

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

▪ ***Fund A Loan***

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Amount Loan Total</u>	<u>County</u>
A18-028	City of Paducah (Increase)	\$ 750,000	\$ 5,360,667	McCracken

<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	John Brady November 4, 2021 A18-028 (Increase) SX21145012
BORROWER	CITY OF PADUCAH MCCRACKEN COUNTY		
BRIEF DESCRIPTION			
The City of Paducah is requesting a Fund A loan increase of \$750,000 for the Paducah Pump Station #2 (6th Street) Rehabilitation project. The project was initially approved at the April 9, 2018 board meeting. The increase will bring the total KIA loan amount to \$5,360,667. The increase is needed to fund additional costs associated with stabilizing the levee. The contractor ran into an area of unsuitable material when excavating near the pump station wall. While removing the material the levee started to collapse. The area has been stabilized and the contractor will backfill and cap the area.			
PROJECT FINANCING		PROJECT BUDGET	RD Fee %    Actual %
Fund A Loan	\$5,360,667	Eng - Design / Const	6.5%    3.6%    268,931
CDBG	1,000,000	Eng - Insp	3.2%    3.0%    226,046
DRA	392,000	Construction	7,318,915
Surety	1,316,249	Contingency	255,024
TOTAL	\$8,068,916	TOTAL	\$8,068,916
REPAYMENT	Rate Term	0.50% 20 Years	Est. Annual Payment    \$221,729 1st Payment    6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer Bond Counsel	City of Paducah Rubin & Hays	
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	Feb-18 May-18 Sep-22	
DEBT PER CUSTOMER	Existing Proposed	N/A N/A	
OTHER DEBT	See Attached		
RESIDENTIAL RATES	Current	<u>Users</u> 4,125	<u>Avg. Bill</u> N/A (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	14,710,895	3,085,131	11,625,764    4.8
Audited 2019	14,627,665	3,114,591	11,513,074    4.7
Audited 2020	15,607,128	3,586,397	12,020,731    4.4
Projected 2021	15,171,719	3,936,394	11,235,325    3.9
Projected 2022	14,362,300	3,928,431	10,433,869    3.7
Projected 2023	13,523,292	4,027,244	9,496,049    3.4
Projected 2024	12,681,172	3,995,736	8,685,436    3.2
Projected 2025	11,822,210	3,894,710	7,927,500    3.0

Reviewer: John Brady  
Date: November 4, 2021  
Loan Number: A18-028

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND A)  
CITY OF PADUCAH, MCCRACKEN COUNTY  
PROJECT REVIEW  
SX21145012**

**I. PROJECT DESCRIPTION**

The City of Paducah is requesting a Fund A loan increase of \$750,000 for the Paducah Pump Station #2 (6th Street) Rehabilitation project. The project was initially approved at the April 9, 2018 board meeting. The increase will bring the total KIA loan amount to \$5,360,667. The increase is needed to fund additional costs associated with stabilizing the levee. The contractor ran into an area of unsuitable material when excavating near the pump station wall. While removing the material the levee started to collapse. The area has been stabilized and the contractor will backfill and cap the area.

The project will provide significant rehabilitation to Pump Station #2 located along the floodwall in downtown Paducah. The pumps within this station house 7 individual pumps that are approximately 65 years old and have exceeded their useful life. All 7 pumps, motors, controls, and appurtenances within the pump station will be replaced and/or reconditioned. This is one of several pump stations located along the floodwall in the City that pumps stormwater flow collected from the downtown area to the Ohio River. This pump is the largest and most significant to controlling stormwater flooding.

**II. PROJECT BUDGET**

	<u>Total</u>
Engineering Fees - Design	\$ 128,260
Engineering Fees - Construction	140,671
Engineering Fees - Inspection	226,046
Construction	7,318,915
Contingency	255,024
<b>Total</b>	<b>\$ 8,068,916</b>

### III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 5,360,667	66%
CDBG	1,000,000	12%
DRA	392,000	5%
Surety	1,316,249	16%
<b>Total</b>	<b>\$ 8,068,916</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$ 5,360,667
Less: Principal Forgiveness	<u>1,300,000</u>
Amortized Loan Amount	\$ 4,060,667
Interest Rate	0.50%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 213,608
Administrative Fee (0.20%)	<u>8,121</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$ 221,729</b>

### V. PROJECT SCHEDULE

Bid Opening	February 2018
Construction Start	May 2018
Construction Stop	September 2022

### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

#### A) Customers

Customers	<u>Current</u>
Residential	3,304
Commercial	<u>821</u>
Total	4,125

## **B) Rates**

The City does not charge separate fees for stormwater. Expenses incurred for stormwater are paid via the City's general fund.

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the City's service area population was 25,024 with a Median Household Income (MHI) of \$33,608. The median household income for the Commonwealth was \$43,740. The project will qualify for a 0.50% interest rate.

## **VIII. 2017 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 \$1,300,000 will be credited to the loan balance upon release of liens on all contracts and disbursement of the final draw request by KIA to the borrower.

## **IX. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2018 through June 30, 2020. For this credit analysis, cash flows present general revenues by source and general expenditures by activity. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

General revenues increased 2.3% from \$39.4 million in 2018 to \$40.3 million in 2020. Taxes made up approximately 97% of general revenues. Employee License Tax, which accounts for over half of general revenues, increased 2.1% from \$21.1 million in 2018 to \$21.5 million in 2020.

General expenses increased 3.7% from \$38.3 million in 2018 to \$39.7 million in 2020. Public safety, the City's largest expense that accounts for more than 60% of general expenses, increased 10% from \$22.5 million in 2018 to \$24.8 million in 2020.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will remain flat.
- 2) Expenses will grow 2% annually due to inflation.
- 3) The City's latest bond ratings are Aa3 by Moody's Investors Service and AA- by Standard and Poor's Global Ratings.
- 4) Debt service coverage is 3.4 in 2023 when principal and interest repayments begin.

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

## REPLACEMENT RESERVE

The replacement reserve will be 5% (\$268,000 total) of the final amount borrowed (prior to principal forgiveness) to be funded annually (\$13,400 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
2010B GO Bonds	\$ 3,140,000	2027
2011 GO Bonds	1,265,000	2025
2013A GO Bonds	720,000	2029
2013B GO Bonds	1,600,000	2029
2014A GO Bonds	3,560,000	2030
2014B GO Bonds	2,420,000	2025
2018A GO Bonds	2,555,000	2034
2018B GO Bonds	2,045,000	2029
2020A GO Bonds	20,520,000	2040
KACO Note	1,455,949	2029
MSU Agreement Note	1,749,410	2032
CFSB Note	2,862,122	2032
KIA Loan A18-028	298,504	TBD
<b>Total</b>	<b>\$44,190,985</b>	

## **XI. CONTACTS**

### **Legal Applicant**

Entity Name	City of Paducah
Authorized Official	George Bray (Mayor)
County	McCracken
Email	gbray@paducahky.gov
Phone	(270) 444-8800
Address	300 S 5th St. Paducah, KY 42002

### **Project Administrator/Contact**

Name	Sheryl Chino
Organization	Hdr, Inc.
Email	sheryl.chino@hdrinc.com
Phone	(270) 538-1506
Address	4645 Village Square Dr, Ste F Paducah, KY 42001

### **Consulting Engineer**

PE Name	Richard Bryan Murphy
Firm Name	City of Paducah
Email	rmurphy@paducahky.gov
Phone	(270) 444-8511
Address	PO Box 2267 Paducah, KY 42002

## **XII. RECOMMENDATIONS**

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

**CITY OF PADUCAH  
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	45,870,249	45,021,259	67,987,539	54,838,211	56,924,985	58,824,195	60,561,282	62,146,782
Other Assets	92,431,704	90,891,310	91,948,716	97,544,253	102,498,625	114,785,057	118,364,966	121,377,643
Total	<u>138,301,953</u>	<u>135,912,569</u>	<u>159,936,255</u>	<u>152,382,465</u>	<u>159,423,610</u>	<u>173,609,252</u>	<u>178,926,248</u>	<u>183,524,425</u>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	7,899,284	6,827,023	7,866,306	8,044,446	8,166,843	8,361,922	8,396,149	8,579,453
Long Term Liabilities	107,518,183	110,207,509	136,715,573	133,957,467	131,119,664	132,191,049	129,211,939	126,094,826
Total Liabilities	<u>115,417,467</u>	<u>117,034,532</u>	<u>144,581,879</u>	<u>142,001,913</u>	<u>139,286,507</u>	<u>140,552,971</u>	<u>137,608,089</u>	<u>134,674,279</u>
Net Assets	<u>22,884,486</u>	<u>18,878,037</u>	<u>15,354,376</u>	<u>10,380,552</u>	<u>20,137,103</u>	<u>33,056,281</u>	<u>41,318,160</u>	<u>48,850,146</u>
<b>Cash Flow</b>								
Revenues	39,404,361	40,233,889	40,319,142	40,677,282	40,677,282	40,677,282	40,677,282	40,677,282
Expenses	38,270,427	40,072,676	39,677,421	40,470,969	41,280,389	42,119,397	42,961,517	43,820,479
Additional Funds	13,576,961	14,466,452	14,965,407	14,965,407	14,965,407	14,965,407	14,965,407	14,965,407
Cash Flow Before Debt Service	<u>14,710,895</u>	<u>14,627,665</u>	<u>15,607,128</u>	<u>15,171,719</u>	<u>14,362,300</u>	<u>13,523,292</u>	<u>12,681,172</u>	<u>11,822,210</u>
<b>Debt Service</b>								
Existing Debt Service	3,085,131	3,114,591	3,586,397	3,936,394	3,928,431	3,916,379	3,774,007	3,672,981
Proposed KIA Loan	0	0	0	0	0	110,865	221,729	221,729
Total Debt Service	<u>3,085,131</u>	<u>3,114,591</u>	<u>3,586,397</u>	<u>3,936,394</u>	<u>3,928,431</u>	<u>4,027,244</u>	<u>3,995,736</u>	<u>3,894,710</u>
Cash Flow After Debt Service	<u>11,625,764</u>	<u>11,513,074</u>	<u>12,020,731</u>	<u>11,235,325</u>	<u>10,433,869</u>	<u>9,496,049</u>	<u>8,685,436</u>	<u>7,927,500</u>
<b>Ratios</b>								
Current Ratio	5.8	6.6	8.6	6.8	7.0	7.0	7.2	7.2
Debt to Equity	5.0	6.2	9.4	13.7	6.9	4.3	3.3	2.8
Months Operating Expenses in Unrestricted Cash	8.7	5.6	5.9	6.5	7.0	7.4	7.7	8.0
Debt Coverage Ratio	4.8	4.7	4.4	3.9	3.7	3.4	3.2	3.0