



KENTUCKY INFRASTRUCTURE AUTHORITY

Andy Beshear
Governor

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

Sandy Williams
Executive Director

December 5, 2025

The Honorable Linda Gorton, Mayor
Lexington-Fayette Urban County Government
200 E Main Street
Lexington, KY 40507

**KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED CLEAN WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (A26-018S)**

Dear Mayor Gorton:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On December 4, 2025, the Authority approved your loan for the LFUCG - North Elkhorn Wet Weather Storage Tank project subject to the conditions stated in Attachment A to this letter. The total cost of the project shall not exceed \$38,567,013, without prior authorization of the Authority, of which the Authority loan shall provide \$20,000,000 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 Lexington-Fayette Urban County Government 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 5, 2026 (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.

TEAM
KENTUCKY

ATTACHMENT A

Conditions

Lexington-Fayette Urban County Government A26-018S

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

1. The Authority project loan shall not exceed \$20,000,000 without prior authorization.
2. Principal forgiveness of 0.0% of the assistance amount, not to exceed \$0.00 will be credited to the loan balance upon the advance of the loan funds from time to time from the Authority to the Borrower.
3. The loan shall bear interest at the rate of 1.75% 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 "ACH Debit Authorization" form in Attachment C of this letter 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.

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 "Authorization for Electronic Deposit of Borrower Payment" form in Attachment C of this letter 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 Transparency Act Reporting

ATTACHMENT B

Executive Summary and Credit Analysis

Lexington-Fayette Urban County Government
A26-018S

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 FINANCIAL SUMMARY (JUNE YEAR END)

	Audited 2022	Audited 2023	Audited 2024	Projected 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029
Balance Sheet								
Assets								
Current Assets	40,677,326	31,456,786	83,890,345	86,580,500	91,857,090	97,288,500	102,877,196	108,136,286
Other Assets	474,651,334	498,315,101	515,437,286	517,671,512	519,870,120	521,735,677	524,240,608	525,435,936
Total	515,328,660	529,771,887	599,327,631	604,252,013	611,727,210	619,024,178	627,117,804	633,572,222
Liabilities & Equity								
Current Liabilities	18,853,927	18,434,528	20,986,841	21,228,852	21,627,124	22,047,137	22,484,057	22,922,754
Long Term Liabilities	216,614,616	219,574,109	207,920,007	192,919,111	180,346,443	167,442,862	154,195,561	140,606,682
Total Liabilities	235,468,543	238,008,637	228,906,848	214,147,963	201,973,567	189,489,999	176,679,618	163,529,436
Net Assets	279,860,117	291,763,250	370,420,783	390,104,049	409,753,642	429,534,179	450,438,186	470,042,786
Cash Flow								
Revenues	88,615,233	90,809,304	87,752,702	89,698,781	91,862,736	94,080,790	96,354,296	98,684,639
Operating Expenses	63,023,885	56,040,553	46,622,588	48,461,366	49,902,004	51,385,861	52,914,234	54,538,458
Other Income	(950,879)	1,086,806	6,492,998	0	0	0	0	0
Cash Flow Before Debt Service	24,640,469	35,855,557	47,623,112	41,237,415	41,960,732	42,694,929	43,440,062	44,146,181
Debt Service								
Existing Debt Service	16,288,036	14,883,233	15,117,198	15,440,769	16,383,285	16,363,375	16,342,582	17,478,222
Proposed KIA Loan	0	0	0	0	0	0	0	1,239,512
Total Debt Service	16,288,036	14,883,233	15,117,198	15,440,769	16,383,285	16,363,375	16,342,582	18,717,734
Cash Flow After Debt Service	8,352,433	20,972,324	32,505,914	25,796,646	25,577,447	26,331,554	27,097,480	25,428,447
Ratios								
Current Ratio	6.2	6.2	12.3	4.6	4.8	5.0	5.1	5.3
Debt to Equity	0.8	0.8	0.6	0.5	0.5	0.4	0.4	0.3
Days Sales in Accounts Receivable	23.5	22.2	27.2	27.2	27.2	27.2	27.2	27.2
Months Operating Expenses in Unrestricted Cash	6.6	5.5	19.2	19.9	20.6	21.2	21.9	22.4
Debt Coverage Ratio	1.5	2.4	3.2	2.7	2.6	2.6	2.7	2.4

III. PROJECT FUNDING

	Amount	%
KIA Fund A Loan (A26-018S)	\$20,000,000	52%
Local FY25	265,241	1%
Local FY26	1,500,000	4%
Local FY27	16,801,772	44%
Total	\$38,567,013	100%*

* Percentages do not equal 100% due to rounding.

IV. KIA DEBT SERVICE

Construction Loan	\$20,000,000
Less: Principal Forgiveness	N/A
Amortized Loan Amount	\$20,000,000
Interest Rate	1.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$1,189,512
Administrative Fee (0.25%)	50,000
Total Estimated Annual Debt Service	\$1,239,512

V. PROJECT SCHEDULE

Bid Opening:	September 2027
Construction Start:	December 2027
Construction Stop:	December 2029

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

	Current	Proposed	Total
Residential	107,671	25,887	133,558
Commercial	7,684	165	7,849
Institutional	429	0	429
Industrial	19	0	19
Total	115,803	26,052	141,855

HISTORY

User revenues for the sanitary sewer system increased 18 percent from \$71.8 million in fiscal year (FY) 2022 to \$84.6 million in FY 2024 due to annual CPI-based rate adjustments and increased customer demand. Total Operating revenues decreased slightly over the three-year period due to fluctuations in investment-type revenues. Core revenues – user charges and fees – continued to grow steadily each year. Operating expenses decreased more than 25 percent from \$63 million in FY 2022 through FY 2024. The decrease is somewhat misleading because administrative expenses were unusually high in 2022 and 2023 due to non-recurring supplement payments for personnel and large software purchases.

Sanitary Sewer System debt consists of revenue bonds with a combined balance of \$55.4 million and 11 KIA loans with a balance of nearly \$130 million as of FYE 2024. All existing KIA loans have been fully drawn with ongoing principal and interest payments. The debt service coverage ratio was 1.5, 2.4, and 3.2 in 2022, 2023, and 2024, respectively.

The balance sheet reflects a current ratio of 12.3, a debt-to-equity ratio of 0.6, 27.5 days of sales in accounts receivable, and 19.2 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Sanitary sewer revenues will increase 2.3 percent in FY 2025 due to CPI-based rate adjustments that were implemented July 1, 2025.
- 2) Sanitary sewer revenues will increase annually according to the Consumer Price Index, which is assumed to be 2.5 percent for FYs 2026 through 2029.
- 3) Revenue projections do not consider potential increases in customer base or demand and, as such, are deemed to be conservative in nature.
- 4) Operating expenses will increase 3 percent annually due to inflation and to account for possible non-recurring expenses.
- 5) The debt service coverage ratio calculation assumes that the system will obtain an additional 15,000,000 in bond financing to fund most of the remaining project costs. For calculation purposes, this additional debt is assumed to be \$15 million over 20 years at 4.50%.
- 6) Debt service coverage is 2.4 in 2029 when principal and interest repayments begin.

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

Project Contact - Applicant

Name	Charles H Martin
Representing	Lexington-Fayette Urban County Government
Address	125 Lisle Industrial Avenue, Suite 180 Lexington, KY 40511
Phone	(859) 425-2400
Email	chmartin@lexingtonky.gov

Project Administrator

Name	Robert Peterson
Organization	Lexington-Fayette Urban County Government
Address	125 Lisle Industrial Avenue Lexington, KY 40511
Phone	(859) 425-2468
Email	rpeterson@lexingtonky.gov

Consulting Engineer

Name	TBD
Firm	TBD
Address	N/A
Phone	N/A
Email	N/A

XII. RECOMMENDATIONS

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

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, Pennyrile, Green River, Barren River, Lake Cumberland.
- Debbie Landrum (Debbie.Landrum@ky.gov, 502-892-3454): Lincoln Trail, KIPDA, Northern KY, Bluegrass.
- Robert Aldridge (RobertV.Aldridge@ky.gov, 502-892-3170): 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.

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:	
Unique Entity ID (generated by SAM.gov)*:	
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 Unique Entity ID provided above is registered under a different name than the recipient of funding, please provide the registration name below:

Unique Entity ID Name	
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*If the recipient has not yet obtained a Unique Entity ID, 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.

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?	

Unique Entity ID Registration Information: <https://sam.gov>

**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

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,