



KENTUCKY INFRASTRUCTURE AUTHORITY

Andy Beshear
Governor

100 Airport Road
Frankfort, Kentucky 40601
(502) 573-0260
(502) 696-0676 (fax)
kia.ky.gov

Edith Halbleib
Executive Director

May 8, 2020

The Honorable Lindsey Rehtin, CFO
Northern Kentucky Water District
PO Box 18640
Erlanger, KY 41018

KENTUCKY INFRASTRUCTURE AUTHORITY FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND CONDITIONAL COMMITMENT LETTER (F20-044)

Dear Ms Rehtin:


The Kentucky Infrastructure Authority (“the Authority”) commends your efforts to improve public service facilities in your community. On May 7, 2020, the Authority approved your loan for the Taylor Mill Treatment Plant Emergency Generator project subject to the conditions stated in Attachment A to this letter. The total cost of the project shall not exceed \$10,050,000 without prior authorization of the Authority, of which the Authority loan shall provide 8,000,000 of the funding. The final loan amount will be equal to the Authority’s portion of estimated project cost applied to the actual project cost. Attachment B incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and “the Northern Kentucky Water District” upon satisfactory performance of the conditions set forth in Attachment A. You must meet the conditions set forth in Attachment A and enter into an Assistance Agreement by May 8, 2021 (twelve months from the date of this letter). 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.

Ms Rehtin
May 8, 2020
Page 2

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

Sincerely,



Linda Bridwell, PE
Deputy Executive Director
Kentucky Infrastructure Authority

Attachments

cc: Amy Kramer, Northern Kentucky Water District

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms along with the completed "Transparency Act Reporting Information Form". Complete the attached "Authorization for Electronic Deposit of Vendor Payment Form" and the "ACH Debit Authorization Form" **and return to the US Bank address at the bottom of each form**. Also included are the "Legal Counsel Certification Letter" sample and the "Statement of Approval of Projections of Revenue and Expenses" for you to complete at the appropriate time.

We have attached an SRF loan checklist to use as a guide.

Accepted

Date

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

1. The Authority project loan shall not exceed \$8,000,000 without prior authorization.
2. This loan does not qualify for principal forgiveness.
3. The loan shall bear interest at the rate of 1.5 % per annum commencing with the first draw of funds.
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. KIA requires the use of Automated Clearing House (ACH) debits for payment of all balances due on the loan. This will ensure that payments are credited timely to your account without the risk of incurring late payment fees. If the due date falls on a weekend or holiday your account will be debited on the next business day. Please complete and return the attached authorization form to U.S. Bank for processing.
5. Full principal payments will commence on the appropriate June 1, or December 1, within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
6. The loan shall be repaid over a period not to exceed 20 years from the date of initiation of operation for the project.
7. A loan servicing fee of 0.25% of the outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will only be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "F" loan funds may be considered to be federal funds. OMB Circular

A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and sub-recipients **expending \$750,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. Please note that the guidance for single audit requirements has changed for fiscal or calendar year 2016 audits. Please consult with your independent auditor as soon as possible to understand how the changes will affect you.

11. The Authority requires that an annual financial audit be provided for the life of the loan.
12. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.
13. The Borrower must maintain a 1.1 debt coverage ratio throughout the life of the KIA loan. All borrowers are subject to at least an annual financial review for compliance.

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. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
4. 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. Any special conditions listed in Attachment B must be satisfied

before the project is presented before the Committee.

5. 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.
6. The Borrower must complete and return the attached "Authorization for Electronic Deposit of Vendor Payment" form to U.S. Bank.
7. The Borrower must provide documentation of Eclearinghouse Endorsement and Eclearinghouse Comments.
8. Prior to the project bid, an environmental review shall be conducted by the Division of Water for all construction projects receiving State Revolving Funds ("SRF") money.
9. Technical plans and specifications and a complete SRF specifications checklist shall be approved by the Division of Water prior to project bid.
10. All easements or purchases of land shall be completed prior to commencement of construction. Clear Site Certification of all land or easement acquisitions shall be provided to the Division of Water. DOW representatives shall be notified for attendance of the pre-construction conference.
11. Project changes or additions deviating from the original scope of work described in the Project Profile may require a new or amended environmental review and change order review before they can be included in the SRF loan project.
12. The Borrower 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.
13. The Borrower shall 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.

14. The Borrower shall comply with all Davis Bacon related monitoring and reporting and require all contractors to pay wages pursuant to applicable prevailing wage rates for all work relating to the subject Project.
15. The project shall comply with the reporting requirements of the Transparency Act, and shall complete the attached Transparency Act Reporting Information Form and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.
16. Based on the final "as-bid" project budget, the Borrower 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 the consulting engineer.
17. The project shall comply with American Iron and Steel requirements of The Consolidated Appropriations Act of 2014 (H.R. 3547), which became effective January 17, 2014, unless engineering plans and specifications were approved by the Division of Water prior to the effective date.

Any special conditions stated in Attachment B must be resolved.

SRF LOAN CONDITIONS CHECKLIST

Congratulations on receiving a conditional commitment of funding from the State Revolving Fund (SRF) Program. Borrowers will now be assigned a Compliance Analyst to help guide them through the rest of the loan process based on which Area Development District (ADD) they are located. Please submit all documents to one of the following contacts:

- Julie Bickers (Julie.Bickers@ky.gov, 502-892-3455): Purchase, Pennyriple, Green River, Barren River, Lake Cumberland.
- Debbie Landrum (Debbie.Landrum@ky.gov, 502-892-3454): Lincoln Trail, KIPDA, Northern KY, Bluegrass.
- Sarah Parsley (Sarah.Parsley@ky.gov, 502-892-3177): Buffalo Trace, Gateway, FIVCO, Big Sandy, KY River, Cumberland Valley

After all of the conditions of the Conditional Commitment Letter have been fulfilled, KIA will initiate the Assistance Agreement with the borrower. The Assistance Agreement must be fully executed before any funds may be disbursed. The following is a list of items needed to process your loan (forms can be found here <https://kia.ky.gov/FinancialAssistance/Pages/Forms.aspx>):

Before bid opening, submit the following items to the designated Compliance Analyst/DOW Contact:

Submit To:		
KIA	<input type="checkbox"/>	Conditional Commitment Letter (this letter is sent to the borrower via email shortly following KIA board approval and is to be signed by the authorizing official);
USBANK	<input type="checkbox"/>	Authorization for Electronic Deposit/Debit of Borrower Disbursements/ Payment (these forms are attached to the loan commitment letter sent after KIA board approval and are to be signed by the authorizing official and forwarded directly to US Bank)
KIA	<input type="checkbox"/>	Transparency Form (this form is attached to the loan commitment letter sent after KIA board approval)
DOW	<input type="checkbox"/>	Fiscal Sustainability Plan Certification and Cost and Effectiveness Certification (required for "A" loans only, prior to plans approval)
DOW	<input type="checkbox"/>	Environmental review (Kentucky Division of Water will review and is required prior to plans approval. KIA will need copy of approval letter)
DOW	<input type="checkbox"/>	Plans and specifications (Kentucky Division of Water will review and KIA will need copy of approval letter)
KIA	<input type="checkbox"/>	Proof of compliance with any special condition identified in the Conditional Commitment Letter (e.g. adopted ordinance)

After the project has opened bids, please submit the following items to the designated Compliance Analyst/DOW Contact. It is imperative that the remaining standard conditions are fulfilled by the deadlines set forth in the Conditional Commitment Letter.

Submit To:		
DOW	<input type="checkbox"/>	Authority to Award (ATA) Package , the Kentucky Division of Water will review and forward approval to KIA.
DOW	<input type="checkbox"/>	Davis-Bacon prevailing wage rates , the Kentucky Division of Water will review and forward approval to KIA.
KIA	<input type="checkbox"/>	Procurement and Wage Certification (KIA sends to borrower after bid opening.)
KIA	<input type="checkbox"/>	Certification of obtainable revenue projections (KIA sends to borrower after bid opening.)
DOW	<input type="checkbox"/>	Certification of clear site (DOW will forward to KIA.)
	<input type="checkbox"/>	Plans and specifications approval from the Kentucky Division of Water (DOW will send approval to KIA.)
KIA	<input type="checkbox"/>	Public Service Commission (PSC) approval , (CPCN and Authorization to Incur Debt) if applicable.

**AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND F20-044)**

Borrower Information:

Name: _____

Address: _____

City: _____ State: KY Zip: _____

Federal I.D. # _____

Contact Name: _____ Telephone: _____

Email: _____

Financial Institution Information:

Bank Name: _____

Branch: _____ Phone No: _____

City: _____ State: ____ Zip: _____

Transit / ABA No.: _____

Account Name: _____

Account Number: _____

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature: _____ Date: _____

Name Printed: _____ Job Title: _____

Please return completed form to:

**U.S. Bank
Attention: Corporate Trust Administration
One Financial Square
Mail Code: CN-KY-0850
Louisville, KY 40202**

KIA Loan # _____

**ACH DEBIT AUTHORIZATION FORM
AUTHORIZATION AGREEMENT FOR PRE-ARRANGED PAYMENTS
(DEBITS)**

The undersigned hereby authorizes U.S. Bank National Association Corporate Trust Department ("U.S. Bank") to initiate debit entries to the account indicated below at the bank named below:

CHECKING: SAVINGS:
BANK NAME: _____ BRANCH: _____
CITY: _____ STATE: _____ ZIP CODE: _____
BANK TRANSIT/ABA #: _____ ACCOUNT #: _____

This authority is to remain in full force and effect until U.S. Bank has received written notification from the undersigned of its termination in such time and in such manner as to afford U.S. Bank a reasonable opportunity to act. The undersigned has the right to stop payment of a debit entry by reasonable prior written notification to U.S. Bank. After the above account has been charged, the undersigned has the right to have the amount of any erroneous debit immediately credited to its account by U.S. Bank up to 30 days following issuance of a statement.

NAME OF ENTITY: _____
ADDRESS: _____

TAX IDENTIFICATION NUMBER: _____

By: _____ Date: _____
Authorized Signer

Send to: U.S. Bank
Attention: Corporate Trust Administration
One Financial Square
Mail Code: CN-KY-0850
Louisville, KY 40202

**TRANSPARENCY ACT REPORTING INFORMATION FORM
CLEAN WATER STATE REVOLVING FUND
AND
DRINKING WATER STATE REVOLVING FUND**

This form is required for projects funded in whole or in part from the Clean Water State Revolving Fund or the Drinking Water State Revolving Fund. This form is to be completed and returned with the signed Conditional Commitment Letter from the Kentucky Infrastructure Authority.

Borrower Information:

Name:	
Data Universal Numbering system (DUNS) No.*:	
KIA Loan Number:	
Street Address	
City, State and Zip (Zip must include 4 digit extension)	
Federal Congressional District(s) of Borrower Utility Service Area:	

*If the DUNS No. provided above is registered under a different name than the recipient of funding, please provide the registration name below:

DUNS Name	
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*If the recipient has not yet obtained a DUNS Number, please do so no later than 30 days after the KIA Board approval date of your loan request and provide notification to KIA of the number once issued. For instructions on DUNS registration, please contact jeff.abshire@ky.gov.

Physical Location of Project (Primary Place of Performance)

Street Address	
City, State and Zip (Zip must include 4 digit extension)	
Federal Congressional District(s) of Project Location	

Reliance upon Federal Assistance (please answer the below questions Yes or No):

Did recipient receive 80% or more of its annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards) during the last fiscal year?	
Did recipient receive \$25 million or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards) during the last fiscal year?	
Does the public have access to compensation of senior executives of the recipient through periodic reports filed under Section 13A or 15D of the Securities Exchange Act of 1934 or Section 6104 of the Internal Revenue Code of 1986?	

DUNS Registration Information: <http://fedgov.dnb.com/webform> OR 1-866-705-5711

Registration can be completed over the phone or via the web. Phone registration requests take approximately 10 minutes and are free. Internet requests are fulfilled within 24 hours.

SAMPLE LETTER

[Letterhead of Counsel for Water Utility]

[Date]

Kentucky Infrastructure Authority
100 Airport Road
Frankfort, Kentucky 40601

RE: SRF Loan#
 City of xxxxx

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to the XXXXXXXXXXXXX, hereinafter referred to as the "Water Utility ". I am familiar with the organization and existence of the Water Utility and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the water project (the "Project") with respect to which the funding commitment by and between the Kentucky Infrastructure Authority ("Authority") and the Water Utility.

I have reviewed the commitment letter by and between the Authority and the Water Utility and the documentation regarding wage rates and procurement with respect to the Project.

Based upon my review I am of the opinion that:

The Water Utility has prepared construction specifications in accordance with all applicable 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 all applicable federal, state and local procurement laws.

Respectfully,

**STATEMENT OF APPROVAL
OF PROJECTIONS OF REVENUE AND EXPENSES**

Borrower Name: _____

Loan No.: _____

I hereby certify that the revenue projections in the attached descriptions are still obtainable and that projections of operating expenses have not materially changed based on the "as-bid" budget submitted for the Project.

Signed: _____

Borrower

Date

ATTACHMENT B

**Northern Kentucky Water District
F20-044**

EXECUTIVE SUMMARY		Reviewer	Ashley Adams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	May 7, 2020	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number	F20-044	
REVOLVING LOAN FUND		WRIS Number	WX21117210	
BORROWER	NORTHERN KENTUCKY WATER DISTRICT KENTON COUNTY			
BRIEF DESCRIPTION				
This project includes two new generators for providing backup electrical power supply to the Taylor Mill Treatment Plant and pumping station during emergencies. The project will also replace treatment process equipment in two basins at the Fort Thomas Treatment Plant that has reached the end of its useful life as well as repair the concrete walls of the basin.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$8,000,000	RD Fee %	Actual %	
Local Funds	2,050,000	Administrative Expenses		\$2,000
		Eng - Design / Const		265,000
		Eng - Insp		75,000
		Construction		8,908,000
		Contingency		800,000
TOTAL	\$10,050,000	TOTAL		\$10,050,000
REPAYMENT	Rate	1.50%	Est. Annual Payment	\$484,482
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	N/A		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	May-20		
	Construction Start	Aug-20		
	Construction Stop	Sep-22		
DEBT PER CUSTOMER	Existing	\$2,694		
	Proposed	\$1,932		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	80,986	\$36.86	(for 4,000 gallons)
	Additional	0	\$36.86	(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 2016	29,304,645	19,873,250	9,431,395	1.5
Audited 2017	30,916,136	20,084,194	10,831,942	1.5
Audited 2018	31,319,348	24,325,370	6,993,978	1.3
Projected 2019	32,887,365	20,812,692	12,074,673	1.6
Projected 2020	35,375,823	20,851,550	14,524,273	1.7
Projected 2021	35,639,490	19,555,394	16,084,096	1.8
Projected 2022	35,084,922	19,806,891	15,278,031	1.8
Projected 2023	34,519,263	20,046,964	14,472,299	1.7

Reviewer: Ashley Adams
Date: May 7, 2020
Loan Number: F20-044

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND F)
NORTHERN KENTUCKY WATER DISTRICT, KENTON COUNTY
PROJECT REVIEW
WX21117210**

I. PROJECT DESCRIPTION

The Northern Kentucky Water District is requesting a Fund F loan in the amount of \$8,000,000 for the Taylor Mill Treatment Plant Emergency Generator/Fort Thomas Treatment Plant Phase 2 Basin Improvements project. The purpose of this project is to improve water quality and service reliability for customers. This project will include improvements to both the Taylor Mill Treatment Plant and the Fort Thomas Treatment Plant.

The Taylor Mill Treatment Plant was built in the 1950s and is capable of treating up to 10 MGD. Additionally, this plant houses a critical pump station, which transmits water from both the Fort Thomas and Taylor Mill Treatment Plants to about 60% of Kenton County. The pump station and a majority of the plant are fed from a Duke Energy transmission line. In the event of power outage or critical substation/transformer failure, the District would lose the ability to supply water to a majority of Kenton County. This is significant water quality and public health concern. With the proposed standby power project, the plan is to install a generator, switch gear, and new substation. These improvements will be capable of powering the existing treatment plant and one of the larger pumps or potentially two of the smaller pumps within the pump station. This will allow improved system reliability without creating potential water quality concerns.

The preliminary treatment facilities at the Fort Thomas Treatment Plant (FTTP) consists of four uncovered concrete basins. Basins #2 and #3 were constructed in 1936 and underwent extensive rehabilitation in 2015. The current project will address Basins #1 and #4 which were built in 1987 and 1992 respectively. These basins are beginning to show signs of concrete deterioration and the process equipment is worn out requiring frequent repair. To extend the life of these 2 basins, improvements will include concrete repair, reconfiguration of the flocculation process and mixing basins, and replacement of influent/effluent valves and sludge collection equipment. In addition to this work, the existing tube settlers in all 4 basins will be replaced with new plate settlers and the chemical feed manifold piping within the sodium hypochlorite building will be replaced. This will improve water quality and treatment efficiency.

The District serves over 80,000 customers in Kenton, Campbell, and a portion of Boone counties and it is a PSC regulated entity. It is a wholesale water provider to Bullock Pen Water District, Pendleton County Water District #1 North, and Walton Waterworks Department.

II. PROJECT BUDGET

	<u>Total</u>	
Administrative Expenses	\$	2,000
Engineering Fees - Design		190,000
Engineering Fees - Construction		75,000
Engineering Fees - Inspection		75,000
Construction		8,908,000
Contingency		800,000
Total	\$	10,050,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 8,000,000	80%
Local Funds	2,050,000	20%
Total	\$ 10,050,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$	8,000,000
Less: Principal Forgiveness		0
Amortized Loan Amount	\$	8,000,000
Interest Rate		1.50%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	464,482
Administrative Fee (0.25%)		20,000
Total Estimated Annual Debt Service	\$	484,482

V. PROJECT SCHEDULE

Bid Opening	May 2020
Construction Start	August 2020
Construction Stop	September 2022

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	<u>Current</u>
Residential	76,378
Commercial	4,499
Industrial	109
Total	80,986

B) Rates

	Proposed	Current	Prior
Date of Last Rate Increase	03/26/20	03/26/19	01/15/17
Monthly Service Charge	\$ 18.50	\$ 17.50	\$ 16.40
Quarterly Service Charge	40.50	36.65	32.80
First 1,500 CF (Per 100 CF)	4.77	4.65	4.53
Next 163,500 CF (Per 100 CF)	4.44	4.19	3.94
Cost for 4,000 gallons (monthly)	\$ 38.78	\$ 36.86	\$ 34.94
Cost for 4,000 gallons (quarterly)	\$ 116.34	\$ 110.59	\$ 104.83
Increase %	5.2%	5.5%	
Affordability Index (Rate/MHI)	0.8%	0.8%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility’s service area population was 242,910 with a Median Household Income (MHI) of \$54,429. The median household income for the Commonwealth is \$48,392. The project will qualify for a 1.5% interest rate because it is a regional provider.

Year	Population		County Unemployment	
	County	% Change	Date	Rate
1980	137,058		June 2005	5.4%
1990	142,031	3.6%	June 2010	9.6%
2000	151,464	6.6%	June 2015	4.6%
2010	159,720	5.5%	June 2019	4.0%
Current	163,987	2.7%		
Cumulative %		19.6%		

VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

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

IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended December 30, 2016 through December 30, 2018. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2016-2018 operating expenses and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, has been removed from 2018 operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Revenues have increased 5.2% from \$52.6 million in 2016 to \$55.3 million in 2018. Revenue increases can be attributed to both rate increases and increased water sales during the observed time period. Operating expenses have increased 7.7% from \$24.2 million to \$26.1 million during the same time period. Expense increases are a result of increased cost for both materials and services needed for the efficient operation of the District. The debt coverage ratio averaged 1.4 from 2016-2018 with a slight dip in 2018 as the District paid off two KIA loans (F06-03 and C08-01). The 2018 debt service coverage was adjusted due to inflated principal payments recorded in the cash flows for the 2017 Bond Anticipation Note in order to reflect a more accurate number.

The 2018 balance sheet reflects a current ratio of 1.4, a debt to equity ratio of 1.3, and 13.1 months operating expenses in unrestricted cash. Days sales in accounts receivable is 76.7 as the District does 80-90% of their billing on a quarterly basis as a savings measure.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase approximately 5.2% in 2019 and 5.5% in 2020 as a result of previously approved rate increases through the PSC.
- 2) Expenses will increase 2% yearly for inflation.
- 3) Debt service coverage is 1.7 in 2023 when full principal and interest repayments begin.

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

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$400,000 total) of the final amount borrowed to be funded annually (\$20,000 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	Outstanding	Maturity
Revenue Bonds Series 2011	\$ 24,505,000	2035
Revenue Bonds Series 2012	41,475,000	2027
Revenue Bonds Series 2013A	23,160,000	2038
Revenue Bonds Series 2013B	15,365,000	2028
Revenue Bonds Series 2014B	8,135,000	2029
Revenue Bonds Series 2016A	37,540,000	2031
RD Loan 91-02	1,741,000	2039
RD Loan 91-03	1,733,000	2057
BAN Series 2017 (i/a/o \$26m)	17,325,000	TBD
KIA Loan F06-03 (paid off)	0	2018
KIA Loan C08-01 (paid off)	0	2018
KIA Loan F08-07	2,882,619	2032
KIA Loan F09-02	18,321,443	TBD
KIA Loan F13-012 (i/a/o \$8m)	4,523,000	TBD
KIA Loan F14-015 (i/a/o \$4m)	3,471,489	2038
KIA Loan F15-011	3,460,901	2038
KIA Loan B15-003	1,328,896	2037
City of Taylor Mill, KY	0	2018
Kenton County Fiscal Court	100,000	TBD
Bond Premiums	8,118,162	
Total	\$ 213,185,510	

XI. CONTACTS

Legal Applicant	
Entity Name	Northern Kentucky Water District
Authorized Official	Lindsey Rechtin (CFO)
County	Kenton
Email	lrechtin@nkywater.org
Phone	859-426-2758
Address	PO Box 18640 Erlanger, KY 41018

Project Administrator

Name	Amy Kramer
Organization	Northern Kentucky Water District
Email	akramer@nkywater.org
Phone	859-426-2734
Address	PO Box 18640 Erlanger, KY 41018

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions and the following special conditions as a PSC regulated borrower:

- 1) The District will need to apply to the Public Service Commission (PSC), pursuant to KRS 278.300, for debt authorization for the \$8,000,000 million loan. This debt authorization application should include a forecast for meeting debt service projected through no less than 2025.
- 2) Prior to the assistance agreement being executed, the District must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020, from the PSC for any portion of the project that may require it, or provide an opinion from legal counsel or the staff of the PSC, or a declaratory order from the PSC, that a CPCN is not required for any portion of the assets to be constructed as part of the loan agreement.

**NORTHERN KENTUCKY WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)**

	<u>Audited</u> <u>2016</u>	<u>Audited</u> <u>2017</u>	<u>Audited</u> <u>2018</u>	<u>Projected</u> <u>2019</u>	<u>Projected</u> <u>2020</u>	<u>Projected</u> <u>2021</u>	<u>Projected</u> <u>2022</u>	<u>Projected</u> <u>2023</u>
Balance Sheet								
Assets								
Current Assets	35,487,870	43,951,684	45,915,129	48,769,264	52,308,818	55,695,237	58,750,844	61,645,303
Other Assets	399,032,235	423,574,202	407,191,337	395,016,982	394,546,441	400,348,758	405,254,972	404,491,602
Total	<u>434,520,105</u>	<u>467,525,886</u>	<u>453,106,466</u>	<u>443,786,246</u>	<u>446,855,259</u>	<u>456,043,995</u>	<u>464,005,816</u>	<u>466,136,905</u>
Liabilities & Equity								
Current Liabilities	15,245,926	15,690,622	32,611,969	15,216,727	15,839,947	15,128,653	15,960,073	16,802,974
Long Term Liabilities	236,462,599	263,757,630	220,953,441	179,756,117	165,678,335	157,356,647	148,223,739	133,243,530
Total Liabilities	<u>251,708,525</u>	<u>279,448,252</u>	<u>253,565,410</u>	<u>194,972,844</u>	<u>181,518,282</u>	<u>172,485,300</u>	<u>164,183,812</u>	<u>150,046,504</u>
Net Assets	<u>182,811,580</u>	<u>188,077,634</u>	<u>199,541,056</u>	<u>248,813,402</u>	<u>265,336,977</u>	<u>283,558,695</u>	<u>299,822,004</u>	<u>316,090,401</u>
Cash Flow								
Revenues	52,613,882	54,085,214	55,326,622	57,417,221	60,438,712	61,246,073	61,246,073	61,246,073
Operating Expenses	24,250,515	24,461,156	26,129,086	26,651,668	27,184,701	27,728,395	28,282,963	28,848,622
Other Income	941,278	1,292,078	2,121,812	2,121,812	2,121,812	2,121,812	2,121,812	2,121,812
Cash Flow Before Debt Service	<u>29,304,645</u>	<u>30,916,136</u>	<u>31,319,348</u>	<u>32,887,365</u>	<u>35,375,823</u>	<u>35,639,490</u>	<u>35,084,922</u>	<u>34,519,263</u>
Debt Service								
Existing Debt Service	19,873,250	20,084,194	24,325,370	20,812,692	20,851,550	19,555,394	19,564,650	19,562,482
Proposed KIA Loan	0	0	0	0	0	0	242,241	484,482
Total Debt Service	<u>19,873,250</u>	<u>20,084,194</u>	<u>24,325,370</u>	<u>20,812,692</u>	<u>20,851,550</u>	<u>19,555,394</u>	<u>19,806,891</u>	<u>20,046,964</u>
Cash Flow After Debt Service	<u>9,431,395</u>	<u>10,831,942</u>	<u>6,993,978</u>	<u>12,074,673</u>	<u>14,524,273</u>	<u>16,084,096</u>	<u>15,278,031</u>	<u>14,472,299</u>
Ratios								
Current Ratio	2.3	2.8	1.4	3.2	3.3	3.7	3.7	3.7
Debt to Equity	1.4	1.5	1.3	0.8	0.7	0.6	0.5	0.5
Days Sales in Accounts Receivable	79.7	81.1	76.7	76.7	76.7	76.7	76.7	76.7
Months Operating Expenses in Unrestricted Cash	9.0	12.5	13.1	13.9	14.9	16.0	17.0	17.9
Debt Coverage Ratio	1.5	1.5	1.3	1.6	1.7	1.8	1.8	1.7