

**Kentucky Infrastructure Authority  
Projects for February 2022  
Capital Projects and Bond Oversight Committee**

• **Fund F Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Amount Loan Total</u>	<u>County</u>
F19-002	City of Morehead f/b/o Morehead Utility Plant Board (Increase)	\$ 16,570,000	\$ 44,998,000	Rowan
F22-002	Grayson County Water District	\$ 7,231,000	\$ 7,231,000	Grayson
F22-011	City of Whitesburg	\$ 1,660,000	\$ 1,660,000	Letcher
F22-015	City of London f/b/o London Utility Commission	\$ 2,904,000	\$ 2,904,000	Laurel

<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 February 3, 2022 F19-002 (Increase) WX21205048
BORROWER	CITY OF MOREHEAD, F/B/O MOREHEAD UTILITY PLANT BOARD ROWAN COUNTY		
BRIEF DESCRIPTION			
<p>The City of Morehead ("City"), for the benefit of Morehead Utility Plant Board, is requesting a Fund F loan increase in the amount of \$16,570,000 to supplement the Regional Water Treatment Plant Construction project. The last phase was board approved on May 6th, 2021. This new increase amount will bring the new total KIA loan amount up to \$44,998,000.</p> <p>This second increase is due to additional supply costs and price increases due the Water Treatment Plant construction and raw and finished waterline construction phases of the project. Water Treatment Plant Construction was bid on October 15, 2021. The lowest bid was \$29,987,000. Updated cost estimates for Phases 1A/1B/3A/3B, scheduled to be bid in October 2022, place the total updated project cost at \$44,998,000. This project funding increment is a continuance in the multi-phased funded loan for a major water treatment plant expansion project for the Morehead Utility Plant Board. The new 12 million gallons per day (MGD) regional water treatment plant (WTP) will replace the existing 8 MGD WTP.</p> <p>The Morehead Utility Plant Board serves 3,636 direct customers in Bath, Fleming and Rowan counties, along with 11,687 indirectly served through wholesale water sales.</p>			
PROJECT FINANCING		PROJECT BUDGET	RD Fee %      Actual %
KIA Fund F Loan 2021 Increase	\$16,570,000	Administrative Expenses	\$20,000
KIA Fund F Loan 2021	21,873,800	Legal Expenses	10,000
KIA Fund F Loan 2019	5,257,000	Land, Easements	10,000
KIA P&D Loan (F18-004)	1,297,200	Eng - Design / Const	6.4%      6.0%      2,433,550
		Eng - Insp	3.8%      3.6%      1,469,000
		Eng - Other	255,450
		Construction	39,800,000
		Contingency	1,000,000
<b>TOTAL</b>	<b>\$44,998,000</b>	<b>TOTAL</b>	<b>\$44,998,000</b>
REPAYMENT	Rate Term	0.50% 30 Years	Est. Annual Payment 1st Payment      6 Mo. after first draw \$1,729,605
PROFESSIONAL SERVICES	Engineer Bond Counsel	Eclipse Engineers, PLLC Rubin & Hays	
PROJECT SCHEDULE			
	Bid Opening	Oct-21	
	Construction Start	Jan-22	
	Construction Stop	Oct-24	
DEBT PER CUSTOMER	Existing Proposed	\$1,010 \$3,595	
OTHER DEBT	See Attached		
RESIDENTIAL RATES	Current	<u>Users</u> 15,323	<u>Avg. Bill</u> \$43.29 (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 2019	4,328,517	1,275,444	3,053,073      3.4
Audited 2020	3,562,960	1,288,978	2,273,982      2.8
Audited 2021	3,963,598	1,362,274	2,601,324      2.9
Projected 2022	4,104,063	1,900,206	2,203,857      2.2
Projected 2023	4,203,896	1,874,573	2,329,324      2.2
Projected 2024	3,574,679	1,810,004	1,764,675      2.0
Projected 2025	4,774,332	2,690,875	2,083,457      1.8
Projected 2026	4,975,827	3,019,551	1,956,276      1.6

Reviewer: Alex Fisher  
Date: February 3, 2022  
Loan Number: F19-002 Increase

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

**I. PROJECT DESCRIPTION**

The City of Morehead (“City”), for the benefit of Morehead Utility Plant Board, is requesting a Fund F loan increase in the amount of \$16,570,000 to supplement the Regional Water Treatment Plant Construction project. The last phase was board approved on May 6<sup>th</sup>, 2021. This new increase amount will bring the new total KIA loan amount up to \$44,998,000.

This increase is due to additional supply costs and price increases due to the Water Treatment Plant construction and raw and finished waterline construction phases of the project. Water Treatment Plant Construction was bid on October 15, 2021. The lowest bid was \$29,987,000. Updated cost estimates for Phases 1A/1B/3A/3B, scheduled to be bid in October 2022, place the total updated project cost at \$44,998,000.

The Morehead Utility Plant Board serves 3,636 direct customers in Bath, Fleming and Rowan counties, along with 11,687 indirectly served through wholesale water sales.

**II. PROJECT BUDGET**

	<b>Estimated Project Total</b>
Administrative Expenses	\$ 20,000
Legal Expenses	10,000
Land, Easements	10,000
Engineering Fees - Design	1,761,750
Engineering Fees - Construction	671,800
Engineering Fees - Inspection	1,469,000
Engineering Fees - Other	255,450
Construction	39,800,000
Contingency	1,000,000
<b>Total</b>	<b>\$ 44,998,000</b>

### III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
KIA Fund F Loan 2022 Increase	\$ 16,570,000	36.8%
KIA Fund F Loan 2021	21,873,800	48.6%
KIA Fund F Loan 2019	5,257,000	11.7%
KIA P&D Loan (F18-004)	1,297,200	2.9%
<b>Total</b>	<b>\$ 44,998,000</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$44,998,000
Less: Principal Forgiveness	<u>0</u>
Amortized Loan Amount	\$44,998,000
Interest Rate	0.50%
Loan Term (Years)	<u>30</u>
Estimated Annual Debt Service	\$ 1,617,110
Administrative Fee (0.25%)	<u>112,495</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$ 1,729,605</b>

### V. PROJECT SCHEDULE

Bid Opening	October 2021
Construction Start	January 2022
Construction Stop	October 2024

### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

#### A) Customers

<u>Customers</u>	<u>Current</u>
Residential - MUPB	3,007
Commercial - MUPB	623
Industrial - MUPB	6
Wholesale - Rowan Water Inc.	7,490
Wholesale - Bath County Water District	4,031
Wholesale - Other	<u>166</u>
Total	15,323

## B) Rates

<b>Water</b>	<b>Inside City</b>		<b>Outside City</b>	
	Current	Prior	Current	Prior
Date of Last Rate Increase	08/01/21	07/01/20	08/01/21	07/01/20
Minimum (First 2,000 gallons)	23.93	\$21.91	28.73	\$26.30
Next 4,000 Gallons (per 1,000)	9.68	8.86	11.60	10.62
Cost for 4,000 gallons	\$43.29	\$39.63	\$51.93	\$47.54
Increase %	9.2%		9.2%	
Affordability Index (Rate/MHI)	1.4%		1.7%	

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

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey (ACS) 5-Year Estimate 2012-2016, the Utility's service area population was 34,827 with a Median Household Income (MHI) of \$36,586 according to WRIS. The median household income for the Commonwealth is \$44,811. Morehead's water system has historically qualified for KIA's Disadvantaged Community status and subsequent loan terms, however, as ACS data estimates have become more skewed in recent years, the Utility elected to conduct a Modified Weighted Proximity Analysis (MWPA) to better identify the community's MHI. The MWPA demonstrated that the MHI of the water system service area is actually \$35,387. As a result, the Utility will qualify for Disadvantaged Community status and a 0.50% interest rate for the entirety of the multi-phased funded loan.

## VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES

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

## **IX. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2019 through June 30, 2021. 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.

The Morehead Utility Plant Board (MUPB) accounts for the water, sewer and gas services in a consolidated proprietary fund in their audits. Where feasible and practical the water revenues and expenses were analyzed for cash flow and to address any needed rate increases.

### **HISTORY**

Total revenues including water, sewer, and gas have increased 8.8% from 2019 to 2021 mostly due to rate increases. Water revenues increased 17.2% during that period, sewer revenues increased 1.7%, and gas revenues decreased 8.3%. Total operating expenses increased 11.5% from 2019 to 2021. Operating expenses for water increased 15.2%, sewer had a 11.5% increase, and gas decreased 3.6%. Water, sewer, and gas share administrative expenses which increased 38.1% during this time period.

The 2021 balance sheet reflects a current ratio of 1.7, a debt to equity ratio of 1.0, 61.1 days' sales in accounts receivable, and 4.1 months operating expenses in unrestricted cash. The debt coverage ratio from 2019 to 2021 was 3.4, 2.8, and 2.9, respectively.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Water revenues for both residential and wholesale customers remain flat for FY2022-2026.
- 2) The Inter-Local Agreement with the Rowan Water Inc., Bath County Water District and the City of Morehead in effect until November 2048 outlines the Project Cost Allocation associated with construction and operation of water facilities and distribution. The revenues and expenses are reflected in "Other Income" on the Financial Presentation page.
- 3) Sewer and gas revenues will remain flat.
- 4) Both operating and administrative expenses will increase 2% annually for inflation.

- 5) Debt coverage ratio is 1.8 in FY 2025 when full principal and interest payments for the total loan go into repayment.

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

**REPLACEMENT RESERVE**

The replacement reserve will be 5% (\$2,250,000) of the final amount borrowed to be funded annually (\$112,500 yearly) each December 1 for 20 years and maintained for the life of the loan.

**X. DEBT OBLIGATIONS**

	Outstanding	Maturity
Bond Series 1966	\$ 15,000	2020
RD Series 2001A	3,231,000	2042
RD Series 2004	1,204,000	2023
KIA Loan (F00-05)	799,986	2026
KIA Loan (A04-02)	2,309,229	2033
KIA Loan (A10-16)	1,204,000	2031
KIA Loan (A209-36)	211,005	2031
KIA Loan (A209-37)	371,138	2038
KIA Loan (A16-065 i/a/o \$1,800,000)	1,638,110	2038
KIA Loan (F18-004 P&D i/a/o \$1,297,200)	744,962	TBD
KIA Loan (A19-032 i/a/o \$4,500,000)	2,213,955	TBD
KIA Loan (A20-020 i/a/o \$1,363,200)		TBD
<b>Total</b>	<b>\$ 13,942,385</b>	

**XI. CONTACTS**

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

**Applicant Contact**

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

**Project Administrator**

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

**Consulting Engineer**

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

**XII. RECOMMENDATIONS**

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

**CITY OF MOREHEAD, F/B/O MOREHEAD UTILITY PLANT BOARD  
FINANCIAL SUMMARY (JUNE YEAR END)**

	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2025</u></b>
<b>Balance Sheet</b>							
<b>Assets</b>							
Current Assets	3,521,512	3,645,330	4,941,803	7,230,666	9,559,990	11,324,664	13,408,122
Other Assets	42,767,771	45,476,906	47,251,192	44,282,833	39,261,846	34,140,099	74,026,077
<b>Total</b>	<b>46,289,283</b>	<b>49,122,236</b>	<b>52,192,995</b>	<b>51,513,499</b>	<b>48,821,835</b>	<b>45,464,763</b>	<b>87,434,198</b>
<b>Liabilities &amp; Equity</b>							
Current Liabilities	1,816,978	2,147,404	2,826,637	2,943,491	3,183,437	3,485,515	4,103,569
Long Term Liabilities	18,187,697	20,723,340	22,920,857	23,015,870	21,193,402	19,086,355	61,354,658
<b>Total Liabilities</b>	<b>20,004,675</b>	<b>22,870,744</b>	<b>25,747,494</b>	<b>25,959,362</b>	<b>24,376,838</b>	<b>22,571,870</b>	<b>65,458,227</b>
<b>Net Assets</b>	<b>26,284,608</b>	<b>26,251,492</b>	<b>26,445,501</b>	<b>25,554,137</b>	<b>24,444,997</b>	<b>22,892,894</b>	<b>21,975,972</b>
<b>Cash Flow</b>							
Revenues	13,312,938	12,259,837	13,667,380	14,175,277	14,175,277	14,175,277	14,175,277
Operating Expenses	9,106,436	8,811,919	9,707,753	10,012,773	9,889,483	10,139,620	4,130,846
Other Income	122,015	115,042	3,971	(58,441)	(81,898)	(460,978)	(28,578)
<b>Cash Flow Before Debt Service</b>	<b>4,328,517</b>	<b>3,562,960</b>	<b>3,963,598</b>	<b>4,104,063</b>	<b>4,203,896</b>	<b>3,574,679</b>	<b>10,015,854</b>
<b>Debt Service</b>							
Existing Debt Service*	1,275,444	1,288,978	1,362,274	1,862,728	1,723,417	1,558,078	1,826,072
Proposed KIA Loan (Phase 1)	0	0	0	37,478	151,156	251,926	0
Proposed KIA Loan (Total Loan)	0	0	0	0	0	0	864,803
<b>Total Debt Service</b>	<b>1,275,444</b>	<b>1,288,978</b>	<b>1,362,274</b>	<b>1,900,206</b>	<b>1,874,573</b>	<b>1,810,004</b>	<b>2,690,875</b>
<b>Cash Flow After Debt Service</b>	<b>3,053,073</b>	<b>2,273,982</b>	<b>2,601,324</b>	<b>2,203,857</b>	<b>2,329,324</b>	<b>1,764,675</b>	<b>2,083,457</b>
<b>Ratios</b>							
Current Ratio	1.9	1.7	1.7	2.5	3.0	3.2	3.3
Debt to Equity	0.8	0.9	1.0	1.0	1.0	1.0	3.0
Days Sales in Accounts Receivable	53.0	56.8	61.1	61.1	61.1	61.1	61.1
Months Operating Expenses in Unrestricted Cash	1.9	2.0	4.1	8.6	13.2	16.5	20.3
Debt Coverage Ratio	3.4	2.8	2.9	2.2	2.2	2.0	1.8

\* Existing debt service includes pending loan A19-032 and A20-020 in their respective starting years.

<b>EXECUTIVE SUMMARY</b>		Reviewer	John Brady		
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	February 3, 2022		
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number	F22-002		
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21085037		
BORROWER	GRAYSON COUNTY WATER DISTRICT GRAYSON COUNTY				
BRIEF DESCRIPTION					
<p>The Grayson County Water District (GCWD) is requesting a Fund F loan in the amount of \$7,231,000 for the GCWD East – West Improvements II project. This project will consist of comprehensive improvements to the Water Treatment Plant and the distribution system that will result in more reliable and safer water for customers. Major components of the project include the construction and replacement of water lines, upgrading existing pumps, and the rehabilitation of two storage tanks.</p>					
PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund F Loan	\$7,231,000	Land, Easements			236,000
		Planning			20,000
		Eng - Design / Const	6.6%	5.1%	324,000
		Eng - Insp	3.7%	3.2%	205,000
		Eng - Other			105,000
		Construction			5,765,000
		Contingency			576,000
TOTAL	\$7,231,000	TOTAL			\$7,231,000
REPAYMENT	Rate	0.25%	Est. Annual Payment	\$231,293	
	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	Aug-22			
	Construction Start	Mar-23			
	Construction Stop	Mar-24			
DEBT PER CUSTOMER	Existing	\$1,113			
	Proposed	\$1,669			
OTHER DEBT	See Attached				
RESIDENTIAL RATES	Current	<u>Users</u>	<u>Avg. Bill</u>		
		7,068	\$44.25	(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	1,079,603	1,450,670	(371,067)	0.7	
Audited 2019	1,101,970	1,971,028	(869,058)	0.6	
Audited 2020	1,000,891	835,496	165,395	1.2	
Projected 2021	1,067,662	872,292	195,370	1.2	
Projected 2022	1,212,490	839,139	373,351	1.4	
Projected 2023	1,148,052	603,888	544,164	1.9	
Projected 2024	1,100,787	717,434	383,354	1.5	
Projected 2025	1,052,577	831,739	220,838	1.3	

Reviewer: John Brady  
Date: February 3, 2022  
Loan Number: F22-002

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
GRAYSON COUNTY WATER DISTRICT, GRAYSON COUNTY  
PROJECT REVIEW  
WX21085037**

**I. PROJECT DESCRIPTION**

The Grayson County Water District (GCWD) is requesting a Fund F loan in the amount of \$7,231,000 for the GCWD East – West Improvements II project. This project will consist of comprehensive improvements to the Water Treatment Plant and the distribution system that will result in more reliable and safer water for customers. Major components of the project include the construction and replacement of water lines, upgrading existing pumps, and the rehabilitation of two storage tanks. The project will upgrade existing treatment components that will help address water quality issues outlined in an Agreed Order for TTHM's in purchased water.

The GCWD currently serves over 6,700 residential customers and over 350 commercial and industrial customers. They purchase water from the City of Leitchfield and provide wholesale service to the City of Caneyville.

**II. PROJECT BUDGET**

	<u>Total</u>
Land, Easements	\$ 236,000
Planning	20,000
Engineering Fees - Design	259,000
Engineering Fees - Construction	65,000
Engineering Fees - Inspection	205,000
Engineering Fees - Other	105,000
Construction	5,765,000
Contingency	576,000
<b>Total</b>	<b>\$ 7,231,000</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 7,231,000	100%
<b>Total</b>	<b>\$ 7,231,000</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 7,231,000
Less: Principal Forgiveness	<u>1,000,000</u>
Amortized Loan Amount	\$ 6,231,000
Interest Rate	0.25%
Loan Term (Years)	<u>30</u>
Estimated Annual Debt Service	\$ 215,716
Administrative Fee (0.25%)	<u>15,578</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$ 231,293</b>

#### V. PROJECT SCHEDULE

Bid Opening	August 2022
Construction Start	March 2023
Construction Stop	March 2024

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current
Residential	6,711
Commercial	296
Industrial	<u>61</u>
Total	7,068

##### B) Rates

Water	Current	Prior	Prior
Date of Last Rate Increase	12/14/21	06/16/20	07/04/15
Minimum (1,500 gallons)	\$20.37	\$19.35	\$18.09
Next 8,500 gallons (per 1,000)	9.55	9.07	8.56
Cost for 4,000 gallons	<u>\$44.25</u>	<u>\$42.03</u>	<u>\$39.49</u>
Increase %	5.3%	6.4%	
Affordability Index (Rate/MHI)	1.3%	1.3%	

#### VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate

2015-2019, the Utility's service area population was 14,246 with a Median Household Income (MHI) of \$39,371. The median household income for the Commonwealth is \$50,589. The project will qualify for a 0.25% interest rate.

## **VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES**

- 1) Green Project Reserve - The Drinking Water capitalization grant does not contain a "green" requirement.
- 2) Additional Subsidization – This project 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 December 31, 2018 through December 31, 2020. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

Water revenues increased 2.5% from \$3.48 million in 2018 to \$3.54 million in 2020 due to a rate increase that went into effect in June 2020. Operating expenses increased 5.9% from \$2.49 million to \$2.64 million during the same period due to higher payroll and contract service costs. The debt coverage ratio was 0.7, 0.6, and 1.2 in 2018, 2019, and 2020.

The balance sheet reflects a current ratio of 0.9, a debt to equity ratio of 0.6, 27.9 days of sales in accounts receivables, and 0.9 months operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Water revenues are projected to increase 3.2% in 2021 and 5.3% in 2022 due to existing rate increases.
- 2) Operating expenses are projected to increase 2% annually due to inflation.
- 3) Debt service coverage is 1.5 in 2024 when principal and interest repayments begin.

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

The GCWD is regulated by the Public Service Commission (PSC). They will need to apply to the PSC, pursuant to KRS 278.300, for debt authorization for the \$7,231,000 loan and must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020.

**REPLACEMENT RESERVE**

The replacement reserve will be 5% (\$362,000 total) of the final amount borrowed (prior to principal forgiveness) to be funded annually (\$18,100 yearly) each December 1 for 20 years and maintained for the life of the loan.

**X. DEBT OBLIGATIONS**

	<b>Outstanding</b>	<b>Maturity</b>
KIA Loan F01-02	\$ 459,439	2022
2009 KY Rural Water Note	40,000	2029
2012 KY Rural Water Note	2,600,000	2034
2013 KY Rural Water Note	970,000	2057
2019 KY Rural Water Note	1,040,000	2060
Series 2013 Bonds	1,270,000	2052
Series 2017 Bonds	689,500	2057
Series 2020 Bonds	<u>795,000</u>	2060
<b>Total</b>	<b>\$ 7,863,939</b>	

**XI. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	Grayson County Water District
Authorized Official	Nancy Cain (Chair)
County	Grayson
Email	ncain@graysonwater.com
Phone	(270) 259-2917
Address	21 Shull White Rd. Leitchfield, KY 42754

<b>Applicant Contact</b>	
Name	Jeremy Woosley
Organization	Grayson County Water District
Email	jwoosley@graysonwater.com
Phone	(270) 259-2917
Address	21 Shull White Rd. Leitchfield, KY 42754

**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	Robert Taylor
Firm Name	Kentucky Engineering Group, PLLC
Email	rtaylor@kyengr.com
Phone	(859) 608-8927
Address	PO Box 1034 Versailles, KY 40383

**XII. RECOMMENDATIONS**

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

**GRAYSON COUNTY WATER DISTRICT  
FINANCIAL SUMMARY (DECEMBER 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	946,401	833,662	876,942	924,514	1,013,684	1,122,517	1,199,188	1,243,355
Other Assets	21,625,888	21,205,132	21,904,183	21,201,378	20,640,958	20,054,513	26,570,420	25,725,314
<b>Total</b>	<b>22,572,289</b>	<b>22,038,794</b>	<b>22,781,125</b>	<b>22,125,892</b>	<b>21,654,642</b>	<b>21,177,030</b>	<b>27,769,608</b>	<b>26,968,670</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	806,923	806,295	1,001,967	970,970	754,693	976,893	992,993	1,010,193
Long Term Liabilities	7,901,834	7,305,974	7,435,290	6,730,051	6,329,051	5,709,851	11,309,651	10,665,451
<b>Total Liabilities</b>	<b>8,708,757</b>	<b>8,112,269</b>	<b>8,437,257</b>	<b>7,701,021</b>	<b>7,083,744</b>	<b>6,686,744</b>	<b>12,302,644</b>	<b>11,675,644</b>
<b>Net Assets</b>	<b>13,863,532</b>	<b>13,926,525</b>	<b>14,343,868</b>	<b>14,424,871</b>	<b>14,570,898</b>	<b>14,490,286</b>	<b>15,466,964</b>	<b>15,293,026</b>
<b>Cash Flow</b>								
Revenues	3,481,407	3,514,252	3,544,715	3,656,025	3,846,282	3,846,282	3,846,282	3,846,282
Operating Expenses	2,488,106	2,511,284	2,635,656	2,680,195	2,725,624	2,790,062	2,837,327	2,885,537
Other Income	86,302	99,002	91,832	91,832	91,832	91,832	91,832	91,832
<b>Cash Flow Before Debt Service</b>	<b>1,079,603</b>	<b>1,101,970</b>	<b>1,000,891</b>	<b>1,067,662</b>	<b>1,212,490</b>	<b>1,148,052</b>	<b>1,100,787</b>	<b>1,052,577</b>
<b>Debt Service</b>								
Existing Debt Service	1,450,670	1,971,028	835,496	872,292	839,139	603,888	601,787	600,446
Proposed KIA Loan	0	0	0	0	0	0	115,647	231,293
<b>Total Debt Service</b>	<b>1,450,670</b>	<b>1,971,028</b>	<b>835,496</b>	<b>872,292</b>	<b>839,139</b>	<b>603,888</b>	<b>717,434</b>	<b>831,739</b>
<b>Cash Flow After Debt Service</b>	<b>(371,067)</b>	<b>(869,058)</b>	<b>165,395</b>	<b>195,370</b>	<b>373,351</b>	<b>544,164</b>	<b>383,354</b>	<b>220,838</b>
<b>Ratios</b>								
Current Ratio	1.2	1.0	0.9	1.0	1.3	1.1	1.2	1.2
Debt to Equity	0.6	0.6	0.6	0.5	0.5	0.5	0.8	0.8
Days Sales in Accounts Receivable	27.3	27.2	27.9	27.9	27.9	27.9	27.9	27.9
Months Operating Expenses in Unrestricted Cash	0.7	0.3	0.9	1.0	1.3	1.8	2.1	2.2
Debt Coverage Ratio	0.7	0.6	1.2	1.2	1.4	1.9	1.5	1.3

<b>EXECUTIVE SUMMARY</b>		Reviewer	Alex Fisher	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	February 3, 2022	
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number	F22-011	
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21133065	
<b>BORROWER</b>		CITY OF WHITESBURG LETCHER COUNTY		
<b>BRIEF DESCRIPTION</b>				
The City of Whitesburg ("City") is requesting a Fund F loan in the amount of \$1,660,000 for the Waterline Replacement Phase 1 project. This project will replace water lines, meters, hydrants, valves and any other related items to completely replace the water distribution system on the Eastern side of the City system.				
<b>PROJECT FINANCING</b>		<b>PROJECT BUDGET</b>		
Fund F Loan	\$1,660,000	RD Fee %	Actual %	
		Administrative Expenses		\$50,000
		Legal Expenses		6,500
		Land, Easements		5,000
		Planning		5,000
		Eng - Design / Const	8.4%	8.5%
		Eng - Insp	5.2%	5.3%
		Eng - Other		17,600
		Construction		1,259,000
		Contingency		125,900
<b>TOTAL</b>	<b>\$1,660,000</b>	<b>TOTAL</b>		<b>\$1,660,000</b>
<b>REPAYMENT</b>	Rate	0.25%	Est. Annual Payment \$61,619	
	Term	30 Years	1st Payment	6 Mo. after first draw
<b>PROFESSIONAL SERVICES</b>	Engineer	Nesbitt Engineering		
	Bond Counsel	Rubin & Hays		
<b>PROJECT SCHEDULE</b>	Bid Opening	Jul-22		
	Construction Start	Oct-22		
	Construction Stop	Oct-23		
<b>DEBT PER CUSTOMER</b>	Existing	\$1,127		
	Proposed	\$3,627		
<b>OTHER DEBT</b>	See Attached			
<b>RESIDENTIAL RATES</b>	Current	<u>Users</u>	<u>Avg. Bill</u>	
		1,466	\$24.40	(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	555,159	313,104	242,055	1.8
Audited 2019	431,264	193,307	237,957	2.2
Audited 2020	1,137,555	167,192	970,363	6.8
Projected 2021	1,116,827	167,626	949,201	6.7
Projected 2022	1,095,685	144,498	951,187	7.6
Projected 2023	1,077,325	183,583	893,742	5.9
Projected 2024	1,050,360	267,841	782,519	3.9
Projected 2025	1,027,140	283,670	743,470	3.6

Reviewer: Alex Fisher  
Date: February 3, 2022  
Loan Number: F22-011

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
CITY OF WHITESBURG, LETCHER COUNTY  
PROJECT REVIEW  
WX21133065**

**I. PROJECT DESCRIPTION**

The City of Whitesburg ("City") is requesting a Fund F loan in the amount of \$1,660,000 for the Waterline Replacement Phase 1 project. This project will replace water lines, meters, hydrants, valves and any other related items to completely replace the water distribution system on the Eastern side of the City system.

This project will install four new master meters with SCADA that will be able to identify excess water leaks. Additionally, the project will replace 1,100 LF of 8" PVC, 18,300 LF of 6" PVC, 1,500 LF of 4" PVC and 1,850 LF of 2" PVC waterlines, 12 flushing hydrants, valves and boxes from 2" to 8" and 154 radio read meters.

Currently the City of Whitesburg serves 1,251 residential and over 230 commercial and industrial customers.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 50,000
Legal Expenses	6,500
Land, Easements	5,000
Planning	5,000
Engineering Fees - Design	93,000
Engineering Fees - Construction	25,000
Engineering Fees - Inspection	73,000
Engineering Fees - Other	17,600
Construction	1,259,000
Contingency	125,900
<b>Total</b>	<b>\$ 1,660,000</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 1,660,000	100%
<b>Total</b>	<b>\$ 1,660,000</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 1,660,000
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 1,660,000
Interest Rate	0.25%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 57,469
Administrative Fee (0.25%)	4,150
<b>Total Estimated Annual Debt Service</b>	<b>\$ 61,619</b>

#### V. PROJECT SCHEDULE

Bid Opening	July 2022
Construction Start	October 2022
Construction Stop	October 2023

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current
Residential	1,234
Commercial	231
Industrial	1
Total	1,466

##### B) Rates

	Water Inside City		Water Outside City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/01/19	01/11/08	07/01/19	01/11/08
Minimum 2,000 Gallons	\$13.40	\$9.40	\$24.00	\$20.00
Next 2,000 Gallons (Per 1,000 Gallons)	5.50	3.50	9.00	7.00
Cost for 4,000 gallons	\$24.40	\$16.40	\$42.00	\$34.00
Increase %	48.8%		23.5%	
Affordability Index (Rate/MHI)	0.8%	0.6%	1.4%	1.2%

	Sewer Inside City		Sewer Outside City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/01/19	07/01/09	07/01/19	07/01/09
Minimum 2,000 Gallons	\$15.41	\$12.67	\$27.60	\$12.67
Next 2,000 Gallons (Per 1,000 Gallons)	6.33	8.57	10.35	8.54
Cost for 4,000 gallons	\$28.07	\$29.81	\$48.30	\$29.75
Increase %	-5.8%		62.4%	
Affordability Index (Rate/MHI)	1.0%	1.0%	1.6%	1.0%

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2015-2019, the Utility's service area population was 3,203 with a Median Household Income (MHI) of \$35,253. The median household income for the Commonwealth is \$50,589. The project will qualify for a 0.25% interest rate.

## VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES

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

## IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended 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

The City operates the proprietary fund that combines the water, sewer and sanitation departments. Where it is feasible the water and sewer components were evaluated separately. The total proprietary fund revenues increased 32.7% from \$1.64 million in 2018 to \$2.17 in 2020 while operating expenses decreased 4.3% from \$1.08 million to \$1.04 million during the same period. The water revenues increase 9.4% from 2018 to 2020, while the sewer revenues increased 40.3%. The sewer increase was due to a rate increase that was effective July 2019. Consolidated cash flow before debt service averaged \$707,993 in the 3 audited years. The debt coverage ratio was 1.8, 2.2, and 6.8 in 2018, 2019 and 2020 respectively.

The balance sheet reflects a current ratio of 2.6, a debt to equity ratio of 0.9, 34.9 days of sales in accounts receivable, and 2.0 months of operating expenses in unrestricted cash.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues are projected flat for years 2021 and 2022, and beginning in FY2023-25 there is 166 new water customer revenues from project F21-019 added.
- 2) Operating expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 3.9 in 2024 when principal and interest repayments begin.

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

## REPLACEMENT RESERVE

The replacement reserve will be 5% (\$84,000 total) of the final amount borrowed to be funded annually (\$4,200 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
USDA RD 91-03	\$ 36,000	2024
USDA RD 92-05	107,000	2029
USDA RD 92-07	36,800	2041
USDA RD 92-09	794,500	2047
KIA F209-03	43,337	2030
KIA A07-03	597,467	2031
TCF Equipment Finance	36,993	2021
KIA F20-026 i.a.o \$300,000		TBD
KIA F21-019 i.a.o \$2,200,000		TBD
<b>Total</b>	<b>\$ 1,652,097</b>	

## **XI. CONTACTS**

### **Legal Applicant**

Entity Name	City of Whitesburg
Authorized Official	Tiffany Craft (Mayor)
County	Letcher
Email	mayorcraftwb@gmail.com
Phone	(606) 633-3700
Address	38 E Main St Whitesburg, KY 41858

### **Applicant Contact**

Name	Jessica Keene
Organization	City of Whitesburg
Email	whitesburgcityclerk@gmail.com
Phone	(606) 633-3705
Address	38 E Main St Whitesburg, KY 41858

### **Project Administrator**

Name	Lisa Napier
Organization	Kentucky River Area Development District
Email	lisa@kradd.org
Phone	(606) 436-3158
Address	941 N Main St Hazard, KY 41701

### **Consulting Engineer**

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

## **XII. RECOMMENDATIONS**

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

**CITY OF WHITESBURG  
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	488,905	348,105	379,580	569,393	759,631	942,979	1,099,483	1,248,177
Other Assets	8,996,404	8,012,424	8,290,800	8,590,000	11,021,788	12,314,621	14,082,676	14,159,491
<b>Total</b>	<b>9,485,309</b>	<b>8,360,529</b>	<b>8,670,380</b>	<b>9,159,393</b>	<b>11,781,419</b>	<b>13,257,600</b>	<b>15,182,159</b>	<b>15,407,667</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	338,578	192,470	144,819	176,541	172,435	266,074	254,988	321,522
Long Term Liabilities	3,143,947	2,888,340	3,929,626	3,831,279	5,938,231	6,052,744	7,539,542	7,301,008
<b>Total Liabilities</b>	<b>3,482,525</b>	<b>3,080,810</b>	<b>4,074,445</b>	<b>4,007,820</b>	<b>6,110,666</b>	<b>6,318,818</b>	<b>7,794,531</b>	<b>7,622,529</b>
<b>Net Assets</b>	<b>6,002,784</b>	<b>5,279,719</b>	<b>4,595,935</b>	<b>5,151,573</b>	<b>5,670,753</b>	<b>6,938,782</b>	<b>7,387,628</b>	<b>7,785,138</b>
<b>Cash Flow</b>								
Revenues	1,638,068	1,551,488	2,173,950	2,173,950	2,173,950	2,222,555	2,222,555	2,222,555
Operating Expenses	1,083,151	1,120,224	1,036,395	1,057,123	1,078,265	1,145,230	1,172,195	1,195,415
Other Income	242	0	0	0	0	0	0	0
<b>Cash Flow Before Debt Service</b>	<b>555,159</b>	<b>431,264</b>	<b>1,137,555</b>	<b>1,116,827</b>	<b>1,095,685</b>	<b>1,077,325</b>	<b>1,050,360</b>	<b>1,027,140</b>
<b>Debt Service</b>								
Existing Debt Service	313,104	193,307	167,192	167,626	144,498	183,583	237,031	222,051
Proposed KIA Loan	0	0	0	0	0	0	30,810	61,619
<b>Total Debt Service</b>	<b>313,104</b>	<b>193,307</b>	<b>167,192</b>	<b>167,626</b>	<b>144,498</b>	<b>183,583</b>	<b>267,841</b>	<b>283,670</b>
<b>Cash Flow After Debt Service</b>	<b>242,055</b>	<b>237,957</b>	<b>970,363</b>	<b>949,201</b>	<b>951,187</b>	<b>893,742</b>	<b>782,519</b>	<b>743,470</b>
<b>Ratios</b>								
Current Ratio	1.4	1.8	2.6	3.2	4.4	3.5	4.3	3.9
Debt to Equity	0.6	0.6	0.9	0.8	1.1	0.9	1.1	1.0
Days Sales in Accounts Receivable	87.4	56.2	34.9	34.9	34.9	34.8	34.8	34.8
Months Operating Expenses in Unrestricted Cash	1.0	1.2	2.0	4.1	6.1	7.7	9.2	10.5
Debt Coverage Ratio	1.8	2.2	6.8	6.7	7.6	5.9	3.9	3.6

<b>EXECUTIVE SUMMARY</b>		Reviewer	John Brady	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	February 3, 2022	
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number	F22-015	
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21125024	
BORROWER	CITY OF LONDON F/B/O LONDON UTILITY COMMISSION LAUREL COUNTY			
BRIEF DESCRIPTION				
The City of London, for the benefit of the London Utility Commission (the Commission), is requesting a Fund F loan in the amount of \$2,904,000 for the Water Treatment Plant (WTP) Improvements project. This project will consist of various improvements to the WTP, repairs to three existing water storage tanks, and the installation of a submersible pump station. The three storage tanks that will undergo extensive repairs supply the entire distribution system. The new pump station will be located at the WTP and will allow the Commission to capture all backwash water and eliminate the need for on-site lagoons.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$2,904,000	RD Fee %	Actual %	
		Eng - Design / Const	7.4%	6.8%
		Eng - Insp	5.5%	4.0%
		Eng - Other		
		Construction		
		Contingency		
TOTAL	\$2,904,000	TOTAL		
REPAYMENT	Rate	0.25%	Est. Annual Payment	\$156,211
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Eclipse Engineers, PLLC		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	May-22		
	Construction Start	Aug-22		
	Construction Stop	Aug-23		
DEBT PER CUSTOMER	Existing	\$1,027		
	Proposed	\$1,183		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u>	<u>Avg. Bill</u>	
		4,547	\$21.62	(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 2019	1,722,660	752,284	970,376	2.3
Audited 2020	2,082,875	761,561	1,321,314	2.7
Audited 2021	2,260,262	769,025	1,491,237	2.9
Projected 2022	2,302,207	761,530	1,540,677	3.0
Projected 2023	2,344,991	761,529	1,583,462	3.1
Projected 2024	2,381,331	839,636	1,541,696	2.8
Projected 2025	2,425,843	372,322	2,053,521	6.5
Projected 2026	2,471,246	372,321	2,098,925	6.6

Reviewer: John Brady  
Date: February 3, 2022  
Loan Number: F22-015

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
CITY OF LONDON F/B/O LONDON UTILITY COMMISSION, LAUREL COUNTY  
PROJECT REVIEW  
WX21125024**

**I. PROJECT DESCRIPTION**

The City of London, for the benefit of the London Utility Commission (the Commission), is requesting a Fund F loan in the amount of \$2,904,000 for the Water Treatment Plant (WTP) Improvements project. The project will consist of numerous improvements to the WTP, repairs to three existing water storage tanks, and the installation of a submersible pump station. The three storage tanks that will undergo extensive repairs supply the entire distribution system. The new pump station will be located at the WTP and will allow the Commission to capture all backwash water and eliminate the need for on-site lagoons.

The Commission currently serves over 3,300 residential customers, approximately 1,200 commercial and industrial customers, and provides wholesale service to the Wood Creek Water Association.

**II. PROJECT BUDGET**

	<u>Total</u>
Engineering Fees - Design	\$ 147,000
Engineering Fees - Construction	30,000
Engineering Fees - Inspection	105,000
Engineering Fees - Other	15,000
Construction	2,370,000
Contingency	237,000
<b>Total</b>	<b>\$ 2,904,000</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 2,904,000	100%
<b>Total</b>	<b>\$ 2,904,000</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 2,904,000
Less: Principal Forgiveness	0
Amortized Loan Amount	<u>\$ 2,904,000</u>
Interest Rate	0.25%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 148,951
Administrative Fee (0.25%)	<u>7,260</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$ 156,211</b>

#### V. PROJECT SCHEDULE

Bid Opening	May 2022
Construction Start	August 2022
Construction Stop	August 2023

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current
Residential	3,371
Commercial	1,168
Industrial	8
Total	<u>4,547</u>

##### B) Rates

Water	Inside City		
	Current	Prior	Prior
Date of Last Rate Increase	02/01/21	02/01/20	02/01/19
Minimum (2,000 gallons)	\$13.34	\$13.16	\$12.87
Over 2,000 gallons (per 1,000)	4.14	4.09	4.00
Cost for 4,000 gallons	\$21.62	\$21.34	\$20.87
Increase %	1.3%	2.3%	
Affordability Index (Rate/MHI)	0.7%	0.6%	

<b>Water</b>	<b>Outside City</b>		
	Current	Prior	Prior
Date of Last Rate Increase	02/01/21	02/01/20	02/01/19
Minimum (2,000 gallons)	\$19.96	\$19.69	\$19.25
Over 2,000 gallons (per 1,000)	6.24	6.16	6.03
Cost for 4,000 gallons	\$32.44	\$32.01	\$31.31
Increase %	1.3%	2.2%	
Affordability Index (Rate/MHI)	1.0%	1.0%	

<b>Sewer</b>	<b>Inside City</b>		
	Current	Prior	Prior
Date of Last Rate Increase	02/01/21	02/01/20	02/01/19
Minimum (2,000 gallons)	\$14.26	\$14.07	\$13.76
Over 2,000 gallons (per 1,000)	7.20	7.11	6.96
Cost for 4,000 gallons	\$28.66	\$28.29	\$27.68
Increase %	1.3%	2.2%	
Affordability Index (Rate/MHI)	0.9%	0.9%	

<b>Sewer</b>	<b>Outside City</b>		
	Current	Prior	Prior
Date of Last Rate Increase	02/01/21	02/01/20	02/01/19
Minimum (2,000 gallons)	\$18.08	\$17.84	\$17.45
Over 2,000 gallons (per 1,000)	9.14	9.03	8.84
Cost for 4,000 gallons	\$36.36	\$35.90	\$35.13
Increase %	1.3%	2.2%	
Affordability Index (Rate/MHI)	1.1%	1.1%	

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2015-2019, the Utility's service area population was 9,193 with a Median Household Income (MHI) of \$39,910. The median household income for the Commonwealth is \$50,589. The project will qualify for a 0.25% interest rate.

## **VIII. 2020 CAPITALIZATION GRANT EQUIVALENCIES**

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

## IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2019 through June 30, 2021. 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 17.4% from \$5.72 million in 2019 to \$6.72 million in 2021 due to rate increases for both water and sewer services. Operating expenses increased 11.5% from \$4.01 million to \$4.47 million during the same period. The debt coverage ratio was 2.3, 2.7, and 2.9 in 2019, 2020, and 2021.

The balance sheet reflects a current ratio of 4.8, a debt to equity ratio of 0.5, 63.6 days of sales in accounts receivable, and 17.5 months operating expenses in unrestricted cash.

### PROJECTIONS

Projections are based on the following assumptions:

- 1) Water and sewer revenues are each projected to increase 2% in future years due to the Commission's annual CPI rate adjustment for both services.
- 2) Operating expenses are projected to increase 2% annually due to inflation.
- 3) Debt service coverage is 2.8 in 2024 when principal and interest repayments begin.

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

### REPLACEMENT RESERVE

The replacement reserve will be 5% (\$146,000 total) of the final amount borrowed to be funded annually (\$7,300 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KIA Loan A02-09	\$ 1,607,999	2024
KIA Loan A14-010	<u>3,060,280</u>	2036
<b>Total</b>	<b>\$ 4,668,279</b>	

## **XI. CONTACTS**

### **Legal Applicant**

Entity Name	City of London f/b/o London Utility Commission
Authorized Official	Troy Rudder (Mayor)
County	Laurel
Email	troyrudder@londonky.gov
Phone	(606) 864-4169
Address	PO Box 918 London, KY 40743

### **Applicant Contact**

Name	Zach Creech
Organization	London Utility Commission
Email	zcreech@londonutilitycommission.com
Phone	(606) 864-2103
Address	PO Box 918 London, KY 40743

### **Project Administrator**

Name	Susanna Cornett
Organization	Cumberland Valley ADD
Email	scornett@cvadd.org
Phone	(606) 864-7391
Address	PO Box 1740 London, KY 40744

### **Consulting Engineer**

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

## **XII. RECOMMENDATIONS**

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

**CITY OF LONDON F/B/O LONDON UTILITY COMMISSION  
FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2019</u>	<u>Audited</u> <u>2020</u>	<u>Audited</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>	<u>Projected</u> <u>2026</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	7,674,464	8,480,803	8,423,348	8,754,394	9,094,387	9,426,526	9,861,530	10,306,115
Other Assets	28,513,452	27,667,011	27,429,660	26,771,866	26,075,699	28,257,420	27,944,600	27,668,104
<b>Total</b>	<b>36,187,916</b>	<b>36,147,814</b>	<b>35,853,008</b>	<b>35,526,260</b>	<b>35,170,086</b>	<b>37,683,946</b>	<b>37,806,131</b>	<b>37,974,220</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	1,725,526	1,881,904	1,746,441	1,765,608	1,785,146	1,403,367	1,418,054	1,433,053
Long Term Liabilities	10,025,755	9,957,451	9,812,607	9,081,652	8,343,859	10,904,745	10,560,144	10,214,044
<b>Total Liabilities</b>	<b>11,751,281</b>	<b>11,839,355</b>	<b>11,559,048</b>	<b>10,847,260</b>	<b>10,129,005</b>	<b>12,308,112</b>	<b>11,978,198</b>	<b>11,647,097</b>
<b>Net Assets</b>	<b>24,436,635</b>	<b>24,308,459</b>	<b>24,293,960</b>	<b>24,679,000</b>	<b>25,041,081</b>	<b>25,375,834</b>	<b>25,827,933</b>	<b>26,327,123</b>
<b>Cash Flow</b>								
Revenues	5,722,183	6,624,771	6,715,791	6,847,133	6,981,102	7,117,750	7,257,131	7,399,300
Operating Expenses	4,009,675	4,564,458	4,469,841	4,559,238	4,650,423	4,750,731	4,845,600	4,942,366
Other Income	10,152	22,562	14,312	14,312	14,312	14,312	14,312	14,312
<b>Cash Flow Before Debt Service</b>	<b>1,722,660</b>	<b>2,082,875</b>	<b>2,260,262</b>	<b>2,302,207</b>	<b>2,344,991</b>	<b>2,381,331</b>	<b>2,425,843</b>	<b>2,471,246</b>
<b>Debt Service</b>								
Existing Debt Service	752,284	761,561	769,025	761,530	761,529	761,530	216,111	216,110
Proposed KIA Loan	0	0	0	0	0	78,106	156,211	156,211
<b>Total Debt Service</b>	<b>752,284</b>	<b>761,561</b>	<b>769,025</b>	<b>761,530</b>	<b>761,529</b>	<b>839,636</b>	<b>372,322</b>	<b>372,321</b>
<b>Cash Flow After Debt Service</b>	<b>970,376</b>	<b>1,321,314</b>	<b>1,491,237</b>	<b>1,540,677</b>	<b>1,583,462</b>	<b>1,541,696</b>	<b>2,053,521</b>	<b>2,098,925</b>
<b>Ratios</b>								
Current Ratio	4.4	4.5	4.8	5.0	5.1	6.7	7.0	7.2
Debt to Equity	0.5	0.5	0.5	0.4	0.4	0.5	0.5	0.4
Days Sales in Accounts Receivable	52.9	61.1	63.6	63.6	63.6	63.6	63.6	63.6
Months Operating Expenses in Unrestricted Cash	18.4	17.4	17.5	18.0	18.4	18.9	19.5	20.2
Debt Coverage Ratio	2.3	2.7	2.9	3.0	3.1	2.8	6.5	6.6