

DEBT COVERAGE RATIO

Paducah Water (combined with West McCracken Water District)

For the three years ended June 30, 2025

	2021-22 PW budget	2021-22 WMcC pro forma	2021-22 combined budget	2022-23 estimated
<i>Net revenue</i>				
Revenues	13,482,300	386,000	13,868,300	14,284,300
Operating expense	(8,864,000)	(248,000)	(9,112,000)	(9,385,400)
Other income	37,600	-	37,600	50,000
Depreciation expense	(2,700,000)	(155,000)	(2,855,000)	(2,940,700)
Net revenue before debt service	<u>1,955,900</u>	<u>(17,000)</u>	<u>1,938,900</u>	<u>2,008,200</u>
<i>Debt service</i>				
PW KIA Loan #F09-01	412,564	-	412,564	411,647
PW KIA Loan #F15-064	144,055	-	144,055	143,789
WM KRWFC Loan Series 2004D	-	57,700	57,700	60,500
	<u>556,619</u>	<u>57,700</u>	<u>614,319</u>	<u>615,936</u>
Cash flows including depreciation and debt service	1,399,281	(74,700)	1,324,581	1,392,264
Debt coverage ratio			3.16	3.26

Questions:

- 1) Will PW meet debt service requirements of its lenders following completion of merger and assuming WM's:
 - A) Neither of Paducah Water's loans require a specific minimum debt coverage ratio. That being said the ratio is estimated to be (above 3) for all 3 years being estimated. The PW loans do ask that a maintenance fund be added to for the first ten years of each note but that only amounts to \$11,200 per year for each of the next three years.
 - B) The West McCracken loan requires a coverage ratio of 1.2 and the ratio is well above that requirement being estimated.

- 2) Provide a schedule showing PW's debt service coverage, including depreciation expense, for the three years. The schedule above shows that Depreciation Expense is fully covered for the three years along with all loans.

2023-24

2024-25

estimated

estimated

14,712,800	15,154,200
(9,667,000)	(9,957,000)
50,000	50,000
<u>(3,028,900)</u>	<u>(3,119,800)</u>
<u>2,066,900</u>	<u>2,127,400</u>

410,721	409,786
143,518	143,243
<u>62,900</u>	<u>-</u>
<u>617,139</u>	<u>553,029</u>

1,449,761 1,574,371

3.35

3.85

s debt?

ratio is strong

e

for all three years

s following merger.

n payments