

**Kentucky Infrastructure Authority
Projects for August 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>
A19-002	City of Louisa (Director Level Increase)	\$ 150,000	\$ 4,178,166	Lawrence
A21-007	City of Paintsville f/b/o Paintsville Utilities Commission	\$ 1,500,000	\$ 1,500,000	Johnson
A21-044	City of Somerset	\$ 4,500,000	\$ 4,500,000	Pulaski

• **Fund F Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Amount Loan Total</u>	<u>County</u>
F20-002	City of Lebanon f/b/o Lebanon Wate Works (Increase)	\$ 1,602,975	\$ 6,841,205	Marion
F21-013	McKinney Water District	\$ 2,491,916	\$ 2,491,916	Lincoln

EXECUTIVE SUMMARY		Reviewer	Alex Fisher	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	August 2, 2021	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A19-002 (Increase)	
REVOLVING LOAN FUND		WRIS Number	SX21127030	
BORROWER	CITY OF LOUISA LAWRENCE COUNTY			
BRIEF DESCRIPTION				
The City of Louisa ("the City") is requesting an additional \$150,000 increase to cover costs already incurred by the City due to two unforeseen water lines in the way of the sewer lines for the Inflow and Infiltration Rehabilitation project. This will bring the new KIA total loan amount up to \$4,178,166 due to the additional work of addressing the water lines.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan A19-002	\$3,945,500	RD Fee %	Actual %	
P&D A17-023	232,666	Administrative Expenses	\$10,000	
City Utilities	71,757	Planning	70,387	
		Eng - Design / Const	7.0% 5.8% 220,639	
		Eng - Insp	3.8% 3.4% 130,400	
		Construction	3,818,497	
TOTAL	\$4,249,923	TOTAL	\$4,249,923	
REPAYMENT	Rate	0.50%	Est. Annual Payment \$173,541	
	Term	20 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	P & A Engineering and Consulting		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Oct-19		
	Construction Start	Jan-21		
	Construction Stop	Mar-21		
DEBT PER CUSTOMER	Existing	\$3,791		
	Proposed	\$5,479		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u> 1,857	<u>Avg. Bill</u> \$46.64 (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	812,773	745,652	67,121	1.1
Audited 2019	862,873	790,033	72,840	1.1
Audited 2020	761,976	792,634	(30,658)	1.0
Projected 2021	894,506	825,906	68,600	1.1
Projected 2022	960,095	944,265	15,830	1.0
Projected 2023	976,998	915,232	61,766	1.1
Projected 2024	994,239	917,521	76,718	1.1
Projected 2025	1,011,825	718,680	293,145	1.4

Reviewer: Alex Fisher
Date: August 2nd, 2021
Loan Number: A19-002 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF LOUISA, LAWRENCE COUNTY
PROJECT REVIEW
SX2117030**

I. PROJECT DESCRIPTION

The City of Louisa (“the City”) is requesting an additional \$150,000 increase to cover costs already incurred by the City due to two unforeseen water lines in the way of the sewer lines for the Inflow and Infiltration Rehabilitation project. This will bring the new total KIA loan amount up to \$4,178,166 due to the additional work of addressing the water lines.

Additional work included upgrading the 4” water line to an 8” line, replacing the 50-70-year-old cast iron lines and enabling the City to re-pave Lock Avenue once.

The initial project increase of \$688,578 was approved on January 9th, 2020 and the original loan approved on May 7, 2019 for the Inflow and Infiltration Rehabilitation project.

The purpose of this project is to eliminate inflow and infiltration in the Louisa Sewer System by constructing a portion of the storm water sewer facilities.

In 2009, a Sewer Evaluation Study (“SSES”) was performed on the entire Louisa Sewer System, which yielded a delineation of three priority zones for rehabilitation. This project will address the downtown area (Zone 1), which is considered to have the oldest infrastructure and is the highest priority of the City. The planning and design portion paid for camera inspection of approximately 23,250 linear feet of sewer line and determined exactly what measures are necessary to address the issues. The construction portion will replace storm sewer along Lock Avenue and Pike Street in downtown Louisa, with an intent to separate the combined sewer in parts of the area and eliminate other inflow and infiltration concerns.

By separating the storm sewer from the City’s sanitary sewer, the City will be able to lower the cost of wastewater treatment as well as reduce the risk of sanitary sewer overflow for approximately 1,900 customers within Lawrence County.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 10,000
Planning	70,387
Engineering Fees - Design	175,639
Engineering Fees - Construction	45,000
Engineering Fees - Inspection	130,400
Construction	3,818,497
Total	\$ 4,249,923

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan A19-002	\$ 3,945,500	93%
P&D A17-023	232,666	5%
City Utilities	71,757	2%
Total	\$ 4,249,923	100%

IV. KIA DEBT SERVICE

KIA A17-023 P&D Loan	\$ 232,666
KIA A19-002 Construction Loan	3,945,500
Less: Principal Forgiveness	1,000,000
Amortized Loan Amount	\$ 3,178,166
Interest Rate	0.50%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 167,185
Administrative Fee (0.20%)	6,356
Total Estimated Annual Debt Service	\$ 173,541

V. PROJECT SCHEDULE

Bid Opening	October 2019
Construction Start	January 2021
Construction Stop	March 2021

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	1,579
Commercial	278
Industrial	0
Total	1,857

B) Rates

	Sewer Inside City		
	Current	Prior	Prior
Date of Increase	03/31/21	04/14/20	07/01/19
First 1,000 Gallons	\$11.66	\$11.26	\$10.93
Next 3,000 Gallons	11.66	11.26	10.93
Cost for 4,000 gallons	\$46.64	\$45.04	\$43.72
Increase %	3.6%	3.0%	N/A
Affordability Index	1.8%	1.8%	1.7%

	Sewer Outside City		
	Current	Prior	Prior
Date of Increase	03/31/21	04/14/20	07/01/19
First 1,000 Gallons	\$12.61	\$12.18	\$11.83
Next 3,000 Gallons	12.61	12.18	11.83
Cost for 4,000 gallons	\$50.44	\$48.72	\$47.32
Increase %	3.5%	3.0%	N/A
Affordability Index	2.0%	1.9%	1.8%

	Water Inside City		
	Current	Prior	Prior
Date of Increase	03/31/21	04/14/20	07/01/18
First 1,000 Gallons	\$19.11	\$18.45	\$17.91
Next 3,000 Gallons	7.68	7.41	7.19
Cost for 4,000 gallons	\$42.15	\$40.68	\$39.48
Increase %	3.6%	3.0%	N/A
Affordability Index	1.6%	1.6%	1.5%

	Water Outside City		
	Current	Prior	Prior
Date of Increase	03/31/21	04/14/20	07/01/19
First 1,000 Gallons	\$25.00	\$24.13	\$23.43
Next 3,000 Gallons	9.79	9.45	9.18
Cost for 4,000 gallons	\$54.37	\$52.48	\$50.97
Increase %	3.6%	3.0%	N/A
Affordability Index	2.1%	2.0%	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 3,433 with a Median Household Income (MHI) of \$30,830. The median household income for the Commonwealth is \$44,811. This increase will continue the original terms of the loan which is a 0.5% interest rate for 20 years.

VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 2) 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 City’s Enterprise Funds account for water & sewer and swimming pool activities. The swimming pool operations are excluded from this analysis. 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 went up 8.2% from \$2.92 million in 2018 to \$3.16 million in 2020 due to annual CPI rate increases. Operating expenses increased 13.8% from \$2.11 million to \$2.40 million during the same period due to both water and sewer repair and maintenance costs. Those costs rose 44.6% from \$354,080 in

2018 to \$512,083 in 2020. The debt coverage ratio was 1.1, 1.1 and 1.0 for 2018, 2019, and 2020 respectively.

The balance sheet reflects a current ratio of 1.1, debt to equity ratio of 0.8, 63.8 days sales in accounts receivable, and 1.4 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Retail water and sewer revenues have been raised 3% in fiscal year 2021 and 3.6% in 2022. For the fiscal years 2023, 2024 and 2025 retail water and sewer rates will increase 2% annually due to CPI increases.
- 2) Wholesale water rate to Big Sandy Water District has increased from \$3.13 per 1,000 gallons to \$3.24 per 1,000 gallons. Though wholesale water is not subject to the annual CPI adjustments, the Public Service Commission may set new rates as appropriate.
- 3) Operating expenses will increase 2% annually for inflation.
- 4) Debt service coverage is 0.9 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% (\$208,000 total) of the final amount borrowed prior to principal forgiveness, to be funded annually (\$10,400 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Water Revenue Bonds, Series 1989	\$ 41,300	2029
Water & Sewer Bonds, Series 2002	720,000	2042
Water & Sewer Bonds, Series 2007	348,500	2046
Revenue Bonds, Series 2010D	215,000	2025
KIA Loan C98-02	55,000	2022
KIA Loan A11-02	705,857	2034
KIA Loan F02-06	788,489	2024

	<u>Outstanding</u>	<u>Maturity</u>
KIA Loan A209-10	300,156	2030
KIA Loan B08-07	655,348	2033
KIA Loan F18-018	602,930	2040
KIA Loan F10-03	1,136,864	2033
KIA Loan A97-02	51,462	2021
KACO Loan 1BP2017B	1,418,845	2032
Total	\$ 7,039,751	

XI. CONTACTS

Legal Applicant

Entity Name	City of Louisa
Authorized Official	Harold E Slone (Mayor)
County	Lawrence
Email	mayoroflouisa@gmail.com
Phone	(606) 638-4050
Address	215 N Main Cross St Louisa, KY 41230

Applicant Contact

Name	Jason Helton
Organization	City of Louisa
Email	louisawater@louisawater.com
Phone	(606) 638-9322
Address	215 N Main Cross St Louisa, KY 41230

Project Administrator

Name	Robert S Martin
Organization	P & A Engineering and Consulting
Email	bmartin@pa-eng.com
Phone	(606) 673-4413
Address	PO Box 279 Louisa, KY 41230

Consulting Engineer

PE Name	Robert S Martin
Firm Name	P & A Engineering and Consulting
Email	bmartin@pa-eng.com
Phone	(606) 673-4413
Address	PO Box 279 Louisa, KY 41230

XII. RECOMMENDATIONS

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

CITY OF LOUISA
FINANCIAL SUMMARY (JUNE YEAR END)

	Audited 2018	Audited 2019	Audited 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025
Balance Sheet								
Assets								
Current Assets	663,056	742,234	959,543	1,037,849	1,073,379	1,146,445	1,234,663	1,539,608
Other Assets	20,808,568	21,163,085	22,284,126	25,833,564	25,133,079	24,432,594	23,719,609	23,006,624
Total	21,471,624	21,905,319	23,243,669	26,871,413	26,206,458	25,579,039	24,954,272	24,546,232
Liabilities & Equity								
Current Liabilities	213,216	295,112	861,872	463,200	469,715	476,415	483,215	490,215
Long Term Liabilities	9,616,474	9,062,392	9,157,237	12,149,786	12,151,517	12,173,017	11,547,075	11,516,928
Total Liabilities	9,829,690	9,357,504	10,019,109	12,612,986	12,621,232	12,649,432	12,030,290	12,007,143
Net Assets	11,641,934	12,547,815	13,224,560	14,258,427	13,585,226	12,929,607	12,923,983	12,539,089
Cash Flow								
Revenues	2,918,635	3,054,100	3,159,081	3,250,098	3,362,594	3,427,342	3,493,385	3,560,749
Operating Expenses	2,107,723	2,193,703	2,399,357	2,357,844	2,404,751	2,452,596	2,501,398	2,551,176
Other Income	1,861	2,476	2,252	2,252	2,252	2,252	2,252	2,252
Cash Flow Before Debt Service	812,773	862,873	761,976	894,506	960,095	976,998	994,239	1,011,825
Debt Service								
Existing Debt Service	745,652	790,033	792,634	825,906	770,724	741,691	743,980	718,680
Proposed KIA Loan	0	0	0	0	173,541	173,541	173,541	173,541
Total Debt Service	745,652	790,033	792,634	825,906	944,265	915,232	917,521	892,221
Cash Flow After Debt Service	67,121	72,840	(30,658)	68,600	15,830	61,766	76,718	293,145
Ratios								
Current Ratio	3.1	2.5	1.1	2.2	2.3	2.4	2.6	3.1
Debt to Equity	0.8	0.7	0.8	0.9	0.9	1.0	0.9	1.0
Days Sales in Accounts Receivable	64.1	60.8	63.8	63.8	63.8	63.8	63.8	63.8
Months Operating Expenses in Unrestricted Cash	0.2	0.4	1.4	1.8	1.8	2.1	2.4	3.8
Debt Coverage Ratio	1.1	1.1	1.0	1.1	1.0	1.1	1.1	1.4

EXECUTIVE SUMMARY		Reviewer	Alex Fisher	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	August 5, 2021	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A21-007	
REVOLVING LOAN FUND		WRIS Number	SX21115009	
BORROWER		CITY OF PAINTSVILLE F/B/O PAINTSVILLE UTILITIES COMMISSION JOHNSON COUNTY		
BRIEF DESCRIPTION				
The City of Paintsville ("City") f/b/o Paintsville Utilities Commission is requesting a Fund A loan in the amount of \$1,500,000 for the KY Hwy 23 Sewer Extension project. This project will expand the sewer system to free up capacity at the Paintsville WWTP by diverting waste to the Honey Branch WWTP. Currently Paintsville WWTP is operating over capacity and is under a Sewer Sanction so it is unable to issue any additional sewer taps.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$1,500,000	RD Fee %	Actual %	
ARC	1,500,000	Administrative Expenses		\$100,000
AML	4,000,000	Legal Expenses		25,000
		Land, Easements		50,000
		Eng - Design / Const	6.6%	5.8%
		Eng - Insp	3.3%	3.0%
	-	Construction		5,700,660
	-	Contingency		575,450
TOTAL	\$7,000,000	TOTAL		\$7,000,000
REPAYMENT	Rate	0.25%	Est. Annual Payment	\$27,465
	Term	30 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Bocook Engineering Inc.		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Nov-21		
	Construction Start	Jan-22		
	Construction Stop	Jan-23		
DEBT PER CUSTOMER	Existing	\$9,605		
	Proposed	\$9,641		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u>	<u>Avg. Bill</u>	
		2,767	\$31.71	(for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2018	1,383,777	2,010,735	(626,958)	0.7
Audited 2019	1,263,295	1,981,634	(718,339)	0.6
Audited 2020	1,483,978	5,075,465	(3,591,487)	0.3
Projected 2021	1,595,585	1,326,377	269,208	1.2
Projected 2022	1,588,978	1,418,628	170,350	1.1
Projected 2023	1,621,637	1,418,771	202,866	1.1
Projected 2024	1,651,150	1,485,557	165,593	1.1
Projected 2025	1,685,129	1,486,286	198,843	1.1

Reviewer: Alex Fisher
Date: August 5th, 2021
Loan Number: A21-007

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF PAINTSVILLE F/B/O PAINTSVILLE UTILITIES COMMISSION,
JOHNSON COUNTY
PROJECT REVIEW
SX21115009**

I. PROJECT DESCRIPTION

The City of Paintsville ("City") f/b/o Paintsville Utilities Commission is requesting a Fund A loan in the amount of \$1,500,000 for the KY Hwy 23 Sewer Extension project. This project will expand the sewer system to free up capacity at the Paintsville WWTP by diverting waste to the Honey Branch WWTP. Currently Paintsville WWTP is operating over capacity and is under a Sewer Sanction so it is unable to issue any additional sewer taps.

The project will provide new infrastructure to create some sewer redundancy in the community, aid the overcapacity issue at the Paintsville WWTP, eliminate the Sewer Sanction tap freeze and eliminate two package treatment plants (one at Highland Elementary and the other at VIP Fuels in Hagerhill). By lifting the tap freeze this project will open up opportunities to add potential sewer taps including additional residential, commercial and industrial customers.

Currently the Paintsville Utilities Commission serves over 2,200 residential and over 490 commercial and industrial customers.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 100,000
Legal Expenses	25,000
Land, Easements	50,000
Engineering Fees - Design	363,220
Engineering Fees - Inspection	185,670
Construction	5,700,660
Contingency	575,450
Total	\$ 7,000,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 1,500,000	21%
ARC	1,500,000	21%
AML	4,000,000	57%
Total	\$ 7,000,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,500,000
Less: Principal Forgiveness	750,000
Amortized Loan Amount	<u>\$ 750,000</u>
Interest Rate	0.25%
Loan Term (Years)	<u>30</u>
Estimated Annual Debt Service	\$ 25,965
Administrative Fee (0.20%)	1,500
Total Estimated Annual Debt Service	\$ 27,465

V. PROJECT SCHEDULE

Bid Opening	November 2021
Construction Start	January 2022
Construction Stop	January 2023

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

<u>Customers</u>	<u>Current</u>
Residential	2,273
Commercial	448
Industrial	<u>46</u>
Total	2,767

B) Rates

	In City Water		
	Current	Prior	Prior
Date of Last Rate Increase	03/01/21	03/01/20	3/1/2019
Minimum 2000 Gallons	\$16.05	\$15.83	15.47
Next 1,000 Gallons	7.83	7.72	7.55
Cost for 4,000 gallons	\$31.71	\$31.27	\$30.57
Increase %	1.4%	2.3%	N/A
Affordability Index (Rate/MHI)	1.1%	1.1%	N/A

	Out of City Water		
	Current	Prior	Prior
Date of Last Rate Increase	03/01/21	03/01/20	03/01/19
Minimum 2000 Gallons	\$23.40	\$23.08	\$22.56
Next 1,000 Gallons	9.85	9.71	9.49
Cost for 4,000 gallons	\$43.10	\$42.50	\$41.54
Increase %	1.4%	2.3%	N/A
Affordability Index (Rate/MHI)	1.5%	1.4%	N/A

	Sewer In & Outside City		
	Current	Prior	Prior
Date of Last Rate Increase	03/01/21	03/01/20	3/1/2019
Minimum (2000 gallons)	\$17.78	\$17.53	17.14
Next 1,000 Gallons	8.50	8.38	8.19
Cost for 4,000 gallons	\$34.78	\$34.29	\$33.52
Increase %	1.4%	2.3%	N/A
Affordability Index (Rate/MHI)	1.2%	1.2%	N/A

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's service area population was 8,241 with a Median Household Income (MHI) of \$35,333. The median household income for the Commonwealth is \$48,392. The project will qualify for a 0.25% interest rate with a 30-year term.

VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.

- 2) Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$750,000 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 7.3% from \$5.86 million in 2018 to \$6.39 in 2020 while operating expenses increased 7.6% from \$4.38 million to \$4.71 million during the same period primarily due to a 4.6% increase in maintenance, repair, material and supply costs. The audited proprietary fund consists of water, sewer and gas systems, and where feasible all gas system debt and revenues have been removed from the analysis. The debt coverage ratio was 0.7, 0.6, and 0.3 in 2018, 2019, and 2020 respectively.

The balance sheet reflects a current ratio of 2.6, a debt to equity ratio of 0.6, 61.6 days of sales in accounts receivable, and 4.4 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water and sewer revenues have been raised 2.3% and 1.4% for fiscal years 2021 and 2022 respectively. Both water and sewer have an annual CPI clause, which is set at 2% for projected years 2023, 2024 and 2025.
- 2) Operating expenses are projected to increase 2% annually due to inflation.
- 3) Debt service coverage is 1.1 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% (\$76,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$3,800 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
Series 2006 Revenue Bonds	\$ 206,500	2046
Series 2011 Revenue Bonds	11,934,000	2051
Series 2018 Revenue Bonds	4,821,000	2057
Series 2020D Revenue Bonds	3,115,000	2040
KIA A05-04	138,203	2026
KIA A209-34	357,043	2033
KIA B98-02	792,637	2032
KIA F08-10	5,009,511	2035
Unamortized Bond Premium	204,404	
KIA F19-009 (i.a.o. \$2,010,000)		2041
Total	\$26,578,298	

XI. CONTACTS

Legal Applicant	
Entity Name	City of Paintsville f/b/o Paintsville Utilities Commission
Authorized Official	Bill Mike Runyon (Mayor)
County	Johnson
Email	mayor.runyon@cityofpaintsville.net
Phone	(606) 789-2600
Address	PO Box 630 Paintsville, KY 41240

Applicant Contact	
Name	Bob Pack
Organization	Paintsville Utilities Commission
Email	bpack@paintsvilleutilities.com
Phone	(606) 789-2630
Address	PO Box 630 Paintsville, KY 41240

Project Administrator

Name	Brenda Powers
Organization	Big Sandy ADD
Email	brenda.powers@bigsandy.org
Phone	(606) 886-2374
Address	110 Resource Court Prestonsburg, KY 41653

Consulting Engineer

PE Name	Alvin C Reed
Firm Name	Bocook Engineering Inc.
Email	areed@bocook.com
Phone	(606) 789-5961
Address	312 Tenth St. Paintsville, KY 41240

XII. RECOMMENDATIONS

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

CITY OF PAINTSVILLE F/B/O PAINTSVILLE UTILITIES COMMISSION
 FINANCIAL SUMMARY (JUNE YEAR END)

	Audited 2018	Audited 2019	Audited 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025
Balance Sheet								
Assets								
Current Assets	3,757,683	3,450,034	3,046,801	3,136,666	3,186,236	3,249,309	3,305,328	3,368,496
Other Assets	85,789,586	86,908,372	85,654,273	83,428,281	81,123,202	87,679,136	85,199,052	82,745,567
Total	89,547,269	90,358,406	88,701,074	86,564,946	84,309,438	90,928,445	88,504,379	86,114,064
Liabilities & Equity								
Current Liabilities	5,590,954	4,566,617	1,155,578	1,087,859	1,097,521	1,107,332	1,117,289	1,127,289
Long Term Liabilities	29,624,345	30,241,362	32,945,199	32,119,263	31,234,365	33,091,456	32,169,490	31,228,024
Total Liabilities	35,215,299	34,807,979	34,100,777	33,207,122	32,331,886	34,198,788	33,286,779	32,355,313
Net Assets	54,331,970	55,550,427	54,600,297	53,357,824	51,977,552	56,729,657	55,217,600	53,758,751
Cash Flow								
Revenues	5,859,145	5,894,639	6,286,299	6,499,513	6,591,445	6,724,614	6,860,447	6,998,997
Operating Expenses	4,508,071	4,661,393	4,830,356	4,931,963	5,030,502	5,131,012	5,237,332	5,341,903
Other Income	32,703	30,049	28,035	28,035	28,035	28,035	28,035	28,035
Cash Flow Before Debt Service	1,383,777	1,263,295	1,483,978	1,595,585	1,588,978	1,621,637	1,651,150	1,685,129
Debt Service								
Existing Debt Service	2,010,735	1,981,634	5,075,465	1,326,377	1,418,628	1,418,771	1,458,092	1,458,821
Proposed KIA Loan	0	0	0	0	0	0	27,465	27,465
Total Debt Service	2,010,735	1,981,634	5,075,465	1,326,377	1,418,628	1,418,771	1,485,557	1,486,286
Cash Flow After Debt Service	(626,958)	(718,339)	(3,591,487)	269,208	170,350	202,866	165,593	198,843
Ratios								
Current Ratio	0.7	0.8	2.6	2.9	2.9	2.9	3.0	3.0
Debt to Equity	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Days Sales in Accounts Receivable	70.5	68.9	61.6	61.6	61.6	61.6	61.6	61.6
Months Operating Expenses in Unrestricted Cash	6.2	5.2	4.4	4.4	4.4	4.4	4.4	4.4
Debt Coverage Ratio	0.7	0.6	0.3	1.2	1.1	1.1	1.1	1.1

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND A, FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND		Reviewer Date KIA Loan Number WRIS Number	Alex Fisher August 5, 2021 A21-044 SX21199009	
BORROWER		CITY OF SOMERSET PULASKI COUNTY		
BRIEF DESCRIPTION				
The City of Somerset ("City") is requesting a Fund A loan in the amount of \$4,500,000 for the Pitman Creek WWTP Improvements and S US 27 Phase 2 Sewer Extensions project.				
This project is to construct a new dewatering facility at the Pitman Creek WWTP, grit removal rehab work at the Pitman Creek WWTP and inflow and infiltration equipment at the Sinking Creek WWTP.				
Currently, the City of Somerset serves almost 5,000 residential and over 2,000 commercial and industrial customers.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$4,500,000	Administrative Expenses	\$100,000	
EDA Grant	3,000,000	Legal Expenses	50,000	
		Land, Easements	20,000	
		Planning	149,000	
		Eng - Design / Const	387,000	
		Eng - Insp	263,000	
		Eng - Other	144,000	
		Construction	5,806,000	
		Contingency	581,000	
TOTAL	\$7,500,000	TOTAL	\$7,500,000	
REPAYMENT	Rate Term	0.25% 30 Years	Est. Annual Payment \$164,789 1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer Bond Counsel	Bell Engineering Rubin & Hays		
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	Jan-22 Mar-22 Jan-23		
DEBT PER CUSTOMER	Existing Proposed	\$1,235 \$1,626		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current Additional	<u>Users</u> 7,027 1	<u>Avg. Bill</u> \$16.92 (for 4,000 gallons) \$16.92 (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	678,875	857,913	(179,038)	0.8
Audited 2019	662,558	706,677	(44,119)	0.9
Audited 2020	836,562	741,745	94,817	1.1
Projected 2021	744,446	726,636	17,811	1.0
Projected 2022	810,320	726,787	83,533	1.1
Projected 2023	879,352	726,706	152,647	1.2
Projected 2024	999,593	891,210	108,383	1.1
Projected 2025	953,686	891,416	62,270	1.1

Reviewer: Alex Fisher
Date: August 5, 2021
Loan Number: A21-044

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF SOMERSET, PULASKI COUNTY
PROJECT REVIEW
SX21199009**

I. PROJECT DESCRIPTION

The City of Somerset ("City") is requesting a Fund A loan in the amount of \$4,500,000 for the Pitman Creek WWTP Improvements and S US 27 Phase 2 Sewer Extensions project.

Project scope:

- Construct a new Sludge Dewatering Facility and Septage Receiving Station at the Pitman Creek Wastewater Treatment Plant (WWTP).
- Rehabilitation of Somerset's Grit Removal Structure located upstream of Pitman Creek WWTP.
- Installation of permanent inflow and infiltration (I & I) detection equipment at Sinking Creek WWTP.
 - The I & I monitoring system will allow the city to accurately determine the amount of inflow and infiltration within the oldest portions of the collection system.
 - Sinking Creek WWTP is no longer a permitted discharge facility; however, the city continues to maintain and operate the aerated facultative lagoon that serves as pre-treatment for Pitman Creek WWTP.
- Construct a 50-foot riparian buffer including riparian plants along Pitman Creek.
- Construct a new 150 gpm sewage pumping station, sewage force main and gravity sewers to accommodate flow from the new Horse Soldier Distillery. These sewers will tie into an existing 10-inch gravity sewer located on South US 27.

The City of Somerset has had numerous violations involving solids processing at Pitman Creek WWTP and is under an Agreed Order to correct related issues. Somerset is currently limited in the times they can land apply sludge to their permitted land farm due to Climate Change, with the area seeing frequent record breaking rainfall events. Additionally, the current owner of Somerset's Land farm has given Somerset notice of their intention to terminate the property lease to Somerset, forcing the City to seek a permit for a new site. This means that Somerset needs to haul sludge to a nearby landfill, but they cannot accomplish this task without first

dewatering waste sludge.

Currently, the City of Somerset serves almost 5,000 residential and over 2,000 commercial and industrial customers.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 100,000
Legal Expenses	50,000
Land, Easements	20,000
Planning	149,000
Engineering Fees - Design	310,000
Engineering Fees - Construction	77,000
Engineering Fees - Inspection	263,000
Engineering Fees - Other	144,000
Construction	5,806,000
Contingency	581,000
Total	\$ 7,500,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 4,500,000	60%
EDA Grant	3,000,000	40%
Total	\$ 7,500,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 4,500,000
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 4,500,000
Interest Rate	0.25%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 155,789
Administrative Fee (0.20%)	9,000
Total Estimated Annual Debt Service	\$ 164,789

V. PROJECT SCHEDULE

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

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current	Proposed	Total
Residential	4,943	0	4,943
Commercial	2,030	0	2,030
Industrial	54	1	55
Total	7,027	1	7,028

B) Rates

	Sewer Inside City		
	Current	Prior	Prior
Date of Last Rate Increase	07/01/21	07/01/17	07/01/16
First 1000 Gallons (Minimum)	8.22	7.90	7.74
Next 3000 Gallons	8.70	8.40	8.10
Cost for 4,000 gallons	16.92	16.30	15.84
Increase %	3.8%	2.9%	N/A
Affordability Index (Rate/MHI)	0.74%	0.71%	0.69%

	Sewer Outside City		
	Current	Prior	Prior
Date of Last Rate Increase	07/01/21	07/01/17	07/01/16
First 1000 Gallons (Minimum)	14.60	14.04	13.75
Next 3000 Gallons	19.50	18.60	18.00
Cost for 4,000 gallons	34.10	32.64	31.75
Increase %	4.5%	2.8%	N/A
Affordability Index (Rate/MHI)	1.49%	1.43%	1.39%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's service area population was 12,942 with a Median Household Income (MHI) of \$27,420. The median household income for the Commonwealth is \$48,392. The project will qualify for a 30-year term with a 0.25% interest rate.

VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 2) Additional Subsidization – This project does not qualify for additional subsidization.

IX. FINANCIAL ANALYSIS

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

HISTORY

Wastewater total revenues increased 6.2% from \$2.76 million in 2018 to \$2.93 in 2020 while wastewater operating expenses increased 2.2% from \$2.13 million to \$2.18 million during the same period primarily due to increased maintenance costs. The debt coverage ratio was 0.8, 0.9, and 1.1 in 2018, 2019, and 2020 respectively.

The balance sheet reflects a current ratio of 3.7, a debt to equity ratio of 0.6, 41.9 days of sales in accounts receivable, and 1.7 months of operating expenses in unrestricted cash.

PROJECTIONS

After discussing the need for a rate increases for the City's wastewater rates to keep up with inflation and debt service for this loan, Somerset set in ordinance these items:

- 1) Wastewater revenues for Somerset residential customers will increase according to the Consumers Price Index for all Urban Consumers (CPI-U statistic) beginning July 1, 2021 (FY2022).

- 2) For fiscal years 2022 and 2023 the wastewater residential rates are set to increase 4% each year. Fiscal year 2024 the rate will increase 6% to continue to meet the 1.1 debt coverage ratio.

Projections are based on the following assumptions:

- 1) For projection years FY 2023, 2024 and 2025 the increase for CPI-U will be 2%.
- 2) Expenses will increase 2% annually due to inflation.
- 3) Debt service coverage is 1.1 in 2024 when principal and interest repayments begin with the projected increases.

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% (\$226,000 total) of the final amount borrowed to be funded annually (\$11,300 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Series 2011 GO	\$ 1,149,175	2032
KIA A08-07	5,669,224	2032
Note to City of Ferguson	273,990	2034
Note to Local Bank	1,589,071	2035
Total	\$ 8,681,460	

XI. CONTACTS

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

Applicant Contact

Name Nick Bradley
Organization City of Somerset
Email nbradley@cityofsomerset.com
Phone 606-679-6366
Address PO Box 989 400 E Mount Vernon St
Somerset, KY 42502

Project Administrator

Name Dana Whitis
Organization City of Somerset
Email dwhitis@cityofsomerset.com
Phone 606-425-5364
Address 306 E Mt Vernon St
Somerset, KY 42501

Consulting Engineer

PE Name Michael A Lile
Firm Name Bell Engineering
Email mlile@hkbell.com
Phone 606-485-4011
Address 205 East Mt. Vernon Street
606-485-4011

XII. RECOMMENDATIONS

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

CITY OF SOMERSET
FINANCIAL SUMMARY (JUNE YEAR END)

	Audited 2018	Audited 2019	Audited 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025
Balance Sheet								
Assets								
Current Assets	4,746,419	4,764,154	3,513,140	3,467,035	3,563,168	3,728,914	3,857,698	3,920,068
Other Assets	27,683,834	26,477,672	25,739,290	24,672,566	23,605,842	29,851,618	28,608,694	27,365,770
Total	32,430,253	31,241,826	29,252,430	28,139,601	27,169,010	33,580,532	32,466,392	31,285,838
Liabilities & Equity								
Current Liabilities	1,958,102	2,089,959	942,969	954,483	966,118	977,899	1,214,827	1,227,561
Long Term Liabilities	11,835,618	11,019,896	10,544,821	9,959,483	9,363,810	13,257,657	12,415,875	11,562,659
Total Liabilities	13,793,720	13,109,855	11,487,790	10,913,966	10,329,928	14,235,555	13,630,702	12,790,220
Net Assets	18,636,533	18,131,971	17,764,640	17,225,635	16,839,082	19,344,977	18,835,690	18,495,618
Cash Flow								
Revenues	2,761,033	2,852,413	2,934,314	2,885,728	2,996,002	3,110,322	3,288,057	3,289,268
Operating Expenses	2,128,603	2,264,803	2,176,486	2,220,016	2,264,416	2,309,704	2,367,198	2,414,316
Other Income	46,445	74,948	78,734	78,734	78,734	78,734	78,734	78,734
Cash Flow Before Debt Service	678,875	662,558	836,562	744,446	810,320	879,352	999,593	953,686
Debt Service								
Existing Debt Service	857,913	706,677	741,745	726,636	726,787	726,706	726,421	726,627
Proposed KIA Loan	0	0	0	0	0	0	164,789	164,789
Total Debt Service	857,913	706,677	741,745	726,636	726,787	726,706	891,210	891,416
Cash Flow After Debt Service	(179,038)	(44,119)	94,817	17,811	83,533	152,647	108,383	62,270
Ratios								
Current Ratio	2.4	2.3	3.7	3.6	3.7	3.8	3.2	3.2
Debt to Equity	0.7	0.7	0.6	0.6	0.6	0.7	0.7	0.7
Days Sales in Accounts Receivable	46.6	43.4	41.9	41.9	41.8	41.8	41.8	41.8
Months Operating Expenses in Unrestricted Cash	1.7	4.5	1.7	1.7	2.2	2.9	3.4	3.6
Debt Coverage Ratio	0.8	0.9	1.1	1.0	1.1	1.2	1.1	1.1

EXECUTIVE SUMMARY		Reviewer	Alex Fisher	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	August 5, 2021	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number	F20-002 (Increase)	
REVOLVING LOAN FUND		WRIS Number	WX21155044	
BORROWER		CITY OF LEBANON F/B/O LEBANON WATER WORKS COMPANY INC MARION COUNTY		
BRIEF DESCRIPTION				
The Lebanon Water Works (LWWC) is requesting a Fund F loan increase of \$1,602,975 to the originally approved amount of \$5,238,230 to supplement the Main Line Replacement project initially approved on March 5th, 2020, which will bring the new total KIA loan amount up to \$6,841,205. The increase is due to higher bids than budgeted due the escalating prices of 6" and 8" PVC pipe. Additionally, LWWC has elected to remove some replacement of meters along with a small number of roads to limit the cost overruns.				
PROJECT FINANCING		PROJECT BUDGET		RD Fee % Actual %
Fund F Loan	\$6,841,205	Administrative Expenses		\$12,500
		Legal Expenses		6,150
		Planning		45,000
		Eng - Design / Const	6.6%	4.7%
		Eng - Insp	3.3%	2.5%
		Eng - Other		15,000
		Construction		5,739,025
		Contingency		573,900
TOTAL	\$6,841,205	TOTAL		\$6,841,205
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$212,989
	Term	30 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Kentucky Engineering Group PLLC		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	May-21		
	Construction Start	Sep-21		
	Construction Stop	Aug-23		
DEBT PER CUSTOMER	Existing	\$2,711		
	Proposed	\$5,382		
OTHER DEBT	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	2,626	\$28.00	(for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2018	614,268	449,894	164,374	1.4
Audited 2019	739,495	541,297	198,198	1.4
Audited 2020	790,915	556,439	234,476	1.4
Projected 2021	1,197,555	597,949	599,606	2.0
Projected 2022	1,411,403	634,275	777,128	2.2
Projected 2023	1,369,433	634,276	735,157	2.2
Projected 2024	1,326,624	858,983	467,641	1.5
Projected 2025	1,545,790	870,983	674,807	1.8

Reviewer: Alex Fisher
Date: August 5th, 2021
Loan Number: F20-002 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND F)
CITY OF LEBANON F/B/O LEBANON WATER WORKS COMPANY INC
MARION COUNTY
PROJECT REVIEW
WX21155044**

I. PROJECT DESCRIPTION

The City of Lebanon ("City") is requesting a Fund F loan increase of \$1,602,975 to the originally approved amount of \$5,238,230 to supplement the Main Line Replacement project initially approved on March 5th, 2020, which will bring the new total KIA loan amount up to \$6,841,205. The increase is due to higher bids than budgeted due the escalating prices of 6" and 8" PVC pipe. Additionally, the city has elected to remove some replacement of meters along with a small number of roads to limit the cost overruns.

This project will replace old water mains located along Old Calvary Road and other main feed lines through downtown and central supply areas. The scope of work involves replacing 80,000 linear feet of old cast iron lines, galvanized water mains of various sizes, and adjacent old service lines. Many of the older service lines may still have lead gooseneck connections that will be removed. The purpose of this project is to improve water quality and increase flow in areas where pipes are prone to frequent breaks and leaks. The removal of potential lead connections will also ensure safe water distribution to the customers.

The City produces 86% of its water supply and purchases the remainder from the City of Campbellsville ("Campbellsville") to serve approximately 2,600 retail customers and supplies wholesale water to the Marion County Water District (MCWD) which is a PSC regulated utility.

The City serves over 2,500 residential and 89 commercial and industrial customers in Marion County.

PROJECT BUDGET

	Total
Administrative Expenses	\$ 12,500
Legal Expenses	6,150
Planning	45,000
Engineering Fees - Design	205,541
Engineering Fees - Construction	88,089
Engineering Fees - Inspection	156,000
Engineering Fees - Other	15,000
Construction	5,739,025
Contingency	573,900
Total	\$ 6,841,205

II. PROJECT FUNDING

	Amount	%
Fund F Loan	\$ 6,841,205	100%
Total	\$ 6,841,205	100%

III. KIA DEBT SERVICE

Construction Loan	\$ 6,841,205
Less: Principal Forgiveness	\$ 1,300,000
Amortized Loan Amount	\$ 5,541,205
Interest Rate	0.50%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 199,136
Administrative Fee (0.25%)	13,853
Total Estimated Annual Debt Service	\$ 212,989

IV. PROJECT SCHEDULE

Bid Opening	May 2021*
Construction Start	September 2021
Construction Stop	August 2023

(* Note: The bid opening date was May 18th, 2021 and will not be rebid.

V. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	2,538
Commercial	47
Industrial	41
Total	2,626

B) Rates

	Inside City Water			
	Proposed	Current	Prior	Prior
Date of Last Rate Increase	07/01/21	05/15/20	07/08/19	11/15/17
Meter Charge	\$8.35	\$7.35	\$7.35	\$7.35
Per 100 Cubic Feet	3.66	3.66	3.50	3.35
Cost for 4,000 gallons	\$28.00	\$27.00	\$26.19	\$25.38
Increase %	3.7%	3.1%	3.2%	
Affordability Index (Rate/MHI)	1.1%	1.1%	1.0%	

	Outside City Water			
	Proposed	Current	Prior	Prior
Date of Last Rate Increase	07/01/21	05/15/20	07/08/19	11/15/17
Meter Charge	\$9.19	\$8.09	\$8.09	\$8.09
Per 100 Cubic Feet	4.03	4.03	3.85	3.69
Cost for 4,000 gallons	\$30.92	\$29.82	\$28.82	\$27.96
Increase %	3.7%	3.5%	3.1%	
Affordability Index (Rate/MHI)	1.2%	1.2%	1.2%	

	Wholesale Water to MCWD		
	Current	Prior	Prior
Date of Last Rate Increase	11/16/20	11/15/19	04/16/18
Rate Case Expense Surcharge*	\$2,000.00	\$2,000.00	\$2,000.00
Meter Charge	7.84	7.84	7.84
Per 100 Cubic Feet	3.25	3.07	2.90
Cost for 4,000 gallons	\$25.22	\$24.26	\$23.45
Increase %	4.0%	3.4%	

* Marion County Water District was ordered by the PSC to pay the City a \$2,000 monthly surcharge from July 2018 to June 2021 to reimburse the legal fees incurred

by the City for the 2017 rate case.

VI. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 6,144 with a Median Household Income (MHI) of \$30,025. The median household income for the Commonwealth is \$46,535. The increase will continue the original terms of 0.50% interest rate for 30 years and \$1,300,000 in principal forgiveness.

VII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 50% of the assistance amount, not to exceed \$1,300,000 will be credited to the loan balance upon release of liens on all contracts and disbursement of the final draw request by KIA to the borrower.

VIII. FINANCIAL ANALYSIS

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

HISTORY

Revenues increased 11.2% from \$3.04 million in 2018 to \$3.38 million in 2020 due to volume and rate increases. Operating expenses decreased 1.7% from \$2.30 million to \$2.26 million during the same period. The water purchase costs went up from \$146,500 in 2018 to \$367,350 in 2019 after the City began to purchase water from Campbellsville in 2018. The Maintenance and Repairs and employee costs were higher in 2020, but were offset with decreases in power and miscellaneous expenses. The debt coverage ratio was 1.4, 1.4, and 1.4 in 2018, 2019, and 2020 respectively.

The balance sheet reflects a current ratio of 0.7, a debt to equity ratio of 1.4, 49.8 days of sales in accounts receivable, and 1.1 months operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) In City and Outside City rates will go up 3.7% July 1st, 2021 due to a previously approved retail rate increase.
- 2) The amount of purchased water for the Campbellsville Service Agreement will remain stable through the projected years.
- 3) Water treatment costs will increase 2% during the projected years to account for potential added volume used by Diageo Distillery.
- 4) Operating expenses other than water purchase and treatment costs will increase 2% annually for inflation.
- 5) Debt service coverage is 1.5 in 2024 when full year principal and interest repayments are expected to 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% (\$342,000 total) of the final amount borrowed prior to principal forgiveness to be funded annually (\$17,100 yearly) each December 1 for 20 years and maintained for the life of the loan.

IX. DEBT OBLIGATION

	<u>Outstanding</u>	<u>Maturity</u>
KIA Loan B08-09	\$ 321,483	2030
KIA Loan F15-57	601,654	2036
KIA Loan F14-036	2,059,069	2038
KIA Loan F18-006 i.a.o. \$4,497,137	1,589,755	TBD
CNB Note, 2012	2,547,444	2030
Total	\$ 7,119,405	

X. CONTACTS

Legal Applicant	
Entity Name	City of Lebanon F/B/O Lebanon Water Works Company Inc.
Authorized Official	Gary D Crenshaw (Mayor)
County	Marion
Email	gdcrenshaw@windstream.net
Phone	(270) 692-6272
Address	120 S Proctor Knott Ave Lebanon, KY 40033

Applicant Contact

Name	Daren Thompson
Organization	Lebanon Water Works Company Inc.
Email	daren.thompson@lebanonwaterworks.com
Phone	(270) 692-2491
Address	120 S Proctor Knott Ave Lebanon, KY 40033

Project Administrator

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

Consulting Engineer

PE Name	James C Thompson
Firm Name	Kentucky Engineering Group PLLC
Email	jthompson@kyengr.com
Phone	(859) 351-9849
Address	161 North Locust Street Versailles, KY 40383

XI. RECOMMENDATIONS

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

CITY OF LEBANON F/B/O LEBANON WATER WORKS COMPANY INC
 FINANCIAL SUMMARY (JUNE YEAR END)

	Audited 2018	Audited 2019	Audited 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025
Balance Sheet								
Assets								
Current Assets	1,106,450	852,765	819,109	1,491,183	2,307,311	3,044,368	3,513,909	4,226,516
Other Assets	14,371,184	16,137,911	17,569,577	21,319,957	20,517,615	19,715,274	25,583,117	24,612,701
Total	15,477,634	16,990,676	18,388,686	22,811,139	22,824,926	22,759,642	29,097,026	28,839,217
Liabilities & Equity								
Current Liabilities	797,732	1,122,160	1,248,855	1,337,307	1,362,713	1,388,725	1,610,008	1,646,108
Long Term Liabilities	7,569,849	8,303,231	9,359,998	12,349,425	11,822,299	11,285,062	16,084,047	15,322,326
Total Liabilities	8,367,581	9,425,391	10,608,853	13,686,732	13,185,013	12,673,787	17,694,055	16,968,435
Net Assets	7,110,053	7,565,285	7,779,833	9,124,407	9,639,914	10,085,854	11,402,971	11,870,783
Cash Flow								
Revenues	3,039,614	3,227,184	3,379,043	3,909,710	4,195,254	4,208,971	4,222,962	4,500,064
Operating Expenses	2,444,908	2,551,826	2,626,888	2,750,915	2,822,610	2,878,297	2,935,098	2,993,034
Other Income	19,562	64,137	38,760	38,760	38,760	38,760	38,760	38,760
Cash Flow Before Debt Service	614,268	739,495	790,915	1,197,555	1,411,403	1,369,433	1,326,624	1,545,790
Debt Service								
Existing Debt Service	449,894	541,297	556,439	597,949	634,275	634,276	645,994	657,994
Proposed KIA Loan	0	0	0	0	0	0	212,989	212,989
Total Debt Service	449,894	541,297	556,439	597,949	634,275	634,276	858,983	870,983
Cash Flow After Debt Service	164,374	198,198	234,476	599,606	777,128	735,157	467,641	674,807
Ratios								
Current Ratio	1.4	0.8	0.7	1.1	1.7	2.2	2.2	2.6
Debt to Equity	1.2	1.2	1.4	1.5	1.4	1.3	1.6	1.4
Days Sales in Accounts Receivable	57.7	47.5	49.8	49.8	49.8	49.8	49.8	49.8
Months Operating Expenses in Unrestricted Cash	1.9	1.4	1.1	3.7	7.0	9.9	11.7	14.2
Debt Coverage Ratio	1.4	1.4	1.4	2.0	2.2	2.2	1.5	1.8

EXECUTIVE SUMMARY		Reviewer	Sarah Parsley	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	March 4, 2021	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number	F21-013	
REVOLVING LOAN FUND		WRIS Number	WX21137017 WX21137052	
BORROWER		MCKINNEY WATER DISTRICT LINCOLN COUNTY		
BRIEF DESCRIPTION This project combines two projects, WX21137017 and WX21137052. McKinney Water District is under an Agreed Order by the DOW for disinfection byproduct limits and the City of Stanford is having trouble providing water to the McKinney Water District. This project considers the construction of a new water tank and replacing and enlarging at least a portion of the main asbestos cement water supply line. Replacing the asbestos line will eliminate the biofilm layer built up by fiber inside the lines. The system currently has two 100,000 gal standpipes that are over 50 years old. Only a portion of the water is usable in the tanks due to pressure problems in the system. This project will allow McKinney Water District to connect to the City of Danville system.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$2,491,916	Administrative Expenses	RD Fee %	Actual %
ARC	500,000	Legal Expenses		
	-	Land, Easements		
		Planning		
		Eng - Design / Const	7.4%	6.2%
		Eng - Insp	4.2%	3.7%
		Eng - Other		
		Construction		
		Contingency		
TOTAL	\$2,991,916	TOTAL		\$2,991,916
REPAYMENT	Rate	1.00%	Est. Annual Payment \$144,010	
	Term	20 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	AGE Engineering Services		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	Jun-21		
	Construction Start	Sep-21		
	Construction Stop	Jun-22		
DEBT PER CUSTOMER	Existing	\$458		
	Proposed	\$1,758		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	1,823	\$39.68 (for 4,000 gallons)	
	Additional	0	\$39.68 (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	138,875	36,076	102,799	3.8
Audited 2018	112,294	34,524	77,770	3.3
Audited 2019	99,834	33,056	66,778	3.0
Projected 2020	82,668	67,570	15,098	1.2
Projected 2021	65,159	68,029	(2,870)	1.0
Projected 2022	93,979	106,110	(12,131)	0.9
Projected 2023	272,340	248,930	23,410	1.1
Projected 2024	277,097	250,526	26,571	1.1

Reviewer: Sarah Parsley
Date: March 4, 2021
Loan Number: F21-013

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND F)
MCKINNEY WATER DISTRICT, LINCOLN COUNTY
PROJECT REVIEW
WX21137017/WX21137052**

I. PROJECT DESCRIPTION

This project combines two projects, WX21137017 and WX21137052. McKinney Water District is under an Agreed Order by the DOW for disinfection byproduct limits and the City of Stanford is having trouble providing water to the McKinney Water District. This project considers the construction of a new water tank and replacing and enlarging at least a portion of the main asbestos cement water supply line. Replacing the asbestos line will eliminate the biofilm layer built up by fiber inside the lines. The system currently has two 100,000 gal standpipes that are over 50 years old. Only a portion of the water is usable in the tanks due to pressure problems in the system. This project will allow McKinney Water District to connect to the City of Danville system.

The McKinney Water District serves 4,274 customers and is regulated by the PSC.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 30,000
Legal Expenses	25,000
Land, Easements	20,000
Planning	5,000
Engineering Fees - Design	161,649
Engineering Fees - Inspection	97,200
Engineering Fees - Other	40,000
Construction	2,420,970
Contingency	192,097
Total	\$ 2,991,916

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 2,491,916	83%
ARC	500,000	17%
Total	\$ 2,991,916	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 2,491,916
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 2,491,916
Interest Rate	1.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 137,781
Administrative Fee (0.25%)	6,230
Total Estimated Annual Debt Service	\$ 144,010

V. PROJECT SCHEDULE

Bid Opening	June 1, 2021
Construction Start	September 1, 2021
Construction Stop	June 1, 2022

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current	Proposed	Total
Residential	1,799	0	1,799
Commercial	24	0	24
Industrial	0	0	0
Total	1,823	0	1,823

B) Rates

	<u>Current</u>	<u>Prior</u>
Date of Last Rate Increase	08/15/17	09/14/13
Minimum (First 1000 Gallons)	\$14.42	\$13.02
Next 2,000 Gallons (per 1000)	8.89	7.81
Next 7,000 Gallons (per 1000)	7.48	6.48
Cost for 4,000 gallons	\$39.68	\$35.12
Increase %	13.0%	
Affordability Index (Rate/MHI)	1.2%	

VII. 2020 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - The Drinking Water capitalization grant does not contain a "green" requirement.
- 2) Additional Subsidization – This project does not qualify for additional subsidization.

VIII. 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 8.3% from \$882,791 in 2017 to \$955,712 in 2019 due to a rate increase. Operating expenses increased 15.3% from \$744,395 in 2017 to \$858,290 in 2019.

The 2019 balance sheet reflects a current ratio of 5.1, a debt to equity ratio of 0.7, 29.7 days sales in accounts receivable, and 3.8 months operating expense in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues will increase by approximately 22% by 2023 and then approximately 2% thereafter due to a rate increase.
- 2) Water purchasing expenses will decrease approximately \$47,000 once McKinney Water District connects to Danville in 2022.
- 3) Expenses will increase 2% for 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 A loan.

REPLACEMENT RESERVE

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

IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
RD 1992 Bonds	\$ 299,000	2032
RD 1999 Bonds	90,700	2038
RD 1999 Bonds	62,800	2038
RD 2000 Bonds	382,500	2040
Phase 1A Danville Financed	648,856	2052
Total	\$ 1,483,856	

X. CONTACTS

Legal Applicant

Entity Name McKinney Water District
Authorized Official Matt Rankin (Chairman)
County Lincoln
Email assn72dist65@newwavecomm.net
Phone (606) 346-2220
Address PO Box 7
 McKinney, KY 40448

Applicant Contact

Name Leslie Gooch
Organization McKinney Water District
Email assn72dist65@newwavecomm.net
Phone (606) 346-2220
Address PO Box 7
 McKinney, KY 40448

Project Administrator

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

Consulting Engineer

PE Name	Luther Galloway
Firm Name	AGE Engineering Services
Email	lgalloway@ageengineering.com
Phone	(606) 365-8362
Address	165 Foster Lane Stanford, KY 40484

XI. 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 \$2,491,916 loan. This debt authorization application should include a forecast for meeting debt service projected through no less than 2025.
- 2) By March 31, 2021, the District will need a resolution from the McKinney Water 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 increased by \$202,000, which equates approximately to rates increased by 22% 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.

MCKINNEY WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)

	Audited <u>2017</u>	Audited <u>2018</u>	Audited <u>2019</u>	Projected <u>2020</u>	Projected <u>2021</u>	Projected <u>2022</u>	Projected <u>2023</u>	Projected <u>2024</u>
Balance Sheet								
Assets								
Current Assets	421,875	417,769	443,406	458,549	455,679	443,548	483,359	511,730
Other Assets	2,119,408	2,093,751	2,024,525	1,931,646	1,838,767	4,663,006	4,495,329	4,327,652
Total	2,541,283	2,511,520	2,467,931	2,390,195	2,294,446	5,106,554	4,978,688	4,839,382
Liabilities & Equity								
Current Liabilities	62,404	73,085	87,752	90,586	104,473	106,351	111,048	115,667
Long Term Liabilities	957,742	927,439	896,677	859,577	809,590	3,250,641	3,196,079	3,137,998
Total Liabilities	1,020,146	1,000,524	984,429	950,163	914,063	3,356,992	3,307,127	3,253,665
Net Assets	1,521,137	1,510,996	1,483,502	1,440,032	1,380,383	1,749,562	1,671,560	1,585,717
Cash Flow								
Revenues	882,791	908,260	955,712	955,712	955,712	955,712	1,157,556	1,179,942
Operating Expenses	744,395	796,938	858,290	875,456	892,965	864,145	887,628	905,257
Other Income	479	972	2,412	2,412	2,412	2,412	2,412	2,412
Cash Flow Before Debt Service	138,875	112,294	99,834	82,668	65,159	93,979	272,340	277,097
Debt Service								
Existing Debt Service	36,076	34,524	33,056	67,570	68,029	106,110	104,920	106,516
Proposed KIA Loan	0	0	0	0	0	0	144,010	144,010
Total Debt Service	36,076	34,524	33,056	67,570	68,029	106,110	248,930	250,526
Cash Flow After Debt Service	102,799	77,770	66,778	15,098	(2,870)	(12,131)	23,410	26,571
Ratios								
Current Ratio	6.8	5.7	5.1	5.1	4.4	4.2	4.4	4.4
Debt to Equity	0.7	0.7	0.7	0.7	0.7	1.9	2.0	2.1
Days Sales in Accounts Receivable	27.9	24.8	29.7	29.7	29.7	29.7	29.7	29.7
Months Operating Expenses in Unrestricted Cash	3.9	3.7	3.6	3.8	3.7	3.6	3.9	4.1
Debt Coverage Ratio	3.8	3.3	3.0	1.2	1.0	0.9	1.1	1.1

MCKINNEY WATER DISTRICT
LINCOLN COUNTY, KENTUCKY
2900 KY HWY 198
McKinney, KY 40448

RESOLUTION 2021-3-9

Whereas, the McKinney Water District Board has recognized that the District's water system is in need of upgrade in order to continue to provide adequate quantities of safe drinking water to its customers.

Whereas, the Board has been dealing with a number of issues related to water quality, including the recently closed Agreed Order due to violations of limits for Disinfection Byproducts.

Whereas, the City of Stanford Water Works, the principle supplier of treated water has had and continues to have problems meeting limits on Disinfection Byproducts.

Whereas, the City of Stanford Water Works, has plans to spend \$4,000,000.00 on its water treatment plant to meet current demands, which will increase water rates.

Whereas, the City of Danville Water Works, has recently completed a major upgrade of its water treatment plant to meet current and future demands and installed granular activated carbon filters (GAC) to treat for Disinfection Byproducts.

Whereas, the City of Danville Water Works, has lower water rates than the McKinney Water District is currently paying to the City of Stanford and the City of Eubank.

Whereas, the Board has been dealing with a number of issues related to water pressures, including a proposed Agreed Order due to violations of minimum pressures in the water system.

Whereas, the Board recognizes the issues with the 60 years old standpipe storage tanks for both Disinfection Byproducts and low pressures in the system, that a new water tank to pressure the system is needed.

Whereas, the Division of Water and the Public Service Commission have both written notices of violations (NOV) for water storage insufficiencies, low water pressures, and Disinfection Byproducts.

NOW THEREFORE BE IT RESOLVED:

- 1) The McKinney Water District Board approves the execution of the contract(s) with Kentucky Infrastructure Authority for the loan in the amount of \$2,491,916.00.
- 2) The McKinney Water District Board approves and directs the Chairman to execute and sign all documents required for the contracts with Kentucky Infrastructure

Authority for the loan in the amount of \$2,491,916.00. 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 McKinney Water District Board commits 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 \$202,000.00, which equates approximately to rates increased by 22% in 2022, 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 McKinney Water District Board commits to increase revenues as necessary to maintain a debt service coverage is 1.1 in 2023 and beyond.

APPROVED DATE 3/9/21

Chairman Matt Lamb

Date 3/9/21

Attested Nicki Bastin

Date 3-9-2021