



**Board Meeting Booklet**  
**for**  
**June 1, 2017**

**Kentucky Infrastructure Authority**  
**1024 Capital Center Drive, Suite 340**  
**Frankfort, Kentucky 40601-3646**  
**502-573-0260**  
**502-573-0157 fax**  
**<http://kia.ky.gov>**



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# AGENDA

KENTUCKY INFRASTRUCTURE AUTHORITY  
FULL BOARD MEETING  
1024 CAPITAL CENTER DRIVE, SUITE 340  
June 1, 2017 – 1:00 p.m.

## Call to Order:

Chair Sandra Dunahoo

- Confirmation of Press Notice
- Confirmation of Quorum
- Recognition of Members/Guests

## I. BUSINESS (Board Action Required)

### A. Minutes

- |   |                      |   |
|---|----------------------|---|
| 1. Consideration of Approval of the <b>Minutes</b> of the <b>Kentucky Infrastructure Authority Regular Board Meeting of May 4, 2017</b><br><i>(Attachment I.A.1.)</i> | Chair Sandra Dunahoo | 9 |
|---|----------------------|---|

### B. New Projects / Action Items

- |   |   |    |
|---|---|----|
| 1. Resolution and Order of the Board of Directors for Approval of a <b>Fund A loan (A17-033)</b> in the amount of <b>\$9,100,000</b> to the <b>Paducah McCracken JSA, McCracken County, Kentucky</b> (SX21145023)<br><i>(Attachment I.B.1.)</i>   | Mr. Jory Becker, DOW<br>Ms. Ashley Adams, KIA | 19 |
| 2. Resolution and Order of the Board of Directors for Approval of a <b>Fund B loan (B17-013)</b> in the amount of <b>\$849,000</b> to the <b>City of Mayfield, Graves County, Kentucky</b> (SX21083058, WX21083041)<br><i>(Attachment I.B.2.)</i>   | Ms. Ashley Adams, KIA                         | 33 |
| 3. Resolution and Order of the Board of Directors Authorizing the <b>Change</b> of a previously approved <b>Fund A loan (A16-042)</b> to a <b>Fund B loan (B17-014)</b> in the amount of <b>\$500,000</b> to the <b>Regional Water Resource Agency, Daviess County, Kentucky</b> (SX21059039)<br><i>(Attachment I.B.3.)</i> | Ms. Ashley Adams, KIA                         | 45 |
| 4. Resolution and Order of the Board of Directors Authorizing the <b>Change</b> of a previously approved <b>Fund A loan (A16-043)</b> to a <b>Fund B loan (B17-015)</b> in the amount of <b>\$485,000</b> to the <b>Regional Water Resource Agency, Daviess County, Kentucky</b> (SX21059026)<br><i>(Attachment I.B.4.)</i> | Ms. Ashley Adams, KIA                         | 49 |

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|----|--|---|----|
| 5. | Resolution and Order of the Board of Directors for Approval of a <b>Fund F loan (F17-014)</b> in the amount of <b>\$6,593,000</b> to the <b>City of Campbellsville, Taylor County, Kentucky (WX21217025)</b><br><i>(Attachment I.B.5.)</i>   | Mr. Jory Becker, DOW<br>Ms. Ashley Adams, KIA | 53 |
| 6. | Resolution and Order of the Board of Directors for Approval for <b>Assumption of Fund A loan (A04-06)</b> in the amount of <b>\$30,588.02</b> and <b>Fund A loan (A11-16)</b> in the amount of <b>\$660,525.28</b> by the <b>City of Prestonsburg, Floyd County, Kentucky</b><br><i>(Attachment I.B.6.)</i>                                      | Mr. Jeff Abshire, KIA                         | 67 |
| 7. | Resolution and Order of the Board of Directors Authorizing and Approving the Issuance of Obligations of the Kentucky Infrastructure Authority to <b>Reimburse Capital Expenditures</b> made by Governmental Agencies Pursuant to Loans made by the Kentucky Infrastructure Authority to such Governmental Agencies<br><i>(Attachment I.B.7.)</i> | Mr. Jeff Abshire, KIA                         | 81 |

**II. EXECUTIVE DIRECTOR’S REPORT**

Ms. Donna McNeil, KIA

**III. ANNOUNCEMENTS/NOTIFICATIONS**

1. Next KIA Board Meeting:  
***Tentatively set for Thursday, July 6, 2017***  
Kentucky Infrastructure Authority  
1024 Capital Center Drive, Suite 340, Frankfort

**IV. ADJOURN**

Chair Sandra Dunahoo

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**I.A.1.**

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**KENTUCKY INFRASTRUCTURE AUTHORITY**  
**Minutes of the Full Board**

**Meeting Date/Location: May 4, 2017 – 1:00 p.m.**  
**Kentucky Infrastructure Authority**  
**1024 Capital Center Drive, Suite 340, Frankfort**

**Members present:**

Ms. Sandra Dunahoo, Commissioner, Department for Local Government  
Mr. Mark Bunning, Finance and Administration Cabinet  
(proxy for Secretary William Landrum, FAC)  
Mr. Bruce Scott, Energy and Environment Cabinet  
(proxy for Secretary Charles Snavely, EEC)  
Mr. Jerry Martin, (proxy for Secretary Terry Gill), Cabinet for Economic Development  
Ms. Talina Mathews, Executive Director, Public Service Commission  
Mr. Paul Lashbrooke, representing the Kentucky Rural Water Association  
Ms. Linda C. Bridwell, representing for-profit private water companies  
Mr. David A. Voegele, representing Kentucky Association of Counties  
Mr. Claude Christensen, representing Kentucky League of Cities

**Members absent:**

Mr. C. Ronald Lovan, representing the American Water Works Association  
Mr. Robert A. Amato, representing Kentucky Municipal Utilities Association

**Guests:**

Mr. Jory Becker, Division of Water  
Mr. Vernon Brown, Department for Local Government  
Mr. Joe Burns, Kentucky Rural Water Association  
Ms. Bethany Cooper, City of Benton  
Ms. Bethany Couch, Office of Financial Management  
Ms. Rita Dotson, City of Benton  
Ms. Jessica Filiatreau, City of Bardstown  
Mr. Jonathan Hollinger, Lexington-Fayette Urban County Government  
Ms. Tracy Hudson, City of Bardstown  
Mr. Alex Kelly, Office of State Budget Director  
Mr. Bryan Kirby, Community & Economic Development Associates, Inc.  
Mr. Charles McCann, Rivercrest Engineering, Inc.  
Mr. Charles Martin, Lexington-Fayette Urban County Government  
Mr. Roger Recktenwald, Kentucky Association of Counties  
Mr. Vaughn Williams, Kenvirons, Inc.

## **PROCEEDINGS**

Chair Sandra Dunahoo called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order.

Ms. Dunahoo asked Staff Attorney Bill Pauley, to confirm the press notification and the presence of a quorum. Guests were asked to introduce themselves.

### **I. BUSINESS (Board Action Required)**

#### **A. 1. APPROVAL OF MINUTES**

**For: KIA Regular Board Meeting of March 2, 2017**

*Ms. Linda Bridwell moved to approve the minutes of the March 2, 2017, regular board meeting. Ms. Talina Mathews seconded, and the motion carried unanimously.*

#### **B. NEW PROJECTS/ACTION ITEMS**

Chair Dunahoo turned the floor over to Donna McNeil, KIA Executive Director.

Director McNeil addressed the group about two issues. A change has been made in the wording on the Resolutions. Today's resolutions include "for an amount up to" the requested dollar amount. The second matter pertains to the use of residual funds. The EPA has some concerns that need to be addressed.

#### **1. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A17-039) FOR AN AMOUNT UP TO \$1,780,000 TO THE CITY OF BENTON, MARSHALL COUNTY, KENTUCKY**

Mr. Jory Becker, DOW, and Ms. Debbie Landrum, KIA, discussed the City of Benton's request for a Fund A loan for an amount up to \$1,780,000 for the Sewer Collection System SSES & Rehabilitation Phase III project. This is the third phase of an ongoing series of projects to identify and eliminate sources of infiltration and inflow in the City's sewer system. The system is greatly affected by wet weather flows with peak flows ranging five to nine times the average dry weather sanitary flow. The work being done for this project is to directly address an Agreed Order issued by the EPA.

Approximately 20,000 linear feet of sanitary sewer and appurtenances will be evaluated by closed circuit television inspection, manhole inspections, and pre/post construction flow monitoring. The rehabilitation will include open cut

replacement, cured-in-place pipe, cementitious manhole lining, sewer lateral replacement, and lateral lining.

***Ms. Linda Bridwell moved to approve the Fund “A” Loan, (A17-039) up to the amount of \$1,780,000 to the City of Benton with the standard conditions. Mr. Claude Christensen seconded, and the motion was unanimously approved.***

**2. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A17-005) FOR AN AMOUNT UP TO \$9,969,585 TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, FAYETTE COUNTY, KENTUCKY**

Mr. Jory Becker, DOW and Mr. Jeff Abshire, KIA, discussed the Lexington-Fayette Urban County Government’s (“LFUCG”) request for a fund “A” loan for an amount up to \$9,969,585 for the Midland / East Main sanitary trunk sewer replacement and the green infrastructure associated with the Town Branch Commons (TBC) project. The TBC project is already in the design phase and is on an accelerated pace in order to construct pedestrian / vehicular transportation improvements currently funded by federal transportation grants. LFUCG is requesting funding to leverage sanitary and storm water management improvements with the transportation improvements thus creating a holistic funding strategy for the TBC project.

LFUCG is required to replace approximately 5,600 linear feet of 12-inch sanitary trunk sewer along Midland Avenue and East Main Street as part of its approved Remedial Measures Plan (RMP). Compliance with the RMP is a requirement of LFUCG’s Consent Decree with the Commonwealth and the United States Environmental Protection Agency (EPA). LFUCG’s original completion schedule for this project was 2023. However, due to the accelerated nature of the broader Town Branch Commons project along the Midland / East main corridor, LFUCG has elected to move the trunk sewer replacement up in the RMP schedule.

The TBC project presented an opportunity to coordinate the RMP project with the TBC project to minimize disruption to the public and achieve beneficial economies of scale. LFUCG has elected to take the economies of scale opportunity to the next level by also designing/constructing green infrastructure within the project corridor to manage storm water runoff and mitigate the heat island effects of an urban hardscape. Green infrastructure will include bio-swales for storm water treatment, pervious pavement to promote infiltration over sheet flow runoff, and trees for water uptake.

LFUCG's wastewater utility serves more than 300,000 residents in Fayette County with approximately 106,000 customers. The utility maintains approximately 1,400 miles of sanitary sewer line, 81 pump stations, and two wastewater treatment plants.

***Ms. Linda Bridwell moved to approve the Fund "A" Loan, (A17-005) for an amount up to \$9,969,585 to the Lexington-Fayette Urban County Government with the standard conditions. Mr. Bruce Scott seconded, and the motion was unanimously approved.***

**3. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AN AMENDMENT TO THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A14-013) INCREASE FOR AN AMOUNT UP TO \$470,000 TO THE CITY OF CATLETTSBURG, BOYD COUNTY, KENTUCKY**

Mr. Jory Becker, DOW, and Mr. Jeff Abshire, KIA, discussed the City of Catlettsburg's request for an amount up to \$470,000 increase to a loan that was originally approved for \$2,485,000 on September 4, 2014 for the Wastewater Treatment Plant (WWTP) and Sanitary Sewer Collection System Rehabilitation and Expansion Project. The project will rehabilitate two 250,000 gallon per day clarifiers and add one 150,000 gallon per day clarifier. It will also replace a 25 year old sludge press, headworks screen and grit chamber, rehab three pump stations, raise four manholes, and rehabilitate approximately 2,000 linear feet of the collection system to address the most critical inflow and infiltration (I&I) areas.

The overage is primarily due to the wastewater treatment plant rehab and expansion component. There was only one identified supplier that could support the rehab of the old treatment units due to their age. Additionally, site excavation and piping rehab was more complex than originally anticipated. While there were six bids, there were no local area bidders for the proposed contract. The plant was constructed in 1964 and expanded in 1997 while approximately 96% of the collection lines are in excess of twenty years old.

***Ms. Linda Bridwell moved to approve the increase to Fund "A" Loan, (A14-013) in the amount up to \$470,000 to the City of Catlettsburg with the standard conditions and the following special conditions: 1.) Sewer rates will be increased to increase annual revenues by approximately \$20,000 no later than August 1, 2017 and 2.) The City will implement an annual CPI adjustment no later than August 1, 2017 in their sewer rate ordinance to be effective no later than July 1, 2018. Mr. Talina Mathews seconded, and the motion was unanimously approved.***

Mr. Jeff Abshire noted that both Agenda items 4 and 5 would be presented together for the City of Bardstown.

**4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AN AMMENDEMENT TO THE CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B17-008) INCREASE FOR AN AMOUNT UP TO \$152,000 TO THE CITY OF BARDSTOWN, NELSON COUNTY, KENTUCKY**

Mr. Jeff Abshire, KIA, discussed the City of Bardstown's request for an up to \$152,000 increase to a Fund "B" loan that was originally approved for \$1,129,000 for the Bardstown Water Treatment Plant Improvements Project. The low bid was higher than the original budget. The project includes construction of a new 24 inch backwash supply main and three new vaults.

Approximately 700 linear feet of 24 inch and 120 linear feet of 16 inch ductile iron water main will be constructed as the new backwash supply main. In addition, the project will include approximately 515 linear feet of 2 inch schedule 80 PVC pipe to be constructed below grade and along the inner perimeter of the filters (chlorine rings) to serve as the new top-off-filter chlorine disinfection system within filters 2, 3 and 4.

The City regularly experiences issues with backwashing at the existing four filters within the water treatment plant. The 16 inch backwash supply main does not provide the capacity to adequately backwash the filters. This issue is especially present with Filters 3 and 4, which are larger than Filters 1 and 2 and require additional flow. The proposed project will improve water quality by enhancing adequate and efficient backwash of the primary water treatment system filters. The addition of below grade chlorine lines will improve the disinfection process as well as site safety due to the removal of above grade chlorine. All four wholesale water purchasers have received notices of violation from the Division of Water for disinfectant byproduct levels.

The City provides water service to approximately 11,000 in Hardin, Nelson and Washington Counties. They sell approximately 350 million gallons of water annually to the Bloomfield Water and Sewer Department, Larue County Water District #1, New Haven Municipal Water Works, and North Nelson Water District (PSC regulated) at a rate of \$2.00 per thousand gallons.

**5. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B17-012) FOR AN AMOUNT UP TO \$1,000,000 TO THE CITY OF BARDSTOWN, NELSON COUNTY, KENTUCKY**

The City of Bardstown requested a Fund “B” loan in the amount of up to \$1,000,000 for the Water Treatment Plant Disinfection Conversion project. The project includes the addition of ammonia chemical feed and monitoring equipment to convert from chlorine to chloramines at the plant. This will reduce disinfection byproducts (DBPs) in the distribution system and provide compatible treatment with Louisville Water who also services the North Nelson Water District. All four wholesale customers have received notices of violation and enforcement actions for DBPs.

The City provides water service to approximately 11,000 in Hardin, Nelson and Washington Counties. They sell approximately 350 million gallons of water annually to the Bloomfield Water and Sewer Department, Larue County Water District #1, New Haven Municipal Water Works, and North Nelson Water District (PSC regulated) at a rate of \$2.00 per thousand gallons.

***Mr. Paul Lashbrooke moved to approve the Fund “B” Loan, (B17-008) for an increase in an amount up to \$152,000 and a Fund “B” Loan (B17-012) for an amount up to \$1,000,000 to the City of Bardstown with the standard conditions. Ms. Linda Bridwell seconded, and the motion was unanimously approved.***

**6. AUTHORIZING AND APPROVING THE ISSUANCE OF OBLIGATIONS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY TO REIMBURSE CAPITAL EXPENDITURES MADE BY GOVERNMENTAL AGENCIES PURSUANT TO LOANS MADE BY THE KENTUCKY INFRASTRUCTURE AUTHORITY TO SUCH GOVERNMENTAL AGENCIES**

This is a routine resolution allowing KIA to reimburse expenses that are paid out of the Authority’s funds with bond proceeds. The projects listed below are covered under this resolution:

<b>APPLICANT</b>	<b>FUND</b>	<b>AMOUNT UP TO</b>
City of Benton	A17-039	\$ 1,780,000
Lexington-Fayette Urban County Government	A17-005	\$ 9,969,585
City of Catlettsburg (Increase)	A14-012	\$ 470,000
City of Bardstown (Increase)	B17-008	\$ 152,000
City of Bardstown	B17-012	\$ 1,000,000

***Ms. Linda Bridwell moved to approve the resolution. Mr. Mark Bunning seconded, and the motion carried unanimously.***

Commissioner Dunahoo thanked Donna McNeil and Bill Pauley, DLG Staff Attorney, for their efforts in researching policy and resolutions and establishing a plan on the best way for KIA to move forward.

## II. EXECUTIVE DIRECTOR'S REPORT

Director McNeil addressed the group. She thanked Mark Bunning, Ron Lovan and Linda Bridwell for serving on an Ad Hoc Committee. This group is discussing ways to improve KIA in establishing a more streamlined Board Book, Board presentations and various other areas that have issues of concern.

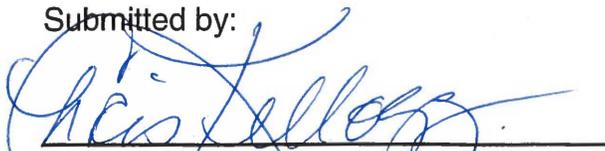
Ms. McNeil began a PowerPoint presentation giving general information and the history of KIA, including the make-up of the 11 person Board. There are five Ex-Officio members and six At-Large members which are appointed by the Governor. Each member has equal voting rights. Also discussed were the four Loan Programs administered through the Authority. Loan Funds A and F are annual grants through the Environmental Protection Agency (EPA), both require a 20% state match. Loan Fund B, if authorized, are from state bond proceeds and Fund C are from bonds issued as needed. A brief overview of the loan process was also discussed; noting the number of loans to date for each Fund. KIA has no loans that are in delinquency. One was questionable, but staff has worked with the entity to begin repayment starting on June 1<sup>st</sup>. The PowerPoint presentation is available upon request.

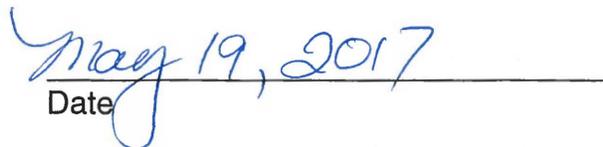
## ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:  
Thursday, June 1, 2017, 1:00 p.m.  
1024 Capital Center Drive, Suite 340  
Frankfort, Kentucky

***There being no further business, Ms. Linda Bridwell moved to adjourn. Mr. Mark Bunning seconded and the motion carried unanimously. The May 4, 2017, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.***

Submitted by:

  
Chris Kellogg, Acting Secretary  
Kentucky Infrastructure Authority

  
Date

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**A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A17-033) FOR AN AMOUNT UP TO \$9,100,000 TO THE PADUCAH MCCRACKEN JOINT SEWER AGENCY, MCCRACKEN COUNTY, KENTUCKY**

**WHEREAS**, the Kentucky Infrastructure Authority (the "Authority") has been duly created as a body corporate and politic constituting a public corporation and a governmental agency of the Commonwealth of Kentucky pursuant to Chapter 224A of the Kentucky Revised Statutes (the "Act"); and

**WHEREAS**, pursuant to the Act, the Authority is duly and legally authorized to make loans to Governmental Agencies for the purpose of providing funds for the construction and acquisition of sanitary sewer facilities, water facilities or other types of infrastructure, and in that regard, to enter into Assistance Agreements with such Governmental Agencies governing the provisions in respect of which such loans are to be made, the amounts thereof and the repayment provisions in respect thereto; and

**WHEREAS**, the Authority anticipates entering into an Assistance Agreement for a loan from the Authority's Federally Assisted Clean Water Revolving Loan Program (Fund A) with the Paducah McCracken Joint Sewer Agency, subject to final determination of amount when the factors involving such financing have been determined; and

**WHEREAS**, the Authority will, in the near future, authorize and issue a series of Infrastructure Authority Revenue Bonds for the purpose of funding loans to various governmental agencies, such series of Bonds to be known as Kentucky Infrastructure Authority Revenue Bonds with the appropriate Series designation; and

**WHEREAS**, the Authority wishes to establish terms and conditions on said Fund A loans prior to the issuance of Authority Revenue Bonds and recognizes that additional planning and design of the financed projects are required.

**NOW, THEREFORE, THE KENTUCKY INFRASTRUCTURE AUTHORITY, ACTING BY AND THROUGH ITS BOARD OF DIRECTORS AS ITS DULY AUTHORIZED AND EMPOWERED GOVERNING BODY, DOES HEREBY RESOLVE AND ORDER, AS FOLLOWS:**

Section 1. All statements of fact set forth in the preambles to this Resolution and Order are incorporated herein by reference, the same as if set forth verbatim. All such statements of fact are hereby declared to be true and accurate in all material respects.

Section 2. The Authority hereby authorizes the issuance of a conditional Federally Assisted Clean Water Revolving Fund A loan for an amount up to \$9,100,000 of project expense including capitalized interest for the construction period, to the Paducah McCracken Joint Sewer Agency for the Combined Sewer Storage Tank - Harrison Street Phase 1 Project. Such amounts are subject to adjustment by further action of the Authority or may be adjusted by action of the Executive Director at the time of the issuance of bonds based on adjustment in project costs of not more than ten percent (10%) of the loan amount authorized by this resolution. Upon satisfaction of all conditions of the commitment, execution of an assistance agreement for this loan is authorized.

Section 3. The loan shall be repayable over 20 years at an interest rate of 1.75%. In addition to debt service, a 0.2% annual administration fee on the unpaid loan balance will be charged. There will be no additional reserve requirement for this loan as long as the Agency continues to maintain their current designated reserve policies. These terms are subject to adjustment upon execution of the loan agreement, upon changes in the project conditions or determination that the project will require authority financing to be done on a taxable basis.

Section 4. This Resolution and Order shall be in full force and effect from and after its adoption at a properly held meeting of the Kentucky Infrastructure Authority this 1st day of June, 2017.

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SANDRA K. DUNAHOO, CHAIR  
KENTUCKY INFRASTRUCTURE AUTHORITY

ATTEST:

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CHRIS KELLOGG, SECRETARY  
KENTUCKY INFRASTRUCTURE AUTHORITY

REVIEWED BY:

---

WILLIAM PAULEY, STAFF ATTORNEY  
DEPARTMENT FOR LOCAL GOVERNMENT



MATTHEW G. BEVIN  
GOVERNOR

CHARLES G. SNAVELY  
SECRETARY

**ENERGY AND ENVIRONMENT CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

AARON B. KEATLEY  
COMMISSIONER

300 SOWER BOULEVARD  
FRANKFORT, KENTUCKY 40601

May 22, 2017

Donna McNeil, Executive Director  
Kentucky Infrastructure Authority  
1024 Capital Center Drive, Suite 340  
Frankfort, Kentucky 40601

Re: A17-033  
Paducah WWTP—3062  
10MG Combined Sewer Storage Tank  
Activity ID: FGL20170003

Dear Mrs. McNeil:

The Division of Water (DOW) hereby certifies that the Paducah McCracken Co Joint Sewer is eligible to receive \$9,100,000.00 from the Clean Water State Revolving Fund. The DOW certifies that the project scope is consistent with the scope that was used to rank the project on the Intended Use Plan-Project Priority List.

The Paducah McCracken Co Joint Sewer's status relative to the Clean Water State Revolving Fund General Conditions is provided below:

1. Project specific environmental information is expected to be submitted to DOW in July 2017.
2. Plans and specifications are expected to be submitted to DOW in July 2017.
3. Construction bids are expected to be opened in August 2017.

Upon compliance with the general conditions, the DOW will issue a final project certification prior to authorizing the loan agreement. A preconstruction and project management conference with the DOW must be held prior to commencement of construction. If you have any questions concerning this letter, please contact Krystal Harrod, Project Manager, at (502) 782-6968.

Sincerely,

Peter T. Goodmann, Director  
Division of Water

PG/BG:kh

c: Mr. John C Hodges



<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	Ashley Adams June 1, 2017 A17-033 SX21145023	
BORROWER		PADUCAH MCCRACKEN COUNTY JOINT SEWER AGENCY MCCRACKEN COUNTY		
BRIEF DESCRIPTION				
This project will construct a 10 MG combined sewer storage tank along with related appurtenances. The project is the first project required under the Agency's Long Term Control Plan (LTCP) and Consent Judgment (Civil Action 07-CI-1252). The primary purpose of the tank will be to receive future excess wet weather flows.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$9,100,000	RD Fee %	Actual %	
		Administrative Expenses	\$0	
		Legal Expenses	7,500	
		Land, Easements	300,000	
		Planning	30,000	
		Eng - Design / Const	513,050	
		Eng - Insp	225,000	
		Construction	7,085,000	
		Contingency	934,450	
		Other	5,000	
TOTAL	\$9,100,000	TOTAL	\$9,100,000	
REPAYMENT	Rate Term	1.75% 20 Years	Est. Annual Payment 1st Payment 6 Mo. after first draw	
			\$559,428	
PROFESSIONAL SERVICES	Engineer Bond Counsel	JR Wauford & Company Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	Mar-18 May-18 Oct-19		
DEBT PER CUSTOMER	Existing Proposed	\$1,227 \$1,621		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current Additional	<u>Users</u> 18,098 0	<u>Avg. Bill</u> \$23.32 (for 4,000 gallons) \$23.32 (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 2014	2,916,526	1,280,235	1,636,291	2.3
Audited 2015	2,960,038	1,572,243	1,387,795	1.9
Audited 2016	3,502,846	1,375,321	2,127,525	2.5
Projected 2017	4,099,052	1,569,471	2,529,581	2.6
Projected 2018	5,079,827	1,647,984	3,431,844	3.1
Projected 2019	4,991,062	1,715,046	3,276,016	2.9
Projected 2020	4,900,522	1,988,932	2,911,590	2.5
Projected 2021	4,808,171	2,267,122	2,541,049	2.1

Reviewer: Ashley Adams  
 Date: June 1, 2017  
 Loan Number: A17-033

**KENTUCKY INFRASTRUCTURE AUTHORITY  
 WASTEWATER REVOLVING LOAN FUND (FUND "A")  
 PADUCAH MCCRACKEN JOINT SEWER AGENCY, MCCRACKEN COUNTY  
 PROJECT REVIEW  
 SX21145023**

**I. PROJECT DESCRIPTION**

Paducah McCracken Joint Sewer Agency is requesting a Fund A loan in the amount of \$9,100,000 for the Combined Sewer Storage Tank – Harrison Street Phase 1 project. This project will construct a 10 MG combined sewer storage tank along with related appurtenances. The project is the first project required under the Agency's Long Term Control Plan (LTCP) and Consent Judgment (Civil Action 07-CI-1252). The primary purpose of the tank will be to receive future excess wet weather flows.

The Agency currently serves approximately 18,000 customers.

**II. PROJECT BUDGET**

	<u>Total</u>
Legal Expenses	\$ 7,500
Land, Easements	300,000
Planning	30,000
Engineering Fees - Design / Const	578,050
Engineering Fees - Inspection	225,000
Construction	7,000,000
Contingency	954,450
Other	5,000
<b>Total</b>	<b>\$ 9,100,000</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 9,100,000	100%
<b>Total</b>	<b>\$ 9,100,000</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Amortized Loan Amount	\$ 9,100,000
Interest Rate	1.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 541,228
Administrative Fee (0.20%)	18,200
<b>Total Estimated Annual Debt Service</b>	<b>\$ 559,428</b>

#### V. PROJECT SCHEDULE

Bid Opening	March 2018
Construction Start	May 2018
Construction Stop	October 2019

#### VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

##### A) Customers

Customers	Current
Residential	18,098
<b>Total</b>	<b>18,098</b>

##### B) Rates

	Future	Current	Prior
Date of Last Rate Increase	07/01/17	03/01/16	07/01/14
Minimum (3,000 gallons) per 1,000	\$17.49 5.83	\$15.45 5.15	\$13.29 4.43
Cost for 4,000 gallons	\$23.32	\$20.60	\$17.72
Increase %	13.2%	16.3%	
Affordability Index (Rate/MHI)	0.8%	0.7%	

#### VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2010-2014, the Utility's service area population was 34,452 with a Median Household Income (MHI) of \$36,650. The median household income for the Commonwealth is \$43,342. The project will qualify for a 1.75% interest rate.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	29,315		61,310		June 2005	6.3%
1990	27,256	-7.0%	62,879	2.6%	June 2010	9.0%
2000	26,307	-3.5%	65,514	4.2%	June 2015	5.8%
2010	25,024	-4.9%	65,565	0.1%	June 2016	6.2%
Current	25,046	0.1%	65,545	0.0%		
Cumulative %		-14.6%		6.9%		

### VIII. 2016 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, 2014 through June 30, 2016. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2016 operating expenses (\$181 thousand). Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

#### HISTORY

Revenues increased 7% from \$6.9 million in 2014 to \$7.4 million in 2016 due to previously approved rate increases. Operating expenses decreased 2% from \$4.4 million in 2014 to \$4.3 million in 2016. The debt coverage ratio was 2.3, 1.9, and 2.5 from 2014 to 2016, respectively.

The balance sheet reflects a current ratio of 5.4, a debt to equity ratio of 0.5, and a collection period of 24.4 days. Unrestricted cash equals 16.1 months of operating expenses.

#### PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase 9.2% in 2017 and 13.2% in 2018 due to previously approved rate increases. The utility also has a CPI clause that states they

may adjust rates based on CPI-U each April although no CPI assumptions for revenue growth were factored into this analysis.

- 2) Expenses will increase 2% for inflation
- 3) Debt service coverage is 2.1 in 2021 when 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 Agency currently has designated reserves which include (1) restricted reserves related to outstanding debt and (2) reserves established by the agency for high dollar capital equipment purchases, emergencies and rate stabilization (currently funded to the maximum level of \$3,000,000). In the case of the second reserve account, the agency has a policy that this account cannot drop below \$750,000 and anytime the balance is less than \$3,000,000 their policy states that they will deposit \$135,000 annually until the maximum balance is obtained. There will be no additional reserve requirement for this loan as long as the Agency continues to maintain their current designated reserve policies.

#### X. DEBT OBLIGATIONS

	Outstanding	Maturity
Revenue Bonds 2011	\$ 4,140,500	2051
Revenue Refunding Bonds 2014	4,000,000	2031
KIA (A03-01)	550,968	2023
KIA (A03-08)	645,346	2026
KIA (A04-03)	431,264	2025
KIA (A08-01)	1,076,076	2029
KIA (A09-02)	5,340,434	2033
KIA (A12-08)	6,025,318	2035
KIA (A16-072) (i/a/o \$2,385,000)		
<b>Total</b>	<b>\$ 22,209,906</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>
Massac Creek Interceptor	Delta Regional Authority	\$ 100,000	Grant
Walker Boat Yard Extension & Pump Station	EDA	425,680	Grant

## **XII. CONTACTS**

<b>Legal Applicant</b>	
Name	Paducah McCracken Joint Sewer Agency
Address	621 Northview St Paducah, KY 42001
County	McCracken
Authorized Official	John Hodges, Executive Director
Phone	270-575-0056
Email	jhodges@jointsewer.com

<b>Project Contact - Applicant</b>	
Name	Amy Darnell, Director of Finance
Representing	Paducah McCracken Joint Sewer Agency
Address	621 Northview St Paducah, KY 42001
Phone	270-575-0056
Email	adarnell@jointsewer.com

<b>Project Administrator</b>	
Name	Paducah McCracken Joint Sewer Agency
Address	621 Northview St Paducah, KY 42001
Contact	Josh Webb
Phone	270-575-0056
Email	jwebb@jointsewer.com

<b>Consulting Engineer</b>	
Name	Greg Davenport, PE
Firm	JR Wauford & Company
Address	2835 Lebanon Rd., PO Box 140350 Nashville, TN 37214
Phone	615-883-3243
Email	gregd@jrwauford.com

### **XIII. RECOMMENDATIONS**

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

**PADUCAH MCCrackEN COUNTY JOINT SEWER AGENCY  
FINANCIAL SUMMARY (JUNE YEAR END)**

<b>Balance Sheet</b>	<b>Audited 2014</b>	<b>Audited 2015</b>	<b>Audited 2016</b>	<b>Projected 2017</b>	<b>Projected 2018</b>	<b>Projected 2019</b>	<b>Projected 2020</b>	<b>Projected 2021</b>
<b>Assets</b>								
Current Assets	14,773,081	13,346,415	13,992,586	14,544,039	15,301,708	15,956,911	16,539,229	17,047,439
Other Assets	65,256,863	68,423,112	67,910,623	69,368,198	69,344,569	69,954,611	77,628,945	76,665,182
<b>Total</b>	<b>80,029,944</b>	<b>81,769,527</b>	<b>81,903,209</b>	<b>83,912,238</b>	<b>84,646,277</b>	<b>85,911,522</b>	<b>94,168,174</b>	<b>93,712,621</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	1,758,635	2,137,269	2,581,348	2,591,318	2,627,085	2,652,789	2,679,435	2,711,026
Long Term Liabilities	20,559,124	24,108,560	23,890,401	25,012,361	23,648,914	23,092,703	30,167,984	28,945,015
<b>Total Liabilities</b>	<b>22,317,759</b>	<b>26,245,829</b>	<b>26,471,749</b>	<b>27,603,679</b>	<b>26,275,999</b>	<b>25,745,492</b>	<b>32,847,419</b>	<b>31,656,041</b>
<b>Net Assets</b>	<b>57,712,185</b>	<b>55,523,698</b>	<b>55,431,460</b>	<b>56,308,558</b>	<b>58,370,278</b>	<b>60,166,031</b>	<b>61,320,755</b>	<b>62,056,580</b>
<b>Cash Flow</b>								
Revenues	6,912,425	6,921,452	7,407,866	8,089,390	9,157,189	9,157,189	9,157,189	9,157,189
Operating Expenses	4,341,692	4,251,438	4,265,905	4,351,223	4,438,247	4,527,012	4,617,552	4,709,903
Other Income	345,793	290,024	360,885	360,885	360,885	360,885	360,885	360,885
<b>Cash Flow Before Debt Service</b>	<b>2,916,526</b>	<b>2,960,038</b>	<b>3,502,846</b>	<b>4,099,052</b>	<b>5,079,827</b>	<b>4,991,062</b>	<b>4,900,522</b>	<b>4,808,171</b>
<b>Debt Service</b>								
Existing Debt Service	1,280,235	1,572,243	1,375,321	1,569,471	1,647,984	1,715,046	1,709,218	1,707,694
Proposed KIA Loan	0	0	0	0	0	0	279,714	559,428
<b>Total Debt Service</b>	<b>1,280,235</b>	<b>1,572,243</b>	<b>1,375,321</b>	<b>1,569,471</b>	<b>1,647,984</b>	<b>1,715,046</b>	<b>1,988,932</b>	<b>2,267,122</b>
<b>Cash Flow After Debt Service</b>	<b>1,636,291</b>	<b>1,387,795</b>	<b>2,127,525</b>	<b>2,529,581</b>	<b>3,431,844</b>	<b>3,276,016</b>	<b>2,911,590</b>	<b>2,541,049</b>
<b>Ratios</b>								
Current Ratio	8.4	6.2	5.4	5.6	5.8	6.0	6.2	6.3
Debt to Equity	0.4	0.5	0.5	0.5	0.5	0.4	0.5	0.5
Days Sales in Accounts Receivable	22.7	26.5	24.4	24.4	24.4	24.4	24.4	24.4
Months Operating Expenses in Unrestricted Cash	14.5	17.1	16.1	17.2	18.7	20.1	21.2	22.1
Debt Coverage Ratio	2.3	1.9	2.5	2.6	3.1	2.9	2.5	2.1

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**A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B17-013) FOR AN AMOUNT UP TO \$849,000 TO THE CITY OF MAYFIELD f/b/o MAYFIELD ELECTRIC & WATER SYSTEMS, GRAVES COUNTY, KENTUCKY**

**WHEREAS**, the Kentucky Infrastructure Authority (the "Authority") has been duly created as a body corporate and politic constituting a public corporation and a governmental agency of the Commonwealth of Kentucky pursuant to Chapter 224A of the Kentucky Revised Statutes (the "Act"); and

**WHEREAS**, pursuant to the Act, the Authority is duly and legally authorized to make loans to Governmental Agencies for the purpose of providing funds for the construction and acquisition of sanitary sewer facilities, water facilities or other types of infrastructure, and in that regard, to enter into Assistance Agreements with such Governmental Agencies governing the provisions in respect of which such loans are to be made, the amounts thereof and the repayment provisions in respect thereto; and

**WHEREAS**, the Authority anticipates entering into an Assistance Agreement for a loan from the Authority's Infrastructure Revolving Loan Program with the City of Mayfield f/b/o Mayfield Electric & Water Systems, subject to final determination of amount when the factors involving such financing have been determined; and

**WHEREAS**, the Authority intends to utilize money in the Infrastructure Revolving Fund to make the loan to the governmental agency for the aforementioned purposes; and

**WHEREAS**, the Authority wishes to establish terms and conditions on said Infrastructure Revolving Fund loans.

**NOW, THEREFORE, THE KENTUCKY INFRASTRUCTURE AUTHORITY, ACTING BY AND THROUGH ITS BOARD OF DIRECTORS AS ITS DULY AUTHORIZED AND EMPOWERED GOVERNING BODY, DOES HEREBY RESOLVE AND ORDER, AS FOLLOWS:**

Section 1. All statements of fact set forth in the preambles to this Resolution and Order are incorporated herein by reference, the same as if set forth verbatim. All such statements of fact are hereby declared to be true and accurate in all material respects.

Section 2. The Authority hereby authorizes the issuance of a conditional Infrastructure Revolving Fund loan commitment for an amount up to \$849,000 of project expense, to the City of Mayfield f/b/o Mayfield Electric & Water Systems for the WWTP Screw Pump Replacement & WTP New Water Well projects. Such amounts are subject to adjustment by further action of the Authority or may be adjusted by action of the Executive Director based on adjustment in project costs of not more than (10%) ten percent of the loan amount authorized by this resolution. Upon satisfaction of all

conditions of the commitment, execution of an assistance agreement for this loan is authorized.

Section 3. The loan shall be repayable in 20 years at an annual interest rate of 0.25%. In addition to debt service, a 0.2% annual administration fee on the unpaid, principal balance will be charged. From annual revenues, \$2,100 must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$42,000 and maintained for the life of the loan. These terms are subject to adjustment upon execution of the loan agreement, upon changes in the project conditions or determination that the project will require authority financing to be done on a taxable basis.

Section 4. This Resolution and Order shall be in full force and effect from and after its adoption at a properly held meeting of the Kentucky Infrastructure Authority this 1st day of June, 2017.

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DONNA MCNEIL, EXECUTIVE DIRECTOR  
KENTUCKY INFRASTRUCTURE AUTHORITY

ATTEST:

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CHRIS KELLOGG, SECRETARY  
KENTUCKY INFRASTRUCTURE AUTHORITY

REVIEWED BY:

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WILLIAM PAULEY, STAFF ATTORNEY  
DEPARTMENT FOR LOCAL GOVERNMENT

<b>EXECUTIVE SUMMARY</b> <b>KENTUCKY INFRASTRUCTURE AUTHORITY</b> <b>FUND B, INFRASTRUCTURE</b> <b>REVOLVING LOAN FUND</b>		Reviewer Date KIA Loan Number WRIS Number	Ashley Adams June 1, 2017 B17-013 SX21083058 WX21083041	
BORROWER	CITY OF MAYFIELD F/B/O MAYFIELD ELECTRIC AND WATER SYSTEMS GRAVES COUNTY			
BRIEF DESCRIPTION				
This loan will fund a wastewater project as well as a drinking water project that are already under construction. The wastewater portion will replace two screw pumps at the Mayfield Wastewater Treatment plant that have not had major rehabilitation since they were installed in the early 1990s. The drinking water portion of the project will construct two new water wells at the Mayfield Water Treatment Plant. The current wells have reached their daily capacity.				
PROJECT FINANCING		PROJECT BUDGET		
Fund B Loan	\$849,000	Eng - Design / Const	RD Fee % Actual % 36,000	
		Eng - Insp	11.8% 4.5% 6,000	
		Construction	9.8% 0.7% 769,000	
		Contingency	38,000	
TOTAL	\$849,000	TOTAL	\$849,000	
REPAYMENT	Rate	0.25%	Est. Annual Payment \$45,245	
	Term	20 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Water Management Systems		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	<b>Drinking Water</b>	<b>Wastewater</b>	
	Construction Start	Nov-16	Oct-16	
	Construction Stop	Mar-17	Feb-17	
		Sep-17	May-17	
DEBT PER CUSTOMER	Existing	\$140		
	Proposed	\$590		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current - Water	4,917	\$15.43 (for 4,000 gallons)	
	Current - Sewer	4,480	\$21.16 (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 2014	389,717	218,984	170,733	1.8
Audited 2015	770,402	99,642	670,760	7.7
Audited 2016	1,031,961	51,219	980,742	20.1
Projected 2017	1,115,006	26,043	1,088,963	42.8
Projected 2018	1,208,029	145,743	1,062,287	8.3
Projected 2019	1,309,687	168,321	1,141,366	7.8
Projected 2020	1,418,318	168,275	1,250,043	8.4
Projected 2021	1,522,427	168,230	1,354,197	9.0

Reviewer: Ashley Adams  
 Date: June 1, 2017  
 Loan Number: B17-013

**KENTUCKY INFRASTRUCTURE AUTHORITY  
 INFRASTRUCTURE REVOLVING LOAN FUND (FUND "B")  
 CITY OF MAYFIELD F/B/O MAYFIELD ELECTRIC & WATER SYSTEMS,  
 GRAVES COUNTY  
 PROJECT REVIEW  
 SX21083058/WX21083041**

**I. PROJECT DESCRIPTION**

The City of Mayfield f/b/o Mayfield Electric & Water Systems is requesting a Fund B loan in the amount of \$849,000 for the Wastewater Treatment Plant - Screw Pump Replacement & Water Treatment Plant - New Water Well projects. This loan will fund a wastewater project as well as a drinking water project. The wastewater portion will replace two screw pumps at the Mayfield Wastewater Treatment plant that have not had major rehabilitation since they were installed in the early 1990s. The drinking water portion of the project will construct two new water wells at the Mayfield Water Treatment Plant. The current wells have reached their daily capacity.

**II. PROJECT BUDGET**

	<u>Total</u>
Engineering Fees - Design / Const	\$ 36,000
Engineering Fees - Inspection	6,000
Construction	769,000
Contingency	38,000
<b>Total</b>	<b>\$ 849,000</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund B Loan	\$ 849,000	100%
<b>Total</b>	<b>\$ 849,000</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

Amortized Loan Amount	\$	849,000
Interest Rate		0.25%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	43,547
Administrative Fee (0.20%)		1,698
<b>Total Estimated Annual Debt Service</b>	<b>\$</b>	<b>45,245</b>

#### V. PROJECT SCHEDULE

##### **Drinking Water**

Bid Opening	November 2016
Construction Start	March 2017
Construction Stop	September 2017

##### **Wastewater**

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

#### VI. RATE STRUCTURE

##### A. Customers

Customers	Water	Sewer
Residential	4,259	3,902
Commercial	658	578
Total	4,917	4,480

##### B. Rates

Water	Inside City		Outside City	
	Future	Current	Future	Current
Date of Last Rate Increase	01/01/18	01/01/17	01/01/18	01/01/17
Minimum	\$9.01	\$8.50	\$12.68	\$11.96
Next 2,000 Gallons/1,000	3.67	3.46	5.51	5.19
Cost for 4,000 gallons	\$16.35	\$15.43	\$23.69	\$22.35
Increase %	6.0%	6.0%	6.0%	6.0%
Affordability Index (Rate/MHI)	0.8%	0.7%	1.1%	1.0%

Sewer	Inside City		Outside City	
	Future	Current	Future	Current
Date of Last Rate Increase	01/01/18	01/01/17	09/01/17	09/01/16
Minimum	\$11.01	\$10.79	\$12.80	\$11.64
Next 2,000 Gallons/1,000	5.50	5.40	6.40	5.82
Cost for 4,000 gallons	\$22.02	\$21.58	\$25.60	\$23.28
Increase %	2.0%	2.0%	10.0%	10.0%
Affordability Index (Rate/MHI)	1.0%	1.0%	1.2%	1.1%

Rates for inside city and outside city water will increase 6% annually through January 2021. Rates for inside city sewer will increase 2% through January 2021. Rates for outside city sewer will increase 10% through July 2020. All rates will be reevaluated at the end of these time periods.

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2010-2014, the Utility's service area population was 10,707 with a Median Household Income (MHI) of \$25,589. The median household income for the Commonwealth is \$43,342. The project will qualify for a 0.25% interest rate.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	10,705		34,049		June 2005	10.7%
1990	9,935	-7.2%	33,550	-1.5%	June 2010	9.2%
2000	10,349	4.2%	37,028	10.4%	June 2015	6.2%
2010	10,024	-3.1%	37,121	0.3%	June 2016	6.3%
Current	10,091	0.7%	37,451	0.9%		
Cumulative %		-5.7%		10.0%		

## VIII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements of the Water and Sewer funds for years ended June 30, 2014 through June 30, 2016. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2016 operating expenses (\$189 thousand). Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

## HISTORY

Revenues increased 19% from \$3.2 million in 2014 to \$3.8 million in 2016 due to multiple rate increases. Operating expenses decreased 2% from \$2.7 million to \$2.6 million during the same time period. The debt coverage ratio was 1.8, 7.7, and 20.1 from 2014 to 2016, respectively.

The balance sheet reflects a current ratio of 0.9, a debt to equity ratio of 0.6, and unrestricted cash equals 1.2 months of operating expenses. Days sales in accounts receivable (collection period) is not reported in this presentation because A/R is reported in the electric fund balance sheet and not available specifically for the water/sewer funds.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Water and sewer revenues will be flat for volume but increase steadily through 2021 to reflect multiple rate increases approved in 2016.
- 2) Expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 7.8 in 2019 when full 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

The annual replacement cost is \$2,100. This amount should be added to the replacement account each December 1 until the balance reaches \$42,000 and maintained for the life of the loan.

## **IX. DEBT OBLIGATIONS**

	<u>Outstanding</u>	<u>Maturity</u>
KIA Loan (A209-13)	\$ 341,662	2031
FNB Bank (LOC)	345,876	2017
KIA Loan (C16-001) (i/a/o \$1,410,530)		
<b>Total</b>	<b>\$ 687,538</b>	

## **X. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS**

None

**XI. CONTACTS**

<b>Legal Applicant</b>	
Name	Mayfield Electric and Water Systems
Address	301 East Broadway Mayfield, KY 42066
County	Graves
Authorized Official	Kevin Leonard, Water & Wastewater Manager
Phone	270-247-4661
Email	kleonard@mewsbb.com

<b>Project Administrator</b>	
Name	Kevin Leonard
Title	Water & Wastewater Manager
Organization	Mayfield Electric and Water Systems
Email	kleonard@mewsbb.com
Phone	270-247-4661
Address	301 East Broadway Mayfield, KY 42066

<b>Consulting Engineer</b>	
Name	Joe Hinkle
Firm	Water Management Systems
Address	2 International Plaza, Suite 1 Nashville, TN 37217
Phone	615-366-6088
Email	jhinkle@wmsengineers.com

**XII. RECOMMENDATIONS**

KIA staff recommends approval of the loan with the standard.

**MAYFIELD ELECTRIC AND WATER SYSTEMS  
FINANCIAL SUMMARY (JUNE YEAR END)**

**Balance Sheet**

	Audited 2014	Audited 2015	Audited 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
<b>Assets</b>								
Current Assets	459,941	684,690	1,096,572	1,314,365	1,526,822	1,755,095	2,005,104	2,275,943
Other Assets	10,108,750	10,230,619	10,961,053	12,304,182	13,620,386	14,129,627	14,725,811	15,405,317
<b>Total</b>	<b>10,568,691</b>	<b>10,915,309</b>	<b>12,057,625</b>	<b>13,618,547</b>	<b>15,147,208</b>	<b>15,884,723</b>	<b>16,730,915</b>	<b>17,681,261</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	1,368,019	1,267,204	1,168,137	1,189,081	1,210,703	1,232,725	1,255,150	1,278,077
Long Term Liabilities	470,731	2,638,325	3,410,310	4,241,495	5,064,774	5,038,830	5,012,662	4,986,266
<b>Total Liabilities</b>	<b>1,838,750</b>	<b>3,905,529</b>	<b>4,578,447</b>	<b>5,430,576</b>	<b>6,275,477</b>	<b>6,271,555</b>	<b>6,267,812</b>	<b>6,264,343</b>
<b>Net Assets</b>	<b>8,729,941</b>	<b>7,009,780</b>	<b>7,479,178</b>	<b>8,187,971</b>	<b>8,871,731</b>	<b>9,613,167</b>	<b>10,463,103</b>	<b>11,416,918</b>

**Cash Flow**

Revenues	3,146,574	3,317,970	3,733,669	3,876,428	4,026,390	4,183,984	4,349,670	4,511,975
Operating Expenses	2,747,627	2,537,892	2,688,188	2,747,902	2,804,841	2,860,777	2,917,832	2,976,028
Other Income	(9,230)	(9,676)	(13,520)	(13,520)	(13,520)	(13,520)	(13,520)	(13,520)
<b>Cash Flow Before Debt Service</b>	<b>389,717</b>	<b>770,402</b>	<b>1,031,961</b>	<b>1,115,006</b>	<b>1,208,029</b>	<b>1,309,687</b>	<b>1,418,318</b>	<b>1,522,427</b>
<b>Debt Service</b>								
Existing Debt Service	218,984	99,642	51,219	26,043	123,120	123,076	123,030	122,985
Proposed KIA Loan	0	0	0	0	22,623	45,245	45,245	45,245
<b>Total Debt Service</b>	<b>218,984</b>	<b>99,642</b>	<b>51,219</b>	<b>26,043</b>	<b>145,743</b>	<b>168,321</b>	<b>168,275</b>	<b>168,230</b>
<b>Cash Flow After Debt Service</b>	<b>170,733</b>	<b>670,760</b>	<b>980,742</b>	<b>1,088,963</b>	<b>1,062,287</b>	<b>1,141,366</b>	<b>1,250,043</b>	<b>1,354,197</b>

**Ratios**

Current Ratio	0.3	0.5	0.9	1.1	1.3	1.4	1.6	1.8
Debt to Equity	0.2	0.6	0.6	0.7	0.7	0.7	0.6	0.5
Months Operating Expenses in Unrestricted Cash	0.1	0.5	1.2	2.1	3.0	3.9	4.8	5.8
Debt Coverage Ratio	1.8	7.7	20.1	42.8	8.3	7.8	8.4	9.0

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**A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B17-014) FOR AN AMOUNT UP TO \$500,000 TO REGIONAL WATER RESOURCE AGENCY, DAVIESS COUNTY, KENTUCKY**

**WHEREAS**, the Kentucky Infrastructure Authority (the "Authority") has been duly created as a body corporate and politic constituting a public corporation and a governmental agency of the Commonwealth of Kentucky pursuant to Chapter 224A of the Kentucky Revised Statutes (the "Act"); and

**WHEREAS**, pursuant to the Act, the Authority is duly and legally authorized to make loans to Governmental Agencies for the purpose of providing funds for the construction and acquisition of sanitary sewer facilities, water facilities or other types of infrastructure, and in that regard, to enter into Assistance Agreements with such Governmental Agencies governing the provisions in respect of which such loans are to be made, the amounts thereof and the repayment provisions in respect thereto; and

**WHEREAS**, the Authority anticipates entering into an Assistance Agreement for a loan from the Authority's Infrastructure Revolving Loan Program with the Regional Water Resource Agency, subject to final determination of amount when the factors involving such financing have been determined; and

**WHEREAS**, the Authority intends to utilize money in the Infrastructure Revolving Fund to make the loan to the governmental agency for the aforementioned purposes; and

**WHEREAS**, the Authority wishes to establish terms and conditions on said Infrastructure Revolving Fund loans.

**NOW, THEREFORE, THE KENTUCKY INFRASTRUCTURE AUTHORITY, ACTING BY AND THROUGH ITS BOARD OF DIRECTORS AS ITS DULY AUTHORIZED AND EMPOWERED GOVERNING BODY, DOES HEREBY RESOLVE AND ORDER, AS FOLLOWS:**

Section 1. All statements of fact set forth in the preambles to this Resolution and Order are incorporated herein by reference, the same as if set forth verbatim. All such statements of fact are hereby declared to be true and accurate in all material respects.

Section 2. The Authority hereby authorizes the issuance of a conditional Infrastructure Revolving Fund loan commitment for an amount up to \$500,000 of project expense, to the Regional Water Resource Agency for the Pleasant View Estates Sewer Extension Project. Such amounts are subject to adjustment by further action of the Authority or may be adjusted by action of the Executive Director based on adjustment in project costs of not more than (10%) ten percent of the loan amount authorized by this resolution. Upon satisfaction of all conditions of the commitment, execution of an

assistance agreement for this loan is authorized.

Section 3. The loan shall be repayable over 20 years at an annual interest rate of 1.75%. In addition to debt service, a 0.2% annual administration fee on the unpaid, principal balance will be charged. There is no annual reserve requirement. These terms are subject to adjustment upon execution of the loan agreement, upon changes in the project conditions or determination that the project will require authority financing to be done on a taxable basis.

Section 4. This Resolution and Order shall be in full force and effect from and after its adoption at a properly held meeting of the Kentucky Infrastructure Authority this 1<sup>st</sup> day of June, 2017.

---

DONNA MCNEIL, EXECUTIVE DIRECTOR  
KENTUCKY INFRASTRUCTURE AUTHORITY

ATTEST:

---

CHRIS KELLOGG, SECRETARY  
KENTUCKY INFRASTRUCTURE AUTHORITY

REVIEWED BY:

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WILLIAM PAULEY, STAFF ATTORNEY  
DEPARTMENT FOR LOCAL GOVERNMENT

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**A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B17-015) FOR AN AMOUNT UP TO \$485,000 TO REGIONAL WATER RESOURCE AGENCY, DAVIESS COUNTY, KENTUCKY**

**WHEREAS**, the Kentucky Infrastructure Authority (the "Authority") has been duly created as a body corporate and politic constituting a public corporation and a governmental agency of the Commonwealth of Kentucky pursuant to Chapter 224A of the Kentucky Revised Statutes (the "Act"); and

**WHEREAS**, pursuant to the Act, the Authority is duly and legally authorized to make loans to Governmental Agencies for the purpose of providing funds for the construction and acquisition of sanitary sewer facilities, water facilities or other types of infrastructure, and in that regard, to enter into Assistance Agreements with such Governmental Agencies governing the provisions in respect of which such loans are to be made, the amounts thereof and the repayment provisions in respect thereto; and

**WHEREAS**, the Authority anticipates entering into an Assistance Agreement for a loan from the Authority's Infrastructure Revolving Loan Program with the Regional Water Resource Agency, subject to final determination of amount when the factors involving such financing have been determined; and

**WHEREAS**, the Authority intends to utilize money in the Infrastructure Revolving Fund to make the loan to the governmental agency for the aforementioned purposes; and

**WHEREAS**, the Authority wishes to establish terms and conditions on said Infrastructure Revolving Fund loans.

**NOW, THEREFORE, THE KENTUCKY INFRASTRUCTURE AUTHORITY, ACTING BY AND THROUGH ITS BOARD OF DIRECTORS AS ITS DULY AUTHORIZED AND EMPOWERED GOVERNING BODY, DOES HEREBY RESOLVE AND ORDER, AS FOLLOWS:**

Section 1. All statements of fact set forth in the preambles to this Resolution and Order are incorporated herein by reference, the same as if set forth verbatim. All such statements of fact are hereby declared to be true and accurate in all material respects.

Section 2. The Authority hereby authorizes the issuance of a conditional Infrastructure Revolving Fund loan commitment for an amount up to \$485,000 of project expense, to the Regional Water Resource Agency for the Woodlands South Sewer Extension Project. Such amounts are subject to adjustment by further action of the Authority or may be adjusted by action of the Executive Director based on adjustment in project costs of not more than (10%) ten percent of the loan amount authorized by this resolution. Upon satisfaction of all conditions of the commitment, execution of an

assistance agreement for this loan is authorized.

Section 3. The loan shall be repayable over 20 years at an annual interest rate of 1.75%. In addition to debt service, a 0.2% annual administration fee on the unpaid, principal balance will be charged. There is no annual reserve requirement. These terms are subject to adjustment upon execution of the loan agreement, upon changes in the project conditions or determination that the project will require authority financing to be done on a taxable basis.

Section 4. This Resolution and Order shall be in full force and effect from and after its adoption at a properly held meeting of the Kentucky Infrastructure Authority this 1<sup>st</sup> day of June, 2017.

---

DONNA MCNEIL, EXECUTIVE DIRECTOR  
KENTUCKY INFRASTRUCTURE AUTHORITY

ATTEST:

---

CHRIS KELLOGG, SECRETARY  
KENTUCKY INFRASTRUCTURE AUTHORITY

REVIEWED BY:

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WILLIAM PAULEY, STAFF ATTORNEY  
DEPARTMENT FOR LOCAL GOVERNMENT

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**A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F17-014) FOR AN AMOUNT UP TO \$6,593,000 TO THE CITY OF CAMPBELLSVILLE, TAYLOR COUNTY, KENTUCKY**

**WHEREAS**, the Kentucky Infrastructure Authority (the "Authority") has been duly created as a body corporate and politic constituting a public corporation and a governmental agency of the Commonwealth of Kentucky pursuant to Chapter 224A of the Kentucky Revised Statutes (the "Act"); and

**WHEREAS**, pursuant to the Act, the Authority is duly and legally authorized to make loans to Governmental Agencies for the purpose of providing funds for the construction and acquisition of sanitary sewer facilities, water facilities or other types of infrastructure, and in that regard, to enter into Assistance Agreements with such Governmental Agencies governing the provisions in respect of which such loans are to be made, the amounts thereof and the repayment provisions in respect thereto; and

**WHEREAS**, the Authority anticipates entering into an Assistance Agreement for a loan from the Authority's Federally Assisted Drinking Water Revolving Loan Program (Fund F) with the City of Campbellsville, subject to final determination of amount when the factors involving such financing have been determined; and

**WHEREAS**, the Authority will, in the near future, authorize and issue a series of Infrastructure Authority Revenue Bonds for the purpose of funding loans to various governmental agencies, such series of Bonds to be known as Kentucky Infrastructure Authority Revenue Bonds with the appropriate Series designation; and

**WHEREAS**, the Authority wishes to establish terms and conditions on said Fund F loans prior to the issuance of Authority Revenue Bonds and recognizes that additional planning and design of the financed projects are required.

**NOW, THEREFORE, THE KENTUCKY INFRASTRUCTURE AUTHORITY, ACTING BY AND THROUGH ITS BOARD OF DIRECTORS AS ITS DULY AUTHORIZED AND EMPOWERED GOVERNING BODY, DOES HEREBY RESOLVE AND ORDER, AS FOLLOWS:**

Section 1. All statements of fact set forth in the preambles to this Resolution and Order are incorporated herein by reference, the same as if set forth verbatim. All such statements of fact are hereby declared to be true and accurate in all material respects.

Section 2. The Authority hereby authorizes the issuance of a conditional Federally Assisted Drinking Water Revolving Fund loan for an amount up to \$6,593,000 of project expense including capitalized interest for the construction period, to the City of Campbellsville for the 2017 Water Systems Improvement project. Such amounts are

subject to adjustment by further action of the Authority or may be adjusted by action of the Executive Director at the time of the issuance of bonds based on adjustment in project costs of not more than (10%) ten percent of the loan amount authorized by this resolution. Upon satisfaction of all conditions of the commitment, execution of an assistance agreement for this loan is authorized.

Section 3. The loan shall be repayable over 20 years at an interest rate of 0.25%. In addition to debt service, a 0.25% annual administration fee on the unpaid loan balance will be charged. From annual revenues, \$16,500 must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$330,000 and maintained for the life of the loan. These terms are subject to adjustment upon execution of the loan agreement, upon changes in the project conditions or determination that the project will require authority financing to be done on a taxable basis.

Section 4. This Resolution and Order shall be in full force and effect from and after its adoption at a properly held meeting of the Kentucky Infrastructure Authority this 1st day of June 2017.

---

SANDRA DUNAHOO, CHAIR  
KENTUCKY INFRASTRUCTURE AUTHORITY

ATTEST:

---

CHRIS KELLOGG, SECRETARY  
KENTUCKY INFRASTRUCTURE AUTHORITY

REVIEWED BY:

---

WILLIAM PAULEY, STAFF ATTORNEY  
DEPARTMENT FOR LOCAL GOVERNMENT



MATTHEW G. BEVIN  
GOVERNOR

CHARLES G. SNAVELY  
SECRETARY

**ENERGY AND ENVIRONMENT CABINET**  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

AARON B. KEATLEY  
COMMISSIONER

300 SOWER BOULEVARD  
FRANKFORT, KENTUCKY 40601

May 30, 2017

Donna McNeil, Executive Director  
Kentucky Infrastructure Authority  
1024 Capital Center Drive, Suite 340  
Frankfort, Kentucky 40601

Re: F17-014  
Campbellsville Municipal Water System--3999  
Activity ID: FGL20170011

Dear Mrs. McNeil:

The Division of Water (DOW) hereby certifies that the City of Campbellsville is eligible to receive \$6,593,000.00 from the Drinking Water State Revolving Fund. The DOW certifies that the project scope is consistent with the scope that was used to rank the project on the Intended Use Plan-Project Priority List.

The City of Campbellsville's status relative to the Drinking Water State Revolving Fund General Conditions is provided below:

1. Project specific environmental information is expected to be submitted to DOW in July 2017.
2. Plans and specifications are expected to be submitted to DOW in July 2017.
3. Construction bids are expected to be opened in August 2017.

Upon compliance with the general conditions, the DOW will issue a final project certification prior to authorizing the loan agreement. A preconstruction and project management conference with the DOW must be held prior to commencement of construction. If you have any questions concerning this letter, please contact Krystal Harrod, Project Manager, at (502) 782-6968.

Sincerely,

Peter T. Goodmann, Director  
Division of Water

PG/BG:bg

c: Honorable Tony Young, Mayor  
Monarch Engineer, Inc.



<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	Ashley Adams June 1, 2017 F17-014 WX21217025	
BORROWER	CITY OF CAMPBELLSVILLE TAYLOR COUNTY			
BRIEF DESCRIPTION				
This project includes improvements to the existing water treatment plant as well as the urban area of the distribution system. Work at the treatment plant will include clarifier rehabilitation, filter control console replacements, pipe gallery valve replacements, raw water meter vault improvements, pre-filter chlorination upgrade, and upgrade of two existing high service pumps to capacity of 3,300 GPM. Along with this will be the addition of two sludge thickening basins, a filter belt press, as well as sludge and supernatant pumping facilities. Improvements to the distribution system include replacement of approximately 4,000 LF of aging and deteriorated cast iron pipes and appurtenances in several areas within the city with new PVC lines.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$6,593,000	Administrative Expenses	\$10,000	
USDA RD Grant	330,000	Legal Expenses	10,000	
		Eng - Design / Const	6.6% 6.6% 410,800	
		Eng - Insp	4.5% 4.5% 276,200	
		Eng - Other	10,000	
		Construction	5,632,575	
		Contingency	563,425	
		Other	10,000	
TOTAL	<u>\$6,923,000</u>	TOTAL	<u>\$6,923,000</u>	
REPAYMENT	Rate Term	0.25% 20 Years	Est. Annual Payment 1st Payment 6 Mo. after first draw \$354,648	
PROFESSIONAL SERVICES	Engineer Bond Counsel	Monarch Engineering, Inc Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	Sep-17 Oct-17 Oct-18		
DEBT PER CUSTOMER	Existing Proposed	\$824 \$2,035		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current Additional	Users 9,539 0	Avg. Bill \$18.48 (for 4,000 gallons) \$18.48 (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 2014	562,943	411,686	151,257	1.4
Audited 2015	858,975	414,350	444,625	2.1
Audited 2016	1,410,059	422,709	987,350	3.3
Projected 2017	1,488,126	673,995	814,131	2.2
Projected 2018	1,525,272	926,622	598,650	1.6
Projected 2019	1,609,728	1,009,008	600,720	1.6
Projected 2020	1,681,047	1,188,956	492,091	1.4
Projected 2021	1,772,347	1,110,133	662,214	1.6

Reviewer: Ashley Adams  
 Date: June 1, 2017  
 Loan Number: F17-014

**KENTUCKY INFRASTRUCTURE AUTHORITY  
 DRINKING WATER STATE REVOLVING FUND (FUND "F")  
 CITY OF CAMPBELLVILLE, TAYLOR COUNTY  
 PROJECT REVIEW  
 WX21217025**

**I. PROJECT DESCRIPTION**

This project includes improvements to the existing water treatment plant as well as the urban area of the distribution system. Work at the treatment plant will include clarifier rehabilitation, filter control console replacements, pipe gallery valve replacements, raw water meter vault improvements, pre-filter chlorination upgrade, and upgrade of two existing high service pumps to capacity of 3,300 GPM. Along with this will be the addition of two sludge thickening basins, a filter belt press, as well as sludge and supernatant pumping facilities. Improvements to the distribution system include replacement of approximately 4,000 LF of aging and deteriorated cast iron pipes and appurtenances in several areas within the city with new PVC lines.

Campbellsville Municipal Water & Sewer System provides service to over 9,500 customers.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 10,000
Legal Expenses	10,000
Engineering Fees - Design / Const	410,800
Engineering Fees - Inspection	276,200
Engineering Fees - Other	10,000
Construction	5,632,575
Contingency	563,425
Other	10,000
<b>Total</b>	<b>\$ 6,923,000</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 6,593,000	95%
USDA RD Grant	330,000	5%
<b>Total</b>	<b>\$ 6,923,000</b>	<b>100%</b>

**IV. KIA DEBT SERVICE**

Amortized Loan Amount	\$ 6,593,000
Interest Rate	0.25%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 338,166
Administrative Fee (0.25%)	16,483
<b>Total Estimated Annual Debt Service</b>	<b>\$ 354,648</b>

**V. PROJECT SCHEDULE**

Bid Opening	September 2017
Construction Start	October 2017
Construction Stop	October 2018

**VI. CUSTOMER COMPOSITION AND RATE STRUCTURE**

**A) Customers**

Customers	Current
Residential	7,631
Commercial	1,899
Industrial	9
Total	9,539

**B) Rates**

<b>Water</b>	City		County	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/01/16	07/01/15	07/01/16	07/01/15
Minimum (1,000 gallons)	\$9.39	\$9.12	\$16.17	\$15.70
Next 9,000 Gallons	3.03	2.94	6.74	6.54
Next 40,000 Gallons	2.74	2.66	6.06	5.88
Over 50,000 Gallons	2.29	2.22	4.89	4.75
Cost for 4,000 gallons	\$18.48	\$17.94	\$36.39	\$35.32
Increase %	3.0%		3.0%	
Affordability Index (Rate/MHI)	0.7%		1.3%	

Sewer	City		County	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/01/16	07/01/15	07/01/16	07/01/15
Minimum (1,000 gallons)	\$8.79	\$8.53	\$17.57	\$17.06
Next 9,000 Gallons	3.72	3.61	7.44	7.22
Cost for 4,000 gallons	\$19.95	\$19.36	\$39.89	\$38.72
Increase %	3.0%		3.0%	
Affordability Index (Rate/MHI)	0.7%		1.5%	

Beginning on July 1, 2016, rates will be increased 3% of the rate for the previous year in both water and sewer.

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2010-2014, the Utility's service area population was 21,047 with a Median Household Income (MHI) of \$32,486. The median household income for the Commonwealth is \$43,342. The project will qualify for a 0.25% interest rate.

Year	Population				County Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	8,715		21,178		June 2005	6.2%
1990	9,577	9.9%	21,146	-0.2%	June 2010	12.0%
2000	10,498	9.6%	22,927	8.4%	June 2015	7.2%
2010	9,108	-13.2%	24,512	6.9%	June 2016	5.6%
Current	9,289	2.0%	24,400	-0.5%		
Cumulative %		6.6%		15.2%		

## VIII. 2016 CAPITALIZATION GRANT EQUIVALENCIES

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

## IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the Campbellsville Municipal Water and Sewer System for the years ended June 30, 2014 through June 30, 2016. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2016 operating

expenses (\$413 thousand). Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

## HISTORY

Revenues increased 20% from \$4.5 million in 2014 to \$5.4 million in 2016 due to multiple rate increases. Operating expenses increased 1% from \$3.9 million in 2014 to \$4 million in 2016. The debt coverage ratio was 1.4, 2.1, and 3.3 from 2014 to 2016, respectively. The City will pay off two KIA loans in 2018 which will reduce their debt service before going into repayment with this loan.

The balance sheet reflects a current ratio of 2.3, a debt to equity ratio of 0.4, and a collection period of 53.8 days. Unrestricted cash equals 2.7 months of operating expenses.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will be flat for volume and increase 3% annually, in both water and sewer, due to a previously approved annual rate adjustment.
- 2) Expenses will increase 2% for inflation.
- 3) Debt service coverage is 1.4 in 2020 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 \$16,500. This amount should be added to the replacement account each December 1 until the balance reaches \$330,000 and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Citizens Bank & Trust	\$ 778,561	2017
KIA (C88-02)	170,000	2018
KIA (B94-01)	1,047,059	2028
City of Jeffersontown Series 2000	1,325,000	2030
KIA (C89-56A)	186,340	2018
Bond Series 2009	540,300	2048
Bond Series 2010	450,000	2049
Bond Series 2013	1,650,000	2054
KIA (F12-03)	1,218,741	2036
United Citizens Bank	492,574	2020

Bond Series 2016 (i/a/o \$1,307,000)	0	TBD
<b>Total</b>	<b>\$ 7,858,575</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>
South Taylor County Tank (2013)	USDA	\$ 1,650,000	Loan
	USDA	550,000	Grant
	CDBG	746,000	Grant
North Campbellsville Tank (2015)	USDA	1,307,000	Loan
	USDA	560,000	Grant

**XII. CONTACTS**

<b>Legal Applicant</b>	
Name	City of Campbellsville
Address	110 South Columbia Ave, Suite B Campbellsville, KY 42718
County	Taylor
Authorized Official	Tony W. Young, Mayor
Phone	270-465-7011
Email	mayor@campbellsville.us

<b>Project Administrator</b>	
Name	Cheryl Sullivan
Title	Controller
Organization	City of Campbellsville
EMail	controller@campbellsville.us
Phone	270-789-3133
Address	110 South Columbia Ave, Suite B Campbellsville, KY 42718

<b>Consulting Engineer</b>	
Name	Deron Byrne
Firm	Monarch Engineering, Inc
Address	556 Carlton Drive Lawrenceburg, KY 40342
Phone	502-839-1310
Email	dbyrne@monarchengineering.net

### **XIII. RECOMMENDATIONS**

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

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

**Balance Sheet**

<b>Assets</b>	<b>Audited 2014</b>	<b>Audited 2015</b>	<b>Audited 2016</b>	<b>Projected 2017</b>	<b>Projected 2018</b>	<b>Projected 2019</b>	<b>Projected 2020</b>	<b>Projected 2021</b>
Current Assets	1,120,119	1,351,352	1,894,528	2,080,594	2,224,224	2,369,068	2,492,887	2,651,529
Other Assets	34,638,770	34,792,714	37,471,210	41,647,326	49,403,376	50,485,582	49,577,060	48,804,637
<b>Total</b>	<b>35,758,889</b>	<b>36,144,066</b>	<b>39,365,738</b>	<b>43,727,920</b>	<b>51,627,600</b>	<b>52,854,650</b>	<b>52,069,947</b>	<b>51,456,166</b>

**Liabilities & Equity**

Current Liabilities	666,512	721,875	824,418	909,302	705,769	722,493	657,743	674,604
Long Term Liabilities	6,052,709	8,057,930	10,336,107	13,270,427	20,459,237	21,781,505	21,443,594	21,094,683
<b>Total Liabilities</b>	<b>6,719,221</b>	<b>8,779,805</b>	<b>11,160,525</b>	<b>14,179,729</b>	<b>21,165,006</b>	<b>22,503,998</b>	<b>22,101,337</b>	<b>21,769,287</b>
<b>Net Assets</b>	<b>29,039,668</b>	<b>27,364,261</b>	<b>28,205,213</b>	<b>29,548,191</b>	<b>30,462,594</b>	<b>30,350,653</b>	<b>29,968,610</b>	<b>29,686,879</b>

**Cash Flow**

Revenues	4,465,060	4,657,300	5,362,660	5,520,455	5,682,984	5,850,389	6,022,816	6,200,416
Operating Expenses	3,955,890	3,902,208	3,986,408	4,066,136	4,191,519	4,274,468	4,375,576	4,461,876
Other Income	53,773	103,883	33,807	33,807	33,807	33,807	33,807	33,807
<b>Cash Flow Before Debt Service</b>	<b>562,943</b>	<b>858,975</b>	<b>1,410,059</b>	<b>1,488,126</b>	<b>1,525,272</b>	<b>1,609,728</b>	<b>1,681,047</b>	<b>1,772,347</b>

**Debt Service**

Existing Debt Service	411,686	414,350	422,709	673,995	926,622	831,684	834,308	755,485
Proposed KIA Loan	0	0	0	0	0	177,324	354,648	354,648
<b>Total Debt Service</b>	<b>411,686</b>	<b>414,350</b>	<b>422,709</b>	<b>673,995</b>	<b>926,622</b>	<b>1,009,008</b>	<b>1,188,956</b>	<b>1,110,133</b>
<b>Cash Flow After Debt Service</b>	<b>151,257</b>	<b>444,625</b>	<b>987,350</b>	<b>814,131</b>	<b>598,650</b>	<b>600,720</b>	<b>492,091</b>	<b>662,214</b>

**Ratios**

Current Ratio	1.7	1.9	2.3	2.3	3.2	3.3	3.8	3.9
Debt to Equity	0.2	0.3	0.4	0.5	0.7	0.7	0.7	0.7
Days Sales in Accounts Receivable	31.6	46.0	53.8	53.8	53.8	53.8	53.8	53.8
Months Operating Expenses in Unrestricted Cash	1.5	1.5	2.7	3.1	3.4	3.7	3.9	4.2
Debt Coverage Ratio	1.4	2.1	3.3	2.2	1.6	1.6	1.4	1.6

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**A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE INFRASTRUCTURE REVOLVING FUND LOAN (A04-06) BY THE CITY OF PRESTONSBURG f/b/o PRESTONSBURG CITY'S UTILITY COMMISSION, FLOYD COUNTY, KENTUCKY**

**WHEREAS**, the Kentucky Infrastructure Authority (the "Authority") has been duly created as a body corporate and politic constituting a public corporation and a governmental agency of the Commonwealth of Kentucky pursuant to Chapter 224A of the Kentucky Revised Statutes (the "Act"); and

**WHEREAS**, pursuant to the Act, the Authority is duly and legally authorized to make loans to Governmental Agencies for the purpose of providing funds for the construction and acquisition of sanitary sewer facilities, water facilities or other types of infrastructure, and in that regard, to enter into Assistance Agreements with such Governmental Agencies governing the provisions in respect of which such loans are to be made, the amounts thereof and the repayment provisions in respect thereto; and

**WHEREAS**, the Authority anticipates entering into an Assumption Agreement for the A04-06 loan under the Authority's Federally Assisted Clean Water Revolving Loan Program (Fund A) with the City of Prestonsburg f/b/o Prestonsburg City's Utility Commission; and

**WHEREAS**, the Authority wishes to establish terms and conditions on said Federally Assisted Clean Water Revolving Fund loans.

**NOW, THEREFORE, THE KENTUCKY INFRASTRUCTURE AUTHORITY, ACTING BY AND THROUGH ITS BOARD OF DIRECTORS AS ITS DULY AUTHORIZED AND EMPOWERED GOVERNING BODY, DOES HEREBY RESOLVE AND ORDER, AS FOLLOWS:**

Section 1. All statements of fact set forth in the preambles to this Resolution and Order are incorporated herein by reference, the same as if set forth verbatim. All such statements of fact are hereby declared to be true and accurate in all material respects.

Section 2. The Authority hereby authorizes the issuance of a conditional Federally Assisted Clean Water Revolving Fund loan commitment for assumption of the A04-06 Fund A loan to the City of Prestonsburg f/b/o Prestonsburg City's Utility Commission. The loan shall be subject to existing amortization schedules. Upon satisfaction of all conditions of the commitment, execution of an assumption agreement for this loan is authorized.

Section 3. The loan shall be repayable in 8 years at an annual interest rate of 1% subject to determination of the tax status of the project. These terms are subject to adjustment upon changes in the project conditions or determination that the project will require authority financing to be done on a taxable basis.

Section 4. This Resolution and Order shall be in full force and effect from and after its adoption at a properly held meeting of the Kentucky Infrastructure Authority this 1<sup>st</sup> day of June, 2017.

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SANDRA K. DUNAHOO, CHAIR  
KENTUCKY INFRASTRUCTURE AUTHORITY

ATTEST:

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CHRIS KELLOGG, SECRETARY  
KENTUCKY INFRASTRUCTURE AUTHORITY

REVIEWED BY:

---

WILLIAM PAULEY, STAFF ATTORNEY  
DEPARTMENT FOR LOCAL GOVERNMENT

**A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE INFRASTRUCTURE REVOLVING FUND LOAN (A11-16) BY THE CITY OF PRESTONSBURG f/b/o PRESTONSBURG CITY'S UTILITY COMMISSION, FLOYD COUNTY, KENTUCKY**

**WHEREAS**, the Kentucky Infrastructure Authority (the "Authority") has been duly created as a body corporate and politic constituting a public corporation and a governmental agency of the Commonwealth of Kentucky pursuant to Chapter 224A of the Kentucky Revised Statutes (the "Act"); and

**WHEREAS**, pursuant to the Act, the Authority is duly and legally authorized to make loans to Governmental Agencies for the purpose of providing funds for the construction and acquisition of sanitary sewer facilities, water facilities or other types of infrastructure, and in that regard, to enter into Assistance Agreements with such Governmental Agencies governing the provisions in respect of which such loans are to be made, the amounts thereof and the repayment provisions in respect thereto; and

**WHEREAS**, the Authority anticipates entering into an Assumption Agreement for the A11-16 loan under the Authority's Federally Assisted Clean Water Revolving Loan Program (Fund A) with the City of Prestonsburg f/b/o Prestonsburg City's Utility Commission; and

**WHEREAS**, the Authority wishes to establish terms and conditions on said Federally Assisted Clean Water Revolving Fund loans.

**NOW, THEREFORE, THE KENTUCKY INFRASTRUCTURE AUTHORITY, ACTING BY AND THROUGH ITS BOARD OF DIRECTORS AS ITS DULY AUTHORIZED AND EMPOWERED GOVERNING BODY, DOES HEREBY RESOLVE AND ORDER, AS FOLLOWS:**

Section 1. All statements of fact set forth in the preambles to this Resolution and Order are incorporated herein by reference, the same as if set forth verbatim. All such statements of fact are hereby declared to be true and accurate in all material respects.

Section 2. The Authority hereby authorizes the issuance of a conditional Federally Assisted Clean Water Revolving Fund loan commitment for assumption of the A11-16 Fund A loan to the City of Prestonsburg f/b/o Prestonsburg City's Utility Commission. The loan shall be subject to existing amortization schedules. Upon satisfaction of all conditions of the commitment, execution of an assumption agreement for this loan is authorized.

Section 3. The loan shall be repayable in 16 years at an annual interest rate of 1% subject to determination of the tax status of the project. These terms are subject to adjustment upon changes in the project conditions or determination that the project will require authority financing to be done on a taxable basis.

Section 4. This Resolution and Order shall be in full force and effect from and after its adoption at a properly held meeting of the Kentucky Infrastructure Authority this 1<sup>st</sup> day of June, 2017.

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SANDRA K. DUNAHOO, CHAIR  
KENTUCKY INFRASTRUCTURE AUTHORITY

ATTEST:

---

CHRIS KELLOGG, SECRETARY  
KENTUCKY INFRASTRUCTURE AUTHORITY

REVIEWED BY:

---

WILLIAM PAULEY, STAFF ATTORNEY  
DEPARTMENT FOR LOCAL GOVERNMENT

<b>EXECUTIVE SUMMARY</b>		Reviewer	Jeff Abshire	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	June 1, 2017	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	Assumption	
<b>REVOLVING LOAN FUND</b>		WRIS Number	N/A	
BORROWER	CITY OF PRESTONSBURG FLOYD COUNTY			
BRIEF DESCRIPTION				
The City of Prestonsburg f/b/o Prestonsburg City's Utility Commission proposes to acquire the wastewater assets and customers and certain drinking water assets and customers from Southern Water and Sewer District. Two KIA wastewater loans will be assumed as part of the transaction. The Kentucky Public Service Commission approved the transaction on May 2, 2017.				
PROJECT FINANCING		PROJECT BUDGET	RD Fee % Actual %	
A04-06	30,588	Loan Assumptions	691,113	
A11-16	\$660,525			
TOTAL	\$691,113	TOTAL	\$691,113	
REPAYMENT	Rate	1.00%	Est. Annual Payment \$36,831	
	Term	20 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	N/A		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Closing Date	Jun-17		
DEBT PER CUSTOMER	Existing	\$1,380		
	Proposed	\$1,079		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES (for 4,000 gallons)	Users	Avg. Water Bill	Avg. Sewer Bill	
Current	7,764	\$30.69	\$29.65	
Additional	1,366	\$30.69	\$29.65	
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 2014	1,103,261	1,135,899	(32,638)	1.0
Audited 2015	1,000,122	1,019,250	(19,128)	1.0
Audited 2016	818,324	1,050,433	(232,109)	0.8
Projected 2017	1,086,822	1,069,798	17,024	1.0
Projected 2018	1,245,373	959,441	285,932	1.3
Projected 2019	1,244,495	901,372	343,123	1.4
Projected 2020	1,406,957	1,396,584	10,373	1.0
Projected 2021	1,394,487	1,349,472	45,015	1.0

Reviewer: Jeff Abshire  
Date: June 1, 2017  
Loan Number: A04-06, A11-16  
(Loan Assumption)

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

**ASSUMPTION OF A04-06 and A11-16 FROM SOUTHERN WATER AND SEWER  
DISTRICT**

**I. PROJECT DESCRIPTION**

The City of Prestonsburg for the benefit of the Prestonsburg City's Utility Commission (PCUC) plans to assume two wastewater loans from Southern Water and Sewer District (the "District") in conjunction with an asset acquisition and realignment of customer territories and responsibilities between the two organizations. PCUC will acquire all wastewater assets and selected drinking water assets and customer rights in exchange for cash, the assumption of debt and previous financial assistance provided by the PCUC. The Kentucky Public Service Commission ("PSC") approved the transaction on May 2, 2017.

The decision to realign the assets and customers is necessitated by two primary items. First, the District has been issued numerous Notices of Violation (NOV) from the Division of Enforcement for violations of Kentucky water quality laws in connection with its operation of the wastewater system. To mitigate or eliminate potential civil penalties that could result from the violations, the District entered into an operating agreement with PCUC to manage and operate the wastewater system since July 1, 2016. Second, the water system facilities proposed to be transferred are in remote sections of the District system and can more easily be serviced by PCUC.

The financial impact of the transfers to PCUC will improve their net cash flow by about \$100,000 annually which will be needed to support ongoing capital improvements for the acquired system components. PCUC has estimated a need of \$1.5 million of which a major portion will be water tank rehabs, tank additions, and meter replacements throughout the acquired areas.

**II. Assumed Debt from Southern Water and Sewer District (balances at 05-31-2017)**

KIA Loans	A04-06	A11-16	Total
Balance May 31, 2017	\$30,588.02	\$660,525.28	\$691,113.30
Interest Rate	1.00%	1.00%	
Maturity	Jun 1, 2025	Dec 1, 2033	
Annual P&I	\$3,762.68	\$42,347.40	\$46,110.08
Annual Reserve	funded	\$5,500	

**III. CUSTOMER COMPOSITION AND RATE STRUCTURE**

**A) Customers**

Customers	Current	Additional	Total
Water	7,764	1,060	8,824
Wastewater	2,810	306	3,116

**B) Rates**

	Sewer			
	In City		Out of City	
	Current		Current	
Date of Last Rate Increase	03/01/17	03/01/15	03/01/17	03/01/15
Per 1,000 Gallons	6.81	\$6.56	\$8.54	\$8.22
Cost for 4,000 gallons	\$27.24	\$26.24	\$34.14	\$32.88
Increase %	3.8%	10.1%	3.8%	10.0%
Affordability Index (Rate/MHI)	1.3%		1.6%	
Service Area MHI	25,502		25,502	

	Water			
	In City		Out of City	
	Current		Current	
Date of Last Rate Increase	03/01/17	03/01/15	03/01/17	03/01/15
Per 1,000 Gallons	\$6.51	\$6.07	\$8.32	\$7.82
Cost for 4,000 gallons	\$26.02	\$24.28	\$33.28	\$31.28
Increase %	7.2%	3.2%	6.4%	3.2%
Affordability Index (Rate/MHI)	1.1%		1.4%	
Service Area MHI	28,908		28,908	

While no formal ordinance is in place, PCUC has a history of regular adjustments that exceed inflation. The Consumer Price Index for 2014, 2015 and 2016 was 1.6, 0.1, and 1.3, respectively.

#### Southern Water and Sewer District Rates

	Sewer	Water
Date of Last Rate Increase	07/12/13	07/10/15
First 2,000 Gallons	\$28.38	\$24.60
Each Additional 1,000 Gallons	9.52	8.40
Cost for 4,000 gallons	\$47.42	\$41.40

PCUC is not permitted to increase rates in the acquired areas for three years from the date of the transfer.

#### **IV. FINANCIAL ANALYSIS**

Financial information was obtained from the audited consolidated financial statements for PCUC the years ended June 30, 2014 through 2016. The statements include water, sewer and natural gas operations.

##### HISTORY

Combined water and sewer revenues were flat at \$6.9 million while gas revenues declined 20% or \$375 thousand. Consolidated operating expenses (excluding purchased gas) increased 9.4% from \$6.2 million to \$7.0 million. Purchased gas cost decreased \$280 thousand resulting in a net decrease of \$95 thousand in contribution from the natural gas operation. Other income decreased \$173 thousand from 2014 to 2016. Project income, which is comprised of work performed to support state, local and private companies for line relocations or extensions outside of normal operations and maintenance activities, declined in 2016 and is projected to remain at reduced level going forward.

Cash flow after debt service was -\$33 thousand, -\$19 thousand, and -\$232 thousand for 2014 through 2016 resulting in a debt coverage ratio of slightly below 1.0 in 2014 and 2015 and 0.8 in 2016. The decline significant decline in 2016 was due to a combination of the reduced gas contribution and revenues not maintaining pace with operating expenses.

The balance sheet reflects a current ratio of 0.9, collection period of 33.5 days and the number of months of operating expenses in unrestricted cash is 1.0.

##### PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase for approved rate increases, 2% annually for inflation, and for the customer growth that will result from three pending sewer extension projects.
- 2) Current operating expenses will increase 2% for inflation.
- 3) Debt service includes one approved drinking water project of \$3.6 million and four approved wastewater projects of \$6.7 million that have not started construction.
- 4) Debt service coverage will be 1.0 in 2020 when principal and interest payments begin on all pending projects.

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

#### REPLACEMENT RESERVE

PCUC will be required to either fund the remaining replacement reserve associated with A11-16 or designate existing reserves.

#### V. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
USDA 91-12	\$ 142,000	2038
USDA 91-15	214,000	2039
USDA 93-21	905,000	2041
USDA 91-23	633,500	2043
USDA 91-25	128,500	2043
KADDFT 2011E	1,765,000	2031
1st Comm Bank (Various)	324,850	2018
KIA A09-15	209,000	2031
KIA A09-16	603,947	2031
KIA A10-02	1,604,445	2033
KIA A209-33	1,102,971	2033
KIA A98-03	236,455	2021
KIA B07-10	1,731,445	2029
KIA B08-08	546,454	2029
KIA B98-01	100,205	2019
KIA B99-01	193,094	2022
KIA F209-15	275,118	2031
KIA A16-003 (i/a/o \$2.0332M)	0	TBD
KIA A16-007 (i/a/o \$2.1630M)	0	TBD
KIA A16-028 (i/a/o \$1.9529M)	0	TBD
KIA A16-078 (i/a/o P&D \$600K)	0	TBD
KIA F16-045 (i/a/o \$3.6240M)	0	TBD
<b>Total</b>	<b>\$ 10,715,984</b>	

## **VI. CONTACTS**

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

<b>Applicant Contact</b>	
Name	Turner Campbell
Organization	Prestonsburg City's Utilities Commission
Email	ecpcuc@bellsouth.net
Phone	(606) 831-5800
Address	2560 South Lake Drive Prestonsburg, KY 41653

## **VII. RECOMMENDATIONS**

KIA staff recommends approval of the loan assumptions.

CITY OF PRESTONSBURG  
FINANCIAL SUMMARY (JUNE YEAR END)

Balance Sheet

<b>Assets</b>	<b>Audited 2014</b>	<b>Audited 2015</b>	<b>Audited 2016</b>	<b>Projected 2017</b>	<b>Projected 2018</b>	<b>Projected 2019</b>	<b>Projected 2020</b>	<b>Projected 2021</b>
Current Assets	2,086,467	1,510,288	1,668,786	1,723,811	2,081,043	2,437,266	2,491,239	2,551,054
Other Assets	26,382,331	24,686,190	23,682,836	20,295,909	24,012,351	26,998,773	24,567,823	22,161,373
<b>Total</b>	<b>28,468,798</b>	<b>26,196,478</b>	<b>25,351,622</b>	<b>22,019,720</b>	<b>26,093,394</b>	<b>29,436,039</b>	<b>27,059,062</b>	<b>24,712,427</b>

**Liabilities & Equity**

Current Liabilities	1,695,080	1,643,745	1,776,942	1,642,131	1,592,369	1,559,443	1,532,916	1,527,400
Long Term Liabilities	10,981,088	13,873,088	14,605,752	12,721,861	16,740,625	20,072,494	19,476,378	18,896,378
<b>Total Liabilities</b>	<b>12,676,168</b>	<b>15,516,833</b>	<b>16,382,694</b>	<b>14,363,992</b>	<b>18,332,994</b>	<b>21,631,937</b>	<b>21,009,294</b>	<b>20,423,778</b>
<b>Net Assets</b>	<b>15,792,630</b>	<b>10,679,645</b>	<b>8,968,928</b>	<b>7,655,728</b>	<b>7,760,400</b>	<b>7,804,102</b>	<b>6,049,768</b>	<b>4,288,649</b>

**Cash Flow**

Revenues	8,181,092	8,093,049	8,379,046	8,792,463	9,588,234	9,710,320	10,185,247	10,345,802
Operating Expenses	7,287,076	7,485,561	7,596,710	7,736,141	8,353,361	8,496,325	8,808,790	8,981,815
Other Income	209,245	392,634	35,988	30,500	30,500	30,500	30,500	30,500
<b>Cash Flow Before Debt Service</b>	<b>1,103,261</b>	<b>1,000,122</b>	<b>818,324</b>	<b>1,086,822</b>	<b>1,245,373</b>	<b>1,244,495</b>	<b>1,406,957</b>	<b>1,394,487</b>
<b>Total Debt Service</b>	<b>1,135,899</b>	<b>1,019,250</b>	<b>1,050,433</b>	<b>1,069,798</b>	<b>959,441</b>	<b>901,372</b>	<b>1,396,584</b>	<b>1,349,472</b>
<b>Cash Flow After Debt Service</b>	<b>(32,638)</b>	<b>(19,128)</b>	<b>(232,109)</b>	<b>17,024</b>	<b>285,932</b>	<b>343,123</b>	<b>10,373</b>	<b>45,015</b>

**Ratios**

Current Ratio	1.2	0.9	0.9	1.0	1.3	1.6	1.6	1.7
Debt to Equity	0.8	1.5	1.8	1.9	2.4	2.8	3.5	4.8
Days Sales in Accounts Receivable	39.3	29.4	33.5	33.5	33.5	33.5	33.5	33.5
Months Operating Expenses in Unrestricted Cash	1.5	1.0	1.0	1.0	1.4	1.9	1.9	1.9
Debt Coverage Ratio	0.97	0.98	0.78	1.02	1.30	1.38	1.01	1.03

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**A RESOLUTION OF THE KENTUCKY INFRASTRUCTURE AUTHORITY  
AUTHORIZING AND APPROVING THE ISSUANCE OF OBLIGATIONS OF  
THE KENTUCKY INFRASTRUCTURE AUTHORITY TO REIMBURSE  
CAPITAL EXPENDITURES MADE BY GOVERNMENTAL AGENCIES  
PURSUANT TO LOANS MADE BY THE KENTUCKY INFRASTRUCTURE  
AUTHORITY TO SUCH GOVERNMENTAL AGENCIES**

**WHEREAS**, the Board of Directors of the Kentucky Infrastructure Authority (the "Authority") has heretofore approved the undertaking of the projects described in further detail in Exhibit A (collectively, the "Project"); and

**WHEREAS**, the Authority anticipates making loans to governmental agencies pursuant to the provisions of Chapter 224A of the Kentucky Revised Statutes (the "Act") for the Project and the governmental agencies may be expected to pay and/or incur costs with respect to the Project ("Prior Capital Expenditures") on or after the date of this resolution and prior to the issuance of the obligations (the "Obligations") which will finance the Project.

**NOW, THEREFORE BE IT RESOLVED** by the Board of Directors of the Kentucky Infrastructure Authority as follows:

**Section 1.** The Board of Directors hereby approves the use of the Obligations to finance the costs of the Project in the maximum principal amount set forth in Exhibit A plus costs of issuance related thereto and amounts required to fund a debt service reserve, if any, and declares its intent that any Prior Capital Expenditures made by the governmental agencies pursuant to loans made by the Authority will be made in anticipation of the issuance of such Obligations to reimburse said Prior Capital Expenditures. This declaration is made pursuant to Treas. Reg. §1.150-2.

**Section 2.** The Executive Director and Treasurer of the Authority are hereby authorized and directed to reimburse, not later than eighteen months after the later of (i) the date of the expenditure or (ii) the date the item was placed in service, but in any event not later than three years after the original expenditure, only those Prior Capital Expenditures made with respect to assets having a reasonably expected economic life of at least one year, and in addition, eligible preliminary expenditures paid and incurred prior to commencement of the Project.

**Section 3.** The Authority finds and determines that, consistent with the Authority's budgetary and financial circumstances, it does not have funds currently available and does not expect to have funds available in the future that may be allocated on a long-term basis, other than the proceeds of the Obligations, to finance the Prior Capital Expenditures.

**Section 4.** The Authority hereby directs the Executive Director, Secretary, and Treasurer to take the following action at the time the Prior Capital Expenditures are reimbursed from proceeds of the Obligations: (i) evidence the reimbursement on the books and records maintained with respect to the Obligations, and (ii) identify either the actual prior expenditure to be reimbursed or, in the case of reimbursement of a fund or account, the fund or account from which the expenditure was paid.

**Section 5.** The books, records and proceedings of the Authority with respect to this resolution shall be made reasonably available by the Authority for its inspection by the general public at the Authority's administrative office every business day during normal business hours commencing no later than 30 days after the passage of this resolution. Said books, record and proceedings of the Authority with respect to this resolution will continue to be reasonably available to the general public until the date of issuance of the Obligations.

**Section 6.** This Resolution shall be in full force and effect from and after its adoption. Passed and adopted this 1st day of June, 2017.

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DONNA MCNEIL, EXECUTIVE DIRECTOR  
KENTUCKY INFRASTRUCTURE AUTHORITY

ATTEST:

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CHRIS KELLOGG, SECRETARY  
KENTUCKY INFRASTRUCTURE AUTHORITY

REVIEWED BY:

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WILLIAM PAULEY, STAFF ATTORNEY  
DEPARTMENT FOR LOCAL GOVERNMENT

**EXHIBIT A**

<b><u>APPLICANT</u></b>	<b><u>LOAN #</u></b>	<b><u>TOTAL AMOUNT</u></b>
Paducah McCracken Joint Sewer Agency	A17-033	\$ 9,100,000
City of Mayfield	B17-013	\$ 849,000
Regional Water Resource Agency	B17-014	\$ 500,000
Regional Water Resource Agency	B17-015	\$ 485,000
City of Campbellsville	F17-014	\$ 6,593,000