



KENTUCKY INFRASTRUCTURE AUTHORITY

Andy Beshear
Governor

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

Sandy Williams
Executive Director

October 7, 2022

Mr. L.W. Patton, Chairperson
Bath County Water District
PO Box 369
Salt Lick, KY 40371

KENTUCKY INFRASTRUCTURE AUTHORITY INFRASTRUCTURE REVOLVING LOAN FUND CONDITIONAL COMMITMENT LETTER (B22-003)

Dear Chairperson Patton:

The Kentucky Infrastructure Authority (“the Authority”) commends your efforts to improve public service facilities in your community. On October 6, 2022, the Authority approved your loan for the BCWD Improvement and Upgrades Project subject to the conditions stated in Attachment A to this letter. The total cost of the project shall not exceed \$1,491,477, without prior authorization of the Authority, of which the Authority loan shall provide \$640,469 of the funding. Other anticipated funding for the project is reflected in Attachment B. 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 Bath County 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 October 7, 2023 (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.



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,



Milward Dedman
Deputy Executive Director

Attachments

cc: Jocelyn Gross, Gateway ADD
Kentucky Engineering Group, Troy Hogge

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. 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. These forms and an SRF loan checklist guide can be found in Attachment C of this letter.



Accepted

10/24/2022

Date

ATTACHMENT A

Conditions

Bath County Water District
B22-003

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

1. The Authority project loan shall not exceed \$640,469.
2. The loan shall bear interest at the rate of 1.25% 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 of the last 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 authorization form in Attachment C of this letter to U.S. Bank for processing.
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 outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will only be disbursed after execution of the Assistance Agreement as project costs are incurred.

8. The Authority loan funds must be expended within six months of the official date of initiation of operation.
9. The Authority requires that an annual financial audit be provided for the life of the loan.
10. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.
11. 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. 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. The Borrower must provide certification from their legal counsel stating 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 state and local procurement laws.
3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment B 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 funding sources not reflected in Attachment B 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.

1. 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. Any special conditions listed in Attachment B must be satisfied before the project is presented before the Committee.
2. 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.
3. 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 your consultant engineer.
4. 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.
5. The Borrower must provide documentation of Clearinghouse Endorsement and Clearinghouse Comments.
10. The Borrower must complete and return the "Authorization for Electronic Deposit of Borrower Payment" form in Attachment C of this letter to U.S. Bank.
11. The Borrower will 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. The Borrower will provide 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). The recipient shall provide the Authority a digital copy (pdf) of the record drawings from the project within three months of construction completion.

Any special conditions listed in Attachment B must be resolved.

ATTACHMENT B

Executive Summary and Credit Analysis

Bath County Water District
B22-003

EXECUTIVE SUMMARY		Reviewer	John Brady			
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	October 6, 2022			
FUND B, INFRASTRUCTURE		KIA Loan Number	B22-003			
REVOLVING LOAN FUND		WRIS Number	WX21011040			
BORROWER	BATH COUNTY WATER DISTRICT BATH COUNTY					
BRIEF DESCRIPTION						
<p>The Bath County Water District (BCWD) is requesting a Fund B loan in the amount of \$640,469 for the BCWD Improvements and Upgrades project. The project consists of several improvements and repairs to the water system's aging infrastructure. The scope of work includes the rehabilitation of six water tanks, construction of a new pump station, and the upgrade of another pump station.</p>						
PROJECT FINANCING		PROJECT BUDGET			RD Fee %	Actual %
Fund B Loan	\$640,469	Administrative Expenses				\$17,779
CWP Grant R1	76,513	Land, Easements				15,000
CWP Grant R2 - Anticipated	774,495	Eng - Design / Const	8.5%	8.5%		108,950
		Eng - Insp	5.3%	5.3%		68,080
		Construction				1,185,250
		Contingency				96,418
TOTAL	<u>\$1,491,477</u>	TOTAL				<u>\$1,491,477</u>
REPAYMENT	Rate	1.25%	Est. Annual Payment			\$37,573
	Term	20 Years	1st Payment	6 Mo. after first draw		
PROFESSIONAL SERVICES	Engineer	Kentucky Engineering Group				
	Bond Counsel	Rubin & Hays				
PROJECT SCHEDULE	Bid Opening	Jan-23				
	Construction Start	Mar-23				
	Construction Stop	Feb-24				
DEBT PER CUSTOMER	Existing			\$274		
	Proposed			\$407		
OTHER DEBT	See Attached					
RESIDENTIAL RATES	Current	<u>Users</u>	<u>Avg. Bill</u>			
		4,073	\$30.14	(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 2019	246,453	962,775	(716,322)	0.3		
Audited 2020	11,634	74,207	(62,573)	0.2		
Audited 2021	318,311	100,647	217,664	3.2		
Projected 2022	328,943	72,825	256,118	4.5		
Projected 2023	308,198	73,253	234,945	4.2		
Projected 2024	285,438	110,726	174,712	2.6		
Projected 2025	263,855	110,603	153,252	2.4		
Projected 2026	241,840	121,803	120,037	2.0		

**BATH COUNTY WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)**

	<u>Audited</u> <u>2019</u>	<u>Audited</u> <u>2020</u>	<u>Audited</u> <u>2021</u>	<u>Projected</u> <u>2022</u>	<u>Projected</u> <u>2023</u>	<u>Projected</u> <u>2024</u>	<u>Projected</u> <u>2025</u>	<u>Projected</u> <u>2026</u>
Balance Sheet								
Assets								
Current Assets	1,339,339	1,434,586	1,473,930	1,555,034	1,625,518	1,677,932	1,723,907	1,759,918
Other Assets	10,907,972	10,702,136	10,531,773	10,339,203	10,131,811	11,338,047	11,037,783	10,714,269
Total	12,247,311	12,136,722	12,005,703	11,894,237	11,757,329	13,015,978	12,761,690	12,474,187
Liabilities & Equity								
Current Liabilities	285,262	347,564	305,503	355,565	358,207	392,974	396,220	398,968
Long Term Liabilities	2,500,318	2,660,636	2,621,093	2,572,869	2,523,903	3,082,639	2,999,659	2,915,932
Total Liabilities	2,785,580	3,008,200	2,926,596	2,928,434	2,882,110	3,475,613	3,395,880	3,314,900
Net Assets	9,461,731	9,128,522	9,079,107	8,965,803	8,875,219	9,540,365	9,365,810	9,159,287
Cash Flow								
Revenues	2,209,660	2,127,576	2,326,742	2,357,712	2,357,712	2,357,712	2,357,712	2,357,712
Operating Expenses	1,974,048	2,126,529	2,018,865	2,039,203	2,059,948	2,082,708	2,104,291	2,126,306
Other Income	10,841	10,587	10,434	10,434	10,434	10,434	10,434	10,434
Cash Flow Before Debt Service	246,453	11,634	318,311	328,943	308,198	285,438	263,855	241,840
Debt Service								
Existing Debt Service	962,775	74,207	100,647	72,825	73,253	73,153	73,030	84,230
Proposed KIA Loan	0	0	0	0	0	37,573	37,573	37,573
Total Debt Service	962,775	74,207	100,647	72,825	73,253	110,726	110,603	121,803
Cash Flow After Debt Service	(716,322)	(62,573)	217,664	256,118	234,945	174,712	153,252	120,037
Ratios								
Current Ratio	4.7	4.1	4.8	4.4	4.5	4.3	4.4	4.4
Debt to Equity	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4
Days Sales in Accounts Receivable	48.9	52.7	50.3	50.3	50.3	50.3	50.3	50.3
Months Operating Expenses in Unrestricted Cash	5.3	5.3	5.9	6.3	6.6	6.9	7.0	7.2
Debt Coverage Ratio	0.3	0.2	3.2	4.5	4.2	2.6	2.4	2.0

Reviewer: John Brady
Date: October 6, 2022
Loan Number: B22-003

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND (FUND B)
BATH COUNTY WATER DISTRICT, BATH COUNTY
PROJECT REVIEW
WX21011040**

I. PROJECT DESCRIPTION

The Bath County Water District (BCWD) is requesting a Fund B loan in the amount of \$640,469 for the BCWD Improvements and Upgrades project. This project consists of several improvements and rehabilitations to the water system's aging infrastructure. The scope of work includes repairs to six water tanks, construction of a new pump station, and upgrading another pump station.

The Salt Lick, Perry Road Tower, Means, Ore Mines, Olympia, and Owingsville water tanks will all be repaired, cleaned, and painted. The existing 1,000 gallon per minute (gpm) Ore Mines pump station is experiencing severe corrosion and is at risk of failure. It will be removed and a new 1,500 gpm pump station will be constructed in its place. Upgrades to the Midland pump station will include increasing to 1,500 gpm, new internal piping, new flow meters, and electrical improvements. Approximately 330 linear feet of new waterline will be installed to improve water distribution and avoid service disruptions during times of repair in the area.

The BCWD currently serves 3,970 residential customers and 103 commercial and industrial customers. They purchase water from the Morehead Utility Plant Board and provide wholesale service to the City of Owingsville, Sharpsburg Water District, and the City of Frenchburg.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 17,779
Land, Easements	15,000
Engineering Fees - Design	108,950
Engineering Fees - Inspection	68,080
Construction	1,185,250
Contingency	96,418
Total	<u>\$ 1,491,477</u>

III. PROJECT FUNDING

	Amount	%
Fund B Loan	\$ 640,469	43%
CWP Grant R1	76,513	5%
CWP Grant R2 - Anticipated	774,495	52%
Total	\$ 1,491,477	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 640,469
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 640,469
Interest Rate	1.25%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 36,292
Administrative Fee (0.20%)	1,281
Total Estimated Annual Debt Service	\$ 37,573

V. PROJECT SCHEDULE

Bid Opening	January 2023
Construction Start	March 2023
Construction Stop	March 2024

VI. RATE STRUCTURE

A. Customers

Customers	Current
Residential	3,970
Commercial	83
Industrial/Other	20
Total	4,073

B. Rates

Water	<u>Current</u>	<u>Prior</u>	<u>Prior</u>
Date of Last Rate Increase	08/15/22	02/15/22	04/15/21
Minimum (2,000 gallons)	\$16.92	\$16.90	\$16.78
Next 3,000 gallons (per 1,000)	6.61	6.60	6.54
Cost for 4,000 gallons	\$30.14	\$30.10	\$29.86
Increase %	0.1%	0.8%	
Affordability Index (Rate/MHI)	0.8%	0.8%	0.8%

Wholesale - Owingsville	<u>Current</u>	<u>Prior</u>	<u>Prior</u>
Date of Last Increase	08/15/22	02/15/22	04/15/21
Cost per 1,000 gallons	\$3.03	\$3.02	\$2.96
Increase %	0.3%	2.0%	

Wholesale - Sharpsburg	<u>Current</u>	<u>Prior</u>	<u>Prior</u>
Date of Last Rate Increase	08/15/22	02/15/22	04/15/21
Cost per 1,000 gallons	\$3.89	\$3.88	\$3.82
Increase %	0.3%	1.6%	

Wholesale - Frenchburg	<u>Current</u>	<u>Prior</u>	<u>Prior</u>
Date of Last Rate Increase	08/15/22	02/15/22	04/15/21
Cost per 1,000 gallons	\$3.44	\$3.43	\$3.37
Increase %	0.3%	1.8%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2016-2020, the Utility's service area population was 10,083 with a Median Household Income (MHI) of \$45,216. The median household income for the Commonwealth is \$52,238. The project will qualify for a 1.25% interest rate.

VIII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended December 31, 2019 through December 31, 2021. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Total water revenues increased 5.3% from \$2.21 million in 2019 to \$2.33 million in 2021 due to rate adjustments. Operating expenses increased 2.3% from \$1.97 million to \$2.02 million during the same period mostly due to an increase in the cost of purchased water. The debt coverage ratio was 0.3, 0.2, and 3.2 in 2019, 2020, and 2021.

The balance sheet reflects a current ratio of 4.8, a debt-to-equity ratio of 0.3, 50.3 days of sales in accounts receivable, and 5.9 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues will increase 1.3% in 2022 due to existing rate increases.
- 2) Operating expenses will increase 2% annually due to inflation.
- 3) Debt service coverage is 2.6 in 2024 when principal and interest repayments begin.

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

The BCWD is regulated by the Public Service Commission (PSC) and will need to apply to the PSC, pursuant to KRS 278.300, for debt authorization for the \$640,469 loan and must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020.

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$32,000 total) of the final amount borrowed to be funded annually (\$1,600 yearly) each December 1 for 20 years and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Series 2004 Revenue Bonds	\$ 382,500	2044
Series 2009 Revenue Bonds	209,000	2049
KIA Loan F16-011	<u>523,701</u>	2037
Total	\$1,115,201	

X. CONTACTS

Legal Applicant	
Entity Name	Bath County Water District
Authorized Official	L.W. Patton (Chairperson)
County	Bath
Email	bathcowater@roadrunner.com
Phone	(606) 683-6363
Address	PO Box 369 Salt Lick, KY 40371

Applicant Contact	
Name	Sarah Price
Organization	Bath County Water District
Email	sarahbcwd@gmail.com
Phone	(606) 683-6363
Address	PO Box 369 Salt Lick, KY 40371

Project Administrator	
Name	Jocelyn Gross
Organization	Gateway ADD
Email	jocelynr.gross@ky.gov
Phone	(606) 780-0090
Address	110 Lake Park Drive Morehead, KY 40351

Consulting Engineer	
PE Name	Troy Hogge
Firm Name	Kentucky Engineering Group
Email	thogge@kyengr.com
Phone	(859) 251-4127
Address	PO Box 1034 Versailles, KY 40383

XI. RECOMMENDATIONS

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

ATTACHMENT C

Forms

Bath County Water District
B22-003

Fund B/C LOAN CONDITIONS CHECKLIST

Congratulations on receiving a conditional commitment of funding from KIA's Fund B/C Loan 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, Pennyrile, Green River, Barren River, Lake Cumberland, Cumberland Valley, Big Sandy, Kentucky River
- Debbie Landrum (Debbie.Landrum@ky.gov, 502-892-3454): Lincoln Trail, KIPDA, Northern KY, Bluegrass, Buffalo Trace, Gateway, FIVCO

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 agency.

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 to US Bank)
KIA	<input type="checkbox"/> Eclearinghouse Endorsement (if not already submitted with loan application)
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 agency assigned below. It is imperative that the remaining standard conditions are fulfilled by the deadlines set forth in the Conditional Commitment Letter.

Submit To:	
KIA	<input type="checkbox"/> Bid Advertisement
KIA	<input type="checkbox"/> Bid Tabulation and Engineer's Recommendation
KIA	<input type="checkbox"/> As-Bid Budget
KIA	<input type="checkbox"/> Procurement Certification (KIA sends to borrower after bid opening for signature.)
KIA	<input type="checkbox"/> Certification of obtainable revenue projections (KIA sends to borrower after bid opening for signature.)
KIA	<input type="checkbox"/> Certification of clear site (KIA sends to borrower after bid opening for signature.)
KIA	<input type="checkbox"/> Plans and specifications approval from the Kentucky Division of Water
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
KIA Loan # _____**

Borrower Information:

Name: _____

Address: _____

City: _____ **State:** KY **Zip:** _____

Federal I.D. #: _____ **Telephone:** _____

Contact Name: _____

Email: _____

Financial Institution Information:

Bank Name: _____

Branch: _____ **Telephone:** _____

City: _____ **State:** KY **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:** _____

Send to: U.S. Bank via Email

KentuckyInfrastructureAuth@usbank.com

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 Checking Savings (specify type) account indicated below at the bank named below:

BANK NAME _____ BRANCH _____

CITY _____ STATE _____ ZIP CODE _____

BANK TRANSIT/ABA NO. _____ ACCOUNT NO. _____

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 _____ Dated _____

Authorized Signer

Send to: U.S. Bank via Email

KentuckyInfrastructureAuth@usbank.com

COMPLETE AFTER BID OPENING

**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

SAMPLE LETTER

[Letterhead of Counsel for Water Utility]

[Date]

Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
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,