



# KYMEA AND MEMBER FINANCIAL METRICS

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# Financial Metrics Purpose

- ◆ To incorporate publicly available metrics utilized by the major credit rating agencies to achieve and maintain the highest possible bond ratings for KYMEA projects
- ◆ Higher bond ratings result in lower borrowing costs and subsequently lower cost of power for all project participants.

# Financial Metrics Purpose – Why is Member Data Necessary?

- ◆ Ultimately, investors in KYMEA debt, as well as power supply counterparties and financial institutions, look to the Members' credit when they evaluate the creditworthiness of KYMEA
- ◆ The following slides represent a high level overview of the proposed analysis. A document with detailed descriptions will follow.

# Financial Metrics Purpose – What Ratios are Used to Assess KYMEA and Member Financial Health?

## ◆ Covenant Compliance Ratios

- Debt Service Coverage – Key ratio in all bond covenants
- Fixed Obligation Charge Coverage – Includes debt service embedded in KYMEA projects

# Financial Metrics Purpose – What Ratios are Used to Assess KYMEA and Member Financial Health?

## ◆ Income and Expense Ratios

- Operating Ratio –  $\text{Current Assets} / \text{Current Liabilities}$
- Net Income per Revenue Dollar
- Total O&M Expense per KWh Sold
- Uncollectible Accounts per Revenue Dollar

◆ These Ratios compare the member ratio to the industry median based on municipal size (APPA Financial and Operating Ratio Survey)



# Financial Metrics Purpose – What Ratios are Used to Assess KYMEA and Member Financial Health?

## ◆ Cash and Reserves

- Months of O&M in Unrestricted Cash
- Formal Cash Reserve Policy
- Days Liquidity on Hand
- Funding of Depreciation
- Power Cost Recovery Adjustment
- General Fund Health of Member City (if applicable)
- Electric Fund Transfers

# Financial Metrics – What Happens to the Data?

- ◆ KYMEA will maintain an internally calculated Credit Analysis for each member utility and for KYMEA.
- ◆ KYMEA's Credit Analysis will be communicated to Board.
- ◆ Member Analyses will be classified as working documents, shared with the member utility, and remain confidential.
- ◆ The CFO and/or CEO will offer to schedule a visit with each member to discuss the Agency's Credit Analysis of the utility and provide suggestions and assistance.

# Financial Metrics – Strategic Plan Timeline

## 1

### FINANCIAL STABILITY

KYMEA will provide stable and competitive rates in a fiduciarly responsible manner.

1.1 **Rates:** Annually establish rates that support the agency's financial health metric and cash reserve policy.

1.2 **Reserve Fund:** Adopt cash reserve policy by June 30, 2020.

1.3 **Financial Health Metrics:** Develop financial health metrics scorecard for the agency by June 30, 2020 and score annually thereafter.



# Financial Metrics

 **QUESTIONS?**