 4,000 gallons	\$30.11	\$29.53
Increase %	2.0%	
Affordability Index (Rate/MHI)	0.7%	

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's service area population was 6,428 with a Median Household Income (MHI) of \$49,386. The median household income for the Commonwealth is \$48,392. The loan will qualify for the initial 20-year loan term at 2.00% 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 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 8.7% from \$1.74 million in 2018 to \$1.89 in 2020 while operating expenses increased 7.2% from \$1.58 million to \$1.69 million during the same period primarily due to the increased utility expenses for both water and sewer. The debt coverage ratio was 0.6, 9.2, and 9.2 in 2018, 2019, and 2020 respectively.

The balance sheet reflects a current ratio of 4.4, a debt to equity ratio of 0.6, 46.4 days of sales in accounts receivable, and 6.0 months of operating expenses in unrestricted cash.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues will continue to rise 2% annually, which is consistent with the past 10 years that rates have continued to increase 2% each year.
- 2) Expenses will increase 2% annually due to inflation.
- 3) Debt service coverage is 5.4 in 2024 when principal and interest repayments begin.

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

## REPLACEMENT RESERVE

The replacement reserve will be 5% (\$50,000 total) of the final amount borrowed to be funded annually (\$2,500 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 2000A	\$ 1,286,000	2040
RD Loan #1	1,875,000	2057
RD Loan #2	390,000	2057
<b>Total</b>	<b>\$ 3,551,000</b>	

## XI. CONTACTS

### **Legal Applicant**

Entity Name	City of Wilmore
Authorized Official	Harold Rainwater (Mayor)
County	Jessamine
Email	hrainwater@wilmore.org
Phone	(859) 858-4411
Address	210 S Lexington Ave Wilmore, KY 40390

**Applicant Contact**

Name	Dave Carlstedt
Organization	City of Wilmore
Email	dcarlstedt@wilmore.org
Phone	(859) 277-2565
Address	335 East Main St. Wilmore, KY 40390

**Project Administrator**

Name	Robert Casher
Organization	Bluegrass Area Development District
Email	bcasher@bgadd.org
Phone	(859) 269-8021
Address	699 Perimeter Dr. Lexington, KY 40517

**Consulting Engineer**

PE Name	Joe Henry
Firm Name	GRW Engineers, Inc.
Email	jhenry@grwinc.com
Phone	(859) 223-3999
Address	801 Corporate Dr. Lexington, KY 40503

**XII. RECOMMENDATIONS**

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

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

	<u>Audited 2018</u>	<u>Audited 2019</u>	<u>Audited 2020</u>	<u>Projected 2021</u>	<u>Projected 2022</u>	<u>Projected 2023</u>	<u>Projected 2024</u>	<u>Projected 2025</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	1,371,065	1,348,257	1,475,958	2,338,281	3,579,255	4,807,165	5,955,861	7,087,167
Other Assets	15,318,698	14,477,380	14,064,274	13,614,969	13,165,664	13,686,141	13,214,470	12,742,799
<b>Total</b>	<b>16,689,763</b>	<b>15,825,637</b>	<b>15,540,232</b>	<b>15,953,250</b>	<b>16,744,919</b>	<b>18,493,306</b>	<b>19,170,331</b>	<b>19,829,966</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	456,267	311,484	335,851	341,695	345,595	349,995	405,127	410,627
Long Term Liabilities	5,354,185	5,283,027	5,473,005	5,473,005	5,473,005	6,467,653	6,368,188	6,268,723
<b>Total Liabilities</b>	<b>5,810,452</b>	<b>5,594,511</b>	<b>5,808,856</b>	<b>5,814,700</b>	<b>5,818,600</b>	<b>6,817,648</b>	<b>6,773,316</b>	<b>6,679,351</b>
<b>Net Assets</b>	<b>10,879,311</b>	<b>10,231,126</b>	<b>9,731,376</b>	<b>10,138,550</b>	<b>10,926,319</b>	<b>11,675,658</b>	<b>12,397,015</b>	<b>13,150,615</b>
<b>Cash Flow</b>								
Revenues	1,735,805	1,756,973	1,886,707	1,907,164	1,928,031	1,949,315	1,971,025	1,993,169
Operating Expenses	1,575,257	1,547,171	1,688,151	1,721,914	1,756,352	1,791,479	1,829,809	1,868,855
Other Income	1,271,080	1,264,829	1,272,472	1,264,317	1,264,317	1,264,317	1,264,317	1,264,317
<b>Cash Flow Before Debt Service</b>	<b>1,431,628</b>	<b>1,474,631</b>	<b>1,471,028</b>	<b>1,449,567</b>	<b>1,435,996</b>	<b>1,422,153</b>	<b>1,405,533</b>	<b>1,388,631</b>
<b>Debt Service</b>								
Existing Debt Service	2,242,253	159,469	160,392	196,356	197,722	196,943	196,565	197,053
Proposed KIA Loan	0	0	0	0	0	0	63,072	63,072
<b>Total Debt Service</b>	<b>2,242,253</b>	<b>159,469</b>	<b>160,392</b>	<b>196,356</b>	<b>197,722</b>	<b>196,943</b>	<b>259,637</b>	<b>260,125</b>
<b>Cash Flow After Debt Service</b>	<b>(810,625)</b>	<b>1,315,162</b>	<b>1,310,636</b>	<b>1,253,211</b>	<b>1,238,274</b>	<b>1,225,210</b>	<b>1,145,896</b>	<b>1,128,506</b>
<b>Ratios</b>								
Current Ratio	3.0	4.3	4.4	6.8	10.4	13.7	14.7	17.3
Debt to Equity	0.5	0.5	0.6	0.6	0.5	0.6	0.5	0.5
Days Sales in Accounts Receivable	51.3	48.4	46.4	46.4	46.4	46.4	46.4	46.4
Months Operating Expenses in Unrestricted Cash	4.4	5.7	6.0	14.6	22.8	30.5	37.4	44.0
Debt Coverage Ratio	0.6	9.2	9.2	7.4	7.3	7.2	5.4	5.3