



## KENTUCKY INFRASTRUCTURE AUTHORITY

**Andy Beshear**  
Governor

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

**Sandy Williams**  
Executive Director

December 20, 2023

Mr. Jimmy Kerr, Chairman  
Martin County Water District  
387 East Main St.  
Inez, KY 41221

### KENTUCKY INFRASTRUCTURE AUTHORITY WATER MANAGEMENT ASSISTANCE FUND CONDITIONAL COMMITMENT LETTER (B324-001)

Dear Mr. Kerr:

The Kentucky Infrastructure Authority (“the Authority”) commends your efforts to improve public service facilities in your community. On December 7, 2023, the Authority approved your loan subject to the conditions stated in Attachment A to this letter.

An Assistance Agreement will be executed between the Authority and the Martin 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 December 20, 2024 (twelve months from the date of this letter). 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 with these loan proceeds which will benefit both your community and the Commonwealth as a whole.

Sincerely,

A handwritten signature in blue ink that reads "Sandy Williams".

Sandy Williams  
Executive Director

Attachments



An Equal Opportunity Employer M/F/D

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.

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Accepted

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Date

## ATTACHMENT A

### Conditions

Martin County Water District  
B324-001

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

1. The Authority loan shall not exceed \$1,323,623.15.
2. The loan shall bear interest at the rate of 0% 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. The first payment shall be due on March 1, 2024. 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. No loan servicing fee shall be payable to the Authority.
6. Loan funds will only be disbursed after execution of the Assistance Agreement.
7. The Authority requires that an annual financial audit be provided for the life of the loan.
8. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.
9. The borrower should target a 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.

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 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 loan 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. 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.
4. 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.

Any special conditions listed in Attachment B must be resolved.

ATTACHMENT B

Special Consideration

Martin County Water District  
B324-001

Special Consideration

KIA will provide 50% principal forgiveness on the outstanding loan balance as of July 1, 2027 if the following two goals are met:

1. Martin County Water District has not had a loan default on this loan through June 30, 2027; and
2. Martin County Water District has remained in compliance with its agreements with the Public Service Commission through June 30, 2027.

ATTACHMENT C

Forms  
See Attached

Martin County Water District  
B324-001

# LOAN CONDITIONS CHECKLIST

Congratulations on receiving a conditional commitment of funding from KIA's Water Assistance Management Fund 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](mailto: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](mailto: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>):

Submit To:	
KIA	<input type="checkbox"/> <b>Conditional Commitment Letter</b> (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"/> <b>Authorization for Electronic Deposit/Debit of Borrower Disbursements/ Payment</b> (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"/> <b>Public Service Commission (PSC) approval, (CPCN and Authorization to Incur Debt) if applicable.</b>
KIA	<input type="checkbox"/> <b>Proof of compliance with any special condition identified in the Conditional Commitment Letter</b> (e.g. adopted ordinance).

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](mailto:KentuckyInfrastructureAuth@usbank.com)



**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](mailto:KentuckyInfrastructureAuth@usbank.com)

Reviewer: John Brady  
Date: December 7, 2023  
Loan Number: B324-001

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WATER MANAGEMENT ASSISTANCE FUND (WMAF)  
MARTIN COUNTY WATER DISTRICT  
PROJECT REVIEW**

**I. PROJECT DESCRIPTION**

The Martin County Water District (MCWD) is requesting a Water Management Assistance Fund loan in the amount of \$1,323,623.15 to consolidate outstanding debt owed by the MCWD. Funding will be utilized to restructure KIA Loan B293-02 in the amount of \$219,313.49 and a Kentucky Rural Water Finance Corporation Flexible Term Finance Program note in an amount of \$1,104,309.66. This loan will assist the MCWD by reducing current payments and provide it more operating capital for necessary repairs.

The MCWD currently serves 3,043 residential customers and 281 commercial customers.

**II. PROJECT BUDGET**

	<u>Total</u>
KRWFC Note	\$1,104,309.66
KIA Loan B290-02	219,313.49
<b>Total</b>	<b>\$1,323,623.15</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
WMAF Loan (B324-001)	\$1,323,623.15	100%
<b>Total</b>	<b>\$1,323,623.15</b>	<b>100%</b>

#### IV. KIA DEBT SERVICE

KIA Loan	\$1,323,623.15
Less: Principal Forgiveness	0
Amortized Loan Amount	<u>\$1,323,623.15</u>
Interest Rate	0.00%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 66,181.16
Administrative Fee (0.20%)	0
<b>Total Estimated Annual Debt Service</b>	<b>\$ 66,181.16</b>

#### V. PROJECT SCHEDULE

Completion date: February 1, 2024

#### VI. RATE STRUCTURE

##### A. Customers

<u>Customers</u>	<u>Current</u>
Residential	3,043
Commercial	281
Industrial	0
Total	<u>3,324</u>

##### B. Rates

	<u>Current</u>	<u>Prior</u>
Date of Last Rate Increase	02/08/22	11/15/19
Minimum (2,000 gallons)	\$41.42	\$33.32
Over 2,000 gallons (per 1,000)	10.49	8.43
Cost for 4,000 gallons	\$62.40	\$50.18
Increase %	24.4%	
Affordability Index (Rate/MHI)	1.8%	1.4%

## **VII. DEMOGRAPHICS**

Based on current Census data from the American Community Survey 5-Year Estimate 2017-2021, the Utility's service area population was 11,203 with a Median Household Income (MHI) of \$41,569. The MHI for the Commonwealth is \$55,454.

## **VIII. FINANCIAL ANALYSIS**

Financial information was obtained from the audited financial statements for the years ended June 30, 2020 through June 30, 2022. The non-cash impacts of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Accounting and Financial Reporting for Other Postemployment Benefit have been removed from the operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### **HISTORY**

Total revenues increased 17.8% from \$2.51 million in 2020 to \$2.96 million in 2022 primarily due to a rate increase. Operating expenses increased 5.0% from \$2.54 million to \$2.66 million during the same period due to increased costs for maintenance, repairs, and general operations. The debt coverage ratio was -0.1, 0.2, and 1.0 in 2020, 2021, and 2022.

The balance sheet reflects a current ratio of 1.2, a debt-to-equity ratio of 0.3, 38.7 days of sales in accounts receivable, and 1.2 months of operating expenses in unrestricted cash.

### **PROJECTIONS**

Projections are based on the following assumptions:

- 1) Revenues will increase 4.1% in 2023 due to an existing rate increase.
- 2) Operating expenses will increase 2% annually due to inflation.

The MCWD 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 loan and must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020.

### **REPLACEMENT RESERVE**

No replacement reserve will be required for this loan.

**IX. DEBT OBLIGATIONS**

	<u>Outstanding</u>	<u>Maturity</u>
KRW Series 2015E Bonds	\$ 1,645,000	2045
KACO Equipment Lease	<u>41,222</u>	2025
<b>Total</b>	<b>\$ 1,686,222</b>	

**X. CONTACTS**

<b>Legal Applicant</b>	
Entity Name	Martin County Water District
Authorized Official	Jimmy Kerr (Chairman)
County	Martin
Email	jdandamykerr@yahoo.com
Phone	(606) 298-3885
Address	387 E Main St Inez, KY 41224

<b>Applicant Contact</b>	
Name	Craig Miller
Organization	Alliance Water
Email	cmiller@alliancewater.com
Phone	(606) 298-3885
Address	387 E Main St Inez, KY 41224

**XI. RECOMMENDATIONS**

KIA staff recommends approval of the loan with the following consideration:

KIA will provide 50% principal forgiveness on the outstanding loan balance as of July 1, 2027 if two goals are met.

1. Martin County Water District has not had a loan default on this loan through June 30, 2027, and;
2. Martin County Water District has remained in compliance with its agreements with the Public Service Commission through June 30, 2027.