



**Board Meeting Booklet**  
**for**  
**May 4, 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  
May 4, 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 March 2, 2017</b><br><i>(Attachment I.A.1.)</i> | Chair Sandra Dunahoo | 9 |
|---|----------------------|---|

B. New Projects / Action Items

- **Announce Changes Made to the Resolutions**  
Ms. Donna McNeil, KIA
- |   |   |    |
|---|---|----|
| 1. Resolution and Order of the Board of Directors for Approval of a <b>Fund A loan (A17-039)</b> in the amount of <b>\$1,780,000</b> to the <b>City of Benton, Marshall County, Kentucky</b> (SX21157020)<br><i>(Attachment I.B.1.)</i>                           | Mr. Jory Becker, DOW<br>Ms. Debbie Landrum, KIA | 21 |
| 2. Resolution and Order of the Board of Directors for Approval of a <b>Fund A loan (A17-005)</b> in the amount of <b>\$9,969,585</b> to the <b>Lexington-Fayette Urban County Government, Fayette County, Kentucky</b> (SX21067057)<br><i>(Attachment I.B.2.)</i> | Mr. Jory Becker, DOW<br>Mr. Jeff Abshire, KIA   | 35 |
| 3. Resolution and Order of the Board of Directors Authorizing an <b>Amendment to a Fund A loan (A14-013)</b> increasing the amount by <b>\$470,000</b> to the <b>City of Catlettsburg, Boyd County, Kentucky</b> (SX21019075)<br><i>(Attachment I.B.3.)</i>       | Mr. Jory Becker, DOW<br>Mr. Jeff Abshire, KIA   | 49 |
| 4. Resolution and Order of the Board of Directors Authorizing an <b>Amendment to a Fund B loan (B17-008)</b> increasing the amount by <b>\$152,000</b> to the <b>City of Bardstown, Nelson County, Kentucky</b> (WX21179030)<br><i>(Attachment I.B.4.)</i>        | Mr. Jeff Abshire, KIA                           | 61 |
| 5. Resolution and Order of the Board of Directors for Approval of a <b>Fund B loan (B17-012)</b> in the amount of <b>\$1,000,000</b> to the <b>City of Bardstown, Nelson County, Kentucky</b> (WX21179031)<br><i>(Attachment I.B.5.)</i>                          | Mr. Jeff Abshire, KIA                           | 73 |

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6. Resolution and Order of the Board of Directors 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  
***(Attachment I.B.6.)***

Mr. Jeff Abshire, KIA

85

**II. EXECUTIVE DIRECTOR'S REPORT**

Ms. Donna McNeil, KIA

**III. ANNOUNCEMENTS/NOTIFICATIONS**

1. Next KIA Board Meeting:  
***Tentatively set for Thursday, June 1, 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: March 3, 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. 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  
Mr. Robert A. Amato, representing Kentucky Municipal Utilities Association

**Members absent:**

Mr. C. Ronald Lovan, representing the American Water Works Association  
Mr. Bruce Scott, Energy and Environment Cabinet  
(proxy for Secretary Charles Snaveley, EEC)

**Guests:**

Mr. Jory Becker, Division of Water  
Mr. Jay Blalock, South Hopkins Water District  
Mr. Vernon Brown, Department for Local Government  
Mr. Bob Casher, Bluegrass Area Development District  
Mr. Alan Bryan, GRW Engineers  
Ms. Bethany Couch, Office of Financial Management  
Mr. Dean Hall, Southern Water & Sewer District  
Mr. Brandon Hamilton, Kenvirons  
Mr. Ryan Helfenbein, Department for Local Government  
Mr. Jay Hoffman, Wet or Dry  
Mr. Troy Hogg, KEG  
Mr. Robert J. Tucker, South Hopkins Water District  
Mr. Jamie Lawrence, Pennyryle Area Development District  
Mr. Ora Main, Nesbitt Engineering  
Mr. W. J. Noland, City of Irvine

Mr. Ryan Owens, Stanford Water  
Mr. Bob Smallwood, GRW Engineers  
Mr. John Steinmetz, Banks Engineering  
Mr. Billy Williams, City of Irvine  
Mr. Vaughn Williams, Kenvirons  
Mr. Jack Withrow, Stanford Water  
Ms. Amanda Workman, South Hopkins Water District

## **PROCEEDINGS**

Chair Sandra Dunahoo called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. Ms. Dunahoo asked guests to introduce themselves. It was noted that the press had been notified regarding the meeting and a quorum was confirmed as well.

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

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

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

*Ms. Linda Bridwell moved to approve the minutes of the February 2, 2017, regular board meeting. Mr. Claude Christensen seconded, and the motion carried unanimously.*

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

Chair Dunahoo announced there were two additional resolutions that required the Board's attention.

The first was to appoint a new Acting Secretary to replace Ms. Brandi Norton who has tendered her resignation effective March 16, 2017.

#### **1a. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING THE APPOINTMENT OF SECRETARY OF THE KENTUCKY INFRASTRUCTURE AUTHORITY**

*Ms. Linda Bridwell moved to nominate Ms. Chris Kellogg, as Acting Secretary. Mr. Mark Bunning seconded the nomination, the motion carried unanimously.*

**The additional resolution was to approve the selection of the Authority's Executive Director, Ms. Donna McNeil.**

**1b. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING THE APPOINTMENT OF EXECUTIVE DIRECTOR OF THE KENTUCKY INFRASTRUCTURE AUTHORITY.**

*Mr. David Voegele moved to approve the Resolution to appoint Ms. Donna McNeil as Executive Director of the Authority, effective February 16, 2017. Ms. Linda Bridwell seconded and the motion carried unanimously.*

**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 (A17-037) IN THE AMOUNT OF \$1,095,462 TO THE CITY OF STANTON, POWELL COUNTY, KENTUCKY**

Mr. Jory Becker, DOW, and Ms. Brandi Norton, KIA, discussed the City of Stanton's request for a Fund "A" loan in the amount of \$1,095,462 for the Sanitary Sewer Service Area Expansion, Phase I project. This project will install approximately 2.9 miles of 8" gravity sewer, over 2.2 miles of force main, 45 residential grinder pumps, three small duplex pump stations and one large duplex pump station to provide sewer service to 100 homes and a brick manufacturing plant. These homes are currently using onsite treatment or straight pipes to provide their sewerage disposal needs.

The City of Stanton purchases 189 million gallons of water annually from Beech Fork Water Commission and serves approximately 1,166 sewer customers.

*Ms. Linda Bridwell moved to approve the Fund "A" Loan, (A17-037) in the amount of \$1,095,462 to the City of Stanton with the standard conditions and the following special conditions: revenues will be increased: 3% or \$50,000 by July 1, 2017, 3% or \$60,000 by July 1, 2018, and 2% or \$32,000 by July 1, 2019. All increases shall be passed by July 1, 2017. 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 AN INFRASTRUCTURE REVOLVING FUND LOAN (B17-011) OF \$765,000 TO SOUTH HOPKINS WATER DISTRICT, HOPKINS COUNTY, KENTUCKY**

Ms. Ashley Adams, KIA, discussed the South Hopkins Water District's request for a Fund "B" loan in the amount of \$765,000 for the Water Tank Rehabilitation and Improvement project. This project will rehabilitate two existing water tanks. The first is an elevated water tank and is in need of immediate attention. Work to this tank will include replacing the existing riser, raising the fill pipe, and repairing sheet metal in addition to being cleaned and painted. The second tank is a ground tank rehabilitation which will include the installation of a mixing system in order to reduce disinfection byproducts, sand blasting, cleaning, and painting of the tank.

South Hopkins Water District is PSC regulated and sells water to the Earlington Water & Sewer Department, Mortons Gap Water Department, and the Caldwell County Water District. Most of the District's water is purchased from the City of Dawson Springs with a small amount purchased from the City of Madisonville.

***Ms. Talina Mathews abstained from voting. Ms. Linda Bridwell moved to approve the Fund "B" Loan, (B17-011) in the amount of \$765,000 to the South Hopkins Water District with the standard conditions. Mr. Paul Lashbrooke seconded, and the motion was unanimously approved.***

**3. 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 (F17-001) IN THE AMOUNT OF \$553,000 TO THE CITY OF NICHOLASVILLE, JESSAMINE COUNTY, KENTUCKY**

Mr. Jory Becker, DOW, and Mr. Jeff Abshire, KIA, discussed the City of Nicholasville's request for a \$553,000 loan for the Jessamine-South Elkhorn Interconnect project. The project will construct approximately 2,100 linear feet of twelve inch water main and a bidirectional booster pump station which will permit either utility to supply the other in the event of an emergency need. The booster station will have high efficiency pumps and will be equipped with dual telemetry controls to each system.

The City has approximately 13,600 water customers of which approximately 350 are in Fayette County. They produce about 1.5 billion gallons of water per year and purchase an additional 40 million gallons

from Kentucky-American Water Company. They also sell approximately 250 million gallons per year to the Jessamine County Water District #1 and Jessamine-South Elkhorn Water Districts.

***Mr. Robert Amato excused himself from the room during the discussion and vote. Ms. Linda Bridwell recused herself from the vote. Mr. Mark Bunning moved to approve the Fund “F” Loan, (F17-001) in the amount of \$553,000 to the City of Nicholasville with the standard conditions. Mr. David Voegele seconded, and the motion was unanimously approved.***

**4. 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 (F17-005) OF \$2,690,000 TO THE CITY OF STANFORD, LINCOLN COUNTY, KENTUCKY**

Mr. Jory Becker, DOW, and Ms. Ashley Adams, KIA, discussed the City of Stanford’s request for a Fund “F” loan in the amount of \$2,690,000 for the Water System Upgrade project. This project will help improve water pressure and replace aging and tuberculated cast iron waterlines that have been in service since the 1950’s. A major portion of this project will be replacing a cross-country 8” cast iron waterline, which provides water directly to the City from the water treatment plant, with PVC. This waterline needs to be replaced very soon due to multiple breaks and age. The remainder of the project will be various system wide replacements and connections of dead-end waterlines to create loops throughout the system.

Stanford provides service to 3,420 customers in Lincoln County. They also have a forty year agreement to supply water to the McKinney Water District at a current rate of \$2.80 per 1,000 gallons. In addition, the City provides an emergency connection to the City of Crab Orchard.

***Mr. Claude Christensen moved to approve the Fund “F” Loan, (F17-005) in the amount of \$2,690,000 to the City of Stanford with the standard conditions and the following special condition: The City of Stanford will increase rates enough to generate a minimum of \$200,000 in additional annual revenue (approximately 15% of water revenue or 10% of overall revenues) by July 1, 2017. Ms. Talina Mathews seconded, and the motion was unanimously approved.***

**5. 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 (F17-006) OF \$5,732,000 TO THE CITY OF IRVINE, ESTILL COUNTY, KENTUCKY**

Mr. Jory Becker, DOW, and Ms. Ashley Adams, KIA, discussed the City of Irvine's request for the benefit of Irvine Municipal Utilities for a Fund "F" loan in the amount of \$5,732,000 for the Water Plant Modernization project. The Water Treatment Plant (WTP) will undergo an array of improvements including expansion of the existing filter buildings, upgrade of two existing filters, construction of a third new filter, as well as improvements to the existing raw water and treated water pumping facilities, chemical feed/storage facilities, and flocculation and sedimentation basins. In addition, the project will install approximately 20,100 LF of 12 inch PVC main, and add a 500,000 gallon water storage tank which will replace an existing 200,000 gallon tank. These improvements will address water quality issues at the WTP and in the distribution system by reducing disinfection byproducts, add needed capacity to meet current regulations and aid in maintenance and redundancy needs, eliminate existing water transmission hydraulic bottlenecks, and facilitate water storage tank turnover.

Irvine Municipal Utilities serves approximately 4,500 customers. They also provide Estill County Water District No. 1 with approximately 255 million gallons of water annually at a rate of \$2.587/1,000 gallons (approximately 50% of total water revenue).

***Ms. Linda Bridwell moved to approve the increase to Fund "F" Loan, (F17-006) in the amount of \$5,732,000 to the City of Irvine with the standard conditions and the following special condition: The City of Irvine will increase rates enough to generate a minimum of \$160,000 in additional revenue (approximately 14% of water revenues or 8% of total revenues) effective July 1, 2017. This increase will be in addition to the already approved CPI rate increase for Fiscal Year 2018. The ordinance for this increase must be passed no later than May 1, 2017. Mr. Paul Lashbrooke seconded, and the motion was unanimously approved.***

**6. 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 (F17-012) IN**

**THE AMOUNT OF \$1,350,000 TO THE SOUTHERN WATER & SEWER DISTRICT, FLOYD COUNTY, KENTUCKY**

Mr. Jory Becker, DOW, and Ms. Brandi Norton, KIA, discussed the Southern Water & Sewer District’s request for a Fund “F” loan in the amount of \$1,350,000 for the Lackey to Wayland Water Line Replacement Project. This project will replace approximately 20,000 linear feet of existing 8-10 inch PVC/asbestos/concrete lines with 6 and 8 inch PVC waterline along Route 7 to the city of Wayland. The replacement is necessary to correct pressure and volume issues for customers. The District also has a history of water loss, approximately 40%; this project will assist in remediation efforts.

Southern Water & Sewer District provides water service to approximately 6,751 customers within Floyd, Knott, Letcher and Pike Counties. The District is regulated by the Kentucky Public Service Commission.

***Ms. Talina Mathews recused herself from the vote. Ms. Linda Bridwell moved to approve the Fund “F” Loan, (F17-012) in the amount of \$1,350,000 to the Southern Water & Sewer District with the standard conditions. Mr. Paul Lashbrooke seconded, and the motion was unanimously approved.***

**7. 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</b>
City of Stanton	A17-037	\$ 1,095,462
South Hopkins Water District	B17-011	\$ 765,000
City of Nicholasville	F17-001	\$ 553,000
City of Stanford	F17-005	\$ 2,690,000
City of Irvine	F17-006	\$ 5,732,000
Southern Water & Sewer District	F17-012	\$ 1,350,000

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

### III. STATUS REPORT FOR FUNDS A, A2, B, B1, C, F, F2

#### I. DISCUSSION

Chair Dunahoo thanked Ms. Norton for her service to KIA and wished her the best in her future endeavors.

The floor was turned over to Executive Director Donna McNeil for an update. Ms. McNeil noted it had been a busy two weeks since assuming the position. Ms. McNeil has met with each staff member individually and is conducting weekly staff meetings. Staff has many good ideas about streamlining and automating processes. There are several vacancies, which will be a priority to get filled as quickly as possible. Staff has requested training to better perform their job duties. There has been discussion about a Board member orientation and implementation of a Board Policy Book. Ms. McNeil asked if anyone would be interested in serving on an Ad Hoc Committee on Board Policy. Ms. Linda Bridwell and Mr. Mark Bunning agreed to participate. Mr. Robert Amato said he would consider serving as well.

The last item for discussion was the next meeting of the KIA Board. Staff has noted there is a light project load and to best use Board members' time has recommended cancelling the April meeting and put the April projects on the May agenda.

***Mr. Robert Amato moved to approve the postponement of the April agenda items. Mr. Mark Bunning seconded and the motion passed unanimously.***

#### ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:  
Thursday, May 4, 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 March 2, 2017, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.***



Submitted by:

Brandi Norton

Brandi Norton, Secretary  
Kentucky Infrastructure Authority

3/13/17

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 (A17-039) FOR AN AMOUNT UP TO \$1,780,000 TO THE CITY OF BENTON, MARSHALL 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 City of Benton, 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 \$1,780,000 of project expense including capitalized interest for the construction period, to the City of

Benton for the Sewer Collection System SSES & Rehabilitation Phase III 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. From annual revenues, \$4,500 must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$90,000 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 4th day of May, 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:

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DINSMORE & SHOHL LLP, LEGAL COUNSEL TO  
THE KENTUCKY INFRASTRUCTURE AUTHORITY



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

April 21, 2017

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

Re: A17-039  
Benton WWTP—2921  
Sewer Collection System SSES & Rehabilitation Ph. 3  
Activity ID: FGL20170003

Dear Mrs. McNeil:

The Division of Water (DOW) hereby certifies that the City of Benton is eligible to receive \$1,780,000.00 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 City of Benton'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 June 2017.
2. Plans and specifications are expected to be submitted to DOW in June 2017.
3. Construction bids are expected to be opened in July 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: Honorable Rita Dotson  
Rivercrest Engineering, Inc.



<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	Debbie Landrum May 4, 2017 A17-039 SX21157020	
BORROWER	CITY OF BENTON MARSHALL COUNTY			
BRIEF DESCRIPTION				
This project includes the evaluation and rehabilitation of approximately 20,000 linear feet of sanitary sewer located in downtown. This will include the evaluation of the existing sanitary sewers by closed circuit television inspection, manhole inspections, and pre and post construction flow monitoring. This work is being required by the EPA in response to an Agreed Order.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$1,780,000	Administrative Expenses	RD Fee %	Actual %
		Planning		
		Eng - Design / Const	8.3%	7.9%
		Eng - Insp	5.2%	5.2%
		Construction		
		Contingency		
TOTAL	\$1,780,000	TOTAL		\$1,780,000
REPAYMENT	Rate	1.75%	Est. Annual Payment \$109,427	
	Term	20 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Rivercrest Engineering, Inc.		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Sep-17		
	Construction Start	Nov-17		
	Construction Stop	Jun-18		
DEBT PER CUSTOMER	Existing	\$1,264		
	Proposed	\$1,728		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	2,033	\$18.50 (for 4,000 gallons)	
	Additional	0	\$18.50 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2014	613,185	525,611	87,574	1.2
Audited 2015	703,291	528,545	174,746	1.3
Audited 2016	665,131	531,459	133,672	1.3
Projected 2017	667,295	516,597	150,698	1.3
Projected 2018	648,681	437,129	211,552	1.5
Projected 2019	614,653	444,226	170,427	1.4
Projected 2020	584,534	268,594	315,940	2.2
Projected 2021	553,813	271,251	282,562	2.0



Reviewer: Debbie Landrum  
 Date: May 4, 2017  
 Loan Number: A17-039

**KENTUCKY INFRASTRUCTURE AUTHORITY  
 WASTEWATER REVOLVING LOAN FUND (FUND "A")  
 CITY OF BENTON, MARSHALL COUNTY  
 PROJECT REVIEW  
 SX21157020**

**I. PROJECT DESCRIPTION**

The City of Benton is requesting a Fund A loan in the amount of \$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.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 80,000
Planning	60,000
Engineering Fees – Design/Construction	115,000
Engineering Fees – Inspection	75,000
Construction	1,300,000
Contingency	150,000
<b>Total</b>	<b>\$ 1,780,000</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 1,780,000	100%
<b>Total</b>	<b>\$ 1,780,000</b>	<b>100%</b>

**IV. KIA DEBT SERVICE**

Amortized Loan Amount	\$ 1,780,000
Interest Rate	1.75%
Loan Term (20 Years)	20
Estimated Annual Debt Service	\$ 105,867
Administrative Fee (0.20%)	3,560
<b>Annual Debt Service</b>	<b>\$ 109,427</b>

**V. PROJECT SCHEDULE**

Bid Opening	September 2017
Construction Start	November 2017
Construction Stop	June 2018

**VI. CUSTOMER COMPOSITION AND RATE STRUCTURE**

**A) Customers**

Customers	Current
Residential	1,750
Commercial	853
Total	2,033

**B) Rates**

Sewer	Inside City Limits		Outside City Limits	
	Current	Prior	Current	Prior
Date of Last Rate Increase	04/01/09	06/01/07	07/01/16	06/01/07
Minimum (first 1,000 gallons)	\$3.50	\$3.00	\$6.00	\$4.50
Next 1,000 Gallons	5.00	4.02	7.50	6.03
Cost for 4,000 gallons	\$18.50	\$15.06	\$28.50	\$22.59
Increase %	22.8%		26.2%	
Affordability Index (Rate/MHI)	0.5%		0.8%	

Water	Inside City Limits		Outside City Limits	
	Current	Prior	Current	Prior
Date of Last Rate Increase	07/01/09	06/01/07	07/01/16	07/01/09
Minimum	\$12.08	\$10.08	\$17.12	\$17.12
Next 1,000 Gallons	3.00	2.43	3.50	3.00
Cost for 4,000 gallons	\$24.08	\$19.80	\$31.12	\$29.12
Increase %	21.6%		6.9%	
Affordability Index (Rate/MHI)	0.7%		0.9%	

Water	West Marshall	
	Current	Prior
Date of Last Rate Increase	07/01/09	06/01/07
Minimum	\$17.12	\$15.12
Next 1,000 Gallons	3.00	2.43
Cost for 4,000 gallons	\$29.12	\$24.84
Increase %	17.2%	
Affordability Index (Rate/MHI)	0.9%	

Benton Water & Sewer sells approximately 53 million gallons of water to Hardin Water Department annually. Rates increased from \$1.49/1,000 gallons to \$1.67/1,000 gallons in 2016 and then to \$2.00/1,000 gallons in 2017.

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2010-2014, the Utility's service area population was 4,765 with a Median Household Income (MHI) of \$40,737. The median household income for the Commonwealth is \$43,342. The project will qualify for a 1.75% interest rate based on the City's MHI being below the Commonwealth's average.

Year	Population		County Unemployment			
	City	% Change	County	% Change	Date	Rate
1980	3,700		25,637		June 2005	6.5%
1990	3,899	5.4%	27,205	6.1%	June 2010	9.8%
2000	4,197	7.6%	30,125	10.7%	June 2015	5.3%
2010	4,349	3.6%	31,448	4.4%	June 2016	5.9%
Current	4,379	0.7%	31,181	-0.8%		
Cumulative %		18.4%		21.6%		

## **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 City's combined Water and Sewer fund years ended June 30, 2014 through June 30, 2016. The non-cash impact of GASB 68 (\$152 thousand), Accounting and Financial Reporting for Pensions, has been removed from fiscal 2016 operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

Consolidated water and sewer revenues increased 5% from \$1.97 million in 2014 to \$2.1 million in 2016. Operating expenses increased 3% from \$1.37 million to \$1.4 million during the same time period. The debt coverage ratio was 1.2, 1.3, and 1.3 from 2014 to 2016, respectively. The City will pay off a note to the Kentucky League of Cities in 2017 and two different bond issues in 2018 and 2019, greatly reducing their debt obligation prior to 2020 when principal and interest payments for this KIA loan begins.

The balance sheet reflects a current ratio of 0.9, a debt to equity ratio of 0.6, 46.5 days sales in accounts receivable, and 2.4 months operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Revenues will increase approximately 1.5% in 2017 due to previously approved rate increases in outside city water rates and water wholesale rates to Hardin Water Department. In 2018 total revenues will increase 0.5% for another previously approved wholesale water rate increase. Revenues will remain flat for volume.
- 2) Expenses will increase 2% for inflation.
- 3) Debt service coverage is 2.2 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 A loan.

## REPLACEMENT RESERVE

The annual replacement cost is \$4,500. This amount should be added to the replacement account each December 1 until the balance reaches \$90,000 and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	Outstanding	Maturity
2008 Revenue Bonds	\$ 270,000	2018
2016 Refunding Bonds	1,335,000	2028
2009 Revenue Bonds	624,391	2019
KIA A03-07	153,972	2025
KY League of Cities Note	186,310	2017
<b>Total</b>	<b>\$ 2,569,673</b>	

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

None

## XII. CONTACTS

<b>Legal Applicant</b>	
Entity Name	City of Benton
Authorized Official	Rita Dotson (Mayor)
County	Marshall
Email	rdotson@cityofbenton.org
Phone	(270) 527-8677
Address	1009 Main Street Benton, KY 42025

<b>Project Administrator</b>	
Name	Bethany Cooper
Organization	City of Benton
Email	bcooper@cityofbenton.org
Phone	(270) 527-8677
Address	1009 Main Street Benton, KY 42025

**Consulting Engineer**

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

**XIII. RECOMMENDATIONS**

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

**CITY OF BENTON  
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	606,681	606,426	592,812	626,798	670,408	704,493	767,682	824,194
Other Assets	9,380,440	9,378,597	9,398,642	9,042,790	10,543,681	10,236,172	10,045,074	9,827,273
<b>Total</b>	<b>9,987,121</b>	<b>9,985,023</b>	<b>9,991,454</b>	<b>9,669,588</b>	<b>11,214,089</b>	<b>10,940,666</b>	<b>10,812,756</b>	<b>10,651,467</b>

**Liabilities & Equity**

Current Liabilities	541,713	589,908	653,523	592,643	557,886	339,211	345,614	352,314
Long Term Liabilities	2,831,142	3,053,544	2,892,075	2,455,170	3,884,131	3,752,667	3,615,700	3,472,933
<b>Total Liabilities</b>	<b>3,372,855</b>	<b>3,643,452</b>	<b>3,545,598</b>	<b>3,047,813</b>	<b>4,442,017</b>	<b>4,091,878</b>	<b>3,961,314</b>	<b>3,825,247</b>
<b>Net Assets</b>	<b>6,614,266</b>	<b>6,341,571</b>	<b>6,445,856</b>	<b>6,621,775</b>	<b>6,772,072</b>	<b>6,848,788</b>	<b>6,851,442</b>	<b>6,826,220</b>

**Cash Flow**

Revenues	1,975,549	1,991,248	2,075,996	2,106,542	2,116,877	2,116,877	2,116,877	2,116,877
Operating Expenses	1,372,604	1,296,374	1,419,091	1,447,473	1,476,422	1,510,450	1,540,569	1,571,290
Other Income	10,240	8,417	8,226	8,226	8,226	8,226	8,226	8,226
<b>Cash Flow Before Debt Service</b>	<b>613,185</b>	<b>703,291</b>	<b>665,131</b>	<b>667,295</b>	<b>648,681</b>	<b>614,653</b>	<b>584,534</b>	<b>553,813</b>
<b>Debt Service</b>								
Existing Debt Service	525,611	528,545	531,459	516,597	437,129	389,512	159,167	161,824
Proposed KIA Loan	0	0	0	0	0	54,714	109,427	109,427
<b>Total Debt Service</b>	<b>525,611</b>	<b>528,545</b>	<b>531,459</b>	<b>516,597</b>	<b>437,129</b>	<b>444,226</b>	<b>268,594</b>	<b>271,251</b>
<b>Cash Flow After Debt Service</b>	<b>87,574</b>	<b>174,746</b>	<b>133,672</b>	<b>150,698</b>	<b>211,552</b>	<b>170,427</b>	<b>315,940</b>	<b>282,562</b>

**Ratios**

Current Ratio	1.1	1.0	0.9	1.1	1.2	2.1	2.2	2.3
Debt to Equity	0.5	0.6	0.6	0.5	0.7	0.6	0.6	0.6
Days Sales in Accounts Receivable	46.1	45.9	46.5	46.5	46.5	46.5	46.5	46.5
Months Operating Expenses in Unrestricted Cash	2.6	2.8	2.4	2.6	2.9	3.1	3.5	3.9
Debt Coverage Ratio	1.2	1.3	1.3	1.3	1.5	1.4	2.2	2.0

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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 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**

**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 Lexington-Fayette Urban County Government, 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 \$9,969,585 of project expense including capitalized interest for the construction period, to the Lexington-Fayette Urban County Government for the Town Branch Commons – Phase 1/Midland Ave Trunk Sewer Replacement 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. From annual revenues, \$25,000 must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$500,000 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 4th day of May, 2017.

\_\_\_\_\_  
SANDRA K. DUNAHOO, CHAIR  
KENTUCKY INFRASTRUCTURE AUTHORITY

ATTEST:

\_\_\_\_\_  
CHRIS KELLOGG, SECRETARY  
KENTUCKY INFRASTRUCTURE AUTHORITY

REVIEWED BY:

\_\_\_\_\_  
DINSMORE & SHOHL LLP, LEGAL COUNSEL TO  
THE KENTUCKY INFRASTRUCTURE AUTHORITY



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

April 20, 2017

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

Re: A17-005  
Lexington Town Branch WWTP—1073  
Town Branch Commons Ph 1/Midland Ave  
Activity ID: FGL20170015

Dear Mrs. McNeil:

The Division of Water (DOW) hereby certifies that the Lexington Fayette Urban Co. Government is eligible to receive \$9,969,585.00 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 Lexington Fayette Urban Co. Government'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 June 2017.
2. Plans and specifications are expected to be submitted to DOW in June 2017.
3. Construction bids are expected to be opened in July 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. Charles H Martin  
AECOM



<b>EXECUTIVE SUMMARY</b>		Reviewer	Jeff Abshire	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	May 4, 2017	
<b>FUND A, FEDERALLY ASSISTED WASTEWATER</b>		KIA Loan Number	A17-005	
<b>REVOLVING LOAN FUND</b>		WRIS Number	SX21067057	
BORROWER	LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT FAYETTE COUNTY			
BRIEF DESCRIPTION				
This project involves the replacement of approximately 5,600 linear feet of twelve inch sanitary sewer lines with twelve to twenty-one inch lines. Additionally, a source water sump for the introduction of water into the Town Branch system and a bio-swale for treatment of surface water that discharges from paved areas will be installed. The sewer line replacement is a component of the Remedial Measures Plan that was approved by the U.S. Environmental Protection Agency to comply with the Consent Decree.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$9,969,585	RD Fee %	Actual %	
		Administrative Expenses		\$5,000
		Legal Expenses		5,000
		Land, Easements		25,000
		Eng - Design / Const	6.4%	6.4%
		Eng - Insp	3.0%	1.5%
		Construction		8,065,079
		Contingency		1,139,562
TOTAL	\$9,969,585	TOTAL		\$9,969,585
REPAYMENT	Rate	1.75%	Est. Annual Payment	\$612,886
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	AECOM		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Nov-17		
	Construction Start	Jan-18		
	Construction Stop	Oct-19		
DEBT PER CUSTOMER	Existing	\$912		
	Proposed	\$1,517		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		105,981	\$27.25	(for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2014	18,371,468	5,853,461	12,518,007	3.1
Audited 2015	19,813,887	3,984,592	15,829,295	5.0
Audited 2016	25,995,617	5,630,199	20,365,418	4.6
Projected 2017	31,949,262	5,746,948	26,202,313	5.6
Projected 2018	32,306,988	9,084,782	23,222,206	3.6
Projected 2019	32,658,138	13,799,846	18,858,292	2.4
Projected 2020	33,214,702	13,800,725	19,413,976	2.4
Projected 2021	33,782,397	13,794,550	19,987,846	2.4

Reviewer: Jeff Abshire  
Date: May 4, 2017  
Loan Number: A17-005

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND "A")  
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, FAYETTE COUNTY  
PROJECT REVIEW  
SX21067057**

**I. PROJECT DESCRIPTION**

The Lexington-Fayette Urban County Government ("LFUCG") is requesting a fund "A" loan in the amount of \$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.

## II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 5,000
Legal Expenses	5,000
Land, Easements	25,000
Engineering Fees - Design / Const	587,944
Engineering Fees - Inspection	142,000
Construction	8,065,079
Contingency	1,139,562
<b>Total</b>	<b>\$ 9,969,585</b>

## III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund A Loan	\$ 9,969,585	100%
<b>Total</b>	<b>\$ 9,969,585</b>	<b>100%</b>

## IV. KIA DEBT SERVICE

Construction Loan	\$ 9,969,585
Interest Rate	1.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 592,947
Administrative Fee (0.20%)	19,939
<b>Total Estimated Annual Debt Service</b>	<b>\$ 612,886</b>

## V. PROJECT SCHEDULE

Bid Opening	November 2017
Construction Start	January 2018
Construction Stop	October 2019

## VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

### A) Customers

Customers	<u>Current</u>
Residential	98,687
Commercial	7,276
Industrial	18
Total	<u>105,981</u>



**B) Rates**

<b>Residential</b>	<b>Current</b>	<b>Prior</b>
Date of Last Rate Increase	07/01/16	07/01/15
First 100 Cubic Feet (CF)	\$6.38	\$5.70
Each Additional 100 CF	4.80	4.21
Cost for 4,000 gallons	\$27.25	\$24.00
Increase %	13.5%	
Affordability Index (Rate/MHI)	0.7%	
<b>Commercial and Industrial</b>		
First 100 Cubic Feet (CF)	\$7.74	\$6.91
Each Additional 100 CF	5.84	5.21
Cost for 4,000 gallons	\$33.13	\$29.56
Increase %	12.1%	
Affordability Index (Rate/MHI)	0.8%	

Rates are adjusted each July 1 based on the Consumer Price Index for All Urban Consumers for the prior twelve months ending in April before the adjustment.

**VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2010-2014, the Utility’s service area population was 304,473 with a Median Household Income (MHI) of \$48,667. The median household income for the Commonwealth is \$43,342. The project will qualify for a 1.75% interest rate.

Year	Population		Unemployment	
	City / County	% Change	Date	Rate
1980	204,165		June 2004	4.6%
1990	225,366	10.4%	June 2009	8.7%
2000	260,512	15.6%	June 2015	4.1%
2010	295,803	13.5%	June 2016	3.9%
Current	304,473	2.9%		
Cumulative %		49.1%		

**VIII. 2016 CAPITALIZATION GRANT EQUIVALENCIES**

- 1) Green Project Reserve - This project will not be reported 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 Government's audited financial statements for the years ended June 30, 2014 through 2016 for the Sanitary Sewer System Fund. The Water Quality Fund is reported separately. The non cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2016 operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

Revenues increased 14% from \$50.5 million in 2014 to \$57.8 million in 2016 while operating expenses decreased 3% from \$33.2 million to \$32.2 million during the same period. The debt coverage ratio was 3.1, 5.0, and 4.6, respectively, from 2014 through 2016. Debt service averaged \$5.1 million annually.

The balance sheet reflects a current ratio of 10.9, a debt to equity ratio of 0.5, and a collection period of 31.5 days. Unrestricted cash equals 25.9 months of operating expenses. Capital spending from 2014 through 2016 was \$88.4 million of which \$49.6 million was funded by KIA with the balance of \$38.8 million being funded from free cash flow from operations. At June 30, 2016 total debt to KIA was \$61.8 million with an additional \$93.6 million remaining to be spent on approved and pending projects.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Revenues reflect the 13.5% rate increase effective July 1, 2016 and will increase 2% annually for inflation thereafter.
- 2) Expenses will increase 2% for inflation.
- 3) Debt service coverage is 2.4 in 2019 when full year principal and interest repayments begin.

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

### **REPLACEMENT RESERVE**

The annual replacement cost is \$25,000. This amount should be added to the replacement account each December 1 until the balance reaches \$500,000 and maintained for the life of the loan.

**X. DEBT OBLIGATIONS**

	<u>Outstanding</u>	<u>Maturity</u>
2014A Refunding Sewer Bond	\$ 24,190,000	2030
2014B Refunding Sewer Bond	8,120,000	2019
KIA Loan (A209-08)	958,044	2030
KIA Loan (A209-09)	84,439	2030
KIA Loan (A09-01)	11,358,234	2031
KIA Loan (A10-08)	8,846,249	2035
KIA Loan (A12-16)	1,494,026	2036
KIA Loan (A13-002 i/a/o \$13.6M)	7,128,187	TBD
KIA Loan (A13-003 i/a/o \$10.2M)	8,344,177	2036
KIA Loan (A13-015 i/a/o \$31.8M)	15,640,070	TBD
KIA Loan (A13-018 i/a/o \$6.0M)	5,264,306	TBD
KIA Loan (A14-001 i/a/o \$19.8M)	2,723,740	TBD
KIA Loan (A15-026 i/a/o \$36M)	0	TBD
KIA Loan (A17-003 i/a/o \$2.4M)	0	TBD
KIA Loan (A17-016 i/a/o \$16.9M)	0	TBD
<b>Total</b>	<b>\$ 94,151,472</b>	

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

None.

**XII. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	Lexington-Fayette Urban County Government
Authorized Official	Jim Gray (Mayor)
County	Fayette
Email	mayor@lexingtonky.gov
Phone	(859) 258-3100
Address	200 East Main Street Lexington, KY 40507

<b>Project Contact / Project Administrator</b>	
Name	Jonathan Hollinger
Organization	Lexington-Fayette Urban County Government
Email	jhollinger@lexingtonky.gov
Phone	(859) 258-3150
Address	200 East Main Street Lexington, KY 40507

<b>Consulting Engineer</b>	
PE Name	Greg Groves
Firm Name	AECOM
Email	greg.groves@aecom.com
Phone	(502) 569-2301
Address	500 West Jefferson St, Suite 1600 Louisville, KY 40202

**XIII. RECOMMENDATIONS**

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 FINANCIAL SUMMARY (JUNE YEAR END)

Balance Sheet

	Audited <u>2014</u>	Audited <u>2015</u>	Audited <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>	Projected <u>2020</u>	Projected <u>2021</u>
<b>Assets</b>								
Current Assets	60,833,731	69,159,401	78,115,009	81,378,345	83,803,551	85,794,943	87,843,120	89,951,266
Other Assets	261,313,312	265,209,175	294,610,620	332,018,042	379,640,147	410,428,597	417,653,704	422,980,243
Total	322,147,043	334,368,576	372,725,629	413,396,387	463,443,698	496,223,540	505,496,824	512,931,509
<b>Liabilities &amp; Equity</b>								
Current Liabilities	10,369,670	8,479,177	7,134,212	7,247,000	7,362,000	7,480,000	7,600,000	7,723,000
Long Term Liabilities	71,932,077	85,361,746	111,241,779	131,528,737	164,059,157	180,709,145	172,991,043	162,462,723
Total Liabilities	82,301,747	93,840,923	118,375,991	138,775,737	171,421,157	188,189,145	180,591,043	170,185,723
Net Assets	239,845,296	240,527,653	254,349,638	274,620,650	292,022,541	308,034,395	324,905,781	342,745,786

Cash Flow

Revenues	50,547,445	52,051,017	57,793,504	64,419,155	65,611,772	66,828,242	68,069,041	69,334,656
Operating Expenses	33,170,285	31,626,384	32,238,523	32,909,893	33,744,784	34,610,104	35,294,339	35,992,259
Other Income	994,308	(610,746)	440,636	440,000	440,000	440,000	440,000	440,000
Cash Flow Before Debt Service	18,371,468	19,813,887	25,995,617	31,949,262	32,306,988	32,658,138	33,214,702	33,782,397
Debt Service								
Existing Debt Service	5,853,461	3,984,592	5,630,199	5,433,594	5,437,563	5,430,109	5,430,988	5,424,813
In Process KIA Loans	0	0	0	313,354	3,647,219	8,369,737	8,369,737	8,369,737
Total Debt Service	5,853,461	3,984,592	5,630,199	5,746,948	9,084,782	13,799,846	13,800,725	13,794,550
Cash Flow After Debt Service	12,518,007	15,829,295	20,365,418	26,202,313	23,222,206	18,858,292	19,413,976	19,987,846

Ratios

Current Ratio	5.9	8.2	10.9	11.2	11.4	11.5	11.6	11.6
Debt to Equity	0.3	0.4	0.5	0.5	0.6	0.6	0.6	0.5
Days Sales in Accounts Receivable	33.2	38.7	31.5	31.5	31.5	31.5	31.5	31.5
Months Operating Expenses in Unrestricted Cash	18.4	22.4	25.9	26.3	26.6	26.8	26.9	27.1
Debt Coverage Ratio	3.1	5.0	4.6	5.6	3.6	2.4	2.4	2.4

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**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**

**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 previously approved a Federally Assisted Clean Water Revolving Fund Loan (A14-013) to the City of Catlettsburg on September 4, 2014, in the amount of \$2,485,000 and the City of Catlettsburg has requested to increase A14-013 by \$470,000; 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 City of Catlettsburg, 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 Amendment of a conditional Federally Assisted Clean Water Revolving Fund loan for an amount up to \$2,955,000 of project expense including capitalized interest for the construction period, to City of Catlettsburg for the Wastewater Treatment Plant Rehabilitation, Expansion, and Sanitary Sewer Collection System Rehabilitation and Expansion 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. Principal forgiveness not to exceed \$248,500 will be deducted from the approved loan amount. The unforgiven principal balance of \$2,706,500 shall be repaid.

Section 4. The unforgiven principal shall be repayable over 20 years at an interest rate of 0.75%. In addition to debt service, a 0.20% annual administration fee on the unpaid loan balance will be charged. From annual revenues, \$7,400 must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$74,000 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 5. 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 4th day of May, 2017.

\_\_\_\_\_  
SANDRA K. DUNAHOO, CHAIR  
KENTUCKY INFRASTRUCTURE AUTHORITY

ATTEST:

\_\_\_\_\_  
CHRIS KELLOGG, SECRETARY  
KENTUCKY INFRASTRUCTURE AUTHORITY

REVIEWED BY:

\_\_\_\_\_  
DINSMORE & SHOHL, LLP, LEGAL COUNSEL TO  
THE KENTUCKY INFRASTRUCTURE AUTHORITY



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

April 20, 2017

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

Re: A14-013  
Catlettsburg WWTP--317  
Activity ID: FGL20140003  
Project Name: Catlettsburg WWTP Rehab

Dear Mrs. McNeil:

The Division of Water (DOW) hereby certifies that the City of Catlettsburg is eligible to receive a \$470,000 loan increase from the Clean Water State Revolving Fund which will bring the total loan amount to \$2,955,000. 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 Catlettsburg's status relative to the Clean Water State Revolving Fund General Conditions is provided below:

1. Project specific environmental information was approved on April 1, 2015.
2. Plans and specifications were approved on December 21, 2016.
3. Construction bids opened February 10, 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 Buddy Griffin, Project Manager, at (502) 782-6958.

Sincerely,

Peter T. Goodman, Director  
Division of Water

PG/BG:bg

c: Randall Peterman, Mayor  
Paul Amburgey, P.E., E. L. Robinson Engineering



<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	Jeff Abshire May 4, 2017 A14-013 (Increase) SX21019075	
BORROWER	CITY OF CATLETTSBURG BOYD COUNTY			
BRIEF DESCRIPTION				
<p>This request is for a \$470,000 increase to an existing loan that was originally approved on September 4, 2014. The wastewater treatment plant rehabilitation bids were significantly higher than anticipated. Contributing factors were, the age of the plant (which had a previous rehab approximately twenty years ago), construction costs increases since the original loan approval, and more complex than anticipated excavation and piping work for both the rehab and the addition of a third clarifier tank.</p> <p>This project will rehabilitate two 250,000 gallon wastewater treatment tanks, expand one tank by 150,000 gallons per day, install a new sludge press, headworks screen and grit chamber, rehab three pump stations and raise four manholes. This project will also rehabilitate sections of the sanitary sewer collection system.</p>				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$2,955,000	Administrative Expenses	\$50,000	
CDBG	700,000	Planning	11,000	
Local	150,000	Eng - Design / Const	7.1% 5.7% 194,000	
		Eng - Insp	4.9% 3.7% 125,000	
		Eng - Other	40,000	
		Construction	3,220,000	
		Contingency	165,000	
TOTAL	<u>\$3,805,000</u>	TOTAL	<u>\$3,805,000</u>	
REPAYMENT	Rate Term	0.75% 20 Years	Est. Annual Payment 1st Payment 6 Mo. after first draw \$151,394	
PROFESSIONAL SERVICES	Engineer Bond Counsel	E.L. Robinson Engineering Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	May-16 Apr-17 Dec-17		
DEBT PER CUSTOMER	Existing Proposed	\$478 \$2,560		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current	Users 1,245	Avg. Bill \$35.47 (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	163,768	175,217	(11,449)	0.93
Audited 2015	160,553	171,295	(10,742)	0.94
Audited 2016	165,783	185,753	(19,970)	0.89
Projected 2017	168,603	185,699	(17,096)	0.91
Projected 2018	182,198	185,337	(3,139)	0.98
Projected 2019	184,037	166,414	17,623	1.11
Projected 2020	187,261	166,390	20,871	1.13
Projected 2021	191,149	166,364	24,785	1.15

Reviewer: Jeff Abshire  
Date: May 4, 2017  
Loan Number: A14-013

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WASTEWATER REVOLVING LOAN FUND (FUND "A")  
CITY OF CATLETTSBURG, BOYD COUNTY  
PROJECT REVIEW  
SX2109075**

**I. PROJECT DESCRIPTION**

The City of Catlettsburg is requesting a \$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.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 50,000
Planning	11,000
Engineering Fees - Design / Const	194,000
Engineering Fees - Inspection	125,000
Engineering Fees - Other	40,000
Construction	3,220,000
Contingency	165,000
<b>Total</b>	<b>\$ 3,805,000</b>

**III. PROJECT FUNDING**

	Amount	%
Fund A Loan	\$ 2,955,000	78%
CDBG	700,000	18%
Local	150,000	4%
<b>Total</b>	<b>\$ 3,805,000</b>	<b>100%</b>

**IV. KIA DEBT SERVICE**

Construction Loan	\$ 2,955,000
Less: Principal Forgiveness	248,500
Amortized Loan Amount	\$ 2,706,500
Interest Rate	0.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 145,981
Administrative Fee (0.20%)	5,413
<b>Total Estimated Annual Debt Service</b>	<b>\$ 151,394</b>

**V. PROJECT SCHEDULE**

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

**VI. CUSTOMER COMPOSITION AND RATE STRUCTURE**

**A) Customers**

Customers	Current
Residential	1,218
Commercial	27
<b>Total</b>	<b>1,245</b>

**B) Rates**

	City		County	
	Current	Prior	Current	Prior
Date of Last Rate Increase	01/01/16	03/30/15	01/01/16	03/30/15
Minimum to 1,000 Gallons	\$13.66	\$13.01	\$16.83	\$16.03
Each Additional 1,000 Gallons	7.27	6.93	9.11	8.68
<b>Cost for 4,000 gallons</b>	<b>\$35.47</b>	<b>\$33.80</b>	<b>\$44.16</b>	<b>\$42.07</b>
Increase %	4.9%		5.0%	
Affordability Index (Rate/MHI)	1.4%		1.7%	

**VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2010-2014, the City's population was 1,959 with a Median Household Income (MHI) of \$31,304. The loan originally qualified for a .75% interest rate which is retained.

Year	Population		County % Change		County Unemployment	
	City	% Change			Date	Rate
1980	3,005		55,513		June 2005	6.5%
1990	2,231	-25.8%	51,150	-7.9%	June 2010	10.2%
2000	1,960	-12.1%	49,752	-2.7%	June 2015	7.1%
2010	1,856	-5.3%	49,542	-0.4%	June 2016	8.3%
Current	1,959	5.5%	48,917	-1.3%		
Cumulative %		-34.8%		-11.9%		

**VIII. 2013 CAPITALIZATION GRANT EQUIVALENCIES**

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR).
- 2) Additional Subsidization – This project qualifies for additional subsidization not to exceed 10%, or \$248,500 based on the original loan amount of \$2,485,000.

**IX. FINANCIAL ANALYSIS**

Financial information was obtained from the City's audited financial statements for the Sewer Fund for the years ended June 30, 2014 through 2016. The non cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2016 operating expenses.

**HISTORY**

Revenues increased 10% from \$433,771 in 2014 to \$479,005 in 2016 while operating expenses increased 16%, or \$43,000 during the same period. The debt coverage ratio was 0.9 each year with shortfalls being funded by the General Fund. The utility has experienced negative cash flow after debt service for at least the past seven years.

The balance sheet reflects a current ratio of 0.4, and a debt to equity ratio of 0.3. The collection period was 30.3 days and the number of months of operating expenses in unrestricted cash was 2.4. The utility has a repair and replacement reserve of \$234,000, all of which is associated with KIA loan A94-09 (annual debt service of \$185,000) which matures in June 2018. This proposed project will use \$150,000 of the reserve.

## PROJECTIONS

Cash flow after debt service for 2016 was about \$32,000 unfavorable to the credit analysis projected for KIA loan B15-004 which was approved on February 5, 2015. Additionally, the utility has accumulated \$100,000 in debt to the General Fund. The current ratio of 0.4 would only improve to 0.6 if this debt was excluded from current liabilities. While the original debt service coverage requirement for the loan was 1.0 the balance sheet weakness necessitates a higher debt service coverage requirement.

Projections are based on the following assumptions:

- 1) Revenues will increase 2% in 2017 due to a previously approved rate increase.
- 2) The City will implement an annual CPI adjustment in their sewer rate ordinance to be effective no later than July 1, 2018.
- 3) Sewer rates will be increased by an amount sufficient to increase revenues by \$20,000 annually (approximately 5% of revenues) no later than August 1, 2017.
- 4) An existing business that treats its own waste is relocating to an area and will connect to the City's utility resulting in a net cash flow of about \$10,000 per year.
- 5) Expenses will increase 2% for inflation.
- 6) Debt service coverage is 1.1 in 2019 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 annual replacement cost is \$7,400. This amount should be added to the replacement account each December 1 until the balance reaches \$74,000 and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KIA Loan (A94-09)	\$ 337,538	2018
KIA Loan (B15-004)	257,439	2035
<b>Total</b>	<b>\$ 594,977</b>	

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

Not applicable.



## **XII. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Catlettsburg
Authorized Official	Randall Peterman (Mayor)
County	Boyd
Email	cityofcatlettsburg@windstream.net
Phone	(606) 739-4533
Address	216 26th Street PO Box 533 Catlettsburg, KY 41129

<b>Applicant Contact / Project Administrator</b>	
Name	Bryan Kirby Community & Economic Development Associates, Inc.
Organization	
Email	bryan@cedainc.net
Phone	859-624-3396
Address	PO Box 855 Richmond, KY 40476

<b>Consulting Engineer</b>	
PE Name	Paul Amburgey
Firm Name	E.L. Robinson Engineering
Email	Ashland, KY 41101
Phone	606-326-1890
Address	3145 Greenup Avenue Ashland, KY 41101

## **XIII. RECOMMENDATIONS**

KIA staff recommends approval of the loan 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.
- 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.

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

**Balance Sheet**

	<u>Audited</u> <u>2014</u>	<u>Audited</u> <u>2015</u>	<u>Audited</u> <u>2016</u>	<u>Projected</u> <u>2017</u>	<u>Projected</u> <u>2018</u>	<u>Projected</u> <u>2019</u>	<u>Projected</u> <u>2020</u>	<u>Projected</u> <u>2021</u>
<b>Assets</b>								
Current Assets	93,495	78,734	121,883	91,704	90,355	111,369	133,233	159,013
Other Assets	3,717,435	3,774,383	3,847,779	4,269,980	7,170,739	6,976,335	6,734,368	6,492,401
<b>Total</b>	<b>3,810,930</b>	<b>3,853,117</b>	<b>3,969,662</b>	<b>4,361,684</b>	<b>7,261,094</b>	<b>7,087,704</b>	<b>6,867,601</b>	<b>6,651,414</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	209,844	392,992	307,530	309,084	140,405	141,002	141,599	142,558
Long Term Liabilities	504,797	454,899	527,585	922,001	3,264,154	3,251,210	3,238,169	3,224,669
<b>Total Liabilities</b>	<b>714,641</b>	<b>847,891</b>	<b>835,115</b>	<b>1,231,085</b>	<b>3,404,559</b>	<b>3,392,212</b>	<b>3,379,768</b>	<b>3,367,227</b>
<b>Net Assets</b>	<b>3,096,289</b>	<b>3,005,226</b>	<b>3,134,547</b>	<b>3,130,599</b>	<b>3,856,535</b>	<b>3,695,492</b>	<b>3,487,833</b>	<b>3,284,187</b>

**Cash Flow**

Revenues	433,771	444,898	479,005	488,585	508,585	548,357	558,724	569,898
Operating Expenses	270,676	285,001	313,953	320,232	326,637	364,570	371,713	378,999
Other Income	673	656	731	250	250	250	250	250
<b>Cash Flow Before Debt Service</b>	<b>163,768</b>	<b>160,553</b>	<b>165,783</b>	<b>168,603</b>	<b>182,198</b>	<b>184,037</b>	<b>187,261</b>	<b>191,149</b>
<b>Debt Service</b>								
Existing Debt Service	175,217	171,295	185,753	185,699	185,337	15,020	14,996	14,970
Proposed KIA Loan	0	0	0	0	0	151,394	151,394	151,394
<b>Total Debt Service</b>	<b>175,217</b>	<b>171,295</b>	<b>185,753</b>	<b>185,699</b>	<b>185,337</b>	<b>166,414</b>	<b>166,390</b>	<b>166,364</b>
<b>Cash Flow After Debt Service</b>	<b>(11,449)</b>	<b>(10,742)</b>	<b>(19,970)</b>	<b>(17,096)</b>	<b>(3,139)</b>	<b>17,623</b>	<b>20,871</b>	<b>24,785</b>

**Ratios**

Current Ratio	0.4	0.2	0.4	0.3	0.6	0.8	0.9	1.1
Debt to Equity	0.2	0.3	0.3	0.4	0.9	0.9	1.0	1.0
Days Sales in Accounts Receivable	30.3	29.6	30.3	30.3	30.4	30.4	30.4	30.4
Months Operating Expenses in Unrestricted Cash	2.5	1.7	2.4	1.7	1.6	2.1	2.7	3.4
Debt Coverage Ratio	0.9	0.9	0.9	0.9	1.0	1.1	1.1	1.1

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**A 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**

**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 previously entered into an Assistance Agreement for a loan from the Authority's Infrastructure Revolving Loan Program with the City of Bardstown in the amount of \$1,129,000 and the City of Bardstown has requested to increase the loan B17-008 by \$152,000.

**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 Amendment of a conditional Infrastructure Revolving Fund loan commitment for an amount up to \$1,281,000 of project expense, to the City of Bardstown for the Bardstown Water Treatment Plant Improvements 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 in 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. From annual revenues, \$3,200 must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$64,000 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 4th day of May, 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:

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WILLIAM PAULEY, STAFF ATTORNEY  
DEPARTMENT FOR LOCAL GOVERNMENT

<b>EXECUTIVE SUMMARY</b>		Reviewer	Jeff Abshire	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	May 4, 2017	
<b>FUND B, INFRASTRUCTURE</b>		KIA Loan Number	B17-008 (Increase)	
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21179030	
BORROWER	CITY OF BARDSTOWN NELSON COUNTY			
BRIEF DESCRIPTION				
This request is for an increase of \$152,000 to the previously approved project described below. The low bid for the proposed construction was higher than the original budget.				
This project includes the construction of a new 24 inch backwash supply main and three new vaults. Approximately 700 linear feet of 24 inch ductile iron water main and 120 linear 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) as the new top-of-filter chlorine disinfection system within filters 2, 3 and 4.				
PROJECT FINANCING		PROJECT BUDGET	RD Fee %	Actual %
Fund B Loan	\$1,281,000	Eng - Design / Const	8.7%	7.4%
		Eng - Insp	7.3%	6.5%
		Eng - Other		
		Construction		1,052,000
		Contingency		45,000
TOTAL	\$1,281,000	TOTAL		\$1,281,000
REPAYMENT	Rate	1.75%	Est. Annual Payment	\$78,750
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	GRW Engineers, Inc.		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Jan-17		
	Construction Start	Mar-17		
	Construction Stop	Sep-17		
DEBT PER CUSTOMER	Existing	\$1,092		
	Proposed	\$1,060		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		11,034	\$17.09 (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	7,097,485	1,632,985	5,464,500	4.3
Audited 2015	7,144,468	1,736,733	5,407,735	4.1
Audited 2016	7,126,017	1,739,721	5,386,296	4.1
Projected 2017	6,883,098	1,726,788	5,156,310	4.0
Projected 2018	6,635,381	1,768,195	4,867,186	3.8
Projected 2019	6,367,010	1,860,895	4,506,115	3.4
Projected 2020	6,109,286	1,865,345	4,243,941	3.3
Projected 2021	5,846,407	1,862,430	3,983,977	3.1

Reviewer: Jeff Abshire  
Date: May 4, 2017  
Loan Number: B17-008 Increase

**KENTUCKY INFRASTRUCTURE AUTHORITY  
INFRASTRUCTURE REVOLVING LOAN FUND (FUND "B")  
CITY OF BARDSTOWN, NELSON COUNTY  
PROJECT REVIEW  
WX21179030**

**I. PROJECT DESCRIPTION**

The City of Bardstown is requesting a \$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.

**II. PROJECT BUDGET**

	<u>Total</u>
Engineering Fees - Design / Const	81,000
Engineering Fees - Inspection	71,000
Engineering Fees - Other	32,000
Construction	1,052,000
Contingency	45,000
<b>Total</b>	<b>\$ 1,281,000</b>



### III. PROJECT FUNDING

	Amount	%
Fund B Loan	\$ 1,281,000	100%
<b>Total</b>	<b>\$ 1,281,000</b>	<b>100%</b>

### IV. KIA DEBT SERVICE

Construction Loan	\$ 1,281,000
Interest Rate	1.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 76,188
Administrative Fee (0.20%)	2,562
<b>Total Estimated Annual Debt Service</b>	<b>\$ 78,750</b>

### V. PROJECT SCHEDULE

Bid Opening	January 2017
Construction Start	March 2017
Construction Stop	September 2017

### VI. RATE STRUCTURE

#### A. Customers

Residential	9,815
Commercial	1,206
Industrial	13
	<hr/> 11,034

#### B. Rates

	<b>Inside City Limits</b>	
	Current	Prior
Date of Last Rate Increase	07/03/11	06/28/09
First 2,000 Gallons (Minimum)	\$10.49	\$9.49
Next 2,000 (per thousand)	3.30	2.95
Cost for 4,000 gallons	\$17.09	\$15.39
Increase %	11.0%	
Affordability Index (Rate/MHI)	0.5%	

	<b>Outside City Limits</b>	
	<b>Current</b>	<b>Prior</b>
Date of Last Rate Increase	07/03/11	06/28/09
First 2,000 Gallons (Minimum)	\$15.37	\$13.75
Next 2,000	3.30	2.95
Cost for 4,000 gallons	\$21.97	\$19.65
Increase %	11.8%	
Affordability Index (Rate/MHI)	0.6%	

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2010-2014, the City's service area population was 25,496 with a Median Household Income (MHI) of \$40,582. The median household income for the Commonwealth is \$43,342. The project will qualify for a 1.75% interest rate.

Year	City	Population		County Unemployment		
		% Change	County	% Change	Date	Rate
1980	6,155		27,584		June 2004	5.1%
1990	6,801	10.5%	29,710	7.7%	June 2009	12.5%
2000	10,374	52.5%	37,477	26.1%	June 2015	6.7%
2010	11,700	12.8%	43,437	15.9%	June 2016	4.8%
Current	12,833	9.7%	44,254	1.9%		
Cumulative %		108.5%		60.4%		

## **VIII. FINANCIAL ANALYSIS**

Financial information was obtained from the City's audited financial statements for the years ended June 30, 2014 through 2016 for the Combined Utilities Operating Fund which includes electric distribution, water treatment and distribution, wastewater treatment, garbage pickup, cable TV, and Internet services. While revenues and expenses are separated in the audit based on the above segments, the balance sheet and debt information is only presented on a consolidated basis. The non cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from operating expenses. Percentage references in the History section below are based on whole dollar amounts as outlined in the audited financial statements.

### **HISTORY**

Revenues increased 2.1% from \$35.5 million to \$36.2 million from 2014 to 2016, while

operating expenses increased 2.6% from \$28.4 million to \$29.1 million. Consolidated cash flow before debt service averaged \$7.1 million during the three years. Water cash flow averaged \$1.3 million, or 18% of consolidated cash flow before debt service. The debt coverage ratio was 4.3, 4.1, and 4.1 for 2014 through 2016, respectively.

The balance sheet reflects a current ratio of 3.2, debt to equity ratio of 0.3, days sales in account receivable of 23.0, and the number of months of operating expenses in unrestricted cash is 4.4.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will remain flat for volume.
- 2) Expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 3.4 in 2019 when full year principal and interest repayments begin.

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

## REPLACEMENT RESERVE

The annual replacement cost is \$3,200. This amount should be added to the replacement account each December 1 until the balance reaches \$64,000 and maintained for the life of the loan.

## IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
General Obligation Bond, Series 2010	\$ 5,855,000	2020
KIA (A10-14)	1,534,396	2032
KIA (C09-02)	3,063,853	2033
KIA (C09-01)	1,658,739	2034
<b>Total</b>	<b>\$ 12,111,988</b>	

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

None

**XI. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Bardstown
Authorized Official	Mayor Richard Heaton
County	Nelson
Email	mayorheaton@bardstowncable.net
Phone	502-348-5947
Address	220 N Fifth Street Bardstown, KY 40004

<b>Applicant Contact</b>	
Name	Jessica Filiatreau
Organization	City of Bardstown
Email	jhfiliatreau@bardstowncable.net
Phone	502-348-5947
Address	220 N Fifth Street Bardstown, KY 40004

<b>Project Administrator</b>	
Name	Larry Green
Organization	City of Bardstown
Email	lgreen@bardstowncable.net
Phone	502-348-5947
Address	220 N Fifth Street Bardstown, KY 40004

<b>Consulting Engineer</b>	
PE Name	Joseph Henry
Firm Name	GRW Engineers, Inc.
Email	jhenry@grwinc.com
Phone	859-223-3999
Address	801 Corporate Dr., Ste. 400 Lexington, KY 40503

**XII. RECOMMENDATIONS**

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

**CITY OF BARDSTOWN  
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	14,081,201	14,764,366	14,944,647	15,459,917	15,947,103	16,397,218	16,821,159	17,617,954
Other Assets	70,195,002	71,141,088	71,588,535	72,861,485	75,569,991	76,285,073	76,763,055	76,608,219
<b>Total</b>	<b>84,276,203</b>	<b>85,905,454</b>	<b>86,533,182</b>	<b>88,321,402</b>	<b>91,517,094</b>	<b>92,682,291</b>	<b>93,584,214</b>	<b>94,226,173</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	4,277,583	4,304,759	4,694,994	4,856,236	4,942,173	5,044,398	5,142,940	3,948,764
Long Term Liabilities	13,216,699	16,332,084	16,141,497	14,783,073	15,043,560	13,538,715	12,081,960	5,656,273
<b>Total Liabilities</b>	<b>17,494,282</b>	<b>20,636,843</b>	<b>20,836,491</b>	<b>19,639,309</b>	<b>19,985,733</b>	<b>18,583,113</b>	<b>17,224,900</b>	<b>9,605,037</b>
<b>Net Assets</b>	<b>66,781,921</b>	<b>65,268,611</b>	<b>65,696,691</b>	<b>68,682,093</b>	<b>71,531,361</b>	<b>74,099,178</b>	<b>76,359,314</b>	<b>84,621,136</b>
<b>Cash Flow</b>								
Revenues	35,450,420	35,753,473	36,198,440	36,198,440	36,198,440	36,198,440	36,198,440	36,198,440
Operating Expenses	28,366,129	28,622,071	29,091,482	29,334,342	29,582,059	29,850,430	30,108,154	30,371,033
Other Income	13,194	13,066	19,059	19,000	19,000	19,000	19,000	19,000
<b>Cash Flow Before Debt Service</b>	<b>7,097,485</b>	<b>7,144,468</b>	<b>7,126,017</b>	<b>6,883,098</b>	<b>6,635,381</b>	<b>6,367,010</b>	<b>6,109,286</b>	<b>5,846,407</b>
<b>Debt Service</b>								
Existing Debt Service	1,632,985	1,736,733	1,739,721	1,726,788	1,728,820	1,720,669	1,725,119	1,722,204
Proposed KIA Loan	0	0	0	0	39,375	140,226	140,226	140,226
<b>Total Debt Service</b>	<b>1,632,985</b>	<b>1,736,733</b>	<b>1,739,721</b>	<b>1,726,788</b>	<b>1,768,195</b>	<b>1,860,895</b>	<b>1,865,345</b>	<b>1,862,430</b>
<b>Cash Flow After Debt Service</b>	<b>5,464,500</b>	<b>5,407,735</b>	<b>5,386,296</b>	<b>5,156,310</b>	<b>4,867,186</b>	<b>4,506,115</b>	<b>4,243,941</b>	<b>3,983,977</b>
<b>Ratios</b>								
Current Ratio	3.3	3.4	3.2	3.2	3.2	3.3	3.3	4.5
Debt to Equity	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.1
Days Sales in Accounts Receivable	22.7	24.4	23.0	23.0	23.0	23.0	23.0	23.0
Months Operating Expenses in Unrestricted Cash	4.5	4.5	4.4	4.6	4.7	4.9	5.0	5.3
Debt Coverage Ratio	4.3	4.1	4.1	4.0	3.8	3.4	3.3	3.1

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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 (B17-012) FOR AN AMOUNT UP TO \$1,000,000 TO THE CITY OF BARDSTOWN, NELSON 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 Bardstown, 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 \$1,000,000 of project expense, to the City of Bardstown for the Water Treatment Plant Disinfection Conversion 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 in 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. From annual revenues, \$2,500 must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$50,000 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 4th day of May, 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	May 4, 2017	
<b>FUND B, INFRASTRUCTURE</b>		KIA Loan Number	B17-012	
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21179031	
BORROWER	CITY OF BARDSTOWN NELSON COUNTY			
BRIEF DESCRIPTION				
This project will convert the City's existing water treatment process from chlorine based disinfection to chloramines. This will reduce disinfection byproducts, particularly in rural and wholesale distribution areas.				
PROJECT FINANCING		PROJECT BUDGET	RD Fee % Actual %	
Fund B Loan	\$1,000,000	Eng - Design / Const	9.1% 8.4% 71,000	
		Eng - Insp	7.9% 7.5% 64,000	
		Construction	760,000	
		Contingency	88,000	
		Other	17,000	
TOTAL	\$1,000,000	TOTAL	\$1,000,000	
REPAYMENT	Rate	1.75%	Est. Annual Payment \$61,476	
	Term	20 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	Kenvirons		
	Bond Counsel	Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening	Oct-17		
	Construction Start	Nov-17		
	Construction Stop	Jul-18		
DEBT PER CUSTOMER	Existing	\$1,092		
	Proposed	\$1,060		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current	Users	Avg. Bill	
		11,034	\$17.09 (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	7,097,485	1,632,985	5,464,500	4.3
Audited 2015	7,144,468	1,736,733	5,407,735	4.1
Audited 2016	7,126,017	1,739,721	5,386,296	4.1
Projected 2017	6,883,098	1,726,788	5,156,310	4.0
Projected 2018	6,635,381	1,768,195	4,867,186	3.8
Projected 2019	6,367,010	1,860,895	4,506,115	3.4
Projected 2020	6,109,286	1,865,345	4,243,941	3.3
Projected 2021	5,846,407	1,862,430	3,983,977	3.1

Reviewer: Jeff Abshire  
 Date: May 4, 2017  
 Loan Number: B17-012

**KENTUCKY INFRASTRUCTURE AUTHORITY  
 INFRASTRUCTURE REVOLVING LOAN FUND (FUND "B")  
 CITY OF BARDSTOWN, NELSON COUNTY  
 PROJECT REVIEW  
 WX21179031**

**I. PROJECT DESCRIPTION**

The City of Bardstown is requesting a Fund “B” loan in the amount of \$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.

**II. PROJECT BUDGET**

	<u>Total</u>
Engineering Fees - Design / Const	71,000
Engineering Fees - Inspection	64,000
Construction	760,000
Contingency	88,000
Other	17,000
<b>Total</b>	<b>\$ 1,000,000</b>

**III. PROJECT FUNDING**

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

#### IV. KIA DEBT SERVICE

Construction Loan	\$ 1,000,000
Interest Rate	1.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 59,476
Administrative Fee (0.20%)	2,000
<b>Total Estimated Annual Debt Service</b>	<b>\$ 61,476</b>

#### V. PROJECT SCHEDULE

Bid Opening	October 2017
Construction Start	November 2017
Construction Stop	July 2018

#### VI. RATE STRUCTURE

##### A. Customers

Residential	9,815
Commercial	1,206
Industrial	13
	<hr/>
	11,034

##### B. Rates

	<b>Inside City Limits</b>	
	Current	Prior
Date of Last Rate Increase	07/03/11	06/28/09
First 2,000 Gallons (Minimum)	\$10.49	\$9.49
Next 2,000 (per thousand)	3.30	2.95
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Cost for 4,000 gallons	\$17.09	\$15.39
Increase %	11.0%	
Affordability Index (Rate/MHI)	0.5%	

	<b>Outside City Limits</b>	
	Current	Prior
Date of Last Rate Increase	07/03/11	06/28/09
First 2,000 Gallons (Minimum)	\$15.37	\$13.75
Next 2,000	3.30	2.95
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Cost for 4,000 gallons	\$21.97	\$19.65
Increase %	11.8%	
Affordability Index (Rate/MHI)	0.6%	

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2010-2014, the City's service area population was 25,496 with a Median Household Income (MHI) of \$40,582. The median household income for the Commonwealth is \$43,342. The project will qualify for a 1.75% interest rate.

Year	Population		County		County Unemployment	
	City	% Change			Date	Rate
1980	6,155		27,584		June 2004	5.1%
1990	6,801	10.5%	29,710	7.7%	June 2009	12.5%
2000	10,374	52.5%	37,477	26.1%	June 2015	6.7%
2010	11,700	12.8%	43,437	15.9%	June 2016	4.8%
Current	12,833	9.7%	44,254	1.9%		
Cumulative %		108.5%		60.4%		

## VIII. FINANCIAL ANALYSIS

Financial information was obtained from the City's audited financial statements for the years ended June 30, 2014 through 2016 for the Combined Utilities Operating Fund which includes electric distribution, water treatment and distribution, wastewater treatment, garbage pickup, cable TV, and Internet services. While revenues and expenses are separated in the audit based on the above segments, the balance sheet and debt information is only presented on a consolidated basis. The non cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from. Percentage references in the History section below are based on whole dollar amounts as outlined in the audited financial statements.

### HISTORY

Revenues increased 2.1% from \$35.5 million to \$36.2 million from 2014 to 2016, while operating expenses increased 2.6% from \$28.4 million to \$29.1 million. Consolidated cash flow before debt service averaged \$7.1 million during the three years. Water cash flow averaged \$1.3 million, or 18% of consolidated cash flow before debt service. The debt coverage ratio was 4.3, 4.1, and 4.1 for 2014 through 2016, respectively.

The balance sheet reflects a current ratio of 3.2, debt to equity ratio of 0.3, days sales in account receivable of 23.0, and the number of months of operating expenses in unrestricted cash is 4.4.

### PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will remain flat for volume.
- 2) Expenses will increase 2% annually for inflation.
- 3) Debt service coverage is 3.4 in 2019 when full year principal and interest repayments begin.

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

**REPLACEMENT RESERVE**

The annual replacement cost is \$2,500. This amount should be added to the replacement account each December 1 until the balance reaches \$50,000 and maintained for the life of the loan.

**IX. DEBT OBLIGATIONS**

	Outstanding	Maturity
General Obligation Bond, Series 2010	\$ 5,855,000	2020
KIA (A10-14)	1,534,396	2032
KIA (C09-02)	3,063,853	2033
KIA (C09-01)	1,658,739	2034
<b>Total</b>	<b>\$ 12,111,988</b>	

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

None

**XI. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	City of Bardstown
Authorized Official	Mayor Richard Heaton
County	Nelson
Email	mayorheaton@bardstowncable.net
Phone	502-348-5947
Address	220 N Fifth Street Bardstown, KY 40004

<b>Applicant Contact</b>	
Name	Jessica Filiatreau
Organization	City of Bardstown
Email	jhfiliatreau@bardstowncable.net
Phone	502-348-5947
Address	220 N Fifth Street Bardstown, KY 40004

<b>Project Administrator</b>	
Name	Larry Green
Organization	City of Bardstown
Email	lgreen@bardstowncable.net
Phone	502-348-5947
Address	220 N Fifth Street Bardstown, KY 40004

<b>Consulting Engineer</b>	
PE Name	Vaughn Williams
Firm Name	Kenvirons
Email	williams@kenvirons.com
Phone	(502) 695-4357
Address	452 Versailles Road Frankfort, KY

**XII. RECOMMENDATIONS**

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



**CITY OF BARDSTOWN  
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	14,081,201	14,764,366	14,944,647	15,459,917	15,947,103	16,397,218	16,821,159	17,617,954
Other Assets	70,195,002	71,141,088	71,588,535	72,861,485	75,569,991	76,285,073	76,763,055	76,608,219
<b>Total</b>	<b>84,276,203</b>	<b>85,905,454</b>	<b>86,533,182</b>	<b>88,321,402</b>	<b>91,517,094</b>	<b>92,682,291</b>	<b>93,584,214</b>	<b>94,226,173</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	4,277,583	4,304,759	4,694,994	4,856,236	4,942,173	5,044,398	5,142,940	3,948,764
Long Term Liabilities	13,216,699	16,332,084	16,141,497	14,783,073	15,043,560	13,538,715	12,081,960	5,656,273
<b>Total Liabilities</b>	<b>17,494,282</b>	<b>20,636,843</b>	<b>20,836,491</b>	<b>19,639,309</b>	<b>19,985,733</b>	<b>18,583,113</b>	<b>17,224,900</b>	<b>9,605,037</b>
<b>Net Assets</b>	<b>66,781,921</b>	<b>65,268,611</b>	<b>65,696,691</b>	<b>68,682,093</b>	<b>71,531,361</b>	<b>74,099,178</b>	<b>76,359,314</b>	<b>84,621,136</b>
<b>Cash Flow</b>								
Revenues	35,450,420	35,753,473	36,198,440	36,198,440	36,198,440	36,198,440	36,198,440	36,198,440
Operating Expenses	28,366,129	28,622,071	29,091,482	29,334,342	29,582,059	29,850,430	30,108,154	30,371,033
Other Income	13,194	13,066	19,059	19,000	19,000	19,000	19,000	19,000
<b>Cash Flow Before Debt Service</b>	<b>7,097,485</b>	<b>7,144,468</b>	<b>7,126,017</b>	<b>6,883,098</b>	<b>6,635,381</b>	<b>6,367,010</b>	<b>6,109,286</b>	<b>5,846,407</b>
<b>Debt Service</b>								
Existing Debt Service	1,632,985	1,736,733	1,739,721	1,726,788	1,728,820	1,720,669	1,725,119	1,722,204
Proposed KIA Loan	0	0	0	0	39,375	140,226	140,226	140,226
<b>Total Debt Service</b>	<b>1,632,985</b>	<b>1,736,733</b>	<b>1,739,721</b>	<b>1,726,788</b>	<b>1,768,195</b>	<b>1,860,895</b>	<b>1,865,345</b>	<b>1,862,430</b>
<b>Cash Flow After Debt Service</b>	<b>5,464,500</b>	<b>5,407,735</b>	<b>5,386,296</b>	<b>5,156,310</b>	<b>4,867,186</b>	<b>4,506,115</b>	<b>4,243,941</b>	<b>3,983,977</b>
<b>Ratios</b>								
Current Ratio	3.3	3.4	3.2	3.2	3.2	3.3	3.3	4.5
Debt to Equity	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.1
Days Sales in Accounts Receivable	22.7	24.4	23.0	23.0	23.0	23.0	23.0	23.0
Months Operating Expenses in Unrestricted Cash	4.5	4.5	4.4	4.6	4.7	4.9	5.0	5.3
Debt Coverage Ratio	4.3	4.1	4.1	4.0	3.8	3.4	3.3	3.1

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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 4th day of May, 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>	<b><u>INCREASE AMOUNT</u></b>
City of Benton	A17-039	\$ 1,780,000	
Lexington-Fayette Urban County Government	A17-005	\$ 9,969,585	
City of Catlettsburg (Increase)	A14-013	\$ 2,955,000	\$ 470,000
City of Bardstown (Increase)	B17-008	\$ 1,281,000	\$ 152,000
City of Bardstown	B17-012	\$ 1,000,000	