

Hardin County Water District No. 1

Serving Radcliff and Hardin County for Over 50 Years

1400 Rogersville Road
Radcliff, KY. 40160

May 3, 2006

Ms. Beth A. O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602-0615

RECEIVED

MAY 05 2006

PUBLIC SERVICE
COMMISSION

SUBJECT: Request for Deviation - Water Main Extension Reimbursements

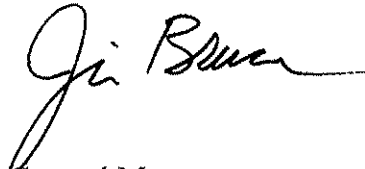
Dear Director O'Donnell;

Case No. 2006-00186

Enclosed please find an original and ten copies of our application for a Request for Deviation from KAR 807 5:066, Section 11. We believe we have provided sufficient evidence and grounds that our request for this deviation should be granted. Deviations are provided for under KAR 807 5:011, Section 14.

We would be glad to meet with your staff, or provide additional information if requested. You may contact myself or our attorney, Mr. David T. Wilson II, at the numbers or address included at the end of the application document. We appreciate your consideration of this important matter to our District.

Sincerely,



Jim Bruce, General Manager

Encl: Original and 10 Copies of Filing

Cf: Mr. David Wilson, Attorney, HCWD1
Mr. William J. Rissel, HCWD1 Chairperson

Commonwealth of Kentucky
Before the Public Service Commission

RECEIVED

MAY 05 2006

PUBLIC SERVICE
COMMISSION

In the matter of the application for)
)
Request for Deviation)
From KAR 807 5:066, Section 11)
Hardin County Water District No. 1)
1400 Rogersville Road)
Radcliff, Kentucky, 40160)
)

Case No. 2006-00186

The petition of Hardin County Water District No. 1 ("District") respectfully shows:

1. That applicant is engaged in the business of providing water and sewer service to portions of Hardin, Meade and Breckinridge counties.
2. That the post office address of the applicant is; 1400 Rogersville Road, Radcliff, Kentucky, 40160.
3. Enclosed with and included as evidence, an Appendix with Table of Contents is provided beginning at Page 9 of this application. Included in the Appendix is a slide presentation made to the District's Board at their March 23, 2006 meeting.
4. The Hardin County Water District No. 1 (District) requests a deviation from Public Service Commission ("Commission") from KAR 807 5:066, Section 11, which requires the District to pay a portion of a water main extension, equivalent to the first fifty feet, and an additional fifty feet for each water tap connected to the main for up to ten (10) years. This regulation also states this requirement applies to the utility only "*when not inconsistent with its filed tariff*". The District's tariff does not include any reference to providing reimbursements, nor does it have any record of filing said policy in its tariff. The District has, however, for many years practiced and carried out the requirement of KAR 807 5:066, Section 11.

The Commission completed an administrative case No. 386 ("386") beginning in November, 2000 and concluding with a Commission order on August 15, 2002. The Commission ordered at the conclusion of 386 that the Legislative Research Commission promulgate a new regulation to address and correct the concerns and address principles as identified by the Commission¹.

5. Deviation from regulations are provided for in KAR 807 Chapter 5:011 - Section 14. The District has found and documented that without the requested deviation, that refunds to

¹ Case 386, page 10, paragraph 2, dated August 15, 2002.

developers will substantially deplete its reserve funds, or require an additional rate increase in order to provide needed funds to make payment to developers.

6. At the District's March 23, 2006 Board meeting, a resolution (Exhibit B) was passed to discontinue use of Water Main Extension (WME) Reimbursement Agreements, and to file with the Commission any required documents or tariff changes to formalize this policy change.
7. History and Characteristic of District Service Area: The District was formed in 1952, primarily as the water system for the then emerging community of Radcliff, Kentucky. Radcliff was then incorporated as a city in 1956. While the District is a "county" water district, ninety percent (90%)² of its current customer base is located within the incorporated city limits of Radcliff. Most subdivisions added to the District's system, are of a density and lot size typical of city or urban subdivision. Developments are financed and planned by developers, who are able to recover all their development costs through the sale of lots within the subdivision.

Rarely does the District enter into a WME Reimbursement agreement with prospective customer requesting water service, who are willing to share the cost of the main extension. Since 1996, the District has entered into 24 WME reimbursement agreements resulting in service to 573 properties or lots. Remarkably, only three³ of these parties, affecting 8 parcels owned by those parties, benefitted from the extension of service. Of the other 565 parcels (= 98.6% of all parcels) covered by the other 21 WME agreements, all were developed and sold to other persons after the extension of service was completed.

The density of most subdivisions within the District's service area result in the developer receiving most of their investment into the added water system, at the expense of other District customers. This is a result of the spacing of the number of homes on either side of the water main being an average of less than 50 feet apart, or per new tap (See Exhibit C, Appendix).

8. Added Workload - WME Agreements: With the increase of subdivision activity, the District has also experienced a significant added workload to process, execute, track and refund for WME Agreements. The District completed a process flow analysis (Exhibit D, Appendix) for this added employee workload to process WME's. This analysis shows that based on eight annual WME agreements, it requires 280 staff hours. This is in addition to the other hours required to review subdivision water main projects, inspection of the developer's contractor and submitting paperwork to the Division of Water for main extension projects. This added time uses the equivalent of 1.6 months of a District employee's time.

Alternate methods to providing refunds, such as delaying refund payments, actually increases the workload to monitor future taps made, and process refunds over a longer period of time.

² February 2006 accounts billed = 9,427 water, 8,421 sewer within Radcliff city limits. Total percent of District accounts within Radcliff = 89.3%

³ 1) 1997 Wood Lane, 8 potential lots, 2 actual lots reimbursed for which there were two homes of members of same family. 2) 2002 Night Hawk was for single tap, main extension for Radcliff Electric, new commercial building. 3) 2004 Gloryland Harvest Church main extension for up to 16 potential future taps, only 1 tap for church installed to date and church signed WME Agreement for their new building.

Delaying refunds could also cause balance sheet liability to increase substantially⁴ (Table 1, Appendix), decreasing the District's ability to raise capital or issue new debt. Delaying payments also does not address the inequities the District cites herein of the practice of paying for developer main installation costs, when that cost is already recovered through the sale of lots. Moreover, the customer purchasing that lot or house receives no benefit from the reimbursement, nor pays any direct cost for that share of main extension they benefit from.

9. Recent Development Activity / Subdivision Density: The growth trend of subdivision lots both in Radcliff and in Hardin County has seen a significant increase. Table 2 (Appendix) shows the last five years, of platted lots in both planning areas. In 2006, prior to the District adopting the resolution, the District had already entered into three WME Agreements for 168⁵ lots. These agreements alone committed the District to \$208,014 in reimbursements.

For the years 2004 to 2006, 12 WME agreements require reimbursement for 416 future taps or lots. Only one of these agreements was with the prospective customer who was installing a main extension for their needs. The average reimbursement percent for these agreements is 71%. Five of these qualified for 100% reimbursement. All three of the 2006 WME agreements already in place require 100% reimbursement to two different developers.

In 2006, the District has already sold 92 taps for a projected annual new taps installed of 380, which would be a ten year record high, and 38% more than installed in 2005. Not included in the 380 projected is another 390 units for a subdivision located in Vine Grove. The District was contacted by the engineer for the developer on April 11, stating that the City of Vine Grove may not have the hydraulic capacity to serve this development and that the City may request that the District to serve it (the District has two mains abutting two sides of this development).

Developer's have also discovered that pre-paying for water taps (for homes not started or construction not completed) will trigger the WME reimbursements immediately, requiring the District to use its reserves immediately⁶.

10. WME Reimbursement Costs: Table 3 (Appendix) also shows the increase in the refund cost per 50 foot for each tap. The District has seen the refund per tap increase 114% since 1996 (\$732 to \$1,568) due to inflation and material price increases. Also, the District suspects that as developer's realize that they will receive 100% of their installation costs, that the requested amount for labor may be overstated, or could be. The District does not bid, select or contract with the installer, but must depend on the cost the developer submits for their labor costs. In

⁴ 2005 based on actual committed reimbursements for five WME Agreements. 2006 based on three WME agreements already signed, plus projected lots being platted or developed in Radcliff, Vine Grove and District's Hardin County service area. Total actual and potential lots projects for 2006 = 918.

⁵ 2006 WME Agreements = Falcon Heights WME; 96 lots, 100% reimbursement, \$93,038; Tuscany Place WME; 41 lots, 100% reimbursement, \$77,189; Notting Hill Section 3 WME; 31 lots, 100% reimbursement, \$37,787.

⁶ 2005 - Notting Hill - Section 3, 40 lots, District paid 84% reimbursement (\$44,975) for main extension project cost of \$53,604. All of reimbursement was paid before homes were built and within six months after development was started.

some instances, the developer submitted a labor cost of two or three times more than the District had paid for the most recent WME agreement. The District then advised the developer that they would reimburse no more than the most recent WME agreement labor, or most recent District project actual bids, for labor. The developer then agreed to accept the lower amount.

11. BRAC Impact: Recent actions by the Base Realignment Commission, approved by the U.S. Congress and signed by President Bush, have authorized major mission changes to Ft. Knox, which is contiguous to Radcliff. While the U.S. Armor School and Armor Center are planned to move to Ft. Benning, Georgia, Ft. Knox is planned to receive the Army Human Resource Command and Army Accessions / Cadet Command. It is estimated that the impact of these changes will result in a significant and major civilian population increase.

According to the One Knox Policy Council (Exhibit E), the BRAC action will result in a *net* increase of 5,000 Government employees, 1,000 contractor employees and 6,250 associated family members. It is estimated that this will increase annual payroll in the Radcliff / Elizabethtown area by \$250 million annually. The council study also predicts that the resulting increase in employment at Ft. Knox will exceed any industry in Kentucky, with the exception of UPS.

This will significantly shift the population of Ft. Knox from active, assigned military trainees and soldiers, to many more civilian and permanent population, who will not be living in assigned housing on post. This expected influx will have a major impact on new housing in Radcliff, and housing within the District's service area as evidenced by the number of platted lots both in Radcliff and Hardin County, over the last three (3) years (Table 2, Appendix)⁷; The projected population increase has clearly spurred new development.

12. Regional / Surrounding Comparisons: The District also compared reimbursement policies available to developers from surrounding utilities and cities. The City of Elizabethtown was the only organization still providing refunds, but that was limited to the amount of the tap fee, not related to the cost to install the water system and mains. In order to qualify for the refund, the developer also must install the tap and meter at their expense. In effect, the Elizabethtown reimbursement refunds the developer for actual labor and equipment related to the tap installation, not the cost of the water main and appurtenances. The other two contiguous county water districts no longer offer any reimbursements, nor does the City of Vine Grove or the City of Radcliff (for sewer taps or street construction investment).

Prior to the District adopting the resolution, a developer met with District staff regarding a 700 to 1,000 lot subdivision being planned, connected to an existing development which the District has already provided refunds for the first three phases. When the developer's engineer provided a filing plat for the District to sign, it was discovered that the new development lied wholly within Hardin County Water District No. 2's (HCWD2) service area. The District

⁷ District 2006 projected based on 92 taps installed by District through March 31, 2006 plus the impact of 390 taps for the Polly Subdivision in Vine Grove, being designed by Hibbs Engineering. District was contacted on April 11, 2006 that Vine Grove did not have capacity for this development and may request the District to serve it. County project based on 135 new platted lots in county through February 28, 2006.

informed the engineer that it could not sign the plat, as the development was not within its service area.

The District was then told by one of the developers that they preferred to have the District serve this development, as HCWD2 was not providing refunds. The developer suggested he could petition Fiscal Court to force the development from HCWD2 to the District's service area, forcing the District to pay out \$1,000,000 or more in reimbursements for this high density development. The District is concerned that with the current level of development activity, and future BRAC related growth, that another large, high density subdivision would begin, within its service area, requiring the District to deplete reserve funds or borrow money to reimburse developers.

13. Impact to Customer Rates: With the District's most recent rate case, 2001-00211, the District was ordered to file with the Commission sufficient detail to demonstrate that its rates are still sufficient to meet expenses⁸. The District has engaged an engineering firm and has started the process of updating its cost of service study, and plans to file this with the Commission in mid, 2006. The District's 2006 operating budget, and five year pro-forma plan, shows roughly that a 12% rate increase will be needed (not based on a rate study) only for historic (using 2005 as test year) and 2006 known and measurable expenses.

The District's current rate base did not include reimbursements to developers. In order to generate an additional \$350,000⁹ annually, a dedicated rate increase of 10.4% over the current sales revenues¹⁰ would be needed. Again, the District does not believe it is equitable to charge current customers, in order to reimburse developers who are developing subdivisions who are able to recover their development costs through the sale of lots. (See Table 4 for history of reimbursement payments, 1996 - 2006).

14. Lack of Customer Benefit / Equity Among Customers: It is the District's position that providing reimbursements for new subdivisions allows developers to unfairly recover the cost of such main extensions through reimbursements, but also recover the same cost through the sale of lots within the subdivision¹¹. To an existing or potential District customer, payment to an individual developer has no measurable direct benefit. While growth within the District's service area does spread fixed costs over more customers, which lowers the per customer cost for those fixed expenses, that subdivision growth would occur regardless of whether developers are reimbursed for their water system investment.

⁸ PSC Case 2001-00211, order dated March 1, 2002, page 32, paragraph 13.

⁹ Calculation based on 2006 committed and projected WME agreements reimbursed over five year period, 2005 agreements paid back over four year period, and additional amount for future WME agreements annually for 2007 and later.

¹⁰ Based on 2005 unaudited water sales revenues of \$3,375,593, including wholesale and retail customers and Customer Service Charges.

¹¹ See 386, page 4, paragraph 4.

- a. As the price of a lot is driven by market forces, the refund per tap also is not passed onto the new home buyer (and a subsequent District water customer) when the lot / house is sold. Of the recent subdivisions that the District has entered into WME Agreements for, several are refunding to a different party or partnership than that person coming in to purchase a water tap. In other words, there is no connection between the potential customer of the District, and the developer who received the refund. The practice of providing refunds to developers therefore creates an unfair burden on other customers, and does not require the developer to pay an equitable allocation of their required water supply needs. The District's customers are essentially subsidizing the developer.
- b. Applying the current Commission regulations, and the recent experience that the District has seen with developer's paying for all their water taps immediately, the District would have no choice but to enter into a WME Agreement and pay the reimbursements within a few months. Given this significant increased cash demand, the District felt that prudent fiscal management dictated this policy change in order to discontinue the practice of developer reimbursements.
- c. Without the requested deviation approval, the District will be forced to increase its water rates to all customer, in 2006, solely for the purpose of providing developer reimbursements, so that funds are available whenever a WME Agreement is executed, and at the time developers purchase water taps within that development, which evidence shows will be at a significantly higher frequency and lot density.

Holding the District to the mandated reimbursements causes the District to lose control of its financial future, or reserve funds, due to the increased cash demand to reimburse developers. This increased use of reserves or current revenues also encumbers the District's ability to manage its finances, diverts funds away from building and upgrading its facilities in accordance with long range plans, and places cash demands on the District and its customers which it has no control in planning or constructing. This depletion of reserve funds could also impact the District's ability to provide quality service, and lose control of its finances.

15. Contact for Information: The District requests that any requests for additional information, or informal questions be directed to either Mr. Jim Bruce, General Manager, or Mr. David T. Wilson II, legal counsel listed below.

16. **WHEREFORE;** The District concludes that it has shown good cause that a deviation be granted from the practice of paying reimbursements to developers, as evidenced by its policy approved March 27, 2006, respectfully request that the Commission accepts its application.

Respectfully Submitted;



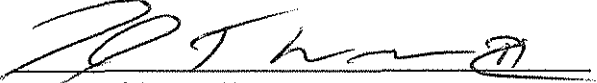
Mr. David T. Wilson II, Esq.
Attorney for Hardin County Water District No. 1
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Mr. Jim Bruce
General Manager
Hardin County Water District No. 1
1400 Rogersville Road
Radcliff, KY. 40160
Phone: 270-351-3222
Mobile: 270-268-4069
Facsimile: 270-352-3055
email: jbruce@hewd.com

CERTIFICATE OF SERVICE

I, David T. Wilson II, having fully read and understands the foregoing APPLICATION - REQUEST FOR DEVIATION by and for the Hardin County Water District No. 1 and knows the contents thereof; and that the same information is accurate and correct to the best of my knowledge, except as to matters which are therein stated on information or belief and that as to those matters, I believe to be true and correct.



Mr. David T. Wilson II, Esq.
Attorney for Hardin County Water District No. 1
Skeeters, Bennett & Wilson

NOTARY:

Subscribed and sworn to before me, this 3 day of May, 2006.

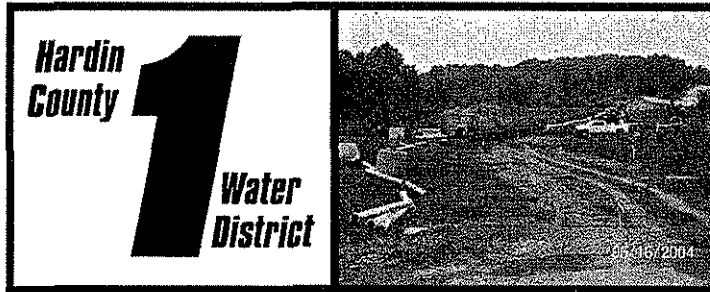
Denise N. Ireland
Notary Public, Hardin County, Commonwealth of Kentucky

My Commission Expires: 11-12-06

APPENDIX

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Water Main Extension Reimbursement Policy ["WME"]

HCWD1 Water Main Extension
Reimbursement

Current PSC Regulation

For Main Extension Reimbursements

807 KAR 5:066, Section 11

"...(2.a) When an extension of the utility's main to serve an applicant or group of applicants amounts to more than fifty (50) feet per applicant, the utility may, if not inconsistent with its filed tariff, require the total cost of the excessive footage over 50 feet per customer to be deposited with the applicants or applicants, based on the average estimate cost of the total extension.

(2.b) Each customer who paid for service under such extension shall be reimbursed...."

HCWD1 Water Main Extension
Reimbursement

PSC Administrative Case No. 386

August 15, 2002 – Regarding an Examination
Of Existing Water Distribution Main Extension Policies

"...The Commission finds that extensive revision to this provision, if not elimination, is in the public interest. We agree that, in areas of rapid real estate development, the current regulation seriously encumbers a water utility's ability to manage its finances. Rather than focusing on building and upgrading its infrastructure in accordance with its long term plans, these utilities must devote funds to refunding extensions over which they have limited control over planning and constructing.

We also note that the current regulation's provisions appear overly generous when compared to those of other states..."

HCWD1 Water Main Extension
Reimbursement

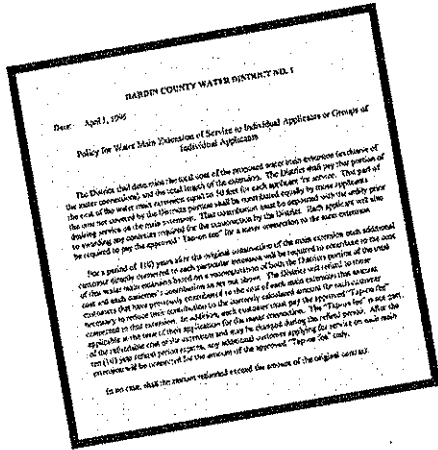
PSC Intra-agency Memorandum

February 2, 2006
RE; South Anderson Water District – Case No. 2005-00221

"...Mr. Wuetcher (Senior PSC Counsel) noted that one basis for a deviation is rapid growth of subdivision developments in a water utility service territory. He explained that with such rapid growth, a water utility may not have the ability to meet its financial obligations under Administrative Regulation 807 KAR 5:066, Section 13, (* SB Section 11), and still provide quality service..."*

HCWD1 Water Main Extension
Reimbursement

HCWD No. 1 Current Policy
 For Main Extension Reimbursements
 (Last Revised November 1, 1993)



April 5, 1995
(No record of Board vote, nor is it in current tariff)

"..The District shall pay that portion of the cost of the water main extension equal to 50 feet for each applicant for service. That part of the cost not covered by the District's portion shall be contributed equally by those applicants desiring service on the main extension..."

HCWD1 Water Main Extension
 Reimbursement

Surrounding Utility Reimbursement Policies

Provider	Utility	Reimbursement ?
Hardin County Water District No. 2	Water	* No
Meade County Water District	Water	No
City of Elizabethtown	Water	Yes (Only = Tap Fee Amt)
	Sewer	
	Gas	
City of Radcliff	Sewer	No
	Streets	No
	Storm Water	No
City of Vine Grove	Water	No
	Sewer	No
	Streets	No

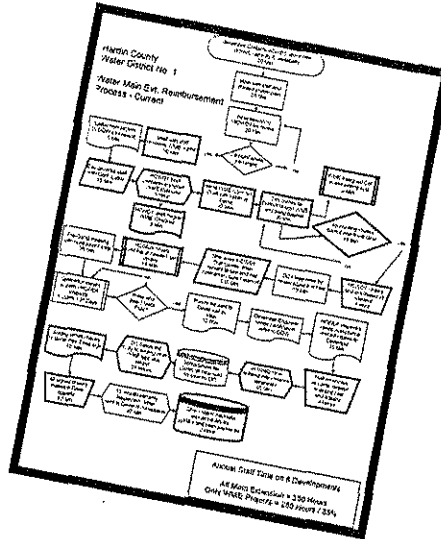
* HCWD2 Informal, unofficial position

HCWD1 Water Main Extension
 Reimbursement

Amount of Staff Time Required for WME Contracts

For 8 Developments annually, it requires 280 hours of staff time for WME projects.

If WME's were not required, our staff time to work with developers and oversee new main extensions would drop by 85%



HCWD1 Water Main Extension Reimbursement

Source of Funds to Pay Reimbursements

5/8 Inch Tap Fee

\$659

- \$285 – Materials for Tap
- \$191 – HCWD1 Labor
- \$131 – HCWD1 Equipment
- \$52 – Other Costs

NONE...

of the Tap Fee Provides funds for WME Reimbursements

HCWD1 Water Main Extension Reimbursement

Source of Funds to Pay Reimbursements

Typical Monthly 5/8
Water Bill

\$24.20



- \$8.18 – Wages, Bens, Comm
- \$5.71 – Debt P + i
- \$4.05 – Fixed Charges
- \$1.59 – Net Income
- \$1.41 – Utilities / Transport
- \$1.35 – Contract + Prof Svcs
- \$1.19 – Other Operating
- \$0.71 – Supplies

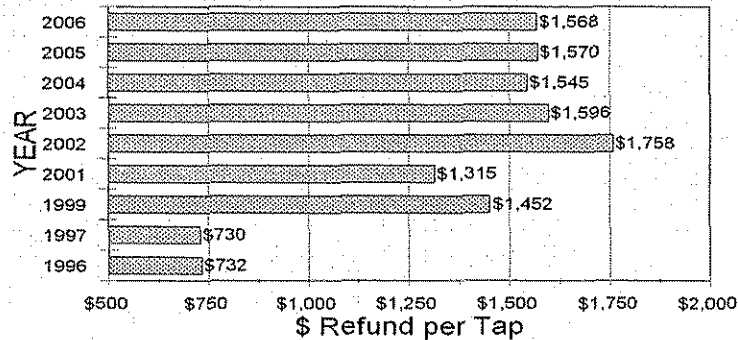
NONE...

of a customer's water rate Provides funds for
WME Reimbursements

HCWD1 Water Main Extension
Reimbursement

Historical Data & Evidence

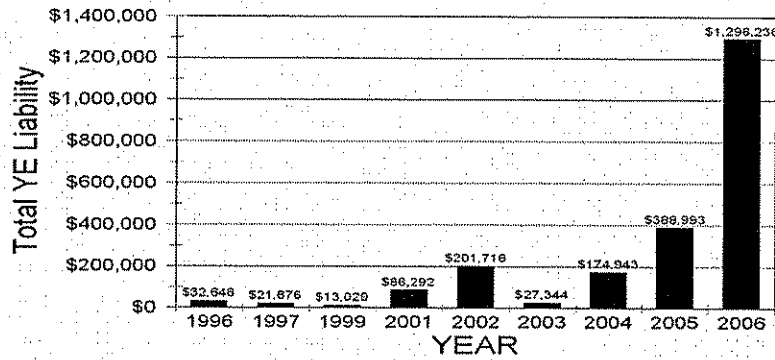
HCWD1 - WME Historical Average Refund per Tap



HCWD1 Water Main Extension
Reimbursement

Historical Data & Evidence

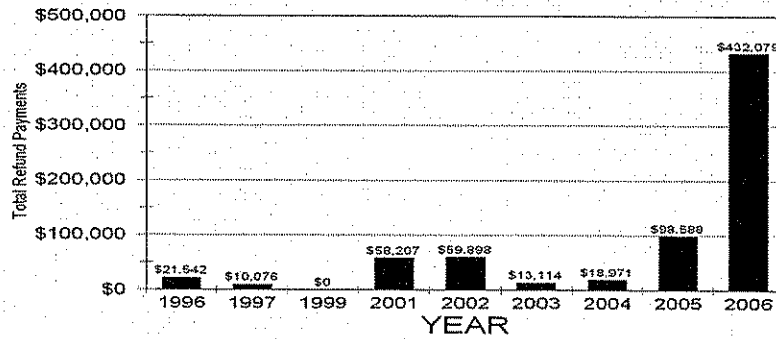
HCWD1 - WME Historical Annual Liability



HCWD1 Water Main Extension Reimbursement

Historical Data & Evidence

HCWD1 - WME Historical Annual Refunds



HCWD1 Water Main Extension Reimbursement

Available Funds

Annual Reimbursement Estimate 2006 – 2011

\$350,000 Per Year x 5 = \$1,750,000

\$1,758,000 – Unrestricted PNC Investment Funds

\$210,000 – Local Bank Account Balances

\$2,504,000 – 2006–11 Added Cash Increase

(Assumes 12% Rate Increase in 2006)

WME Reimbursements would

Use 40% of ALL HCWD1

Available funds over next 5 Years

(Does not include new WME agreements 2007 – 2011)

HCWD1 Water Main Extension
Reimbursement

Available Funds

\$350,000 Per Year Additional Funding Required

2005 Revenue from Sales (Prelim YE)

= \$3,375,593

Would need to be \$3,725,593

To meet future reimbursement liability

**Require + 10.4% Increase to
Current Water Rates**

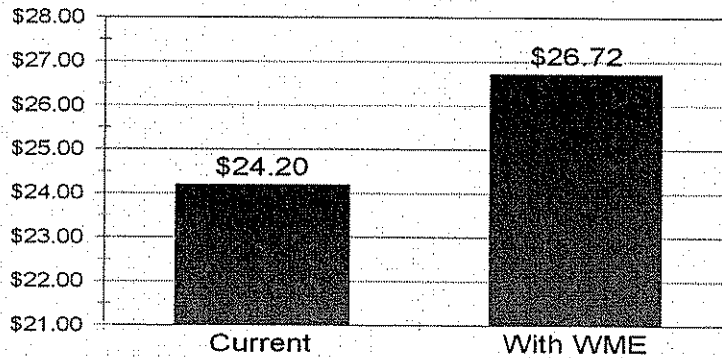
(Does not include new WME agreements 2007 – 2011 or 12% rate increase planned for 2006)

HCWD1 Water Main Extension
Reimbursement

Impact to Customer Bill

WME Reimbursements

Impact to Typical Monthly Bill

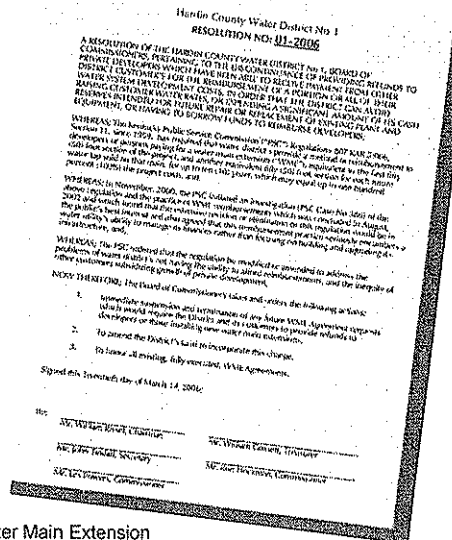


HCWD1 Water Main Extension
Reimbursement

Staff Recommendation

Staff Recommends;

1. Stop all WME's
2. Adopt Resolution
3. Tariff Change



HCWD1 Water Main Extension
Reimbursement

Hardin County Water District No 1

RESOLUTION NO: 01-2006

A RESOLUTION OF THE HARDIN COUNTY WATER DISTRICT No 1, BOARD OF COMMISSIONERS, PERTAINING TO THE DISCONTINUANCE OF PROVIDING REFUNDS TO PRIVATE DEVELOPERS FOR THE REIMBURSEMENT OF A PORTION OR ALL OF THEIR WATER SYSTEM DEVELOPMENT COSTS, IN ORDER THAT THE DISTRICT CAN AVOID RAISING CUSTOMER WATER RATES, OR EXPENDING A SIGNIFICANT AMOUNT OF ITS CASH RESERVES INTENDED FOR FUTURE REPAIR OR REPLACEMENT OF EXISTING PLANT AND EQUIPMENT, OR HAVING TO BORROW FUNDS TO REIMBURSE DEVELOPERS;

WHEREAS; The Kentucky Public Service Commission ("PSC") Regulations 807 KAR 5:066, Section 11, since 1959, has required that water districts provide a method of reimbursement to developers or persons paying for a water main extension ("WME"), equivalent to the first fifty (50) foot section of the project, and another equivalent fifty (50) foot section for each future water tap sold on that main, for up to ten (10) years, which may equal up to one hundred percent (100%) the project costs, and;

WHEREAS; In November, 2000, the PSC initiated an investigation (PSC Case No 386) of the above regulation and the practice of WME reimbursements which was concluded in August, 2002 and which found that the extensive revision or elimination of this regulation would be in the public's best interest and also agreed that this reimbursement practice seriously encumbers a water utility's ability to manage its finances rather than focusing on building and upgrading its infrastructure, and;

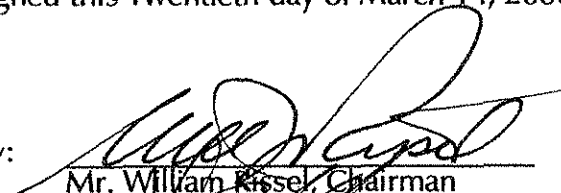
WHEREAS; The PSC ordered that the regulation be modified or amended to address the problems of water districts not having the ability to afford reimbursements, and the inequity of other customers subsidizing growth of private development,

NOW THEREFORE; The Board of Commissioners takes and orders the following actions;


1. To discontinue the use of WME Agreements.
2. To amend the District's tariff to incorporate this change.
3. File a deviation request and other documents as needed to affect the change.
4. To honor all existing, fully executed, WME Agreements.


Signed this Twentieth day of March 14, 2006;

By:


Mr. William Kessel, Chairman


Mr. John Findall, Secretary


Mr. Les Powers, Commissioner


Mr. William Gossett, Treasurer (BB)



Mr. Ron Hockman, Commissioner

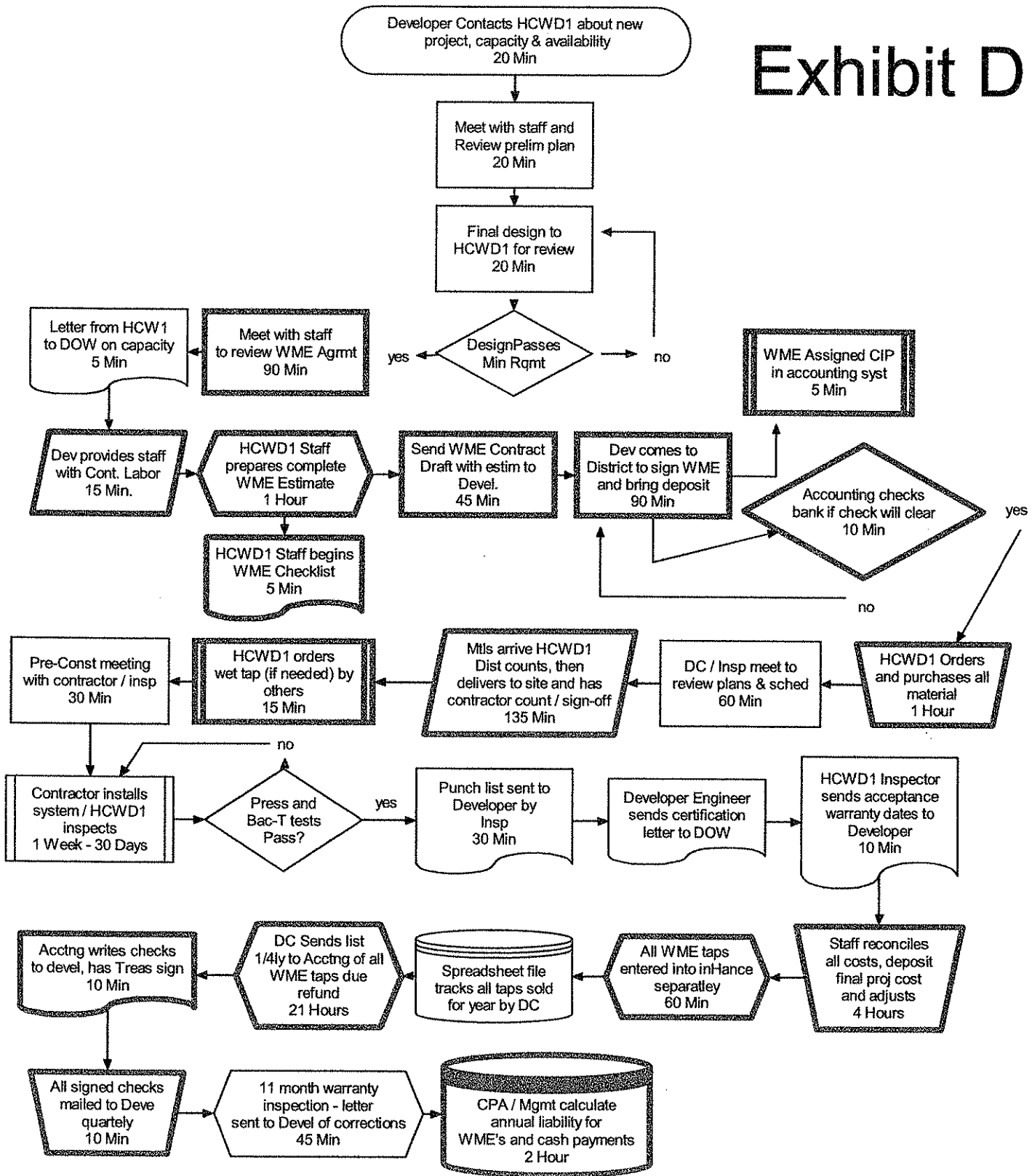
Exhibit C

1996 - 2006 WATER MAIN EXTENSIONS REFUNDS

<u>YEAR</u>	<u>NAME</u>	<u>PROJ COST</u>	<u># TAPS</u>	<u>\$ AGREED</u>	<u>% AGREED</u>	<u>\$/ TAP</u>	<u>\$/ FOOT</u>	<u>\$ PAID</u>	<u>BALANCE</u>
1996	SQUAW VALLEY	\$13,843	10	\$6,655	48.1%	\$665	\$13.31	\$4,656	\$1,999
1996	RAINBOW VILLAGE - SECT. 3	\$18,803	22	\$17,571	93.4%	\$799	\$15.97	\$16,886	\$685
1997	HILLTOP TERRACE	\$16,328	15	\$11,797	72.2%	\$786	\$15.73	\$8,965	\$2,832
1997	WOOD LANE	\$5,348	8	\$5,348	100.0%	\$668	\$13.37	\$1,111	\$4,237
1999	LEX-A-VILLA - North	\$13,029	3	\$13,029	100.0%	\$4,343	\$86.86	\$0	\$13,029
2001	MEREDITH ROAD	\$11,313	7	\$6,894	60.9%	\$985	\$19.70	\$3,709	\$3,185
2001	TRAPPER'S RIDGE	\$49,242	42	\$31,727	64.4%	\$755	\$15.11	\$30,400	\$1,327
2001	WHISPERING HILLS - SECT. 16	\$25,736	17	\$25,736	100.0%	\$1,514	\$30.28	\$24,098	\$1,638
2002	NIGHT HAWK	\$9,891	1	\$5,332	53.9%	\$5,332	\$106.64	\$4,583	\$749
2002	NOTTING HILL - PHASE 1	\$191,825	36	\$62,229	32.4%	\$1,729	\$34.57	\$55,315	\$6,914
2003	MEADOWLAKE - SECT. 10	\$14,996	17	\$12,588	83.9%	\$740	\$14.81	\$9,626	\$2,962
2003	ROLLING HILLS - SECT. 7	\$12,348	10	\$8,370	67.8%	\$837	\$16.74	\$3,488	\$4,883
2004	GLORYLAND HARVEST	\$43,663	16	\$20,850	47.8%	\$1,303	\$26.06	\$2,453	\$18,397
2004	MEADOWLAKE - SECT. 12	\$51,025	35	\$35,805	70.2%	\$1,023	\$20.46	\$14,919	\$20,886
2004	PADGETT VIEW (FARM)	\$45,998	23	\$15,788	34.3%	\$686	\$13.73	\$1,600	\$14,188
2004	MILL POND	\$34,258	4	\$10,185	29.7%	\$2,546	\$50.92	\$0	\$10,185
2005	ASHLEY ESTATES	\$30,662	22	\$30,662	100.0%	\$1,394	\$27.87	\$13,331	\$17,331
2005	NOTTING HILL - SECT. II	\$53,604	40	\$44,975	83.9%	\$1,124	\$22.49	\$44,975	(\$0)
2005	HUNTER'S RIDGE II	\$38,875	25	\$29,904	76.9%	\$1,196	\$23.92	\$0	\$29,904
2005	SHELTON WOODS	\$76,293	47	\$76,293	100.0%	\$1,623	\$32.47	\$0	\$76,293
2005	VINE GROVE - HWY 313	\$189,558	5	\$14,647	7.7%	\$2,929	\$58.59	\$4,883	\$9,765
2006	FALCON HEIGHTS	\$50,518	96	\$50,518	100.0%	\$1,472	\$29.44	\$0	\$50,518
2006	TUSCANY PLACE	\$41,811	41	\$41,811	100.0%	\$1,473	\$29.46	\$0	\$41,811
2006	NOTTING HILL - SECT. 3	\$21,551	31	\$21,551	100.0%	\$1,698	\$33.95	\$0	\$21,551
2006	April > December - Estimated	\$1,182,355	750	\$1,182,355	100.0%	\$1,576	\$31.53	\$0	\$1,182,355
25		\$2,242,875	1,323	\$1,782,622	79.5%	\$1,568	\$31.36	\$244,997	\$1,537,625
24		\$1,060,520	573	\$600,267	56.6%				\$355,270
						\$1,303	\$26.06		

<u>YEAR</u>	<u>Avg \$ / Tap</u>	<u>\$ Liab</u>	<u>\$ Refunds</u>	
1996	\$732	\$32,646	\$21,542	70.8%
1997	\$730	\$21,676	\$10,076	78.4%
1999	\$1,452	\$13,029	\$0	82.8%
2001	\$1,315	\$86,292	\$58,207	79.9%
2002	\$1,758	\$201,716	\$59,898	72.5%
2003	\$1,596	\$27,344	\$13,114	73.1%
2004	\$1,545	\$174,943	\$18,971	66.2%
2005	\$1,570	\$388,993	\$98,588	68.0%
2006	\$1,568	\$1,296,236	\$432,079	73.1%

Exhibit D



Annual Staff Time on 8 Developments

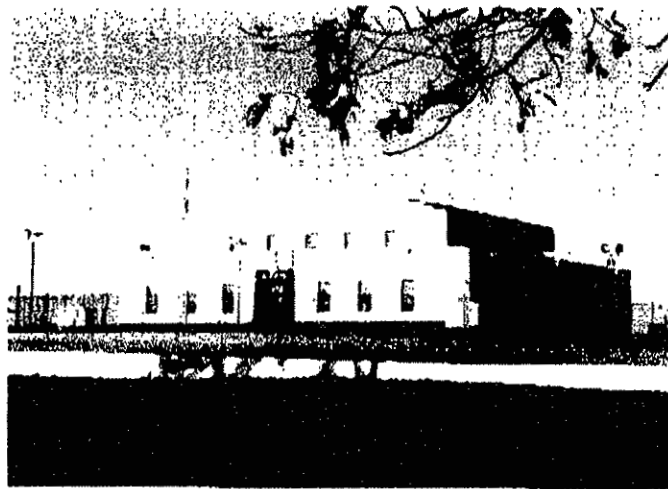
All Main Extension = 330 Hours
Only WME Projects = 280 Hours / 85%

Exhibit E

COMMONWEALTH OF KENTUCKY ECONOMIC OPPORTUNITY: 2005 AND BEYOND



FORT KNOX REALIGNMENT December 2005



ONE KNOX POLICY COUNCIL
Lincoln Trail Area Development District

FORT KNOX & BASE REALIGNMENT
ECONOMIC OPPORTUNITY: 2005 AND BEYOND
December 2005

OVERVIEW

- The 2005 Base Realignment and Closure (BRAC), the transformation of the Army from divisions to deployable brigades, and the decision to move 70,000 troops from Europe and Korea to the United States will result in an **increase of over 5,000 government employees, 1,000 contractors, and 6,250 family members to the Fort Knox area and the Commonwealth of Kentucky.**
- Kentucky will realize the benefits of over **\$250 Million of increased annual payroll** within the commonwealth's borders, as well as the **economic impact of hundreds of millions of dollars in new construction** on Fort Knox.
- The Lincoln Trail region will undergo a significant change in the nature of economic activity as Fort Knox becomes the **home of two world-class, corporate headquarters: Army Accessions / Cadet Command & the Army Human Resources Command.** These two commands alone will provide over 3,000 new government employees (approximately 75% civilian positions) and an additional 800 civilian contract employees.
- The transformation of Fort Knox will result in an end-state of over **20,000 employees working daily** on the installation, a level not seen since the early 1980's.
- The Lincoln Trail region has experienced a twenty-year, population growth rate of 11.7%, which is greater than the state rate of 10.4%. Growth prior to BRAC 2005 was expected to occur at a rate of 17.9% through 2020.
- As an indicator of existing economic vibrancy, the Lincoln Trail employment has grown by 23.2% since 1994 (96,000). Only 9.4% of current workers in the region are associated with the military.

ACTIONS

- Seek appropriation for **\$56 million** in support of the three priority transportation projects in the region surrounding Fort Knox.
- Budget **\$127,500 per year of the Biennium** in state funding to match local government's financial support for dedicated staffing in the region.
- Release **\$500,000** of Workforce Investment Act (WIA) funds currently in the Statewide Reserve Fund for the planning and development of employment/training programs related to the economic impacts of BRAC.

FORT KNOX & BASE REALIGNMENT
ECONOMIC OPPORTUNITY: 2005 AND BEYOND

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- Fund \$3.2 million for the region's three top ranked wastewater projects.

Executive Summary

There are three major changes occurring within the defense community that impact on the economy of the Lincoln Trail region. The 2005 Base Realignment and Closure (BRAC), the transformation of the Army from divisions to more deployable brigades and the decision to move over 70,000 troops from Europe and Korea to the United States. The BRAC 2005 recommendations will significantly impact the region surrounding Fort Knox; a region with an already diversified, growing economy and expanding population. The resulting increase of **employees at Fort Knox will exceed employment numbers of any industry currently in Kentucky with the exception of UPS**. The net impact, following the eventual move of the Armor School, will be **an increase of 5,000 government employees and 1,000 contractors to the region**. More than 6,250 family members will also accompany these employees and contractors adding to the economic impact of this growth.

With the above as a backdrop - the vibrancy and growth of the region, and the changes in the mission and focus of Fort Knox; the responsibility for dealing with this impact falls primarily on those leaders in the *public policy arena*. The impact, and certain responses to the impact, has begun at the local governmental level. In order to be effective and ensure an appropriate level of attention, there is a need for support by state government in addition to the considerable effort previously undertaken to ensure the Commonwealth's success under BRAC 2005.

Impacts

- 2006 - Over 3,272 troops will begin to arrive at Fort Knox as the stand-up of a Light Infantry Brigade Combat Team (BCT) occurs.
- 2006 - Engineers, Military police and combat support units for BCT arrive, comprising 1,729 personnel.
- 2008 - Armor Center & School begins relocation to Fort Benning.
- 2008 - The consolidation of the US Army Human Resources Command occurs on Fort Knox, with the addition of approximately 3,000 government employees and 800 contractors.
- 2009 - Accessions Command / Cadet Command arrives from Ft. Monroe, VA with 275 personnel.
- 2009 - 84th Army Reserve Training Center relocates from Wisconsin; bringing 461 staff and an annual student load of 17-24K personnel.

FORT KNOX & BASE REALIGNMENT
ECONOMIC OPPORTUNITY: 2005 AND BEYOND
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Economic Development Priorities

There are four key areas of investment that require attention in order to adequately prepare for the aforementioned developments on the Fort Knox Installation and the resultant impacts to the surrounding region. These areas are Transportation, Growth Management Support, Employment and Training and Wastewater Facilities Development.

The economic impact of the Fort Knox realignment is one of the most significant economic development gains in the history of the Commonwealth of Kentucky. A small investment will ensure an ever-increasing return for our communities and citizenry. Further, it must be noted that of the "Needs" listed below – **only one major infrastructure investment is currently not on existing priority lists and only the requested support for Growth Management would entail the identification of a new funding source!**

Transportation Needs

<u>Priority</u>	<u>Project</u>	<u>Estimated Funding</u>
01	Extend KY 3005 (Ring Road) from US 62 Southwest of E-town to the Western Kentucky Parkway, including a diamond interchange	\$21,500,000
02	Extend KY 313 (Joe Prather Highway) from Vine Grove to US 60	\$28,500,000
03	Widening of Wilson Road from two lanes to four lanes from the Fort Knox Gate US-31	\$6,000,000

Growth Management Support

Elected officials and community leaders in Hardin and Meade Counties formed a separate organization, "ONE KNOX", to deal exclusively with issues specific to changes at Fort Knox and the region. These leaders agreed "One Knox" would fall under the LTADD Board of Directors' "organizational umbrella", but would need dedicated staff assigned to ONE KNOX.

Estimated annual costs to maintain appropriate staffing levels and maintain a separate office extend from \$127,500 in FY 2007 to a cost of \$228,150 in FY 2009. Optimum staff levels would be two BRAC coordinators and administrative staff support. Local units of government have committed to the initial start-up costs in the absence of state or federal assistance. **A commitment of**

FORT KNOX & BASE REALIGNMENT
ECONOMIC OPPORTUNITY: 2005 AND BEYOND
December 2005

\$127,000 in state dollars per year of the biennium would allow for proper staffing immediately.

Employment & Training Support

The Lincoln Trail region will need to provide retraining options for individuals losing their jobs, employment/training assistance to those relocating to the region and for all of the additional businesses growing or coming in to the region. (A study by the University of Texas – El Paso shows that an additional 3,800 military personnel translates into an additional 1,000 private sector jobs outside of the base.)

Immediate training needs anticipated in construction, healthcare, manufacturing, and the service sectors **will require \$500,000 in Workforce Investment Act (WIA) funds currently in the Statewide Reserve Fund** for planning and development of employment / training programs related to economic changes with BRAC.

Additionally, there will be a **need to provide post-secondary educational opportunities for bachelor and masters degrees** is support of the increased "professional level" work force in the region. This could best be accomplished through the development of a regional education center to provide support facilities for satellite programs from existing state colleges and universities. This facility would not only meet the advance degree requirements of employees at Fort Knox but would also serve the expanding need for bachelor and master degree programs in the rapidly growing Lincoln Trail Region. The estimated **construction costs of such a facility is approximately \$20M** and would provide significant support to the economic expansion of this region.

Wastewater Improvements

While the areas surrounding Fort Knox are well-served by an abundant potable water supply, there is a need to ensure proper wastewater facility development occurs, which is conducive to proper land use in a growing region.

The three priority projects that are most affected by Fort Knox growth are and would require assistance:

<u>Project</u>	<u>Project#</u>	<u>Estimated Funding</u>
Hardin County Water District #2 Sewer Collection System Project	SX21093004	\$600,000
City of Vine Grove Sewer Expansion Project	SX21093002	\$1,891,000

FORT KNOX & BASE REALIGNMENT
ECONOMIC OPPORTUNITY: 2005 AND BEYOND

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City of Radcliff I/I Project

SX21093007

\$1,500,000

.... AND BEYOND

The changing environment in the defense community surrounding Fort Knox is a product of one of the greatest economic development events in the history of Kentucky – and that is based upon the data presented now. Recent briefings at Fort Knox and at the Pentagon have presented local officials with the possibilities that time frames are likely to be accelerated and troop levels increased.

Militarily, Fort Knox ranked 12th in Military Value among 97 Army installations under BRAC review. Accordingly, with this standing among installations, the post is a prime candidate to benefit from changes in Army timetables and organizational moves.

The “investments” listed above are a result of the impacts known today – as those impacts increase in volume or complexity, the local units of government will require additional support from other levels of government. The local units of government comprising the Fort Knox “Defense Community” will continue to seek federal assistance from the Office of Economic Adjustment (OEA) and the US Department of Labor (DOL). However, there must always be an understanding that the Commonwealth must share in the required, multi-level investment.

The Commonwealth's investment at the federal level was instrumental in Kentucky's favorable results in this BRAC round; to ensure that our region's current and future citizens benefit from those results will no doubt require future investment.

FORT KNOX & BASE REALIGNMENT
ECONOMIC OPPORTUNITY: 2005 AND BEYOND
December 2005

ONE KNOX POLICY COUNCIL

Honorable Sheila Enyart, Mayor, City of Radcliff, Chair
Honorable Harry L. Berry, Hardin County Judge/ Executive, Vice Chair
Honorable William Haynes, Meade County Judge / Executive
Honorable Mayor David Willmoth, Mayor, City of Elizabethtown
Honorable Gary Minter, Mayor, City of Vine Grove
Honorable Eric Duvall, Mayor, City of West Point
Mr. Emmet E. Holley, Deputy Garrison Commander, Fort Knox

ONE KNOX is an organization formed by community and political leaders in Hardin and Meade Counties, to deal exclusively with issues specific to the regional economy and quality of life in the Fort Knox region. The ONE KNOX organization is a separate policy council of the Lincoln Trail Area Development District (LTADD).

This approach has numerous advantages: utilization of grant mechanisms and expertise, historic linkage to state and federal agencies, coordination with adjacent local governments and regions, and an assurance that ONE KNOX efforts would always function with governance situated in the public arena.

Table 1

HCWD1 - WME Historical Annual Liability

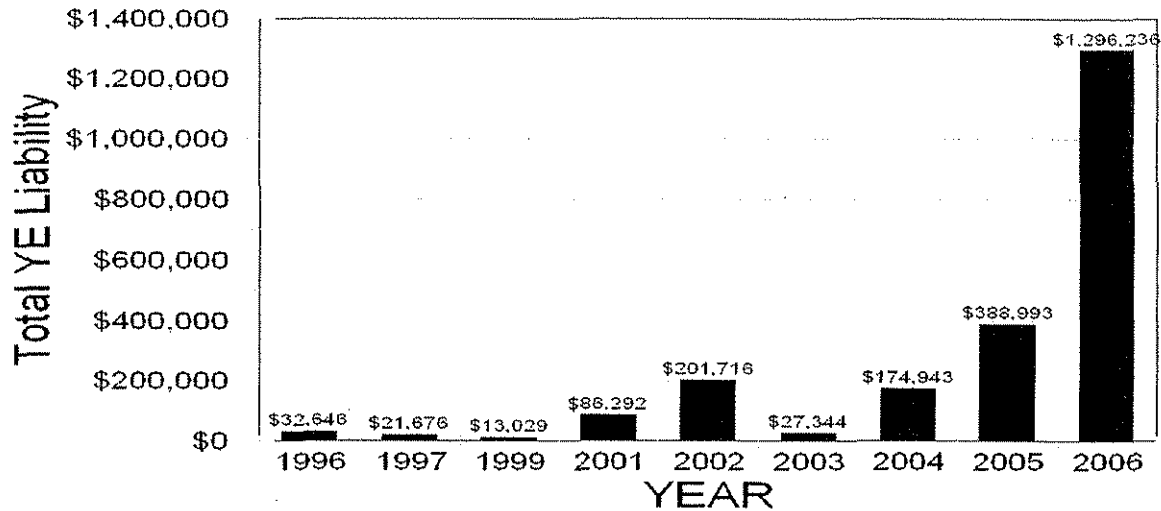


Table 2

New Development Lots HCWD1 & Hardin County

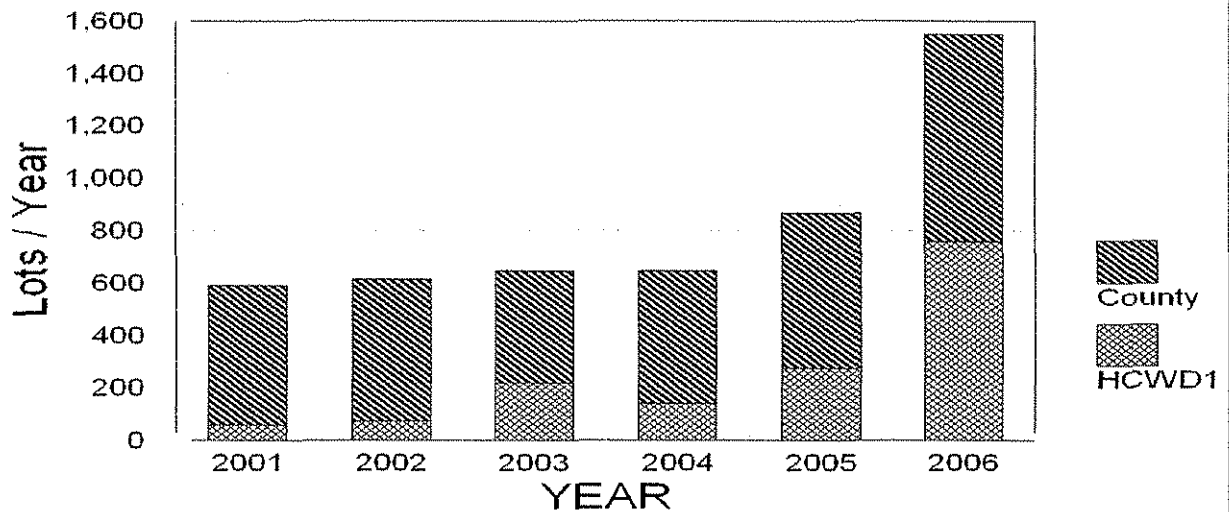


Table 3

HCWD1 - WME Historical Average Refund per Tap

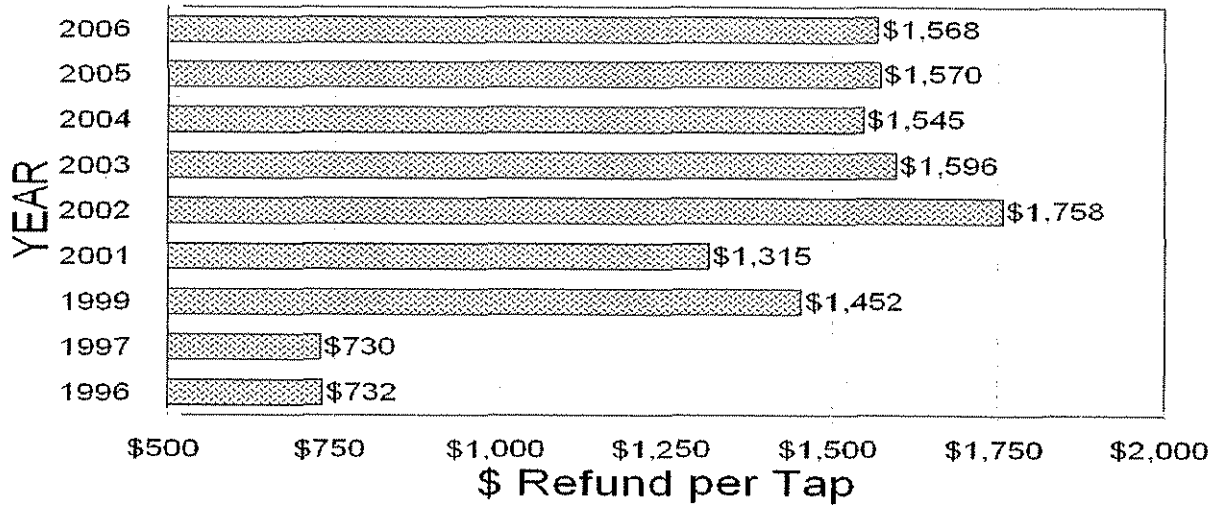


Table 4

HCWD1 - WME Historical Annual Refunds

