

**Kentucky Infrastructure Authority  
Projects for September 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>
A19-001	City of Elkton (Director Level Increase)	\$ 200,000	\$ 4,134,451	Todd
A19-003	City of Hopkinsville f/b/o Hopkinsville Water Environment Authority (Increase)	\$ 16,000,000	\$ 30,000,000	Christian
A20-033	City of Sebree (Increase)	\$ 1,153,164	\$ 2,063,992	Webster

• **Fund F Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Amount Loan Total</u>	<u>County</u>
F20-019	City of Somerset (Increase)	\$ 2,482,122	\$ 9,510,000	Pulaski
F20-021	Cave Run Water Commission (Increase)	\$ 868,750	\$ 2,040,100	Menifee
F21-002	Morgan County Water District	\$ 3,262,000	\$ 3,262,000	Morgan
F21-010	Letcher County Water and Sewer District	\$ 2,487,495	\$ 2,487,495	Letcher
F21-033	Letcher County Water and Sewer District	\$ 4,000,000	\$ 4,000,000	Letcher

<b>EXECUTIVE SUMMARY</b>		Reviewer	John Brady	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	September 10, 2021	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A19-001 (Increase)	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21219014	
BORROWER	CITY OF ELKTON TODD COUNTY			
BRIEF DESCRIPTION				
The City of Elkton is requesting a Fund A loan increase of \$200,000 for the Elkton Wastewater System Rehabilitation and Improvements project. The project was initially approved on July 9, 2019. The increase will bring the total KIA loan amount up to \$4,134,451. The increase is due to higher bids than budgeted due to the rise in cost of materials. The project scope remains the same.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$4,134,451	RD Fee %	Actual %	
ARPA Grant	550,000			
				Administrative Expenses \$15,000
				Planning 299,577
		Eng - Design / Const 6.9%	6.7%	258,780
		Eng - Insp 4.4%	5.2%	202,434
		Eng - Other		48,000
		Construction		3,777,000
		Contingency		83,660
TOTAL	\$4,684,451	TOTAL		\$4,684,451
REPAYMENT	Rate	0.50%	Est. Annual Payment \$118,913	
	Term	30 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	GRW Engineers, Inc.		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Aug-21		
	Construction Start	Nov-21		
	Construction Stop	Apr-22		
DEBT PER CUSTOMER	Existing	\$2,591		
	Proposed	\$5,610		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u>	<u>Avg. Bill</u>	
		887	\$54.56	(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	183,938	78,710	105,228	2.3
Audited 2019	198,625	88,487	110,138	2.2
Audited 2020	270,778	196,410	74,368	1.4
Projected 2021	285,329	384,131	(98,802)	0.7
Projected 2022	290,709	87,341	203,368	3.3
Projected 2023	276,774	182,463	94,311	1.5
Projected 2024	262,560	182,384	80,176	1.4
Projected 2025	248,062	182,306	65,756	1.4

Reviewer: John Brady  
Date: September 10, 2021  
Loan Number: A19-001 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND A)  
CITY OF ELKTON, TODD COUNTY  
PROJECT REVIEW  
SX21219014**

**I. PROJECT DESCRIPTION**

The City of Elkton is requesting a Fund A loan increase of \$200,000 for the Elkton Wastewater System Rehabilitation and Improvements project. The project was initially approved on July 9, 2019. The increase will bring the total KIA loan amount up to \$4,134,451. The increase is due to higher bids than budgeted due to the rise in cost of materials. The project scope remains the same.

The planning portion of this project included field investigations, the evaluation of pump stations and the wastewater treatment plant, and engineering reports which resulted in construction contracts.

The first contract is for repairs located throughout the sewer system. It includes the installation of cured-in-place pipe, replacement of gravity sewer lines, and repairs to manholes. The second contract is for the replacement of pumps and controls in pump stations and the installation of a wet well for wet weather flow storage. The third contract is for numerous repairs and upgrades to the City's wastewater treatment plant.

The City of Elkton serves approximately 725 residential and 150 commercial and industrial customers.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 15,000
Planning	299,577
Engineering Fees - Design	187,423
Engineering Fees - Construction	71,357
Engineering Fees - Inspection	202,434
Engineering Fees - Other	48,000
Construction	3,777,000
Contingency	83,660
<b>Total</b>	<b>\$ 4,684,451</b>

### III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 4,134,451	88%
ARPA Grant	550,000	12%
<b>Total</b>	<b>\$ 4,684,451</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$ 4,134,451
Less: Principal Forgiveness	1,000,000
Amortized Loan Amount	\$ 3,134,451
Interest Rate	0.50%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 112,644
Administrative Fee (0.20%)	6,269
<b>Total Estimated Annual Debt Service</b>	<b>\$ 118,913</b>

### V. PROJECT SCHEDULE

Bid Opening	August 2021
Construction Start	November 2021
Construction Stop	April 2022

### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

#### A) Customers

Customers	Current	Proposed	Total
Residential	724	0	724
Commercial	157	0	157
Industrial	6	0	6
<b>Total</b>	<b>887</b>	<b>0</b>	<b>887</b>

## B) Rates

Sewer	Inside City		
	Current	Prior	Prior
Date of Last Rate Increase	12/10/20	07/01/19	07/01/18
Minimum (2,000 gallons)	\$36.76	\$33.42	\$30.38
Over 2,000 gallons (per 1,000)	8.90	8.09	7.35
Cost for 4,000 gallons	\$54.56	\$49.60	\$45.08
Increase %	10.0%	10.0%	
Affordability Index (Rate/MHI)	2.0%	1.8%	

Water	Inside City		Outside City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/01/19	07/01/18	07/01/19	07/01/18
Minimum (2,000 gallons)	\$23.00	\$21.63	\$26.02	\$24.47
Next 8,000 Gallons (per 1,000)	12.05	11.33	13.61	12.80
Cost for 4,000 gallons	\$47.10	\$44.29	\$53.24	\$50.07
Increase %	6.3%		6.3%	
Affordability Index (Rate/MHI)	1.7%		2.0%	

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the Utility's service area population was 2,170 with a Median Household Income (MHI) of \$32,632. The median household income for the Commonwealth is \$44,811. The project will qualify for a 0.50% interest rate.

## VIII. 2018 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project qualifies for Green Project Reserve (GPR) funding for \$3,934,451. The breakdown of the GPR to the respective "green" categories is listed below:
  - a. Green Infrastructure - \$0
  - b. Water Efficiency -\$0
  - c. Energy Efficiency - \$3,924,451
  - d. Environmentally Innovative - \$10,000

- 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 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 and sewer revenues increased 9.4% from \$1.06 million in 2018 to \$1.16 million in 2020. Revenue increases are due to rate increases in both water and sewer that went into effect in 2020. Operating expenses have remained relatively flat, increasing 1.2% from \$662 thousand in 2018 to \$670 thousand in 2020. The debt coverage ratio was 2.3, 2.2, and 1.4 from 2018 to 2020, respectively.

The balance sheet reflects a current ratio of 0.8, a debt to equity ratio of 0.9, 50.4 days of sales in account receivables, and 7.7 months operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) The analysis takes into account the 10% sewer rate increase in December 2020 and remains flat for future years.
- 2) Operating expenses will increase 2% each year for inflation.
- 3) Debt service coverage is 1.5 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% (\$206,000 total) of the final amount borrowed (prior to principal forgiveness) to be funded annually (\$10,300 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
2007 Revenue Bonds	\$ 298,500	2037
KIA Loan F209-07	44,007	2031
KIA Loan B06-01	444,399	2037
KIA Loan B11-07	78,581	2031
KIA Loan B13-001	254,719	2034
KIA Loan F19-035	83,685	2050
Elkton Bank Equipment Loan	31,077	2022
Elkton Bank Vehicle Loan	13,329	2023
KIA Loan A19-001	1,049,613	TBD
<b>Total</b>	<b>\$ 2,297,910</b>	

## XI. CONTACTS

<b>Legal Applicant</b>	
Entity Name	City of Elkton
Authorized Official	Arthur Green (Mayor)
County	Todd
Email	agreen@elktonky.com
Phone	270-265-9877
Address	PO Box 578 Elkton, KY 42220

<b>Applicant Contact</b>	
Name	Terry Frogue
Organization	City of Elkton
Email	elkcityof@bellsouth.net
Phone	270-265-5703
Address	PO Box 578 Elkton, KY 42220

**Project Administrator**

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

**Consulting Engineer**

PE Name	Josh Flanery
Firm Name	GRW Engineers, Inc.
Email	jflanery@grwinc.com
Phone	502-489-8484
Address	9710 Bunsen Parkway Louisville, KY 40299

**XII. RECOMMENDATIONS**

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



**CITY OF ELKTON  
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	493,004	703,180	791,061	715,172	922,540	1,016,851	1,097,027	1,162,783
Other Assets	6,547,929	6,657,847	7,896,497	7,679,330	12,039,803	11,715,825	11,391,847	11,067,869
<b>Total</b>	<b>7,040,933</b>	<b>7,361,027</b>	<b>8,687,558</b>	<b>8,394,502</b>	<b>12,962,343</b>	<b>12,732,676</b>	<b>12,488,874</b>	<b>12,230,652</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	327,831	400,255	979,498	686,449	776,552	785,071	793,697	802,547
Long Term Liabilities	2,025,110	2,341,663	3,046,562	2,966,896	5,939,479	5,777,194	5,614,483	5,451,322
<b>Total Liabilities</b>	<b>2,352,941</b>	<b>2,741,918</b>	<b>4,026,060</b>	<b>3,653,345</b>	<b>6,716,031</b>	<b>6,562,264</b>	<b>6,408,180</b>	<b>6,253,869</b>
<b>Net Assets</b>	<b>4,687,992</b>	<b>4,619,109</b>	<b>4,661,498</b>	<b>4,741,157</b>	<b>6,246,312</b>	<b>6,170,412</b>	<b>6,080,694</b>	<b>5,976,783</b>
<b>Cash Flow</b>								
Revenues	1,057,485	1,073,852	1,157,340	1,185,285	1,214,627	1,214,627	1,214,627	1,214,627
Operating Expenses	891,633	909,096	908,192	921,586	945,548	959,483	973,697	988,195
Other Income	18,086	33,869	21,630	21,630	21,630	21,630	21,630	21,630
<b>Cash Flow Before Debt Service</b>	<b>183,938</b>	<b>198,625</b>	<b>270,778</b>	<b>285,329</b>	<b>290,709</b>	<b>276,774</b>	<b>262,560</b>	<b>248,062</b>
<b>Debt Service</b>								
Existing Debt Service	78,710	88,487	196,410	384,131	87,341	63,550	63,471	63,393
Proposed KIA Loan A19-001	0	0	0	0	0	118,913	118,913	118,913
<b>Total Debt Service</b>	<b>78,710</b>	<b>88,487</b>	<b>196,410</b>	<b>384,131</b>	<b>87,341</b>	<b>182,463</b>	<b>182,384</b>	<b>182,306</b>
<b>Cash Flow After Debt Service</b>	<b>105,228</b>	<b>110,138</b>	<b>74,368</b>	<b>(98,802)</b>	<b>203,368</b>	<b>94,311</b>	<b>80,176</b>	<b>65,756</b>
<b>Ratios</b>								
Current Ratio	1.5	1.8	0.8	1.0	1.2	1.3	1.4	1.4
Debt to Equity	0.5	0.6	0.9	0.8	1.1	1.1	1.1	1.0
Days Sales in Accounts Receivable	52.1	51.3	50.4	50.4	50.4	50.4	50.4	50.4
Months Operating Expenses in Unrestricted Cash	3.6	5.6	7.7	6.3	8.8	9.9	10.7	11.5
Debt Coverage Ratio	2.3	2.2	1.4	0.7	3.3	1.5	1.4	1.4

<b>EXECUTIVE SUMMARY</b>		Reviewer	Alex Fisher	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	September 23, 2021	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A19-003 (Increase)	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21047028	
<b>BORROWER</b>		CITY OF HOPKINSVILLE F/B/O HOPKINSVILLE WATER ENVIRONMENT AUTHORITY CHRISTIAN COUNTY		
<b>BRIEF DESCRIPTION</b>				
The City of Hopkinsville, for the benefit of the Hopkinsville Water Environment Authority (HWEA), is requesting a Fund A loan increase in the amount of \$16,000,000 for the multi-phased Expand Hammond-Wood Wastewater Treatment Plant and Interceptor project. The previous 2 funding cycles have funded \$14,000,000 and this year's increase will bring the total current project amount requested to date to \$30,000,000.				
<b>PROJECT FINANCING</b>		<b>PROJECT BUDGET</b>		
		RD Fee %	Actual %	
KIA Fund A Loan (2022) Increase	\$16,000,000			
KIA P&D Loan (A16-005)	1,500,000			
KIA Fund A Loan (A19-003)	7,500,000			
KIA Fund A Loan (2021) Increase	5,000,000			
KIA Fund A Loan (2023)	13,500,000			
KIA Fund A Loan (2024)	1,500,000			
Local Funds	3,300,000			
<b>TOTAL</b>	<b>\$48,300,000</b>			
		Planning		92,000
		Eng - Design / Const	6.4%	4.3%
		Construction		2,008,900
		Contingency		45,507,192
		<b>TOTAL</b>		<b>\$48,300,000</b>
<b>REPAYMENT</b>	Rate	0.50%	Est. Annual Payment	\$1,547,280
	Term	20 Years	1st Payment	6 Mo. after first draw
<b>PROFESSIONAL SERVICES</b>	Engineer	J.R. Wauford & Company		
	Bond Counsel	Rubin & Hays		
<b>PROJECT SCHEDULE</b>	Bid Opening	Aug-19		
	Construction Start	Jun-20		
	Construction Stop	Jul-23		
<b>DEBT PER CUSTOMER</b>	Existing	\$4,434		
	Proposed	\$5,708		
<b>OTHER DEBT</b>	See Attached			
<b>RESIDENTIAL RATES</b>	Current	<u>Users</u>	<u>Avg. Bill</u>	
		12,788	\$32.78	(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	8,086,210	6,297,640	1,788,570	1.3
Audited 2019	8,580,631	5,944,951	2,635,680	1.4
Audited 2020	8,346,916	7,536,627	810,289	1.1
Projected 2021	9,414,599	5,619,860	3,794,739	1.7
Projected 2022	9,986,870	5,827,379	4,159,491	1.7
Projected 2023	10,498,451	6,024,992	4,473,459	1.7
Projected 2024	11,204,730	7,572,717	3,632,013	1.5
Projected 2025	11,097,712	7,879,817	3,217,895	1.4

Reviewer: Alex Fisher  
Date: September 23, 2021  
Loan Number: A19-003 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND A)  
CITY OF HOPKINSVILLE F/B/O HOPKINSVILLE WATER ENVIRONMENT  
AUTHORITY, CHRISTIAN COUNTY  
PROJECT REVIEW  
SX21047028**

**I. PROJECT DESCRIPTION**

The City of Hopkinsville, for the benefit of the Hopkinsville Water Environment Authority (HWEA), is requesting a Fund A19-003 loan increase in the amount of \$16,000,000 for continued multi-year phased funding for the Expand Hammond-Wood Wastewater Treatment Plant and Interceptor project. Prior KIA loan funding cycles for this project total \$14,000,000. This additional increase will bring the total KIA loan project amount to \$30,000,000.

FY 2016	\$1,500,000	Planning & Design
FY 2019	\$7,500,000	Construction
FY 2021	\$5,000,000	Construction
FY 2022	\$16,000,000	Construction
FY 2023	\$13,500,000	Construction
FY 2024	\$1,500,000	Construction

HWEA is proposing renovation and expansion of the Hammond-Wood WWTP, located on the North Fork of the Little River, south of Hopkinsville. Renovation will occur by replacing the existing river siphon with a new influent interceptor river crossing, new influent pump station, new head works (screening and grit removal), new anaerobic phosphorus release tank, renovation of two existing oxidation ditches and two existing clarifiers, modification of the existing activated sludge pump station, modifications to return and waste activated sludge pumping station, post aeration steps and new outfall, new operations building, new electrical building and standby power, controls and Instrumentation, demolition of existing structures, construction of two sludge holding tanks, aeration, and dewatering equipment, and renovation of the existing ultraviolet disinfection process.

Expansion of the plant to 9 MGD with a hydraulic capacity of 27 MGD will occur with the construction of a new oxidation ditch and site development, addition of a third clarifier, excavation, grading, and site piping, new sludge holding tank, new belt filter presses with additional pump, conveyor system, and a new blower building, controls, and instrumentation. Improvements to the 36" and 48" influent interceptor transporting wastewater to the plant will occur as determined through inspection.

The total project cost is currently estimated to be \$48,300,000 and the budget and funding breakdowns are shown below.

Hammond-Wood WWTP currently serves over 12,000 customers in Christian County including the cities of Hopkinsville and Pembroke. In addition, Hopkinsville Water Environment Authority also provides sewer service to the cities of Crofton and Oak Grove and drinking water to the cities of Hopkinsville, Pembroke and Crofton.

## II. PROJECT BUDGET

	<b>KIA Fund A Loan (2022) Increase</b>	<b>Estimated Project Total</b>
Planning		92,000
Engineering Fees - Design		1,408,000
Engineering Fees - Construction	400,250	600,900
Construction	15,599,750	45,507,192
Contingency		691,908
<b>Total</b>	<b>\$16,000,000</b>	<b>\$ 48,300,000</b>

## III. PROJECT FUNDING

	<b>Amount</b>	<b>%</b>
KIA Fund A Loan (2022) Increase	\$16,000,000	33%
KIA P&D Loan (A16-005)	1,500,000	3%
KIA Fund A Loan (A19-003)	7,500,000	16%
KIA Fund A Loan (2021) Increase	5,000,000	10%
KIA Fund A Loan (2023)	13,500,000	28%
KIA Fund A Loan (2024)	1,500,000	3%
Local Funds	3,300,000	7%
<b>Total</b>	<b>\$48,300,000</b>	<b>100%</b>

## IV. KIA DEBT SERVICE

Note that the table below shows the total projected KIA loan amounts of \$45,000,000. This is a different total project budget of \$48,300,000 due to the City self-funding \$3,300,000.

	<b>KIA Fund A Loan (2022) Increase</b>	<b>Total KIA loan to date with 2022 increase</b>	<b>Total Projected Loan Cost</b>
Construction Loan	\$16,000,000	\$ 30,000,000	\$ 45,000,000
Less: Principal Forgiveness	1,000,000	1,000,000	1,000,000
Amortized Loan Amount	\$15,000,000	\$ 29,000,000	\$ 44,000,000
Interest Rate	0.50%	0.50%	0.50%
Loan Term (Years)	20	20	20
Estimated Annual Debt Service	\$ 789,061	\$ 1,525,518	\$ 2,314,580
Administrative Fee (0.20%)	30,000	58,000	88,000
<b>Total Estimated Annual Debt Service</b>	<b>\$ 819,061</b>	<b>\$ 1,583,518</b>	<b>\$ 2,402,580</b>

## V. PROJECT SCHEDULE

Bid Opening	August 2019
Construction Start	June 2020
Construction Stop	July 2023

## VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

### A) Customers

	<b>Current</b>
Residential	10,829
Commercial	1,897
Industrial	62
<b>Total</b>	<b>12,788</b>

### B) Rates

<b>Hopkinsville Sewer</b>	<b>Current</b>	<b>Prior</b>	<b>Prior</b>
Date of Last Rate Increase	07/01/20	07/01/19	07/01/18
Flat Rate (300 cu.ft. or less)	\$18.39	\$16.14	\$14.16
Flat rate, per 100 cu.ft.	6.13	5.38	4.72
Cost for 4,000 gallons	\$32.78	\$28.77	\$25.24
Increase %	13.9%	14.0%	8.5%
Affordability Index (Rate/MHI)	1.1%	1.0%	0.8%

<b>Pembroke Sewer</b>	Current	Prior	Prior
Date of Last Rate Increase	07/01/20	07/01/19	07/01/18
Flat Rate (300 cu.ft. or less)	\$25.13	\$22.04	\$19.33
Flat rate, per 100 cu.ft.	7.39	6.48	5.68
Cost for 4,000 gallons	\$42.48	\$37.25	\$32.66
Increase %	14.0%	14.0%	14.0%
Affordability Index (Rate/MHI)	1.4%	1.2%	1.1%

<b>Crofton Sewer</b>	Current	Prior
Date of Last Rate Increase	07/01/18	07/01/07
Flat Rate (150 cu.ft. or less)	\$12.50	\$11.91
Flat rate, per 100 cu.ft.	3.60	2.50
Cost for 4,000 gallons	\$26.35	\$17.78
Increase %	48.2%	
Affordability Index (Rate/MHI)	0.9%	

<b>Oak Grove Sewer</b>	Current	Prior	Prior
Date of Last Rate Increase	07/01/20	07/01/19	07/01/18
Minimum (1,000 gallons)	\$26.20	\$24.26	\$21.28
All over 1,000 gallons	7.65	7.08	6.21
Surcharge	2.00	2.00	2.00
Cost for 4,000 gallons	\$51.15	\$47.50	\$41.91
Increase %	7.7%	13.3%	13.2%
Affordability Index (Rate/MHI)	1.7%	1.6%	1.4%

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the Utility's service area population was 34,674 with a Median Household Income (MHI) of \$35,846. The median household income for the Commonwealth is \$44,811. The project will qualify for a 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 qualify 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 and include both the water and sewer funds. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, has been removed from 2018 to 2020 operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

Combined revenues for sewer and water increased 10.7% from \$16.8 million in 2018 to \$18.6 million in 2020. Sewer revenues have increased around 25.9% from \$7.8 million in 2018 to \$9.8 million in 2020 whereas water revenues have decreased 2.4% from \$9.0 million in 2018 to \$8.8 million in 2020. Sewer revenue growth can be attributed to rate increases during the observed time period for ongoing capital projects. The water revenues decreased marginally due to various pandemic changes. Combined expenses increased 18% from \$8.9 million to \$10.5 million from 2018 to 2020.

The 2020 balance sheet reflects a current ratio of 1.7, a debt to equity ratio of 1.5, 23.5 days' sales in accounts receivable, and 9.8 months operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Sewer revenues will increase according to the approved rate increases by the utility (FY 2021 14%, FY 2022, 2023 and 2024 projected 9% and flat for 2025). Water revenues will remain flat for growth and volume.
- 2) Expenses will increase 2% for inflation.
- 3) All debt service and replacement reserves for pending KIA loans A11-08, A16-005, F13-020, and F16-001 have been included in this analysis.
- 4) Debt service coverage is 1.48 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 A loan.

### **REPLACEMENT RESERVE**

The replacement reserve will be 5% (\$1,500,000 total) of the final amount borrowed to be funded annually (\$75,000 yearly) each December 1 for 20 years and maintained for the life of the loan.

**X. DEBT OBLIGATIONS**

	<b>Outstanding</b>	<b>Maturity</b>
Series 1998 Bonds	\$ 95,000	2021
Series 2010B Bonds	2,002,500	2030
KIA Loan B95-02	1,238,729	2026
KIA Loan A99-03	29,428	2021
KIA Loan A03-05	1,388,868	2026
KIA Loan A04-05	923,524	2027
KIA Loan F02-04	641,885	2028
KIA Loan F06-02	1,895,047	2028
KIA Loan F08-06	5,703,868	2032
KIA Loan A09-19	5,545,793	2034
KIA Loan A11-07	335,812	2033
KIA Loan A11-08	9,410,197	2036
KIA Loan A11-09	5,888,514	2036
KIA Loan A16-005 (P&D i/a/o \$1.5m)	726,900	TBD
KIA Loan F13-020 (i/a/o \$4m)		TBD
KIA Loan F16-001 (i/a/o \$8m)	5,118,789	TBD
City of Hopkinsville- Series 2013B	2,690,000	2034
City of Hopkinsville- Series 2014B	1,570,000	2038
City of Hopkinsville- Series 2014C	1,025,000	2029
City of Hopkinsville- Series 2015A	9,535,000	2026
<b>Total</b>	<b>\$55,764,854</b>	

**XI. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Hopkinsville f/b/o Hopkinsville Water Environment Authority
Authorized Official	Wendell Lynch (Mayor)
County	Christian
Email	wlynch@hopkinsvilleky.us
Phone	270-890-0200
Address	PO Box 628 Hopkinsville, KY 42241



**Applicant Contact**

Name	Derrick Watson
Organization	Hopkinsville Water Environment Authority
Email	dwatson@hwea-ky.com
Phone	270-887-4237
Address	PO Box 628 Hopkinsville, KY 42241

**Project Administrator**

Name	Travis Barnett
Organization	Hopkinsville Water Environment Authority
Email	tbarnett@hwea-ky.com
Phone	270-887-4242
Address	PO Box 628 Hopkinsville, KY 42241

**Consulting Engineer**

PE Name	James 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.

**CITY OF HOPKINSVILLE F/B/O HOPKINSVILLE WATER ENVIRONMENT AUTHORITY  
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	9,577,564	8,680,884	10,093,578	10,563,592	11,030,141	11,532,687	11,955,988	15,175,183
Other Assets	122,883,567	116,628,044	117,316,875	115,682,908	121,248,615	120,333,413	145,721,956	139,668,476
Total	<u>132,461,131</u>	<u>125,308,928</u>	<u>127,410,453</u>	<u>126,246,500</u>	<u>132,278,756</u>	<u>131,866,100</u>	<u>157,677,944</u>	<u>154,843,659</u>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	5,168,069	5,595,280	6,113,074	5,579,504	5,699,072	5,835,126	7,679,781	7,842,881
Long Term Liabilities	82,217,271	73,206,960	69,612,813	64,993,931	66,557,925	61,509,054	83,306,783	75,423,671
Total Liabilities	<u>87,385,340</u>	<u>78,802,240</u>	<u>75,725,887</u>	<u>70,573,435</u>	<u>72,256,997</u>	<u>67,344,180</u>	<u>90,986,564</u>	<u>83,266,552</u>
Net Assets	<u>45,075,791</u>	<u>46,506,688</u>	<u>51,684,566</u>	<u>55,673,065</u>	<u>60,021,759</u>	<u>64,521,920</u>	<u>66,691,380</u>	<u>71,577,107</u>
<b>Cash Flow</b>								
Revenues	16,797,209	17,799,083	18,591,198	19,998,384	20,785,029	21,642,472	22,577,086	22,597,564
Operating Expenses	8,906,373	9,733,064	10,508,538	10,855,459	11,069,833	11,415,695	11,644,030	11,771,526
Other Income	195,374	514,612	264,256	271,674	271,674	271,674	271,674	271,674
Cash Flow Before Debt Service	<u>8,086,210</u>	<u>8,580,631</u>	<u>8,346,916</u>	<u>9,414,599</u>	<u>9,986,870</u>	<u>10,498,451</u>	<u>11,204,730</u>	<u>11,097,712</u>
<b>Debt Service</b>								
Existing Debt Service	6,297,640	5,944,951	7,536,627	5,619,860	5,827,379	6,024,992	6,025,436	7,879,817
Proposed KIA Loan 2022 Increase	0	0	0	0	0	0	1,547,280	1,547,280
Total Debt Service	<u>6,297,640</u>	<u>5,944,951</u>	<u>7,536,627</u>	<u>5,619,860</u>	<u>5,827,379</u>	<u>6,024,992</u>	<u>7,572,717</u>	<u>7,879,817</u>
Cash Flow After Debt Service	<u>1,788,570</u>	<u>2,635,680</u>	<u>810,289</u>	<u>3,794,739</u>	<u>4,159,491</u>	<u>4,473,459</u>	<u>3,632,013</u>	<u>3,217,895</u>
<b>Ratios</b>								
Current Ratio	1.9	1.6	1.7	1.9	1.9	2.0	1.6	1.9
Debt to Equity	1.9	1.7	1.5	1.3	1.2	1.0	1.4	1.2
Days Sales in Accounts Receivable	23.8	22.8	23.5	23.5	23.5	23.5	23.5	23.5
Months Operating Expenses in Unrestricted Cash	11.0	9.0	9.8	10.1	10.3	10.6	10.8	13.9
Debt Coverage Ratio	1.3	1.4	1.1	1.7	1.7	1.7	1.5	1.4

<b>EXECUTIVE SUMMARY</b>		Reviewer	Alex Fisher	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	September 23, 2021	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A20-033 (Increase)	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21233027	
BORROWER	CITY OF SEBREE WEBSTER COUNTY			
BRIEF DESCRIPTION				
The City of Sebree ("City") is requesting a Fund A loan increase of \$1,153,164 to supplement the Sebree Sanitary Sewer Replacement project initially approved on November 7th, 2019, which will bring the new total KIA loan amount up to \$2,063,992. The increase is due to higher bids than budgeted due the shortage of supplies, the project scope remains the same.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$2,063,992	Administrative Expenses	RD Fee %	Actual %
CDBG Grant	910,828	Legal Expenses		
Cleaner Water Grant Program	475,309	Land, Easements		
		Eng - Design / Const	7.2%	4.4%
		Eng - Insp	4.0%	4.7%
		Eng - Other		
		Construction		
		Contingency		
TOTAL	\$3,450,129	TOTAL		
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$78,302
	Term	30 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Strand Associates, Inc.		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Jun-21		
	Construction Start	Sep-21		
	Construction Stop	Mar-22		
DEBT PER CUSTOMER	Existing	\$0		
	Proposed	\$3,486		
OTHER DEBT	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	587	\$38.25	(for 4,000 gallons)
	Additional	5	\$38.25	(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	54,400	8,472	45,928	6.4
Audited 2019	20,885	8,437	12,448	2.5
Audited 2020	6,668	5,613	1,055	1.2
Projected 2021	1,011	0	1,011	N/A
Projected 2022	94,271	78,302	15,969	1.2
Projected 2023	107,928	78,302	29,626	1.4
Projected 2024	101,925	78,302	23,623	1.3
Projected 2025	95,802	78,302	17,500	1.2

Reviewer: Alex Fisher  
Date: September 23<sup>rd</sup>, 2021  
Loan Number: A20-033 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND A)  
CITY OF SEBREE, WEBSTER COUNTY  
PROJECT REVIEW  
SX21233027**

**I. PROJECT DESCRIPTION**

The City of Sebree ("City") is requesting a Fund A loan increase of \$1,153,164 to supplement the Sebree Sanitary Sewer Replacement project initially approved on November 7<sup>th</sup>, 2019, which will bring the new total KIA loan amount up to \$2,063,992. The increase is due to higher bids than budgeted due the shortage of supplies, the project scope remains the same.

This project will include replacing approximately 8,900 linear feet of existing 8-inch clay pipe, extending an 8-inch gravity sewer 101 linear feet to add five unserved customers, lowering a main that is currently exposed in a creek, and replacement of a retaining wall that protects a 12-inch main.

The City serves 592 customers sanitary service in Webster County.

**II. PROJECT BUDGET**

	<b>Total</b>
Administrative Expenses	\$ 50,000
Legal Expenses	5,000
Land, Easements	5,000
Engineering Fees - Design	105,315
Engineering Fees - Construction	31,075
Engineering Fees - Inspection	144,715
Engineering Fees - Other	40,000
Construction	2,790,022
Contingency	279,002
<b>Total</b>	<b>\$ 3,450,129</b>

**III. PROJECT FUNDING**

	<b>Amount</b>	<b>%</b>
Fund A Loan	\$ 2,063,992	60%
CDBG Grant	910,828	26%
Cleaner Water Grant Program	475,309	14%
<b>Total</b>	<b>\$ 3,450,129</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 2,063,992
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 2,063,992
Interest Rate	0.50%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 74,174
Administrative Fee (0.20%)	4,128
<b>Total Estimated Annual Debt Service</b>	<b>\$ 78,302</b>

#### V. PROJECT SCHEDULE

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

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current	Proposed	Total
Residential	505	5	510
Commercial	82	0	82
Total	587	5	592

##### B) Rates

	Inside City			
	Proposed	Proposed	Current	Prior
Date of Last Rate Increase	7/1/2022	09/01/21	02/23/21	05/04/15
Minimum (2,000 gallons)	30.75	\$29.29	\$22.29	\$21.85
Over 2,000	11.01	10.49	7.98	7.54
Cost for 4,000 gallons	\$52.77	\$50.26	\$38.25	\$36.93
Increase %	5.0%	31.4%	3.6%	
Affordability Index (Rate/MHI)	1.9%	1.8%	1.4%	

	<b>Outside City</b>			
	Proposed	Proposed	Current	Prior
Date of Last Rate Increase	07/01/22	09/01/21	02/23/21	05/04/15
Minimum (2,000 gallons)	\$31.81	\$30.29	\$24.63	\$21.85
Over 2,000	10.31	9.82	7.98	7.54
Surcharge	20.00	20.00	20.00	20.00
Cost for 4,000 gallons	\$72.42	\$69.93	\$60.59	\$56.93
Increase %	3.6%	15.4%	6.4%	
Affordability Index (Rate/MHI)	2.6%	2.5%	2.2%	

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 1,471 with a Median Household Income (MHI) of \$33,171. The median household income for the Commonwealth is \$46,535. Based on the MHI of the service area of the utility, the project will qualify for a 30-year loan at a non-standard 0.50% 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 for the sewer fund. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2016-2018 operating expenses and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, has been removed from 2018 operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

The City has experienced nearly flat revenues between 2018 and 2020, while experiencing an increase in operating expenses of 19.4% due to increased contractual services. This has resulted in an overall reduction in cash available for debt service over the same period.

The balance sheet reflects a current ratio of 0.9, a debt to equity of 0.3, 42.6 days of sales in accounts receivable, and 1.4 months operating expenses in unrestricted cash.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) The City have increased their rates in ordinance this month to the first proposed 4,000-gallon rate for both in and outside city shown in the rate section above. Additionally, the city has also already approved in ordinance the second proposed increase to take effect 7/1/2022.
- 2) The Cleaner Water Grant funds are under pending review, but have been factored into the total project cost as a grant.
- 3) Expenses are expected to increase 2% annually due to inflation.
- 4) Debt service coverage is 1.2 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% (\$104,000 total) of the final amount borrowed to be funded annually (\$5,200 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

From the 2020 audit the city of Sebree does not have any sewer debt obligations.

## XI. CONTACTS

<b>Legal Applicant</b>	
Entity Name	City of Sebree
Authorized Official	Oscar O'Nan (Mayor)
County	Webster
Email	cityofsebree@gmail.com
Phone	270-835-7501
Address	36 S Spring St. PO Box 245 Sebree, KY 42455

**Applicant Contact**

Name	Emery Thomas
Organization	City of Sebree
Email	etsebree@att.net
Phone	(270) 635-0435
Address	36 S. Spring Street Sebree, KY 42455-245

**Project Administrator**

Name	Blake Edge
Organization	Green River Area Development District
Email	blakeedge@gradd.com
Phone	(270) 852-1335
Address	300 Gradd Way Owensboro, KY 42301

**Consulting Engineer**

PE Name	Mark Christopher Askin
Firm Name	Strand Associates, Inc.
Email	mark.askin@strand.com
Phone	502-583-7020
Address	325 W. Main St., Ste. 710 Louisville, KY 40202

**XII. RECOMMENDATIONS**

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



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

	<b>Audited 2018</b>	<b>Audited 2019</b>	<b>Audited 2020</b>	<b>Projected 2021</b>	<b>Projected 2022</b>	<b>Projected 2023</b>	<b>Projected 2024</b>
<b>Balance Sheet</b>							
<b>Assets</b>							
Current Assets	70,315	65,577	67,868	68,911	96,680	128,606	152,229
Other Assets	942,087	851,016	836,344	741,967	4,013,766	3,835,436	3,657,106
<b>Total</b>	<b>1,012,402</b>	<b>916,593</b>	<b>904,212</b>	<b>810,878</b>	<b>4,110,446</b>	<b>3,964,042</b>	<b>3,809,335</b>
<b>Liabilities &amp; Equity</b>							
Current Liabilities	34,389	23,321	74,874	76,200	77,500	78,800	80,200
Long Term Liabilities	121,317	123,171	151,445	151,445	2,215,437	2,215,437	2,215,437
<b>Total Liabilities</b>	<b>155,706</b>	<b>146,492</b>	<b>226,319</b>	<b>227,645</b>	<b>2,292,937</b>	<b>2,294,237</b>	<b>2,295,637</b>
<b>Net Assets</b>	<b>856,696</b>	<b>770,101</b>	<b>677,893</b>	<b>583,233</b>	<b>1,817,509</b>	<b>1,669,805</b>	<b>1,513,698</b>
<b>Cash Flow</b>							
Revenues	291,284	280,923	289,515	289,515	390,845	410,387	410,387
Operating Expenses	236,884	260,038	282,847	288,504	296,574	302,459	308,462
Other Income	0	0	0	0	0	0	0
<b>Cash Flow Before Debt Service</b>	<b>54,400</b>	<b>20,885</b>	<b>6,668</b>	<b>1,011</b>	<b>94,271</b>	<b>107,928</b>	<b>101,925</b>
<b>Debt Service</b>							
Existing Debt Service	8,472	8,437	5,613	0	0	0	0
Proposed KIA Loan	0	0	0	0	78,302	78,302	78,302
<b>Total Debt Service</b>	<b>8,472</b>	<b>8,437</b>	<b>5,613</b>	<b>0</b>	<b>78,302</b>	<b>78,302</b>	<b>78,302</b>
<b>Cash Flow After Debt Service</b>	<b>45,928</b>	<b>12,448</b>	<b>1,055</b>	<b>1,011</b>	<b>15,969</b>	<b>29,626</b>	<b>23,623</b>
<b>Ratios</b>							
Current Ratio	2.0	2.8	0.9	0.9	1.2	1.6	1.9
Debt to Equity	0.2	0.2	0.3	0.4	1.3	1.4	1.5
Days Sales in Accounts Receivable	40.6	40.4	42.6	42.6	42.6	42.6	42.6
Months Operating Expenses in Unrestricted Cash	1.9	1.6	1.4	1.4	2.1	3.2	4.1
Debt Coverage Ratio	6.4	2.5	1.2	N/A	1.2	1.4	1.3

<b>EXECUTIVE SUMMARY</b>		Reviewer	Alex Fisher	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	September 23, 2021	
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number	F20-019 (Increase)	
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21199002	
BORROWER	CITY OF SOMERSET PULASKI COUNTY			
BRIEF DESCRIPTION				
The City of Somerset ("City") is requesting a Fund F loan increase of \$2,482,122 to supplement the Oak Hill Storage Tank Replacement, 5 MG booster station and water main extension project initially approved on December 5th, 2019 in the amount of \$7,027,878. This will bring the new total KIA loan amount up to \$9,510,000. The increase is due to higher bids than budgeted due the shortage of supplies, the project scope remains the same.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan Contract 1	\$5,530,000	Administrative Expenses	RD Fee %	Actual %
Fund F Loan Contract 2	2,285,800	Legal Expenses		
Fund F Loan Contract 3	1,694,200	Land, Easements		
		Planning		
		Eng - Design / Const	6.4%	5.3%
		Eng - Insp	3.1%	2.6%
		Eng - Other		
		Construction		
		Contingency		
TOTAL	\$9,510,000	TOTAL		\$9,510,000
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$365,539
	Term	30 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Bell Engineering		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Jul-21		
	Construction Start	Oct-21		
	Construction Stop	Oct-22		
DEBT PER CUSTOMER	Existing	\$1,801		
	Proposed	\$2,663		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		9,123	\$17.59	(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	3,801,394	1,333,667	2,467,727	2.9
Audited 2019	3,730,172	1,341,139	2,389,033	2.8
Audited 2020	3,585,314	1,049,460	2,535,854	3.4
Projected 2021	3,673,953	945,712	2,728,241	3.9
Projected 2022	3,742,281	958,991	2,783,290	3.9
Projected 2023	3,788,176	1,225,971	2,562,205	3.1
Projected 2024	3,859,265	1,219,772	2,639,493	3.2
Projected 2025	3,931,775	1,210,267	2,721,508	3.2

Reviewer: Alex Fisher  
Date: September 23, 2021  
Loan Number: F20-019 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
CITY OF SOMERSET, PULASKI COUNTY  
PROJECT REVIEW  
WX21199002**

**I. PROJECT DESCRIPTION**

The City of Somerset ("City") is requesting a Fund F loan increase of \$2,482,122 to supplement the Oak Hill Storage Tank Replacement, 5 MG booster station and water main extension project initially approved on December 5<sup>th</sup>, 2019 in the amount of \$7,027,878. This will bring the new total KIA loan amount up to \$9,510,000. The increase is due to higher bids than budgeted due the shortage of supplies, the project scope remains the same.

This project has been divided into 3 separate contracts.

**Contract 1 (Construction Contract # 397-19-01)** includes the construction of a new 5-million-gallon Oak Hill Booster Pumping Station, Valley Oak Industrial Park Water System Improvements (Original Contract 2), the addition of Variable Frequency Drives at the Somerset Water Treatment Plant and SCADA.

**Contract 2 (Construction Contract # 397-19-02)** includes the construction of a new 1-million-gallon Oak Hill water storage tank.

**Contract 3 (Construction Contract # 397-19-03)** includes the construction of an 8-Inch water main near Lake Cumberland Regional Hospital to balance the pressure in the system, and the construction of a 20-Inch water main that will connect the new Oak Hill Water Storage and the new 5-million-gallon Oak Hill Booster Pumping Station.

The City is a regional provider currently serving approximately 9,000 retail and 4 wholesale customers in Somerset and the surrounding area. Of the 4 wholesale customers, Southeastern Water Association and Western Pulaski County Water District are PSC regulated systems.

## II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 90,000
Legal Expenses	5,000
Land, Easements	30,000
Planning	75,000
Engineering Fees - Design	450,000
Engineering Fees - Inspection	220,000
Engineering Fees - Other	93,000
Construction	8,027,000
Contingency	520,000
<b>Total</b>	<b>\$ 9,510,000</b>

## III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan Contract 1	\$ 5,530,000	58%
Fund F Loan Contract 2	2,285,800	24%
Fund F Loan Contract 3	1,694,200	18%
<b>Total</b>	<b>\$ 9,510,000</b>	<b>100%</b>

## IV. KIA DEBT SERVICE

Construction Loan	\$ 9,510,000
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 9,510,000
Interest Rate	0.50%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 341,764
Administrative Fee (0.25%)	23,775
<b>Total Estimated Annual Debt Service</b>	<b>\$ 365,539</b>

## V. PROJECT SCHEDULE

Bid Opening	July 2021
Construction Start	October 2021
Construction Completion	October 2022

**VI. CUSTOMER COMPOSITION AND RATE STRUCTURE**

**A) Customers**

Customers	Current
Residential	6,870
Commercial	2,239
Industrial	14
Total	9,123

**B) Rates**

	Water Inside City		
	Current	Prior	Prior
Date of Last Rate Increase	07/01/21	07/01/17	07/01/15
Minimum 1,000 Gallons	\$8.29	\$8.10	\$7.94
Next 9,000 Gallons (per 100 Gallons)	\$0.31	\$0.30	\$0.30
Cost for 4,000 gallons	\$17.59	\$17.10	\$16.94
Increase %	2.9%	0.9%	
Affordability Index (Rate/MHI)	0.7%	0.7%	

	Water Outside City		
	Current	Prior	Prior
Date of Last Rate Increase	07/01/21	07/01/17	07/01/15
Minimum 1,000 Gallons	\$14.39	\$14.07	\$13.80
Next 9,000 Gallons (per 100 Gallons)	\$0.54	\$0.53	\$0.52
Cost for 4,000 gallons	\$30.59	\$29.97	\$29.40
Increase %	2.1%	1.9%	
Affordability Index (Rate/MHI)	1.3%	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 17,537 with a Median Household Income (MHI) of \$28,906. The median household income for the Commonwealth is \$46,535. Being a disadvantaged community, the City qualifies for a 30-year loan term at 0.5% interest rate.

**VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES**

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 - Other Postemployment Benefit had been removed from operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

Water revenues increased 4.4% from \$7.27 million in 2018 to \$7.59 million in 2020 due increase transportation, surcharges and other operating revenues. Operating expenses went up 15.4% during the same period as a result of management fees and moderate increases in general expenses. The debt coverage ratio was 2.9, 2.8, and 3.4 for 2018, 2019, and 2020 respectively.

The balance sheet of business-type activity reflected a current ratio of 13.8, debt to equity ratio of 0.5, 33.6 days' sales in accounts receivable, and 10.4 months of operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Revenues are projected to increase 2.3% for 2021 and 2% annually due to the Consumer Price Index increase ordinance.
- 2) Expenses will increase 2% annually for inflation.
- 3) 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% (\$476,000 total) of the final amount borrowed to be funded annually (\$23,800 yearly) each December 1 for 20 years and maintained for the life of the loan.

**X. DEBT OBLIGATIONS**

	<b>Outstanding</b>	<b>Maturity</b>
Series 2012A	\$ 8,054,500	2052
Series 2012B	\$ 4,474,500	2052
Cumberland Valley Note	\$ 140,668	2022
Kentucky Rural Water Note	\$ 3,710,000	2036
Series 2021 GO Bonds		TBD
Citizens National Bank	\$ 25,040	2024
Citizens National Bank		TBD
Cumberland Security Note	\$ 28,020	2024
<b>Total</b>	<b>\$16,432,728</b>	

**XI. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Somerset
Authorized Official	Alan Keck (Mayor)
County	Pulaski
Email	akeck@cityofsomerset.com
Phone	(606) 679-6366
Address	400 E Mount Vernon St, PO Box 989 Somerset, KY 42502

<b>Applicant Contact</b>	
Name	Dana Whitis
Organization	City of Somerset
Email	dwhitis@cityofsomerset.com
Phone	(606) 425-5364
Address	306 E Mt Vernon St, PO Box 989 Somerset, KY 42501

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

**Consulting Engineer**

PE Name	Kelly Gillespie
Firm Name	Bell Engineering
Email	kgillespie@hkbell.com
Phone	(859) 278-5412
Address	2488 Fortune Drive, Suite 350 Lexington, KY 40509

**XII. RECOMMENDATIONS**

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



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

	<b>Audited <u>2018</u></b>	<b>Audited <u>2019</u></b>	<b>Audited <u>2020</u></b>	<b>Projected <u>2021</u></b>	<b>Projected <u>2022</u></b>	<b>Projected <u>2023</u></b>	<b>Projected <u>2024</u></b>
<b>Balance Sheet</b>							
<b>Assets</b>							
Current Assets	9,678,307	10,583,790	11,170,677	10,358,180	10,928,638	11,455,179	11,997,478
Other Assets	51,178,719	49,587,120	48,726,665	49,182,846	49,683,066	59,540,218	59,949,200
<b>Total</b>	<b>60,857,026</b>	<b>60,170,910</b>	<b>59,897,342</b>	<b>59,541,026</b>	<b>60,611,704</b>	<b>70,995,397</b>	<b>71,946,678</b>
<b>Liabilities &amp; Equity</b>							
Current Liabilities	1,215,590	864,511	806,991	810,128	835,373	1,093,342	1,104,468
Long Term Liabilities	20,393,255	19,917,128	19,779,462	19,357,256	18,791,794	27,481,563	26,653,506
<b>Total Liabilities</b>	<b>21,608,845</b>	<b>20,781,639</b>	<b>20,586,453</b>	<b>20,167,384</b>	<b>19,627,167</b>	<b>28,574,905</b>	<b>27,757,974</b>
<b>Net Assets</b>	<b>39,248,181</b>	<b>39,389,271</b>	<b>39,310,889</b>	<b>39,373,642</b>	<b>40,984,537</b>	<b>42,420,492</b>	<b>44,188,704</b>
<b>Cash Flow</b>							
Revenues	7,269,316	7,575,077	7,586,233	7,755,540	7,906,150	8,059,772	8,216,467
Operating Expenses	3,494,603	3,876,579	4,033,420	4,114,088	4,196,370	4,304,097	4,389,703
Other Income	26,681	31,674	32,501	32,501	32,501	32,501	32,501
<b>Cash Flow Before Debt Service</b>	<b>3,801,394</b>	<b>3,730,172</b>	<b>3,585,314</b>	<b>3,673,953</b>	<b>3,742,281</b>	<b>3,788,176</b>	<b>3,859,265</b>
<b>Debt Service</b>							
Existing Debt Service	1,333,667	1,341,139	1,049,460	945,712	958,991	860,432	854,233
Proposed KIA Loan	0	0	0	0	0	365,539	365,539
<b>Total Debt Service</b>	<b>1,333,667</b>	<b>1,341,139</b>	<b>1,049,460</b>	<b>945,712</b>	<b>958,991</b>	<b>1,225,971</b>	<b>1,219,772</b>
<b>Cash Flow After Debt Service</b>	<b>2,467,727</b>	<b>2,389,033</b>	<b>2,535,854</b>	<b>2,728,241</b>	<b>2,783,290</b>	<b>2,562,205</b>	<b>2,639,493</b>
<b>Ratios</b>							
Current Ratio	8.0	12.2	13.8	12.8	13.1	10.5	10.9
Debt to Equity	0.6	0.5	0.5	0.5	0.5	0.7	0.6
Days Sales in Accounts Receivable	33.9	38.3	33.6	33.6	33.6	33.6	33.6
Months Operating Expenses in Unrestricted Cash	11.7	13.2	10.4	11.7	13.1	14.3	15.5
Debt Coverage Ratio	2.9	2.8	3.4	3.9	3.9	3.1	3.2

<b>EXECUTIVE SUMMARY</b>		Reviewer	Alex Fisher		
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	September 23, 2021		
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number	F20-021 (Increase)		
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21165025		
BORROWER	CAVE RUN WATER COMMISSION MENIFEE COUNTY				
BRIEF DESCRIPTION The Cave Run Water Commission is requesting a Fund F loan increase of \$868,750 to supplement the Elevated Water Storage Tank Construction project initially approved on June 4th, 2020, which will bring the new total KIA loan amount up to \$2,040,100. The increase is due to higher bids than budgeted due the shortage of supplies and increased material costs. The project scope remains the same.					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund F Loan	\$2,040,100	Administrative Expenses			\$40,000
		Legal Expenses			15,000
		Planning			22,500
		Eng - Design / Const	7.9%	4.3%	77,700
		Eng - Insp	4.8%	2.8%	50,400
		Eng - Other			25,000
		Construction			1,645,000
		Contingency			164,500
TOTAL	\$2,040,100	TOTAL			\$2,040,100
REPAYMENT	Rate	1.50%	Est. Annual Payment	\$123,549	
	Term	20 Years	1st Payment	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Kentucky Engineering Group PLLC			
	Bond Counsel	Rubin & Hays			
PROJECT SCHEDULE	Bid Opening	Aug-21			
	Construction Start	Mar-22			
	Construction Stop	Dec-22			
DEBT PER CUSTOMER	Existing	N/A (Wholesale)			
	Proposed	N/A (Wholesale)			
OTHER DEBT	See Attached				
WHOLESALE RATES	Current	<u>Users</u>	<u>Avg. Bill</u>		
		3	\$2.67	(for 1,000 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	351,896	175,662	176,234	2.0	
Audited 2019	441,597	206,714	234,883	2.1	
Audited 2020	420,448	191,623	228,825	2.2	
Projected 2021	402,949	214,381	188,568	1.9	
Projected 2022	428,066	214,622	213,444	2.0	
Projected 2023	465,343	338,373	126,970	1.4	
Projected 2024	450,944	338,336	112,608	1.3	
Projected 2025	436,257	338,861	97,396	1.3	

Reviewer: Alex Fisher  
Date: September 23, 2021  
Loan Number: F20-021 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
CAVE RUN WATER COMMISSION, MENIFEE COUNTY  
PROJECT REVIEW  
WX21165025**

**I. PROJECT DESCRIPTION**

The Cave Run Water Commission is requesting a Fund F loan increase of \$868,750 to supplement the Elevated Water Storage Tank Construction project initially approved on June 4<sup>th</sup>, 2020, which will bring the new total KIA loan amount up to \$2,040,100. The increase is due to higher bids than budgeted due the shortage of supplies and increased material costs. The project scope remains the same.

This project will construct a new water tank in order to provide purchase source water protection and water supply redundancy that is currently lacking in the system. A new 300,000 gallon elevated storage tank will be constructed on the Menifee and Morgan County Line to service the City of Frenchburg, City of Jeffersonville, and the Morgan County Water district. SCADA will be installed at the tank to enable remote reading and level control from the Water Treatment Plant along with a security fence and approximately 800 LF of 12" PVC waterline to connect the new tank to the existing transmission line.

With Cave Run Water Commission's current system configuration and operations, Morgan County Water District's Ezel Water Tank (150,000 gallons) empties in 10-12 hours when Cave Run stops producing water at the water treatment plant. The Ezel Water Tank has been emptied two times in the past year because it cannot be filled when the plant isn't producing water. By constructing a new water tank, Cave Run Water Commission will be able to provide additional storage for the service area and allow the Ezel Water Tank to be filled when the water treatment plant is shutdown between production.

Cave Run Water Commission provides approximately 40-50% of Morgan County Water District's water; 95-99% of the City of Frenchburg's water; and 95-99% of the City of Jeffersonville's water. In total, Cave Run Water Commission indirectly services a population of 18,900 from the Cave Run Tank and sells an average of 1 million gallons of water to wholesale customers each day.

## II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 40,000
Legal Expenses	15,000
Planning	22,500
Engineering Fees - Design	77,700
Engineering Fees - Inspection	50,400
Engineering Fees - Other	25,000
Construction	1,645,000
Contingency	164,500
<b>Total</b>	<b>\$ 2,040,100</b>

## III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 2,040,100	100%
<b>Total</b>	<b>\$ 2,040,100</b>	<b>100%</b>

## IV. KIA DEBT SERVICE

Construction Loan	\$ 2,040,100
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 2,040,100
Interest Rate	1.50%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 118,449
Administrative Fee (0.25%)	5,100
<b>Total Estimated Annual Debt Service</b>	<b>\$ 123,549</b>

## V. PROJECT SCHEDULE

Bid Opening	August 2021
Construction Start	March 2022
Construction Stop	December 2022

## **VI. CUSTOMER COMPOSITION AND RATE STRUCTURE**

### **A) Customers**

Customers	Current
Wholesale	3
Total	3

### **B) Rates**

	Newly Passed	Current	Prior
Date of Last Rate Increase	01/01/22	07/01/18	07/01/17
Wholesale Rate (per 1,000 gallons)	\$2.90	\$2.67	\$2.57
Cost for 1,000 gallons	\$2.90	\$2.67	\$2.57
Increase %	8.6%	3.9%	

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was approximately 18,900 based on the three wholesale customers it provides service to in Morgan, Menifee, and Montgomery counties. The project will qualify for the non-standard 1.5% interest rate because Cave Run Water Commission is a regional provider.

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

## HISTORY

Revenues increased 7% from \$1.02 million in 2018 to \$1.09 million in 2020 due to wholesale rate increases and volume growth. Operating expenses increased 1.3% over the same period due to increased payroll expenses. The debt coverage ratio was 2.0, 2.1, and 2.2 in 2018, 2019, and 2020 respectively.

The 2020 balance sheet reflects a current ratio of 7.1, debt to equity ratio of 0.4, 42.6 days' sales in accounts receivable, and 17.4 months operating expenses in unrestricted cash.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Recently passed rate increase of 8.6% will go into effect January 2022, which will provide the water commission ample coverage for this loan's debt service. The rate is projected flat after that increase.
- 2) Volume growth will remain flat for the projected years.
- 3) Expenses will grow 2% annually due to inflation.
- 4) Debt service coverage is 1.4 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% (\$102,000 total) of the final amount borrowed to be funded annually (\$5,100 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
USDA RD Bond	\$ 2,408,000	2044
USDA RD Bond	231,500	2048
KIA Loan (F16-032)	614,451	2038
<b>Total</b>	<b>\$ 3,253,951</b>	

## **XI. CONTACTS**

### **Legal Applicant**

Entity Name	Cave Run Water Commission
Authorized Official	Edward Bryant (Chairperson)
County	Menifee
Email	mayor@mrtc.com
Phone	(606) 768-3457
Address	P.O. Box 20, 7533 Hwy 1693 Wellington, KY 40387

### **Applicant Contact**

Name	Larry Workman
Organization	Cave Run Water Commission
Email	crwater@mrtc.com
Phone	(606) 768-6665
Address	P.O. Box 20 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 C. 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 increase with the standard conditions.

**CAVE RUN WATER COMMISSION**  
**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	713,508	1,057,159	1,121,388	1,140,196	1,166,040	1,185,337	1,196,598	1,206,337
Other Assets	11,499,464	11,180,711	10,980,460	10,846,266	10,683,457	12,488,021	12,239,560	11,977,408
<b>Total</b>	<b>12,212,972</b>	<b>12,237,870</b>	<b>12,101,848</b>	<b>11,986,462</b>	<b>11,849,497</b>	<b>13,673,359</b>	<b>13,436,158</b>	<b>13,183,746</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	99,858	215,152	157,544	161,224	165,868	294,162	298,810	303,685
Long Term Liabilities	3,423,821	3,298,356	3,216,197	3,117,973	3,016,405	4,827,943	4,596,033	4,360,548
<b>Total Liabilities</b>	<b>3,523,679</b>	<b>3,513,508</b>	<b>3,373,741</b>	<b>3,279,197</b>	<b>3,182,273</b>	<b>5,122,105</b>	<b>4,894,843</b>	<b>4,664,233</b>
<b>Net Assets</b>	<b>8,689,293</b>	<b>8,724,362</b>	<b>8,728,107</b>	<b>8,707,265</b>	<b>8,667,224</b>	<b>8,551,254</b>	<b>8,541,315</b>	<b>8,519,513</b>
<b>Cash Flow</b>								
Revenues	1,016,576	1,145,689	1,087,933	1,087,589	1,126,546	1,183,040	1,183,040	1,183,040
Operating Expenses	669,815	710,068	678,421	691,989	705,829	725,046	739,445	754,132
Other Income	5,135	5,976	10,936	7,349	7,349	7,349	7,349	7,349
<b>Cash Flow Before Debt Service</b>	<b>351,896</b>	<b>441,597</b>	<b>420,448</b>	<b>402,949</b>	<b>428,066</b>	<b>465,343</b>	<b>450,944</b>	<b>436,257</b>
<b>Debt Service</b>								
Existing Debt Service	175,662	206,714	191,623	214,381	214,622	214,824	214,787	215,312
Proposed KIA Loan	0	0	0	0	0	123,549	123,549	123,549
<b>Total Debt Service</b>	<b>175,662</b>	<b>206,714</b>	<b>191,623</b>	<b>214,381</b>	<b>214,622</b>	<b>338,373</b>	<b>338,336</b>	<b>338,861</b>
<b>Cash Flow After Debt Service</b>	<b>176,234</b>	<b>234,883</b>	<b>228,825</b>	<b>188,568</b>	<b>213,444</b>	<b>126,970</b>	<b>112,608</b>	<b>97,396</b>
<b>Ratios</b>								
Current Ratio	7.1	4.9	7.1	7.1	7.0	4.0	4.0	4.0
Debt to Equity	0.4	0.4	0.4	0.4	0.4	0.6	0.6	0.5
Days Sales in Accounts Receivable	42.5	37.2	42.6	42.6	42.6	42.6	42.6	42.6
Months Operating Expenses in Unrestricted Cash	10.7	15.7	17.4	17.4	17.4	17.3	17.1	17.0
Debt Coverage Ratio	2.0	2.1	2.2	1.9	2.0	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	Sarah Parsley	
		Date	May 6, 2021	
		KIA Loan Number	F21-002	
		WRIS Number	WX21175041	
BORROWER	MORGAN COUNTY WATER DISTRICT MORGAN COUNTY			
BRIEF DESCRIPTION				
The KY Hwy 191 Waterline Replacement Project will replace the existing aging (30+ years old) waterlines along KY Hwy 191, Red Bird Lane, Barker Branch Road, CR 1221, Bigstaff Branch Road, CR 1000, Morris Cemetery Rd, KY 1162, and Stinson Branch Road with new 3", 4", 6", and 8" PVC piping. This will assist the District in reducing the extremely high water loss they are currently experiencing due to waterline breaks and faulty water meters. In addition to waterline replacement, approximately one third of the Morgan County Water District's water meters will be replaced and upgraded to the newest transmitter system available.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$3,262,000	RD Fee %	Actual %	
		Administrative Expenses		\$40,000
		Legal Expenses		5,000
		Planning		10,000
		Eng - Design / Const	7.4%	7.2%
		Eng - Insp	4.2%	4.1%
		Eng - Other		41,000
		Construction		2,576,800
		Contingency		258,000
		Other		10,000
TOTAL	\$3,262,000	TOTAL		\$3,262,000
REPAYMENT	Rate	0.25%	Est. Annual Payment	\$83,965
	Term	30 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Nesbitt Engineering, Inc.		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Aug-21		
	Construction Start	Sep-21		
	Construction Stop	Sep-22		
DEBT PER CUSTOMER	Existing	\$1,267		
	Proposed	\$1,943		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		Users	Avg. Bill	
	Current	2,850	\$54.42 (for 4,000 gallons)	
	Additional	0	\$54.42 (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	266,121	177,734	88,387	1.5
Audited 2018	138,497	178,842	(40,345)	0.8
Audited 2019	196,464	238,136	(41,672)	0.8
Projected 2020	186,467	279,040	(92,573)	0.7
Projected 2021	342,739	246,137	96,602	1.4
Projected 2022	517,951	244,592	273,359	2.1
Projected 2023	499,142	331,086	168,056	1.5
Projected 2024	488,321	328,962	159,359	1.5

Reviewer: Sarah Parsley  
Date: May 6, 2021  
Loan Number: F21-002

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
MORGAN COUNTY WATER DISTRICT, MORGAN COUNTY  
PROJECT REVIEW  
WX21175041**

**I. PROJECT DESCRIPTION**

The Morgan County Water District is requesting a Fund F loan in the amount of \$3,262,000 for the Ky Hwy 191 Waterline Replacement Reserve project. This project will involve replacing the existing aging (30+ years old) waterlines along KY Hwy 191, Red Bird Lane, Barker Branch Road, CR 1221, Bigstaff Branch Road, CR 1000, Morris Cemetery Rd, KY 1162, and Stinson Branch Road with new 3", 4", 6", and 8" PVC piping. This will assist the District in reducing the extremely high water loss they are currently experiencing due to waterline breaks and faulty water meters. In addition to waterline replacement, approximately one third of the Morgan County Water District's water meters will be replaced and upgraded to the newest transmitter system available.

The Water District serves approximately 2,850 customers and is regulated by the PSC.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 40,000
Legal Expenses	5,000
Planning	10,000
Engineering Fees - Design	164,500
Engineering Fees - Construction	41,000
Engineering Fees - Inspection	115,700
Engineering Fees - Other	41,000
Construction	2,576,800
Contingency	258,000
Other	10,000
<b>Total</b>	<b>\$ 3,262,000</b>

### III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 3,262,000	100%
<b>Total</b>	<b>\$ 3,262,000</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$ 3,262,000
Less: Principal Forgiveness	1,000,000
Amortized Loan Amount	\$ 2,262,000
Interest Rate	0.25%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 78,310
Administrative Fee (0.25%)	5,655
<b>Total Estimated Annual Debt Service</b>	<b>\$ 83,965</b>

### V. PROJECT SCHEDULE

Bid Opening	August 15, 2021
Construction Start	September 15, 2021
Construction Stop	September 15, 2022

### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

#### A) Customers

Customers	Current	Proposed	Total
Residential	2,700	0	2,700
Commercial	150	0	150
Industrial	0	0	0
Total	2,850	0	2,850

#### B) Rates

	Proposed	Current	Prior
Date of Last Rate Increase	07/01/21	10/13/19	07/22/17
Minimum (2000 gallons)	\$31.27	\$25.42	\$25.22
Next 3,000 Gallons (per 1000 gal)	11.57	9.41	9.31
Over 3,000 Gallons	10.73	8.72	8.62
Cost for 4,000 gallons	\$54.42	\$44.24	\$43.84
Increase %	23.0%	0.9%	
Affordability Index (Rate/MHI)	1.9%	1.6%	

## **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 qualify for additional subsidization. Principal forgiveness of up to 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.

## **VIII. FINANCIAL ANALYSIS**

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

### **HISTORY**

Revenues increased 4.1% from \$1,423,025 in 2017 to \$1,466,816 in 2019 due to a rate increase. Operating expenses increased 8.8% from \$1,167,276 in 2017 to \$1,270,427 in 2019.

The 2019 balance sheet reflects a current ratio of 0.4, a debt to equity ratio of 0.4, 38.7 days sales in accounts receivable, and 0 months operating expense in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Water revenues will increase by approximately 23% by July 2021, pending PSC approval.
- 2) Expenses will increase 2% for inflation.
- 3) Debt service coverage is 1.5 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% (\$164,000 total) of the final amount borrowed (prior to principal forgiveness) to be funded annually (\$8,200 yearly) each December 1 for 20 years and maintained for the life of the loan.

## IX. DEBT OBLIGATIONS

	<b>Outstanding</b>	<b>Maturity</b>
Bonds, Series 2001	\$ 231,000	2040
Bonds, Series 2006	829,000	2045
Bonds, Series 2008	1,271,890	2048
KRWFC Bonds, Series 2016D	1,250,000	2042
Bank of the Mountains	30,000	2020
<b>Total</b>	<b>\$ 3,611,890</b>	

## X. CONTACTS

<b>Legal Applicant</b>	
Entity Name	Morgan County Water District
Authorized Official	Linda Bradley (Chairman)
County	Morgan
Email	shelam89@yahoo.com
Phone	(606) 743-1204
Address	1009 Hwy 172 West Liberty, KY 41472

<b>Applicant Contact</b>	
Name	Shannon Elam
Organization	Morgan County Water District
Email	mcwdshannon@gmail.com
Phone	(606) 743-1204
Address	1009 Hwy 172 West Liberty, KY 41472

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

**XI. RECOMMENDATIONS**

KIA staff recommends approval of the loan with the standard conditions 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 \$3,262,000 loan. This debt authorization application should include a forecast for meeting debt service projected through no less than 2025.
- 2) By June 30, 2021, the District will need a resolution demonstrating their intentions to increase revenues as necessary and authorized by the PSC to meet the loan requirements over the life of the loan. KIA Staff review indicates that revenues would need to be increased by 15% in 2022, to meet expenses and debt service in the first full year of debt service in 2023.
- 3) 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.

**MORGAN 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	195,296	166,098	163,711	145,189	182,110	256,482	290,093	321,965
Other Assets	17,527,338	17,791,893	17,258,666	16,676,186	16,245,045	19,135,760	18,680,233	18,217,748
Total	<u>17,722,634</u>	<u>17,957,991</u>	<u>17,422,377</u>	<u>16,821,375</u>	<u>16,427,155</u>	<u>19,392,242</u>	<u>18,970,326</u>	<u>18,539,713</u>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	384,786	365,056	416,503	389,443	392,953	401,013	404,603	411,743
Long Term Liabilities	4,091,002	4,372,987	4,298,176	4,196,656	4,092,626	6,243,536	6,129,856	6,010,036
Total Liabilities	<u>4,475,788</u>	<u>4,738,043</u>	<u>4,714,679</u>	<u>4,586,099</u>	<u>4,485,579</u>	<u>6,644,549</u>	<u>6,534,459</u>	<u>6,421,779</u>
Net Assets	<u>13,246,846</u>	<u>13,219,948</u>	<u>12,707,698</u>	<u>12,235,276</u>	<u>11,941,576</u>	<u>12,747,693</u>	<u>12,435,867</u>	<u>12,117,934</u>
<b>Cash Flow</b>								
Revenues	1,423,025	1,417,970	1,466,816	1,466,816	1,633,285	1,818,898	1,818,898	1,818,898
Operating Expenses	1,156,997	1,279,574	1,270,427	1,280,424	1,290,621	1,301,022	1,319,831	1,330,652
Other Income	93	101	75	75	75	75	75	75
Cash Flow Before Debt Service	<u>266,121</u>	<u>138,497</u>	<u>196,464</u>	<u>186,467</u>	<u>342,739</u>	<u>517,951</u>	<u>499,142</u>	<u>488,321</u>
<b>Debt Service</b>								
Existing Debt Service	177,734	178,842	238,136	279,040	246,137	244,592	247,121	244,997
Proposed KIA Loan	0	0	0	0	0	0	83,965	83,965
Total Debt Service	<u>177,734</u>	<u>178,842</u>	<u>238,136</u>	<u>279,040</u>	<u>246,137</u>	<u>244,592</u>	<u>331,086</u>	<u>328,962</u>
Cash Flow After Debt Service	<u>88,387</u>	<u>(40,345)</u>	<u>(41,672)</u>	<u>(92,573)</u>	<u>96,602</u>	<u>273,359</u>	<u>168,056</u>	<u>159,359</u>
<b>Ratios</b>								
Current Ratio	0.5	0.5	0.4	0.4	0.5	0.6	0.7	0.8
Debt to Equity	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.5
Days Sales in Accounts Receivable	41.9	40.0	38.7	38.7	38.7	38.7	38.7	38.7
Months Operating Expenses in Unrestricted Cash	0.3	0.0	0.0	(0.2)	0.0	0.5	0.8	1.1
Debt Coverage Ratio	1.5	0.8	0.8	0.7	1.4	2.1	1.5	1.5

AREA Morgan County, KY

PSC KY NO. 2

1st Revised SHEET NO. 4

CANCELLING PSC KY NO. 2

Original SHEET NO. 4

Morgan County Water District

(NAME OF UTILITY)

**SECTION 1. RATES AND CHARGES**

Monthly Water Rates

**5/8- x 3/4-Inch Meter**

First 2,000 Gallons	<b>\$28.34 Minimum bill</b>	(I)
Next 3,000 Gallons	0.01049 Per Gallon	↓
Next 5,000 Gallons	0.00972 Per Gallon	
Next 5,000 Gallons	0.00895 Per Gallon	
Over 15,000 Gallons	0.00818 Per Gallon	

**1-Inch Meter**

First 5,000 Gallons	<b>\$59.97 Minimum bill</b>
Next 5,000 Gallons	0.00972 Per Gallon
Next 5,000 Gallons	0.00895 Per Gallon
Over 15,000 Gallons	0.00818 Per Gallon

**2-Inch Meter**

First 15,000 Gallons	<b>\$152.06 Minimum bill</b>
Over 15,000 Gallons	0.00818 Per Gallon

**6-Inch Meter**

First 100,000 Gallons	<b>\$848.86 Minimum bill</b>
Over 100,000 Gallons	0.00818 Per Gallon

**Wholesale Water Rates** \*Connection for Emergency Use Only\*

City of Campton	0.00475 Per Gallon	(T)
City of Frenchburg	0.00475 Per Gallon	↓

DATE OF ISSUE May 17, 2021

MONTH / DATE / YEAR

DATE EFFECTIVE April 26, 2021

MONTH / DATE / YEAR

ISSUED BY Brian C. Miller

SIGNATURE OF OFFICER

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2021-00146 DATED April 26, 2021

**KENTUCKY  
PUBLIC SERVICE COMMISSION**

**Linda C. Bridwell**  
Executive Director



EFFECTIVE

**5/14/2021**

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)



<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	F21-010	
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21133054	
<b>BORROWER</b>		LETCHER COUNTY WATER & SEWER DISTRICT LETCHER COUNTY		
<b>BRIEF DESCRIPTION</b>				
<p>The Letcher County Water and Sewer District is requesting a Fund F loan in the amount of \$2,487,495 for the Regional Interconnect &amp; Distribution Lines Cumberland River Phase 4 project. The proposed project will provide a first time source of potable water for approximately 200 households in Letcher County through the establishment of a regional interconnect with the City of Cumberland and the construction of distribution lines along the KY HWY 119 corridor in Letcher County. Residents of Collier's Creek and Lewis Branch will be served as part of this project. The project will also lay the foundation from which distribution can be expanded through the remainder of the Cumberland River area in subsequent Phases I, II and III. The project will be installed primarily on state and county rights of way and will utilize trenchless technology to accomplish any and all stream crossings.</p> <p>The distribution lines portion of the project has been reviewed and approved by KYDOW. Construction will include 13,753 LF of 6" PVC, 10,385 LF of 4" PVC, and 16,157 LF of 3" PVC for a total of 40,295 LF of new waterline extension. The project will also construct a 100,000-gallon storage tank, a 250 GPM Pump Station, six flushing hydrants, six blow off valves, sixteen 6" Gate Valve, six 4" Gate Valves, four 3" Gate Valves, three air release valves, one pressure Stabilizing valve, and a master meter. The project does include telemetry.</p> <p>Currently Letcher County Water and Sewer serves 2,989 residential and 10 commercial customers.</p>				
<b>PROJECT FINANCING</b>		<b>PROJECT BUDGET</b>		
Fund F Loan	\$2,487,495	RD Fee %	Actual %	
LGEDF	708,539	Administrative Expenses		\$40,000
ARC	500,000	Legal Expenses		35,000
		Land, Easements		25,000
		Eng - Design / Const	7.2%	7.2%
		Eng - Insp	4.0%	3.9%
		Eng - Other		90,000
		Construction		2,868,328
		Contingency		286,172
<b>TOTAL</b>	<b>\$3,696,034</b>	<b>TOTAL</b>		<b>\$3,696,034</b>
<b>REPAYMENT</b>	Rate	0.25%	Est. Annual Payment	\$80,015
	Term	20 Years	1st Payment	6 Mo. after first draw
<b>PROFESSIONAL SERVICES</b>	Engineer	Bell Engineering		
	Bond Counsel	Rubin & Hays		
<b>PROJECT SCHEDULE</b>	Bid Opening	Sep-21		
	Construction Start	Nov-21		
	Construction Stop	Nov-22		
<b>DEBT PER CUSTOMER</b>	Existing	\$721		
	Proposed	\$2,427		
<b>OTHER DEBT</b>	See Attached			
<b>RESIDENTIAL RATES</b>		<u>Users</u>	<u>Avg. Bill</u>	
	Current	2,999	\$43.66 (for 4,000 gallons)	
	Additional	200	\$43.66 (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	263,237	180,548	82,689	1.5
Audited 2018	357,213	164,941	192,272	2.2
Audited 2019	149,557	164,941	(15,384)	0.9
Projected 2020	130,454	172,892	(42,438)	0.8
Projected 2021	153,934	173,160	(19,226)	0.9
Projected 2022	440,497	386,976	53,521	1.1
Projected 2023	529,561	468,600	60,961	1.1
Projected 2024	618,311	467,521	150,790	1.3

Reviewer: Alex Fisher  
Date: April 1, 2021  
Loan Number: F21-010

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
LETCHER COUNTY WATER DISTRICT, LETCHER COUNTY  
PROJECT REVIEW  
WX21133054**

**I. PROJECT DESCRIPTION**

The Letcher County Water and Sewer District is requesting a Fund F loan in the amount of \$2,487,495 for the Regional Interconnect & Distribution Lines Cumberland River Phase 4 project. The proposed project will provide a first time source of potable water for approximately 200 households in Letcher County through the establishment of a regional interconnect with the City of Cumberland and the construction of distribution lines along the KY HWY 119 corridor in Letcher County. Residents of Collier's Creek and Lewis Branch will be served as part of this project. The project will also lay the foundation from which distribution can be expanded through the remainder of the Cumberland River area in subsequent Phases I, II and III. The project will be installed primarily on state and county rights of way and will utilize trenchless technology to accomplish any and all stream crossings.

The distribution lines portion of the project has been reviewed and approved by KYDOW. Construction will include 13,753 LF of 6" PVC, 10,385 LF of 4" PVC, and 16,157 LF of 3" PVC for a total of 40,295 LF of new waterline extension. The project will also construct a 100,000-gallon storage tank, a 250 GPM Pump Station, six flushing hydrants, six blow off valves, sixteen 6" Gate Valve, six 4" Gate Valves, four 3" Gate Valves, three air release valves, one pressure Stabilizing valve, and a master meter. The project does include telemetry.

Currently Letcher County Water and Sewer serves 2,989 residential and 10 commercial customers.

**II. PROJECT BUDGET**

	<b>Total</b>
Administrative Expenses	\$ 40,000
Legal Expenses	35,000
Land, Easements	25,000
Engineering Fees - Design	227,100
Engineering Fees - Inspection	124,434
Engineering Fees - Other	90,000
Construction	2,868,328
Contingency	286,172
<b>Total</b>	<b>\$ 3,696,034</b>

### III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 2,487,495	67%
LGEDF	708,539	19%
ARC	500,000	14%
<b>Total</b>	<b>\$ 3,696,034</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$ 2,487,495
Less: Principal Forgiveness	<u>1,000,000</u>
Amortized Loan Amount	\$ 1,487,495
Interest Rate	0.25%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 76,296
Administrative Fee (0.25%)	<u>3,719</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$ 80,015</b>

### V. PROJECT SCHEDULE

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

### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

#### A) Customers

<u>Customers</u>	<u>Current</u>	<u>Proposed</u>	<u>Total</u>
Residential	2,989	200	3,189
Commercial	10	0	10
Industrial	0	0	0
<b>Total</b>	<u>2,999</u>	<u>200</u>	<u>3,199</u>

## B) Rates

<b>WATER (In City and Out of City)</b>	<b>Proposed</b>	Current	Prior
Date of Last Rate Increase	07/01/21	03/23/20	06/20/01
Minimum (2,000 gallons)	29.48	\$28.08	\$27.50
Next 1,000 gallons over 2,000	8.18	7.79	7.50
Cost for 4,000 gallons	\$45.84	\$43.66	\$42.50
Increase %	5.0%	2.7%	
Affordability Index (Rate/MHI)	1.9%	1.8%	

<b>SEWER (In City and Out of City)</b>	Current	Prior
Date of Last Rate Increase	03/23/20	06/20/01
Minimum (4,000 gallons)	\$20.00	\$20.00
Cost for 4,000 gallons	\$20.00	\$20.00
Increase %	0.0%	
Affordability Index (Rate/MHI)	0.8%	

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2016, the Utility's service area population was 10,736 with a Median Household Income (MHI) of \$29,118. The median household income for the Commonwealth is \$48,392. The loan will qualify for a 20-year loan term at 0.25% interest rate and \$1,000,000 in principal forgiveness.

## 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 qualify 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, 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 22.3% from \$1.27 million in 2017 to \$1.56 in 2019 while operating expenses increased 40.3% from \$0.53 million to \$0.74 million during the same period primarily due to wages and office expenses. The debt coverage ratio was 1.5, 2.2, and 0.9 in 2017, 2018, and 2019 respectively.

The balance sheet reflects a current ratio of 2.7, a debt to equity ratio of 0.1, 43.6 days of sales in accounts receivable, and 3.3 months of operating expenses in unrestricted cash.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will need to increase water rates 5% effective 7/1/2021 for FY2022 to cover the debt service for both loan requests F21-033 and F21-010.
- 2) Each funding source provides funding as allocated in the project funding above.
- 3) Expenses are projected to increase 2% annually due to inflation.
- 4) Debt service coverage is 1.1 in 2023 when principal and interest repayments begin.

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

## REPLACEMENT RESERVE

The replacement reserve will be 5% (\$124,000 total) of the final amount borrowed to be funded annually (\$6,200 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Rural Utilities Service Bond (RUS)	\$ 667,000	2045
Blackey Water Treatment Plant (RUS)	337,000	2036
Camp Branch Sandlick (RUS)	827,500	2045
KIA F07-04 (Little Cowan)	330,644	2027
KIA Loan F21-033 (i/a/o \$4,000,000)		TBD
<b>Total</b>	<b>\$ 2,162,144</b>	

## **XI. CONTACTS**

### **Legal Applicant**

Entity Name	Letcher County Water & Sewer District
Authorized Official	Dianne Adams (Chairman)
County	Letcher
Email	dianneatisom@gmail.com
Phone	(606) 633-8550
Address	3443 US 119 N Mayking, KY 41837

### **Applicant Contact**

Name	Mark Lewis
Organization	Letcher County Water and Sewer District
Email	marklws21@gmail.com
Phone	(606) 633-8550
Address	3443 US 119 N Mayking, KY 41837

### **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	Stephen Caudill
Firm Name	Bell Engineering
Email	scaudill@hkbell.com
Phone	(859) 278-5412
Address	2480 Fortune Dr STE 350 Lexington, KY 40509

## **XII. RECOMMENDATIONS**

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

1. The District will need to apply to the Public Service Commission (PSC), pursuant to KRS 278.300, for debt authorization for the \$2,487,495 loan. This debt authorization application should include a forecast for meeting debt service projected through no less than (2025).
2. By April 30, 2021, the District will need a resolution from the Letcher County Water and Sewer District Board, demonstrating their intentions to increase revenues as necessary and authorized by the PSC to meet the loan requirements over the life of the loan. KIA Staff review indicates that revenues would need to be increase by \$73,391, which equates approximately to rates increased by 5% in 2022, to meet expenses and debt service in the first full year of debt service in 2023.
3. 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.

Letcher County Water & Sewer District  
3443 Hwy 119 N  
Mayking, Ky 41837

RESOLUTION 2021-8-19 B

NOW THEREFORE BE IT RESOLVED:

1) The Letcher County Water & Sewer District Board approves the execution of the contract with Kentucky Infrastructure Authority for the loan (F21-010) in the amount of \$2,487,495.

2) The Letcher County Water & Sewer District Board approves and directs the Chairman to execute and sign all documents required for the contracts with Kentucky Infrastructure Authority for the loan (F21-010) in the amount of \$2,487,495. The Board further authorizes the chairman to hire, complete and submit the required applications and rate studies necessary to complete the PSC requirements for construction authorizations and rate increases.

3) The Letcher County Water & Sewer District Board commits to increase revenues as necessary and authorized by PSC to meet the loan requirements over the life. KIA Staff review indicates that revenues would need to be increased by \$202,000.00 to meet expenses and debt service in the first full year of debt service in 2023. PSC requires rate increases to be approved after bids for construction are received.

4) The Letcher County Water & Sewer District Board commits to increase revenues as necessary to maintain a debt service coverage is 1.1 in 2023 and beyond.

APPROVED DATE: 8-19-2021

Chairman: Deanne Adams Date: 8-19-21

Attested: Stephanie Bowling Date: 8-19-21



**LETCHER COUNTY WATER & SEWER 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	553,620	594,154	587,054	544,583	529,957	604,777	678,238	841,528
Other Assets	25,076,654	25,449,442	25,033,755	24,203,090	23,372,425	33,997,593	33,090,727	32,183,861
<b>Total</b>	<b>25,630,274</b>	<b>26,043,596</b>	<b>25,620,809</b>	<b>24,747,673</b>	<b>23,902,382</b>	<b>34,602,370</b>	<b>33,768,965</b>	<b>33,025,389</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	165,931	240,931	215,591	217,366	219,166	220,966	222,866	224,766
Long Term Liabilities	2,317,666	2,243,001	2,208,925	2,121,576	2,034,227	7,809,373	7,722,024	7,634,675
<b>Total Liabilities</b>	<b>2,483,597</b>	<b>2,483,932</b>	<b>2,424,516</b>	<b>2,338,942</b>	<b>2,253,393</b>	<b>8,030,339</b>	<b>7,944,890</b>	<b>7,859,441</b>
<b>Net Assets</b>	<b>23,146,677</b>	<b>23,559,664</b>	<b>23,196,293</b>	<b>22,408,731</b>	<b>21,648,989</b>	<b>26,572,031</b>	<b>25,824,075</b>	<b>25,165,948</b>
<b>Cash Flow</b>								
Revenues	1,271,111	1,559,176	1,555,036	1,555,036	1,593,625	1,771,800	1,876,584	1,981,368
Operating Expenses	1,023,739	1,223,148	1,407,875	1,426,978	1,442,087	1,333,699	1,349,419	1,365,453
Other Income	15,865	21,185	2,396	2,396	2,396	2,396	2,396	2,396
<b>Cash Flow Before Debt Service</b>	<b>263,237</b>	<b>357,213</b>	<b>149,557</b>	<b>130,454</b>	<b>153,934</b>	<b>440,497</b>	<b>529,561</b>	<b>618,311</b>
<b>Debt Service</b>								
Existing Debt Service	180,548	164,941	164,941	172,892	173,160	171,809	173,418	172,339
Proposed KIA Loan	0	0	0	0	0	215,167	295,182	295,182
<b>Total Debt Service</b>	<b>180,548</b>	<b>164,941</b>	<b>164,941</b>	<b>172,892</b>	<b>173,160</b>	<b>386,976</b>	<b>468,600</b>	<b>467,521</b>
<b>Cash Flow After Debt Service</b>	<b>82,689</b>	<b>192,272</b>	<b>(15,384)</b>	<b>(42,438)</b>	<b>(19,226)</b>	<b>53,521</b>	<b>60,961</b>	<b>150,790</b>
<b>Ratios</b>								
Current Ratio	3.3	2.5	2.7	2.5	2.4	2.7	3.0	3.7
Debt to Equity	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3
Days Sales in Accounts Receivable	54.1	45.3	43.6	43.6	43.6	43.6	43.6	43.6
Months Operating Expenses in Unrestricted Cash	4.1	3.8	3.3	2.9	2.7	3.4	3.9	5.2
Debt Coverage Ratio	1.5	2.2	0.9	0.8	0.9	1.1	1.1	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 F21-033 WX21133057	
BORROWER	LETCHER COUNTY WATER & SEWER DISTRICT LETCHER COUNTY			
BRIEF DESCRIPTION				
<p>The Letcher County Water District ("LCWD") is requesting a Fund F loan in the amount of \$4,000,000 for the Letcher County WTP project. This project will construct a 1,000,000 GPD water treatment plant at the Letcher and Perry County line on Highway 7. The project will include construction of the plant, the intake with 387 LF of 8" DI to the intake and approximately 295 LF of 8" DI to tie into the existing LCWSD system. The plant will be owned and operated by the LCWSD.</p> <p>The WTP will include VFD raw water and high service pumps, LED lighting (interior/exterior), Energy Star rate appliances/fixtures, stand-by diesel generators, Low E windows, Reflective Membrane Roof, Raw water intake and screen with permanganate feed and forced air backwash, Chemical feed, Flocculation basins, Settling Basins, Filtration Basins, Finish water chemical feed, Clear well, Side storage, Sedimentation / backwash basin, Sludge Drying bed/and or sludge hopper, and Primary Disinfectant will be chlorine liquid.</p> <p>Currently the Letcher County Water District serves 2,989 residential and 10 commercial customers.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$4,000,000	Administrative Expenses	\$50,000	
EDA	2,000,000	Legal Expenses	40,000	
USDA RD Loan	375,000	Land, Easements	60,000	
USDA RD Grant	125,000	Planning	20,000	
ARC	1,336,000	Eng - Design / Const	6.6% 5.9% 392,000	
		Eng - Insp	4.4% 4.4% 290,500	
		Eng - Other	383,500	
		Construction	6,000,000	
		Contingency	600,000	
TOTAL	<u>\$7,836,000</u>	TOTAL	<u>\$7,836,000</u>	
REPAYMENT	Rate	0.25%	Est. Annual Payment \$215,167	
	Term	20 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Bell Engineering		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Sep-21		
	Construction Start	Oct-21		
	Construction Stop	Jun-22		
DEBT PER CUSTOMER	Existing	\$721		
	Proposed	\$2,588		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u> 2,999	<u>Avg. Bill</u> \$43.66 (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	263,237	180,548	82,689	1.5
Audited 2018	357,213	164,941	192,272	2.2
Audited 2019	149,557	164,941	(15,384)	0.9
Projected 2020	130,454	172,892	(42,438)	0.8
Projected 2021	153,934	173,160	(19,226)	0.9
Projected 2022	440,497	386,976	53,521	1.1
Projected 2023	529,561	468,600	60,961	1.1
Projected 2024	618,311	467,521	150,790	1.3

Reviewer: Alex Fisher  
Date: April 1, 2021  
Loan Number: F21-033

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
LETCHER COUNTY WATER DISTRICT, LETCHER COUNTY  
PROJECT REVIEW  
WX21133057**

**I. PROJECT DESCRIPTION**

The Letcher County Water District (“LCWD”) is requesting a Fund F loan in the amount of \$4,000,000 for the Letcher County WTP project. This project will construct a 1,000,000 GPD water treatment plant at the Letcher and Perry County line on Highway 7. The project will include construction of the plant, the intake with 387 LF of 8” DI to the intake and approximately 295 LF of 8” DI to tie into the existing LCWSD system. The plant will be owned and operated by the LCWSD.

The WTP will include VFD raw water and high service pumps, LED lighting (interior/exterior), Energy Star rate appliances/fixtures, stand-by diesel generators, Low E windows, Reflective Membrane Roof, Raw water intake and screen with permanganate feed and forced air backwash, Chemical feed, Flocculation basins, Settling Basins, Filtration Basins, Finish water chemical feed, Clear well, Side storage, Sedimentation / backwash basin, Sludge Drying bed/and or sludge hopper, and Primary Disinfectant will be chlorine liquid.

Currently the Letcher County Water District serves 2,989 residential and 10 commercial customers.

**II. PROJECT BUDGET**

	<b>Total</b>
Administrative Expenses	\$ 50,000
Legal Expenses	40,000
Land, Easements	60,000
Planning	20,000
Engineering Fees - Design	305,000
Engineering Fees - Construction	87,000
Engineering Fees - Inspection	290,500
Engineering Fees - Other	383,500
Construction	6,000,000
Contingency	600,000
<b>Total</b>	<b>\$ 7,836,000</b>

### III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 4,000,000	51%
EDA	2,000,000	26%
USDA RD Loan	375,000	5%
USDA RD Grant	125,000	2%
ARC	1,336,000	17%
<b>Total</b>	<b>\$ 7,836,000</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$ 4,000,000
Less: Principal Forgiveness	0
Amortized Loan Amount	<u>\$ 4,000,000</u>
Interest Rate	0.25%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 205,167
Administrative Fee (0.25%)	<u>10,000</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$ 215,167</b>

### V. PROJECT SCHEDULE

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

### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

#### A) Customers

<u>Customers</u>	<u>Current</u>
Residential	2,989
Commercial	10
Industrial	<u>0</u>
Total	2,999

## B) Rates

<b>WATER (In City and Out of City)</b>	<b>Proposed</b>	Current	Prior
Date of Last Rate Increase	07/01/21	03/23/20	06/20/01
Minimum (2,000 gallons)	29.48	\$28.08	\$27.50
Next 1,000 gallons over 2,000	8.18	7.79	7.50
Cost for 4,000 gallons	\$45.84	\$43.66	\$42.50
Increase %	5.0%	2.7%	
Affordability Index (Rate/MHI)	1.9%	1.8%	

<b>SEWER (In City and Out of City)</b>	Current	Prior
Date of Last Rate Increase	03/23/20	06/20/01
Minimum (4,000 gallons)	\$20.00	\$20.00
Cost for 4,000 gallons	\$20.00	\$20.00
Increase %	0.0%	
Affordability Index (Rate/MHI)	0.8%	

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2016, the Utility's service area population was 10,736 with a Median Household Income (MHI) of \$29,118. The median household income for the Commonwealth is \$44,392. The loan will qualify for a 20-year loan term at 0.25% interest rate.

## VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - The Drinking Water capitalization grant does not contain a "green" requirement.
- 2) Additional Subsidization – This project 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. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

## HISTORY

Revenues increased 22.3% from \$1.27 million in 2017 to \$1.56 in 2019 while operating expenses increased 40.3% from \$0.53 million to \$0.74 million during the same period primarily due to wages and office expenses. Water purchase costs went up 34.6% from \$495 thousand in 2017 to \$667 thousand in 2019. Upon completion of this project, the District anticipates to reduce their water purchase cost by \$140 thousand annually upon based on an independent survey. The debt coverage ratio was 1.5, 2.2, and 0.9 in 2017, 2018, and 2019 respectively.

The balance sheet reflects a current ratio of 2.7, a debt to equity ratio of 0.1, 43.6 days of sales in accounts receivable, and 3.3 months of operating expenses in unrestricted cash.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will need to increase water rates 5% effective 7/1/2021 for FY2022 to cover the debt service for both loan requests F21-033 and F21-010.
- 2) Each funding source provides funding as allocated in the project funding above.
- 3) Expenses are projected to increase 2% annually due to inflation.
- 4) Debt service coverage is 1.1 in 2022 when principal and interest repayments begin.

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

## REPLACEMENT RESERVE

The replacement reserve will be 5% (\$200,000 total) of the final amount borrowed to be funded annually (\$10,000 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<b>Outstanding</b>	<b>Maturity</b>
Rural Utilities Service Bond (RUS)	\$ 667,000	2045
Blackey Water Treatment Plant (RUS)	337,000	2036
Camp Branch Sandlick (RUS)	827,500	2045
KIA F07-04 (Little Cowan)	330,644	2027
KIA Loan F21-010 (i/a/o \$2,487,495)		TBD
<b>Total</b>	<b>\$ 2,162,144</b>	

## **XI. CONTACTS**

### **Legal Applicant**

Entity Name	Letcher County Water & Sewer District
Authorized Official	Dianne Adams (Chairman)
County	Letcher
Email	dianneatisom@gmail.com
Phone	(606) 633-8550
Address	3443 US 119 N Mayking, KY 41837

### **Applicant Contact**

Name	Mark Lewis
Organization	Letcher County Water and Sewer District
Email	marklws21@gmail.com
Phone	(606) 633-8550
Address	3443 US 119 N Mayking, KY 41837

### **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	Stephen Caudill
Firm Name	Bell Engineering
Email	scaudill@hkbell.com
Phone	(859) 278-5412
Address	2480 Fortune Dr STE 350 Lexington, KY 40509

## **XII. RECOMMENDATIONS**

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

1. The District will need to apply to the Public Service Commission (PSC), pursuant to KRS 278.300, for debt authorization for the \$4 million loan. This debt authorization application should include a forecast for meeting debt service projected through no less than (2025).
2. By April 30, 2021, the District will need a resolution from the Letcher County Water and Sewer District Board, demonstrating their intentions to increase revenues as necessary and authorized by the PSC to meet the loan requirements over the life of the loan. KIA Staff review indicates that revenues would need to be increase by \$73,391, which equates approximately to rates increased by 5% in 2022, to meet expenses and debt service in the first full year of debt service in 2022.
3. 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.



Letcher County Water & Sewer District  
3443 Hwy 119 N  
Mayking, Ky 41837

RESOLUTION 2021-8-19 A

NOW THEREFORE BE IT RESOLVED:

1) The Letcher County Water & Sewer District Board approves the execution of the contract with Kentucky Infrastructure Authority for the loan (F21-033) in the amount of \$4,000,000.

2) The Letcher County Water & Sewer District Board approves and directs the Chairman to execute and sign all documents required for the contracts with Kentucky Infrastructure Authority for the loan (F21-033) in the amount of \$4,000,000. The Board further authorizes the chairman to hire, complete and submit the required applications and rate studies necessary to complete the PSC requirements for construction authorizations and rate increases.

3) The Letcher County Water & Sewer District Board commits to increase revenues as necessary and authorized by PSC to meet the loan requirements over the life. KIA Staff review indicates that revenues would need to be increased by \$202,000.00 to meet expenses and debt service in the first full year of debt service in 2023. PSC requires rate increases to be approved after bids for construction are received.

4) The Letcher County Water & Sewer District Board commits to increase revenues as necessary to maintain a debt service coverage is 1.1 in 2023 and beyond.

APPROVED DATE: 8-19-2021

Chairman: Dianne Adams Date: 8-19-21

Attested: Stephanie Bowling Date: 8-19-2021

**LETCHER COUNTY WATER & SEWER 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	553,620	594,154	587,054	544,583	529,957	604,778	678,239	841,529
Other Assets	25,076,654	25,449,442	25,033,755	24,203,090	23,372,425	33,894,094	32,883,729	31,873,364
<b>Total</b>	<b>25,630,274</b>	<b>26,043,596</b>	<b>25,620,809</b>	<b>24,747,673</b>	<b>23,902,382</b>	<b>34,498,872</b>	<b>33,561,968</b>	<b>32,714,893</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	165,931	240,931	215,591	217,366	219,166	220,966	222,866	224,766
Long Term Liabilities	2,317,666	2,243,001	2,208,925	2,121,576	2,034,227	7,809,373	7,722,024	7,634,675
<b>Total Liabilities</b>	<b>2,483,597</b>	<b>2,483,932</b>	<b>2,424,516</b>	<b>2,338,942</b>	<b>2,253,393</b>	<b>8,030,339</b>	<b>7,944,890</b>	<b>7,859,441</b>
<b>Net Assets</b>	<b>23,146,677</b>	<b>23,559,664</b>	<b>23,196,293</b>	<b>22,408,731</b>	<b>21,648,989</b>	<b>26,468,533</b>	<b>25,617,078</b>	<b>24,855,452</b>
<b>Cash Flow</b>								
Revenues	1,271,111	1,559,176	1,555,036	1,555,036	1,593,625	1,771,800	1,876,584	1,981,368
Operating Expenses	1,023,739	1,223,148	1,407,875	1,426,978	1,442,087	1,333,699	1,349,419	1,365,453
Other Income	15,865	21,185	2,396	2,396	2,396	2,396	2,396	2,396
<b>Cash Flow Before Debt Service</b>	<b>263,237</b>	<b>357,213</b>	<b>149,557</b>	<b>130,454</b>	<b>153,934</b>	<b>440,497</b>	<b>529,561</b>	<b>618,311</b>
<b>Debt Service</b>								
Existing Debt Service	180,548	164,941	164,941	172,892	173,160	171,809	173,418	172,339
Proposed KIA Loan	0	0	0	0	0	215,167	295,182	295,182
<b>Total Debt Service</b>	<b>180,548</b>	<b>164,941</b>	<b>164,941</b>	<b>172,892</b>	<b>173,160</b>	<b>386,976</b>	<b>468,600</b>	<b>467,521</b>
<b>Cash Flow After Debt Service</b>	<b>82,689</b>	<b>192,272</b>	<b>(15,384)</b>	<b>(42,438)</b>	<b>(19,226)</b>	<b>53,521</b>	<b>60,961</b>	<b>150,790</b>
<b>Ratios</b>								
Current Ratio	3.3	2.5	2.7	2.5	2.4	2.7	3.0	3.7
Debt to Equity	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3
Days Sales in Accounts Receivable	54.1	45.3	43.6	43.6	43.6	43.6	43.6	43.6
Months Operating Expenses in Unrestricted Cash	4.1	3.8	3.3	2.9	2.7	3.4	3.9	5.2
Debt Coverage Ratio	1.5	2.2	0.9	0.8	0.9	1.1	1.1	1.3