

**Kentucky Infrastructure Authority
Projects for February 2025
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>
A21-018	City of Frankfort (Increase)	\$ 28,550,000	\$ 48,275,000	Franklin
A24-020S	City of Sturgis	\$ 933,456	\$ 933,456	Union
A25-016S	City of Scottsville	\$ 6,387,000	\$ 6,387,000	Allen
A25-022	City of Morganfield	\$ 1,280,000	\$ 1,280,000	Union

▪ **Fund B Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Amount Loan Total</u>	<u>County</u>
B25-006	Western Pulaski County Water District	\$ 4,000,000	\$ 4,000,000	Pulaski

▪ **Fund F Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Amount Requested</u>	<u>Amount Loan Total</u>	<u>County</u>
F25-016S	City of Springfield	\$ 4,522,000	\$ 4,522,000	Washington

KY Water and Wastewater Assistance for Troubled or Economically Restrained Systems

Grant Number	Grantee	Project Title	Amount	County	Allocation Pool
W25-004E	City of Eddyville	Eddyville Wastewater Treatment Plant Failure - Phase I Emergency and Temporary Operations	\$ 5,487,450.00	Lyon	Emergency



**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.

EXECUTIVE SUMMARY		Reviewer	Sandy Rankin	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	February 6, 2025	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A21-018	
REVOLVING LOAN FUND		WRIS Number	SX21073084	
BORROWER	FRANKFORT SEWER DEPARTMENT FRANKLIN COUNTY			
BRIEF DESCRIPTION				
<p>The City of Frankfort is requesting a Fund A loan in the amount of \$28,550,000 for Phase III of their East Frankfort Interceptor (EFI) Wet Weather Facility project. This project received approval for \$19,725,000 from the KIA Board on June 3, 2021. This brings their total KIA loan amount up to \$48,275,000. This will execute a major project in Frankfort Sewer Department's Long Term Control Plan. The proposed project includes new installation of approximately 11,000 LF of 42 inch diameter gravity sewer around the east side of the FSD service area, a 3 MG wet weather storage facility, approximately 30 manholes, two sets of triple barrel siphons (one set under the Kentucky River and one set under Cove Spring Park). KY River siphons are approximately 1,400 LF each barrel and Cove Spring siphons are approximately 3,000 LF each barrel, control gates, flow control/metering, and SCADA integration. This project will also allow Farmdale Sanitation District to move forward in the elimination of multiple package wastewater treatment plants and opens capacity in the southern sewers of FSD's service area.</p>				
PROJECT FINANCING		PROJECT BUDGET		
A21-018 Phase III (2021)	\$19,725,000	Administrative Expenses	\$82,430	
A21-018 Phase III (2025)	28,550,000	Planning	120,650	
Local Funds	10,000,000	Eng - Design / Const	2,521,855	
		Eng - Insp	819,490	
		Eng - Other	40,062	
		Construction	47,926,622	
		Miscellaneous	1,165,000	
		Contingency	5,598,891	
TOTAL	\$58,275,000	TOTAL	\$58,275,000	
REPAYMENT	Rate	1.00%	Est. Annual Payment	\$2,765,725
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Hazen and Sawyer, PSC		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Feb-24		
	Construction Start	Jun-24		
	Construction Stop	Nov-26		
DEBT PER CUSTOMER	Existing	\$2,107		
	Proposed	\$5,197		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		14,373	\$48.12 (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 2022	5,447,043	4,076,916	1,370,127	1.3
Audited 2023	5,935,669	4,195,565	1,740,104	1.4
Audited 2024	4,901,844	4,185,626	716,218	1.2
Projected 2025	5,178,198	3,569,960	1,608,238	1.5
Projected 2026	6,697,348	3,564,534	3,132,814	1.9
Projected 2027	8,371,177	3,738,002	4,633,175	2.2
Projected 2028	9,675,935	5,121,689	4,554,246	1.9
Projected 2029	10,472,532	5,120,989	5,351,543	2.0

Reviewer: Sandy Rankin
Date: February 6, 2025
Loan Number: A21-018

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF FRANKFORT, FRANKLIN COUNTY
PROJECT REVIEW
SX21073084**

I. PROJECT DESCRIPTION

The City of Frankfort is requesting a Fund A loan in the amount of \$28,550,000 for Phase III of their East Frankfort Interceptor (EFI) Wet Weather Facility project. This project received approval for \$19,725,000 from the KIA Board on June 3, 2021. This brings their total KIA loan amount up to \$48,275,000.

This will execute a major project in Frankfort Sewer Department's Long Term Control Plan. The proposed project includes new installation of approximately 11,000 LF of 42-inch diameter gravity sewer around the east side of the FSD service area, a 3 MG wet weather storage facility, approximately 30 manholes, two sets of triple barrel siphons (one set under the Kentucky River and one set under Cove Spring Park). KY River siphons are approximately 1,400 LF each barrel and Cove Spring siphons are approximately 3,000 LF each barrel, control gates, flow control/metering, and SCADA integration. This project will also allow the Farmdale Sanitation District to move forward in the elimination of multiple package wastewater treatment plants and opens capacity in the southern sewers of FSD's service area.

The City of Frankfort serves approximately 12,177 residential customers and 2,196 commercial and industrial customers.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 82,430
Planning	120,650
Engineering Fees - Design	2,078,925
Engineering Fees - Construction	442,930
Engineering Fees - Inspection	819,490
Engineering Fees - Other	40,062
Construction	47,926,622
Miscellaneous	1,165,000
Contingencies	5,598,891
Total	\$58,275,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
A21-018 Phase III (2025)	\$28,550,000	49%
A21-018 Phase III (2021)	19,725,000	34%
Local Funds	10,000,000	17%
Total	\$58,275,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$48,275,000
Less: Principal Forgiveness	<u>0</u>
Amortized Loan Amount	\$48,275,000
Interest Rate	1.00%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 2,669,175
Administrative Fee (0.20%)	<u>96,550</u>
Total Estimated Annual Debt Service	\$ 2,765,725

V. PROJECT SCHEDULE

Bid Opening:	February 2024
Construction Start:	June 2024
Construction Stop:	November 2026

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

<u>Customers</u>	<u>Current</u>
Residential	12,177
Commercial	2,182
Industrial	<u>14</u>
Total	14,373

B) Rates

	<u>Current</u>	<u>Prior</u>	<u>Prior</u>
Date of Last Rate Increase	01/01/25	07/01/18	01/01/18
Rate per 1,000 Gallons	\$12.03	\$10.68	\$10.52
Cost for 4,000 gallons	\$48.12	\$42.72	\$42.08
Increase %	12.6%	1.5%	2.5%
Affordability Index (Rate/MHI)	1.1%	1.0%	1.0%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2014-2018, the Utility's service area population is 34,505 with a Median Household Income (MHI) of \$51,030. The MHI for the Commonwealth is \$48,392. The loan will qualify for a 1.00% interest rate.

VIII. 2024 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project qualifies for Green Project Reserve funding for \$10,045,000.
- 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, 2022, through June 30, 2024. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Total revenues increased 4.2% from \$11.6 million in 2022 to \$12.1 million in 2024 due to increases in customer base. Operating expenses increased 24.2% from \$6.3 million to \$7.8 million during the same period due to increases in repairs and maintenance. The debt coverage ratio was 1.3, 1.4, and 1.2 in 2022, 2023, and 2024.

The balance sheet reflects a current ratio of 4.6, a debt-to-equity ratio of 0.4, 34.8 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) Sewer revenues will increase through 2030 in accordance with a rate schedule adopted in December of 2024.
- 2) Sewer revenues will increase the greater of the CPI or 2.5% annually beginning in 2031.
- 3) Operating expenses will increase 2% annually due to inflation.
- 4) Debt service coverage is 1.9 in 2028 when full 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% (\$2,414,000 total) of the final amount borrowed to be funded annually (\$120,700 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
2010 Revenue Bonds	\$ 2,310,000	2025
2013 Revenue Bonds	6,935,000	2039
KIA A13-011	4,936,840	2035
KIA A14-006	3,430,263	2039
KIA A15-032	2,306,393	2038
KIA A15-095 (i.a.o \$1,570,000)		TBD
KIA A15-098	937,033	2037
KIA A15-101	1,001,568	2038
KIA A16-054	2,679,012	2042
KIA A17-006	1,733,160	2040
KIA A17-007 (i.a.o \$1,853,750)		TBD
KIA A17-021	1,518,720	2045
KIA A17-022	1,046,268	2040
KIA A21-031	1,500,000	2044
Total	\$30,334,258	

XI. CONTACTS

Legal Applicant	
Entity Name	Frankfort Sewer Department
Authorized Official	Layne Wilkerson (Mayor)
County	Franklin
Email	lwilkerson@frankfort.ky.gov
Phone	502-875-8500
Address	315 W Second Street PO Box 697 Frankfort, KY 40602

Applicant Contact	
Name	Kenny Hogsten
Organization	City of Frankfort Sewer Department
Email	khogsten@frankfort.ky.gov
Phone	502-587-5244
Address	1200 Kentucky Avenue Frankfort, KY 40601

Project Administrator	
Name	Rebecca Hall
Organization	City of Frankfort
Email	rhall@frankfort.ky.gov
Phone	502-875-8500
Address	315 W 2nd Street Frankfort, KY 40602

Consulting Engineer	
PE Name	Kurt Zehnder
Firm Name	Hazen and Sawyer, PSC
Email	kzehnder@hazenandsawyer.com
Phone	859-219-1126
Address	230 Lexington Green Cir Ste 520 Lexington, KY 40503

XII. RECOMMENDATIONS

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

**FRANKFORT SEWER DEPARTMENT
FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2022</u>	<u>Audited</u> <u>2023</u>	<u>Audited</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>	<u>Projected</u> <u>2029</u>
Balance Sheet								
Assets								
Current Assets	23,121,086	18,829,268	14,836,423	15,206,627	15,993,390	17,131,325	18,207,074	19,369,583
Other Assets	96,928,187	100,103,199	102,095,795	102,095,795	101,905,248	149,983,115	149,722,839	150,100,400
Total	117,544,814	115,757,455	114,939,622	117,302,422	117,898,638	167,114,440	167,929,913	169,469,983
Liabilities & Equity								
Current Liabilities	3,786,148	4,423,954	3,204,423	3,468,261	2,326,374	4,783,809	4,827,973	4,956,616
Long Term Liabilities	32,691,004	28,309,993	28,775,686	28,775,686	27,027,020	71,103,219	66,867,654	62,511,046
Total Liabilities	36,477,152	33,871,089	31,514,416	32,243,947	29,353,394	75,887,028	71,695,627	67,467,662
Net Assets	81,067,662	81,886,366	83,425,206	85,058,475	88,545,244	91,227,412	96,234,286	102,002,321
Cash Flow								
Revenues	11,599,478	12,220,447	12,084,049	12,593,157	14,271,482	16,485,360	18,212,714	19,178,229
Operating Expenses	6,283,502	6,778,661	7,802,699	8,035,453	8,194,628	8,734,677	9,157,273	9,326,191
Other Income	131,067	493,883	620,494	620,494	620,494	620,494	620,494	620,494
Cash Flow Before Debt Service	5,447,043	5,935,669	4,901,844	5,178,198	6,697,348	8,371,177	9,675,935	10,472,532
Debt Service								
Existing Debt Service	4,076,916	4,195,565	4,185,626	3,569,960	3,564,534	2,355,139	2,355,964	2,355,264
Proposed KIA Loan	0	0	0	0	0	1,382,863	2,765,725	2,765,725
Total Debt Service	4,076,916	4,195,565	4,185,626	3,569,960	3,564,534	3,738,002	5,121,689	5,120,989
Cash Flow After Debt Service	1,370,127	1,740,104	716,218	1,608,238	3,132,814	4,633,175	4,554,246	5,351,543
Ratios								
Current Ratio	6.1	4.3	4.6	4.4	6.9	3.6	3.8	3.9
Debt to Equity	0.5	0.4	0.4	0.4	0.3	0.8	0.7	0.7
Days Sales in Accounts Receivable	5.5	5.4	34.8	34.8	34.8	34.8	34.8	34.8
Months Operating Expenses in Unrestricted Cash	19.3	24.8	13.8	14.0	14.6	15.7	16.7	17.8
Debt Coverage Ratio	1.3	1.4	1.2	1.5	1.9	2.2	1.9	2.0

EXECUTIVE SUMMARY		Reviewer	John Brady	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	February 6, 2025	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A24-020S	
REVOLVING LOAN FUND		WRIS Number	SX21225012	
BORROWER		CITY OF STURGIS UNION COUNTY		
BRIEF DESCRIPTION				
The City of Sturgis is requesting a Fund A loan in the amount of \$933,456 for the Wastewater Treatment Plant (WWTP) Upgrade project. The City is currently under an Agreed Order (AO) with the Energy and Environment Cabinet and this project is necessary to satisfy the requirements of the AO. The projects include the following components:				
<ul style="list-style-type: none"> • Auger screen on the wastewater influent lines • Replacement of lagoon liners • Mechanical bar screens in force main to oxidation ditch and lagoon • Switch gear for automatic switch over of auxiliary power • Telemetry at all lift stations for monitoring of all 11 stations from the WWTP • New lab equipment for testing and monitoring • 4 auto control valves on the influent lines • 4 air releases on the force mains to the WWTP 				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$933,456	Administrative Expenses	\$50,000	
CWP Grant - 21CWS153	142,278	Eng - Design / Const	430,000	
CWP Grant - 22CWS061	870,266	Eng - Insp	190,000	
DRA Grant	2,024,000	Construction	3,320,000	
Union County FC	700,000	Contingency	680,000	
TOTAL	\$4,670,000	TOTAL	\$4,670,000	
REPAYMENT	Rate	0.50%	Est. Annual Payment \$20,898	
	Term	30 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Strand Associates, Inc.		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Aug-25		
	Construction Start	Nov-25		
	Construction Stop	Oct-26		
DEBT PER CUSTOMER	Existing	\$0		
	Proposed	\$744		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u>	<u>Avg. Bill</u>	
		731	\$71.12	(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
Unaudited 2022	(16,082)	0	(16,082)	n/a
Unaudited 2023	2,902	0	2,902	n/a
Unaudited 2024	170,111	0	170,111	n/a
Projected 2025	96,155	0	96,155	n/a
Projected 2026	81,412	0	81,412	n/a
Projected 2027	63,927	10,449	53,478	6.1
Projected 2028	48,286	20,898	27,388	2.3
Projected 2029	32,176	20,898	11,278	1.5

Reviewer: John Brady
Date: February 6, 2025
Loan Number: A24-020S

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF STURGIS, UNION COUNTY
PROJECT REVIEW
SX21225012**

I. PROJECT DESCRIPTION

The City of Sturgis is requesting a Fund A loan in the amount of \$933,456 for the Wastewater Treatment Plant (WWTP) Upgrade project. The City is currently under an Agreed Order (AO) with the Energy and Environment Cabinet and this project is necessary to satisfy the requirements of the AO. The projects include the following components:

- Auger screen on the wastewater influent lines
- Replacement of lagoon liners
- Mechanical bar screens in force main to oxidation ditch and lagoon
- Switch gear for automatic switch over of auxiliary power
- Telemetry at all lift stations for monitoring of all 11 stations from the WWTP
- New lab equipment for testing and monitoring
- 4 auto control valves on the influent lines
- 4 air releases on the force mains to the WWTP

These improvements at the WWTP are needed to keep the City in compliance with its KPDES permit.

The City currently serves 653 residential customers and 78 commercial customers.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 50,000
Engineering Fees - Design	280,000
Engineering Fees - Construction	150,000
Engineering Fees - Inspection	190,000
Construction	3,320,000
Contingency	680,000
Total	\$ 4,670,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 933,456	20%
CWP Grant - 21CWS153	142,278	3%
CWP Grant - 22CWS061	870,266	19%
DRA Grant	2,024,000	43%
Union County FC	700,000	15%
Total	\$ 4,670,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 933,456
Less: Principal Forgiveness	389,768
Amortized Loan Amount	<u>\$ 543,688</u>
Interest Rate	0.50%
Loan Term (Years)	<u>30</u>
Estimated Annual Debt Service	\$ 19,539
Administrative Fee (0.25%)	1,359
Total Estimated Annual Debt Service	\$ 20,898

V. PROJECT SCHEDULE

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

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

<u>Customers</u>	<u>Current</u>
Residential	653
Commercial	78
Industrial	<u>0</u>
Total	731

B) Rates

	Current	Prior
Date of Last Rate Increase	10/02/23	07/23/14
Minimum (2,000 gallons)	\$35.56	\$15.85
Over 2,000 gallons (per 1,000)	17.78	12.17
Cost for 4,000 gallons	\$71.12	\$40.18
Increase %	77.0%	
Affordability Index (Rate/MHI)	2.1%	1.2%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2018-2022, the Utility's service area population is 1,877 with a Median Household Income (MHI) of \$40,247. 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 does not qualify for Green Project Reserve funding.
- 2) Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 41.8% of the assistance amount, not to exceed \$389,768, will be credited to the loan balance.

IX. FINANCIAL ANALYSIS

Financial information was obtained from limited unaudited financial statements for the years ended June 30, 2022 through June 30, 2024.

HISTORY

Sewer revenues increased 195% from \$199,119 in 2022 to \$587,594 in 2024 due to a significant rate increase and the collection of past due payments. Also, customers were not being billed the correct user fees for several years which was corrected in 2024. Operating expenses increased 94% from \$215,201 to \$417,483 during the same period. The large increase was due mostly to payments on past due bills and maintenance expenses.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Sewer revenues will remain flat in projected years.
- 2) Operating expenses will increase 17.7% in 2025 due to increased costs for salaries and benefits. Expenses will increase 3% per year beginning in 2026 due to inflation and system maintenance.
- 3) Debt service coverage is 2.3 in 2028 when the first full year of 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% (\$46,000 total) of the final amount borrowed (prior to principal forgiveness) to be funded annually (\$2,300 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

The City's sewer system currently has no outstanding debt.

XI. CONTACTS

Legal Applicant	
Entity Name	City of Sturgis
Authorized Official	Billy Adams (Mayor)
County	Union
Email	sturgis@unioncountyky.gov
Phone	(270) 952-8987
Address	106 W 6th St Sturgis, KY 42459

Applicant Contact	
Name	Sandra Germane
Organization	City of Sturgis
Email	sandra.germane@cityorsturgisky.com
Phone	(270) 333-2166
Address	106 W 6th St Sturgis, KY 42459

Project Administrator	
Name	Blake Edge
Organization	Green River ADD
Email	blakeedge@gradd.com
Phone	(270) 852-1335
Address	300 GRADD Way Owensboro, KY 42301

Consulting Engineer	
PE Name	Joseph Okyere
Firm Name	Strand Associates, Inc.
Email	joseph.okyere@strand.com
Phone	(502) 583-7020
Address	325 West Main St, Ste 710 Louisville, KY 40202

XII. RECOMMENDATIONS

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

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

	<u>Unaudited 2022</u>	<u>Unaudited 2023</u>	<u>Unaudited 2024</u>	<u>Projected 2025</u>	<u>Projected 2026</u>	<u>Projected 2027</u>	<u>Projected 2028</u>	<u>Projected 2029</u>
Cash Flow								
Revenues	199,119	190,189	587,594	587,594	587,594	587,594	587,594	587,594
Operating Expenses	215,201	187,287	417,483	491,439	506,182	523,667	539,308	555,418
Other Income	0	0	0	0	0	0	0	0
Cash Flow Before Debt Service	(16,082)	2,902	170,111	96,155	81,412	63,927	48,286	32,176
Debt Service								
Existing Debt Service	0	0	0	0	0	0	0	0
Proposed KIA Loan	0	0	0	0	0	10,449	20,898	20,898
Total Debt Service	0	0	0	0	0	10,449	20,898	20,898
Cash Flow After Debt Service	(16,082)	2,902	170,111	96,155	81,412	53,478	27,388	11,278
Debt Coverage Ratio	N/A	N/A	N/A	N/A	N/A	6.1	2.3	1.5

EXECUTIVE SUMMARY		Reviewer	John Brady	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	February 6, 2025	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A25-016S	
REVOLVING LOAN FUND		WRIS Number	SX21003013	
BORROWER	CITY OF SCOTTSVILLE ALLEN COUNTY			
BRIEF DESCRIPTION				
<p>The City of Scottsville is requesting a Fund A loan in the amount of \$6,387,000 for the Inflow & Infiltration (I&I) Phase 1 project. The project will rehabilitate and replace portions of the City's sewer collection system to reduce wet weather induced flows into the system to eliminate sanitary sewer overflows (SSO's). The City entered into an Agreed Order (AO) with the Kentucky Division of Water for Notices of Violation of SSO's caused by excess I&I into the collection system upstream of the Baptist Hollow Pump Station (PS). This project is necessary to achieve full compliance with the AO. Approximately 20,000 linear feet of gravity sewer line will be either repaired or replaced based on SSES field investigations. Additionally, the project will include upgrading and expanding the Baptist Hollow PS. Minor rehabilitation will also be done on other PS's throughout the system. This will provide greater capacity and the new pumps will have premium efficient motors and VFD's. The overall project of reducing I& into the collection system will save energy usage and costs at the PS and treatment plant.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$6,387,000	Construction	\$5,350,306	
CWP Grant - 22CWS024	375,306	Planning	30,000	
		Eng - Design / Const	350,000	
		Eng - Insp	177,000	
		Eng - Other	20,000	
		Contingency	735,000	
		Other	100,000	
TOTAL	<u>\$6,762,306</u>	TOTAL	<u>\$6,762,306</u>	
REPAYMENT	Rate	0.50%	Est. Annual Payment	\$134,915
	Term	30 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	GRW Engineers, Inc.		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Apr-25		
	Construction Start	Jun-25		
	Construction Stop	Apr-26		
DEBT PER CUSTOMER	Existing	\$1,128		
	Proposed	\$1,598		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u> 2,966	<u>Avg. Bill</u> \$47.50	(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 2022	(160,463)	284,015	(444,478)	-0.6
Audited 2023	(86,008)	712,742	(798,750)	-0.1
Audited 2024	580,096	819,152	(239,056)	0.7
Projected 2025	738,352	649,422	88,930	1.1
Projected 2026	737,609	650,001	87,608	1.1
Projected 2027	720,851	597,235	123,616	1.2
Projected 2028	720,078	597,295	122,783	1.2
Projected 2029	719,288	597,098	122,190	1.2

Reviewer: John Brady
Date: February 6, 2025
Loan Number: A25-016S

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF SCOTTSVILLE, ALLEN COUNTY
PROJECT REVIEW
SX21003013**

I. PROJECT DESCRIPTION

The City of Scottsville is requesting a Fund A loan in the amount of \$6,387,000 for the Inflow & Infiltration (I&I) Phase 1 project. The project will rehabilitate and replace portions of the City's sewer collection system to reduce wet weather induced flows into the system to eliminate sanitary sewer overflows (SSO's). The City entered into an Agreed Order (AO) with the Kentucky Division of Water for Notices of Violation of SSO's caused by excess I&I into the collection system upstream of the Baptist Hollow Pump Station (PS). This project is necessary to achieve full compliance with the AO.

Approximately 20,000 linear feet of gravity sewer line will be either repaired or replaced based on SSES field investigations. Additionally, the project will include upgrading and expanding the Baptist Hollow PS. Minor rehabilitation will also be completed on other PS's throughout the system. This will provide greater capacity and the new pumps will have premium efficient motors and VFD's. The overall project of reducing I& into the collection system will save energy usage and costs at the PS and treatment plant.

The City currently serves 2,533 residential customers and 433 commercial and industrial customers.

II. PROJECT BUDGET

	<u>Total</u>
Construction	\$ 5,350,306
Planning	30,000
Engineering Fees - Design	280,000
Engineering Fees - Construction	70,000
Engineering Fees - Inspection	177,000
Engineering Fees - Other	20,000
Contingency	735,000
Other	100,000
Total	<u>\$ 6,762,306</u>

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 6,387,000	94%
CWP Grant	375,306	6%
Total	\$ 6,762,306	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 6,387,000
Less: Principal Forgiveness	<u>2,876,993</u>
Amortized Loan Amount	\$ 3,510,007
Interest Rate	0.50%
Loan Term (Years)	<u>30</u>
Estimated Annual Debt Service	\$ 126,140
Administrative Fee (0.25%)	<u>8,775</u>
Total Estimated Annual Debt Service	\$ 134,915

V. PROJECT SCHEDULE

Bid Opening:	April 2025
Construction Start:	June 2025
Construction Stop:	April 2026

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

<u>Customers</u>	<u>Current</u>
Residential	2,533
Commercial	324
Industrial/Other	<u>109</u>
Total	2,966

B) Rates

Sewer	<u>Current</u>	<u>Prior</u>	<u>Prior</u>
Date of Last Rate Increase	08/01/24	08/01/23	08/01/22
Minimum (2,000 gallons)	\$27.04	\$26.51	\$19.64
Next 3,000 gallons (per 1,000)	10.23	10.03	7.43
Cost for 4,000 gallons	\$47.50	\$46.57	\$34.50
Increase %	2.0%	35.0%	
Affordability Index (Rate/MHI)	1.6%	1.6%	1.2%

Water	<u>Current</u>	<u>Prior</u>	<u>Prior</u>
Date of Last Rate Increase	08/01/24	08/01/23	08/01/22
Minimum (2,000 gallons)	\$27.04	\$26.51	\$19.64
Next 3,000 gallons (per 1,000)	10.23	10.03	7.43
Cost for 4,000 gallons	\$47.50	\$46.57	\$34.50
Increase %	2.0%	35.0%	
Affordability Index (Rate/MHI)	1.6%	1.6%	1.2%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2018-2022, the Utility's service area population is 4,557 with a Median Household Income (MHI) of \$35,378. The MHI for the Commonwealth is \$60,183. The loan will qualify for a 0.50% interest rate.

VIII. 2024 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project qualifies for Green Project Reserve funding for \$2,550,000. This entire amount qualifies in the Energy Efficiency category because of reduce costs and energy savings.
- 2) Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 45% of the assistance amount, not to exceed \$2,876,993 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, 2022 through June 30, 2024. 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 40.6% from \$2.59 million in 2022 to \$3.64 million in 2024 due to rate increases for both water and sewer. Operating expenses increased 11.3% from \$2.75 million to \$3.06 million during the same period due to higher salaries and increased costs for sludge disposal. The debt coverage ratio was -0.6, -0.1, and 0.7 in 2022, 2023, and 2024.

The balance sheet reflects a current ratio of 0.5, a debt-to-equity ratio of 2.8, 42.0 days of sales in accounts receivable, and 0.8 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water and sewer revenues will both increase 7.8% in 2025 due to an existing rate increase.
- 2) Water and sewer revenues will both increase 2% annually starting in 2026 due to the City's annual cost of living adjustment.
- 3) Operating expenses will increase 2% annually due to inflation.
- 4) Debt service coverage is 1.2 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% (\$320,000 total) of the final amount borrowed (prior to principal forgiveness) to be funded annually (\$16,000 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
KIA Loan B12-08	\$ 71,956	2033
KIA Loan B13-005	737,275	2036
KIA Loan F21-026	331,248	2043
KRW Note	3,495,000	2050
Govt Capital Note	895,189	2054
Total	\$ 5,530,668	

XI. CONTACTS

Legal Applicant	
Entity Name	City of Scottsville
Authorized Official	David Burch (Mayor)
County	Allen
Email	david.burch@cityofscottsville.org
Phone	(270) 237-3238
Address	201 W Main St, Ste 10 Scottsville, KY 42164

Applicant Contact	
Name	Lauren Cherry
Organization	City of Scottsville
Email	lcherry@cityofscottsville.org
Phone	(270) 237-3238
Address	201 W Main St, Ste 10 Scottsville, KY 42164

Project Administrator	
Name	Evelina Anderson
Organization	City of Scottsville
Email	eanderson@cityofscottsville.org
Phone	(270) 237-3238
Address	201 W Main St, Ste 8 Scottsville, KY 42164

Consulting Engineer	
PE Name	Adalyn Haney
Firm Name	GRW Engineers, Inc.
Email	ahaney@grwinc.com
Phone	(502) 489-8484
Address	11909 Shelbyville Rd, Ste 100 Louisville, KY 40243

XII. RECOMMENDATIONS

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

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

	<u>Audited</u> <u>2022</u>	<u>Audited</u> <u>2023</u>	<u>Audited</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>	<u>Projected</u> <u>2029</u>
Balance Sheet								
Assets								
Current Assets	721,669	621,450	1,031,542	1,074,932	1,099,554	1,131,477	1,163,434	1,195,372
Other Assets	9,507,760	11,108,837	10,930,850	10,296,762	16,423,923	15,648,526	14,872,463	14,095,925
Total	10,229,429	11,730,287	11,962,392	11,371,694	17,523,476	16,780,003	16,035,896	15,291,297
Liabilities & Equity								
Current Liabilities	1,129,057	2,163,629	2,065,647	1,652,470	1,780,594	1,791,910	1,803,420	1,815,023
Long Term Liabilities	6,848,518	7,127,713	6,726,486	6,698,165	9,806,838	9,396,888	8,978,227	8,550,764
Total Liabilities	7,977,575	9,291,342	8,792,133	8,350,635	11,587,432	11,188,798	10,781,648	10,365,787
Net Assets	2,251,854	2,438,945	3,170,259	3,021,059	5,936,044	5,591,205	5,254,249	4,925,509
Cash Flow								
Revenues	2,586,012	2,755,244	3,636,806	3,859,719	3,921,335	3,984,183	4,048,288	4,113,674
Operating Expenses	2,747,269	2,845,804	3,056,804	3,123,180	3,185,539	3,265,145	3,330,023	3,396,199
Other Income	794	4,552	94	1,813	1,813	1,813	1,813	1,813
Cash Flow Before Debt Service	(160,463)	(86,008)	580,096	738,352	737,609	720,851	720,078	719,288
Debt Service								
Existing Debt Service	284,015	712,742	819,152	649,422	650,001	462,320	462,380	462,183
Proposed KIA Loan	0	0	0	0	0	134,915	134,915	134,915
Total Debt Service	284,015	712,742	819,152	649,422	650,001	597,235	597,295	597,098
Cash Flow After Debt Service	(444,478)	(798,750)	(239,056)	88,930	87,608	123,616	122,783	122,190
Ratios								
Current Ratio	0.6	0.3	0.5	0.7	0.6	0.6	0.6	0.7
Debt to Equity	3.5	3.8	2.8	2.8	2.0	2.0	2.1	2.1
Days Sales in Accounts Receivable	42.4	38.3	42.0	42.0	42.0	42.0	42.0	42.0
Months Operating Expenses in Unrestricted Cash	1.2	0.9	0.8	0.8	0.9	1.0	1.0	1.1
Debt Coverage Ratio	(0.6)	(0.1)	0.7	1.1	1.1	1.2	1.2	1.2

EXECUTIVE SUMMARY		Reviewer	John Brady	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	February 6, 2025	
FUND A, FEDERALLY ASSISTED WASTEWATER		KIA Loan Number	A25-022	
REVOLVING LOAN FUND		WRIS Number	SX21225033	
BORROWER	CITY OF MORGANFIELD UNION COUNTY			
BRIEF DESCRIPTION				
<p>The City of Morganfield is requesting a Fund A loan in the amount of \$1,280,000 for the planning and design portion of their Wastewater Treatment Plant (WWTP) Upgrade project. The City's WWTP was commissioned in the 1940's and was designed for 3.5 million gallons of capacity. The facility was originally constructed for Camp Breckinridge, a World War II infantry division and prisoner-of-war camp that served a population of nearly 40,000 people. The plant now serves a significantly smaller population and will not need the same capacity. The WWTP needs a full rehabilitation and most of the existing equipment needs replacement to allow the system to stay in compliance with its KPDES permit. There is currently an Agreed Order with the Kentucky Division of Water, which outlines several improvements that must be made. The planning and design funding will help the City figure out how to most efficiently meet these requirements.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$1,280,000	Administrative Expenses	\$10,000	
		Planning	40,000	
		Eng - Design / Const	1,230,000	
TOTAL	<u>\$1,280,000</u>	TOTAL	<u>\$1,280,000</u>	
REPAYMENT	Rate	2.25%	Est. Annual Payment \$160,351	
	Term	5 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Strand Associates, Inc.		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE				
	Design Start	May-25		
	Design Completion	Feb-26		
DEBT PER CUSTOMER	Existing	\$1,149		
	Proposed	\$1,176		
OTHER DEBT	See Attached			
RESIDENTIAL RATES				
	Current	<u>Users</u> 1,922	<u>Avg. Bill</u> \$30.65 (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	815,190	331,989	483,201	2.5
Audited 2022	448,044	331,769	116,275	1.4
Audited 2023	543,505	330,615	212,890	1.6
Projected 2024	938,279	332,392	605,887	2.8
Projected 2025	989,845	286,344	703,501	3.5
Projected 2026	1,045,774	286,177	759,597	3.7
Projected 2027	1,106,321	446,813	659,508	2.5
Projected 2028	1,171,752	446,596	725,156	2.6

Reviewer: John Brady
Date: 2/6/2025
Loan Number: A25-022

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
CITY OF MORGANFIELD, UNION COUNTY
PROJECT REVIEW
SX21225033**

I. PROJECT DESCRIPTION

The City of Morganfield is requesting a Fund A loan in the amount of \$1,280,000 for the planning and design portion of their Wastewater Treatment Plant (WWTP) Upgrade project. The City's WWTP was commissioned in the 1940's and was designed for 3.5 million gallons of capacity. The facility was originally constructed for Camp Breckinridge, a World War II infantry division and prisoner-of-war camp that served a population of nearly 40,000 people. The plant now serves a significantly smaller population and will not need the same capacity. The WWTP needs a full rehabilitation and most of the existing equipment needs replacement to allow the system to stay in compliance with its KPDES permit. There is currently an Agreed Order with the Kentucky Division of Water, which outlines several improvements that must be made. The planning and design funding will help the City figure out how to most efficiently meet these requirements.

The City currently serves 1,817 residential customers and 105 commercial and industrial customers.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 10,000
Planning	40,000
Engineering Fees - Design	<u>1,230,000</u>
Total	\$ 1,280,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 1,280,000	100%
Total	\$ 1,280,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,280,000
Less: Principal Forgiveness	534,469
Amortized Loan Amount	<u>\$ 745,531</u>
Interest Rate	2.25%
Loan Term (Years)	<u>5</u>
Estimated Annual Debt Service	\$ 158,487
Administrative Fee (0.25%)	1,864
Total Estimated Annual Debt Service	\$ 160,351

V. PROJECT SCHEDULE

Project Design Start:	May 2025
Project Design Completion:	February 2026

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	1,817
Commercial	91
Industrial	14
Total	<u>1,922</u>

B) Rates

Sewer - Inside City	Current	Prior	Prior
Date of Last Rate Increase	07/01/24	07/01/23	07/01/22
Minimum (2,000 Gallons)	\$19.15	\$18.24	\$17.37
Next 5,000 Gallons (Per 1,000)	5.75	5.48	5.22
Cost for 4,000 gallons	<u>\$30.65</u>	<u>\$29.20</u>	<u>\$27.81</u>
Increase %	5.0%	5.0%	
Affordability Index (Rate/MHI)	0.6%	0.6%	0.6%

Sewer - Outside City	Current	Prior	Prior
Date of Last Rate Increase	07/01/24	07/01/23	07/01/22
Minimum (2,000 Gallons)	\$28.72	\$27.35	\$26.05
Next 5,000 Gallons (Per 1,000)	8.61	8.20	7.81
Cost for 4,000 gallons	\$45.94	\$43.75	\$41.67
Increase %	5.0%	5.0%	
Affordability Index (Rate/MHI)	0.9%	0.9%	0.9%

Water - Inside City	Current	Prior	Prior
Date of Last Rate Increase	07/01/24	07/01/23	07/01/22
Minimum (2,000 Gallons)	\$13.81	\$13.15	\$12.52
Next 5,000 Gallons (Per 1,000)	6.83	6.50	6.19
Cost for 4,000 gallons	\$27.47	\$26.15	\$24.90
Increase %	5.0%	5.0%	
Affordability Index (Rate/MHI)	0.6%	0.5%	0.5%

Water - Outside City	Current	Prior	Prior
Date of Last Rate Increase	07/01/24	07/01/23	07/01/22
Minimum (2,000 Gallons)	\$20.73	\$19.74	\$18.80
Next 5,000 Gallons (Per 1,000)	10.22	9.73	9.27
Cost for 4,000 gallons	\$41.17	\$39.20	\$37.34
Increase %	5.0%	5.0%	
Affordability Index (Rate/MHI)	0.9%	0.8%	0.8%

Wholesale Water	Current	Prior	Prior
Date of Last Increase	01/01/24	05/02/23	01/01/22
Per 1,000 Gallons	\$3.40	\$3.41	\$2.69
Increase %	-0.3%	26.7%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2018-2022, the Utility's service area population is 4,907 with a Median Household Income (MHI) of \$58,056. The MHI for the Commonwealth is \$60,183. The loan will qualify for a 2.25% interest rate, the standard rate of all planning and design loans.

VIII. 2024 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve funding.
- 2) Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 41.8% of the assistance amount, not to exceed \$534,469, 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 revenues increased 11.7% from \$3.09 million in 2021 to \$3.46 million in 2023 due to rate adjustments for both water and sewer services. Operating expenses increased 11.6% during the same period due to salaries and increased costs for chemicals. The debt coverage ratio was 2.5, 1.4, and 1.6 in 2021, 2022, and 2023.

The balance sheet reflects a current ratio of 3.9, a debt-to-equity ratio of 0.7, 44.8 days of sales in accounts receivable, and 5.1 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Sewer revenues and retail water revenues will increase 5% in projected years due to the annual rate adjustment set out in the City's rate ordinance.
- 2) Wholesale water revenues will increase 26.4% in 2024 due to an existing rate increase previously passed by the Public Service Commission.
- 3) Debt service coverage is 2.5 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.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
USDA RD Note	\$ 2,401,500	2056
KIA Loan A15-023	2,327,281	2038
KIA Loan B16-010	45,019	2024
KIA Loan F25-005S (i.a.o. \$4,432,924)		TBD
Total	\$ 4,773,800	

XI. CONTACTS

Legal Applicant	
Entity Name	City of Morganfield
Authorized Official	Randy Greenwell (Mayor)
County	Union
Email	rgreenwellmayor@gmail.com
Phone	(270) 389-2525
Address	PO Box 420 Morganfield, KY 42437

Applicant Contact	
Name	Blake Edge
Organization	Green River ADD
Email	blakeedge@gradd.com
Phone	(270) 302-5484
Address	300 GRADD Way Owensboro, KY 42301

Project Administrator	
Name	Dana Garrett
Organization	Green River ADD
Email	danagarrett@gradd.com
Phone	(270) 926-4433
Address	300 GRADD Way Owensboro, KY 42301

Consulting Engineer

PE Name	Joseph Okyere
Firm Name	Strand Associates, Inc.
Email	joseph.okyere@strand.com
Phone	(502) 583-7020
Address	325 W Main St, Ste 710 Louisville, KY 40202

XII. RECOMMENDATIONS

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

**CITY OF MORGANFIELD
FINANCIAL SUMMARY (JUNE 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	690,635	1,724,094	1,993,072	2,170,736	2,325,037	2,491,256	2,638,158	2,798,989
Other Assets	19,992,406	19,249,675	19,215,328	18,931,858	18,726,479	19,845,977	19,605,403	19,417,348
Total	20,683,041	20,973,769	21,208,400	21,102,594	21,051,516	22,337,233	22,243,561	22,216,337
Liabilities & Equity								
Current Liabilities	440,969	468,555	505,705	465,608	470,554	625,250	630,386	635,386
Long Term Liabilities	8,313,014	8,402,775	8,207,754	8,011,937	7,812,574	8,205,546	7,849,351	7,489,655
Total Liabilities	8,753,983	8,871,330	8,713,459	8,477,545	8,283,128	8,830,796	8,479,737	8,125,042
Net Assets	11,929,058	12,102,439	12,494,941	12,625,049	12,768,388	13,506,437	13,763,824	14,091,296
Cash Flow								
Revenues	3,098,573	3,155,877	3,460,271	3,921,048	4,032,116	4,148,737	4,271,190	4,399,765
Operating Expenses	2,283,383	2,707,833	2,916,766	2,982,769	3,042,271	3,102,963	3,164,869	3,228,013
Other Income	0	0	0	0	0	0	0	0
Cash Flow Before Debt Service	815,190	448,044	543,505	938,279	989,845	1,045,774	1,106,321	1,171,752
Debt Service								
Existing Debt Service	331,989	331,769	330,615	332,392	286,344	286,177	286,462	286,245
Proposed KIA Loan	0	0	0	0	0	0	160,351	160,351
Total Debt Service	331,989	331,769	330,615	332,392	286,344	286,177	446,813	446,596
Cash Flow After Debt Service	483,201	116,275	212,890	605,887	703,501	759,597	659,508	725,156
Ratios								
Current Ratio	1.6	3.7	3.9	4.7	4.9	4.0	4.2	4.4
Debt to Equity	0.7	0.7	0.7	0.7	0.6	0.7	0.6	0.6
Days Sales in Accounts Receivable	36.5	38.5	44.8	44.8	44.8	44.8	44.8	44.8
Months Operating Expenses in Unrestricted Cash	2.0	6.2	5.1	5.5	5.9	6.4	6.8	7.2
Debt Coverage Ratio	2.5	1.4	1.6	2.8	3.5	3.7	2.5	2.6

EXECUTIVE SUMMARY		Reviewer	John Brady	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	February 6, 2025	
FUND B, INFRASTRUCTURE		KIA Loan Number	B25-006	
REVOLVING LOAN FUND		WRIS Number	WX21199156	
BORROWER	WESTERN PULASKI COUNTY WATER DISTRICT PULASKI COUNTY			
BRIEF DESCRIPTION				
<p>The Western Pulaski County Water District is requesting a Fund B loan in the amount of \$4,000,000 for Phase 2 of the Faubush/Nancy Area Water Transmission project. This is a continuation of a project to extend and replace existing water lines from the new Lees Ford Pump Station along Highway 80 through Nancy, then along Highway 196 to Faubush. The project will consist of the installation of approximately 21,500 linear feet (LF) of 12" PVC water transmission main. The new 12" line will replace approximately 17,000 LF of existing 8" line and 4,500 LF of existing 6" line that runs parallel with each other along Highway 80 and onto Highway 196. The purpose of the project is to meet the demands and growth in the western portion of the system near Lake Cumberland. The existing lines are undersized to carry a flow of 1,200 gallons per minute, which the new Lees Ford Pump Station is rated.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund B Loan	\$4,000,000	Administrative Expenses	\$7,500	
		Legal Expenses	7,500	
		Eng - Design / Const	252,000	
		Eng - Insp	137,000	
		Eng - Other	10,000	
		Construction	3,259,150	
		Contingency	326,850	
TOTAL	\$4,000,000	TOTAL	\$4,000,000	
REPAYMENT	Rate	1.25%	Est. Annual Payment	\$234,662
	Term	20	1st Payment	6 mo. After first draw
PROFESSIONAL SERVICES				
	Bond Counsel	Dinsmore & Shohl, LLP		
	Engineer	Monarch Engineering, Inc.		
DEBT PER CUSTOMER	Existing	\$1,405		
	Proposed	\$2,109		
RESIDENTIAL RATES	Current	<u>Users</u>	<u>Avg. Bill</u>	
		9,748	\$38.77	(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	905,851	700,196	205,655	1.3
Audited 2022	568,050	494,340	73,710	1.1
Audited 2023	999,932	867,562	132,370	1.2
Projected 2024	1,277,099	704,362	572,737	1.8
Projected 2025	1,418,874	932,331	486,543	1.5
Projected 2026	1,324,789	1,058,900	265,889	1.3
Projected 2027	1,454,835	1,176,044	278,791	1.2
Projected 2028	1,367,586	1,291,512	76,074	1.1

Reviewer: John Brady
 Date: February 6, 2025
 Loan Number: B25-006

**KENTUCKY INFRASTRUCTURE AUTHORITY
 INFRASTRUCTURE REVOLVING LOAN FUND (FUND B)
 WESTERN PULASKI COUNTY WATER DISTRICT
 PROJECT REVIEW
 WX21199156**

I. PROJECT DESCRIPTION

The Western Pulaski County Water District is requesting a Fund B loan in the amount of \$4,000,000 for Phase 2 of the Faubush/Nancy Area Water Transmission project. This is a continuation of a project to extend and replace existing water lines from the new Lees Ford Pump Station along Highway 80 through Nancy, then along Highway 196 to Faubush. The project will consist of the installation of approximately 21,500 linear feet (LF) of 12" PVC water transmission main. The new 12" line will replace approximately 17,000 LF of existing 8" line and 4,500 LF of existing 6" line that runs parallel with each other along Highway 80 and onto Highway 196. The purpose of the project is to meet the demands and growth in the western portion of the system near Lake Cumberland. The existing lines are undersized to carry a flow of 1,200 gallons per minute, which the new Lees Ford Pump Station is rated.

The Water District currently serves 9,685 residential customers and 63 commercial customers.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 7,500
Legal Expenses	7,500
Engineering Fees - Design	252,000
Engineering Fees - Inspection	137,000
Engineering Fees - Other	10,000
Construction	3,259,150
Contingency	326,850
Total	\$ 4,000,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund B Loan	\$ 4,000,000	100%
Total	\$ 4,000,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 4,000,000
Less: Principal Forgiveness	0
Amortized Loan Amount	<u>\$ 4,000,000</u>
Interest Rate	1.25%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 226,662
Administrative Fee (0.20%)	<u>8,000</u>
Total Estimated Annual Debt Service	\$ 234,662

V. PROJECT SCHEDULE

Bid Opening:	October 2025
Construction Start:	December 2025
Construction Stop:	July 2026

VI. RATE STRUCTURE

A. Customers

Customers	Current
Residential	9,685
Commercial	63
Industrial	<u>0</u>
Total	9,748

B. Rates

	Current	Prior	Prior
Date of Last Rate Increase	<u>09/27/24</u>	01/25/24	09/27/23
Minimum (2,000 gallons)	\$22.43	\$21.11	\$20.21
Over 2,000 gallons (per 1,000)	<u>8.17</u>	7.70	7.25
Cost for 4,000 gallons	\$38.77	\$36.51	\$34.71
Increase %	6.2%	5.2%	6.9%
Affordability Index (Rate/MHI)	0.8%	0.8%	0.8%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2018-2022, the Utility's service area population is 17,482 with a Median Household Income (MHI) of \$55,246. The MHI for the Commonwealth is \$60,183. The loan will qualify for a 1.25% interest rate.

VIII. 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 water revenues increased 15.3% from \$3.54 million in 2021 to \$4.08 million in 2023 due to rate increases. Operating expenses increased 16.9% from \$3.17 million to \$3.71 million during the same period primarily due to employee salaries and benefits. The debt coverage ratio was 1.3, 1.1, and 1.2 in 2021, 2022, and 2023.

The balance sheet reflects a current ratio of 1.8, a debt-to-equity ratio of 1.6, 40.4 days of sales in accounts receivable, and 8.4 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues will increase 12% in 2024 and 5.2% in 2025 due to existing rate increases previously approved by the Public Service Commission (PSC).
- 2) Water revenues will increase \$225,000 annually starting in 2027 to maintain the 1.1 debt coverage ratio requirement.
- 3) Operating expenses will increase 3% annually due to inflation and general expense increases.
- 4) Debt service coverage is 1.1 in 2028 when the first full year of principal and interest repayments begin.

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

The Water District is regulated by the PSC and will need to apply, pursuant to KRS 278.300, for debt authorization for the \$4,000,000 loan and must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020.

REPLACEMENT RESERVE

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

IX. DEBT OBLIGATIONS

	Outstanding	Maturity
Series 2002A Bonds	\$ 628,000	2042
Series 2002B Bonds	381,000	2042
Series 2010 Bonds	715,000	2049
Series 2012E Bonds	760,000	2035
Series 2013 Bonds	1,195,000	2053
Series 2018 Bonds	2,076,500	2057
KIA Loan B20-004	1,033,760	2041
KIA Loan F16-003	3,032,427	2041
KIA Loan B22-004 (i.a.o. \$4,500,000)		TBD
Total	\$ 9,821,687	

X. CONTACTS

Legal Applicant	
Entity Name	Western Pulaski County Water District
Authorized Official	Joel Wilson (Chairman)
County	Pulaski
Email	cedarpointfarm@aol.com
Phone	(606) 679-3793
Address	2128 W Hwy 80 Somerset, KY 42503

Applicant Contact	
Name	Joe McClendon
Organization	Western Pulaski County Water District
Email	joe-mcclendon@hotmail.com
Phone	(606) 679-1569
Address	1059 W Hwy 80 Somerset, KY 42503

Project Administrator	
Name	David Bowles
Organization	Monarch Engineering, Inc.
Email	dbowles@monarchengineering.net
Phone	(502) 859-1310
Address	556 Carlton Dr Lawrenceburg, KY 40342

Consulting Engineer	
PE Name	Deron Byrne
Firm Name	Monarch Engineering, Inc.
Email	dbyrne@monarchengineering.net
Phone	(502) 839-1310
Address	556 Carlton Dr Lawrenceburg, KY 40342

XI. RECOMMENDATIONS

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

The Water District will pass a resolution demonstrating their intention to increase revenues as necessary to maintain KIA's required 1.1 debt coverage ratio. KIA staff review indicates that revenues will need to increase approximately \$225,000, or 5%, by FY2027 to meet the loan requirement.

**WESTERN PULASKI COUNTY 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	3,005,446	2,230,945	2,574,433	3,187,843	3,698,986	3,964,875	4,268,566	4,344,640
Other Assets	20,052,789	22,078,124	25,359,238	24,759,816	28,660,394	31,948,472	31,136,550	30,324,628
Total	23,058,235	24,309,069	27,933,671	27,947,659	32,359,380	35,913,347	35,405,116	34,669,268
Liabilities & Equity								
Current Liabilities	990,677	2,027,886	1,463,853	1,541,582	1,669,943	1,892,135	1,913,260	1,934,166
Long Term Liabilities	11,286,550	11,773,378	15,669,488	15,139,476	18,992,203	22,134,038	21,266,348	20,389,552
Total Liabilities	12,277,227	13,801,264	17,133,341	16,681,058	20,662,146	24,026,173	23,179,608	22,323,718
Net Assets	10,781,008	10,507,805	10,800,330	11,266,601	11,697,234	11,887,174	12,225,508	12,345,550
Cash Flow								
Revenues	3,542,581	3,537,999	4,083,161	4,450,099	4,672,589	4,672,589	4,897,647	4,897,647
Operating Expenses	2,663,258	2,989,653	3,114,601	3,204,371	3,285,087	3,379,172	3,474,184	3,561,433
Other Income	26,528	19,704	31,372	31,372	31,372	31,372	31,372	31,372
Cash Flow Before Debt Service	905,851	568,050	999,932	1,277,099	1,418,874	1,324,789	1,454,835	1,367,586
Debt Service								
Existing Debt Service	700,196	494,340	867,562	704,362	932,331	1,058,900	1,058,713	1,056,850
Proposed KIA Loan	0	0	0	0	0	0	117,331	234,662
Total Debt Service	700,196	494,340	867,562	704,362	932,331	1,058,900	1,176,044	1,291,512
Cash Flow After Debt Service	205,655	73,710	132,370	572,737	486,543	265,889	278,791	76,074
Ratios								
Current Ratio	3.0	1.1	1.8	2.1	2.2	2.1	2.2	2.2
Debt to Equity	1.1	1.3	1.6	1.5	1.8	2.0	1.9	1.8
Days Sales in Accounts Receivable	39.6	38.6	40.4	40.4	40.4	40.4	40.4	40.4
Months Operating Expenses in Unrestricted Cash	11.5	6.5	6.4	8.4	9.9	10.6	11.3	11.3
Debt Coverage Ratio	1.3	1.1	1.2	1.8	1.5	1.3	1.2	1.1

EXECUTIVE SUMMARY		Reviewer	Sandy Rankin	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	February 6, 2025	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number	F25-016S	
REVOLVING LOAN FUND		WRIS Number	WX21229027	
BORROWER	CITY OF SPRINGFIELD WASHINGTON COUNTY			
BRIEF DESCRIPTION				
The City of Springfield is requesting a Fund F loan in the amount of \$4,522,000 for their Water Main Assessment, Replacement Planning & Design - WTP & Priority Area 3 project. This project includes an assessment of the aging system and the design and construction components of replacing the aging facilities in Priority Area 3. Improvements at the WTP include the replacement of the in-line turbidity units and controls and the installation of granular activated carbon contract to reduce emerging contaminants.				
PROJECT FINANCING		PROJECT BUDGET		
F25-016S	\$4,522,000	Administrative Expenses	\$120,000	
		Legal Expenses	30,000	
		Land, Easements	20,000	
		Planning	88,000	
		Eng - Design / Const	248,000	
		Eng - Insp	135,000	
		Construction	3,496,000	
		Contingency	350,000	
		Miscellaneous	35,000	
TOTAL	\$4,522,000	TOTAL	\$4,522,000	
REPAYMENT	Rate	2.25%	Est. Annual Payment	\$295,589
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Bell Engineering		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Apr-25		
	Construction Start	Jul-25		
	Construction Stop	Jul-26		
DEBT PER CUSTOMER	Existing	\$4,703		
	Proposed	\$6,520		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		5,084	\$29.71	(for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2022	1,431,689	9,903,538	(8,471,849)	0.1
Audited 2023	1,223,023	968,061	254,962	1.3
Audited 2024	895,436	1,021,913	(126,477)	0.9
Projected 2025	1,549,356	1,064,909	484,447	1.5
Projected 2026	1,661,726	1,102,049	559,677	1.5
Projected 2027	1,748,601	1,492,581	256,020	1.2
Projected 2028	1,880,572	1,658,379	222,193	1.1
Projected 2029	2,022,467	1,656,469	365,998	1.2

Reviewer: Sandy Rankin
 Date: February 6, 2025
 Loan Number: F25-016S

**KENTUCKY INFRASTRUCTURE AUTHORITY
 DRINKING WATER STATE REVOLVING FUND (FUND F)
 CITY OF SPRINGFIELD, WASHINGTON COUNTY
 PROJECT REVIEW
 WX21229027**

I. PROJECT DESCRIPTION

The City of Springfield is requesting a Fund F loan in the amount of \$4,522,000 for their Water Main Assessment, Replacement Planning & Design - WTP & Priority Area 3 project. This project includes an assessment of the aging system and the design and construction components of replacing the aging facilities in Priority Area 3. Improvements at the WTP include the replacement of the in-line turbidity units and controls and the installation of granular activated carbon contact to reduce emerging contaminants.

The Springfield Water & Sewer Commission currently serves 4,792 residential customers and 292 commercial and industrial customers.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 120,000
Legal Expenses	30,000
Land, Easements	20,000
Planning	88,000
Engineering Fees - Design	173,000
Engineering Fees - Construction	75,000
Engineering Fees - Inspection	135,000
Construction	3,496,000
Contingency	350,000
Other	35,000
Total	\$ 4,522,000

III. PROJECT FUNDING

	Amount	%
F25-016S	\$ 4,522,000	100%
Total	\$ 4,522,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 4,522,000
Less: Principal Forgiveness	<u>0</u>
Amortized Loan Amount	\$ 4,522,000
Interest Rate	2.25%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 282,023
Administrative Fee (0.30%)	<u>13,566</u>
Total Estimated Annual Debt Service	\$ 295,589

V. PROJECT SCHEDULE

Bid Opening:	April 2025
Construction Start:	July 2025
Construction Stop:	July 2026

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

<u>Customers</u>	<u>Current</u>
Residential	4,792
Commercial	277
Industrial	<u>15</u>
Total	5,084

B) Rates

WATER - Inside	<u>Current</u>	<u>Prior</u>	<u>Prior</u>
Date of Last Rate Increase	11/01/24	07/01/24	07/01/23
Minimum - First 500 Gallons	\$12.84	\$12.35	\$12.11
Next 9,500 Gallons, per 1,000 Gallons	4.82	4.63	4.54
Next 990,000 Gallons, per 1,000 Gallons	3.98	3.65	3.58
Cost for 4,000 gallons	<u>\$29.71</u>	<u>\$23.93</u>	<u>\$23.46</u>
Increase %	24.2%	2.0%	
Affordability Index (Rate/MHI)	0.6%	0.4%	

**changed from Minimum - First 1,500 Gallons with 11/1/24 increase

***changed from Next 3,500 Gallons, per 1,000 Gallons with 11/1/24 increase

WATER - Outside	Current	Prior	Prior
Date of Last Rate Increase	11/01/24	07/01/24	07/01/23
Minimum - First 500 Gallons	\$15.22	\$20.22	\$19.82
Next 4,500 Gallons, per 1,000 Gallons	11.24	11.24	11.04
Next 5,000 Gallons, per 1,000 Gallons	6.96	6.69	6.56
Cost for 4,000 gallons	\$54.56	\$48.32	\$47.42
Increase %	12.9%	1.9%	
Affordability Index (Rate/MHI)	1.0%	0.9%	

**changed from Minimum - First 1,500 Gallons with 11/1/24 increase

***changed from Next 3,500 Gallons, per 1,000 Gallons with 11/1/24 increase

SEWER	Current	Prior	Prior
Date of Last Rate Increase	11/01/24	07/01/24	07/01/23
Minimum - First 1,500 Gallons	\$25.97	\$25.46	\$24.96
Next 8,500 Gallons, per 1,000 Gallons	10.81	10.60	10.39
Next 15,000 Gallons, per 1,000 Gallons	9.88	9.69	9.50
Cost for 4,000 gallons	\$53.00	\$51.96	\$50.94
Increase %	2.0%	2.0%	
Affordability Index (Rate/MHI)	1.0%	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 10,757 with a Median Household Income (MHI) of \$63,910. The MHI for the Commonwealth is \$60,183. The loan will qualify for a 2.25% interest rate.

VIII. 2024 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 Springfield Water & Sewer Commission for the years ended June 30, 2022, through June 30, 2024. 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 water and sewer revenues increased 17.6% from \$4.02 million in 2022 to \$4.72 million in 2024 due to rate increases. Operating expenses increased 51.3% from \$2.61 million to \$3.96 million during the same period largely due to repairs and maintenance issues. The debt coverage ratio was 0.1, 1.3, and 0.9 in 2022, 2023, and 2024.

The balance sheet reflects a current ratio of 1.9, a debt-to-equity ratio of 1.2, 64.0 days of sales in accounts receivable, and 3.6 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Sewer revenues will increase 2% each year due to recent rate increases.
- 2) Water revenues will increase 6% each year through 2029 due to recent rate increases.
- 3) Expenses for water and sewer will decrease in 2025 from 2024 due to one-time repairs then increase 3% each year due to inflation.
- 4) Debt service coverage is 1.1 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.

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$226,000 total) of the final amount borrowed to be funded annually (\$11,300 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Series 2020A Revenue Bonds	\$ 8,482,000	2061
Series 2020B Revenue Bonds	3,025,000	2061
Series 2013 Revenue Bonds	1,597,000	2052
Series 2016A Revenue Bonds	1,192,500	2056
Series 2016B Revenue Bonds	618,000	2056
Series 2015 Revenue Bonds	588,000	2055
Series 2012C Revenue Bonds	1,670,000	2039
Series 2015E Revenue Bonds	1,337,500	2043
Series 2020C Revenue Bonds	1,235,000	2046
KIA Loan F209-01	151,046	2030
Series 2023A Revenue Bonds	892,000	2025
Bank Loan	64,313	2027
KIA Loan A24-016S (i.a.o. \$2,623,000)		TBD
KIA Loan B23-002 (i.a.o. \$635,000)		TBD
KIA Loan F24-005 (i.a.o. \$2,894,924)		TBD
KIA Loan F24-013S (i.a.o. \$4,277,500)		TBD
Total	\$20,852,359	

XI. CONTACTS

Legal Applicant	
Entity Name	City of Springfield
Authorized Official	Chris Essex (Mayor)
County	Washington
Email	chris.essex@springfieldky.org
Phone	859-336-5440
Address	PO Box 307 603 W Main Street Springfield, KY 40069

Applicant Contact	
Name	Angela Culver
Organization	Springfield Water & Sewer Commission
Email	angela.culver@springfieldwater.org
Phone	859-336-5454
Address	PO Box 307 Springfield, KY 40069

Project Administrator

Name	Angela Culver
Organization	Springfield Water & Sewer Commission
Email	angela.culver@springfieldwater.org
Phone	859-336-5454
Address	PO Box 307 Springfield, KY 40069

Consulting Engineer

PE Name	James Roberts
Firm Name	Bell Engineering
Email	jroberts@hkbell.com
Phone	859-278-5412
Address	2480 Fortune Drive Ste 350 Lexington, KY 40509

XII. RECOMMENDATIONS

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

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

	<u>Audited 2022</u>	<u>Audited 2023</u>	<u>Audited 2024</u>	<u>Projected 2025</u>	<u>Projected 2026</u>	<u>Projected 2027</u>	<u>Projected 2028</u>	<u>Projected 2029</u>
Balance Sheet								
Assets								
Current Assets	1,875,679	2,011,490	2,204,729	2,451,986	2,602,321	2,694,025	2,781,164	2,899,364
Other Assets	45,792,479	46,944,567	49,535,004	53,322,683	59,266,272	64,581,575	62,724,816	60,983,101
Total	47,668,158	48,956,057	51,739,733	55,774,669	61,868,593	67,275,600	65,505,980	63,882,465
Liabilities & Equity								
Current Liabilities	952,606	1,820,783	1,158,225	1,254,503	1,452,772	1,750,504	1,774,938	1,747,558
Long Term Liabilities	24,416,803	24,944,481	27,272,329	28,165,261	30,709,692	36,008,615	34,831,209	33,692,083
Total Liabilities	25,369,409	26,765,264	28,430,554	29,419,764	32,162,464	37,759,119	36,606,147	35,439,641
Net Assets	22,298,749	22,190,793	23,309,179	26,354,905	29,706,129	29,516,481	28,899,833	28,442,824
Cash Flow								
Revenues	4,016,762	4,591,062	4,722,129	4,977,809	5,196,729	5,427,502	5,670,814	5,927,390
Operating Expenses	2,614,582	3,420,611	3,955,770	3,500,726	3,607,276	3,751,174	3,862,515	3,977,196
Other Income	29,509	52,572	129,077	72,273	72,273	72,273	72,273	72,273
Cash Flow Before Debt Service	1,431,689	1,223,023	895,436	1,549,356	1,661,726	1,748,601	1,880,572	2,022,467
Debt Service								
Existing Debt Service	9,903,538	968,061	1,021,913	1,064,909	1,102,049	1,344,786	1,362,790	1,360,880
Proposed KIA Loan	0	0	0	0	0	147,795	295,589	295,589
Total Debt Service	9,903,538	968,061	1,021,913	1,064,909	1,102,049	1,492,581	1,658,379	1,656,469
Cash Flow After Debt Service	(8,471,849)	254,962	(126,477)	484,447	559,677	256,020	222,193	365,998
Ratios								
Current Ratio	2.0	1.1	1.9	2.0	1.8	1.5	1.6	1.7
Debt to Equity	1.1	1.2	1.2	1.1	1.1	1.3	1.3	1.2
Days Sales in Accounts Receivable	56.7	49.0	64.0	64.0	64.0	64.0	64.0	64.0
Months Operating Expenses in Unrestricted Cash	4.4	3.8	3.6	4.4	4.7	4.7	4.7	4.8
Debt Coverage Ratio	0.1	1.3	0.9	1.5	1.5	1.2	1.1	1.2

EXECUTIVE SUMMARY		Reviewer	Rick Harris	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	February 6, 2025	
KY WWATERS FUND		KIA Loan Number	W25 - 004E	
REVOLVING LOAN / GRANT FUND		WRIS Number	SX21143025	
BORROWER	CITY OF EDDYVILLE LYON COUNTY COUNTY			
BRIEF DESCRIPTION				
<p>On Monday, January 6, 2025 the City of Eddyville Sewer Treatment Plant had a catastrophic failure to the Sequencing Batch Reactor Tank. The initial release from the tank was estimated at approximately 400,000 gallons of partially treated sewage; it was estimated that approximately 800,000 gallons were lost before the partially treated sewage in the tank could be pumped out into a temporary tank. In addition to a statewide Emergency Declaration due to weather, local declarations of emergency were issued by both the City and the County. A structural assessment was conducted on January 7, 2025; a comprehensive investigation to determine the cause of the failure will likely require a substantial investment of hundreds of thousands of dollars and up to a year. Damage consisting of buckled wall plates of the tank's outer shell was observed in multiple places. Buckling defects are localized areas where the tank wall deforms inwards due to excessive force.</p> <p>The project will address the immediate response and temporary treatment needs associated with the Eddyville Wastewater Treatment Plant Sequencing Batch Reactor Tank catastrophic failure. This project includes costs to the City of Eddyville and Lyon County Fiscal Court for overtime, equipment, fuel and supplies for cleanup and temporary treatment processes. Blue Tank & Pump Rental brought in an emergency tank the night of the disaster to resolve the immediate emergency; the next day a temporary treatment solution was brought in and set up in order to start treating raw sewage again before the sludge lagoons overflowed. This project includes the operation of that temporary treatment solution for a period of 24 months, until a permanent treatment system can be constructed, as well as needed electrical and site upgrades, disinfection, and pumps/blowers in order for the system to operate properly. The project also includes dredging of the sludge lagoons to provide necessary pretreatment and capacity during temporary treatment, environmental fines and response fees, and engineering and administrative costs. These components will provide the City a means to continue treating raw wastewater and to protect the environment around the property and receiving water bodies.</p> <p>It was determined by the structural engineer that the amount of work required to reuse the tank while keeping parts of it that are 22 years old is not economically viable. The installation of a new tank or system with redundancy is advised. The permanent solution will be addressed in Phase II of this project.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund KYWWATERS Loan	\$5,487,450	Administrative Expenses	\$10,000	
		Eng - Other	11,000	
		Construction	4,752,000	
		Contingency	714,450	
TOTAL	\$5,487,450	TOTAL	\$5,487,450	
REPAYMENT	Rate	N/A		
	Term	N/A		
PROFESSIONAL SERVICES	Engineer	Rivercrest Engineering Inc.		
PROJECT SCHEDULE	Bid Opening	n/a		
	Project Start	February 2025		
	Project Complete	February 1, 2027		
DEBT PER CUSTOMER	Existing	\$3,301		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		929	\$41.66 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2021	175,158	66,325	108,833	2.6
Audited 2022	163,800	130,730	33,070	1.3
Audited 2023	114,036	129,214	(15,178)	0.9

Reviewer: Rick Harris
Date: February 6, 2025
Grant Number: W25-004E

**KENTUCKY INFRASTRUCTURE AUTHORITY
KENTUCKY WWATERS FUND
CITY OF EDDYVILLE, LYON COUNTY
PROJECT REVIEW
SX21143025**

I. PROJECT DESCRIPTION

The Emergency Kentucky Water and Wastewater Assistance Fund was established to provide funding for troubled or economically restrained systems. The funding is dedicated to capital and non-capital expenses relating to restoring or avoiding imminent interruption of utility service provided by a public water or wastewater system after a declaration of emergency has been declared.

The Governor and the City of Eddyville have declared a state of emergency due to harsh weather conditions, which in part contributed to the malfunction. On Monday, January 6, 2025, the City of Eddyville Sewer Treatment Plant had a catastrophic failure to the Sequencing Batch Reactor Tank. The initial release from the tank was estimated at approximately 400,000 gallons of partially treated sewage; it was estimated that approximately 800,000 gallons were lost before the partially treated sewage in the tank could be pumped out into a temporary tank. A structural assessment was conducted on January 7, 2025; a comprehensive investigation to determine the cause of the failure will likely require a substantial investment of hundreds of thousands of dollars and up to a year. Damage consisting of buckled wall plates of the tank's outer shell was observed in multiple places. Buckling defects are localized areas where the tank wall deforms inwards due to excessive force.

The project will address the immediate response and temporary treatment needs associated with the Eddyville Wastewater Treatment Plant Sequencing Batch Reactor Tank. This project includes costs for overtime, equipment, fuel and supplies, and temporary treatment processes. Blue Tank & Pump Rental brought in an emergency tank to resolve the immediate emergency. This project includes the operation of that temporary treatment solution for a period of 24 months, until a permanent treatment system can be constructed, as well as disinfection, pumps, and blowers. The project also includes dredging of the sludge lagoons to provide necessary pretreatment and capacity during temporary treatment, environmental fines and response fees, and engineering and administrative costs. These components will provide the City a means to continue treating raw wastewater and to protect the environment around the property and receiving water bodies.

The city currently serves 683 residential and 246 commercial/industrial customers.

II. PROJECT BUDGET

**THE CITY OF EDDYVILLE, KY
ESTIMATE OF PROBABLE COST
JANUARY 2025**

ITEM	DESCRIPTION	UNITS	UNIT PRICE	TOTAL
EMERGENCY RESPONSE & MONTHLY OPERATING COSTS				
1.	BLUE TANK - EMERGENCY RESPONSE TEMPORARY SOLUTION		\$163,000	\$163,000
2.	RICK'S ELEC - ADDITIONAL 600 AMP ELECTRICAL SERVICE INSTALL		\$39,000	\$39,000
3.	EXISTING WASTE TREATMENT LAGOON DESLUDGING FOR CAPACITY		\$1,390,000	\$1,390,000
4.	EXISTING WWTP SBR TANK SLUDGE REMOVAL & DISPOSAL		\$42,000	\$42,000
5.	EXISTING SBR STEEL & CONCRETE DEMOLITION & DISPOSAL		\$950,000	\$950,000
6.	BLUE TANK - EMERGENCY RESPONSE LONG-TERM SET UP	monthly	\$70,000	\$1,680,000
7.	ADDITIONAL CHEMICAL DISINFECTION	monthly	\$3,500	\$84,000
8.	ADDITIONAL FUEL (PUMPS & BLOWERS)	monthly	\$9,000	\$216,000
9.	ADDITIONAL ELECTRICAL OPERATIONS COST	monthly	\$2,000	\$48,000
10.	ENVIRONMENTAL CLEANUP (PUMPING/LIME/SLUDGE DISPOSAL)		\$10,000	\$10,000
11.	ENVIRONMENTAL FINES / RESPONSE FEES		\$75,000	\$75,000
12.	STRUCTURAL ENGINEERING EVALUATION / SUPPORT		\$5,000	\$5,000
13.	GENERAL CIVIL ENGINEERING EVALUATION / SUPPORT		\$6,000	\$6,000
TOTAL ESTIMATED COST - EMERGENCY RESPONSE & LONG-TERM OPERATIONS =				\$ 4,708,000
CITY / COUNTY EMERGENCY RESPONSE INITIAL LABOR & EQUIPMENT COSTS				
1.	LYON COUNTY - LABOR/OVERTIME	l. sum	\$2,000	\$2,000
2.	LYON COUNTY - EQUIPMENT	l. sum	\$7,500	\$7,500
3.	EDDYVILLE - LABOR/OVERTIME	l. sum	\$8,000	\$8,000
4.	EDDYVILLE - FUEL COSTS	l. sum	\$2,500	\$2,500
5.	EDDYVILLE - ADDITIONAL MATERIALS/SUPPLIES	l. sum	\$35,000	\$35,000
TOTAL ESTIMATED COST - LOCAL =				\$ 55,000
			Subtotal Cost	\$ 4,763,000
			Administrative Costs	\$ 10,000
			Contingencies (15.00%)	\$ 714,450
			TOTAL ESTIMATED COST	\$ 5,487,450

III. PROJECT FUNDING

	Amount	%
KYWWATERS Grant	\$ 5,487,450	100%
Total	\$ 5,487,450	100%

IV. PROJECT SCHEDULE

Project Start: February 2025
Project Completion: February 2027

V. RATE STRUCTURE

	Current	Prior
	7-1-24	7-1-22
Minimum (1,500 gallons)	\$29.06	\$28.21
Next 1,000 gallons	6.30	6.12
Cost for 4,000 gallons	\$41.66	\$40.45
Increase %	3.0%	
Affordability Index (Rate/MHI)	1.0%	1.0%

VI. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2018-2022, the Utility’s service area population is 2,309 with a Median Household Income (MHI) of \$40,029.

VII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2021, through June 30, 2023. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Total revenues increased 6.9% from \$559,162 in 2021 to \$598,748 in 2023. Operating expenses increased 28.8% from \$613,594 to \$790,348 during the same period due to costs associated with maintenance, materials, and wages. The debt coverage ratio was 2.6, 1.3, and 0.9 in 2021, 2022, and 2023. With a Debt Service Ratio below 1.1, the city qualifies for grant funding.

VIII. CONTACTS

Legal Applicant	
Entity Name	City of Eddyville
Authorized Official	Greg Greene (Mayor)
County	Lyon County
Email	greg.greene@eddyvilleky.org
Phone	(270) 388-2226
Address	P.O. Box 744 Eddyville , KY , 42038

Project Administrator	
Name	Amy Frogue
Organization	Pennyrile ADD
Email	amy.frogue@ky.gov
Phone	(270) 886-9484
Address	300 Hammond Dr Hopkinsville, KY 42240

Consulting Engineer	
PE Name	Charles McCann
Firm Name	Rivercrest Engineering Inc.
Email	cmccann@rivercresteng.com
Phone	(618) 521-5421
Address	7020 US Highway 68 Paducah, KY, 42003

IX. RECOMMENDATIONS

KIA staff recommends approval of the grant.