



KENTUCKY INFRASTRUCTURE AUTHORITY

Matthew G. Bevin
Governor

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Donna McNeil
Executive Director

February 9, 2018

The Honorable Kevin Neal, Judge Executive
Marshall County Fiscal Court
P.O. Box 432
Benton, KY 42025

**KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (A18-014)**

Dear Judge Executive Neal:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On February 1, 2018, the Authority approved your loan for the Draffenville Sewer Expansion Phases 1-3 Project, subject to the conditions stated below. The total cost of the project shall not exceed \$3,066,988 of which the Authority loan is the sole source 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 A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Marshall County Fiscal Court upon satisfactory performance of the conditions set forth in this letter. You must meet the conditions set forth in this letter and enter into an Assistance Agreement by February 9, 2019 (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.

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

1. The Authority project loan shall not exceed \$3,066,988.
2. This loan is not eligible for principal forgiveness.
3. The loan shall bear interest at the rate of 1.75 percent 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.
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 0.20% 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 "A" 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 subrecipients **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 A 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 the Authority.
7. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.
8. Prior to the project bid, an environmental review shall be conducted by the Division of Water for all construction projects receiving CWSRF funds.
9. Technical plans and specifications and a complete CWSRF 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 CWSRF loan project.
12. 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.
13. 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 (federal or state) 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. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.
17. 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.
18. 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.
19. Pursuant to the Water Resources Reform and Development Act (WRRDA) of 2014, all CWSRF loan recipients must certify that they have a Fiscal Sustainability Plan for projects that involve the repair, replacement, or expansion of treatment works. Additionally, borrowers must also certify that they have studied and evaluated the cost and effectiveness of the processes, materials, techniques, and technologies for the funded project and that they have selected, to the maximum extent practicable, a project that maximizes the potential for efficient water and

Judge Executive Neal
February 7, 2018
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energy conservation, taking into consideration capital cost, operation and maintenance, and replacement cost. See the attached memo for more information.

Any special conditions stated in Attachment A must be resolved.

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,



Donna McNeil, Executive Director
Kentucky Infrastructure Authority

Attachments

cc: Charles D. McCann, Rivercrest Engineering
Brad Warning, Marshall Co. Fiscal Court

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

02/20/2018

Date

**AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND A18-014)**

Borrower Information:

Name: Marshall County Fiscal Court
Address: 1101 Main Street
City: Benton State: KY Zip: 42025
Federal I.D. # 61-6014175
Contact Name: Emily Martin Telephone: 2705274135
Email: emily.martin@marshallcountyky.gov

Financial Institution Information:

Bank Name: [REDACTED]
Branch: [REDACTED] Phone No: [REDACTED]
City: [REDACTED] State: [REDACTED] Zip: [REDACTED]
Transit / ABA No.: [REDACTED]
Account Name: [REDACTED]
Account Number: [REDACTED]

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: [Signature] Date: 2/20/18
Name Printed: Kevin Neal Job Title: Co. Judge/Exec

Please return completed form to: **Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
phone: 502-573-0260
fax: 502-573-0157**

**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?	NO
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?	NO
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?	YES

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.

ATTACHMENT A

**Marshall County Fiscal Court
A18-014**

EXECUTIVE SUMMARY
KENTUCKY INFRASTRUCTURE AUTHORITY
FUND A, FEDERALLY ASSISTED WASTEWATER
REVOLVING LOAN FUND

Reviewer
Date
KIA Loan Number
WRIS Number

Ashley Adams
February 1, 2018

BORROWER MARSHALL COUNTY FISCAL COURT
MARSHALL COUNTY

BRIEF DESCRIPTION

This project will include expansion of the Draffenville sewer system with approximately 13,200 linear feet (LF) of gravity sewer and 7,100 LF of force main along with a lift station, manholes, and appurtenances. The expansion will remove an existing package treatment plant at the Marshall County High School which has reached the end of its useful life, a septic system at the Christian Fellowship School, as well as a no-discharge lagoon treatment system in the Steeple Chase development.

PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund A Loan	\$3,066,988	Administrative Expenses			\$55,000
		Land, Easements			75,000
		Planning			9,600
		Eng - Design / Const	7.4%	4.7%	123,900
		Eng - Insp	4.2%	3.6%	96,000
		Eng - Other			76,900
		Construction			2,391,444
		Contingency			239,144
TOTAL	\$3,066,988	TOTAL			\$3,066,988

REPAYMENT	Rate	1.75%	Est. Annual Payment	\$188,545
	Term	20 Years	1st Payment	6 Mo. after first draw

PROFESSIONAL SERVICES	Engineer	Rivercrest Engineering
	Bond Counsel	Dinsmore & Shohl, LLP

PROJECT SCHEDULE	Bid Opening	Mar-18
	Construction Start	Apr-18
	Construction Stop	Sep-18

DEBT PER CUSTOMER	Existing	N/A
	Proposed	N/A

OTHER DEBT See Attached

OTHER STATE-FUNDED PROJECTS LAST 5 YRS See Attached

RESIDENTIAL RATES	Current	<u>Users</u>	<u>Avg. Bill</u>
		N/A	N/A

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 2014	152,863	0	152,863	n/a
Audited 2015	267,218	0	267,218	n/a
Audited (Draft) 2016	234,035	0	234,035	n/a
Projected 2017	0	0	0	n/a
Projected 2018	0	0	0	n/a
Projected 2019	0	0	0	n/a
Projected 2020	0	0	0	n/a
Projected 2021	0	0	0	n/a

Reviewer: Ashley Adams
Date: February 1, 2018
Loan Number: A18-014

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND A)
MARSHALL COUNTY FISCAL COURT, MARSHALL COUNTY
PROJECT REVIEW
SX21157035**

I. PROJECT DESCRIPTION

The Marshall County Fiscal Court is requesting a Fund A loan in the amount of \$3,066,988 for the Draffenville Sewer Expansion Phases 1-3 project. This project will involve a sewer system expansion in Draffenville with approximately 13,200 linear feet (LF) of gravity sewer and 7,100 LF of force main along with a lift station, manholes, and appurtenances. The project will eliminate an existing package treatment plant located at the Marshall County High School which has reached the end of its useful life, an existing septic system at the Christian Fellowship School, as well as a no-discharge lagoon treatment system in the Steeple Chase development.

This project will add approximately 70 residences and 2 institutional customers for the newly formed Marshall County Sanitation District. Previously, Marshall County had two separate Sanitation Districts which have now been combined by efforts of the Marshall County Fiscal Court in order to better improve managerial and financial capacity of the District.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 55,000
Land, Easements	75,000
Planning	9,600
Engineering Fees - Design	78,900
Engineering Fees - Construction	45,000
Engineering Fees - Inspection	96,000
Engineering Fees - Other	76,900
Construction	2,391,444
Contingency	<u>239,144</u>
Total	\$ 3,066,988

III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 3,066,988	100%
Total	\$ 3,066,988	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 3,066,988
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 3,066,988
Interest Rate	1.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 182,411
Administrative Fee (0.20%)	6,134
Total Estimated Annual Debt Service	\$ 188,545

V. PROJECT SCHEDULE

Bid Opening	March 2018
Construction Start	April 2018
Construction Stop	September 2018

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current	Proposed	Total
Residential	100	70	170
Commercial	48	2	50
Total	148	72	220

B) Rates

Current rates for Draffenville include a minimum bill of \$60 for two months of service and \$5.00 per 1,000 gallons of flow. These rates are currently being evaluated by the new Sanitation District to make sure they are adequate to cover operating expenses.

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2012-2016, the Utility’s service area population was 284 with a Median Household Income (MHI) of \$46,969. The median household income for the Commonwealth is \$43,740. The project will qualify for a 1.75% interest rate based on the technical consolidation of systems as a result of the project.

Year	Population		County Unemployment	
	County	% Change	Date	Rate
1980	25,637		June 2005	6.5%
1990	27,205	6.1%	June 2010	9.8%
2000	30,125	10.7%	June 2015	5.3%
2010	31,448	4.4%	June 2017	6.5%
Current	31,213	-0.7%		
Cumulative %		21.7%		

VIII. 2017 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project does not qualify for Green Project Reserve (GPR) funding.
- 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 Marshall County Fiscal Court General Fund for the years ended June 30, 2014, June 30, 2015, and draft 2016 financials. Cash flow for this credit analysis is presented as a sources and uses flow which includes debt incurrence and capital expenditure transactions. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Primary income sources increased 5% from \$5.4 million in 2014 to \$5.6 million in 2016. Taxes make up approximately 46% of the General Fund total revenues and have increased around 4% from 2014-2016. Intergovernmental funds make up approximately 15% of total revenues and have increased 57% during the same time period. Expenses have increased 7.5% from \$7.6 million in 2014 to \$8.2 million in 2016 with the majority of the increase occurring in disbursements for general government expenses. Net operating income was negative from 2014-2016, however, the operating loss was offset each year by a transfer in from the Occupational Tax

Administrator's Fund.

The Fiscal Court was approved for a Fund B KIA loan in FY 2010 in the amount of \$1,075,000 with \$800,000 in principal forgiveness to fund the construction of two water storage tanks. The balance of the loan (\$275,000) was paid off early as of March 17, 2017.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Primary income sources will remain flat.
- 2) Expenditures will be managed to maintain a net cash flow of zero each year.
- 3) The newly formed Marshall County Sanitation District will provide whatever possible revenue to the Fiscal Court to support debt service. However, transfers from the Occupational Tax Administrator's Fund to the General Fund will continue going forward to support loan debt service.

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

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$154,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$7,700 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KACoLT (Blacktop Patcher)	\$ 30,066	2018
KACoFC (Arts Commission Building)	299,167	2043
Total	\$ 329,233	

XI. CONTACTS

Legal Applicant	
Entity Name	Marshall County Fiscal Court
Authorized Official	Kevin Neal (Judge Executive)
County	Marshall
Email	kevin.neal@marshallcountyky.gov
Phone	270-527-4750
Address	PO Box 432 Benton, KY 42025

Applicant Contact

Name	Brad Warning
Organization	Marshall County Fiscal Court
Email	brad.warning@marshallcountky.gov
Phone	270-527-4750
Address	1101 Main St Benton, KY 42025

Consulting Engineer/ Project Administrator

PE Name	Charles D. McCann
Firm Name	Rivercrest Engineering
Email	cmccann@rivercresteng.com
Phone	618-521-5421
Address	7020 US Hwy 68 W Paducah, KY 42003

XII. RECOMMENDATIONS

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

**MARSHALL COUNTY FISCAL COURT (GENERAL FUND)
FINANCIAL SUMMARY (JUNE YEAR END)**

	Audited 2014	Audited 2015	Audited (Draft) 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Cash Flow								
Income Sources	5,418,871	4,840,860	5,687,564	5,687,564	5,687,564	5,687,564	5,687,564	5,687,564
Expenditures	(7,642,258)	(7,737,614)	(8,215,458)	(8,216,902)	(8,210,223)	(8,205,389)	(8,204,164)	(8,204,939)
Net Transfers (To)/From Other Funds	2,376,250	3,163,972	2,761,929	2,529,338	2,522,659	2,612,098	2,712,845	2,713,620
KIA Debt Service & Replacement Reserve	0	0	0	0	0	(94,273)	(196,245)	(196,245)
Change in Fund Balance	152,863	267,218	234,035	0	0	0	0	0