

**Kentucky Infrastructure Authority
Projects for December 2024
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>
A25-019	City of Edmonton	\$ 977,500	\$ 977,500	Metcalfe

▪ **Fund B Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Amount Loan Total</u>	<u>County</u>
B25-003	City of Midway	\$ 250,000	\$ 250,000	Woodford

▪ **Fund F Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Amount Loan Total</u>	<u>County</u>
F24-008L	Northern Kentucky Water District	\$ 5,000,000	\$ 5,000,000	Kenton
F24-008S	Northern Kentucky Water District	\$ 3,305,825	\$ 3,305,825	Kenton
F25-006	City of Corbin f/b/o Corbin City Utilities Commission	\$ 2,923,968	\$ 2,923,968	Whitley
F25-017L	Laurel County Water District #2	\$ 400,000	\$ 400,000	Laurel



**Kentucky Infrastructure Authority
Loan Programs
Fiscal Year Ended June 30, 2025**

The Kentucky Infrastructure Authority (KIA) was created in 1988 to provide the mechanism for funding construction of local public works projects. KIA is continually growing and expanding its services. Through the various programs currently offered, KIA has become a major provider for local financing needs.

Program Designation		Fund A (CWSRF)	Fund F (DWSRF)	Fund B	Fund C	
Description of Program Federal / State		Clean Water Federal	Drinking Water Federal	Infrastructure State	Governmental Agencies State	
Selection Basis		Priority List	Priority List	First Come First Served	First Come First Served	
Types of Infrastructure		Wastewater	Drinking Water	Various ⁽¹⁾	Various ^(1,3)	
Fiscal 2023						
Terms ⁽⁴⁾	Interest Rates	Income Based	Income Based	Income Based	Terms	Market Rate
20 years	Standard (> or = \$60,183)	2.25%	2.25%	2.25%	1-5 years	1.75%
20 years	Non-standard (\$48,147 - \$60,182) ⁽²⁾	1.25%	1.25%	1.25%	6-10 years	2.25%
20 to 30 years	Disadvantage (< or = \$48,146)	0.50%	0.50%	0.50%	11-20 years	2.75%
20 years	Broadband Projects	N/A	N/A	4.25%	20 years	4.25%
Administration Fees (on principal)		0.25%	0.30%	0.20%	0.25%	
Principal Forgiveness		depends on MHI/affordability index		N/A	N/A	
Lending Capacity						
Estimated Annual Availability		\$101,732,614	\$76,323,479	\$5,008,495	\$6,790,533	
Significant Federal Requirements		Davis Bacon Environmental Review American Iron and Steel Fiscal Sustainability Plan Build America Buy America	Davis Bacon Environmental Review American Iron and Steel Build America Buy America			

(1) Includes planning, design, and construction of solid waste projects; dams; storm water control treatment systems; gas or electric utility; broadband deployment project; or any other public utility or public service project. Broadband project interest rates are at the non-standard rate of 4.25%.

(2) Other reasons include regionalization, consent decrees, agreed orders, or other criteria relating to public health or financial considerations. Rate less than Kentucky MHI but greater than 80% of MHI.

(3) Fund C interest rates are based on term and not MHI.

(4) The 30 year terms are only available for Disadvantaged Communities, depending on factors such as life expectancy of assets being funded and affordability.



**Kentucky Infrastructure Authority
Loan Programs
Fiscal Year Ended June 30, 2024**

The Kentucky Infrastructure Authority (KIA) was created in 1988 to provide the mechanism for funding construction of local public works projects. KIA is continually growing and expanding its services. Through the various programs currently offered, KIA has become a major provider for local financing needs.

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Description of Program Federal / State		Clean Water Federal	Drinking Water Federal	Infrastructure State	Governmental Agencies State	
Selection Basis		Priority List	Priority List	First Come First Served	First Come First Served	
Types of Infrastructure		Wastewater	Drinking Water	Various ⁽¹⁾	Various ^(1,3)	
Fiscal 2023						
Terms ⁽⁴⁾	Interest Rates	Income Based	Income Based	Income Based	Terms	Market Rate
20 years	Standard (> or = \$55,454)	2.25%	2.25%	2.25%	1-5 years	1.75%
20 years	Non-standard (\$44,364 - \$55,453) ⁽²⁾	1.25%	1.25%	1.25%	6-10 years	2.25%
20 to 30 years	Disadvantage (< or = \$44,363)	0.50%	0.50%	0.50%	11-20 years	2.75%
20 years	Broadband Projects	N/A	N/A	4.25%	20 years	4.25%
Administration Fees (on principal)		0.25%	0.30%	0.20%	0.25%	
Principal Forgiveness		depends on MHI/affordability index		N/A	N/A	
Lending Capacity						
Estimated Annual Availability		\$83,537,703	\$60,943,176	\$11,933,254	\$8,547,137	
Significant Federal Requirements		Davis Bacon Environmental Review American Iron and Steel Fiscal Sustainability Plan Build America Buy America	Davis Bacon Environmental Review American Iron and Steel Build America Buy America			

(1) Includes planning, design, and construction of solid waste projects; dams; storm water control treatment systems; gas or electric utility; broadband deployment project; or any other public utility or public service project. Broadband project interest rates are at the non-standard rate of 4.25%.

(2) Other reasons include regionalization, consent decrees, agreed orders, or other criteria relating to public health or financial considerations. Rate less than Kentucky MHI but greater than 80% of MHI.

(3) Fund C interest rates are based on term and not MHI.

(4) The 30 year terms are only available for Disadvantaged Communities, depending on factors such as life expectancy of assets being funded and affordability.

EXECUTIVE SUMMARY		Reviewer	Sandy Rankin	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	December 5, 2024	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A25-019	
REVOLVING LOAN FUND		WRIS Number	SX21169017	
BORROWER		CITY OF EDMONTON METCALFE COUNTY		
BRIEF DESCRIPTION				
The City of Edmonton is requesting a \$977,500 Fund A loan for their WWTP Wet Weather Retention Improvements project. This project will construct a 1.0 MG Wet Weather Retention Basin at the existing WWTP and will convert an existing unused basin for use as a retention basin to capture and hold excess flows during significant rainfall events. This will include an automated influent flow diversion structure and basin effluent lift station, adding SCADA capabilities and making other miscellaneous minor repairs and access/safety improvements. The proposed improvements will eliminate historical and frequent Sanitary Sewer Overflow events at the WWTP.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$977,500	Administrative Expenses	\$15,000	
		Eng - Design / Const	70,300	
		Eng - Insp	61,700	
		Construction	755,000	
		Contingency	75,500	
TOTAL	\$977,500	TOTAL	\$977,500	
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$21,884
	Term	30 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Monarch Engineering, Inc.		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Jun-25		
	Construction Start	Aug-25		
	Construction Stop	Feb-26		
DEBT PER CUSTOMER	Existing	\$8,770		
	Proposed	\$8,947		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u> 704	<u>Avg. Bill</u> \$29.00	(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 2021	489,032	208,048	280,984	2.4
Audited 2022	795,953	218,720	577,233	3.6
Audited 2023	638,869	228,509	410,360	2.8
Projected 2024	593,794	312,532	281,262	1.9
Projected 2025	555,973	284,962	271,011	2.0
Projected 2026	534,340	273,096	261,244	2.0
Projected 2027	509,874	286,076	223,798	1.8
Projected 2028	487,367	290,155	197,212	1.7

Reviewer: Sandy Rankin
 Date: December 5, 2024
 Loan Number: A25-019

**KENTUCKY INFRASTRUCTURE AUTHORITY
 WASTEWATER REVOLVING LOAN FUND (FUND A)
 CITY OF EDMONTON, METCALFE COUNTY
 PROJECT REVIEW
 SX21169017**

I. PROJECT DESCRIPTION

The City of Edmonton is requesting a \$977,500 Fund A loan for their WWTP Wet Weather Retention Improvements project. This project will construct a 1.0 MG Wet Weather Retention Basin at the existing WWTP and will convert an existing unused basin for use as a retention basin to capture and hold excess flows during significant rainfall events. This will include an automated influent flow diversion structure and basin effluent lift station, adding SCADA capabilities and making other miscellaneous minor repairs and access/safety improvements. The proposed improvements will eliminate historical and frequent Sanitary Sewer Overflow events at the WWTP.

The City currently serves 530 residential customers, 116 commercial customers, 4 industrial/institutional customers and 54 other customers.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 15,000
Engineering Fees - Design	70,300
Engineering Fees - Inspection	61,700
Construction	755,000
Contingency	75,500
Total	\$ 977,500

III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 977,500	100%
Total	\$ 977,500	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 977,500
Less: Principal Forgiveness	408,159
Amortized Loan Amount	<u>\$ 569,341</u>
Interest Rate	0.50%
Loan Term (Years)	<u>30</u>
Estimated Annual Debt Service	\$ 20,461
Administrative Fee (0.25%)	1,423
Total Estimated Annual Debt Service	\$ 21,884

V. PROJECT SCHEDULE

Bid Opening: June 2025
Construction Start: August 2025
Construction Stop: February 2026

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

<u>Customers</u>	<u>Current</u>
Residential	530
Commercial	116
Industrial	4
Other	54
Total	<u>704</u>

B) Rates

<u>Sewer</u>	<u>Current</u>	<u>Prior</u>
Date of Last Rate Increase	07/01/19	01/01/13
Minimum up to 2,000 Gallons	\$17.00	\$15.35
Next 8,000 Gallons, per 1,000	6.00	5.40
Cost for 4,000 gallons	\$29.00	\$26.15
Increase %	10.9%	
Affordability Index (Rate/MHI)	0.7%	0.7%

Water - Inside City	Current	Prior
Date of Last Rate Increase	07/01/19	07/01/09
Minimum up to 2,000 Gallons	\$20.00	\$16.47
Next 8,000 Gallons, per 1,000	7.60	6.34
Cost for 4,000 gallons	\$35.20	\$29.15
Increase %	20.8%	
Affordability Index (Rate/MHI)	0.9%	0.7%

Water - Outside City	Current	Prior
Date of Last Rate Increase	07/01/19	07/01/09
Minimum up to 2,000 Gallons	\$28.00	\$23.42
Next 8,000 Gallons, per 1,000	9.25	7.71
Cost for 4,000 gallons	\$46.50	\$38.84
Increase %	19.7%	
Affordability Index (Rate/MHI)	1.2%	1.0%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2018-2022, the Utility's service area population is 1,643 with a Median Household Income (MHI) of \$47,477. The MHI for the Commonwealth is \$60,183. The loan will qualify for a 0.50% interest rate.

VIII. 2023 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project qualifies for Green Project Reserve funding for \$85,300.
- 2) Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness not to exceed \$408,159 will be credited to the loan balance.

IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2021 through June 30, 2023. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Accounting and Financial Reporting for Other Postemployment Benefit have been removed from the operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Total sewer and water revenues increased 15.1% from \$1.9 million in 2021 to \$2.2 million in 2023 while operating expenses increased 15.6% from \$1.8 million to \$2.0 million during the same period. These increases were due to implemented rate increases as well as increases in salaries and wages. The debt coverage ratio was 2.4, 3.6, and 2.8 in 2021, 2022, and 2023.

The balance sheet reflects a current ratio of 3.1, a debt-to-equity ratio of 0.9, 30.6 days of sales in accounts receivable, and 23.9 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues are projected to remain flat in the projected years.
- 2) Operating expenses for sewer and water will increase 2% each year due to inflation. Purchased water expenses will increase 3.1% in FY25 due to a rate increase.
- 3) Debt service coverage is 1.8 in 2027 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% (\$48,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$2,400 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KIA Loan F19-004	\$ 4,324,741	2053
KIA Loan B14-008	27,389	2024
Revenue Bond 1984 Issue	54,943	2031
Revenue Bond 1990 Issue	141,000	2031
Revenue Bond 1993 Issue	152,000	2033
Revenue Bond 1995 Issue	234,000	2035
Revenue Bond 1996 Issue	111,800	2035
Revenue Bond 2000 Issue	71,100	2039
Revenue Bond 2002 Issue	567,000	2042
Revenue Bond 2013 Issue	<u>490,200</u>	2053
Total	\$ 6,174,173	

XI. CONTACTS

Legal Applicant

Entity Name	City of Edmonton
Authorized Official	Doug Smith (Mayor)
County	Metcalfe
Email	mayorsmith@cityofedmontonky.com
Phone	270-432-2811
Address	PO Box 374 Edmonton, KY 42129

Applicant Contact

Name	Moe Hensley
Organization	City of Edmonton
Email	moe@cityofedmontonky.com
Phone	270-432-2811
Address	207 E Street PO Box 374 Edmonton, KY 42129

Project Administrator

Name	Emily Hathcock
Organization	Barren River Area Development District
Email	emily.hathcock@bradd.org
Phone	270-781-2381
Address	177 Graham Avenue Bowling Green, KY 42103

**Consulting
Engineer**

PE Name	James Lee Mudd
Firm Name	Monarch Engineering, Inc.
Email	lmudd@monarchengineering.net
Phone	502-839-1310
Address	556 Carlton Drive Lawrenceburg, KY 40342

XII. RECOMMENDATIONS

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

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

	<u>Audited 2021</u>	<u>Audited 2022</u>	<u>Audited 2023</u>	<u>Projected 2024</u>	<u>Projected 2025</u>	<u>Projected 2026</u>	<u>Projected 2027</u>	<u>Projected 2028</u>
Balance Sheet								
Assets								
Current Assets	2,775,880	3,298,540	3,633,212	3,689,506	3,743,707	3,795,956	3,840,716	3,880,159
Other Assets	13,135,541	14,564,065	14,555,084	14,353,241	14,170,855	14,958,155	14,713,560	14,447,696
Total	15,911,421	17,862,605	18,188,296	18,042,747	17,914,562	18,754,111	18,554,276	18,327,855
Liabilities & Equity								
Current Liabilities	1,134,055	1,159,775	1,186,336	1,371,434	1,366,572	1,392,223	1,402,709	1,410,198
Long Term Liabilities	5,828,060	7,387,938	7,557,232	7,268,996	7,067,610	7,413,560	7,194,585	6,966,824
Total Liabilities	6,962,115	8,547,713	8,743,568	8,640,430	8,434,182	8,805,783	8,597,294	8,377,021
Net Assets	8,949,306	9,314,892	9,444,728	9,402,317	9,480,380	9,948,328	9,956,982	9,950,833
Cash Flow								
Revenues	1,902,558	2,341,880	2,190,034	2,190,034	2,190,034	2,190,034	2,190,034	2,190,034
Operating Expenses	1,422,831	1,553,872	1,562,249	1,607,324	1,645,145	1,666,778	1,691,244	1,713,751
Other Income	9,305	7,945	11,084	11,084	11,084	11,084	11,084	11,084
Cash Flow Before Debt Service	489,032	795,953	638,869	593,794	555,973	534,340	509,874	487,367
Debt Service								
Existing Debt Service	208,048	218,720	228,509	312,532	284,962	273,096	264,192	268,271
Proposed KIA Loan	0	0	0	0	0	0	21,884	21,884
Total Debt Service	208,048	218,720	228,509	312,532	284,962	273,096	286,076	290,155
Cash Flow After Debt Service	280,984	577,233	410,360	281,262	271,011	261,244	223,798	197,212
Ratios								
Current Ratio	2.4	2.8	3.1	2.7	2.7	2.7	2.7	2.8
Debt to Equity	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.8
Days Sales in Accounts Receivable	35.7	29.3	30.6	30.6	30.6	30.6	30.6	30.6
Months Operating Expenses in Unrestricted Cash	18.7	21.3	23.9	23.8	23.7	23.7	23.7	23.7
Debt Coverage Ratio	2.4	3.6	2.8	1.9	2.0	2.0	1.8	1.7

EXECUTIVE SUMMARY		Reviewer	John Brady	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	December 5, 2024	
FUND B, INFRASTRUCTURE		KIA Loan Number	B25-003	
REVOLVING LOAN FUND		WRIS Number	WX21239044	
BORROWER	CITY OF MIDWAY WOODFORD COUNTY			
BRIEF DESCRIPTION				
<p>The City of Midway is requesting a Fund B loan in the amount of \$250,000 for the I-64 Waterline Extension project. This project will construct an 8" PVC line to connect the City's 500,000-gallon elevated water tower to the town of Midway. Currently the line connecting the tower is owned by Kentucky American Water (KAW). The new 8" line will run from the City's existing infrastructure along Leestown Road and Coach Station Road to existing infrastructure on McKinney Ave. The new line will be a total of approximately 1300 linear feet (LF) and will include a 400 LF bore under I-64 and a 100 LF bore under Leestown Road. There will be a 6" spur to serve the Green Gables Development which is currently served by the KAW line and in operation in the City's system. This portion of the project will be 750 LF of 6" line from I-64 to Green Gables Drive where there is existing infrastructure. This project aims to provide consistent service for the City's existing customers and is necessary because they will no longer be purchasing water from KAW.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund B Loan	\$250,000	Administrative Expenses	\$10,000	
Local	250,000	Planning	5,000	
		Eng - Design / Const	42,500	
		Eng - Insp	32,000	
		Construction	400,000	
		Contingency	10,500	
TOTAL	<u>\$500,000</u>	TOTAL	<u>\$500,000</u>	
REPAYMENT	Rate	2.25%	Est. Annual Payment	\$16,092
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	HMB Inc.		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Dec-24		
	Construction Start	Feb-25		
	Construction Stop	May-25		
DEBT PER CUSTOMER	Existing	\$3,648		
	Proposed	\$3,505		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u> 752	<u>Avg. Bill</u> \$45.54	(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 2021	(6,797)	0	(6,797)	n/a
Audited 2022	344,379	71,120	273,259	4.8
Audited 2023	362,368	176,547	185,821	2.1
Projected 2024	467,951	191,490	276,461	2.4
Projected 2025	441,939	191,449	250,490	2.3
Projected 2026	414,108	208,244	205,864	2.0
Projected 2027	387,045	207,990	179,055	1.9
Projected 2028	359,442	208,432	151,010	1.7

Reviewer: John Brady
Date: December 5, 2024
Loan Number: B25-003

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND (FUND B)
CITY OF MIDWAY, WOODFORD COUNTY
PROJECT REVIEW
WX21239044**

I. PROJECT DESCRIPTION

The City of Midway is requesting a Fund B loan in the amount of \$250,000 for the I-64 Waterline Extension project. This project will construct an 8" PVC line to connect the City's 500,000-gallon elevated water tower to the town of Midway. Currently the line connecting the tower is owned by Kentucky American Water (KAW). The new 8" line will run from the City's existing infrastructure along Leestown Road and Coach Station Road to existing infrastructure on McKinney Ave. The new line will be a total of approximately 1300 linear feet (LF) and will include a 400 LF bore under I-64 and a 100 LF bore under Leestown Road. There will be a 6" spur to serve the Green Gables Development which is currently served by the KAW line and in operation in the City's system. This portion of the project will be 750 LF of 6" line from I-64 to Green Gables Drive where there is existing infrastructure. This project aims to provide consistent service for the City's existing customers and is necessary because they will no longer be purchasing water from KAW.

The City currently serves 699 residential customers and 53 commercial and industrial customers.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 10,000
Planning	5,000
Engineering Fees - Design	34,000
Engineering Fees - Construction	8,500
Engineering Fees - Inspection	32,000
Construction	400,000
Contingency	<u>10,500</u>
Total	\$ 500,000

III. PROJECT FUNDING

	Amount	%
Fund B Loan	\$ 250,000	50%
Local	250,000	50%
Total	\$ 500,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 250,000
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 250,000
Interest Rate	2.25%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 15,592
Administrative Fee (0.20%)	500
Total Estimated Annual Debt Service	\$ 16,092

V. PROJECT SCHEDULE

Bid Opening:	December 2024
Construction Start:	February 2025
Construction Stop:	May 2025

VI. RATE STRUCTURE

A. Customers

Customers	Current
Residential	699
Commercial	48
Industrial	5
Total	752

B. Rates

	<u>Current</u>
Date of Last Rate Increase	12/01/10
Minimum (1,000 gallons)	\$11.64
All over 1,000 gallons (per 1,000)	11.30
Cost for 4,000 gallons	\$45.54
Affordability Index (Rate/MHI)	0.9%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2018-2022, the Utility's service area population is 1,776 with a Median Household Income (MHI) of \$64,069. The MHI for the Commonwealth is \$60,183. The loan will qualify for a 2.25% interest rate.

VIII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2021 through June 30, 2023. General Fund revenues are being pledged for repayment of this loan and were reviewed. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Revenues increased 2.9% from \$2.06 million in 2021 to \$2.12 million in 2023. Expenses increased 5.4% from \$1.95 million to \$2.06 million during the same period. The debt coverage ratio was 4.8 in 2022 and 2.1 in 2023.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will remain flat in projected years
- 2) General expenses will increase 2% annually due to inflation.
- 3) Debt service coverage is 2.0 in 2026 when principal and interest repayments begin.

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

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$1,300 total) of the final amount borrowed to be funded annually (\$26,000 yearly) each December 1 for 20 years and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KBC Note	\$ 2,564,693	2052
KIA Loan B21-004 (i.a.o. \$200,000)		TBD
Total	\$ 2,564,693	

X. CONTACTS

Legal Applicant	
Entity Name	City of Midway
Authorized Official	Grayson Vandegrift (Mayor)
County	Woodford
Email	mayorgrayson@meetmeinmidway.com
Phone	(859) 846-4413
Address	PO Box 4275 Midway, KY 40347

Applicant Contact	
Name	Sonya Conner
Organization	City of Midway
Email	sonya@meetmeinmidway.com
Phone	(859) 846-4413
Address	PO Box 4275 Midway, KY 40347

Project Administrator

Name	Michael Murphy
Organization	Bluegrass ADD
Email	mmurphy@bgadd.org
Phone	(859) 810-2526
Address	699 Perimeter Dr Lexington, KY 40517

Consulting Engineer

PE Name	David Brown
Firm Name	HMB Inc.
Email	dbrown@hmbpe.com
Phone	(502) 695-9800
Address	3 HMB Circle Frankfort, KY 40601

XI. RECOMMENDATIONS

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

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

	<u>Audited 2021</u>	<u>Audited 2022</u>	<u>Audited 2023</u>	<u>Projected 2024</u>	<u>Projected 2025</u>	<u>Projected 2026</u>	<u>Projected 2027</u>	<u>Projected 2028</u>
Balance Sheet								
Assets								
Current Assets	1,155,698	1,509,109	1,438,935	1,715,414	1,965,904	2,171,768	2,350,823	2,501,833
Other Assets	1,195,306	1,366,360	2,035,648	1,911,776	2,287,904	2,151,532	2,015,160	1,878,788
Total	2,351,004	2,875,469	3,474,583	3,627,190	4,253,808	4,323,300	4,365,983	4,380,621
Liabilities & Equity								
Current Liabilities	139,967	156,448	223,520	223,973	237,676	237,922	238,864	239,364
Long Term Liabilities	1,015,847	623,643	3,470,129	3,291,262	3,349,192	3,157,376	2,965,118	2,772,860
Total Liabilities	1,155,814	780,091	3,693,649	3,515,235	3,586,868	3,395,298	3,203,982	3,012,224
Net Assets	1,195,190	2,095,378	(219,066)	111,955	666,940	928,002	1,162,001	1,368,397
Cash Flow								
Revenues	2,067,293	2,495,588	2,127,187	2,127,187	2,127,187	2,127,187	2,127,187	2,127,187
General Expenses	1,870,545	1,477,783	1,275,068	1,300,569	1,326,581	1,353,112	1,380,175	1,407,778
Other Expenses	86,430	274,910	788,160	383,167	383,167	383,167	383,167	383,167
Other Funds	(117,115)	(398,516)	298,409	25,000	25,000	25,000	25,000	25,000
Cash Flow Before Debt Service	283,178	1,292,715	1,640,279	1,209,784	1,183,773	1,157,242	1,130,179	1,102,576
Debt Service								
Existing Debt Service	0	71,120	176,547	191,490	191,449	192,152	191,898	192,340
Proposed KIA Loan	0	0	0	0	0	16,092	16,092	16,092
Total Debt Service	0	71,120	176,547	191,490	191,449	208,244	207,990	208,432
Cash Flow After Debt Service	283,178	1,221,595	1,463,732	1,018,294	992,324	948,998	922,189	894,144
Ratios								
Current Ratio	8.3	9.6	6.4	7.7	8.3	9.1	9.8	10.5
Debt to Equity	1.1	0.6	2.6	31.4	5.4	3.7	2.8	2.2
Days Sales in Accounts Receivable	53.1	50.3	64.4	64.4	64.4	64.4	64.4	64.4
Months Operating Expenses in Unrestricted Cash	4.0	7.5	5.8	9.1	10.7	12.0	13.0	13.8
Debt Coverage Ratio	N/A	4.8	2.1	2.4	2.3	2.0	1.9	1.7

EXECUTIVE SUMMARY		Reviewer	John Brady	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	December 5, 2024	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number	F24-008L	
REVOLVING LOAN FUND		WRIS Number	WX21037012	
BORROWER	NORTHERN KENTUCKY WATER DISTRICT KENTON COUNTY			
BRIEF DESCRIPTION				
<p>The Northern Kentucky Water District is requesting a Fund F loan in the amount of \$5,000,000 for the Newport Water Main and Full Lead Service Line Replacement project. The Project involves water main replacement of older unlined cast iron water mains with lead joints that have a high rate of failure. Approximately 15,300 feet of water main plus switchover services (from 6" to 12" on 16th Street) will be replaced and another 1,700 feet of water main will be abandoned. The project will impact approximately 578 households, 520 of which are expected to have service lines made of lead. The cost to replace lead service lines as part of a water main replacement has been reported to be 40% lower than stand-alone replacement. Trenchless installation methods will be used for service line replacement. Open cutting a trench for line replacement will only be allowed if trenchless methods are unsuccessful. The project will reduce water main breaks and water loss, along with accomplishing one of the Bipartisan Infrastructure Law's top priorities of replacing all lead service lines around the nation.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$5,000,000	Construction	\$11,000,000	
KIA Loan F24-008S	3,305,825	Legal Expenses	2,000	
Local	3,994,175	Administrative Expenses	10,000	
		Eng - Design / Const	255,000	
		Eng - Insp	15,000	
		Contingency	1,018,000	
TOTAL	<u>\$12,300,000</u>	TOTAL	<u>\$12,300,000</u>	
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$80,586
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES				
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE				
	Bid Opening	Jul-26		
	Construction Start	Oct-26		
	Construction Stop	Oct-28		
DEBT PER CUSTOMER				
	Existing	\$1,900		
	Proposed	\$1,195		
OTHER DEBT				
	See Attached			
RESIDENTIAL RATES				
	Current	<u>Users</u>	<u>Avg. Bill</u>	
		87,111	\$49.97	(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 2021	30,590,993	18,556,832	12,034,161	1.6
Audited 2022	29,465,300	18,105,595	11,359,705	1.6
Audited 2023	35,267,137	19,098,148	16,168,989	1.8
Projected 2024	36,602,634	19,566,509	17,036,125	1.9
Projected 2025	35,835,053	19,829,460	16,005,593	1.8
Projected 2026	35,042,520	20,326,241	14,716,279	1.7
Projected 2027	34,254,736	19,040,200	15,214,536	1.8
Projected 2028	33,449,474	15,719,690	17,729,784	2.1

Reviewer: John Brady
Date: December 5, 2024
Loan Number: F24-008L

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND F)
NORTHERN KENTUCKY WATER DISTRICT, KENTON COUNTY
PROJECT REVIEW
WX21037012**

I. PROJECT DESCRIPTION

The Northern Kentucky Water District (NKWD) is requesting a Fund F loan in the amount of \$5,000,000 for the Newport Water Main and Full Lead Service Line Replacement project. The Project involves water main replacement of older unlined cast iron water mains with lead joints that have a high rate of failure. Approximately 15,300 feet of water main plus switchover services (from 6" to 12" on 16th Street) will be replaced and another 1,700 feet of water main will be abandoned. The project will impact approximately 578 households, 520 of which are expected to have service lines made of lead. The cost to replace lead service lines as part of a water main replacement has been reported to be 40% lower than stand-alone replacement. Trenchless installation methods will be used for service line replacement. Open cutting a trench for line replacement will only be allowed if trenchless methods are unsuccessful. The project will reduce water main breaks and water loss, along with accomplishing one of the Bipartisan Infrastructure Law's top priorities of replacing all lead service lines around the nation.

The NKWD currently serves 79,473 residential customers and 7,632 commercial and industrial customers. They also provide wholesale service to 6 different customers.

II. PROJECT BUDGET

	Total
Construction	\$ 11,000,000
Legal Expenses	2,000
Administrative Expenses	10,000
Engineering Fees - Design	240,000
Engineering Fees - Construction	15,000
Engineering Fees - Inspection	15,000
Contingency	1,018,000
Total	\$ 12,300,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 5,000,000	41%
KIA Loan F24-008S	3,305,825	27%
Local	3,994,175	32%
Total	\$ 12,300,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 5,000,000
Less: Principal Forgiveness	<u>3,550,725</u>
Amortized Loan Amount	\$ 1,449,275
Interest Rate	0.50%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 76,238
Administrative Fee (0.30%)	<u>4,348</u>
Total Estimated Annual Debt Service	\$ 80,586

V. PROJECT SCHEDULE

Bid Opening:	July 1, 2025
Construction Start:	October 1, 2025
Construction Stop:	October 1, 2027

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

<u>Customers</u>	<u>Current</u>
Residential	79,473
Commercial/Other	7,632
Wholesale	<u>6</u>
Total	87,111

B) Rates

	<u>Current</u>	<u>Prior</u>	<u>Prior</u>
Date of Last Rate Increase	02/08/24	02/08/23	03/27/20
Monthly Service Charge	\$20.45	\$19.50	\$18.50
Quarterly Service Charge	45.20	42.85	40.50
First 1,500 CF (Per 100 CF)	5.52	5.15	4.77
Cost for 4,000 gallons (monthly)	\$49.97	\$47.04	\$44.01
Cost for 4,000 gallons (quarterly)	\$133.75	\$125.46	\$117.02
Increase %	6.6%	7.2%	
Affordability Index (Rate/MHI)	0.8%	0.7%	0.7%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2018-2022, the Utility's service area population is 252,560 with a Median Household Income (MHI) of \$75,732. The MHI of the project area is \$50,278. The MHI for the Commonwealth is \$60,183. The loan will qualify for a 0.50% interest rate.

VIII. 2023 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 71% of the assistance amount, not to exceed \$3,550,725, will be credited to the loan balance.

IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended December 31, 2021 through December 31, 2023. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Accounting and Financial Reporting for Other Postemployment Benefit have been removed from the operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Total revenues increased 12.2% from \$60.07 million in 2021 to \$67.40 million in 2023 due to rate increases and higher water consumption. Operating expenses increased 22.3% from \$29.96 million to \$36.64 million during the same period due to mostly costs associated with salaries and chemicals. The debt coverage ratio was 1.6, 1.6, and 1.8 in 2021, 2022, and 2023.

The balance sheet reflects a current ratio of 3.2, a debt-to-equity ratio of 0.8, 94.3 days of sales in accounts receivable, and 13.8 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues will increase 6.6% in 2024 due to an existing rate increase.
- 2) Operating expenses will increase 2% annually due to inflation.
- 3) Debt service coverage is 2.1 in 2028 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 NKWD is regulated by the Public Service Commission (PSC) and will need to apply to the PSC, pursuant to KRS 278.300, for debt authorization for the \$5,000,000 loan and must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020.

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$250,000 total) of the final amount borrowed (prior to principal forgiveness) to be funded annually (\$12,500 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
2013A Revenue Bonds	\$ 19,175,000	2038
2013B Revenue Bonds	8,555,000	2028
2014B Revenue Bonds	3,260,000	2029
2016A Revenue Bonds	25,695,000	2031
2019 Revenue Bonds	15,900,000	2044
2020 Revenue Bonds	18,780,000	2035
2021B Revenue Bonds	18,430,000	2027
2023A Revenue Bonds	17,615,000	2049
RD Loan 91-03	1,623,000	2057
KIA Loan B15-003	997,300	2037
KIA Loan F08-07	1,899,001	2032
KIA Loan F09-02	12,591,081	2033
KIA Loan F14-015	2,690,509	2038
KIA Loan F15-011	2,682,302	2038
KIA Loan F13-012 (i.a.o. \$8,000,000)		TBD

KIA Loan F16-027 (i.a.o. \$4,000,000)	TBD
KIA Loan F20-044 (i.a.o. \$8,000,000)	TBD
KIA Loan F23-007S (i.a.o. 4,000,000)	TBD
Total	\$149,893,193

XI. CONTACTS

Legal Applicant	
Entity Name	Northern Kentucky Water District
Authorized Official	Lindsey Rechtin (President/CEO)
County	Kenton
Email	lrechtin@nkywater.org
Phone	(859) 426-2758
Address	PO Box 18640 Erlanger, KY 41018

Applicant Contact	
Name	Stacey Kampsen
Organization	Northern Kentucky Water District
Email	skampsen@nkywater.org
Phone	(859) 426-2715
Address	PO Box 18640 Erlanger, KY 41018

Project Administrator	
Name	Amy Stoffer
Organization	Northern Kentucky Water District
Email	astoffer@nkywater.org
Phone	(859) 426-2734
Address	2835 Crescent Springs Rd Erlanger, KY 41018

XII. RECOMMENDATIONS

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

**NORTHERN KENTUCKY WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)**

	<u>Audited</u> <u>2021</u>	<u>Audited</u> <u>2022</u>	<u>Audited</u> <u>2023</u>	<u>Projected</u> <u>2024</u>	<u>Projected</u> <u>2025</u>	<u>Projected</u> <u>2026</u>	<u>Projected</u> <u>2027</u>	<u>Projected</u> <u>2028</u>
Balance Sheet								
Assets								
Current Assets	68,844,595	68,729,645	72,920,524	77,448,144	80,649,263	83,592,519	86,635,426	90,181,383
Other Assets	418,215,962	423,363,253	422,113,186	422,843,332	422,649,053	421,223,322	424,096,197	437,073,625
Total	<u>487,060,557</u>	<u>492,092,898</u>	<u>495,033,710</u>	<u>500,291,476</u>	<u>503,298,316</u>	<u>504,815,841</u>	<u>510,731,623</u>	<u>527,255,007</u>
Liabilities & Equity								
Current Liabilities	20,109,293	44,657,384	22,709,271	22,043,805	22,715,183	21,933,189	18,697,301	17,433,456
Long Term Liabilities	226,450,327	191,646,526	194,547,047	185,366,210	169,758,920	154,956,624	145,814,935	144,308,947
Total Liabilities	<u>246,559,620</u>	<u>236,303,910</u>	<u>217,256,318</u>	<u>207,410,015</u>	<u>192,474,103</u>	<u>176,889,813</u>	<u>164,512,236</u>	<u>161,742,403</u>
Net Assets	<u>240,500,937</u>	<u>255,788,988</u>	<u>277,777,392</u>	<u>292,881,461</u>	<u>310,824,213</u>	<u>327,926,028</u>	<u>346,219,387</u>	<u>365,512,604</u>
Cash Flow								
Revenues	60,075,322	61,141,655	67,401,630	71,739,447	71,739,447	71,739,447	71,739,447	71,739,447
Operating Expenses	29,965,655	33,683,678	36,646,138	37,470,244	38,237,825	39,030,358	39,818,142	40,623,404
Other Income	481,326	2,007,323	4,511,645	2,333,431	2,333,431	2,333,431	2,333,431	2,333,431
Cash Flow Before Debt Service	<u>30,590,993</u>	<u>29,465,300</u>	<u>35,267,137</u>	<u>36,602,634</u>	<u>35,835,053</u>	<u>35,042,520</u>	<u>34,254,736</u>	<u>33,449,474</u>
Debt Service								
Existing Debt Service	18,556,832	18,105,595	19,098,148	19,566,509	19,829,460	20,326,241	19,040,200	15,137,356
Proposed KIA Loan	0	0	0	0	0	0	0	582,334
Total Debt Service	<u>18,556,832</u>	<u>18,105,595</u>	<u>19,098,148</u>	<u>19,566,509</u>	<u>19,829,460</u>	<u>20,326,241</u>	<u>19,040,200</u>	<u>15,719,690</u>
Cash Flow After Debt Service	<u>12,034,161</u>	<u>11,359,705</u>	<u>16,168,989</u>	<u>17,036,125</u>	<u>16,005,593</u>	<u>14,716,279</u>	<u>15,214,536</u>	<u>17,729,784</u>
Ratios								
Current Ratio	3.4	1.5	3.2	3.5	3.6	3.8	4.6	5.2
Debt to Equity	1.0	0.9	0.8	0.7	0.6	0.5	0.5	0.4
Days Sales in Accounts Receivable	95.3	95.7	94.3	94.3	94.3	94.3	94.3	94.3
Months Operating Expenses in Unrestricted Cash	17.1	15.0	13.8	14.7	15.4	16.0	16.6	17.3
Debt Coverage Ratio	1.6	1.6	1.8	1.9	1.8	1.7	1.8	2.1

EXECUTIVE SUMMARY		Reviewer	John Brady	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	December 5, 2024	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number	F24-008S	
REVOLVING LOAN FUND		WRIS Number	WX21037012	
BORROWER	NORTHERN KENTUCKY WATER DISTRICT KENTON COUNTY			
BRIEF DESCRIPTION				
<p>The Northern Kentucky Water District is requesting a Fund F loan in the amount of \$3,305,825 for the Newport Water Main and Full Lead Service Line Replacement project. The Project involves water main replacement of older unlined cast iron water mains with lead joints that have a high rate of failure. Approximately 15,300 feet of water main plus switchover services (from 6" to 12" on 16th Street) will be replaced and another 1,700 feet of water main will be abandoned. The project will impact approximately 578 households, 520 of which are expected to have service lines made of lead. The cost to replace lead service lines as part of a water main replacement has been reported to be 40% lower than stand-alone replacement. Trenchless installation methods will be used for service line replacement. Open cutting a trench for line replacement will only be allowed if trenchless methods are unsuccessful. The project will reduce water main breaks and water loss, along with accomplishing one of the Bipartisan Infrastructure Law's top priorities of replacing all lead service lines around the nation.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$3,305,825	Construction	\$11,000,000	
KIA Loan F24-008L	5,000,000	Legal Expenses	2,000	
Local	3,994,175	Administrative Expenses	10,000	
		Eng - Design / Const	255,000	
		Eng - Insp	15,000	
		Contingency	1,018,000	
TOTAL	\$12,300,000	TOTAL	\$12,300,000	
REPAYMENT	Rate	2.25%	Est. Annual Payment \$216,092	
	Term	20 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES				
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE				
	Bid Opening	Jul-26		
	Construction Start	Oct-26		
	Construction Stop	Oct-28		
DEBT PER CUSTOMER				
	Existing	\$1,900		
	Proposed	\$1,195		
OTHER DEBT				
	See Attached			
RESIDENTIAL RATES				
	Current	Users 87,111	Avg. Bill \$49.97 (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 2021	30,590,993	18,556,832	12,034,161	1.6
Audited 2022	29,465,300	18,105,595	11,359,705	1.6
Audited 2023	35,267,137	19,098,148	16,168,989	1.8
Projected 2024	36,602,634	19,566,509	17,036,125	1.9
Projected 2025	35,835,053	19,829,460	16,005,593	1.8
Projected 2026	35,042,520	20,326,241	14,716,279	1.7
Projected 2027	34,254,736	19,040,200	15,214,536	1.8
Projected 2028	33,449,474	15,719,690	17,729,784	2.1

Reviewer: John Brady
 Date: December 5, 2024
 Loan Number: F25-008S

**KENTUCKY INFRASTRUCTURE AUTHORITY
 DRINKING WATER STATE REVOLVING FUND (FUND F)
 NORTHERN KENTUCKY WATER DISTRICT, KENTON COUNTY
 PROJECT REVIEW
 WX21037012**

I. PROJECT DESCRIPTION

The Northern Kentucky Water District (NKWD) is requesting a Fund F loan in the amount of \$3,305,825 for the Newport Water Main and Full Lead Service Line Replacement project. The Project involves water main replacement of older unlined cast iron water mains with lead joints that have a high rate of failure. Approximately 15,300 feet of water main plus switchover services (from 6" to 12" on 16th Street) will be replaced and another 1,700 feet of water main will be abandoned. The project will impact approximately 578 households, 520 of which are expected to have service lines made of lead. The cost to replace lead service lines as part of a water main replacement has been reported to be 40% lower than stand-alone replacement. Trenchless installation methods will be used for service line replacement. Open cutting a trench for line replacement will only be allowed if trenchless methods are unsuccessful. The project will reduce water main breaks and water loss, along with accomplishing one of the Bipartisan Infrastructure Law's top priorities of replacing all lead service lines around the nation.

The NKWD currently serves 79,473 residential customers and 7,632 commercial and industrial customers. They also provide wholesale service to 6 different customers.

II. PROJECT BUDGET

	Total
Construction	\$ 11,000,000
Legal Expenses	2,000
Administrative Expenses	10,000
Engineering Fees - Design	240,000
Engineering Fees - Construction	15,000
Engineering Fees - Inspection	15,000
Contingency	1,018,000
Total	\$ 12,300,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 3,305,825	27%
KIA Loan F24-008L	5,000,000	41%
Local	3,994,175	32%
Total	\$ 12,300,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 3,305,825
Less: Principal Forgiveness	<u>0</u>
Amortized Loan Amount	\$ 3,305,825
Interest Rate	2.25%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 206,174
Administrative Fee (0.30%)	<u>9,917</u>
Total Estimated Annual Debt Service	\$ 216,092

V. PROJECT SCHEDULE

Bid Opening:	July 1, 2025
Construction Start:	October 1, 2025
Construction Stop:	October 1, 2027

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

<u>Customers</u>	<u>Current</u>
Residential	79,473
Commercial/Other	7,632
Wholesale	<u>6</u>
Total	87,111

B) Rates

	<u>Current</u>	<u>Prior</u>	<u>Prior</u>
Date of Last Rate Increase	02/08/24	02/08/23	03/27/20
Monthly Service Charge	\$20.45	\$19.50	\$18.50
Quarterly Service Charge	45.20	42.85	40.50
First 1,500 CF (Per 100 CF)	5.52	5.15	4.77
Cost for 4,000 gallons (monthly)	\$49.97	\$47.04	\$44.01
Cost for 4,000 gallons (quarterly)	\$133.75	\$125.46	\$117.02
Increase %	6.6%	7.2%	
Affordability Index (Rate/MHI)	0.8%	0.7%	0.7%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2018-2022, the Utility's service area population is 252,560 with a Median Household Income (MHI) of \$75,732. The MHI for the Commonwealth is \$60,183. The loan will qualify for a 2.25% interest rate.

VIII. 2023 CAPITALIZATION GRANT EQUIVALENCIES

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

IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended December 31, 2021 through December 31, 2023. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Accounting and Financial Reporting for Other Postemployment Benefit have been removed from the operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Total revenues increased 12.2% from \$60.07 million in 2021 to \$67.40 million in 2023 due to rate increases and higher water consumption. Operating expenses increased 22.3% from \$29.96 million to \$36.64 million during the same period due to mostly costs associated with salaries and chemicals. The debt coverage ratio was 1.6, 1.6, and 1.8 in 2021, 2022, and 2023.

The balance sheet reflects a current ratio of 3.2, a debt-to-equity ratio of 0.8, 94.3

days of sales in accounts receivable, and 13.8 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues will increase 6.6% in 2024 due to an existing rate increase.
- 2) Operating expenses will increase 2% annually due to inflation.
- 3) Debt service coverage is 2.1 in 2028 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 NKWD is regulated by the Public Service Commission (PSC) and will need to apply to the PSC, pursuant to KRS 278.300, for debt authorization for the \$3,305,825 loan and must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020.

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$166,000 total) of the final amount borrowed to be funded annually (\$8,300 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
2013A Revenue Bonds	\$ 19,175,000	2038
2013B Revenue Bonds	8,555,000	2028
2014B Revenue Bonds	3,260,000	2029
2016A Revenue Bonds	25,695,000	2031
2019 Revenue Bonds	15,900,000	2044
2020 Revenue Bonds	18,780,000	2035
2021B Revenue Bonds	18,430,000	2027
2023A Revenue Bonds	17,615,000	2049
RD Loan 91-03	1,623,000	2057
KIA Loan B15-003	997,300	2037
KIA Loan F08-07	1,899,001	2032
KIA Loan F09-02	12,591,081	2033
KIA Loan F14-015	2,690,509	2038
KIA Loan F15-011	2,682,302	2038
KIA Loan F13-012 (i.a.o. \$8,000,000)		TBD

KIA Loan F16-027 (i.a.o. \$4,000,000)
KIA Loan F20-044 (i.a.o. \$8,000,000)
KIA Loan F23-007S (i.a.o. 4,000,000)

TBD
TBD
TBD

Total

\$149,893,193

XI. CONTACTS

Legal Applicant	
Entity Name	Northern Kentucky Water District
Authorized Official	Lindsey Rechtin (President/CEO)
County	Kenton
Email	lrechtin@nkywater.org
Phone	(859) 426-2758
Address	PO Box 18640 Erlanger, KY 41018

Applicant Contact	
Name	Stacey Kampsen
Organization	Northern Kentucky Water District
Email	skampsen@nkywater.org
Phone	(859) 426-2715
Address	PO Box 18640 Erlanger, KY 41018

Project Administrator	
Name	Amy Stoffer
Organization	Northern Kentucky Water District
Email	astoffer@nkywater.org
Phone	(859) 426-2734
Address	2835 Crescent Springs Rd Erlanger, KY 41018

XII. RECOMMENDATIONS

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

**NORTHERN KENTUCKY WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)**

	Audited 2021	Audited 2022	Audited 2023	Projected 2024	Projected 2025	Projected 2026	Projected 2027	Projected 2028
Balance Sheet								
Assets								
Current Assets	68,844,595	68,729,645	72,920,524	77,448,144	80,649,263	83,592,519	86,635,426	90,181,383
Other Assets	418,215,962	423,363,253	422,113,186	422,843,332	422,649,053	421,223,322	424,096,197	437,073,625
Total	<u>487,060,557</u>	<u>492,092,898</u>	<u>495,033,710</u>	<u>500,291,476</u>	<u>503,298,316</u>	<u>504,815,841</u>	<u>510,731,623</u>	<u>527,255,007</u>
Liabilities & Equity								
Current Liabilities	20,109,293	44,657,384	22,709,271	22,043,805	22,715,183	21,933,189	18,697,301	17,433,456
Long Term Liabilities	226,450,327	191,646,526	194,547,047	185,366,210	169,758,920	154,956,624	145,814,935	144,308,947
Total Liabilities	<u>246,559,620</u>	<u>236,303,910</u>	<u>217,256,318</u>	<u>207,410,015</u>	<u>192,474,103</u>	<u>176,889,813</u>	<u>164,512,236</u>	<u>161,742,403</u>
Net Assets	<u>240,500,937</u>	<u>255,788,988</u>	<u>277,777,392</u>	<u>292,881,461</u>	<u>310,824,213</u>	<u>327,926,028</u>	<u>346,219,387</u>	<u>365,512,604</u>
Cash Flow								
Revenues	60,075,322	61,141,655	67,401,630	71,739,447	71,739,447	71,739,447	71,739,447	71,739,447
Operating Expenses	29,965,655	33,683,678	36,646,138	37,470,244	38,237,825	39,030,358	39,818,142	40,623,404
Other Income	481,326	2,007,323	4,511,645	2,333,431	2,333,431	2,333,431	2,333,431	2,333,431
Cash Flow Before Debt Service	<u>30,590,993</u>	<u>29,465,300</u>	<u>35,267,137</u>	<u>36,602,634</u>	<u>35,835,053</u>	<u>35,042,520</u>	<u>34,254,736</u>	<u>33,449,474</u>
Debt Service								
Existing Debt Service	18,556,832	18,105,595	19,098,148	19,566,509	19,829,460	20,326,241	19,040,200	15,137,356
Proposed KIA Loan	0	0	0	0	0	0	0	582,334
Total Debt Service	<u>18,556,832</u>	<u>18,105,595</u>	<u>19,098,148</u>	<u>19,566,509</u>	<u>19,829,460</u>	<u>20,326,241</u>	<u>19,040,200</u>	<u>15,719,690</u>
Cash Flow After Debt Service	<u>12,034,161</u>	<u>11,359,705</u>	<u>16,168,989</u>	<u>17,036,125</u>	<u>16,005,593</u>	<u>14,716,279</u>	<u>15,214,536</u>	<u>17,729,784</u>
Ratios								
Current Ratio	3.4	1.5	3.2	3.5	3.6	3.8	4.6	5.2
Debt to Equity	1.0	0.9	0.8	0.7	0.6	0.5	0.5	0.4
Days Sales in Accounts Receivable	95.3	95.7	94.3	94.3	94.3	94.3	94.3	94.3
Months Operating Expenses in Unrestricted Cash	17.1	15.0	13.8	14.7	15.4	16.0	16.6	17.3
Debt Coverage Ratio	1.6	1.6	1.8	1.9	1.8	1.7	1.8	2.1

EXECUTIVE SUMMARY		Reviewer	Sandy Rankin	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	December 5, 2024	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number	F25-006	
REVOLVING LOAN FUND		WRIS Number	WX21235007	
BORROWER	CITY OF CORBIN WHITLEY COUNTY			
BRIEF DESCRIPTION The City of Corbin is requesting a Fund F loan in the amount of \$2,923,968 for the Corbin Water Treatment Plant Sodium Hypochlorite Disinfection Facility project. This project is for the design and construction of a new disinfection facility for the water treatment plant including a new bulk storage building with 8,000 gallons of bulk storage, day tanks, chemical feed pumps, process piping and typical facility appurtenances. One SCADA feature type will be added. This will allow the utility to better comply with the Stage 2 provisions of Disinfectant and Disinfection By-Products Rule of the Safe Water Drinking Act. Additionally, to address PFAS, Corbin will develop and implement a sampling plan to more accurately reflect levels of PFAS in their source water.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$2,923,968	Administrative Expenses	\$10,000	
Local	1,076,032	Legal Expenses	10,000	
		Planning	49,000	
		Eng - Design / Const	222,000	
		Eng - Insp	163,000	
		Eng - Other	128,000	
		Construction	3,080,000	
		Contingency	338,000	
TOTAL	\$4,000,000	TOTAL	\$4,000,000	
REPAYMENT	Rate	1.25%	Est. Annual Payment	\$59,835
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	GRW Engineers, Inc.		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Sep-25		
	Construction Start	Nov-25		
	Construction Stop	Oct-26		
DEBT PER CUSTOMER	Existing	\$1,201		
	Proposed	\$1,159		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		6,764	\$12.55 (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 2021	2,734,062	680,963	2,053,099	4.0
Audited 2022	2,808,581	681,175	2,127,406	4.1
Audited 2023	1,946,075	743,226	1,202,849	2.6
Projected 2024	1,851,106	801,528	1,049,578	2.3
Projected 2025	1,779,737	690,906	1,088,831	2.6
Projected 2026	1,706,941	690,906	1,016,035	2.5
Projected 2027	1,625,389	686,136	939,253	2.4
Projected 2028	1,549,652	594,651	955,001	2.6

Reviewer: Sandy Rankin
 Date: Dec. 5, 2024
 Loan Number: F25-006

**KENTUCKY INFRASTRUCTURE AUTHORITY
 DRINKING WATER STATE REVOLVING FUND (FUND F)
 CITY OF CORBIN, WHITLEY COUNTY
 PROJECT REVIEW
 WX21235007**

I. PROJECT DESCRIPTION

The City of Corbin is requesting a Fund F loan in the amount of \$2,923,968 for the Corbin Water Treatment Plant Sodium Hypochlorite Disinfection Facility project. This project is for the design and construction of a new disinfection facility for the water treatment plant including a new bulk storage building with 8,000 gallons of bulk storage, day tanks, chemical feed pumps, process piping and typical facility appurtenances. One SCADA feature type will be added. This will allow the utility to better comply with the Stage 2 provisions of Disinfectant and Disinfection By-Products Rule of the Safe Water Drinking Act. Additionally, to address PFAS, Corbin will develop and implement a sampling plan to more accurately reflect levels of PFAS in their source water.

Corbin Utilities Commission currently serves 5,716 residential customers, 1,023 commercial customers, 25 industrial/institutional customers and 4 wholesale customers.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 10,000
Legal Expenses	10,000
Planning	49,000
Engineering Fees - Design	177,000
Engineering Fees - Construction	45,000
Engineering Fees - Inspection	163,000
Engineering Fees - Other	128,000
Construction	3,080,000
Contingency	338,000
Total	\$ 4,000,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 2,923,968	73%
Local	1,076,032	27%
Total	\$ 4,000,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 2,923,968
Less: Principal Forgiveness	<u>1,921,134</u>
Amortized Loan Amount	\$ 1,002,834
Interest Rate	1.25%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 56,826
Administrative Fee (0.30%)	<u>3,009</u>
Total Estimated Annual Debt Service	\$ 59,835

V. PROJECT SCHEDULE

Bid Opening:	September 2025
Construction Start:	November 2025
Construction Stop:	October 2026

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

<u>Customers</u>	<u>Current</u>
Residential	5,716
Commercial	1,023
Industrial	<u>25</u>
Total	6,764

B) Rates

Water Rates: Inside City Retail

	<u>Current</u>	<u>Prior</u>
Date of Last Rate Increase	02/01/18	01/01/14
Minimum	\$4.95	\$4.50
Per 1,000 gallons	<u>1.90</u>	<u>1.73</u>
Cost for 4,000 gallons	\$12.55	\$11.42
Increase %	9.9%	
Affordability Index (Rate/MHI)	0.3%	0.3%

Water Rates: Outside City Retail

	Current	Prior
Date of Last Rate Increase	02/01/18	01/01/14
Minimum	\$10.35	\$9.00
Per 1,000 gallons	2.53	2.20
Cost for 4,000 gallons	\$20.47	\$17.80
Increase %	15.0%	
Affordability Index (Rate/MHI)	0.5%	0.4%

Water Rates: Outside City Rural Retail

	Current	Prior
Date of Last Rate Increase	02/01/18	01/01/14
Minimum	\$10.35	\$9.00
Per 1,000 gallons	3.91	3.40
Cost for 4,000 gallons	\$25.99	\$22.60
Increase %	15.0%	
Affordability Index (Rate/MHI)	0.6%	0.5%

Sewer Rates: Inside City
Residential & Commercial

	Current	Prior
Date of Last Rate Increase	02/01/18	01/01/14
Minimum	\$7.80	\$6.00
Per 1,000 gallons	3.48	2.68
Cost for 4,000 gallons	\$21.72	\$16.72
Increase %	29.9%	
Affordability Index (Rate/MHI)	0.5%	0.4%

Sewer Rates: Outside City
Residential

	Current	Prior
Date of Last Rate Increase	02/01/18	01/01/14
Minimum	\$16.20	\$12.00
Per 1,000 gallons	4.52	3.35
Cost for 4,000 gallons	\$34.28	\$25.40
Increase %	35.0%	
Affordability Index (Rate/MHI)	0.8%	0.6%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2018-2022, the Utility's service area population is 15,137 with a Median Household Income (MHI) of \$50,960. The MHI for the Commonwealth is \$60,183. The loan will qualify for a 1.25% interest rate.

VIII. 2023 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 not to exceed \$1,921,134 will be credited to the loan balance.

IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the Corbin Utilities Commission for the years ended December 31, 2021, through December 31, 2023. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Total revenues increased 2% from \$5.3 million in 2021 to \$5.4 million in 2023 primarily due to increased sales. Operating expenses increased 34.3% from \$4.0 million to \$4.9 million during the same period due to an overall increase in the cost of goods, in particular increases in chemical expenses. The debt coverage ratio was 4.0, 4.1, and 2.6 in 2021, 2022 and 2023.

The balance sheet reflects a current ratio of 2.4, a debt-to-equity ratio of 0.3, 66.5 days of sales in accounts receivable, and 8.0 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues are expected to remain flat in projected years.
- 2) Expenses will increase 2% annually due to inflation and expected increases in general operational expenses.
- 3) Debt service coverage is 2.4 in 2027 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 (prior to principal forgiveness, if any) to be funded annually (\$7,300 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
KIA Loan A15-035	\$ 6,424,092	2038
KIA Loan A19-025	1,081,155	2040
Hometown Bank Mortgage Note	519,498	2027
IPFSC Loan Payable	98,586	2024
Total	\$ 8,123,331	

XI. CONTACTS

Legal Applicant	
Entity Name	City of Corbin
Authorized Official	Terry Martin (Chairman)
County	Whitley
Email	ron.herd@corbinutilities.com
Phone	606-528-4026
Address	1515 Cumberland Falls Hwy PO Box 1350 Corbin, KY 40701

Applicant Contact	
Name	Ronald Herd
Organization	City Utilities Commission of Corbin
Email	ron.herd@corbinutilities.com
Phone	606-528-4026
Address	1515 Cumberland Falls Hwy PO Box 1350 Corbin, KY 40701

Project Administrator	
Name	Ronald Herd
Organization	City Utilities Commission of Corbin
Email	ron.herd@corbinutilities.com
Phone	606-528-4026
Address	1515 Cumberland Falls Hwy PO Box 1350 Corbin, KY 40701

Consulting Engineer

PE Name	Michael Jacobs
Firm Name	GRW Engineers, Inc.
Email	mjacobs@grwinc.com
Phone	859-223-3999
Address	801 Corporate Drive Lexington, KY 40503

XII. RECOMMENDATIONS

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

CITY OF CORBIN
FINANCIAL SUMMARY (DECEMBER YEAR END)

	<u>Audited</u> <u>2021</u>	<u>Audited</u> <u>2022</u>	<u>Audited</u> <u>2023</u>	<u>Projected</u> <u>2024</u>	<u>Projected</u> <u>2025</u>	<u>Projected</u> <u>2026</u>	<u>Projected</u> <u>2027</u>	<u>Projected</u> <u>2028</u>
Balance Sheet								
Assets								
Current Assets	6,338,609	6,972,174	6,333,093	6,526,173	7,110,663	7,619,561	8,096,828	8,654,931
Other Assets	43,717,033	42,591,995	41,323,322	40,485,643	39,571,871	42,660,895	41,604,768	40,483,553
Total	50,055,642	49,564,169	47,656,415	47,011,816	46,682,534	50,280,456	49,701,596	49,138,484
Liabilities & Equity								
Current Liabilities	2,461,290	2,764,536	2,685,188	2,863,258	2,897,053	2,921,657	2,871,897	2,914,916
Long Term Liabilities	9,135,431	8,634,609	8,143,751	7,513,325	6,879,404	8,330,645	7,784,380	7,227,296
Total Liabilities	11,596,721	11,399,145	10,828,939	10,376,583	9,776,457	11,252,302	10,656,277	10,142,212
Net Assets	38,458,921	38,165,024	36,827,476	36,635,233	36,906,077	39,028,154	39,045,319	38,996,272
Cash Flow								
Revenues	5,338,882	5,634,607	5,444,537	5,444,537	5,444,537	5,444,537	5,444,537	5,444,537
Operating Expenses	2,604,820	2,826,026	3,498,462	3,593,431	3,664,800	3,737,596	3,819,148	3,894,885
Other Income	0	0	0	0	0	0	0	0
Cash Flow Before Debt Service	2,734,062	2,808,581	1,946,075	1,851,106	1,779,737	1,706,941	1,625,389	1,549,652
Debt Service								
Existing Debt Service	680,963	681,175	743,226	801,528	690,906	690,906	626,301	534,816
Proposed KIA Loan	0	0	0	0	0	0	59,835	59,835
Total Debt Service	680,963	681,175	743,226	801,528	690,906	690,906	686,136	594,651
Cash Flow After Debt Service	2,053,099	2,127,406	1,202,849	1,049,578	1,088,831	1,016,035	939,253	955,001
Ratios								
Current Ratio	2.6	2.5	2.4	2.3	2.5	2.6	2.8	3.0
Debt to Equity	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Days Sales in Accounts Receivable	66.8	69.6	66.5	66.5	66.5	66.5	66.5	66.5
Months Operating Expenses in Unrestricted Cash	13.1	13.8	8.0	9.4	11.1	12.5	13.8	15.3
Debt Coverage Ratio	4.0	4.1	2.6	2.3	2.6	2.5	2.4	2.6

EXECUTIVE SUMMARY		Reviewer	John Brady	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	December 5, 2024	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number	F25-017L	
REVOLVING LOAN FUND		WRIS Number	WX21125039	
BORROWER	LAUREL COUNTY WATER DISTRICT #2 LAUREL COUNTY			
BRIEF DESCRIPTION				
<p>The Laurel County Water District #2 is requesting a Fund F loan in the amount of \$400,000 for the Lead Service Line Inventory project. The Water District completed a thorough review of records on file and updated results on their inventory map on ArcGIC. Field staff conducted a visual inspection of meters constructed prior to 1998 and both the public and private side of the service lines were documented. In cases where both sides could not be identified, a statistical method will be used, and excavating could be done as necessary. The Water District will follow a 15 step plan instituted for their statistical method. Following a meticulous assessment, 0 out of 361 randomly selected service lines throughout the system were found to contain lead. There is 95% confidence that fewer than 1% of the unverified service lines contain lead.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$400,000	Administrative Expenses	\$5,000	
		Eng - Other	20,000	
		Contingency	125,000	
		Other	250,000	
TOTAL	\$400,000	TOTAL	\$400,000	
REPAYMENT	Rate	0.00%	Est. Annual Payment	N/A
	Term	N/A	1st Payment	N/A
PROFESSIONAL SERVICES				
	Bond Counsel	Dinsmore & Shohl, LLP		
DEBT PER CUSTOMER	Existing	\$1,759		
RESIDENTIAL RATES	Current	<u>Users</u> 6,379	<u>Avg. Bill</u> \$32.58	(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 2021	1,376,117	397,840	978,277	3.5
Audited 2022	1,287,104	582,099	705,005	2.2
Audited 2023	1,091,804	573,957	517,847	1.9
Projected 2024	1,048,645	583,292	465,353	1.8
Projected 2025	1,004,622	581,562	423,060	1.7
Projected 2026	959,719	571,071	388,648	1.7
Projected 2027	913,918	560,313	353,605	1.6
Projected 2028	867,201	562,627	304,574	1.5

Reviewer: John Brady
 Date: December 5, 2024
 Loan Number: F25-017L

**KENTUCKY INFRASTRUCTURE AUTHORITY
 DRINKING WATER STATE REVOLVING FUND (FUND F)
 LAUREL COUNTY WATER DISTRICT #2
 PROJECT REVIEW
 WX21125039**

I. PROJECT DESCRIPTION

The Laurel County Water District #2 is requesting a Fund F loan in the amount of \$400,000 for the Lead Service Line Inventory project. The Water District completed a thorough review of records on file and updated results on their inventory map on ArcGIC. Field staff conducted a visual inspection of meters constructed prior to 1998 and both the public and private side of the service lines were documented. In cases where both sides could not be identified, a statistical method will be used, and excavating could be done as necessary. The Water District will follow a 15-step plan instituted for their statistical method.

Following a meticulous assessment, 0 out of 361 randomly selected service lines throughout the system were found to contain lead. There is 95% confidence that fewer than 1% of the unverified service lines contain lead.

The Water District currently serves 5,935 residential customers and 444 commercial and industrial customers.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 5,000
Engineering Fees - Other	20,000
Contingency	125,000
Other	250,000
Total	\$ 400,000

III. PROJECT FUNDING

	Amount	%
Fund F Loan	\$ 400,000	100%
Total	\$ 400,000	100%

IV. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

<u>Customers</u>	<u>Current</u>
Residential	5,935
Commercial	434
Industrial	10
Total	6,379

B) Rates

	<u>Current</u>	<u>Prior</u>
Date of Last Rate Increase	04/08/20	03/14/16
Minimum (first 1,000 gallons)	\$15.00	\$11.10
Next 99,000 gallons (per 1,000)	5.86	4.66
Cost for 4,000 gallons	\$32.58	\$25.08
Increase %	29.9%	
Affordability Index (Rate/MHI)	0.7%	0.5%

V. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2018-2022, the Utility's service area population is 15,541 with a Median Household Income (MHI) of \$57,431. The MHI for the Commonwealth is \$60,183.

VI. 2024 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 100% principal forgiveness, in the amount of \$400,000.

VII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended December 31, 2021 through December 31, 2023. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Total revenues decreased 0.5% from \$3.41 million in 2021 to \$3.39 million in 2023. Operating expenses increased 14.6% from \$1.88 million to \$2.15 million during the same period. The debt coverage ratio was 3.5, 2.2, and 1.9 in 2021, 2022, and 2023.

The balance sheet reflects a current ratio of 5.0, a debt-to-equity ratio of 1.4, 33 days of sales in accounts receivable, and 12.2 months of operating expenses in unrestricted cash.

No repayment is required for this funding. There is also no service fee or replacement reserve required.

VIII. CONTACTS

Legal Applicant	
Entity Name	Laurel County Water District #2
Authorized Official	Kenneth Finley (Chairman)
County	Laurel
Email	kfisher@laurelwater.com
Phone	(606) 878-2494
Address	PO Box 2598 London, KY 40743

Applicant Contact	
Name	Wanda Smith
Organization	Laurel County Water District #2
Email	wandas@laurelwater.com
Phone	(606) 878-2494
Address	PO Box 2598 London, KY 40743

Project Admin/Consulting Engineer	
PE Name	Lee Mudd
Firm Name	Monarch Engineering, Inc.
Email	lmudd@monarchengineering.net
Phone	(502) 839-1310
Address	556 Carlton Dr Lawrenceburg, KY 40342

IX. RECOMMENDATIONS

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