

Symsonia Water & Sewer District

HWY. 131, P.O. BOX 99
SYMSONIA, KENTUCKY 42082
PHONE (272) 851-4470
OFFICE HOURS: 8:00 AM - 4:00 PM

April 21, 2014

Linda Faulkner
Filings Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

Re: PSC Case No. 2012-517

Dear Linda,

Please find enclosed a copy of KIA Revolving Loan Fund Conditional Commitment Letter.

If I can be of further assistance, please let me know.

Sincerely,



Debbie Hancock

RECEIVED

APR 25 2014
PUBLIC SERVICE
COMMISSION



Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

John E. Covington III
Executive Director

August 7, 2012

Mr. Keith Cooper, Chairman
Symsonia Water District
P.O. Box 99
Symsonia, KY 42082

RECEIVED

APR 25 2014

PUBLIC SERVICE
COMMISSION

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (B12-07)**

Dear Chairman Cooper:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On August 2, 2012, the Authority approved your loan for the New Storage Tank, Wells, and Treatment Facility Project subject to the conditions stated below. The total cost of the project shall not exceed \$895,000 of which the Authority loan shall provide \$300,000 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Symsonia Water District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (8/7/2013) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$300,000.
2. The loan shall bear interest at the rate of 1.75% per annum commencing with the first draw of funds.

3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on June 1 or December 1 immediately succeeding the date of the last draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1 or December 1 which is at least six months from the date of the last draw of funds. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.
2. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.

3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment A description shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding or any new sources of funding not reflected in Attachment A shall be immediately reported and may cause this loan to be subject to further consideration.
4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.
5. Based on the final "as bid" project budget, the community must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by your consultant engineer
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Authority.
8. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
9. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.
10. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.

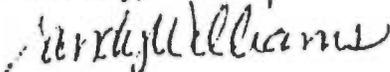
Chairman Keith Cooper
August 7, 2012
Page 4

11. Implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.
12. Final Design Plans in an AutoCAD Drawing File Format (DWG), referenced to the appropriate (North, South or Single) Kentucky State Plane Coordinate System (NAD83-Survey Feet) on a Compact Disc (CD). If there is a significant deviation from the Final Design Plan during construction, As-built plans shall also be provided to the Authority in the same format.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We will assist you in a final evaluation of the financing plan when construction bids are available. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,

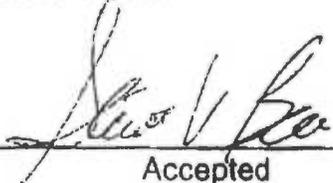


Sandy Williams
Financial Analyst

Attachments

cc: Jeremy Buchanan, Purchase Area Development District
Mary Austin, Austin Engineering
Dirk Bedarff, Peck, Shaffer & Williams LLP
State and Local Debt Office, DLG
Borrower File - Symsonia Water District - B12-07

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.



Accepted

8-2-13

Date

ATTACHMENT A

**Symsonia Water District
B12-07**

EXECUTIVE SUMMARY		Reviewer:	Sandy Williams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date:	August 2, 2012	
FUND B, INFRASTRUCTURE		KIA Loan Number:	B12-07	
REVOLVING LOAN FUND		WRIS Number	WX21083055	
BORROWER:	SYMSONIA WATER DISTRICT			
	GRAVES COUNTY			
BRIEF DESCRIPTION:	<p>This project is for the construction of a new 150,000 gallon ground storage tank, two groundwater wells, a booster pump station and a treatment building. The existing treatment facility and the ground wells will be taken off line when the new facilities are completed.</p>			
PROJECT FINANCING:		PROJECT BUDGET	RD Fee %	Budget %
Fund B Loan	\$300,000	Administrative Expenses		\$32,725
HB608 (166N-2008)	595,000	Planning	3.4%	25,000
- CPBOC on 6-15-12		Eng - Design	9.3%	72,310
		Eng - Inspection	6.2%	21,600
		Construction		700,000
		Contingency		43,365
TOTAL	\$895,000	TOTAL		\$895,000
REPAYMENT	Rate	1.75%	Est. Annual Payment	\$18,443
	Term	20 years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Auslin Engineering		
	Bond Counsel	Peck, Shaffer, & Williams		
PROJECT SCHEDULE	Bid Opening:	Mar-12		
	Construction Start:	Sep-12		
	Construction Stop:	Mar-13		
DEBT PER CUSTOMER	Existing:	\$0		
	Proposed:	\$949		
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	316	\$17.47	(for 4,000 gallons)
	Additional	0	\$17.47	(for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Available for	Income after Debt		
	Debt Service	Debt Service	Service	Coverage Ratio
PSC 2009	2,956	0	2,956	n/a
PSC 2010	6,264	0	6,264	n/a
PSC 2011	12,963	0	12,963	n/a
Projected 2012	13,350	0	13,350	n/a
Projected 2013	18,747	9,222	9,525	2.0
Projected 2014	24,784	18,443	6,341	1.3
Projected 2015	23,114	18,443	4,671	1.3
Projected 2016	21,410	18,443	2,967	1.2

Reviewer: Sandy Williams
Date: August 2, 2012
Loan Number: B12-07

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND (FUND "B")
SYMSONIA WATER DISTRICT, GRAVES COUNTY
PROJECT REVIEW
WX21083055**

I. PROJECT DESCRIPTION

The Symsonia Water District is requesting a Fund B loan in the amount of \$300,000 for the New Storage Tank, Wells and Treatment Facility project. The District currently has a treatment building, two groundwater wells, and a 75,000 gallon storage tank. The project will include a new 150,000 gallon ground storage tank, two groundwater wells, a booster pump station and a treatment building. The existing treatment facility and ground wells will be taken off line when the new facilities are completed. The existing tank needs some repairs and may be taken off line temporarily for the repairs. The new groundwater wells will be pumped through the chemical feed manhole and into the ground storage tank for contact time. The booster pumps will pull from the ground tank and pump it into the system. They are capable of supplying the system and filling the existing tank.

The District provides water and sewer service to approximately 320 customers. The Water District was created in 1964 and the Sewer District in 1980 and their activities are subject to PSC jurisdiction. The District produces all of its finished water. It has an interconnect with the City of Benton for emergency water needs.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$32,725
Planning	25,000
Eng - Design	72,310
Eng - Const & Insp	21,600
Construction	700,000
Contingency	43,365
TOTAL	\$895,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund B Loan	\$ 300,000	34%
HB608	595,000	66%
Total	\$ 895,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$	300,000
Interest Rate		1.75%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	17,843
Administrative Fee (0.20%)	\$	600
Total Estimated Annual Debt Service	\$	18,443

V. PROJECT SCHEDULE

Bid Opening	March 2012
Construction Start	September 2012
Construction Stop	March 2013

VI. RATE STRUCTURE

A. Customers

<u>Customers</u>	<u>Current</u>
Residential	301
Commercial	15
Total	316

B. Rates

	<u>Current</u>
Date of Last Rate Increase	07/20/2005
Minimum (2,000 gallons)	\$11.65
Next 3,000 Gallons	2.91
Next 5,000 Gallons	2.24
Over 10,000 Gallons	1.89
Cost for 4,000 gallons	\$17.47
Affordability Index (Rate/MHI)	0.5%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2006-2010, the City's population was 651 with a Median Household Income (MHI) of \$39,313. The median household income for the Commonwealth is \$41,576. The project will qualify for a 1.75% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information for the District was obtained from PSC filings for the water component for the years ended December 31, 2009 through 2011. An independent audit is required by the Public Service Commission every 5 years and the District's last audit was conducted in 2009 per the requirement.

HISTORY

Revenues increased \$5,612 (7%) from \$76,303 in 2009 to \$81,915 in 2011. Most of the increase is from miscellaneous income (which is not reported separately in the financial statements) with the balance coming from volume fluctuations and a slight customer increase.

Operating expenses declined 6% from \$73,852 to \$69,134. Cash flow from operations increased from \$2,956 to \$12,963. The District has no long term debt.

The balance sheet reflects a current ratio of 0.4 and a debt to equity ratio of 0.2 at the end of 2011. Current liabilities include a \$64,608 payable to the sewer fund. If this amount were excluded from the calculation the current ratio would be 3.4 at the end of 2011. Unrestricted cash has increased from 0.3 months of operating expenses in 2009 to 4.4 months in 2011.

Projections are based on the following assumptions:

- 1) Revenues will be flat for growth based on an analysis of gallons of water sold from 2003 through 2011.
- 2) Expenses are estimated to increase 2% per year for inflation. Additional operating expenses are estimated at \$8,000 per year as a result of this project.
- 3) A rate increase of about \$23,000 (27%) will be necessary in mid 2013 to offset the new debt service, reserve funding and additional operating expenses. This will allow the District to maintain its current level of free cash flow.
- 4) A replacement reserve of \$750 will be funded annually for ten years.
- 5) The new debt service is estimated at \$18,443 annually
- 6) Debt service coverage is estimated at 1.3 in 2014 when full year principal and interest repayments begin.

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

REPLACEMENT RESERVE

The annual replacement cost is \$750. This amount should be added to the replacement account each December 1 until the balance reaches \$7,500 and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

None

X. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
Storage Tank, Wells, and Filler House	HB608	595,000	Grant

XI. CONTACTS

Applicant

Name Symsonia Water District
Address P.O. Box 99
Symsonia, KY 42082
County Graves
Contact Keith Cooper, Chairman
Phone (270) 851-4470
Email jim@symsoniawater.com

Applicant Contact

Name Purchase Area Development District
Address P.O. Box 588
Mayfield, KY 42066
Contact Jeremy Buchanan
Phone (270) 251-6161
Email Jeremy.Buchanan@purchaseadd.org

Engineer

Name Mary Austin
Firm Austin Engineering
Address 110 South Third Street
Paducah, KY 42001
Phone (270) 442-0906
Email maustin@austinengineeringinc.com

XII. RECOMMENDATIONS

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

**SYMSONIA WATER DISTRICT
BALANCE SHEETS (DECEMBER YEAR END)**

	<u>PSC 2009</u>	<u>PSC 2010</u>	<u>PSC 2011</u>	<u>Projected 2012</u>	<u>Upon Completion 2013</u>
ASSETS					
<i>Current Assets</i>					
Cash	1,910	9,468	25,208	38,558	48,083
Accounts Receivable	8,666	19,859	6,428	6,500	10,000
Total Current Assets	10,576	29,327	31,636	45,058	58,083
<i>Utility Plant</i>					
Land, System, Building and Equipment	836,819	636,819	686,758	686,756	1,581,758
Less Accumulated Depreciation ()	(272,253)	(292,545)	(314,117)	(336,117)	(373,017)
Net Fixed Assets	384,566	344,274	372,639	350,639	1,208,739
Total Assets	375,142	373,601	404,275	395,697	1,266,822
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	3,874	3,079	2,898	2,898	3,500
Customer Deposits	4,220	4,895	6,420	6,420	6,420
Payable to Sewer Fund	64,154	76,761	64,608	64,608	64,608
Total Current Liabilities	72,248	84,735	73,926	73,926	74,528
<i>Long Term Liabilities</i>					
Notes Payable - KIA	0	0	0	0	300,000
Total Long Term Liabilities	0	0	0	0	300,000
Total Liabilities	72,248	84,735	73,926	73,926	374,528
<i>Retained Earnings:</i>					
Donated Capital	384,325	384,325	434,417	434,417	1,029,417
Unrestricted	(81,431)	(95,459)	(104,068)	(112,646)	(137,123)
Total Retained Earnings	302,894	288,866	330,349	321,771	892,294
Total Liabilities and Equities	375,142	373,601	404,275	395,697	1,266,822
Balance Sheet Analysis					
Current Ratio	0.1	0.3	0.4	0.6	0.8
Debt to Equity	0.2	0.3	0.2	0.2	0.4
Days Sales in Accounts Receivable	41.5	92.5	28.6	27.7	37.5

**EXHIBIT 1
SYMSONIA WATER DISTRICT
CASH FLOW ANALYSIS (DECEMBER YEAR END)**

	PSC 2009	% Change	PSC 2010	% Change	PSC 2011	% Change	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
Operating Revenues											
Water Revenues	76,303	3%	78,359	5%	81,915	5%	85,700	85,700	85,700	85,700	85,700
Rate Increase								11,597	23,193	23,193	23,193
Total Revenues	76,303	3%	78,359	5%	81,915	5%	85,700	97,297	108,893	108,893	108,893
Operating Expenses											
Operating Expenses	73,652	-2%	72,290	-4%	69,134	5%	72,500	77,950	83,509	85,179	86,883
Depreciation	23,179	-12%	20,292	6%	21,572	2%	22,000	36,900	51,800	51,800	51,800
Replacement Reserve								750	750	750	750
Total Expenses	96,831	-4%	92,582	-2%	90,706	4%	94,500	115,600	136,059	137,729	139,433
Net Operating Income	(20,528)	-31%	(14,223)	-36%	(8,791)	0%	(8,800)	(18,303)	(27,166)	(28,838)	(30,540)
Non-Operating Income and Expenses											
Interest Income	305	-36%	195	-7%	182	-18%	150	150	150	150	150
Total Non-Operating Income & Expenses	305	-36%	195	-7%	182	-18%	150	150	150	150	150
Add Non-Cash Expenses											
Depreciation	23,179	-12%	20,292	6%	21,572	2%	22,000	36,900	51,800	51,800	51,800
Cash Available for Debt Service	2,956	112%	6,264	107%	12,963	3%	13,350	18,747	24,784	23,114	21,410
Debt Service (enter as positive if a)											
Existing Principal	0		0		0		0	0	0	0	0
Existing Interest	0		0		0		0	0	0	0	0
Proposed KIA Loan	0		0		0		0	9,222	18,443	18,443	18,443
Total Debt Service	0		0		0		0	9,222	18,443	18,443	18,443
Income After Debt Service	2,956		6,264		12,963		13,350	9,525	6,341	4,671	2,967
Debt Coverage Ratio	n/a		n/a		n/a		n/a	2.0	1.3	1.3	1.2