

**Kentucky Infrastructure Authority  
Projects for  
May 2016 Capital Projects Meeting**

- **Fund A Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Loan Amount</u>	<u>County</u>
A16-003	City of Prestonsburg	\$ 2,033,200	Floyd
A16-007	City of Prestonsburg	\$ 2,163,000	Floyd
A16-028	City of Prestonsburg	\$ 1,952,900	Floyd
A16-029	City of Hodgenville	\$ 970,000	Larue
A16-054	City of Frankfort	\$ 4,529,000	Franklin
A16-078	City of Prestonsburg (Planning and Design)	\$ 600,000	Floyd
A16-082	Regional Water Resource Agency (Planning and Design)	\$ 200,000	Daviess

- **Fund B Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Loan Amount</u>	<u>County</u>
B16-010	City of Morganfield (Planning and Design)	\$ 260,000	Union

- **Fund F Loan**

<u>Loan #</u>	<u>Borrower</u>	<u>Loan Amount</u>	<u>County</u>
F16-008	City of Hodgenville	\$ 962,000	Larue
F16-041	City of Cynthiana	\$ 1,056,658	Harrison
F16-042	City of Hodgenville	\$ 593,000	Larue
F16-049	City of Harrodsburg	\$ 2,887,200	Mercer

<b>EXECUTIVE SUMMARY</b> <b>KENTUCKY INFRASTRUCTURE AUTHORITY</b> <b>FUND A, FEDERALLY ASSISTED WASTEWATER</b> <b>REVOLVING LOAN FUND</b>		Reviewer Date KIA Loan Number WRIS Number	Brandi Norton November 5, 2015 A16-003 SX21071210	
BORROWER	CITY OF PRESTONSBURG FLOYD COUNTY			
BRIEF DESCRIPTION				
This project will provide sanitary sewer to the Stephens Branch and Lower Abbott Creek communities. Both areas will be served by a pressure sewer system with instillation of nearly 32,000 linear feet of force main pipe ranging in 1.5 to 3 inches. 180 individual grinder stations will be installed as well as two lift stations and the additional appurtenances to complete both systems. This project will eliminate the failing Music Manor package treatment plant.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$2,033,200	RD Fee %	Actual %	
		Administrative Expenses	\$35,000	
		Land, Easements	20,000	
		Eng - Design / Const	8.0% 7.4% 129,200	
		Eng - Insp	4.9% 4.6% 79,500	
		Eng - Other	25,000	
		Construction	1,585,900	
		Contingency	158,600	
TOTAL	\$2,033,200	TOTAL	\$2,033,200	
REPAYMENT	Rate Term	0.75% 20 Years	Est. Annual Payment 1st Payment 6 Mo. after first draw \$85,299	
PROFESSIONAL SERVICES	Engineer Bond Counsel	Ronald Johnson Peck, Shaffer, & Williams, a division of Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	Apr-16 Jun-16 Jan-17		
DEBT PER CUSTOMER	Existing Proposed	\$3,961 \$5,396		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current Additional	<u>Users</u> 2,772 180	<u>Avg. Bill</u> \$26.24 (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 2013	1,135,254	869,878	265,376	1.3
Audited 2014	970,392	1,135,899	(165,507)	0.9
Projected 2015	1,070,300	(165,507)	1,235,807	1.1
Projected 2016	1,166,986	130,119	1,036,867	1.3
Projected 2017	1,192,320	264,016	928,304	1.2
Projected 2018	1,284,340	209,265	1,075,075	1.0
Projected 2019	1,313,936	2,318	1,311,618	1.0
Projected 2020	1,345,798	47,838	1,297,960	1.1

Reviewer: Brandi Norton  
Date: November 5, 2015  
Loan Number: A16-003

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND "A")  
CITY OF PRESTONSBURG, FLOYD COUNTY  
PROJECT REVIEW  
SX21071210**

**I. PROJECT DESCRIPTION**

The City of Prestonsburg for the benefit of the Prestonsburg Utility Commission is requesting a Fund "A" loan in the amount of \$2,033,200 for the Stephens Branch and Lower Abbott Sewer Line Extension project. The project will provide sanitary sewer service to the Stephens Branch and Lower Abbott Creek communities. Both areas will be served by a pressure sewer system with instillation of nearly 32,000 linear feet of force main pipe ranging in 1.5 to 3 inches. In addition, 180 individual grinder stations will be installed as well as two lift stations and the additional appurtenances to complete both systems. This project will eliminate the failing Music Manor package treatment plant.

The Prestonsburg Utility Commission provides sewer services to 3,571 households within Floyd County.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 35,000
Land, Easements	20,000
Engineering Fees - Design / Const	129,200
Engineering Fees - Inspection	79,500
Engineering Fees - Other	25,000
Construction	1,585,900
Contingency	<u>158,600</u>
<b>Total</b>	<b>\$ 2,033,200</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 2,033,200	100%
<b>Total</b>	<b>\$ 2,033,200</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 2,033,200
Less: Principal Forgiveness	508,300
Amortized Loan Amount	\$ 1,524,900
Interest Rate	0.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 82,249
Administrative Fee (0.20%)	3,050
<b>Total Estimated Annual Debt Service</b>	<b>\$ 85,299</b>

#### V. PROJECT SCHEDULE

Bid Opening	April 2016
Construction Start	June 2016
Construction Stop	January 2017

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current	Proposed	Total
Residential	2,163	180	2,343
Commercial	609	0	609
Industrial	0	0	0
Total	2,772	180	2,951

##### B) Rates

	In City		Out of City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	03/01/15	07/01/14	03/01/15	07/01/14
Per 1,000 Gallons	\$6.56	\$5.96	\$8.22	\$7.47
Cost for 4,000 gallons	\$26.24	\$23.84	\$32.88	\$29.88
Increase %	10.1%		10.0%	
Affordability Index (Rate/MHI)	1.2%		1.6%	

The Prestonsburg Utility Commission has an annual inflation CPI clause for water rates.

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2009-2013, the Utility's service area population was 3,571 with a Median Household Income (MHI) of \$25,316. The median household income for the Commonwealth is \$43,036. The project will qualify for a .75% interest rate because it is below 80% of the States MHI.

Year	Population				Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	4,011		48,764		June 2004	8.1%
1990	3,558	-11.3%	43,586	-10.6%	June 2009	11.5%
2000	3,612	1.5%	42,441	-2.6%	June 2013	13.1%
2010	3,255	-9.9%	39,451	-7.0%	June 2014	10.5%
Current	3,571	9.7%	0	-100.0%		
Cumulative %		-11.0%		-100.0%		

## VIII. 2014 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 2) Additional Subsidization – This project qualifies for additional subsidization in the amount of \$508,300.

## IX. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from the audited financial statements for the years ended June 30, 2012 through 2014. Amounts for 2015 are estimated. The Commission reports water, gas and sewer services in a combined statement. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### HISTORY

Operating revenues increased 11% from 2012 to 2014 from \$7.4 million to \$8.2 million. Sewer revenues increase 15% from \$1.1 million to \$1.2 million during the same period. Operating expenses increased 9% from \$5.8 million to \$6.4 million. The increase is due to higher gas purchases along with increases in personnel costs. The debt coverage ratio remained consistent from 0.9 in 2012 to 0.9 in 2014.

The balance sheet reflects a current ratio of 1.2, a debt to equity ratio of 0.8 and unrestricted cash equals 1.2 months of operating expenses.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues reflect all previously approved rate increases as well as a 3% annual inflation increase due to a CPI clause.
- 2) Sewer revenues will be adjusted by an amount to increase revenues by \$80,000 or 6% by July 1, 2017 and will remain flat thereafter.
- 3) Gas revenues will remain flat.
- 4) Operating expenses will increase by 2% per year.
- 5) Debt service coverage is 1.0 in 2018 when full year principal and interest repayments begin.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund A loan.

## REPLACEMENT RESERVE

The annual replacement cost is \$5,100. This amount should be added to the replacement account each December 1 until the balance reaches \$51,000 and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
USDA 91-12 Bond	\$ 149,500	2038
USDA 91-15 Bond	224,000	2039
USDA 93-21 Bond	943,000	2041
USDA 91-23 Bond	657,000	2043
USDA 91-25 Bond	133,500	2043
KADDFT 2011 E Bond	1,915,000	2031
KIA (B291-11)	0	2014
KIA (B98-01)	164,877	2019
KIA (B99-01)	276,169	2021
KIA (B07-10)	1,994,710	2028
KIA (B08-08)	627,318	2028
KIA (F209-15)	310,036	2030
KIA (A09-15)	234,577	2031
KIA (A10-02)	1,775,935	2033
KIA (A16-007 i/a/o \$2,163,000)	0	2045
KIA (A16-028 i/a/o \$1,952,900)	0	2045
KIA (A16 P&D i/a/o \$600,000)	0	2020
KIA (F16-045 i/a/o \$1,088,085)	0	2045
First Community Bank Loans	190,268	2017
<b>Total</b>	<b>\$11,830,188</b>	

**XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS**

<u>Description</u>	<u>Funding Source</u>	<u>Type</u>
By Pass Force Main Around Town	HB 1	Grant
Station Branch Sewer Project	HB 265	Grant

**XII. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Prestonsburg
Authorized Official	Jerry Fannin (Mayor)
County	Floyd
Email	jerryfannin@prestonsburg.net
Phone	(606) 886-2335
Address	200 North Lake Drive Prestonsburg, KY 41653

<b>Project Contact – Applicant &amp; Administrator</b>	
Name	Libby Ratcliff
Organization	Big Sandy Area Development District
Email	libby.ratcliff@bigsandy.org
Phone	(606) 886-2374
Address	110 Resource Ct Prestonsburg, KY 41653

<b>Consulting Engineer</b>	
PE Name	Ronald Johnson
Firm Name	RM Johnson Engineering Inc
Email	rjohnson@rmje.net
Phone	(606) 785-5926
Address	PO Box 444 Hindman, KY 41822

### **XIII. RECOMMENDATIONS**

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

The City of Prestonsburg for the benefit of the Prestonsburg Utility Commission shall increase sewer rates sufficient to generate an additional \$80,000 in cash flow effective no later than July 1, 2017.

**CITY OF PRESTONSBURG (UTILITY)**  
**FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2012</u>	<u>Audited</u> <u>2013</u>	<u>Audited</u> <u>2014</u>	<u>Projected</u> <u>2015</u>	<u>Projected</u> <u>2016</u>	<u>Projected</u> <u>2017</u>	<u>Projected</u> <u>2018</u>	<u>Projected</u> <u>2019</u>	<u>Projected</u> <u>2020</u>
<b>Balance Sheet</b>									
<b>Assets</b>									
Current Assets	2,438,287	2,196,690	2,086,467	1,942,621	2,097,140	2,378,156	2,613,621	2,634,039	2,700,477
Other Assets	29,645,508	28,497,715	26,382,331	23,995,182	21,509,424	26,860,852	24,375,094	21,889,337	19,403,579
Total	<u>32,083,795</u>	<u>30,694,405</u>	<u>28,468,798</u>	<u>25,937,803</u>	<u>23,606,564</u>	<u>29,239,008</u>	<u>26,988,715</u>	<u>24,523,376</u>	<u>22,104,056</u>
<b>Liabilities &amp; Equity</b>									
Current Liabilities	1,773,962	1,474,751	1,695,080	1,566,636	1,553,524	1,569,728	1,585,489	1,613,604	1,642,563
Long Term Liabilities	11,974,881	11,950,308	10,981,088	10,285,412	9,628,578	15,281,952	14,646,952	14,011,952	13,376,952
Total Liabilities	<u>13,748,843</u>	<u>13,425,059</u>	<u>12,676,168</u>	<u>11,852,048</u>	<u>11,182,102</u>	<u>16,851,680</u>	<u>16,232,441</u>	<u>15,625,556</u>	<u>15,019,515</u>
Net Assets	<u>18,334,952</u>	<u>17,269,346</u>	<u>15,792,630</u>	<u>14,085,755</u>	<u>12,424,462</u>	<u>12,387,328</u>	<u>10,756,274</u>	<u>8,897,819</u>	<u>7,084,540</u>
<b>Cash Flow</b>									
Revenues	7,392,565	7,878,916	8,181,092	8,408,420	8,635,074	8,792,976	9,035,615	9,203,134	9,375,678
Operating Expenses	6,564,675	6,876,215	7,287,076	7,414,496	7,544,464	7,677,032	7,827,651	7,965,574	8,106,256
Other Income	104,740	132,553	76,376	76,376	76,376	76,376	76,376	76,376	76,376
Cash Flow Before Debt Service	<u>932,630</u>	<u>1,135,254</u>	<u>970,392</u>	<u>1,070,300</u>	<u>1,166,986</u>	<u>1,192,320</u>	<u>1,284,340</u>	<u>1,313,936</u>	<u>1,345,798</u>
<b>Debt Service</b>									
Existing Debt Service	1,012,339	869,878	1,135,899	940,181	902,970	983,055	1,196,723	1,180,799	1,175,799
Proposed KIA Loan	0	0	0	0	0	0	85,299	85,299	85,299
Total Debt Service	<u>1,012,339</u>	<u>869,878</u>	<u>1,135,899</u>	<u>940,181</u>	<u>902,970</u>	<u>983,055</u>	<u>1,282,022</u>	<u>1,266,098</u>	<u>1,261,098</u>
Cash Flow After Debt Service	<u>(79,709)</u>	<u>265,376</u>	<u>(165,507)</u>	<u>130,119</u>	<u>264,016</u>	<u>209,265</u>	<u>2,318</u>	<u>47,838</u>	<u>84,700</u>
<b>Ratios</b>									
Current Ratio	1.4	1.5	1.2	1.2	1.3	1.5	1.6	1.6	1.6
Debt to Equity	0.7	0.8	0.8	0.8	0.9	1.4	1.5	1.8	2.1
Days Sales in Accounts Receivable	49.5	41.3	39.3	39.4	39.3	39.3	39.3	39.4	39.4
Months Operating Expenses in Unrestricted Cash	2.0	1.8	1.5	1.2	1.3	1.7	2.0	2.0	2.0
Debt Coverage Ratio	0.9	1.3	0.9	1.1	1.3	1.2	1.0	1.0	1.1

<b>EXECUTIVE SUMMARY</b> <b>KENTUCKY INFRASTRUCTURE AUTHORITY</b> <b>FUND A, FEDERALLY ASSISTED WASTEWATER</b> <b>REVOLVING LOAN FUND</b>		Reviewer Date KIA Loan Number WRIS Number	Brandi Norton November 5, 2015 A16-007 SX21071231	
BORROWER	CITY OF PRESTONSBURG FLOYD COUNTY			
BRIEF DESCRIPTION				
This project will provide sanitary sewer service to the US 23 corridor and Lower Daniels Creek community. Both areas will be served by a pressure sewer system with instillation of nearly 32,000 linear feet of force main pipe ranging in 1.5 to 3 inches. 175 individual grinder stations will be installed as well as an upgrade to the Dwale Lift station. This project will eliminate the failing Eastern Heights Motel package treatment plant.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$2,163,000	RD Fee %	Actual %	
		Administrative Expenses	\$35,000	
		Land, Easements	20,000	
		Eng - Design / Const	7.8% 7.3% 135,800	
		Eng - Insp	4.7% 4.5% 83,100	
		Eng - Other	25,000	
		Construction	1,694,600	
		Contingency	169,500	
TOTAL	\$2,163,000	TOTAL	\$2,163,000	
REPAYMENT	Rate Term	0.75% 20 Years	Est. Annual Payment 1st Payment 6 Mo. after first draw \$90,744	
PROFESSIONAL SERVICES	Engineer Bond Counsel	Ronald Johnson Peck, Shaffer, & Williams, a division of Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	Apr-16 Jun-16 Jan-17		
DEBT PER CUSTOMER	Existing Proposed	\$3,961 \$5,385		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current Additional	<u>Users</u> 2,772 186	<u>Avg. Bill</u> \$26.24 (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 2013	1,135,254	869,878	265,376	1.3
Audited 2014	970,392	1,135,899	(165,507)	0.9
Projected 2015	1,070,300	(165,507)	1,235,807	1.1
Projected 2016	1,166,986	130,119	1,036,867	1.3
Projected 2017	1,192,320	264,016	928,304	1.2
Projected 2018	1,284,340	209,265	1,075,075	1.0
Projected 2019	1,313,936	2,318	1,311,618	1.0
Projected 2020	1,345,798	47,838	1,297,960	1.1

Reviewer: Brandi Norton  
Date: November 5, 2015  
Loan Number: A16-007

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND "A")  
CITY OF PRESTONSBURG, FLOYD COUNTY  
PROJECT REVIEW  
SX21071231**

**I. PROJECT DESCRIPTION**

The City of Prestonsburg for the benefit of the Prestonsburg Utility Commission is requesting a Fund "A" loan in the amount of \$2,163,000 for the US 23 Banner Community Sewer System project. The project will provide sanitary sewer service to the US 23 corridor and Lower Daniels Creek community. Both areas will be served by a pressure sewer system with instillation of nearly 32,000 linear feet of force main pipe ranging in 1.5 to 3 inches. Additionally, 175 individual grinder stations will be installed as well as an upgrade to the Dwale lift station. This project will eliminate the failing Eastern Heights Motel package treatment plant.

The Prestonsburg Utility Commission provides sewer services to 3,571 households within Floyd County.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 35,000
Land, Easements	20,000
Engineering Fees - Design / Const	135,800
Engineering Fees - Inspection	83,100
Engineering Fees - Other	25,000
Construction	1,694,600
Contingency	169,500
<b>Total</b>	<b>\$ 2,163,000</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 2,163,000	100%
<b>Total</b>	<b>\$ 2,163,000</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 2,163,000
Less: Principal Forgiveness (25%)	540,750
Amortized Loan Amount	\$ 1,622,250
Interest Rate	0.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 87,500
Administrative Fee (0.20%)	3,245
<b>Total Estimated Annual Debt Service</b>	<b>\$ 90,744</b>

#### V. PROJECT SCHEDULE

Bid Opening	April 2016
Construction Start	June 2016
Construction Stop	January 2017

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current	Proposed	Total
Residential	2,163	175	2,338
Commercial	609	11	620
Industrial	0	0	0
Total	2,772	186	2,958

##### B) Rates

	In City		Out of City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	03/01/15	07/01/14	03/01/15	07/01/14
Per 1,000 Gallons	\$6.56	\$5.96	\$8.22	\$7.47
Cost for 4,000 gallons	\$26.24	\$23.84	\$32.88	\$29.88
Increase %	10.1%		10.0%	
Affordability Index (Rate/MHI)	1.2%		1.6%	

The Prestonsburg Utility Commission has an annual inflation CPI clause for water rates.

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2009-2013, the Utility's service area population was 3,571 with a Median Household Income (MHI) of \$25,316. The median household income for the Commonwealth is \$43,036. The project will qualify for a .75% interest rate because it is below 80% of the States MHI.

Year	Population				Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	4,011		48,764		June 2004	8.1%
1990	3,558	-11.3%	43,586	-10.6%	June 2009	11.5%
2000	3,612	1.5%	42,441	-2.6%	June 2013	13.1%
2010	3,255	-9.9%	39,451	-7.0%	June 2014	10.5%
Current	3,571	9.7%	0	-100.0%		
Cumulative %		-11.0%		-100.0%		

## VIII. 2014 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 2) Additional Subsidization – This qualifies for additional subsidization in the amount of \$540,750.

## IX. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from the audited financial statements for the years ended June 30, 2012 through 2014. Amounts for 2015 are estimated. The Commission reports water, gas and sewer services in a combined statement. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### HISTORY

Operating revenues increased 11% from 2012 to 2014 from \$7.4 million to \$8.2 million. Sewer revenues increase 15% from \$1.1 million to \$1.2 million during the same period. Operating expenses increased 9% from \$5.8 million to \$6.4 million. The increase is due to higher gas purchases along with increases in personnel costs. The debt coverage ratio remained consistent from 0.9 in 2012 to 0.9 in 2014.

The balance sheet reflects a current ratio of 1.2, a debt to equity ratio of 0.8 and unrestricted cash equals 1.2 months of operating expenses.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues reflect all previously approved rate increases as well as a 3% annual inflation increase due to a CPI clause.
- 2) Sewer revenues will be adjusted by an amount to increase revenues by \$80,000 or 6% by July 1, 2017 and will remain flat thereafter.
- 3) Gas revenues will remain flat.
- 4) Operating expenses will increase by 2% per year.
- 5) Debt service coverage is 1.0 in 2018 when full year principal and interest repayments begin.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund A loan.

## REPLACEMENT RESERVE

The annual replacement cost is \$5,400. This amount should be added to the replacement account each December 1 until the balance reaches \$54,000 and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
USDA 91-12 Bond	\$ 149,500	2038
USDA 91-15 Bond	224,000	2039
USDA 93-21 Bond	943,000	2041
USDA 91-23 Bond	657,000	2043
USDA 91-25 Bond	133,500	2043
KADDFT 2011 E Bond	1,915,000	2031
KIA (B291-11)	0	2014
KIA (B98-01)	164,877	2019
KIA (B99-01)	276,169	2021
KIA (B07-10)	1,994,710	2028
KIA (B08-08)	627,318	2028
KIA (F209-15)	310,036	2030
KIA (A09-15)	234,577	2031
KIA (A10-02)	1,775,935	2033
KIA (A16-003 i/a/o \$2,033,200)	0	2045
KIA (A16-028 i/a/o \$1,952,900)	0	2045
KIA (A16 P&D i/a/o \$600,000)	0	2020
KIA (F16-045 i/a/o \$1,088,085)	0	2045
First Community Bank Loans	190,268	2017
<b>Total</b>	<b>\$11,830,188</b>	

**XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS**

<u>Description</u>	<u>Funding Source</u>	<u>Type</u>
By Pass Force Main Around Town	HB 1	Grant
Station Branch Sewer Project	HB 265	Grant

**XII. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Prestonsburg
Authorized Official	Jerry Fannin (Mayor)
County	Floyd
Email	jerryfannin@prestonsburg.net
Phone	(606) 886-2335
Address	200 North Lake Drive Prestonsburg, KY 41653

<b>Project Contact – Applicant &amp; Administrator</b>	
Name	Libby Ratcliff
Organization	Big Sandy Area Development District
Email	libby.ratcliff@bigsandy.org
Phone	(606) 886-2374
Address	110 Resource Ct Prestonsburg, KY 41653

<b>Consulting Engineer</b>	
PE Name	Ronald Johnson
Firm Name	RM Johnson Engineering Inc
Email	rjohnson@rmje.net
Phone	(606) 785-5926
Address	PO Box 444 Hindman, KY 41822

### **XIII. RECOMMENDATIONS**

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

The City of Prestonsburg for the benefit of the Prestonsburg Utility Commission shall increase sewer rates sufficient to generate an additional \$80,000 in cash flow effective no later than July 1, 2017.

**CITY OF PRESTONSBURG (UTILITY)  
FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2012</u>	<u>Audited</u> <u>2013</u>	<u>Audited</u> <u>2014</u>	<u>Projected</u> <u>2015</u>	<u>Projected</u> <u>2016</u>	<u>Projected</u> <u>2017</u>	<u>Projected</u> <u>2018</u>	<u>Projected</u> <u>2019</u>	<u>Projected</u> <u>2020</u>
<b>Balance Sheet</b>									
<b>Assets</b>									
Current Assets	2,438,287	2,196,690	2,086,467	1,942,621	2,097,140	2,378,156	2,613,621	2,634,039	2,700,477
Other Assets	29,645,508	28,497,715	26,382,331	23,995,182	21,494,424	26,830,852	24,330,094	21,829,337	19,328,579
<b>Total</b>	<b>32,083,795</b>	<b>30,694,405</b>	<b>28,468,798</b>	<b>25,937,803</b>	<b>23,591,564</b>	<b>29,209,008</b>	<b>26,943,715</b>	<b>24,463,376</b>	<b>22,029,056</b>
<b>Liabilities &amp; Equity</b>									
Current Liabilities	1,773,962	1,474,751	1,695,080	1,566,636	1,553,524	1,569,728	1,585,489	1,613,604	1,642,563
Long Term Liabilities	11,974,881	11,950,308	10,981,088	10,285,412	9,628,578	15,281,952	14,646,952	14,011,952	13,376,952
<b>Total Liabilities</b>	<b>13,748,843</b>	<b>13,425,059</b>	<b>12,676,168</b>	<b>11,852,048</b>	<b>11,182,102</b>	<b>16,851,680</b>	<b>16,232,441</b>	<b>15,625,556</b>	<b>15,019,515</b>
<b>Net Assets</b>	<b>18,334,952</b>	<b>17,269,346</b>	<b>15,792,630</b>	<b>14,085,755</b>	<b>12,409,462</b>	<b>12,357,328</b>	<b>10,711,274</b>	<b>8,837,819</b>	<b>7,009,540</b>
<b>Cash Flow</b>									
Revenues	7,392,565	7,878,916	8,181,092	8,408,420	8,635,074	8,792,976	9,035,615	9,203,134	9,375,678
Operating Expenses	6,564,675	6,876,215	7,287,076	7,414,496	7,544,464	7,677,032	7,827,651	7,965,574	8,106,256
Other Income	104,740	132,553	76,376	76,376	76,376	76,376	76,376	76,376	76,376
<b>Cash Flow Before Debt Service</b>	<b>932,630</b>	<b>1,135,254</b>	<b>970,392</b>	<b>1,070,300</b>	<b>1,166,986</b>	<b>1,192,320</b>	<b>1,284,340</b>	<b>1,313,936</b>	<b>1,345,798</b>
<b>Debt Service</b>									
Existing Debt Service	1,012,339	869,878	1,135,899	940,181	902,970	983,055	1,191,278	1,175,354	1,170,354
Proposed KIA Loan	0	0	0	0	0	0	90,744	90,744	90,744
<b>Total Debt Service</b>	<b>1,012,339</b>	<b>869,878</b>	<b>1,135,899</b>	<b>940,181</b>	<b>902,970</b>	<b>983,055</b>	<b>1,282,022</b>	<b>1,266,098</b>	<b>1,261,098</b>
<b>Cash Flow After Debt Service</b>	<b>(79,709)</b>	<b>265,376</b>	<b>(165,507)</b>	<b>130,119</b>	<b>264,016</b>	<b>209,265</b>	<b>2,318</b>	<b>47,838</b>	<b>84,700</b>
<b>Ratios</b>									
Current Ratio	1.4	1.5	1.2	1.2	1.3	1.5	1.6	1.6	1.6
Debt to Equity	0.7	0.8	0.8	0.8	0.9	1.4	1.5	1.8	2.1
Days Sales in Accounts Receivable	49.5	41.3	39.3	39.4	39.3	39.3	39.3	39.4	39.4
Months Operating Expenses in Unrestricted Cash	2.0	1.8	1.5	1.2	1.3	1.7	2.0	2.0	2.0
Debt Coverage Ratio	0.9	1.3	0.9	1.1	1.3	1.2	1.0	1.0	1.1

<b>EXECUTIVE SUMMARY</b>		Reviewer	Brandi Norton	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	November 5, 2015	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A16-028	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21071235	
BORROWER	CITY OF PRESTONSBURG FLOYD COUNTY			
BRIEF DESCRIPTION				
This project will provide sanitary sewer service to the KY 1428 and Stonecrest communities extending service from the Utility's existing collection system. Both areas will be served by a pressure sewer system with instillation of nearly 22,000 linear feet of force main pipe ranging in 1.5 to 6 inches. 150 individual grinder stations will be installed as well as a 80 GPM lift station and the additional appurtenances to complete both systems. This project will eliminate the failing Allen Elementary package treatment plant.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$1,952,900	RD Fee %	Actual %	
		Administrative Expenses		\$35,000
		Land, Easements		20,000
		Eng - Design / Const	8.0%	7.5%
		Eng - Insp	4.9%	4.6%
		Eng - Other		25,000
		Construction		1,518,800
		Contingency		151,900
TOTAL	\$1,952,900	TOTAL		\$1,952,900
REPAYMENT	Rate	0.75%	Est. Annual Payment	\$81,930
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Ronald Johnson		
	Bond Counsel	Peck, Shaffer, & Williams, a division of Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Apr-16		
	Construction Start	Jun-16		
	Construction Stop	Jan-17		
DEBT PER CUSTOMER	Existing	\$3,961		
	Proposed	\$5,390		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	2,772	\$26.24	(for 4,000 gallons)
	Additional	183		
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 2013	1,135,254	869,878	265,376	1.3
Audited 2014	970,392	1,135,899	(165,507)	0.9
Projected 2015	1,070,300	(165,507)	1,235,807	1.1
Projected 2016	1,166,986	130,119	1,036,867	1.3
Projected 2017	1,192,320	264,016	928,304	1.2
Projected 2018	1,284,340	209,265	1,075,075	1.0
Projected 2019	1,313,936	2,318	1,311,618	1.0
Projected 2020	1,345,798	47,838	1,297,960	1.1

Reviewer: Brandi Norton  
Date: November 5, 2015  
Loan Number: A16-028

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND "A")  
CITY OF PRESTONSBURG, FLOYD COUNTY  
PROJECT REVIEW  
SX21071235**

**I. PROJECT DESCRIPTION**

The City of Prestonsburg for the benefit of the Prestonsburg Utility Commission is requesting a Fund "A" loan in the amount of \$1,952,900 for the KY 1428 and Stonecrest project. The project will provide sanitary sewer service to the KY 1428 and Stonecrest communities. Both areas will be served by a pressure sewer system with installation of nearly 22,000 linear feet of force main pipe ranging in 1.5 to 6 inches. In addition, 150 individual grinder stations will be installed as well as an 80 GPM lift station and the additional appurtenances to complete both systems. This project will eliminate the failing Allen Elementary package treatment plant.

The Prestonsburg Utility Commission provides sewer services to 3,571 households within Floyd County.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 35,000
Land, Easements	20,000
Engineering Fees - Design / Const	125,000
Engineering Fees - Inspection	77,200
Engineering Fees - Other	25,000
Construction	1,518,800
Contingency	151,900
<b>Total</b>	<b>\$ 1,952,900</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 1,952,900	100%
<b>Total</b>	<b>\$ 1,952,900</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 1,952,900
Less: Principal Forgiveness (25%)	488,225
Amortized Loan Amount	\$ 1,464,675
Interest Rate	0.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 79,001
Administrative Fee (0.20%)	2,929
<b>Total Estimated Annual Debt Service</b>	<b>\$ 81,930</b>

#### V. PROJECT SCHEDULE

Bid Opening	April 2016
Construction Start	June 2016
Construction Stop	January 2017

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current	Proposed	Total
Residential	2,163	175	2,338
Commercial	609	8	617
Industrial	0	0	0
Total	2,772	183	2,955

##### B) Rates

	In City		Out of City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	03/01/15	07/01/14	03/01/15	07/01/14
Per 1,000 Gallons	\$6.56	\$5.96	\$8.22	\$7.47
Cost for 4,000 gallons	\$26.24	\$23.84	\$32.88	\$29.88
Increase %	10.1%		10.0%	
Affordability Index (Rate/MHI)	1.2%		1.6%	

The Prestonsburg Utility Commission has an annual inflation CPI clause for water rates.

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2009-2013, the Utility's service area population was 3,571 with a Median Household Income (MHI) of \$25,316. The median household income for the Commonwealth is \$43,036. The project will qualify for a .75% interest rate because it is below 80% of the States MHI.

Year	Population				Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	4,011		48,764		June 2004	8.1%
1990	3,558	-11.3%	43,586	-10.6%	June 2009	11.5%
2000	3,612	1.5%	42,441	-2.6%	June 2013	13.1%
2010	3,255	-9.9%	39,451	-7.0%	June 2014	10.5%
Current	3,571	9.7%	0	-100.0%		
Cumulative %		-11.0%		-100.0%		

## VIII. 2014 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 2) Additional Subsidization – This project qualifies for additional subsidization in the amount of \$488,225.

## IX. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from the audited financial statements for the years ended June 30, 2012 through 2014. Amounts for 2015 are estimated. The Commission reports water, gas and sewer services in a combined statement. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### HISTORY

Operating revenues increased 11% from 2012 to 2014 from \$7.4 million to \$8.2 million. Sewer revenues increase 15% from \$1.1 million to \$1.2 million during the same period. Operating expenses increased 9% from \$5.8 million to \$6.4 million. The increase is due to higher gas purchases along with increases in personnel costs. The debt coverage ratio remained consistent from 0.9 in 2012 to 0.9 in 2014.

The balance sheet reflects a current ratio of 1.2, a debt to equity ratio of 0.8 and unrestricted cash equals 1.2 months of operating expenses.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues reflect all previously approved rate increases as well as a 3% annual inflation increase due to a CPI clause.
- 2) Sewer revenues will be adjusted by an amount to increase revenues by \$80,000 or 6% by July 1, 2017 and will remain flat thereafter.
- 3) Gas revenues will remain flat.
- 4) Operating expenses will increase by 2% per year.
- 5) Debt service coverage is 1.0 in 2018 when full year principal and interest repayments begin.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund A loan.

## REPLACEMENT RESERVE

The annual replacement cost is \$4,900. This amount should be added to the replacement account each December 1 until the balance reaches \$49,000 and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
USDA 91-12 Bond	\$ 149,500	2038
USDA 91-15 Bond	224,000	2039
USDA 93-21 Bond	943,000	2041
USDA 91-23 Bond	657,000	2043
USDA 91-25 Bond	133,500	2043
KADDFT 2011 E Bond	1,915,000	2031
KIA (B291-11)	0	2014
KIA (B98-01)	164,877	2019
KIA (B99-01)	276,169	2021
KIA (B07-10)	1,994,710	2028
KIA (B08-08)	627,318	2028
KIA (F209-15)	310,036	2030
KIA (A09-15)	234,577	2031
KIA (A10-02)	1,775,935	2033
KIA (A16-003 i/a/o \$2,033,200)	0	2045
KIA (A16-007 i/a/o \$2,163,000)	0	2045
KIA (A16 P&D i/a/o \$600,000)	0	2020
KIA (F16-045 i/a/o \$1,088,085)	0	2045
First Community Bank Loans	190,268	2017
<b>Total</b>	<b>\$11,830,188</b>	

**XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS**

<u>Description</u>	<u>Funding Source</u>	<u>Type</u>
By Pass Force Main Around Town	HB 1	Grant
Station Branch Sewer Project	HB 265	Grant

**XII. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Prestonsburg
Authorized Official	Jerry Fannin (Mayor)
County	Floyd
Email	jerryfannin@prestonsburg.net
Phone	(606) 886-2335
Address	200 North Lake Drive Prestonsburg, KY 41653

<b>Project Contact – Applicant &amp; Administrator</b>	
Name	Libby Ratcliff
Organization	Big Sandy Area Development District
Email	libby.ratcliff@bigsandy.org
Phone	(606) 886-2374
Address	110 Resource Ct Prestonsburg, KY 41653

<b>Consulting Engineer</b>	
PE Name	Ronald Johnson
Firm Name	RM Johnson Engineering Inc
Email	rjohnson@rmje.net
Phone	(606) 785-5926
Address	PO Box 444 Hindman, KY 41822

### **XIII. RECOMMENDATIONS**

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

The City of Prestonsburg for the benefit of the Prestonsburg Utility Commission shall increase sewer rates sufficient to generate an additional \$80,000 in cash flow effective no later than July 1, 2017.

**CITY OF PRESTONSBURG (UTILITY)**  
**FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2012</u>	<u>Audited</u> <u>2013</u>	<u>Audited</u> <u>2014</u>	<u>Projected</u> <u>2015</u>	<u>Projected</u> <u>2016</u>	<u>Projected</u> <u>2017</u>	<u>Projected</u> <u>2018</u>	<u>Projected</u> <u>2019</u>	<u>Projected</u> <u>2020</u>
<b>Balance Sheet</b>									
<b>Assets</b>									
Current Assets	2,438,287	2,196,690	2,086,467	1,942,621	2,097,140	2,378,156	2,613,621	2,634,039	2,700,477
Other Assets	29,645,508	28,497,715	26,382,331	23,995,182	21,536,627	26,915,256	24,456,701	21,998,145	19,539,590
Total	<u>32,083,795</u>	<u>30,694,405</u>	<u>28,468,798</u>	<u>25,937,803</u>	<u>23,633,767</u>	<u>29,293,412</u>	<u>27,070,322</u>	<u>24,632,184</u>	<u>22,240,067</u>
<b>Liabilities &amp; Equity</b>									
Current Liabilities	1,773,962	1,474,751	1,695,080	1,566,636	1,553,524	1,569,728	1,585,489	1,613,604	1,642,563
Long Term Liabilities	11,974,881	11,950,308	10,981,088	10,285,412	9,628,578	15,281,952	14,646,952	14,011,952	13,376,952
Total Liabilities	<u>13,748,843</u>	<u>13,425,059</u>	<u>12,676,168</u>	<u>11,852,048</u>	<u>11,182,102</u>	<u>16,851,680</u>	<u>16,232,441</u>	<u>15,625,556</u>	<u>15,019,515</u>
Net Assets	<u>18,334,952</u>	<u>17,269,346</u>	<u>15,792,630</u>	<u>14,085,755</u>	<u>12,451,664</u>	<u>12,441,732</u>	<u>10,837,881</u>	<u>9,006,628</u>	<u>7,220,551</u>
<b>Cash Flow</b>									
Revenues	7,392,565	7,878,916	8,181,092	8,408,420	8,635,074	8,792,976	9,035,615	9,203,134	9,375,678
Operating Expenses	6,564,675	6,876,215	7,287,076	7,414,496	7,544,464	7,677,032	7,827,651	7,965,574	8,106,256
Other Income	104,740	132,553	76,376	76,376	76,376	76,376	76,376	76,376	76,376
Cash Flow Before Debt Service	<u>932,630</u>	<u>1,135,254</u>	<u>970,392</u>	<u>1,070,300</u>	<u>1,166,986</u>	<u>1,192,320</u>	<u>1,284,340</u>	<u>1,313,936</u>	<u>1,345,798</u>
<b>Debt Service</b>									
Existing Debt Service	1,012,339	869,878	1,135,899	940,181	902,970	983,055	1,200,092	1,184,168	1,179,168
Proposed KIA Loan	0	0	0	0	0	0	81,930	81,930	81,930
Total Debt Service	<u>1,012,339</u>	<u>869,878</u>	<u>1,135,899</u>	<u>940,181</u>	<u>902,970</u>	<u>983,055</u>	<u>1,282,022</u>	<u>1,266,098</u>	<u>1,261,098</u>
Cash Flow After Debt Service	<u>(79,709)</u>	<u>265,376</u>	<u>(165,507)</u>	<u>130,119</u>	<u>264,016</u>	<u>209,265</u>	<u>2,318</u>	<u>47,838</u>	<u>84,700</u>
<b>Ratios</b>									
Current Ratio	1.4	1.5	1.2	1.2	1.3	1.5	1.6	1.6	1.6
Debt to Equity	0.7	0.8	0.8	0.8	0.9	1.4	1.5	1.7	2.1
Days Sales in Accounts Receivable	49.5	41.3	39.3	39.4	39.3	39.3	39.3	39.4	39.4
Months Operating Expenses in Unrestricted Cash	2.0	1.8	1.5	1.2	1.3	1.7	2.0	2.0	2.0
Debt Coverage Ratio	0.9	1.3	0.9	1.1	1.3	1.2	1.0	1.0	1.1

<b>EXECUTIVE SUMMARY</b>		Reviewer	Sarah Aitken	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	May 5, 2016	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A16-029	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21123005	
BORROWER	CITY OF HODGENVILLE LARUE COUNTY			
BRIEF DESCRIPTION				
The project will include repairs to approximately 7,000 LF of existing sanitary sewer and 42 manholes. Additionally, the City will continue repair and/or replacement of storm drainage to improve alignment, reduce damage to riparian buffers and improve water quality from storm water runoff. Storm water improvements will include approximately 580 feet of culvert and 540 feet of drainage channel.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$970,000	Administrative Expenses	RD Fee %	Actual %
		Eng - Design / Const	9.2%	9.2%
		Eng - Insp	6.1%	6.0%
		Eng - Other		
		Construction		
		Contingency		
TOTAL	\$970,000	TOTAL		\$970,000
REPAYMENT	Rate	0.75%	Est. Annual Payment \$54,259	
	Term	20 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	David Bradley Montgomery		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	May-16		
	Construction Start	Jul-16		
	Construction Stop	Mar-17		
DEBT PER CUSTOMER	Existing	\$2,629		
	Proposed	\$4,644		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		1,323	\$26.19 (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 2012	446,701	338,449	108,252	1.3
Audited 2013	463,121	329,666	133,455	1.4
Unaudited 2014	445,268	273,154	172,114	1.6
Projected 2015	411,578	358,343	53,235	1.1
Projected 2016	462,350	300,184	162,166	1.5
Projected 2017	518,195	337,672	180,523	1.5
Projected 2018	498,143	386,494	111,649	1.3
Projected 2019	471,390	446,865	24,525	1.1

Reviewer: Sarah Aitken  
Date: May 5, 2016  
Loan Number: A16-029

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND "A")  
CITY OF HODGENVILLE, LARUE COUNTY  
PROJECT REVIEW  
SX21123005**

**I. PROJECT DESCRIPTION**

The City of Hodgenville is requesting a Fund "A" loan in the amount of \$970,000 for the Hodgenville Sewer Improvements Phase II project. The project will include repairs to approximately 7,000 LF of existing sanitary sewer and 42 manholes. Additionally, the City will continue repair and/or replacement of storm drainage to improve alignment, reduce damage to riparian buffers and improve water quality from storm water runoff. Storm water improvements will include approximately 580 feet of culvert and 540 feet of drainage channel.

The City provides service to 1,576 households within Larue County.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 15,000
Engineering Fees - Design / Const	72,000
Engineering Fees - Inspection	47,500
Engineering Fees - Other	50,000
Construction	714,000
Contingency	<u>71,500</u>
<b>Total</b>	<b>\$ 970,000</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund A Loan	<u>\$ 970,000</u>	<u>100%</u>
<b>Total</b>	<b>\$ 970,000</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$	970,000
Interest Rate		0.75%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	52,319
Administrative Fee (0.20%)		1,940
<b>Total Estimated Annual Debt Service</b>	<b>\$</b>	<b>54,259</b>

#### V. PROJECT SCHEDULE

Bid Opening	May 2016
Construction Start	July 2016
Construction Stop	March 2017

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Residential	1,169
Commercial	145
Industrial	9
Total	1,323

##### B) Rates

	Sewer Rates		
	Current	Prior	
Date of Last Rate Increase	07/01/15	07/01/14	7/1/2013
First 3,000 Gallons (minimum)	\$20.05	\$19.10	\$18.19
Next 7,000 Gallons (per thousand)	6.14	5.84	5.57
Cost for 4,000 gallons	<b>\$26.19</b>	<b>\$24.94</b>	<b>\$23.76</b>
Increase %	5.0%	5.0%	
Affordability Index (Rate/MHI)	1.0%	1.0%	

#### VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2009-2013, the Utility's service area population was 3,647 with a Median Household Income (MHI) of \$31,302. The median household income for the Commonwealth is \$43,036. The project will qualify for a 0.75% interest rate since the City's MHI is 80% below the State's MHI.

Year	City	Population		County Unemployment		
		% Change	County	% Change	Date	Rate
1980	2,531		11,922		June 2004	5.1%
1990	2,721	7.5%	11,679	-2.0%	June 2009	11.7%
2000	2,874	5.6%	13,373	14.5%	June 2014	6.0%
2010	3,206	11.6%	14,193	6.1%	June 2015	5.3%
Current	3,223	0.5%	14,149	-0.3%		
Cumulative %		27.3%		18.7%		

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

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

### **IX. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2012 through 2013. Amounts for 2014 are estimated. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

#### **HISTORY**

Revenues increased 10% from \$1.2 million in 2012 to \$1.4 million in 2014 due to previously approved rate increases for water (inside and outside City limits) and sewer. Operating expenses increased 13% from \$819,139 in 2012 to \$944,788 in 2014. The debt coverage ratio was 1.3, 1.4 and 1.6 in 2012, 2013 and 2014, respectively.

The balance sheet reflects a current ratio of 1.4, a debt to equity ratio of 0.6 and the number of months of operating expenses in unrestricted cash as 6.5.

#### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Revenues reflect previously approved rate increases of 5% for water and sewer in the 2014 and 2015 years and will remain flat thereafter.
- 2) Operating expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 1.3 in 2018 when principal and interest repayments begin.

Based on the proforma assumptions, the City shows adequate cash flow to repay the KIA Fund F loan.

## REPLACEMENT RESERVE

The annual replacement cost is \$2,400. This amount should be added to the replacement account each December 1 until the balance reaches \$24,000 and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

<u>Debt Issue</u>	<u>Outstanding</u>	<u>Maturity (Fiscal Year)</u>
91-07 Bonds	1,121,790	2039
91-08 Bonds	559,113	2038
Series 2013 Bonds	923,177	2026
53-01 Bonds	27,136	2015
55-04 Bonds	29,047	2015
KIA (A04-10)	604,891	2026
KIA (A11-17)	1,601,555	2034
KIA Loan (F11-13, i/a/o \$774,183 )	-	TBD
KIA Loan (F16-008, i/a/o \$962,000 )	-	TBD
KIA Loan (F16-042, i/a/o \$593,000 )	-	TBD
<b>Total</b>	<b>4,866,709</b>	

## XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
Hodgenville Water Tower North	HB608	300,000	grant
Hodgenville Water Tower North	HB267	500,000	grant
Hamilton Acres Sewer Rehab	HB608	200,000	grant

## XII. CONTACTS

<b>Legal Applicant</b>	
Entity Name	City of Hodgenville
Authorized Official	Kenny Devore (Mayor)
County	Larue
Email	hodgenvillemayor@windstream.net
Phone	270-401-2621
Address	PO Box 189, 200 S Lincoln Blvd Hodgenville, KY 42748

**Project Contact - Applicant**

Name	Toni Burton
Organization	City of Hodgenville
Email	hodgenvilleclerk@windstream.net
Phone	270-358-3832
Address	PO Box 189, 200 S Lincoln Blvd Hodgenville, KY 42748

**Project Administrator**

Name	Ashley S Willoughby
Organization	Lincoln Trail Area Development District
Email	awilloughby@ltadd.org
Phone	270-769-2393
Address	613 College St Rd Elizabethtown, KY 42701

**Consulting Engineer**

PE Name	David Bradley Montgomery
Firm Name	GRW Engineers, Inc.
Email	bmontgomery@grwinc.com
Phone	859-223-3999
Address	801 Corporate Dr Lexington, KY 40503

**XIII. RECOMMENDATIONS**

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

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

	<u>Audited</u> <u>2012</u>	<u>Audited</u> <u>2013</u>	<u>Unaudited</u> <u>2014</u>	<u>Projected</u> <u>2015</u>	<u>Projected</u> <u>2016</u>	<u>Projected</u> <u>2017</u>	<u>Projected</u> <u>2018</u>	<u>Projected</u> <u>2019</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	764,812	545,110	618,583	677,832	716,565	752,670	775,000	779,905
Other Assets	11,090,489	11,734,273	12,582,635	12,163,994	11,842,960	14,055,028	13,623,872	13,059,892
Total	<u>11,855,301</u>	<u>12,279,383</u>	<u>13,201,218</u>	<u>12,841,826</u>	<u>12,559,525</u>	<u>14,807,698</u>	<u>14,398,872</u>	<u>13,839,797</u>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	589,907	362,910	462,128	500,122	449,129	458,011	461,935	465,879
Long Term Liabilities	2,642,547	3,382,356	4,533,589	4,281,844	4,081,602	6,009,248	5,797,251	5,581,851
Total Liabilities	<u>3,232,454</u>	<u>3,745,266</u>	<u>4,995,717</u>	<u>4,781,966</u>	<u>4,530,731</u>	<u>6,467,259</u>	<u>6,259,186</u>	<u>6,047,730</u>
Net Assets	<u>8,622,847</u>	<u>8,534,117</u>	<u>8,205,501</u>	<u>8,059,860</u>	<u>8,028,794</u>	<u>8,340,439</u>	<u>8,139,686</u>	<u>7,792,067</u>
<b>Cash Flow</b>								
Revenues	1,247,992	1,317,401	1,379,678	1,446,388	1,516,434	1,516,434	1,516,434	1,516,434
Operating Expenses	819,139	892,753	944,788	1,045,188	1,064,462	1,008,617	1,028,669	1,055,422
Other Income	17,848	38,473	10,378	10,378	10,378	10,378	10,378	10,378
Cash Flow Before Debt Service	<u>446,701</u>	<u>463,121</u>	<u>445,268</u>	<u>411,578</u>	<u>462,350</u>	<u>518,195</u>	<u>498,143</u>	<u>471,390</u>
<b>Debt Service</b>								
Existing Debt Service	338,449	329,666	273,154	358,343	300,184	337,672	359,365	392,606
Proposed KIA Loan	0	0	0	0	0	0	27,130	54,259
Total Debt Service	<u>338,449</u>	<u>329,666</u>	<u>273,154</u>	<u>358,343</u>	<u>300,184</u>	<u>337,672</u>	<u>386,494</u>	<u>446,865</u>
Cash Flow After Debt Service	<u>108,252</u>	<u>133,455</u>	<u>172,114</u>	<u>53,235</u>	<u>162,166</u>	<u>180,523</u>	<u>111,649</u>	<u>24,525</u>
<b>Ratios</b>								
Current Ratio	1.3	1.5	1.3	1.4	1.6	1.6	1.7	1.7
Debt to Equity	0.4	0.4	0.6	0.6	0.6	0.8	0.8	0.8
Days Sales in Accounts Receivable	54.4	32.9	33.0	33.0	33.0	33.0	33.0	33.0
Months Operating Expenses in Unrestricted Cash	8.4	5.7	6.0	6.5	6.8	7.1	7.2	7.1
Debt Coverage Ratio	1.3	1.4	1.6	1.1	1.5	1.5	1.3	1.1

<b>EXECUTIVE SUMMARY</b>		Reviewer	Brandi Norton	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	April 5, 2016	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A16-054	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21073065	
BORROWER	CITY OF FRANKFORT FRANKLIN COUNTY			
BRIEF DESCRIPTION				
This project will rehabilitate and replace approximately 17,208 linear feet of aged lines with PVC and concrete gravity interceptor sewer lines ranging from 15 to 30 inches. The project will correct structural damage, inflow and infiltration problem areas and potential capacity inadequacies along the interceptor.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$4,529,000	RD Fee %	Actual %	
				Administrative Expenses \$32,000
				Legal Expenses 160,000
				Land, Easements 32,000
				Planning 175,000
		Eng - Design / Const 7.0%	4.6%	175,000
		Eng - Insp 3.8%	3.3%	125,000
		Construction		3,200,000
		Contingency		630,000
TOTAL	\$4,529,000	TOTAL		\$4,529,000
REPAYMENT	Rate	1.75%	Est. Annual Payment \$278,423	
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Hazen and Sawyer		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Dec-16		
	Construction Start	Mar-17		
	Construction Stop	Dec-17		
DEBT PER CUSTOMER	Existing	\$2,534		
	Proposed	\$3,417		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		13,715	\$37.32 (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 2013	5,775,040	2,108,252	3,666,788	2.7
Audited 2014	5,481,109	2,283,492	3,197,617	2.4
Audited 2015	4,138,287	2,710,750	1,427,537	1.5
Projected 2016	4,125,305	3,366,015	759,290	1.2
Projected 2017	4,311,870	3,661,196	650,674	1.2
Projected 2018	4,458,385	3,860,747	597,638	1.2
Projected 2019	4,598,008	4,141,637	456,371	1.1
Projected 2020	4,757,464	4,138,498	618,966	1.1

Reviewer: Brandi Norton  
Date: May 5, 2016  
Loan Number: A16-054

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND "A")  
CITY OF FRANKFORT, FRANKLIN COUNTY  
PROJECT REVIEW  
SX21073065**

**I. PROJECT DESCRIPTION**

The City of Frankfort is requesting a Fund "A" loan in the amount of \$4,529,000 for the Glenn's Creek Interceptor project. This project will rehabilitate and replace approximately 17,208 linear feet of aged lines with PVC and concrete gravity interceptor sewer lines ranging from 15 to 30 inches. The project will correct structural damage, inflow and infiltration problem areas and potential capacity inadequacies along the interceptor.

The City's wastewater system has about 34,484 customers and also treats wastewater for an area of Woodford County, which has 21 customers.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 32,000
Legal Expenses	160,000
Land, Easements	32,000
Planning	175,000
Engineering Fees - Design / Const	175,000
Engineering Fees - Inspection	125,000
Construction	3,200,000
Contingency	630,000
<b>Total</b>	<b>\$ 4,529,000</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 4,529,000	100%
<b>Total</b>	<b>\$ 4,529,000</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 4,529,000
Interest Rate	1.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 269,365
Administrative Fee (0.20%)	9,058
<b>Total Estimated Annual Debt Service</b>	<b>\$ 278,423</b>

#### V. PROJECT SCHEDULE

Bid Opening	December 2016
Construction Start	March 2017
Construction Stop	December 2017

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current
Residential	12,234
Commercial	1,470
Industrial	11
Total	13,715

##### B) Rates

	Current	Prior
Date of Last Rate Increase	07/01/14	07/01/13
Minimum	\$9.33	\$9.19
Next 9,000 Gallons	9.33	9.19
Over 10,000 Gallons	9.33	9.19
Cost for 4,000 gallons	<b>\$37.32</b>	<b>\$36.76</b>
Increase %	1.5%	2.5%
Affordability Index (Rate/MHI)	1.0%	

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2009-2013, the Utility's service area population was 34,505 with a Median Household Income (MHI) of \$44,753. The median household income for the Commonwealth is \$43,036. The project will qualify for a 1.75% interest rate because the City is a regional provider.

Year	Population				Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	25,973		41,830		June 2004	4.6%
1990	25,968	0.0%	43,781	4.7%	June 2009	9.5%
2000	27,741	6.8%	47,687	8.9%	June 2013	7.4%
2010	25,527	-8.0%	49,285	3.4%	June 2014	6.5%
Current	26,745	4.8%	49,399	0.2%		
Cumulative %		3.0%		18.1%		

## VIII. 2014 CAPITALIZATION GRANT EQUIVALENCIES

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

## IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the Sewer Fund for years ended June 30, 2013 through 2015. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### HISTORY

Sewer revenues decreased 1.6% from \$11.5 million in 2013 to \$11.3 million in 2015. Operating expenses increased 25% from \$5.7 million to \$7.2 million during the same period. The increase is largely the result of a 91% or \$990,000 increase in supplies for the shop. Cash available for debt service was \$5.8 million, \$5.5 million and \$4.1 million in 2013, 2014, and 2015, respectively. The debt coverage ratio was 2.7, 2.4 and 1.5 for the same years.

The balance sheet has a current ratio of 9.7 and a debt to equity ratio of .6. The number of months of operating expenses in unrestricted cash and investments is 23. The utility has historically maintained a strong cash position that permits capital expenditures to be internally funded. The City does not have a formal policy concerning

replacement reserves; however they have traditionally targeted funding the reserve with an amount equal to 20% - 25% of annual revenues.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will be flat for volume and reflect a previously approved rate increase of 1.5% in 2015 and approved rate increases of 2.5% from January 1, 2016 and each following January 1 through 2020.
- 2) Revenues in 2017 reflect the addition of the new Kentucky State Office Building and Frankfort Plant Board building, approximately \$89,000.
- 3) Expenses will increase 2% annually for inflation.
- 4) Debt service coverage is 1.1 in 2019 which is the first full year of principal and interest repayments for all KIA funded projects that are proposed or in process.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund A loan.

## REPLACEMENT RESERVE

The annual replacement cost is \$11,300. This amount should be added to the replacement account each December 1 until the balance reaches \$113,000 and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
2007 Revenue Bonds	6,630,000	2023
2010 Revenue Bonds	10,510,000	2025
2013 Revenue Bonds	9,710,000	2039
KIA Loan (A209-23)	315,698	2030
KIA Loan (A13-011)	7,652,894	2033
KIA Loan (A14-006, i/a/o \$4,905,000)	-	TBD
KIA Loan (A15-032, i/a/o \$3,731,000)	-	TBD
KIA Loan (A15-092, i/a/o \$747,041)	-	TBD
KIA Loan (A15-095, i/a/o \$1,570,000)	-	TBD
KIA Loan (A15-098, i/a/o \$1,500,000)	-	TBD
KIA Loan (A15-101, i/a/o \$1,630,000)	-	TBD
<b>Total</b>	<b>\$34,818,592</b>	

**XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS**

Description	Funding Source	Amount	Type
Cardinal Hills Pump Station	HB380	260,000	Grant
Shelby Street Sewers	HB380	230,000	Grant
Allnut Drive Sewer Replacement	HB380	180,000	Grant
Two Creeks Pump Station	HB380	200,000	Grant
Holmes Street Sewer Project	HB380	1,630,000	Grant
Holmes Street Sewer Project	HB308	733,000	Grant

**XII. CONTACTS**

<b>Legal Applicant</b>	
Name	City of Frankfort
Address	315 W. Second St Frankfort, KY 40601
County	Franklin
Authorized Official	William May, Jr. (Mayor)
Phone	(502) 875-8500
Email	william.may59@gmail.com

<b>Project Contact - Applicant / Administrator</b>	
Name	Rebecca Hall
Representing	City of Frankfort
Address	315 W. Second St Frankfort, KY 40601
Phone	(502) 875-8500
Email	rhall@frankfort.ky.gov

<b>Consulting Engineer</b>	
Name	Amanda Mikuski
Firm	Hazen and Sawyer
Address	444 Lewis Hargett Circle, Suite 260 Lexington, KY 40503
Phone	(859) 216-1126
Email	amikuski@hazenandsawyer.com

**XIII. RECOMMENDATIONS**

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

**CITY OF FRANKORT (SEWER FUND)  
FINANCIAL SUMMARY (JUNE YEAR END)**

	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	26,766,195	33,421,860	25,813,912	25,696,685	25,567,672	25,435,237	25,286,053	25,165,612
Other Assets	53,260,166	62,527,318	72,573,747	81,453,879	84,887,015	87,518,413	84,951,337	82,529,423
<b>Total</b>	<b>80,026,361</b>	<b>95,949,178</b>	<b>98,387,659</b>	<b>107,150,564</b>	<b>110,454,687</b>	<b>112,953,650</b>	<b>110,237,390</b>	<b>107,695,035</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	1,378,106	2,067,800	2,649,797	2,190,790	2,249,906	2,319,100	2,388,374	2,455,000
Long Term Liabilities	19,367,509	32,150,569	33,189,973	39,579,427	42,669,291	45,411,191	43,240,817	41,003,817
<b>Total Liabilities</b>	<b>20,745,615</b>	<b>34,218,369</b>	<b>35,839,770</b>	<b>41,770,217</b>	<b>44,919,197</b>	<b>47,730,291</b>	<b>45,629,191</b>	<b>43,458,817</b>
<b>Net Assets</b>	<b>59,280,746</b>	<b>61,730,809</b>	<b>62,547,889</b>	<b>65,380,347</b>	<b>65,535,490</b>	<b>65,223,359</b>	<b>64,608,199</b>	<b>64,236,218</b>
<b>Cash Flow</b>								
Revenues	11,493,162	11,748,023	11,311,132	11,457,527	11,832,836	12,128,520	12,431,596	12,742,248
Operating Expenses	5,718,122	6,266,914	7,172,845	7,332,222	7,520,966	7,670,135	7,833,588	7,984,784
Other Income	0	0	0	0	0	0	0	0
<b>Cash Flow Before Debt Service</b>	<b>5,775,040</b>	<b>5,481,109</b>	<b>4,138,287</b>	<b>4,125,305</b>	<b>4,311,870</b>	<b>4,458,385</b>	<b>4,598,008</b>	<b>4,757,464</b>
<b>Debt Service</b>								
Existing Debt Service	2,108,252	2,283,492	2,710,750	3,366,015	3,661,196	3,860,747	3,863,214	3,860,075
Proposed KIA Loan	0	0	0	0	0	0	278,423	278,423
<b>Total Debt Service</b>	<b>2,108,252</b>	<b>2,283,492</b>	<b>2,710,750</b>	<b>3,366,015</b>	<b>3,661,196</b>	<b>3,860,747</b>	<b>4,141,637</b>	<b>4,138,498</b>
<b>Cash Flow After Debt Service</b>	<b>3,666,788</b>	<b>3,197,617</b>	<b>1,427,537</b>	<b>759,290</b>	<b>650,674</b>	<b>597,638</b>	<b>456,371</b>	<b>4,479,041</b>
<b>Ratios</b>								
Current Ratio	19.4	16.2	9.7	11.7	11.4	11.0	10.6	10.3
Debt to Equity	0.3	0.6	0.6	0.6	0.7	0.7	0.7	0.7
Days Sales in Accounts Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Months Operating Expenses in Unrestricted Cash	24.4	42.0	23.9	23.6	23.3	23.0	22.6	22.7
Debt Coverage Ratio	2.7	2.4	1.5	1.2	1.2	1.2	1.1	1.1

<b>EXECUTIVE SUMMARY</b>		Reviewer	Brandi Norton	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	March 3, 2016	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A16-078	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21071007	
BORROWER	CITY OF PRESTONSBURG FLOYD COUNTY			
BRIEF DESCRIPTION				
This project is the planning and design for construction of a new wastewater treatment plant. The new plant will extend sanitary sewer service to underserved areas, as well as eliminate and reduce failing septic systems and straight pipes. The existing system is near capacity which has prevented expansion of the collection system. The final design will allow flow of 1 million gallons per day.				
PROJECT FINANCING		PROJECT BUDGET	RD Fee % Actual %	
Fund A Loan	\$600,000	Planning	600,000	
TOTAL	\$600,000	TOTAL	\$600,000	
REPAYMENT	Rate	2.75%	Est. Annual Payment \$130,461	
	Term	5 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Ronald Johnson		
	Bond Counsel	Peck, Shaffer, & Williams, a division of Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Environmental Review	Apr-16		
	Plans and Specs	Jun-16		
DEBT PER CUSTOMER	Existing	\$4,044		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u> 2,772	<u>Avg. Bill</u> \$26.24 (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 2013	1,135,254	869,878	265,376	1.3
Audited 2014	970,392	1,135,899	(165,507)	0.9
Audited 2015	1,052,001	1,019,250	32,751	1.0
Projected 2016	1,150,256	890,074	260,182	1.3
Projected 2017	1,162,589	982,795	179,794	1.2
Projected 2018	1,241,259	1,213,318	27,941	1.0
Projected 2019	1,392,546	1,389,347	3,199	1.0
Projected 2020	1,410,330	1,369,847	40,483	1.0

Reviewer: Brandi Norton  
 Date: March 3, 2016  
 Loan Number: A16-078

**KENTUCKY INFRASTRUCTURE AUTHORITY  
 WASTEWATER REVOLVING LOAN FUND (FUND "A")  
 CITY OF PRESTONSBURG, FLOYD COUNTY  
 PROJECT REVIEW  
 SX21071007**

**I. PROJECT DESCRIPTION**

The City of Prestonsburg for the benefit of the Prestonsburg Utility Commission is requesting a Fund "A" loan in the amount of \$600,000 for the Big Sandy Regional Wastewater Treatment Plant project. This project will be the planning and design portion of a proposed new wastewater treatment plant. The current plant is near capacity and unable to expand the collection system. The new plant will operate at 1 million gallons per day and will be able to extend sanitary sewer service to underserved areas, eliminate and reduce failing septic systems and straight pipes. Upon completion of the construction project, the City will operate two wastewater plants.

The Prestonsburg Utility Commission provides sewer services to 3,571 households within Floyd County.

**II. PROJECT BUDGET**

	<u>Total</u>
Planning	600,000
<b>Total</b>	<b>\$ 600,000</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 600,000	100%
<b>Total</b>	<b>\$ 600,000</b>	<b>100%</b>

**IV. KIA DEBT SERVICE**

Construction Loan	\$ 600,000
Interest Rate	2.75%
Loan Term (Years)	<u>5</u>
Estimated Annual Debt Service	\$ 129,261
Administrative Fee (0.20%)	<u>1,200</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$ 130,461</b>

**V. PROJECT SCHEDULE**

Environmental Review April 2016  
Plans and Specifications Submitted to DOW June 2016

**VI. CUSTOMER COMPOSITION AND RATE STRUCTURE**

**A) Customers**

Customers	Total
Residential	2,163
Commercial	609
Industrial	0
Total	2,772

**B) Rates**

	In City		Out of City	
	Current	Prior	Current	Prior
Date of Last Rate Increase	03/01/15	07/01/14	03/01/15	07/01/14
Per 1,000 Gallons	\$6.56	\$5.96	\$8.22	\$7.47
Cost for 4,000 gallons	\$26.24	\$23.84	\$32.88	\$29.88
Increase %	10.1%		10.0%	
Affordability Index (Rate/MHI)	1.2%		1.6%	

The Prestonsburg Utility Commission has an annual inflation CPI clause for water rates.

**VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2009-2013, the Utility's service area population was 3,571 with a Median Household Income (MHI) of \$25,316. The median household income for the Commonwealth is \$43,036. The project will qualify for a 2.75% interest rate because it is a planning and design loan.

Year	Population			Unemployment		
	City	% Change	County	% Change	Date	Rate
1980	4,011		48,764		June 2004	8.1%
1990	3,558	-11.3%	43,586	-10.6%	June 2009	11.5%
2000	3,612	1.5%	42,441	-2.6%	June 2013	13.1%
2010	3,255	-9.9%	39,451	-7.0%	June 2014	10.5%
Current	3,571	9.7%	0	-100.0%		
Cumulative %		-11.0%		-100.0%		

### **VIII. 2014 CAPITALIZATION GRANT EQUIVALENCIES**

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

### **IX. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2013 through 2015. Amounts for 2016 are estimated. The Commission reports water, gas and sewer services in a combined statement. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

#### **HISTORY**

Operating revenues increased 3% from 2013 to 2015 from \$7.9 million to \$8.1 million. Sewer revenues increase 15% from \$1.1 million to \$1.3 million during the same period. Operating expenses increased 10% from \$6.1million to \$6.7 million. The increase is due to higher gas purchases along with increases in personnel costs. The debt coverage ratio remained steady from 1.3 in 2013 to 1.0 in 2015.

The balance sheet reflects a current ratio of 1.0, a debt to equity ratio of 0.9 and unrestricted cash equals 1.0 months of operating expenses.

#### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Water revenues reflect all previously approved rate increases as well as a 3% annual inflation increase due to a CPI clause.
- 2) Water revenues will be adjusted by an amount to increase revenues by an additional \$145,000 or 3% by July 1, 2018.
- 3) Sewer revenues will be adjusted by an amount to increase revenues by \$80,000

- or 6% by July 1, 2017 and will remain flat thereafter.
- 4) Gas revenues will remain flat.
  - 5) Operating expenses will increase by 2% per year.
  - 6) Debt service coverage is 1.0 in 2018 when full year principal and interest repayments begin.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund A loan.

#### REPLACEMENT RESERVE

There is no reserve requirement for planning and design loans.

### X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
USDA 91-12 Bond	\$ 146,000	2038
USDA 91-15 Bond	219,000	2039
USDA 93-21 Bond	925,000	2041
USDA 91-23 Bond	645,500	2043
USDA 91-25 Bond	131,000	2043
KADDFT 2011 E Bond	1,840,000	2031
KIA (B98-01)	132,751	2019
KIA (A98-03)	286,460	2020
KIA (B99-01)	234,838	2021
KIA (B07-10)	1,863,538	2028
KIA (B08-08)	587,101	2028
KIA (F209-15)	292,663	2030
KIA (A09-15)	221,852	2031
KIA (A09-16)	641,087	2031
KIA (A209-33)	1,162,210	2033
KIA (A10-02)	1,690,618	2033
KIA (A16-003, i/a/o \$2,033,200)	-	TBD
KIA (A16-007, i/a/o \$2,163,000)	-	TBD
KIA (A16-028, i/a/o \$1,952,900)	-	TBD
KIA (F16-045, i/a/o \$3,624,000)	-	TBD
First Community Bank Loans	190,107	2017
<b>Total</b>	<b>\$11,209,725</b>	

**XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS**

Description	Funding Source	Type
By Pass Force Main Around Town	HB 1	Grant
Station Branch Sewer Project	HB 265	Grant

**XII. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Prestonsburg
Authorized Official	Les Stapleton (Mayor)
County	Floyd
Email	les.stapleton@prestonsburgcity.org
Phone	(606) 886-2335
Address	200 North Lake Drive Prestonsburg, KY 41653

<b>Project Contact – Applicant &amp; Administrator</b>	
Name	Libby Ratcliff
Organization	Big Sandy Area Development District
Email	libby.ratcliff@bigsandy.org
Phone	(606) 886-2374
Address	110 Resource Ct Prestonsburg, KY 41653

<b>Consulting Engineer</b>	
PE Name	Ronald Johnson
Firm Name	RM Johnson Engineering Inc
Email	rjohnson@rmje.net
Phone	(606) 785-5926
Address	PO Box 444 Hindman, KY 41822

### **XIII. RECOMMENDATIONS**

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

The City of Prestonsburg for the benefit of the Prestonsburg Utility Commission shall increase sewer rates sufficient to generate an additional:

1. \$80,000 in sewer revenue effective no later than July 1, 2017 (as stated in Special Condition for loans A16-003, A16-007 and A16-028). The ordinance reflecting the future rate change must be passed by May of 2016.

**CITY OF PRESTONSBURG (UTILITY)  
FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2013</u>	<u>Audited</u> <u>2014</u>	<u>Audited</u> <u>2015</u>	<u>Projected</u> <u>2016</u>	<u>Projected</u> <u>2017</u>	<u>Projected</u> <u>2018</u>	<u>Projected</u> <u>2019</u>	<u>Projected</u> <u>2020</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	2,196,690	2,086,467	1,510,288	1,591,504	1,863,686	2,062,280	2,114,621	2,130,920
Other Assets	28,497,715	26,382,331	24,686,190	22,369,775	28,484,328	27,698,582	25,176,435	22,654,289
Total	<u>30,694,405</u>	<u>28,468,798</u>	<u>26,196,478</u>	<u>23,961,279</u>	<u>30,348,014</u>	<u>29,760,862</u>	<u>27,291,056</u>	<u>24,785,209</u>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	1,474,751	1,695,080	1,643,745	1,619,055	1,619,347	1,622,814	1,626,900	1,641,858
Long Term Liabilities	11,950,308	10,981,088	13,873,088	9,774,630	16,133,684	17,305,684	16,690,684	16,090,684
Total Liabilities	<u>13,425,059</u>	<u>12,676,168</u>	<u>15,516,833</u>	<u>11,393,685</u>	<u>17,753,031</u>	<u>18,928,498</u>	<u>18,317,584</u>	<u>17,732,542</u>
Net Assets	<u>17,269,346</u>	<u>15,792,630</u>	<u>10,679,645</u>	<u>12,567,593</u>	<u>12,594,983</u>	<u>10,832,363</u>	<u>8,973,472</u>	<u>7,052,667</u>
<b>Cash Flow</b>								
Revenues	7,878,916	8,181,092	8,093,049	8,325,277	8,474,263	8,707,719	9,010,779	9,173,580
Operating Expenses	6,876,215	7,287,076	7,485,561	7,619,534	7,756,187	7,910,973	8,062,746	8,207,763
Other Income	132,553	76,376	444,513	444,513	444,513	444,513	444,513	444,513
Cash Flow Before Debt Service	<u>1,135,254</u>	<u>970,392</u>	<u>1,052,001</u>	<u>1,150,256</u>	<u>1,162,589</u>	<u>1,241,259</u>	<u>1,392,546</u>	<u>1,410,330</u>
<b>Debt Service</b>								
Existing Debt Service	869,878	1,135,899	1,019,250	890,074	852,334	1,082,857	1,258,886	1,239,386
Proposed KIA Loan	0	0	0	0	130,461	130,461	130,461	130,461
Total Debt Service	<u>869,878</u>	<u>1,135,899</u>	<u>1,019,250</u>	<u>890,074</u>	<u>982,795</u>	<u>1,213,318</u>	<u>1,389,347</u>	<u>1,369,847</u>
Cash Flow After Debt Service	<u>265,376</u>	<u>(165,507)</u>	<u>32,751</u>	<u>260,182</u>	<u>179,794</u>	<u>27,941</u>	<u>3,199</u>	<u>40,483</u>
<b>Ratios</b>								
Current Ratio	1.5	1.2	0.9	1.0	1.2	1.3	1.3	1.3
Debt to Equity	0.8	0.8	1.5	0.9	1.4	1.7	2.0	2.5
Days Sales in Accounts Receivable	41.3	39.3	29.4	29.4	29.4	29.4	29.4	29.4
Months Operating Expenses in Unrestricted Cash	1.8	1.5	1.0	1.0	1.4	1.6	1.7	1.6
Debt Coverage Ratio	1.3	0.9	1.0	1.3	1.2	1.0	1.0	1.0

<b>EXECUTIVE SUMMARY</b>		Reviewer	Brandi Norton	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	May 5, 2016	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A16-082	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21059052	
BORROWER	REGIONAL WATER RESOURCE AGENCY DAVISS COUNTY			
BRIEF DESCRIPTION				
<p>This project will allow RWRA to take over two failing package treatment plants within Daviess County, Cedar Hill and Friendly Park Village. This project will initiate Phase 1 out of 2 complete phases. Phase 1 will facilitate RWRA becoming the Reciever of each plant and designing and constructing the alternative to the plant. The plants will be repaired and flow will be connected to the David Hawes wastewater treatment plant. At a later date, Phase II will allow RWRA to run and maintain the new systems.</p>				
PROJECT FINANCING		PROJECT BUDGET	RD Fee % Actual %	
Fund A Loan	\$200,000	Construction	200,000	
TOTAL	\$200,000	TOTAL	\$200,000	
REPAYMENT	Rate	1.75%	Est. Annual Payment \$10,151	
	Term	1 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Not Procured		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Enviromental Review	Feb-17		
	Plans and Specs	Feb-17		
DEBT PER CUSTOMER	Existing	\$1,065		
	Proposed	\$1,349		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	28,765	\$25.88 (for 4,000 gallons)	
	Additional	220		
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 2013	4,665,422	2,736,521	1,928,901	1.7
Audited 2014	5,894,356	2,936,716	2,957,640	2.0
Audited 2015	7,080,830	2,783,590	4,297,240	2.5
Projected 2016	6,895,302	3,228,077	3,667,225	2.1
Projected 2017	7,106,628	2,917,913	4,188,715	2.4
Projected 2018	7,394,886	3,208,443	4,186,443	2.3
Projected 2019	7,626,689	3,478,595	4,148,094	2.2
Projected 2020	7,868,255	3,702,893	4,165,362	2.1

Reviewer: Brandi Norton  
Date: May 5, 2016  
Loan Number: A16-082

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND "A")  
REGIONAL WATER RESOURCE AGENCY, DAVIESS COUNTY  
PROJECT REVIEW  
SX21059052**

**I. PROJECT DESCRIPTION**

The Regional Water Resource Agency (RWRA) is requesting a Fund "A" loan in the amount of \$200,000 for the Cedar Hills and Friendly Park Village Plant Rehabilitation project. This project will allow RWRA to take over two failing treatment plants within Daviess County. The rehabilitation will occur over two phases. This project will facilitate Phase 1, allowing RWRA to become the receiver of both plants and designing and constructing an alternative to the package plants. The plants will be repaired and flow will be connected to the David Hawes wastewater treatment plant. At a later date, Phase II will allow RWRA to own and maintain the new treatment systems.

This project is being funded out of an Emergency Project CWSRF account. This account allows projects that do not appear on the Project Priority List and result from unanticipated failures of wastewater infrastructure that have a direct adverse effect on public health and the quality of surface and groundwater, to receive funding and potential loan principal forgiveness.

RWRA was created by the enactment of identical ordinances by the City of Owensboro and Daviess County Fiscal Court on October 18, 1994 and October 5, 1994, respectively, for the purpose of managing, controlling and operating regional comprehensive wastewater facilities within Daviess County. RWRA is considered a related organization of the City of Owensboro and Daviess County. All operations of the RWRA are managed by its own professional staff and governed by a board of directors, which consists of four city board appointments and three county board appointments. RWRA revenue is derived 100% from its ratepayers who reside in areas of Daviess County inside and outside of the city limits.

RWRA is a regionalization model for other counties in Kentucky and nationally. The Wastewater Treatment Plant was highlighted in EPA's 2004 Annual Report on the Clean Water State Revolving Fund Programs.

## II. PROJECT BUDGET

	Total
Construction	200,000
<b>Total</b>	<b>\$ 200,000</b>

## III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 200,000	100%
<b>Total</b>	<b>\$ 200,000</b>	<b>100%</b>

## IV. KIA DEBT SERVICE

Construction Loan	\$ 200,000
Less: Principal Forgiveness (95%)	190,000
Amortized Loan Amount	\$ 10,000
Interest Rate	1.75%
Loan Term (Years)	1
Estimated Annual Debt Service	\$ 10,131
Administrative Fee (0.20%)	20
<b>Total Estimated Annual Debt Service</b>	<b>\$ 10,151</b>

## V. PROJECT SCHEDULE

Bid Opening	August 2016
Construction Start	September 2016
Construction Stop	September 2017

## VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

### A) Customers

Customers	Current	Additional	Total
Residential	26,250	220	26,470
Commercial	2,445	0	2,445
Industrial	70	0	70
<b>Total</b>	<b>28,765</b>	<b>220</b>	<b>28,985</b>

**B) Rates**

	Current	Prior
Date of Last Rate Increase	07/01/15	07/01/14
Minimum (1,500 gallons)	\$11.95	\$11.95
Environmental Improvement Fee	2.95	1.00
Rates Per 1,000 Gallons	4.39	4.15
Cost for 4,000 gallons	<b>\$25.88</b>	<b>\$23.33</b>
Increase %	10.9%	
Affordability Index (Rate/MHI)	0.8%	

**VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2009-2013, the Utility’s service area population was 31,643 with a Median Household Income (MHI) of \$46,854. The median household income for the Commonwealth is \$43,036. The project will qualify for a 1.75% interest rate because it is a regional provider.

Year	Population				Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	54,450		85,949		June 2004	5.9%
1990	53,549	-1.7%	87,189	1.4%	June 2009	10.4%
2000	54,067	1.0%	91,545	5.0%	June 2013	7.6%
2010	57,265	5.9%	96,656	5.6%	June 2014	6.3%
Current	57,361	0.2%	96,711	0.1%		
Cumulative %		5.3%		12.5%		

**VIII. 2014 CAPITALIZATION GRANT EQUIVALENCIES**

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 2) Additional Subsidization – This project qualifies for additional subsidization in the amount of \$190,000.

## **IX. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2013 through 2015. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

Revenues increased 23% from \$14.4 million in 2013 to \$17.7 million in 2015 while operating expenses increased 14% from \$11.1 million to \$12.7 million during the same period. Cash available for debt service was \$4.7, 5.9, and 7.1 million for 2013, 2014 and 2015, respectively while the debt coverage ratio was 1.7, 2.0 and 2.5.

The balance sheet reflects a current ratio of 7.7 and a debt to equity ratio of 0.9. In 2011 RWRA used existing cash reserves to extinguish a higher rate (3.8%) KIA loan. As a part of existing KIA loan agreements \$2,500,000 continues to be held as a designated renewal and replacement reserve.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Revenues reflect previously approved rate increases and growth of 1.5% annually.
- 2) Revenues reflect the addition of 220 customers by 2018.
- 3) Expenses will increase 3% annually.
- 4) Total debt service will average about \$3.5 million in from 2015 through 2020 based on outstanding and proposed loans.
- 5) Debt service coverage is 2.3 in 2018 when the total loan balance of \$10,151 is due.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund A loan.

### **REPLACEMENT RESERVE**

\$2,500,000 has been deposited into the Replacement Reserve Account and will be maintained for the life of all RWRA loans. No additional reserve will be required as a result of this loan.

**X. DEBT OBLIGATIONS**

	<u>Outstanding</u>	<u>Maturity</u>
2007 Series A Revenue Bonds	\$ 3,515,000	varies
KIA A99-04	11,272,697	2023
KIA A06-02	4,678,912	2027
KIA A07-08	993,012	2028
KIA A10-13 (i/a/o \$6,037,387)	5,900,894	2032
KIA A12-14 (i/a/o \$357,335)	354,892	2033
KIA A12-15 (i/a/o \$1,586,875)	1,304,065	2033
KIA A13-017 (i/a/o \$1,655,565)	571,468	2034
KIA A13-028 (i/a/o \$1,538,750)	176,310	2034
KIA A14-008 (i/a/o \$525,000)	353,918	2035
KIA A15-002 (i/a/o \$7,282,500)	-	TBD
KIA A15-027 (i/a/o \$1,425,000)	-	TBD
KIA A15-099 (i/a/o \$3,296,951)	-	TBD
KIA A16-026 (i/a/o \$415,000)	-	TBD
KIA A16-042 (i/a/o \$500,000)	-	TBD
KIA A16-043 (i/a/o \$485,000)	-	TBD
Note Payable City Contributions	750,000	2035
<b>Total</b>	<b>\$29,871,168</b>	

**XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS**

<u>Description</u>	<u>Funding Source</u>	<u>Type</u>
Yellow Creek Park PTP Connection	HB267	57,000
Glenview Subdivision Sewer Extension	HB267	243,888
Riverside/Highlands Sewer Extension	HB	370,500
Broad Acre Sewer Extension	HB380	140,000
Locust Hills Sewer Extension / Slip Lining	SPAP	213,000

**XII. CONTACTS**

<b>Legal Applicant</b>	
Name	Regional Water Resource Agency
Address	1722 Pleasant Valley Rd Owensboro, KY 42303
County	Daviess
Authorized Official	Joe Schepers (Executive Director)
Phone	(270) 687-8440
Email	schepersjg@rwra.org

<b>Project Applicant &amp; Administrator</b>	
Name	Joanna Shake
Representing	GRADD
Address	300 GRADD Way Owensboro, KY 42301
Phone	(270) 926-4433
Email	jdshake@gradd.com

<b>Consulting Engineer</b>	
Name	Not Yet Procured
Firm	
Address	
Phone	
Email	

**XIII. RECOMMENDATIONS**

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

**REGIONAL WATER RESOURCE AGENCY  
FINANCIAL SUMMARY (JUNE YEAR END)**

	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	4,917,586	6,600,476	8,684,574	9,581,118	10,463,462	11,360,261	12,214,246	13,087,972
Other Assets	72,632,456	72,739,995	73,766,013	74,806,476	77,288,535	77,497,119	73,157,766	71,818,413
<b>Total</b>	<b>77,550,042</b>	<b>79,340,471</b>	<b>82,450,587</b>	<b>84,387,594</b>	<b>87,751,997</b>	<b>88,857,380</b>	<b>85,372,012</b>	<b>84,906,385</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	715,555	797,712	1,122,804	1,177,231	1,234,362	1,294,333	1,357,284	1,423,365
Long Term Liabilities	30,688,390	30,969,195	36,834,244	38,850,727	43,198,245	45,245,821	42,930,729	40,589,288
<b>Total Liabilities</b>	<b>31,403,945</b>	<b>31,766,907</b>	<b>37,957,048</b>	<b>40,027,958</b>	<b>44,432,607</b>	<b>46,540,153</b>	<b>44,288,013</b>	<b>42,012,653</b>
<b>Net Assets</b>	<b>46,146,097</b>	<b>47,573,564</b>	<b>44,493,539</b>	<b>44,359,635</b>	<b>43,319,390</b>	<b>42,317,227</b>	<b>41,083,999</b>	<b>42,893,732</b>
<b>Cash Flow</b>								
Revenues	14,397,467	16,121,783	17,697,276	18,348,037	18,952,445	19,645,578	20,294,402	20,965,499
Operating Expenses	11,143,651	11,960,694	12,721,102	13,102,735	13,495,817	13,900,692	14,317,713	14,747,244
Other Income	1,411,606	1,733,267	2,104,656	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
<b>Cash Flow Before Debt Service</b>	<b>4,665,422</b>	<b>5,894,356</b>	<b>7,080,830</b>	<b>6,895,302</b>	<b>7,106,628</b>	<b>7,394,886</b>	<b>7,626,689</b>	<b>7,868,255</b>
<b>Debt Service</b>								
Existing Debt Service	2,736,521	2,936,716	2,783,590	3,228,077	2,917,913	3,198,292	3,478,595	3,702,893
Proposed KIA Loan	0	0	0	0	0	10,151	0	0
<b>Total Debt Service</b>	<b>2,736,521</b>	<b>2,936,716</b>	<b>2,783,590</b>	<b>3,228,077</b>	<b>2,917,913</b>	<b>3,208,443</b>	<b>3,478,595</b>	<b>3,702,893</b>
<b>Cash Flow After Debt Service</b>	<b>1,928,901</b>	<b>2,957,640</b>	<b>4,297,240</b>	<b>3,667,225</b>	<b>4,188,715</b>	<b>4,186,443</b>	<b>4,148,094</b>	<b>4,165,362</b>
<b>Ratios</b>								
Current Ratio	6.9	8.3	7.7	8.1	8.5	8.8	9.0	9.2
Debt to Equity	0.7	0.7	0.9	0.9	1.0	1.1	1.1	1.0
Days Sales in Accounts Receivable	69.5	65.8	67.9	67.9	67.9	67.9	67.9	70.2
Months Operating Expenses in Unrestricted Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt Coverage Ratio	1.7	2.0	2.5	2.1	2.4	2.3	2.2	2.1

<b>EXECUTIVE SUMMARY</b>		Reviewer	Debbie Landrum	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	May 5, 2016	
<b>FUND B, INFRASTRUCTURE</b>		KIA Loan Number	B16-010	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21225031	
BORROWER	CITY OF MORGANFIELD UNION COUNTY			
BRIEF DESCRIPTION				
This project will allow the planning and design for the future rehabilitation of the existing wastewater line from Camp Breckinridge to the wastewater treatment plant. Much of the line was built and placed in the 1940's, and in addition to the age and deterioration, the original lines were installed to accommodate 35,000 to 40,000 U.S. military personnel who at that time were routinely stationed at Camp Breckinridge. The lines will be replaced with smaller lines that are more suitable for the current usage.				
PROJECT FINANCING		PROJECT BUDGET		
Fund B Loan	\$260,000	RD Fee %	Actual %	
		Planning		122,000
		Eng - Design / Const		138,000
TOTAL	\$260,000	TOTAL		\$260,000
REPAYMENT	Rate	2.75%	Est. Annual Payment	\$56,533
	Term	5 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Not Yet Procured		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Enviromental Review	Jun-17		
	Plans and Specs	Jun-17		
DEBT PER CUSTOMER	Existing	\$172		
	Proposed	\$1,532		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u>	<u>Avg. Bill</u>	
		1,895	\$22.00	(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 2013	478,652	0	478,652	n/a
Audited 2014	634,779	406,973	227,806	1.6
Audited 2015	553,419	405,753	147,666	1.4
Projected 2016	513,008	0	513,008	n/a
Projected 2017	471,789	56,533	415,256	8.3
Projected 2018	423,146	218,964	204,182	1.9
Projected 2019	380,262	218,964	161,298	1.7
Projected 2020	336,520	218,964	117,556	1.5

Reviewer: Debbie Landrum  
 Date: May 5, 2016  
 Loan Number: B16-010

**KENTUCKY INFRASTRUCTURE AUTHORITY  
 INFRASTRUCTURE REVOLVING LOAN FUND (FUND "B")  
 CITY OF MORGANFIELD, UNION COUNTY  
 PROJECT REVIEW  
 SX21225031**

**I. PROJECT DESCRIPTION**

The City of Morganfield is requesting a \$260,000 Fund "B" planning and design loan for the Camp Breckinridge project. This project will design the future rehabilitation of the existing wastewater line that runs from Camp Breckinridge to the wastewater treatment plant. Much of the line was built and placed in the 1940's, and in addition to the age and deterioration, the original lines were installed to accommodate 35,000 to 40,000 U.S. military personnel that were routinely stationed at Camp Breckinridge. The lines will be replaced with 18 to 36 inch PVC lines that are more suitable for the current usage. The future construction loan is estimated to be \$4.1 million.

The City currently serves approximately 2,006 households.

**II. PROJECT BUDGET**

	<u>Total</u>
Planning	122,000
Engineering Fees - Design / Const	138,000
<b>Total</b>	<b>\$ 260,000</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund B Loan	\$ 260,000	100%
<b>Total</b>	<b>\$ 260,000</b>	<b>100%</b>

**IV. KIA DEBT SERVICE**

Planning and Design Loan	\$ 260,000
Interest Rate	2.75%
Loan Term (Years)	5
Estimated Annual Debt Service	\$ 56,013
Administrative Fee (0.20%)	520
<b>Total Estimated Annual Debt Service</b>	<b>\$ 56,533</b>

## V. PROJECT SCHEDULE

Environmental Review	June 2017
Plans and Specs	June 2017

## VI. RATE STRUCTURE

### A. Customers

	Total
Residential	1,606
Commercial	278
Industrial	11
Total	1,895

### B. Rates

	Sewer	
	Current	Prior
Date of Last Rate Increase	02/29/12	04/29/09
Base Rate	\$10.00	\$3.92
Per 1,000 Gallons	3.00	2.22
Cost for 4,000 gallons	<b>\$22.00</b>	<b>\$12.80</b>
Increase %	71.9%	
Affordability Index (Rate/MHI)	0.9%	

	Water	
	Current	Prior
Date of Last Rate Increase	02/29/12	08/01/04
Minimum	\$10.81	\$8.65
Next 3,000 Gallons	5.34	4.27
Next 10,000 Gallons	4.49	4.59
Next 35,000 Gallons	3.63	2.90
Cost for 4,000 gallons	<b>\$26.83</b>	<b>\$21.46</b>
Increase %	25.0%	
Affordability Index (Rate/MHI)	1.1%	

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2009-2013, the Utility's service area population was 2,006 with a Median Household Income (MHI) of \$29,145. The median household income for the Commonwealth is \$43,036. The project will qualify for a 2.75% interest rate.

Year	Population				Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	3,781		17,821		June 2004	5.8%
1990	3,776	-0.1%	16,557	-7.1%	June 2009	12.0%
2000	3,494	-7.5%	15,637	-5.6%	June 2014	7.9%
2010	3,285	-6.0%	15,007	-4.0%	June 2015	7.7%
Current	3,554	8.2%	15,192	1.2%		
Cumulative %		-6.0%		-14.8%		

## **VIII.FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2013 through 2015. Amounts for 2016 are estimated. The City reports Water and Sewer activity on a combined financial statement. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

Revenues increased 10% from \$2.3 million in 2013 to \$2.6 million in 2015. Total expenses increased 8%, from \$1.9 million in 2013 to \$2.0 million in 2015. The debt coverage ratio was 1.6 and 1.4, respectively, for 2014 through 2015.

The balance sheet reflects a current ratio of 0.6 and a debt to equity ratio of 0.1. The number of months of operating expenses in unrestricted cash was 0.6.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Revenues will remain flat.
- 2) Operating expenses will increase 2% per year for inflation.
- 3) Debt service coverage is 8.3 in 2017 when principal and interest repayments begin.

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

### **REPLACEMENT RESERVE**

There is no reserve requirement for planning and design loans.

**IX. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS**

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
WWTP Digester Aeration Replacement	HB 235	\$250,000	Grant
Sewer Interceptor Replacement	HB 235	\$200,000	Grant
Water Plant High Service Pump	HB 235	\$50,000	Grant
Park Surveillance System	Homeland Security	\$10,000	Grant
Fire Rescue Equipment	Homeland Security	\$20,000	Grant
Phase II Combined Sewer Separation	CDBG	\$1,000,000	Grant

**X. CONTACTS**

<b>Legal Applicant</b>	
Name	City of Morganfield
Address	P.O. Box 420 Morganfield, KY 42437-0420
County	Union
Authorized Official	Dickie Berry (Mayor)
Phone	(270) 389-2525
Email	morganfieldmayor@att.net

<b>Project Contact - Applicant</b>	
Name	Gary Vetter
Representing	City of Morganfield
Address	130 E. Main Street Morganfield, KY 42437
Phone	(270) 389-2525
Email	cityadm@att.net

<b>Project Administrator</b>	
Name	Green River Area Development District
Address	300 GRADD Way Owensboro, KY 42301
Contact	Joanna Shake
Phone	(270) 926-4433
Email	jdshake@gradd.com

**Consulting Engineer**

Not Yet Procured

**XI.RECOMMENDATIONS**

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

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

	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	451,022	504,347	348,215	895,818	978,869	1,019,706	1,051,965	1,075,476
Other Assets	11,407,335	11,579,538	11,806,418	11,164,131	13,546,627	13,026,923	12,507,219	12,507,219
<b>Total</b>	<b>11,858,357</b>	<b>12,083,885</b>	<b>12,154,633</b>	<b>12,059,949</b>	<b>14,525,496</b>	<b>14,046,629</b>	<b>13,559,184</b>	<b>13,582,695</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	577,221	535,862	540,387	216,145	218,269	220,427	222,619	224,844
Long Term Liabilities	24,007	23,233	967,580	870,600	3,772,800	3,772,800	3,772,800	3,772,800
<b>Total Liabilities</b>	<b>601,228</b>	<b>559,095</b>	<b>1,507,967</b>	<b>1,086,745</b>	<b>3,991,069</b>	<b>3,993,227</b>	<b>3,995,419</b>	<b>3,997,644</b>
<b>Net Assets</b>	<b>11,257,129</b>	<b>11,524,790</b>	<b>10,646,666</b>	<b>10,973,204</b>	<b>10,534,427</b>	<b>10,053,401</b>	<b>9,563,766</b>	<b>9,585,051</b>
<b>Cash Flow</b>								
Revenues	2,343,549	2,539,837	2,573,956	2,573,956	2,573,956	2,573,956	2,573,956	2,573,956
Operating Expenses	1,865,259	1,905,058	2,020,537	2,060,948	2,102,167	2,150,810	2,193,694	2,237,436
Other Income	362	0	0	0	0	0	0	0
<b>Cash Flow Before Debt Service</b>	<b>478,652</b>	<b>634,779</b>	<b>553,419</b>	<b>513,008</b>	<b>471,789</b>	<b>423,146</b>	<b>380,262</b>	<b>336,520</b>
<b>Debt Service</b>								
Existing Debt Service	0	406,973	405,753	0	0	162,431	162,431	162,431
Proposed KIA Loan	0	0	0	0	56,533	56,533	56,533	56,533
<b>Total Debt Service</b>	<b>0</b>	<b>406,973</b>	<b>405,753</b>	<b>0</b>	<b>56,533</b>	<b>218,964</b>	<b>218,964</b>	<b>218,964</b>
<b>Cash Flow After Debt Service</b>	<b>478,652</b>	<b>227,806</b>	<b>147,666</b>	<b>513,008</b>	<b>415,256</b>	<b>204,182</b>	<b>161,298</b>	<b>117,556</b>
<b>Ratios</b>								
Current Ratio	0.8	0.9	0.6	4.1	4.5	4.6	4.7	4.8
Debt to Equity	0.1	0.0	0.1	0.1	0.4	0.4	0.4	0.4
Days Sales in Accounts Receivable	5.3	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Months Operating Expenses in Unrestricted Cash	1.1	1.4	0.6	3.6	4.0	4.2	4.3	4.3
Debt Coverage Ratio	0.0	1.6	1.4	0.0	8.3	1.9	1.7	1.5

<b>EXECUTIVE SUMMARY</b>		Reviewer	Sarah Aitken	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	May 5, 2016	
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number	F16-008	
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21123017	
BORROWER	CITY OF HODGENVILLE LARUE COUNTY			
BRIEF DESCRIPTION				
The project will consist of demolishing the Greensburg Storage Tank, construct approximately 1,000 LF (linear feet) of 8 inch water main to replace existing undersized 4 inch lines, construct approximately 2,100 LF of 8 inch main and construct approximately 1,750 LF of 10 inch main to replace undersized mains around the Middle School/High School. The project also will complete modifications to the system to improve water quality, increase pressure and equalize flow by upgrading the North Tank Booster Pump Station, supplementing approximately 5,200 LF of 6 inch water main with 8 inch water main. Lastly, the project will include decommission and demolition of the North Storage Tank.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$962,000	RD Fee %	Actual %	
		Administrative Expenses		\$10,000
		Legal Expenses		3,000
		Eng - Design / Const	9.2%	9.2%
		Eng - Insp	6.0%	5.9%
		Eng - Other		19,000
		Construction		735,000
		Contingency		73,000
TOTAL	\$962,000	TOTAL		\$962,000
REPAYMENT	Rate	0.75%	Est. Annual Payment	\$40,719
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	David Bradley Montgomery		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Jul-16		
	Construction Start	Aug-16		
	Construction Stop	Jun-17		
DEBT PER CUSTOMER	Existing	\$2,088		
	Proposed	\$3,688		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		1,666	\$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 2012	446,701	338,449	108,252	1.3
Audited 2013	463,121	329,666	133,455	1.4
Unaudited 2014	445,268	273,154	172,114	1.6
Projected 2015	411,578	358,343	53,235	1.1
Projected 2016	462,350	300,184	162,166	1.5
Projected 2017	518,195	337,672	180,523	1.5
Projected 2018	498,143	386,494	111,649	1.3
Projected 2019	471,390	446,865	24,525	1.1

Reviewer: Sarah Aitken  
Date: May 5, 2016  
Loan Number: F16-008

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND "F")  
CITY OF HODGENVILLE, LARUE COUNTY  
PROJECT REVIEW  
WX21123017**

**I. PROJECT DESCRIPTION**

The City of Hodgenville is requesting a Fund "F" loan in the amount of \$962,000 for the Hodgenville Phase 1A Water System Improvements project. The project will consist of demolishing the Greensburg Storage Tank, which has been out of operation for several years and replaced by the Fairgrounds Storage Tank. The project will also construct approximately 1,000 LF (linear feet) of 8 inch water main to replace existing undersized 4 inch lines, construct approximately 2,100 LF of 8 inch main and construct approximately 1,750 LF of 10 inch main to replace undersized mains around the Middle School/High School creating a loop around the schools to provide quality and redundancy in an area prone to disruptions. Lastly, the City plans to make modifications to the system to improve water quality, increase pressure, and equalize flow with the Industrial Tank zone by upgrading the North Tank Booster Pump Station, supplementing approximately 5,200 LF of 6 inch water main with 8 inch water main. Once the Pump Station upgrade is complete the North Tank will be decommissioned and demolished.

The City sells finished water to the Larue County Water District #1 at an annual rate of 39 million gallons, servicing 3,865 households. In addition, the City supplies water to 1,746 households within Larue County.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 10,000
Legal Expenses	3,000
Engineering Fees - Design / Const	74,000
Engineering Fees - Inspection	48,000
Engineering Fees - Other	19,000
Construction	735,000
Contingency	73,000
<b>Total</b>	<b>\$ 962,000</b>

### III. PROJECT FUNDING

	Amount	%
Fund F Loan	\$ 962,000	100%
<b>Total</b>	<b>\$ 962,000</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$	962,000
Less: Principal Forgiveness		240,500
Amortized Loan Amount	\$	721,500
Interest Rate		0.75%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	38,916
Administrative Fee (0.25%)		1,804
<b>Total Estimated Annual Debt Service</b>	<b>\$</b>	<b>40,719</b>

### V. PROJECT SCHEDULE

Bid Opening	July 2016
Construction Start	August 2016
Construction Stop	June 2017

### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

#### A) Customers

Residential	1,427
Commercial	190
Industrial	9
Institutional	40
<b>Total</b>	<b>1,666</b>

#### B) Rates

	<b>Water Rates Within City Limits</b>		
	Current	Prior	
Date of Last Rate Increase	07/01/15	07/01/14	7/1/2013
First 3,000 Gallons (minimum)	\$22.83	\$21.74	\$20.71
Next 7,000 Gallons (per thousand)	6.17	5.88	5.60
Cost for 4,000 gallons	<b>\$29.00</b>	<b>\$27.62</b>	<b>\$26.31</b>
Increase %	5.0%	5.0%	
Affordability Index (Rate/MHI)	1.1%	1.1%	

**Water Rates Outside City Limits**

Date of Last Rate Increase	Current		Prior	
	07/01/15	07/01/14	7/1/2013	
First 3,000 Gallons (minimum)	\$34.22	\$32.59	\$31.04	
Next 7,000 Gallons (per thousand)	9.26	8.82	8.40	
Cost for 4,000 gallons	<b>\$43.48</b>	<b>\$41.41</b>	<b>\$39.44</b>	
Increase %	5.0%	5.0%		
Affordability Index (Rate/MHI)	1.7%	1.6%		

**VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2009-2013, the Utility’s service area population was 4,045 with a Median Household Income (MHI) of \$31,302. The median household income for the Commonwealth is \$43,036. The project will qualify for a 0.75% interest rate since the City’s MHI is 80% below the State’s MHI.

Year	City	Population		County Unemployment		
		% Change	County	% Change	Date	Rate
1980	2,531		11,922		June 2004	5.1%
1990	2,721	7.5%	11,679	-2.0%	June 2009	11.7%
2000	2,874	5.6%	13,373	14.5%	June 2014	6.0%
2010	3,206	11.6%	14,193	6.1%	June 2015	5.3%
Current	3,223	0.5%	14,149	-0.3%		
Cumulative %		27.3%		18.7%		

**VIII. 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 in the amount of \$240,500.

**IX. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2012 through 2013. Amounts for 2014 are estimated. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

## HISTORY

Revenues increased 10% from \$1.2 million in 2012 to \$1.4 million in 2014 due to previously approved rate increases for water (inside and outside City limits) and sewer. Operating expenses increased 13% from \$819,139 in 2012 to \$944,788 in 2014. The debt coverage ratio was 1.3, 1.4 and 1.6 in 2012, 2013 and 2014, respectively.

The balance sheet reflects a current ratio of 1.4, a debt to equity ratio of 0.6 and the number of months of operating expenses in unrestricted cash as 6.5.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues reflect previously approved rate increases of 5% for water and sewer in the 2014 and 2015 years and will remain flat thereafter.
- 2) Operating expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 1.3 in 2018 when principal and interest repayments begin.

Based on the proforma assumptions, the City shows adequate cash flow to repay the KIA Fund F loan.

## REPLACEMENT RESERVE

The annual replacement cost is \$2,400. This amount should be added to the replacement account each December 1 until the balance reaches \$24,000 and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

<u>Debt Issue</u>	<u>Outstanding</u>	<u>Maturity (Fiscal Year)</u>
91-07 Bonds	1,121,790	2039
91-08 Bonds	559,113	2038
Series 2013 Bonds	923,177	2026
53-01 Bonds	27,136	2015
55-04 Bonds	29,047	2015
KIA (A04-10)	604,891	2026
KIA (A11-17)	1,601,555	2034
KIA Loan (F11-13, i/a/o \$774,183 )	-	TBD
KIA Loan (A16-029, i/a/o \$970,000 )	-	TBD
KIA Loan (F16-042, i/a/o \$593,000 )	-	TBD
<b>Total</b>	<b>4,866,709</b>	

**XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS**

<b>Project Title</b>	<b>Funding Source</b>	<b>Amount</b>	<b>Type</b>
Hodgenville Water Tower North	HB608	300,000	grant
Hodgenville Water Tower North	HB267	500,000	grant
Hamilton Acres Sewer Rehab	HB608	200,000	grant

**XII. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Hodgenville
Authorized Official	Kenny Devore (Mayor)
County	Larue
Email	hodgenvillemayor@windstream.net
Phone	270-401-2621
Address	PO Box 189, 200 S Lincoln Blvd Hodgenville, KY 42748

<b>Project Contact - Applicant</b>	
Name	Toni Burton
Organization	City of Hodgenville
Email	hodgenvilleclerk@windstream.net
Phone	270-358-3832
Address	PO Box 189, 200 S Lincoln Blvd Hodgenville, KY 42748

<b>Project Administrator</b>	
Name	Ashley S Willoughby
Organization	Lincoln Trail Area Development District
Email	awilloughby@ltadd.org
Phone	270-769-2393
Address	613 College St Rd Elizabethtown, KY 42701

**Consulting Engineer**

PE Name	David Bradley Montgomery
Firm Name	GRW Engineers, Inc.
Email	bmontgomery@grwinc.com
Phone	859-223-3999
Address	801 Corporate Dr Lexington, KY 40503

**XIII. RECOMMENDATIONS**

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

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

	<b>Audited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	764,812	545,110	618,583	677,832	716,565	752,670	775,000	779,905
Other Assets	11,090,489	11,734,273	12,582,635	12,163,994	11,842,960	14,055,028	13,623,872	13,059,892
<b>Total</b>	<b>11,855,301</b>	<b>12,279,383</b>	<b>13,201,218</b>	<b>12,841,826</b>	<b>12,559,525</b>	<b>14,807,698</b>	<b>14,398,872</b>	<b>13,839,797</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	589,907	362,910	462,128	500,122	449,129	458,011	461,935	465,879
Long Term Liabilities	2,642,547	3,382,356	4,533,589	4,281,844	4,081,602	6,009,248	5,797,251	5,581,851
<b>Total Liabilities</b>	<b>3,232,454</b>	<b>3,745,266</b>	<b>4,995,717</b>	<b>4,781,966</b>	<b>4,530,731</b>	<b>6,467,259</b>	<b>6,259,186</b>	<b>6,047,730</b>
<b>Net Assets</b>	<b>8,622,847</b>	<b>8,534,117</b>	<b>8,205,501</b>	<b>8,059,860</b>	<b>8,028,794</b>	<b>8,340,439</b>	<b>8,139,686</b>	<b>7,792,067</b>
<b>Cash Flow</b>								
Revenues	1,247,992	1,317,401	1,379,678	1,446,388	1,516,434	1,516,434	1,516,434	1,516,434
Operating Expenses	819,139	892,753	944,788	1,045,188	1,064,462	1,008,617	1,028,669	1,055,422
Other Income	17,848	38,473	10,378	10,378	10,378	10,378	10,378	10,378
<b>Cash Flow Before Debt Service</b>	<b>446,701</b>	<b>463,121</b>	<b>445,268</b>	<b>411,578</b>	<b>462,350</b>	<b>518,195</b>	<b>498,143</b>	<b>471,390</b>
<b>Debt Service</b>								
Existing Debt Service	338,449	329,666	273,154	358,343	300,184	337,672	366,135	406,146
Proposed KIA Loan	0	0	0	0	0	0	20,360	40,719
<b>Total Debt Service</b>	<b>338,449</b>	<b>329,666</b>	<b>273,154</b>	<b>358,343</b>	<b>300,184</b>	<b>337,672</b>	<b>386,494</b>	<b>446,865</b>
<b>Cash Flow After Debt Service</b>	<b>108,252</b>	<b>133,455</b>	<b>172,114</b>	<b>53,235</b>	<b>162,166</b>	<b>180,523</b>	<b>111,649</b>	<b>24,525</b>
<b>Ratios</b>								
Current Ratio	1.3	1.5	1.3	1.4	1.6	1.6	1.7	1.7
Debt to Equity	0.4	0.4	0.6	0.6	0.6	0.8	0.8	0.8
Days Sales in Accounts Receivable	54.4	32.9	33.0	33.0	33.0	33.0	33.0	33.0
Months Operating Expenses in Unrestricted Cash	8.4	5.7	6.0	6.5	6.8	7.1	7.2	7.1
Debt Coverage Ratio	1.3	1.4	1.6	1.1	1.5	1.5	1.3	1.1

<b>EXECUTIVE SUMMARY</b> <b>KENTUCKY INFRASTRUCTURE AUTHORITY</b> <b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b> <b>REVOLVING LOAN FUND</b>		Reviewer Date KIA Loan Number WRIS Number	Sarah Aitken April 7, 2016 F16-041 WX21097025	
BORROWER		CITY OF CYNTHIANA HARRISON COUNTY		
BRIEF DESCRIPTION The project will install approximately 13,000 linear feet of 12-inch PVC water main that will parallel the new by-pass on the west side of the City. The interconnections will improve pressures and flows to the west side of the City and to the Harrison County Water Association.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$1,056,658	RD Fee %	Actual %	
		Administrative Expenses		\$5,000
		Legal Expenses		5,000
		Planning		5,000
		Eng - Design / Const	9.0%	8.3%
		Eng - Insp	5.8%	5.4%
		Eng - Other		5,000
		Construction		824,780
		Contingency		82,478
		Other		5,000
TOTAL	\$1,056,658	TOTAL		\$1,056,658
REPAYMENT	Rate	0.75%	Est. Annual Payment	\$51,426
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Richard K. Smith		
	Bond Counsel	Peck, Shaffer, & Williams, a division of Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Oct-16		
	Construction Start	Dec-16		
	Construction Stop	May-17		
DEBT PER CUSTOMER	Existing	\$2,303		
	Proposed	\$1,815		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		2,522	\$19.55	(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 2013	955,686	385,840	569,846	2.5
Audited 2014	739,848	384,685	355,163	1.9
Audited 2015	530,573	384,763	145,810	1.4
Projected 2016	567,196	379,988	187,208	1.5
Projected 2017	594,112	377,430	216,682	1.6
Projected 2018	543,220	403,101	140,119	1.3
Projected 2019	493,962	428,861	65,101	1.2
Projected 2020	443,719	428,796	14,923	1.0

Reviewer: Sarah Aitken  
Date: April 7, 2016  
Loan Number: F16-041

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND "F")  
CITY OF CYNTHIANA, HARRISON COUNTY  
PROJECT REVIEW  
WX21097025**

**I. PROJECT DESCRIPTION**

The City of Cynthiana is requesting a fund "F" loan in the amount of \$1,056,658 for the West By-Pass Water Main project. The project will install approximately 13,000 linear feet of 12-inch PVC water main that will parallel the new by-pass on the west side of the City. The interconnections will improve pressures and flows to the west side of the City and to the Harrison County Water Association.

The water utility produces approximately 537 million gallons of water per year, of which 370 million gallons are sold to the Harrison County Water Association.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 5,000
Legal Expenses	5,000
Planning	5,000
Engineering Fees - Design / Const	75,400
Engineering Fees - Inspection	49,000
Engineering Fees - Other	5,000
Construction	824,780
Contingency	82,478
Other	5,000
<b>Total</b>	<b>\$ 1,056,658</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 1,056,658	100%
<b>Total</b>	<b>\$ 1,056,658</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 1,056,658
Less: Principal Forgiveness	145,444
Amortized Loan Amount	\$ 911,214
Interest Rate	0.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 49,148
Administrative Fee (0.25%)	2,278
<b>Total Estimated Annual Debt Service</b>	<b>\$ 51,426</b>

#### V. PROJECT SCHEDULE

Bid Opening	October 2016
Construction Start	December 2016
Construction Stop	May 2017

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current
Residential	2,224
Commercial	288
Industrial	10
Total	2,522

##### B) Rates

Date of Last Rate Increase	Water Rates		HWCA Water Rates	
	Current	Prior	Current	Prior
Date of Last Rate Increase	12/01/09	07/01/92	01/01/16	01/01/15
First 2,000 Gallons (minimum)	\$9.05	\$8.05	\$2.85	\$2.63
2,001 to 10,000 Gallons (per 1,000)	3.50	3.05		
<b>Cost for 4,000 gallons</b>	<b>\$19.55</b>	<b>\$17.20</b>	<b>\$11.40</b>	<b>\$10.52</b>
Increase %	13.7%		8.4%	
Affordability Index (Rate/MHI)	0.8%		0.5%	

	Sewer Rates	
	Current	Prior
Date of Last Rate Increase	01/06/11	06/22/04
First 2,000 Gallons (minimum)	\$16.50	\$14.50
All Gallons over 2,000	5.15	3.30
<b>Cost for 4,000 gallons</b>	<b>\$26.80</b>	<b>\$21.10</b>
Increase %	27.0%	
Affordability Index (Rate/MHI)	1.2%	

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2009-2013, the Utility's service area population was 6,634 with a Median Household Income (MHI) of \$27,911. The median household income for the Commonwealth is \$43,036. The project will qualify for a .75% interest rate.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	5,881		15,166		June 2004	6.2%
1990	6,497	10.5%	16,248	7.1%	June 2009	11.9%
2000	6,258	-3.7%	17,983	10.7%	June 2014	6.6%
2010	6,402	2.3%	18,846	4.8%	June 2015	4.8%
Current	6,402	0.0%	18,693	-0.8%		
Cumulative %		8.9%		23.3%		

## VIII. 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 in the amount of \$145,444.

## IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2013 through 2015. Amounts for 2016 are estimated. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

## HISTORY

Revenues increased 2% from \$2.8 million in 2013 to \$2.9 million in 2015. Water revenues increased 5% from \$1.6 million to \$1.7 million while sewer revenues decreased 2% from \$1.18 million to \$1.16 million during the same period. Operating expenses increased 24% from \$1.9 million to \$2.3 million due to heightened maintenance and repair expenses. The debt coverage ratio was 2.5, 1.9 and 1.4 for 2013 through 2015, respectively.

The balance sheet reflects a current ratio of 0.5, a debt to equity ratio of 0.6 and the number of months of operating expenses in unrestricted cash is 1.5.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues reflect all previously approved rate increases and will remain flat after 2017.
- 2) Expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 1.2 in 2019 when full year principal and interest repayments begin.

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

## REPLACEMENT RESERVE

The annual replacement cost is \$2,600. This amount should be added to the replacement account each December 1 until the balance reaches \$26,000 and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
RD Sewer Loan	\$ 1,089,588	2016
2005 Series Bonds	812,000	2033
KIA (A05-06)	3,682,154	2027
2000 Series Bonds	223,500	2040
<b>Total</b>	<b>\$ 5,807,242</b>	

## XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
Sewer System Rehab	USDA-RD	4,984,000	Loan/Grant

**XII. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Cynthiana
Authorized Official	James Smith (Mayor)
County	Harrison
Email	cityofcynthiana@bellsouth.net
Phone	(859) 234-7150
Address	PO Box 67 Cynthiana, KY 41031

<b>Project Contact - Applicant</b>	
Name	James Smith
Organization	City of Cynthiana
Email	cityofcynthiana@bellsouth.net
Phone	(859) 234-7150
Address	PO Box 67 Cynthiana, KY 41031

<b>Project Administrator</b>	
Name	Bob Sturdivant
Organization	HDR Engineering, Inc.
Email	bob.sturdivant@hdrinc.com
Phone	(859) 629-4800
Address	2517 Sir Barton Way Lexington, KY 40509

<b>Consulting Engineer</b>	
PE Name	Richard K. Smith
Firm Name	HDR Engineering, Inc.
Email	rich.smith@hdrinc.com
Phone	(859) 629-4800
Address	2517 Sir Barton Way Lexington, KY 40509

**XIII. RECOMMENDATIONS**

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

**CITY OF CYNTHIANA (WATER & SEWER FUND )  
FINANCIAL SUMMARY (JUNE YEAR END)**

	<u>Audited</u> <u>2013</u>	<u>Audited</u> <u>2014</u>	<u>Audited</u> <u>2015</u>	<u>Projected</u> <u>2016</u>	<u>Projected</u> <u>2017</u>	<u>Projected</u> <u>2018</u>	<u>Projected</u> <u>2019</u>	<u>Projected</u> <u>2020</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	560,285	607,050	824,875	725,892	779,528	807,552	820,572	823,557
Other Assets	19,300,621	18,851,840	19,318,306	18,086,842	18,012,065	17,849,621	17,098,834	16,307,904
Total	<u>19,860,906</u>	<u>19,458,890</u>	<u>20,143,181</u>	<u>18,812,734</u>	<u>18,791,593</u>	<u>18,657,173</u>	<u>17,919,406</u>	<u>17,131,461</u>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	405,774	420,114	1,769,055	598,788	604,721	609,819	615,886	614,832
Long Term Liabilities	5,084,731	4,795,252	5,474,320	4,204,981	4,356,713	4,505,303	4,194,214	3,886,214
Total Liabilities	<u>5,490,505</u>	<u>5,215,366</u>	<u>7,243,375</u>	<u>4,803,769</u>	<u>4,961,434</u>	<u>5,115,122</u>	<u>4,810,100</u>	<u>4,501,046</u>
Net Assets	<u>14,370,401</u>	<u>14,243,524</u>	<u>12,899,806</u>	<u>14,008,965</u>	<u>13,830,159</u>	<u>13,542,051</u>	<u>13,109,306</u>	<u>12,630,415</u>
<b>Cash Flow</b>								
Revenues	2,787,061	2,834,766	2,849,025	2,932,065	3,006,326	3,006,326	3,006,326	3,006,326
Operating Expenses	1,867,843	2,103,443	2,320,827	2,367,244	2,414,589	2,465,481	2,514,739	2,564,982
Other Income	36,468	8,525	2,375	2,375	2,375	2,375	2,375	2,375
Cash Flow Before Debt Service	<u>955,686</u>	<u>739,848</u>	<u>530,573</u>	<u>567,196</u>	<u>594,112</u>	<u>543,220</u>	<u>493,962</u>	<u>443,719</u>
<b>Debt Service</b>								
Existing Debt Service	385,840	384,685	384,763	379,988	377,430	377,388	377,435	377,370
Proposed KIA Loan	0	0	0	0	0	25,713	51,426	51,426
Total Debt Service	<u>385,840</u>	<u>384,685</u>	<u>384,763</u>	<u>379,988</u>	<u>377,430</u>	<u>403,101</u>	<u>428,861</u>	<u>428,796</u>
Cash Flow After Debt Service	<u>569,846</u>	<u>355,163</u>	<u>145,810</u>	<u>187,208</u>	<u>216,682</u>	<u>140,119</u>	<u>65,101</u>	<u>14,923</u>
<b>Ratios</b>								
Current Ratio	1.4	1.4	0.5	1.2	1.3	1.3	1.3	1.3
Debt to Equity	0.4	0.4	0.6	0.3	0.4	0.4	0.4	0.4
Days Sales in Accounts Receivable	47.1	48.9	50.6	50.6	50.6	50.6	50.6	50.6
Months Operating Expenses in Unrestricted Cash	1.3	1.3	1.5	1.6	1.8	1.9	1.9	1.9
Debt Coverage Ratio	2.5	1.9	1.4	1.5	1.6	1.3	1.2	1.0

<b>EXECUTIVE SUMMARY</b> <b>KENTUCKY INFRASTRUCTURE AUTHORITY</b> <b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b> <b>REVOLVING LOAN FUND</b>		Reviewer Date KIA Loan Number WRIS Number	Sarah Aitken May 5, 2016 F16-042 WX21123008	
BORROWER	CITY OF HODGENVILLE LARUE COUNTY			
BRIEF DESCRIPTION				
The project will replace approximately 6,100 LF of existing 8 inch water line. The existing line is predominately cast iron, dating over 40 years old and is prone to frequent breaks and splits. The project will improve water quality and reliable service to the south side of the City and the school area.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$593,000	RD Fee %	Actual %	
		Administrative Expenses		\$10,000
		Eng - Design / Const	10.4% 10.2%	48,000
		Eng - Insp	7.6% 7.4%	35,000
		Eng - Other		29,000
		Construction		430,000
		Contingency		41,000
TOTAL	\$593,000	TOTAL		\$593,000
REPAYMENT	Rate Term	0.75% 20 Years	Est. Annual Payment 1st Payment	\$25,100 6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer Bond Counsel	David Bradley Montgomery Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	Jul-16 Aug-16 Jun-17		
DEBT PER CUSTOMER	Existing Proposed	\$2,088 \$3,688		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current	Users 1,666	Avg. Bill \$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 2012	446,701	338,449	108,252	1.3
Audited 2013	463,121	329,666	133,455	1.4
Unaudited 2014	445,268	273,154	172,114	1.6
Projected 2015	411,578	358,343	53,235	1.1
Projected 2016	462,350	300,184	162,166	1.5
Projected 2017	518,195	337,672	180,523	1.5
Projected 2018	498,143	386,494	111,649	1.3
Projected 2019	471,390	446,865	24,525	1.1

Reviewer: Sarah Aitken  
Date: May 5, 2016  
Loan Number: F16-042

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND "F")  
CITY OF HODGENVILLE, LARUE COUNTY  
PROJECT REVIEW  
WX21123008**

**I. PROJECT DESCRIPTION**

The City of Hodgenville is requesting a Fund "F" loan in the amount of \$593,000 for the Lincoln Boulevard South Replacement project. The project will replace approximately 6,100 LF of existing 8 inch water line. The existing line is predominately cast iron, dating over 40 years old and is prone to frequent breaks and splits. The project will improve water quality and reliable service to the south side of the City and the school area.

The City sells finished water to the Larue County Water District #1 at an annual rate of 39 million gallons, servicing 3,865 households. In addition, the City supplies water to 1,746 households within Larue County.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 10,000
Engineering Fees - Design / Const	48,000
Engineering Fees - Inspection	35,000
Engineering Fees - Other	29,000
Construction	430,000
Contingency	41,000
<b>Total</b>	<b>\$ 593,000</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 593,000	100%
<b>Total</b>	<b>\$ 593,000</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$	593,000
Less: Principal Forgiveness		148,250
Amortized Loan Amount	\$	444,750
Interest Rate		0.75%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	23,989
Administrative Fee (0.25%)		1,112
<b>Total Estimated Annual Debt Service</b>	<b>\$</b>	<b>25,100</b>

#### V. PROJECT SCHEDULE

Bid Opening	July 2016
Construction Start	August 2016
Construction Stop	June 2017

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Residential	1,427
Commercial	190
Industrial	9
Institutional	40
<b>Total</b>	<b>1,666</b>

##### B) Rates

Date of Last Rate Increase	<b>Water Rates Within City Limits</b>		
	Current	Prior	
	07/01/15	07/01/14	7/1/2013
First 3,000 Gallons (minimum)	\$22.83	\$21.74	\$20.71
Next 7,000 Gallons (per thousand)	6.17	5.88	5.60
Cost for 4,000 gallons	<b>\$29.00</b>	<b>\$27.62</b>	<b>\$26.31</b>
Increase %	5.0%	5.0%	
Affordability Index (Rate/MHI)	1.1%	1.1%	

**Water Rates Outside City Limits**

Date of Last Rate Increase	Current		Prior	
	07/01/15	07/01/14	7/1/2013	
First 3,000 Gallons (minimum)	\$34.22	\$32.59	\$31.04	
Next 7,000 Gallons (per thousand)	9.26	8.82	8.40	
Cost for 4,000 gallons	<b>\$43.48</b>	<b>\$41.41</b>	<b>\$39.44</b>	
Increase %	5.0%	5.0%		
Affordability Index (Rate/MHI)	1.7%	1.6%		

**VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2009-2013, the Utility’s service area population was 4,045 with a Median Household Income (MHI) of \$31,302. The median household income for the Commonwealth is \$43,036. The project will qualify for a 0.75% interest rate since the City’s MHI is 80% below the State’s MHI.

Year	City	Population		County Unemployment		
		% Change	County	% Change	Date	Rate
1980	2,531		11,922		June 2004	5.1%
1990	2,721	7.5%	11,679	-2.0%	June 2009	11.7%
2000	2,874	5.6%	13,373	14.5%	June 2014	6.0%
2010	3,206	11.6%	14,193	6.1%	June 2015	5.3%
Current	3,223	0.5%	14,149	-0.3%		
Cumulative %		27.3%		18.7%		

**VIII. 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 in the amount of \$148,250.

**IX. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2012 through 2013. Amounts for 2014 are estimated. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

## HISTORY

Revenues increased 10% from \$1.2 million in 2012 to \$1.4 million in 2014 due to previously approved rate increases for water (inside and outside City limits) and sewer. Operating expenses increased 13% from \$819,139 in 2012 to \$944,788 in 2014. The debt coverage ratio was 1.3, 1.4 and 1.6 in 2012, 2013 and 2014, respectively.

The balance sheet reflects a current ratio of 1.4, a debt to equity ratio of 0.6 and the number of months of operating expenses in unrestricted cash as 6.5.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues reflect previously approved rate increases of 5% for water and sewer in the 2014 and 2015 years and will remain flat thereafter.
- 2) Operating expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 1.3 in 2018 when principal and interest repayments begin.

Based on the proforma assumptions, the City shows adequate cash flow to repay the KIA Fund F loan.

## REPLACEMENT RESERVE

The annual replacement cost is \$1,500. This amount should be added to the replacement account each December 1 until the balance reaches \$15,000 and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

<b>Debt Issue</b>	<b>Outstanding</b>	<b>Maturity (Fiscal Year)</b>
91-07 Bonds	1,121,790	2039
91-08 Bonds	559,113	2038
Series 2013 Bonds	923,177	2026
53-01 Bonds	27,136	2015
55-04 Bonds	29,047	2015
KIA (A04-10)	604,891	2026
KIA (A11-17)	1,601,555	2034
KIA Loan (F11-13, i/a/o \$774,183 )	-	TBD
KIA Loan (F16-008, i/a/o \$593,000 )	-	TBD
KIA Loan (A16-029, i/a/o \$970,000 )	-	TBD
<b>Total</b>	<b>4,866,709</b>	

**XI.**

**OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS**

<b>Project Title</b>	<b>Funding Source</b>	<b>Amount</b>	<b>Type</b>
Hodgenville Water Tower North	HB608	300,000	grant
Hodgenville Water Tower North	HB267	500,000	grant
Hamilton Acres Sewer Rehab	HB608	200,000	grant

**XII. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Hodgenville
Authorized Official	Kenny Devore (Mayor)
County	Larue
Email	hodgenvillemayor@windstream.net
Phone	270-401-2621
Address	PO Box 189, 200 S Lincoln Blvd Hodgenville, KY 42748

<b>Project Contact - Applicant</b>	
Name	Toni Burton
Organization	City of Hodgenville
Email	hodgenvilleclerk@windstream.net
Phone	270-358-3832
Address	PO Box 189, 200 S Lincoln Blvd Hodgenville, KY 42748

<b>Project Administrator</b>	
Name	Ashley S Willoughby
Organization	Lincoln Trail Area Development District
Email	awilloughby@ltadd.org
Phone	270-769-2393
Address	613 College St Rd Elizabethtown, KY 42701

**Consulting Engineer**

PE Name	David Bradley Montgomery
Firm Name	GRW Engineers, Inc.
Email	bmontgomery@grwinc.com
Phone	859-223-3999
Address	801 Corporate Dr Lexington, KY 40503

**XIII. RECOMMENDATIONS**

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

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

	<b>Audited 2012</b>	<b>Audited 2013</b>	<b>Unaudited 2014</b>	<b>Projected 2015</b>	<b>Projected 2016</b>	<b>Projected 2017</b>	<b>Projected 2018</b>	<b>Projected 2019</b>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	764,812	545,110	618,583	677,832	716,565	752,670	775,000	779,905
Other Assets	11,090,489	11,734,273	12,582,635	12,163,994	11,842,960	14,055,028	13,623,872	13,059,892
<b>Total</b>	<b>11,855,301</b>	<b>12,279,383</b>	<b>13,201,218</b>	<b>12,841,826</b>	<b>12,559,525</b>	<b>14,807,698</b>	<b>14,398,872</b>	<b>13,839,797</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	589,907	362,910	462,128	500,122	449,129	458,011	461,935	465,879
Long Term Liabilities	2,642,547	3,382,356	4,533,589	4,281,844	4,081,602	6,009,248	5,797,251	5,581,851
<b>Total Liabilities</b>	<b>3,232,454</b>	<b>3,745,266</b>	<b>4,995,717</b>	<b>4,781,966</b>	<b>4,530,731</b>	<b>6,467,259</b>	<b>6,259,186</b>	<b>6,047,730</b>
<b>Net Assets</b>	<b>8,622,847</b>	<b>8,534,117</b>	<b>8,205,501</b>	<b>8,059,860</b>	<b>8,028,794</b>	<b>8,340,439</b>	<b>8,139,686</b>	<b>7,792,067</b>
<b>Cash Flow</b>								
Revenues	1,247,992	1,317,401	1,379,678	1,446,388	1,516,434	1,516,434	1,516,434	1,516,434
Operating Expenses	819,139	892,753	944,788	1,045,188	1,064,462	1,008,617	1,028,669	1,055,422
Other Income	17,848	38,473	10,378	10,378	10,378	10,378	10,378	10,378
<b>Cash Flow Before Debt Service</b>	<b>446,701</b>	<b>463,121</b>	<b>445,268</b>	<b>411,578</b>	<b>462,350</b>	<b>518,195</b>	<b>498,143</b>	<b>471,390</b>
<b>Debt Service</b>								
Existing Debt Service	338,449	329,666	273,154	358,343	300,184	337,672	373,944	421,765
Proposed KIA Loan	0	0	0	0	0	0	12,550	25,100
<b>Total Debt Service</b>	<b>338,449</b>	<b>329,666</b>	<b>273,154</b>	<b>358,343</b>	<b>300,184</b>	<b>337,672</b>	<b>386,494</b>	<b>446,865</b>
<b>Cash Flow After Debt Service</b>	<b>108,252</b>	<b>133,455</b>	<b>172,114</b>	<b>53,235</b>	<b>162,166</b>	<b>180,523</b>	<b>111,649</b>	<b>24,525</b>
<b>Ratios</b>								
Current Ratio	1.3	1.5	1.3	1.4	1.6	1.6	1.7	1.7
Debt to Equity	0.4	0.4	0.6	0.6	0.6	0.8	0.8	0.8
Days Sales in Accounts Receivable	54.4	32.9	33.0	33.0	33.0	33.0	33.0	33.0
Months Operating Expenses in Unrestricted Cash	8.4	5.7	6.0	6.5	6.8	7.1	7.2	7.1
Debt Coverage Ratio	1.3	1.4	1.6	1.1	1.5	1.5	1.3	1.1

<b>EXECUTIVE SUMMARY</b>		Reviewer	Brandi Norton	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	April 7, 2016	
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number	F16-049	
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21167029	
BORROWER	CITY OF HARRODSBURG MERCER COUNTY			
BRIEF DESCRIPTION				
This project will replace and install approximately 26,000 linear feet of aged water lines with 6 inch PVC pipe. The existing cast iron lines were installed in the 1940's and has corroded causing line breaks and leaks.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$2,887,200	Eng - Design / Const	RD Fee % 7.4%	Actual % 6.8%
		Eng - Insp	4.2%	4.0%
		Eng - Other		21,000
		Construction		2,351,300
		Contingency		235,200
TOTAL	\$2,887,200	TOTAL		\$2,887,200
REPAYMENT	Rate	0.75%	Est. Annual Payment	\$162,946
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Bob Smallwood		
	Bond Counsel	Peck, Shaffer, & Williams, a division of Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Sep-16		
	Construction Start	Oct-16		
	Construction Stop	Oct-17		
DEBT PER CUSTOMER	Existing	\$5,290		
	Proposed	\$10,948		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current	<u>Users</u> 3,745	<u>Avg. Bill</u> \$20.55	(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 2013	1,887,552	826,494	1,061,058	2.3
Audited 2014	2,109,564	1,017,514	1,092,050	2.1
Audited 2015	2,045,196	1,506,710	538,486	1.4
Projected 2016	2,391,664	1,159,844	1,231,820	2.1
Projected 2017	2,492,919	1,272,463	1,220,457	2.0
Projected 2018	2,458,564	1,451,313	1,007,251	1.7
Projected 2019	2,436,983	2,424,037	12,946	1.0
Projected 2020	2,441,436	2,429,732	11,704	1.0

Reviewer: Brandi Norton  
Date: April 7,2016  
Loan Number: F16-049

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER REVOLVING LOAN FUND (FUND "F")  
CITY OF HARRODSBURG, MERCER COUNTY  
PROJECT REVIEW  
WX21167029**

**I. PROJECT DESCRIPTION**

The City of Harrodsburg is requesting a Fund "F" loan in the amount of \$2,887,200 for the Water Distribution Main 2015 project. The project will replace and install approximately 26,000 linear feet of aged water lines with 6 inch PVC pipe. The existing cast iron lines were installed in the 1940's and has corroded causing line breaks and leaks.

The City's water system has about 3,745 customers and also provides service for the Burgin Water Department, which has 467 customers, The Lake Village Water Association, which has 2,095 customers and the North Mercer Water District, which has 4,023 customers.

**II. PROJECT BUDGET**

	<u>Total</u>
Engineering Fees - Design / Const	176,400
Engineering Fees - Inspection	103,300
Engineering Fees - Other	21,000
Construction	2,351,300
Contingency	235,200
<b>Total</b>	<b>\$ 2,887,200</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 2,887,200	100%
<b>Total</b>	<b>\$ 2,887,200</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 2,887,200
Interest Rate	0.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 155,728
Administrative Fee (0.25%)	7,218
<b>Total Estimated Annual Debt Service</b>	<b>\$ 162,946</b>

#### V. PROJECT SCHEDULE

Bid Opening	September 2016
Construction Start	October 2016
Construction Stop	October 2017

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current
Residential	3,453
Commercial	278
Industrial	14
Total	3,745

##### B) Rates

	Future	Current
Date of Last Rate Increase	6/11/2012	4/30/2010
First 250 cubic feet (per 100 cf)	\$9.87	\$8.78
Next 750 cubic feet	3.75	3.33
Next 3,000 cubic feet	3.26	2.90
<b>Cost for 4,000 gallons</b>	<b>\$20.55</b>	<b>\$18.26</b>
Increase %	12.5%	
Affordability Index (Rate/MHI)	0.8%	0.7%

#### VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2009-2013, the Utility's service area population was 8,778 with a Median Household Income (MHI) of \$30,375. The median household income for the Commonwealth is \$43,036. The project will qualify for a 0.75% interest rate.

Year	Population				Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	7,265		19,011		June 2004	5.3%
1990	7,335	1.0%	19,148	0.7%	June 2009	11.9%
2000	8,014	9.3%	20,817	8.7%	June 2013	8.6%
2010	8,340	4.1%	21,331	2.5%	June 2014	7.1%
Current	8,365	0.3%	21,313	-0.1%		
Cumulative %		15.1%		12.1%		

### **VIII. 2014 CAPITALIZATION GRANT EQUIVALENCIES**

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

### **IX. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the Municipal Waterworks and Sewer System fund for the years ended June 30, 2013 through 2015. The analysis includes combined results for the City’s water and sewer operations. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

#### **HISTORY**

Water revenues decreased a slight 4% from 2013 to 2015 from \$2.4 million to \$2.3 million. Sewer revenues increased 8% from \$2 million in 2013 to \$2.1 million in 2015. Operating expenses decreased 2% from \$2.6 million to \$2.57 million. The debt coverage ratio ranged from 2.3 in 2013 to 1.4 in 2015.

The balance sheet reflects a current ratio of 3.6, a debt to equity ratio of 1.3 and unrestricted cash equals 8.4 months of operating expenses.

#### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Sewer revenue will increase 17% in 2016 and 6% in 2017 from a previously approved rate increase.
- 2) Water and sewer revenues reflect a 0.5% increase for volume.
- 3) Operating expenses will increase by 2% per year.
- 4) Debt service coverage is 1.0 in 2019 when full year principal and interest repayments begin.

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

#### REPLACEMENT RESERVE

The annual replacement cost is \$7,200. This amount should be added to the replacement account each December 1 until the balance reaches \$72,000 and maintained for the life of the loan.

#### X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Sun Trust Lease (Water Meters)	\$ 1,060,056	2023
KIA (A02-06)	\$ 1,490,922	2023
KIA (A12-07)	\$ 635,400	2033
KIA (F11-17)	\$ 313,711	2033
KIA (A11-21)	\$ 350,934	2033
Whitaker Bank (Construction Loan)	\$ 338,970	2051
Whitaker Bank Refinance Loan	\$ 13,960	2016
2013 KY Rural Water Bonds	\$ 855,000	2021
2006 RD Bonds	\$ 990,000	2044
2006 RD Bonds	\$ 2,219,000	2045
2012 RD Bonds	\$ 7,594,500	2051
2014 RD Bonds	\$ 1,744,000	2053
KIA (F13-002)	\$ 2,206,022	2036
KIA (A15-046, i/a/o \$1.42 M)	\$ -	TBD
KIA (A15-074, i/a/o \$10 M)	\$ -	TBD
KIA (A15-075, i/a/o \$810,000)	\$ -	TBD
KIA (F15-031, i/a/o \$326,600)	\$ -	TBD
KIA (A16-033, i/a/o \$1.2 M)	\$ -	TBD
<b>Total</b>	<b>\$19,812,475</b>	

#### XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>Description</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
WTP Upgrade	CDBG	\$1,000,000	Grant
WTP Upgrade	RD	\$12,000,000	Loan/Grant
WWTP Upgrade	EPA SPAP	\$1,261,000	Grant
WWTP Upgrade	RD	\$2,462,000	Loan/Grant

## **XII. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Harrodsburg
Authorized Official	Eddie Long (Mayor)
County	Mercer
Email	2longbranch@roadrunner.com
Phone	(859) 734-2383
Address	208 South Main Street Harrodsburg, KY 40330

<b>Project Contact – Applicant and Administrator</b>	
Name	Laura Gilkerson
Organization	GRW Engineers, Inc.
Email	lgilkerson@grwinc.com
Phone	(859) 223-3999
Address	801 Corporate Drive Lexington, KY 40503

<b>Consulting Engineer</b>	
PE Name	Bob Smallwood
Firm Name	GRW Engineers, Inc.
Email	bsmallwood@grwinc.com
Phone	(859) 223-3999
Address	801 Corporate Drive Lexington, KY 40503

## **XIII. RECOMMENDATIONS**

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

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

	<u>Audited</u> <u>2013</u>	<u>Audited</u> <u>2014</u>	<u>Audited</u> <u>2015</u>	<u>Projected</u> <u>2016</u>	<u>Projected</u> <u>2017</u>	<u>Projected</u> <u>2018</u>	<u>Projected</u> <u>2019</u>	<u>Projected</u> <u>2020</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	1,754,092	2,740,769	3,043,899	3,328,479	3,589,070	3,793,021	3,812,067	3,829,871
Other Assets	35,444,268	37,340,483	40,699,603	52,018,145	65,923,003	64,218,732	61,708,925	59,199,388
<b>Total</b>	<b>37,198,360</b>	<b>40,081,252</b>	<b>43,743,502</b>	<b>55,346,624</b>	<b>69,512,073</b>	<b>68,011,752</b>	<b>65,520,991</b>	<b>63,029,259</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	931,209	1,722,112	1,077,278	926,932	934,835	942,897	951,120	959,507
Long Term Liabilities	16,187,663	17,184,663	20,611,494	30,104,369	42,566,704	41,853,707	41,125,126	40,375,169
<b>Total Liabilities</b>	<b>17,118,872</b>	<b>18,906,775</b>	<b>21,688,772</b>	<b>31,031,301</b>	<b>43,501,539</b>	<b>42,796,604</b>	<b>42,076,246</b>	<b>41,334,676</b>
<b>Net Assets</b>	<b>20,079,488</b>	<b>21,174,477</b>	<b>22,054,730</b>	<b>24,315,323</b>	<b>26,010,534</b>	<b>25,215,149</b>	<b>23,444,746</b>	<b>21,694,583</b>
<b>Cash Flow</b>								
Revenues	4,540,125	4,972,675	4,650,815	5,024,092	5,185,006	5,209,758	5,269,634	5,329,634
Operating Expenses	2,689,676	2,884,878	2,643,591	2,670,400	2,730,059	2,789,166	2,870,623	2,926,170
Other Income	37,103	21,767	37,972	37,972	37,972	37,972	37,972	37,972
<b>Cash Flow Before Debt Service</b>	<b>1,887,552</b>	<b>2,109,564</b>	<b>2,045,196</b>	<b>2,391,664</b>	<b>2,492,919</b>	<b>2,458,564</b>	<b>2,436,983</b>	<b>2,441,436</b>
<b>Debt Service</b>								
Existing Debt Service	826,494	1,017,514	1,506,710	1,159,844	1,272,463	1,369,840	2,261,091	2,266,786
Proposed KIA Loan	0	0	0	0	0	81,473	162,946	162,946
<b>Total Debt Service</b>	<b>826,494</b>	<b>1,017,514</b>	<b>1,506,710</b>	<b>1,159,844</b>	<b>1,272,463</b>	<b>1,451,313</b>	<b>2,424,037</b>	<b>2,429,732</b>
<b>Cash Flow After Debt Service</b>	<b>1,061,058</b>	<b>1,092,050</b>	<b>538,486</b>	<b>1,231,820</b>	<b>1,220,457</b>	<b>1,007,251</b>	<b>12,946</b>	<b>11,704</b>
<b>Ratios</b>								
Current Ratio	1.9	1.6	2.8	3.6	3.8	4.0	4.0	4.0
Debt to Equity	0.9	0.9	1.0	1.3	1.7	1.7	1.8	1.9
Days Sales in Accounts Receivable	40.1	35.2	37.4	37.4	37.4	37.4	37.4	37.4
Months Operating Expenses in Unrestricted Cash	2.5	5.8	7.5	8.4	9.4	10.1	10.0	9.8
Debt Coverage Ratio	2.3	2.1	1.4	2.1	2.0	1.7	1.0	1.0