

Kentucky Infrastructure Authority

Governor's Local Issues Conference
August 8, 2024



Authorization of KIA

- Created by General Assembly
 - Collaboration with DOW under Memorandum of Agreement
- Purpose:
 - Provide Financial Assistance for Water / Wastewater Facilities
 - Maintain Water Resources Information System
- 11 member Board of Directors



KIA Board – Ex-Officio Members

Five Ex-Officio members:

- Commissioner of Department for Local Government
- Secretary of Finance and Administration Cabinet
- Secretary of Cabinet for Economic Development
- Secretary of Energy and Environment Cabinet
- Executive Director of Public Service Commission



KIA Board – At Large Members

Six at-large members appointed by the Governor:

- Kentucky Association of Counties
- Kentucky League of Cities
 - 2 members from KLC one of whom represents a municipal utility that provides water and wastewater service
- Kentucky Rural Water Association
- Kentucky Section of the American Water Works Association
- For-Profit Water Companies



KIA Primary Functions

- Administer Loan Programs for eligible infrastructure projects
- Administer Grants identified by the General Assembly, including water and sewer projects
- Maintain the Water Resource Information System (WRIS) and provide technical support to the Water Management Councils



Overview of KIA

- \$1.59 billion in assets
- Administering 989 grants
- 573 active loans
 - 4 programs
 - 2 state programs, 2 federal programs
- 229 borrowers



Eligible Infrastructure Projects

- Construction or acquisition of treatment works, distribution facilities, water resources projects
- Solid waste projects, dams, storm water control treatment systems
- Gas or electric utility
- Or any other public utility or public service project which the authority finds would assist in carrying out the purposes set out in KRS 224A.300



Eligible Borrowers

- Governmental Agencies
 - City
 - County
 - Water and Sewer/Sanitation District
 - Water Association
 - Water Commission
- For the CWSRF or DWSRF Programs, the project **MUST BE** listed on the SRF Priority List



KIA Loan Programs

- Clean Water State Revolving Fund (Fund A) - Federal
- Drinking Water State Revolving Fund (Fund F) - Federal
- Infrastructure Revolving Fund (Fund B) - State
- Governmental Agencies Program (Fund C) - State



KIA Outstanding Loan Volume

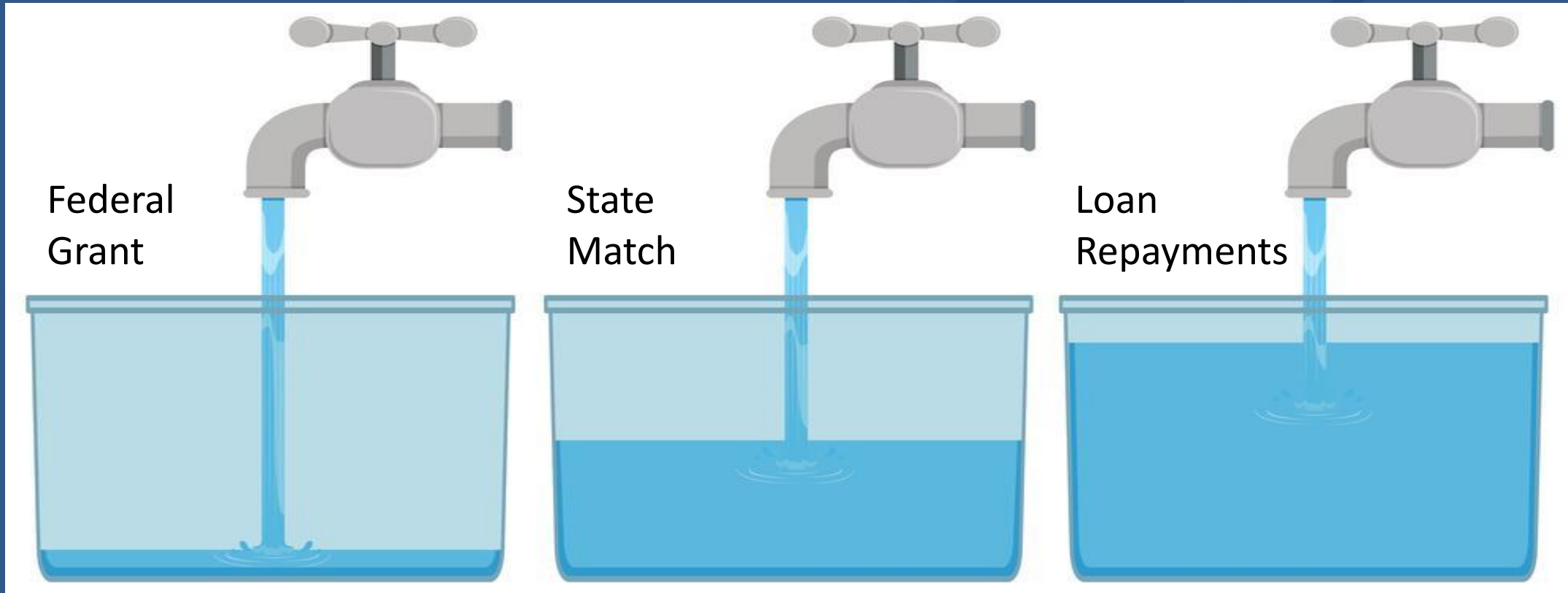
Loan Program	Number of Loans	Loan Amount
Fund A	258	\$789,987,011
Fund F	165	\$261,842,601
Fund B	123	\$61,817,986
Fund C	27	\$28,192,637
Total	573	\$1,141,840,235



Available Loan Funds

Loan Program	FY25 Funding
Fund A (CWSRF)	\$101,732,614
Fund F (DWSRF)	\$76,323,479
Fund B	\$30,008,495
Fund C	\$6,790,533
Total	\$214,855,121

Where do we get our money? (Funds A & F)

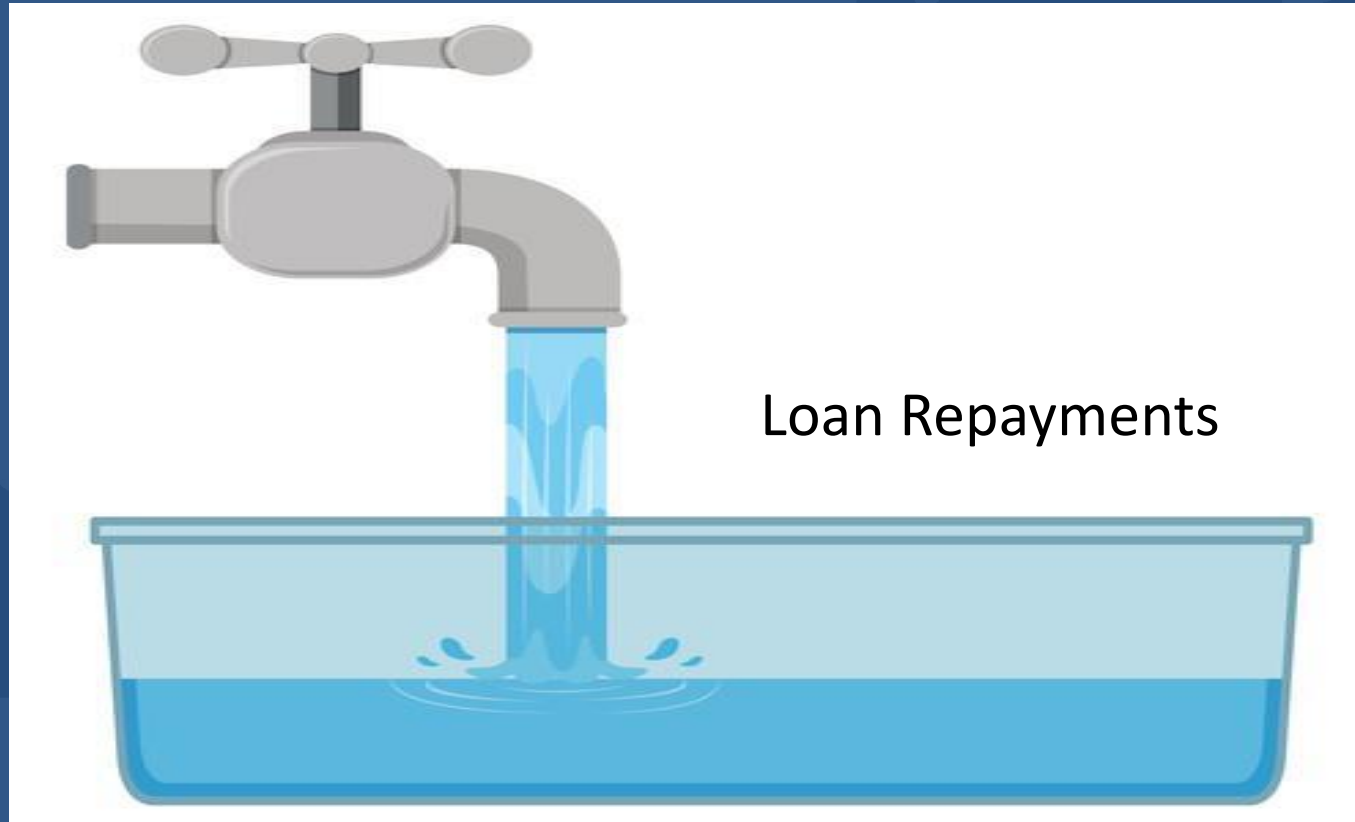


Bipartisan Infrastructure Law (BIL)

- Signed into law in November 2021
- Historic investment in drinking water and wastewater systems
- Over \$40 billion across United States
- 5 additional capitalization grants for over 5 years
- Over \$500 million estimated to Kentucky
- Additional principal forgiveness, federal requirements



Where do we get our money? (Funds B & C)



Current Interest Rates

- Funds A,B, and F
 - Standard rate - 2.25%
 - Non-standard (a) rate - 1.25%
 - Non-standard (b) rate - 0.50%
- Fund C
 - 1 – 5 years - 1.75%
 - 6 – 10 years - 2.25%
 - 11 – 20 years - 2.75%

Terms/Fees

- Standard term is 20 years
- 30 year terms available for disadvantaged communities
- Fund F – 0.30% admin fee
- Funds A and C – 0.25% admin fee
- Fund B - 0.20% admin fee
- 5% annual reserve funded over 20 years



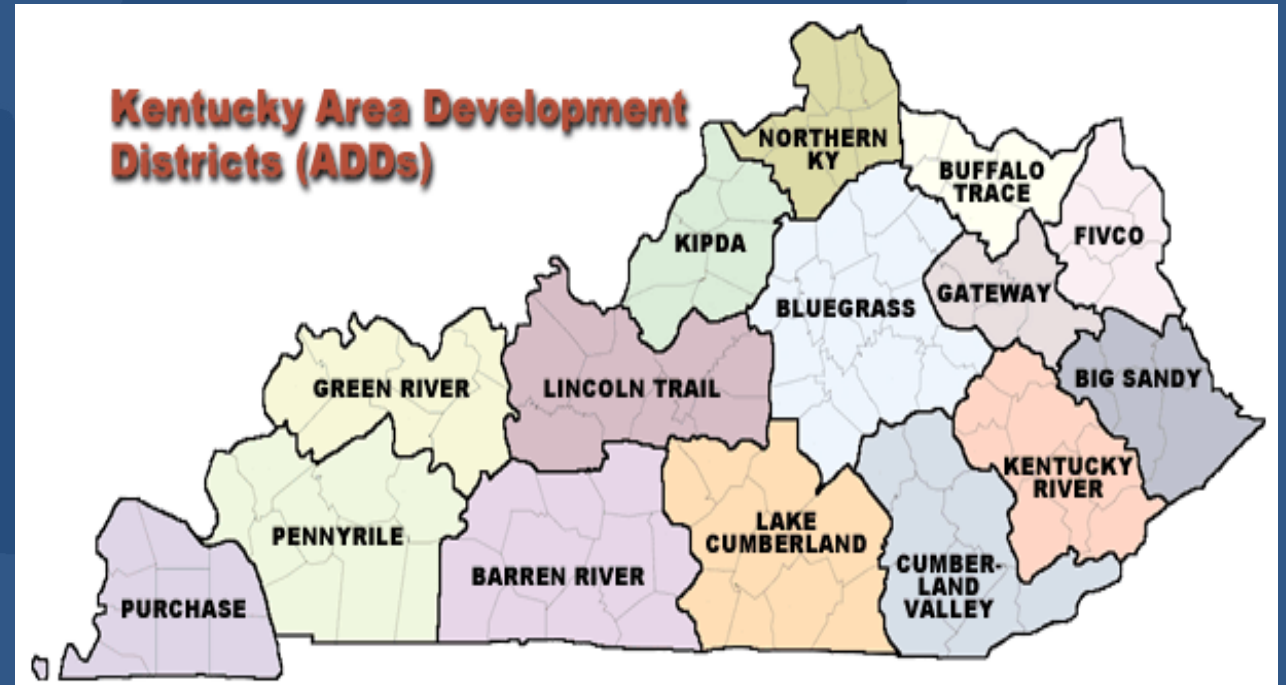
Principal Forgiveness

- Additional subsidization provided in disadvantaged communities
- System area MHI
- Project area MHI
- Affordability Index – Annual cost per 4,000 gallons/MHI



Getting Started

- Contact ADD Water Management Coordinator
- Pre-Application Form
 - Project description/need
 - Budget
 - Project schedule
 - Detailed project info
- WRIS Project Profile



Funds A/F Loan Process

- Call for Projects
- DOW Scores/Ranks Projects
- KIA Project Priority List
- Loan Invitations
- Application Documents
- Credit Analysis
- Approvals (KIA/CPBO)
- Loan Agreement



Funds B/C Loan Process

- First Come, First Serve
- Letter of Intent
- Funding Invitation
- Application Documents
- Credit Analysis
- Approvals (KIA/CPBO)
- Loan Agreement



Navigating the CWSRF (*Fund A*) & DWSRF (*Fund F*)

What *You* Need to Know

- Funding priority: improving Public Health & the Environment
- Focus on Disadvantaged Communities
- Project Profile data in WRIS is necessary
- Get involved in your Area Development District Water Management Council
- Federal Law applies



Build America, Buy America Act

The Build America, Buy America Act (BABA) requires that Kentucky's federally funded Clean Water and Drinking Water State Revolving Fund Programs (SRF), comply with domestic preference requirements for iron and steel, manufactured products and construction materials.



Build America, Buy America Act

Which SRF projects are “federally funded”?

- All Lead Service Line (inventory or replacement) projects.
- All Emerging Contaminants projects.
- Any project designated as an “equivalency” project.



BABA Requirements

- All iron and steel items used in SRF projects must be produced in the United States. This requirement is the same as the American Iron and Steel (AIS) SRF requirement. This means all manufacturing processes, from the initial melting stage through the application of coatings, occur in the United States.
- All manufactured products used in SRF projects must be produced in the United States. This means the product was manufactured in the United States, and the cost of the components of the product that are mined, produced, or manufactured in the United States is greater than 55% of the total cost of all components of the manufactured product.
- All construction materials used in SRF projects must be manufactured in the United States. This means that all manufacturing processes for the construction material must occur in the United States.



Waivers

- There are waivers available in certain circumstances.
- Full BABA presentation at 3 p.m.
- Full handbook available online at <https://kia.ky.gov/FinancialAssistance/BABA/KIA%20BABA%20HANDBOOK-4-16-2024.pdf> on KIA's website



New Funding Opportunities at KIA

KY WWATERS PROGRAM

Kentucky Water and Wastewater Assistance for Troubled or Economically Restrained Systems

- KIA accepts and reviews applications and performs credit analysis
- Kentucky General Assembly decides who gets loan funding during the 2025 Session
- KIA administers the financing after the session is ended (March 2025)
- \$75 million available in 2025 and 2026 (\$150 million total)



KY WWATERS Timeline

- Accept Applications through end of August
- December 1 – Provide project applications and scores to General Assembly
- January 2025 – March 2025 – General Assembly will select projects to receive funding
- April 2025 – KIA will contact the applicants with approved loan terms



Eligible Applicant Must Have at least 1:

- Service Area MHI < State MHI;
- User rate affordability > 1% of annual MHI;
- No audit in at least one (1) of the prior three (3) years;
- Negative income in any two (2) of the previous five (5) years;
- Debt service coverage ratio < 1.1 in any three (3) of the previous five (5) years;
- Accounts payable turnover ratio < 1
- Days' sales in accounts receivable ratio > forty-five (45) days;
- Notice of violation or agreed order in the past year;
- Water loss percentage > thirty percent (30%);

What Type of Projects Can Be Funded by KY WWATERS?

- Capital Construction Projects and...
- Developing technical, operational, and maintenance resources and expertise;
- Improving utility infrastructure planning, repair, maintenance, renovation, and management of plants and assets;
- Obtaining technical expertise in areas of rate-setting, cost-of-service, and proper utility accounting standards for the utility type;
- Performing and correcting deficiencies from drinking water, wastewater, and financial audits;
- Performing and correcting deficiencies from drinking water, wastewater, and financial audits;
- Financial inadequacies, including debt service coverage through relief or refinance of debt;
- Payment assistance for excessive maintenance costs, fines and penalties from past violations, or consultants; and
- Inadequately maintained distribution, collection, or treatment works, including service extensions to unserved or underserved areas and the renovation of treatment works to conserve resources;



Current KY WWATERS Interest Rates

- **KY WWATERS**
 - Standard rate - 1.75%
 - Non-standard (a) rate - 0.75%
 - Non-standard (b) rate - 0.00%

- Questions? Comments?

kia.ky.gov

502-573-0260

