



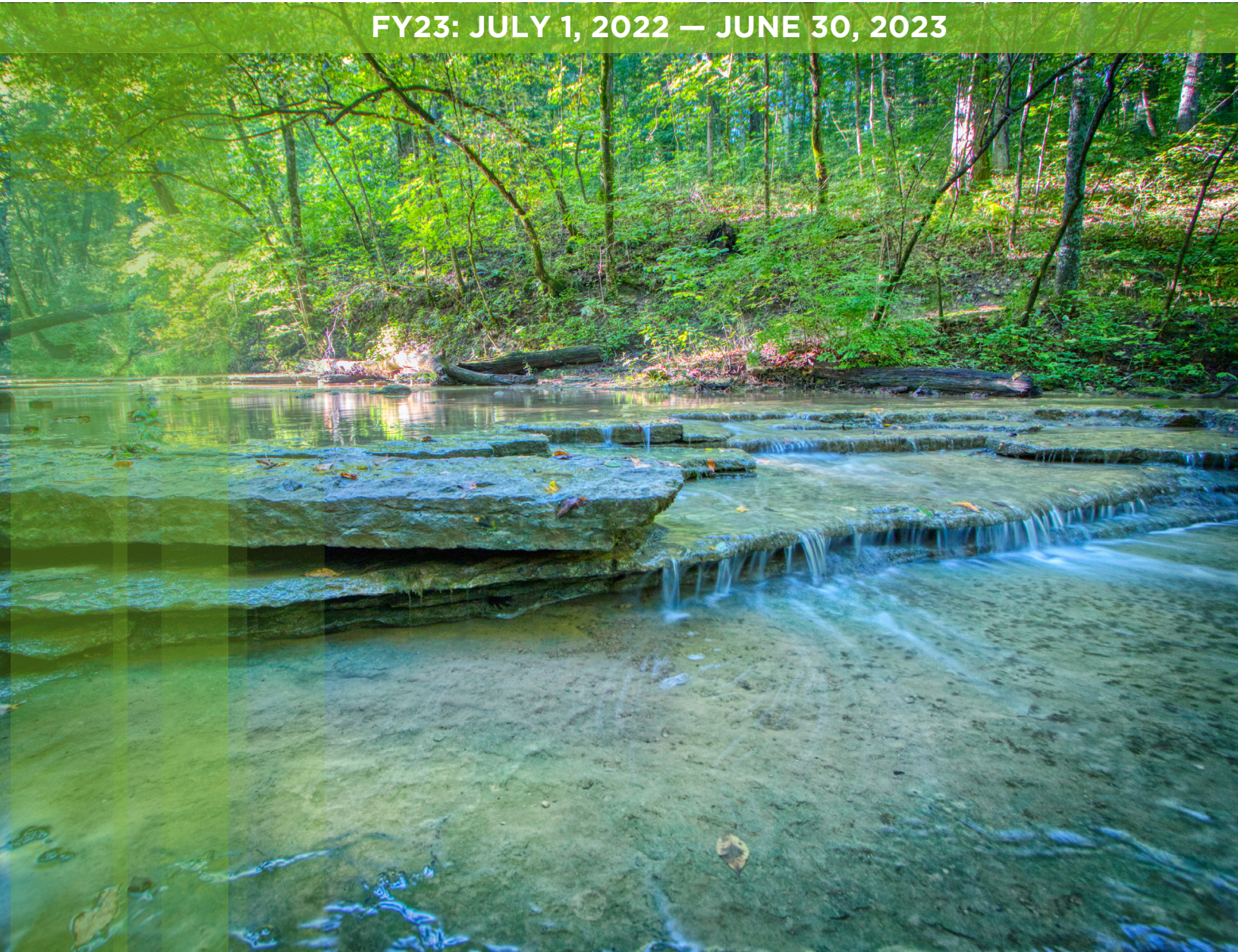
Louisville MSD

Approved FY 2023 Budget

Adopted May 23, 2022

Marita Willis, Board Chair
James A. Parrott, Executive Director
Brad Good, Chief Financial Officer

FY23: JULY 1, 2022 — JUNE 30, 2023





msd

Safe, clean waterways



Louisville has an abundance of waterways that provide opportunities for people to relax and connect to nature.

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Introduction

Budget Message



MSD remains solid and steadfast in delivering top-quality wastewater, drainage and flood protection services to our customers. However, we must balance repairing aging infrastructure—in some cases built more than 100 years ago—with the mandated requirements of our Consent Decree with the U.S. Environmental Protection Agency to significantly reduce sewer overflows during periods of heavy rains.

We are leveraging grants and innovative loans for the critical work of replacing outdated biosolids processing at our Morris Forman Water Quality Treatment Center and updating and expanding our Paddy's Run Flood Pumping Station. Both of these facilities have been serving our community since the 1950s. Additionally, frequent sewer cave-ins and failures are examples of the challenges MSD faces across the service area with outdated infrastructure long past its useful life.

Much needed upgrades and refurbishments across our service area will move forward under MSD's Board approved the Fiscal Year 2023 rate proposal and budget plan. MSD will invest more than \$195 million to support 190 projects while tripling the rate assistance program—Emergency Wastewater Assistance Program (EWRAP), to help those experiencing financial hardships.

The fiscal year 2023 rate proposal adds \$3.35 to the average monthly residential bill for Jefferson County customers beginning August 1, 2022.

James A. Parrott
Executive Director, Louisville/Jefferson County Metropolitan Sewer District

About MSD

History and Governance

MSD was created in 1946 as a public body corporate and subdivision of the Commonwealth of Kentucky. MSD has complete control, possession and supervision of the sewer system within the majority of Louisville Metro, which comprises all of Jefferson County, Kentucky. In addition, MSD has control, possession and supervision of the sewer system in portions of Bullitt and Oldham counties. In 1986, MSD assumed responsibility for managing and maintaining public flood control and storm and surface water drainage services pursuant to the terms of an agreement with Louisville Metro. MSD provides these services to all of Jefferson County with the exception of the cities of Shively, Jeffersontown, St Matthews and Anchorage. Chapter 76 of the Kentucky Revised Statutes authorizes MSD to construct additions, betterments, and extensions within its service area and to recover the cost of its services in accordance with rate schedules adopted by its Board.

MSD is a component unit of the Louisville/Jefferson County Metro Government. The Louisville Metro Mayor appoints, with the approval of the Louisville Metro Council, the members to MSD's governing Board, its Executive Director, Chief Engineer and Secretary/Treasurer. The Board, which has statutory authority to enter into contracts and agreements for the management, regulation and financing of MSD, manages its business and activities. The Board has full statutory responsibility for approving and revising MSD's annual budgets, for financing deficits and for disposition of surplus funds. MSD has no special financial relationship with the Louisville Metro Government.



Waterfront Park and the Ohio River create an inviting “front door” for community celebrations, large and small.

Blueprint 2025 Strategic Plan

Blueprint 2025 is MSD's strategic plan to transform into a Utility of the Future by the year 2025. Fiscal year 2023 will be our third full fiscal year implementing Blueprint 2025 strategy. The following graphic illustrates our Vision, Mission and Critical Success Factors.

OUR VISION

The Innovative, regional utility for safe, clean waterways.

OUR MISSION

Provide quality wastewater, stormwater and flood protection services to protect public health and safety through sustainable solutions, fiscal stewardship, and strategic partnerships.

CRITICAL SUCCESS FACTORS

Sustain Quality and Compliant Wastewater, Stormwater, and Flood Protection Services:

Champion the protection of public health and safety and the environment through sustainable solutions, sound management practices, and effective operational processes and support systems.

Earn the Community's Trust Daily as the Leading Provider of Quality Wastewater, Stormwater, and Flood Protection Services:

Earn community trust through consistent delivery of quality services and respectful interactions with our customers.

Transform into an Employer of Purpose

Where Employees are Provided the Opportunity to Thrive:

Attract, equip and retain an effective workforce, reflective and supportive of our community, which consistently delivers high-quality service to customers internally and externally.

Ensure Financial Stewardship and Sustainability of Community Resources:

Meet today's operating and capital investment needs while managing risk and long-term affordability for the future.

Realize Operational Efficiencies and Revenue Generation through Strategic Partnerships and Innovation:

Implement innovative ideas and partnerships that drive organizational resiliency and sustainability.

There are three central strategic purposes for Blueprint 2025:

1. **Alignment** – guide alignment and allocation of organizational resources.
2. **Service** – deliver MSD's three core business functions in a collaborative, efficient and innovative manner to meet regulatory requirements and community level of service through a sustainable, purpose-driven, and appropriately-skilled workforce.
3. **Trust** – be the trusted, regional provider of wastewater, drainage and flood protection services.

MSD establishes annual organizational performance goals that are in alignment with Blueprint 2025. Each goal category has two focus areas: (1) business activities critical to the attainment of the goal category desired outcome and (2) strategic transformational initiatives designed to enhance the attainment of each critical success factor. There are four overarching goal areas in our fiscal year 2023 organizational performance goals:

Goal Area 1: Sustain Quality & Compliant Wastewater, Stormwater and Flood Protection Services		
Component 1: Reclaimed Water Effluent Quality Flood Protection Readiness	Component 2: Infrastructure System Inspections Preventive Maintenance	Component 3: Completion of Strategic Business Plan Initiatives
Goal Area 2: Earn Community's Trust Daily as Leading Provider of Wastewater, Stormwater and Flood Protection Services		
Component 1: Responsiveness to Customers	Component 2: Responsiveness to Supply Chain Partners	Component 3: Completion of Strategic Business Plan Initiatives
Goal Area 3: Transform into an Employer of Purpose Where Employees Have the Opportunity to Thrive		
Component 1: Management Effectiveness	Component 2: Employee Training and Development	Component 3: Completion of Strategic Business Plan Initiatives
Goal Area 4: Ensure Financial Stewardship and Sustainability of Community Resources		
Component 1: Capital Budget Utilization	Component 2: Operating Budget Utilization	Component 3: Completion of Strategic Business Plan Initiatives

Strategic Business Plan Initiatives are developed for each goal area and assigned as team performance goals. These initiatives involve creating programs or processes that didn't previously exist and guide enhancement of existing programs, processes and tools to improve efficiencies within the organization.

Goal Area 4 is specific to financial stewardship and contains specific goals relative to the annual operating and capital budgets:

- Management of the operating budget is achieved through monthly financial reporting and expense review by the management team of each division. On a quarterly basis, division managers meet with the Executive Director, Chief Financial Officer and the Budget & Financial Reporting Manager to review budget variances, discuss adaptive management practices and develop forecasts for the remainder of the year.
- Management of the capital budget is achieved by tracking program execution and closely monitoring project delivery, risk management and performance against the approved budget. Capital project managers meet monthly with Program Controls staff to update project status. Variances are moved forward for management review culminating in a monthly CIP Management Team meeting which facilitates collaboration and adaptive management of the program.

Blueprint 2025 includes a Blueprint for Organizational Performance Management Framework that ensures alignment of organizational goals, division/department goals, team goals and individual contributor goals. These goals are directly tied to annual performance evaluations for each employee.



Board of Directors

MSD is governed by an eight-member Board of Directors appointed to serve our community by the Louisville Metro Mayor. Each member serves three-year overlapping terms and are eligible for reappointment. Board members are residents of Louisville Metro and represent State Senatorial Districts in our city ensuring a broad-based representation for the entire community. No more than five members of the Board can be affiliated with one political party. The MSD Board meets monthly and has established the following standing committees who meet as needed: Audit Committee, Customer Service Committee, Finance Committee, Infrastructure Committee, and the Personnel Committee. Current Board members are:

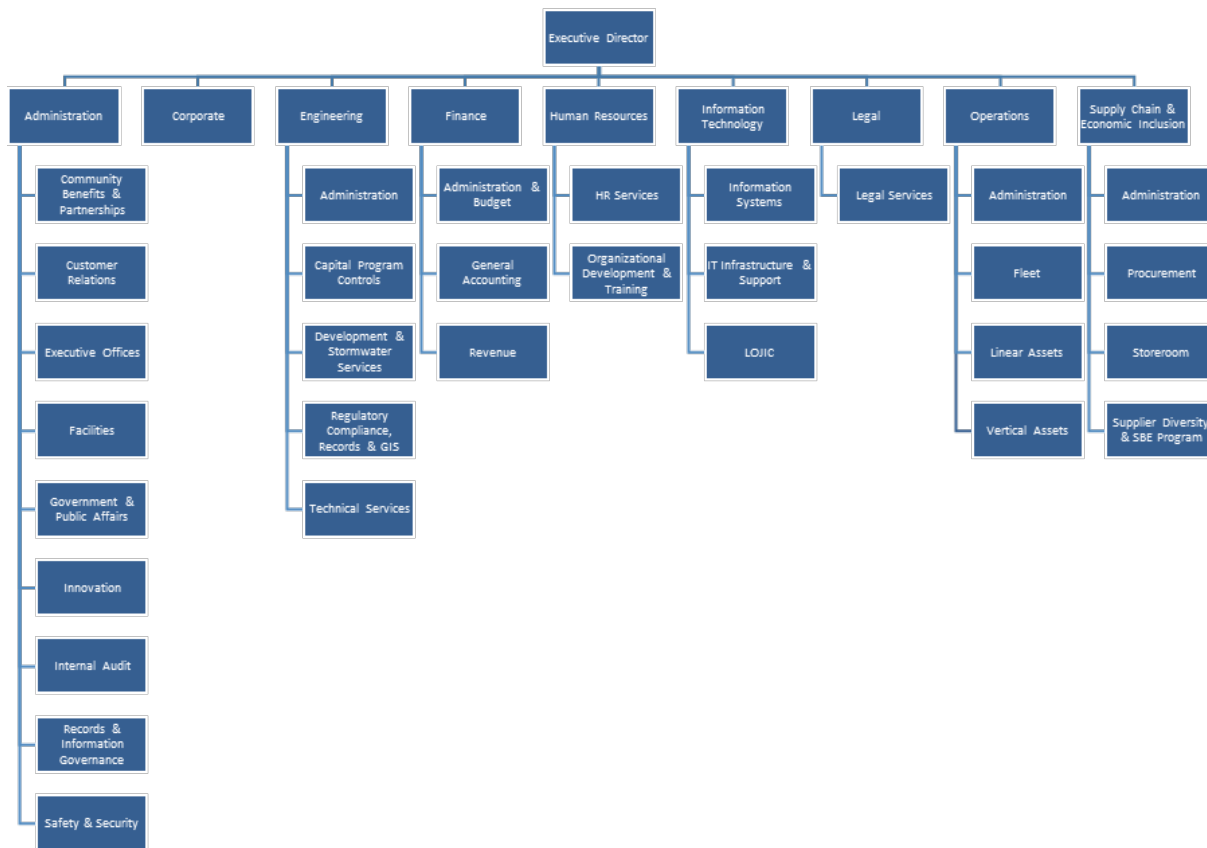
Marita Willis, Chair
Keith Jackson, Vice Chair

Rebecca Cox
John Selent
Gerald Joiner

Carmen Moreno-Rivera
JT Sims
Ricky Mason

Organizational Chart

MSD's organizational structure consists of eight divisions. Within each division there are various departments who report to a Division Director Chief. There are eight Chiefs and two Division Directors who report to the Executive Director.



Division Responsibilities Overview

Responsibilities of each MSD Division and Department are described below.

Administration:

Community Benefits and Partnerships: Responsible for the oversight of the community benefits and local labor programs. Responsible for ensuring MSD actively manages and fosters intentional and equitable strategic partnerships within MSD's service area to ensure the community receives social impact and public benefits. Creates and oversees programs, such as internships and co-ops, to ensure our next generation of workers are exposed to careers in the water sector.

Customer Relations: Serves as the primary point of contact for information and support for MSD services. Manages customer inquiries from various avenues including phone calls, emails, web chat and in-person visits. Creates service orders and coordinates with field staff to address customer concerns.

Executive Offices: Office of the Executive Director, support staff, and MSD's Equity and Compliance Officer.

Facilities: Responsible for managing and oversight of building, grounds and equipment to ensure workspaces are clean, safe and functional by managing service contracts and building systems. Supports day-to-day operations, coordinates renovation and updates, space and facility planning, parking and access management and control.

Government and Public Affairs: Provides organizational support of the MSD brand through strategic internal and external communications. Facilitates discussions with elected officials, customers and stakeholders to build community trust. Oversees regionalization and economic development strategies.

Innovation: Responsible for developing and promoting the organization's strategy for innovation. Fosters organization-wide innovation through exploration, communication and collaboration. Responsible for leading new initiatives and supporting business units with efforts to realize operational efficiencies and revenue generation through strategic partnerships and innovation.

Internal Audit: Provides independent and objective reviews and assessments of the business activities of MSD.

Records and Information Governance: Provides guidance for records and information governance standards and collaborates with all divisions ensuring the organization's records meet accepted standards. Creates, reviews and maintains records retention schedule. Manages open records requests, MSD's policy and procedures framework, standard forms and templates and MSD Board records.

Safety & Security: Provides a safe working environment by eliminating hazards from all facilities, job sites, equipment and infrastructure through audits and accident investigation and teaching employees to follow all safe practices, regulations and standards to ensure their wellbeing. Provide a safe working environment that is free from threats, violence and vandalism by ensuring all facilities and infrastructure are secured through guards, physical barriers, deterrence, video surveillance and access control and through the investigation of incidents to prevent future occurrences and limit liability.

Corporate:

Corporate: Captures district-wide expenses such as billing and collection, bad debt, liability insurance, property insurance, liability claims, workers compensation insurance, and workers compensation claims. This division also includes the office of the Chief Strategy Officer for Business Transformation and Regulatory Compliance.

Engineering:

Administration: Coordinates the division, assigning short and long term goals for successful completion of the mission of MSD while monitoring projects to ensure they stay on budget and within the projected time scheduled. Responsible for the development and implementation of each fiscal year capital budget and the five-year rolling capital budget. Coordination with all local, state and federal regulators, as well as government and non-government entities as needed.

Capital Program Controls: Manages the district-wide annual Capital Improvement Program (CIP) through project and program data capture, analysis and reporting. Drives the development activities of the annual

refresh of the five-year plan, as well as the change management process for each project. Capital Program Controls performs cash flow forecasting on a monthly basis and is the facilitator of CIP meetings. Leads continuous improvement initiatives for efficient CIP performance and delivery.

Development and Drainage Services: Oversees the design, review and permitting of private development projects constructing and connecting to MSD assets to ensure compliance with MSD's policies, design guidelines, as well as local, state and federal environmental laws and regulations. Provides inspection, permitting and enforcement of Louisville Metro's floodplain and ESPC ordinances along with administering MSD's MS4 (water quality) programs to ensure compliance with local, state and federal environmental laws and regulations. Manages and administers MSD's DRI capital drainage program, plumbing modification program and the flood protection capital repair and rehabilitation.

Regulatory Compliance, Records and GIS: Responsible for Asset Management Program and works throughout MSD to build and improve efficient workflows in IPS. Manages Consent Decree activities and reporting deadlines to ensure regulatory compliance. GIS team manages all of the spatial data related to MSD's drainage, sewer and flood protection assets including data maintenance, map production and spatial analysis.

Technical Services: Oversees the planning, design, construction and implementation of the CIP Program capital projects including renewal/replacement and new construction of MSD's wastewater, drainage and flood protection assets. Planning staff ensures MSD is in compliance with all current regulatory activities and deadlines as well as future ever changing regulatory guidelines and budget needs through regionalized facility planning and hydraulic modeling. Design and construction staff work to ensure each project is completed so that the final product supports MSD core services for our customers. Supports capital budget planning for each fiscal year.

Finance

Administration and Budget: Ensures sound financial management through rate setting, budget development, debt issuance, debt management, cash management and compliance.

General Accounting: Provides Accounts Payable and payment processing, issues monthly financial statements in accordance with GAAP, manages the external financial audit and produces the Annual Comprehensive Financial Report.

Revenue: Responsible for ensuring customers are billed correctly for wastewater and drainage service and responds to customer bill inquiries. Administers MSD's Senior Citizen and EWRAP discount programs.

Human Resources:

HR Services: Manages the entire employee life cycle. From recruiting the best talent, to onboarding, maintaining employee records, promotions, processing weekly payroll, setting compensation levels, communication and enforcing MSD policies, keeping up with regulations, promoting positive labor and employee relations, developing, overseeing and administering employee benefits, and keeping up with employment laws and regulations.

Organizational Development and Training: Promotes employee career development and provides technical as well as non-technical job training through in-person and eLearning courses. Provides Utility Program training through our federally registered CDL training program as well as hands-on equipment training.

Information Technology:

Information Systems: Responsible for developing, maintaining and supporting custom software solutions for end users across the enterprise. Provides support and management of critical third-party systems.

IT Infrastructure and Support: Maintains and supports the technology infrastructure at MSD that includes, but is not limited to, cybersecurity, network, servers, storage and databases. Provides first and second level support and desktop engineering for end user equipment and technology.

LOJIC: The Louisville/Jefferson County Information Consortium (LOGIC) department is responsible for building, maintaining and supporting a comprehensive geographic information system (GIS) that serves a multi-agency partnership that includes MSD, Louisville/Jefferson County Metro Government, Louisville Water Company and the Property Valuation Administrator (PVA).

Legal:

Legal Regulatory/Real Estate: Responsible for providing advice, counsel and representation of MSD in all regulatory and real estate matters (e.g., Clean Water Act compliance, KPDES and MS4 permitting issues, EPSC, Hazardous Materials and Floodplain Ordinance permitting/violations, Fee Simple (including FEMA Buyouts and Easement Acquisitions, etc.) Responsible for related transactional matters (e.g. contract review) and matters requiring real estate related services and/or necessary to regulatory/environmental compliance, including matters arising out of MSD's construction contracts, planning and development approvals and regionalization.

Legal Litigation: Responsible for providing advice, counsel and representation of MSD in all tort claims (e.g. personal injury, property damage, etc.), non-regulatory and non-construction contract disputes, foreclosures, collections, employment/labor, worker's compensation, governance, procurement and matters involving issues related to information and/or cyber security; Responsible for matters related to budgeted, outside counsel management, Board governance, municipal bonds.

Operations:

Administration: Responsible for the administration, oversight and management of the Operations Division. Including, but not limited to, vision, long-term planning, implementation and regulatory compliance for MSD's wastewater, drainage and flood protection services.

Fleet: Provides an inventory of vehicles and equipment used in support of the district's divisions and department's operational goals and objectives. Fleet programs include preventative and corrective maintenance, roadside assistance, capital replacement, disposal fuel and radio activities.

Linear Assets: Responsible for the maintenance and service of wastewater and sanitary assets, drainage assets and combined sewer overflows (CSOs). Respond to wet weather flooding and sewer backups. Responsible for TVI inspection of sewer assets.

Vertical Assets: Responsible for the operations and management of the Collection System (sanitary pump stations) which pump flows to the Water Quality Treatment Centers, Water Quality Treatment Centers which take flow and remove solids and treat water based upon the permits of each plan before returning water back into streams and the Ohio River, and the Flood Protection System which oversees the flood pump stations and the flood levy and flood wall closures.

Supply Chain & Economic Inclusion:

Procurement: Responsible for providing value-added professional procurement services to meet department goals while promoting an open and fair competitive process.

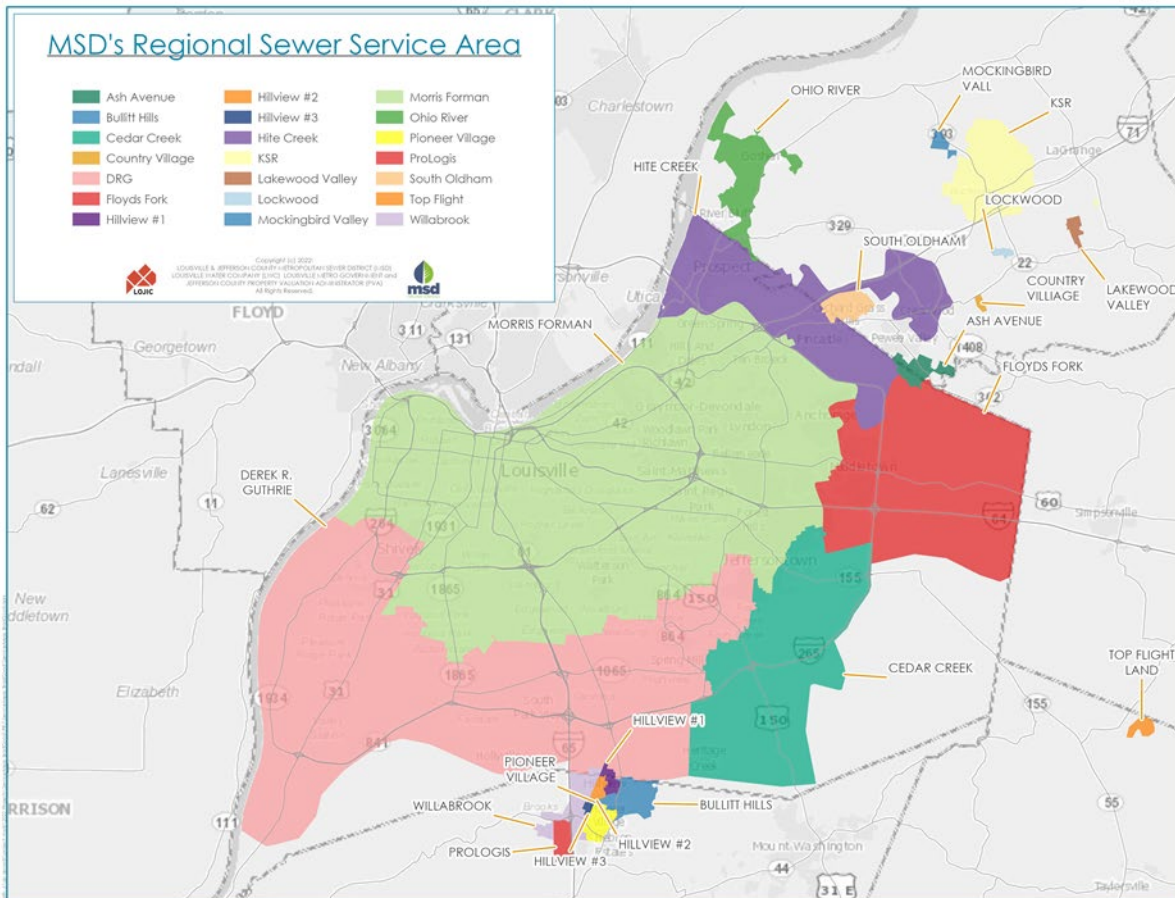
Storeroom: Responsible for ensuring adequate materials and supplies are kept in stock and available for usage and for safeguarding of the materials and supplies.

Supplier Diversity and SBE Program: Responsible for ensuring meaningful opportunities for qualified minority, women and small business enterprises (SBE) to compete and participate in MSD's procurement process.

Service Area

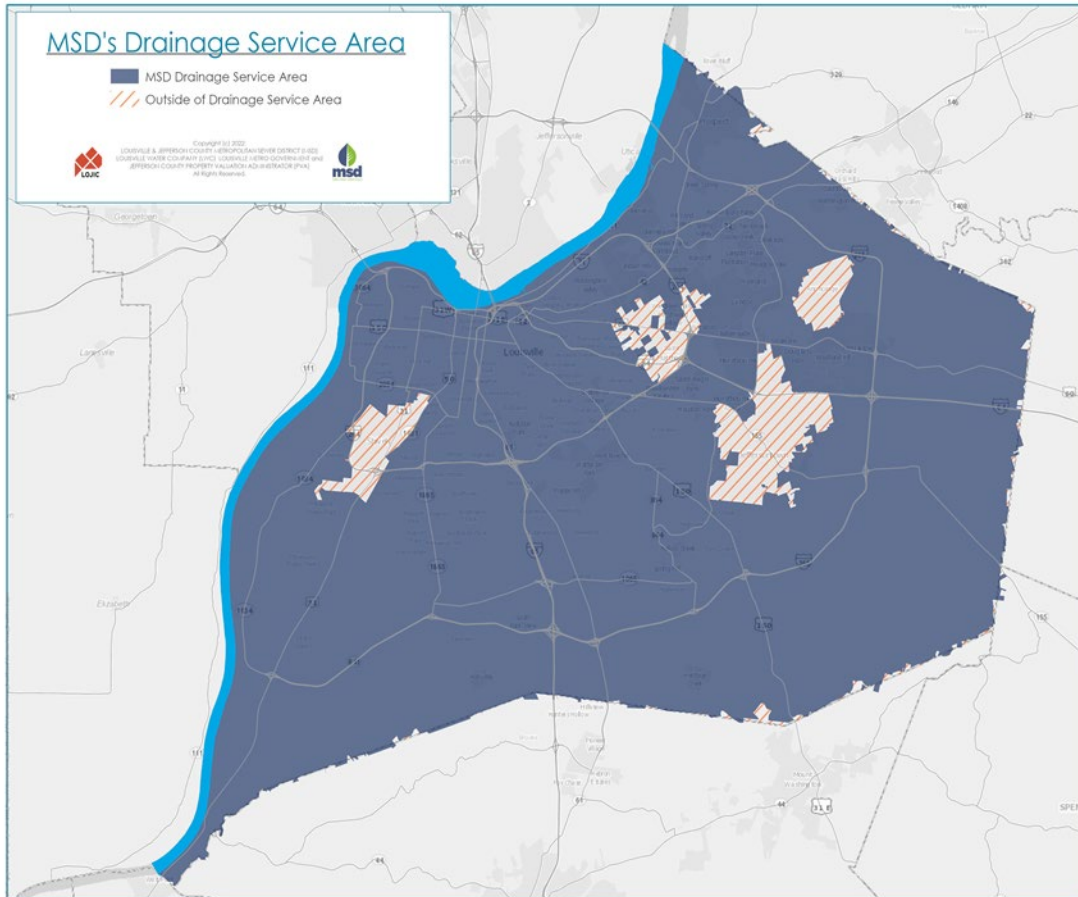
Wastewater Service Area

MSD operates and maintains a regional wastewater service area including substantially all of Jefferson County and portions of Bullitt, Oldham and Spencer counties in Kentucky. MSD serves approximately 257,000 customers across the service area. The wastewater system is comprised of five water quality treatment centers, including Morris Forman which is the largest treatment center in Kentucky, and 16 small treatment plants. MSD's plants can treat a total of 205.9 MGD of flow per day. Our collection system is comprised over 3,600 miles of pipe.



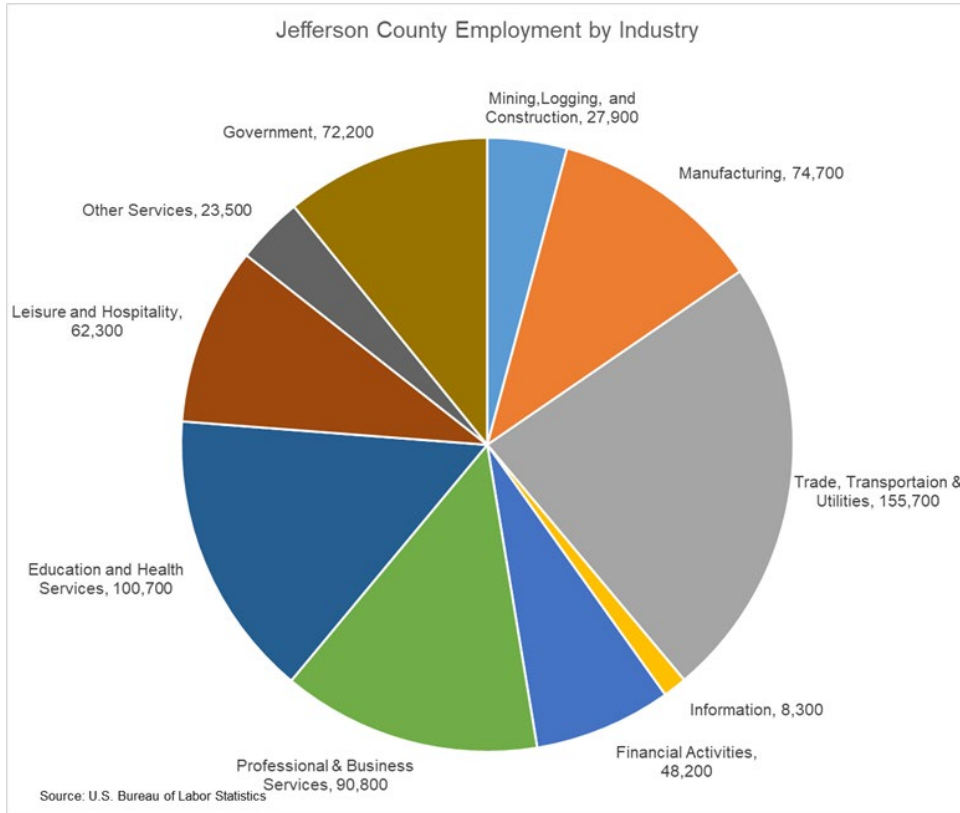
Drainage Service Area

MSD's drainage service area includes substantially all of Jefferson County except for the cities of Shively, Jeffersontown, St Matthews and Anchorage. Some portions of Jefferson County have a combined sewer/drainage system but outside of the Watterson Expressway there is a separate drainage system comprised of approximately 1,200 miles of dedicated drainage mains. MSD serves approximately 223,000 drainage customers.

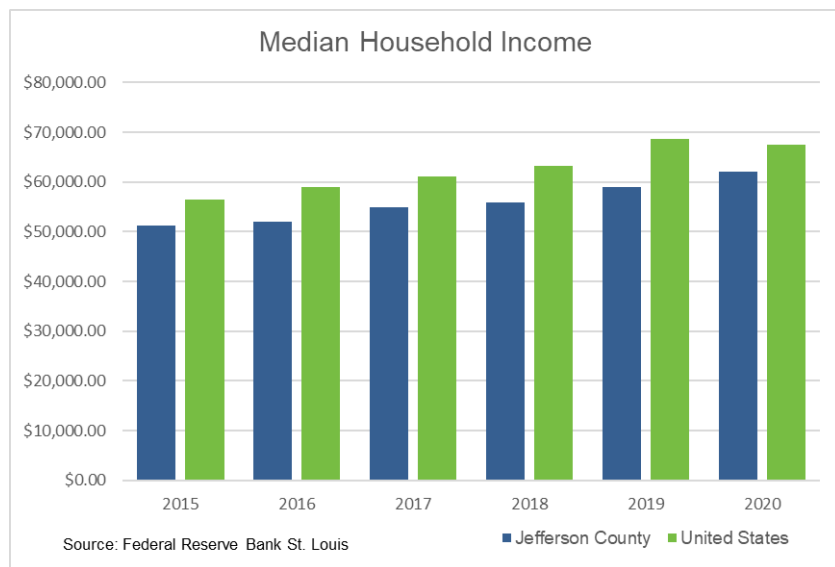


Demographics

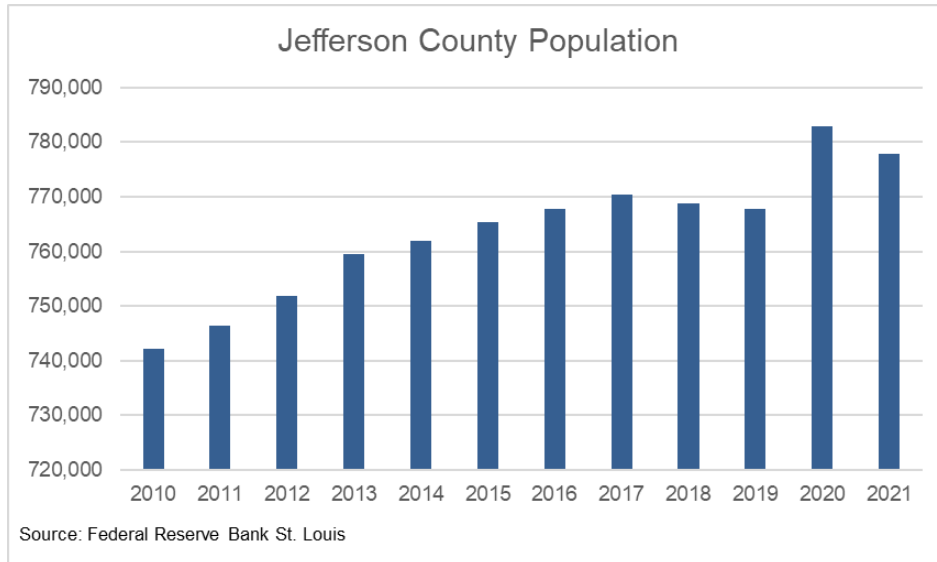
Employment: According to the U.S. Bureau of Labor Statistics, total nonfarm employment in Louisville/Jefferson County was 664,300 in March 2022. The unemployment rate was 4.2 percent. The following chart shows the distribution of employment by industry. Significant 12 month changes include a 7.8 percent reduction in manufacturing employment and 1.2 percent reduction in Information and Financial Activities, respectively.



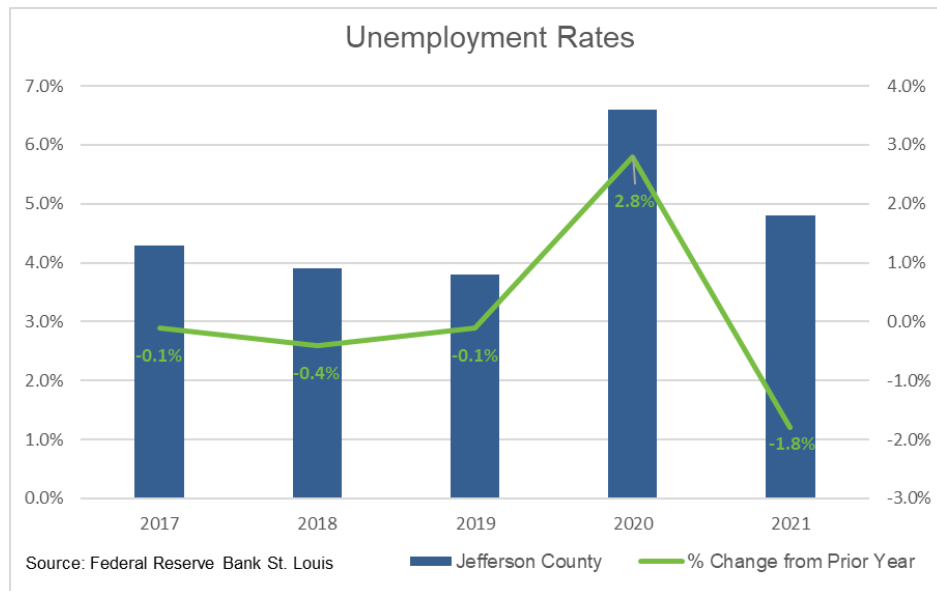
Median Household Income: Median Household Income in Jefferson County lags behind the national average. The following data was compiled by the U.S. Bureau of Labor Statistics and retrieved from FRED, Federal Reserve Bank of St. Louis.



Population: The following data was compiled by the U.S. Census Bureau and retrieved from FRED, Federal Reserve Bank of St. Louis. Population estimates are updated annually using current data on births, deaths and migration to calculate population change since the most recent decennial census.

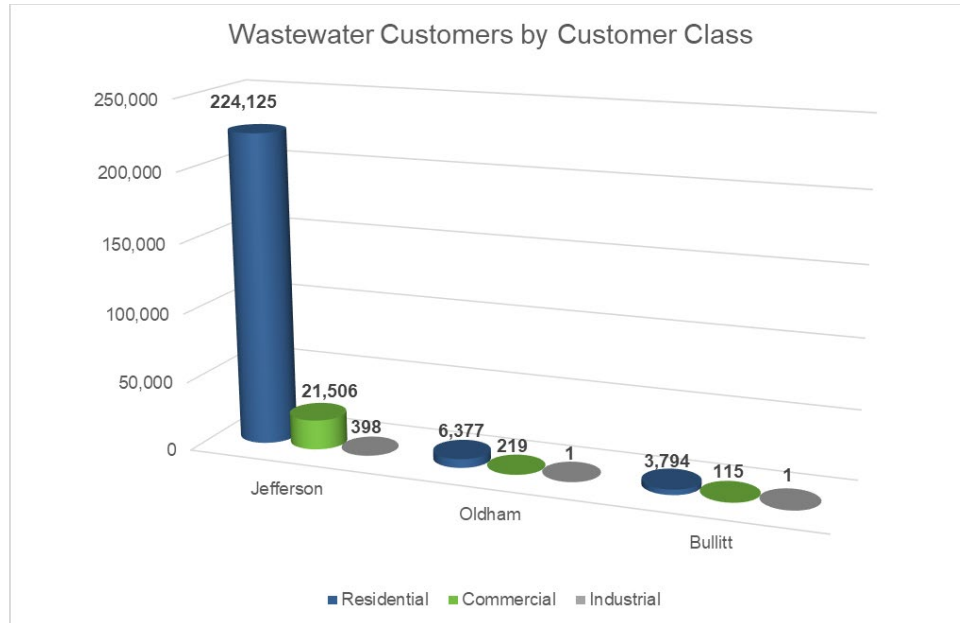


Unemployment Rate: The annual unemployment rate in Jefferson County in 2021 was 4.8 percent which is higher than the U.S. average rate at the time, 3.9 percent. However, the unemployment rate fell 1.8 percent from the prior year as the local economy recovered from COVID-19 pandemic-induced unemployment. The following data was compiled by the U.S. Bureau of Labor Statistics and retrieved from FRED, Federal Reserve Bank of St. Louis.



Customer Composition Statistical Information

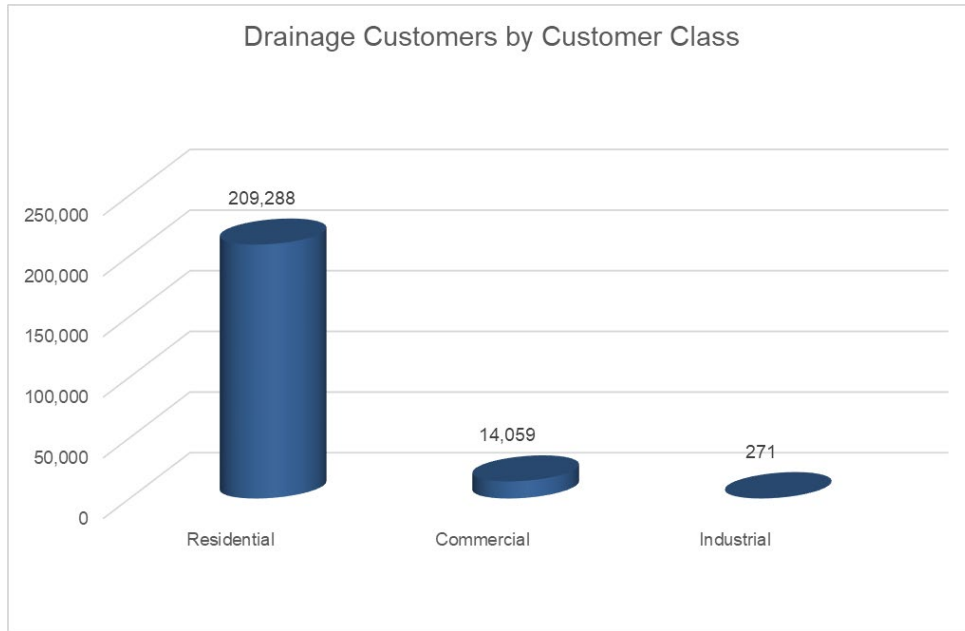
MSD classifies wastewater customers into three classes, Residential, Commercial and Industrial. The following chart shows wastewater customers by county as of April 30, 2022. MSD entered into an operating agreement with the Top Flight HOA Sewer System in Spencer County on November 4, 2021. MSD does not provide billing and collection services for these customers and does not set rates for the system so the customer numbers are excluded from this chart.



The ten largest wastewater customers based on fiscal year 2021 billings are listed in the table below:

Rank	Customer Name	FY21 Wastewater Billed	Percent Total Wastewater Revenue
1	Heaven Hill Distilleries	\$ 3,715,684	1.51%
2	Lubrizol Advanced Materials	2,071,550	0.84%
3	Swift Pork Co.	2,053,342	0.84%
4	The Chemours Company FC LLC	1,388,385	0.56%
5	Early Times Distillery	1,373,275	0.56%
6	Ford Motor Co.	1,124,209	0.46%
7	Haier US Appliance Solutions	778,537	0.32%
8	Rohm & Haas	739,411	0.30%
9	Ford Motor Co.	717,704	0.29%
10	Clariant Corporation	590,926	0.24%
Total		\$ 14,553,023	5.92%
Total FY21 Wastewater Revenue:		\$ 245,801,703	

MSD classifies drainage customers into three classes, Residential, Commercial and Industrial. The following chart shows the distribution of drainage customers in Jefferson County as of April 30, 2022.



The ten largest drainage customers based on fiscal year 2021 billings are listed in the table below:

Rank	Customer Name	FY21 Drainage Billed	Percent Total Drainage Revenue
1	Regional Airport Authority	\$ 1,546,213	1.93%
2	United Parcel Service	1,358,550	1.70%
3	Jeff Co Bd of Ed	855,119	1.07%
4	Ford Motor Co.	428,087	0.54%
5	LIT Industrial Limited Partner	320,852	0.40%
6	Regional Airport Authority	305,126	0.38%
7	Kentucky State Fair	300,720	0.38%
8	Churchill Downs Inc	278,017	0.35%
9	The University of Louisville Campus	275,408	0.34%
10	Seaboard System RR-00822	260,138	0.33%
Total		\$ 5,928,230	7.42%
Total FY21 Drainage Revenue:		\$ 79,915,505	

Budget Process and Policies

Budget Process

A primary objective of Blueprint 2025 is that critical business activities be performed the same way across MSD Divisions. Development of budget requests is one of those critical business activities. MSD continuously analyzes financial reports and key performance indicators throughout the year in order to monitor our actual performance. However, the formal budget development process begins in January of each year. Revenue forecasts for the current and up-coming fiscal years are updated by analyzing wastewater and drainage service charge data. Operating expense projections are updated including labor and benefit rates, anticipated changes in pricing for materials and other supplies and operational changes created by the CIP or other factors. Debt service assumptions are validated and interest rate projections are updated. CIP forecasts are reviewed in order update assumptions about the timing of debt issuances.

All of these changes are recorded in MSD's long-term financial model and the effect on key ratios is analyzed to ensure financial objectives and covenants can be met. The model is used to establish revenue requirements for the next fiscal year that provide sufficient funding for MSD to pay 110 percent of our outstanding revenue bond debt service, all operating expenses, all subordinated debt service, and to cash-fund a portion of the annual CIP.

In February, work begins to develop line item expenditure budgets. For the Operating budget, Budget Preparers are identified for each division and are trained in the use of the software prior to the start of budget development. The Budget and Financial Reporting Manager creates a baseline budget in the budget system by rolling forward the current year budget into the new fiscal year budget template and reloading the current headcount, including vacancies. After the baseline budget is prepared, the budget software will open to Budget Preparers to enter departmental budgets in accordance with the budget calendar. Budget Preparers will submit budgets to their Division Chief in accordance with the budget calendar. The Budget Department will schedule budget review meetings with each Division Chief, the Executive Director and the Chief Financial Officer. Each Division Chief will present their budget request for review and consideration. The final operating budget is approved by the Executive Director and Chief Financial Officer prior to presentation to the Finance Committee.

The Chief Engineer oversees the development of the CIP starting in February. The capital planning process begins with an evaluation of the capital needs of the system, typically identified as part of a comprehensive facilities master plan. The master plan is used to model long-term capital spending needs. A CIP is produced based on the results of the master plan and updated annually. The capital budget process includes meeting with all capital budget stakeholders to discuss priority projects. All ongoing capital projects are reviewed and a re-assessment is made of funding requirements for the next fiscal year. A five-year project-level budget is prepared and presented to the CIP Management Team. The CIP Management Team is tasked with review of the annual CIP and makes major project and program change decisions. Voting members are the Executive Director, Chief Engineer, Chief of Operations, Chief Strategy Officer for Business Transformation and Regulatory Compliance and the Chief Financial Officer.

In March, updates are made to the Jefferson County preliminary Schedule of Rates, Rentals and Charges including any necessary rate increase based on the revenue requirements identified by the long-term financial model.

In May, the operating budget, CIP budget and the Jefferson County preliminary rate resolution are first presented to the applicable MSD Board Committee and then to the MSD Board for approval. Budgets become final after Board approval. Budgets may be amended during the course of the fiscal year using a similar process. The Jefferson County preliminary rate resolution becomes final following a sixty day notification period and final approval by the MSD Board at their July meeting.

Budget Calendar

FY23 Budget Calendar	
January	Long-term financial model updates are made
February 1 st	Line item CIP development begins Line item Operating budget development begins
February 26 th	Operating budgets due to Chief/Division Director for review
March 4 th	Rates, Rental and Charges planning meeting #1
March 12 th	Chief/Division Director approval of Operating budgets
March 17 th – April 7 th	Divisional Operating budget review meetings with Executive Director and CFO
March 23 rd	Capital budget presentation to CIP Management Team
April 5 th	Rates, Rentals and Charges planning meeting #2
April 13 th	Executive Director final approval of Capital and Operating budgets
April 15 th	Final draft of Preliminary Rates, Rentals and Charges
May 12 th	Budget & Rate recommendations to Joint Finance/Infrastructure Committee
May 24 th	Budget & Rate recommendations to MSD Board

Rate Setting Process

Rate increase recommendations for MSD's Jefferson County service area in excess of 4 percent but less than 7 percent require a sixty day written notice to the Louisville Metro Mayor and Louisville Metro Council prior to final MSD Board approval and implementation. Additionally, MSD advertises a thirty-day public comment period for the Jefferson County preliminary rate resolution during the month of June. Public comments are received at MSD, summarized and presented to the Board prior to approval of the final rate resolution. The final rate resolution is voted on by the Board at its July meeting following the expiration of the sixty day notification requirement. If approved, new rates become effective on August 1st. Rate increases in Jefferson County in excess of 7 percent require Louisville Metro Council approval.

Bullitt County rates are established and governed by the Interlocal Cooperation Agreement between the County and MSD. The Bullitt County Schedule of Rates, Rentals and Charges currently in effect is published on our website at <https://louisvillemtd.org/Rates>.

Oldham County rates are established and governed by the Interlocal Cooperation Agreement between the County and MSD. The Oldham County Schedule of Rates, Rentals and Charges currently in effect is published on our website at <https://louisvillemtd.org/Rates>.

Financial Policies and Standard Operating Procedures

Audited Financial Statements Standard Operating Procedure

- MSD is a component unit of Louisville/Jefferson County Metro Government.
- MSD prepares financial statements in conformity with GAAP.
- MSD uses proprietary fund accounting (enterprise fund). Due to the election as a regulated operation under Governmental Accounting Standards Board (GASB) 62, to meet industry accounting standards and follow transactional intent, MSD uses, as applicable, Accounting Standards Codification (ASC) 980, Regulated Accounting.
- MSD will issue audited financial statements no later than six months following the end of the fiscal year.

Billing and Collection Policy

- All fees, rates, rentals, charges and assessments for MSD services shall be established, billed, administered and collected in accordance with all applicable local, state and federal rules, statutes and regulations.
- Whenever any sewer rates, rentals, or charges for services rendered remain unpaid for a period of 30 days after the same becomes due and payable, MSD shall declare the property, the owner thereof, and the user of the service, delinquent until such time as all sewer rates, rentals and charges are fully paid and may cut off the sewer connection and service.

Budget Framework Standard Operating Procedure

- MSD will adopt Board-approved budgets prior to the beginning of the fiscal year.
- MSD will follow Louisville Metro Ordinance 50.24 for debt service adjustments in Jefferson County.
- MSD will follow Interlocal agreements for rate adjustments in Bullitt and Oldham counties.

Debt Issuance Policy

- MSD will incur debt in accordance with federal, state and local law under an MSD Board authorizing resolution and using only legally authorized debt instruments. The incurrence of senior revenue debt shall first be authorized by the Legislative Council of Louisville Metro Government and Louisville Metro Mayor.
- The incurrence of revenue debt is not subject to statutory debt limitation and is not subject to voter approval, however may be limited by debt service coverage ratios and other bond provisions contained in bond covenants. It is the policy of MSD to review these limitations prior to authorizing additional bonds. MSD shall seek to structure debt to achieve the lowest cost of capital reasonably available and shall take advantage of opportunities to refinance debt at favorable terms when practical.
- The Finance Division will update the long-term financial model with actual results, forecasts, and other changes on an annual basis. The long-term financial model will be used to develop and evaluate scenarios for funding debt service, operating expenses and the CIP. The model will be used to support debt financings that are fiscally responsible.

Investment Policy

- MSD's investment program is operated in conformance with KRS 66.480.
- The MSD Board of Directors, as the governing body, will retain ultimate fiduciary responsibility for all investment portfolios.

Procurement Regulation Policy

- MSD procurement activities are governed by KRS 45A.345 – KRS 45A.460.
- It is the policy of the MSD Board to ensure maximum practicable competition in all procurement activities.

Budget Summary

The fiscal year 2023 budget is \$546.6 million or \$232 million less than fiscal 2022. Details of the operating CIP and debt service budgets can be found in the corresponding sections of this document.

Budget Summary

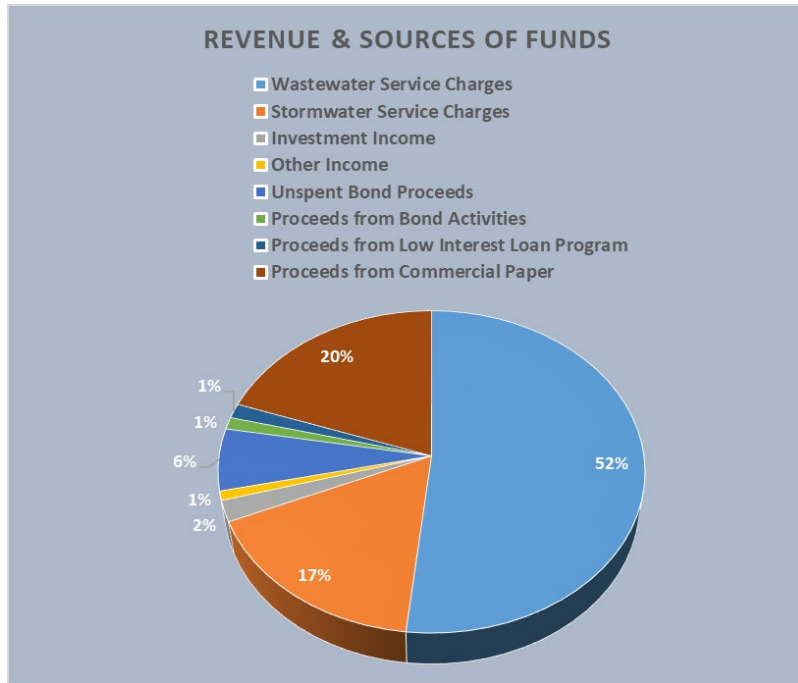
Dollars in 000's

	FY 2022 Budget	FY 2023 Budget	Budgeted Difference
Revenue & Sources of Funds			
Wastewater Service Charges	\$ 257,820	\$ 282,644	\$ 24,824
Stormwater Service Charges	84,988	91,599	6,611
Investment Income	11,526	11,526	-
Other Income	5,300	5,050	(250)
Unspent Bond Proceeds	-	34,000	34,000
Proceeds from Bond Activities	234,893	6,540	(228,353)
Proceeds from Low Interest Loan Program	18,650	7,965	(10,685)
Proceeds from Commercial Paper	165,000	107,000	(58,000)
Cash on Hand	975	-	(975)
Total Revenue & Source of Funds	\$ 779,152	\$ 546,324	\$ (232,828)

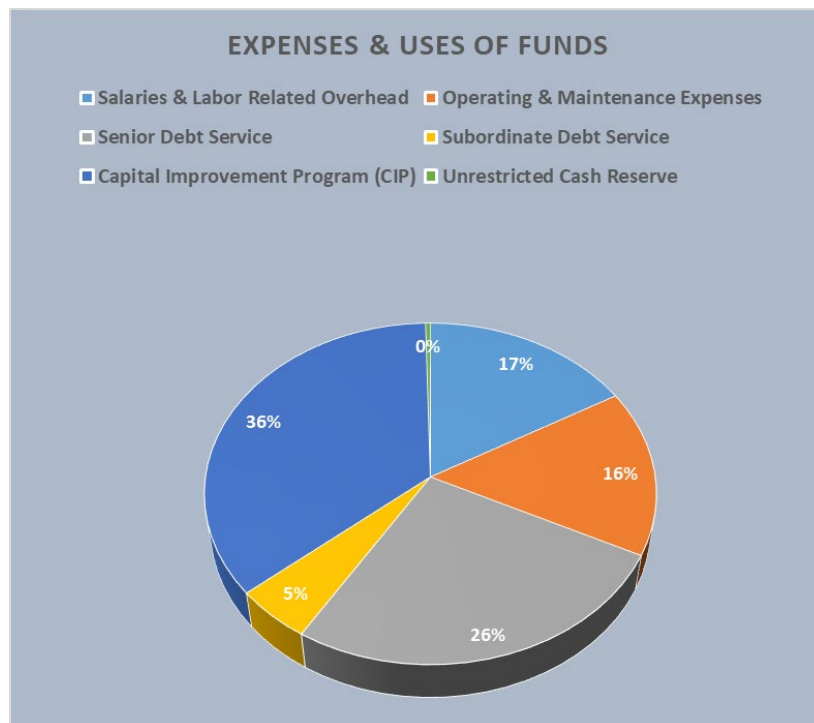
Expenses & Uses of Funds

Salaries & Labor Related Overhead	\$ 83,411	\$ 90,698	\$ 7,287
Operating & Maintenance Expenses	78,793	85,970	7,177
Senior Debt Service	145,977	144,578	(1,399)
Subordinate Debt Service	28,000	27,711	(289)
Defeasance of Commercial Paper	240,050	-	(240,050)
Capital Improvement Program (CIP)	202,921	195,306	(7,615)
Unrestricted Cash Reserve	-	2,061	2,061
Total Expense & Use of Funds	\$ 779,152	\$ 546,324	\$ (232,828)

The chart below shows budgeted revenue and sources of funds. Budgeted user service charges are \$374.2 million, or 69 percent, of the revenue and sources of funds. Capital related sources of funds total \$155.5 million, or 28 percent.



The chart below shows budgeted revenue and sources of funds. The Operating budget totals \$176.6 million, or 33 percent. The CIP totals \$195 million, or 36 percent. Debt service totals \$172.2 million, or 31 percent.



Fiscal Year

MSD's fiscal year runs from July 1st through June 30th. Fiscal year 2023 begins July 1, 2022 and ends June 30, 2023.

Basis of Accounting

MSD's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. MSD follows GASB Pronouncements as codified under GASB 62, including electing to report as a regulated operation. MSD uses proprietary fund accounting (enterprise fund). Due to the election as a regulated operation under GASB 62, to meet industry accounting standards and follow transactional intent, MSD uses, as applicable, ASC 980, Regulated Accounting.

The sewer and drainage system owned and operated by MSD is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the system are included on the Statement of Net Position. Total net position is segregated into net investment in capital assets, restricted for payment of bond principal and interest and unrestricted. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. MSD utilizes the accrual basis of accounting wherein revenues are recorded when earned and expenses are recorded at the time the liability is incurred.

Basis of Budgeting

MSD prepares its budget on a modified accrual basis. Revenues are recognized when earned and expenses are recognized when the liability is incurred. Proceeds from debt are treated like revenues and identified as a source of funds. Depreciation and other non-cash expenses such as GASB 68 (pension) and GASB 75 (OPEB) are not included in the budget. Capital expenditures and principal payments on debt are treated as expenses.

Key Assumptions

- 85 percent of the Jefferson County rate increase for wastewater service is assumed to be realized.
- MSD's required contributions to the County Employee Retirement System (CERS) for fiscal year 2023 decreased from 26.95 percent to 26.79 percent.
- Health Insurance reflects a 5 percent premium increase.
- Salaries and wages expense for vacant positions includes a salary salvage component based on historical trend.
- Inflationary impacts to chemical, fuel, and materials and supplies, both in the operating budget and CIP, have been assessed using the applicable CPI or PPI price index.

Funds Description and Structure

Revenue Fund: MSD's general, operating Revenue Fund. All revenues are deposited in this fund and are used to pay all MSD expenses with the exception of bond issuance costs. It is MSD's practice to use revenue from operations to finance construction and to reimburse the Revenue fund from the Construction and Acquisition fund. MSD may, for accounting or allocation purposes, establish one or more additional or subaccounts within the Revenue Fund. MSD maintains separate Revenue funds for Bullitt and Oldham counties.

Debt Service Fund: The Debt Service Fund is authorized by MSD's Sewer and Drainage System Bond Resolution and used to hold the monthly sinking fund installments of the annual principal and interest due on MSD's outstanding revenue bonds.

Debt Service Reserve Fund: MSD's General Bond Resolution sets a debt service reserve requirement equal to at least 10 percent of the face amount of all bonds issued under the resolution, 100 percent of the maximum aggregate net debt service in the current or any future fiscal year or 125 percent of the average aggregate net debt service in the current or any future fiscal year. MSD funds its debt service reserve at 100 percent of the maximum aggregate net debt service in the current or any future fiscal year. The General Bond Resolution allows, in lieu of cash and investments in that amount, a letter of credit or policy of bond

insurance payable in the required amount. The cash portion of the reserve requirement is held in the Debt Service Reserve fund.

Construction Fund: Construction Funds are authorized by MSD's Sewer and Drainage System Bond Resolution and Program Note Resolution and are typically used to hold debt proceeds until needed for their intended use.

Operating Reserve Fund: It is MSD's practice to maintain unrestricted cash and cash equivalents in reserve in the Revenue Fund equal to at least 150 days of annual Operating and Maintenance expenses. Amounts in excess of the minimum will be considered for contingencies.

Renewal and Replacement Fund: The Renewal and Replacement fund is authorized by the MSD's Sewer and Drainage System Bond Resolution. Monies in the Renewal and Replacement Account may be applied to the cost of major replacements, repairs, renewals, maintenance, betterments, improvements, reconstructions or extensions of MSD's systems as determined by the MSD Board. MSD may, for accounting or allocation purposes, establish one or more additional or subaccounts within the Revenue and Replacement Account.



MSD Operations Field Technician Jeff Fields checks the water quality in and around Beargrass Creek during a bridge replacement project.

Revenue

Available Revenues

MSD's Bond Resolution defines Available Revenues as "revenues from all rates, rents and charges and other operating income, any other amounts received from any other source and pledged as security for the payment of bonds, and interest received or to be received on any moneys or securities held pursuant to the Sewer and Drainage System Bond Resolution".

Wastewater and drainage service charges make up the largest component of Available Revenues but it also includes Other Operating Income, the current portion of assessment payments and Non-Operating Income. Other Operating Income consists of fees for various services and fines assessed. Major categories of Other Operating Income include capacity charges, inspection fees, inflow & infiltration fees and regional facility fees. Current assessment payments represent the portion of MSD's assessment loans that are due and receivable in the current fiscal year. Non-operating income consists of investment income earned on MSD's operating and debt service reserve accounts and the federal interest subsidy on MSD's Build America Bonds.

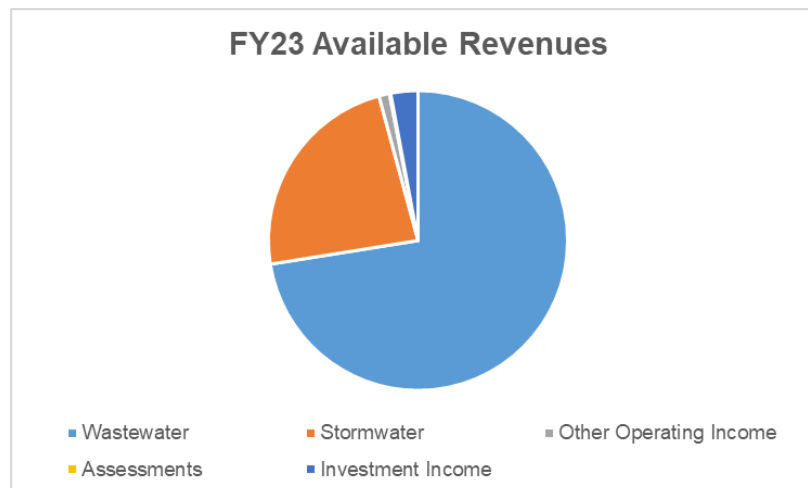
Following is the Available Revenues budget for fiscal 2023.

Operating Income & Expenses *Dollars in 000's*

	FY22 Budget	FY23 Budget
Wastewater Service Charges	\$ 257,521	\$ 282,644
Stormwater Service Charges	85,238	91,599
Other Operating Income	4,499	4,500
Total Operating Income	\$ 347,258	\$ 378,743

Other Income *Dollars in 000's*

	FY22 Budget	FY23 Budget
Current Portion of Assessments	\$ 850	\$ 550
Investment Income	1,188	1,188
Build America Bond Subsidy	10,338	10,338
Total Non-Operating Income	\$ 12,376	\$ 12,076



Historical Revenue Overview

Historical Revenue Dollars in 000's

	FY 2017	FY2018	FY 2019	FY20	FY21	FY22 F	FY23 B
Revenues							
Service Charges	\$ 253,943	\$ 274,504	\$ 289,173	\$ 312,859	\$ 325,717	\$ 360,883	\$ 374,243
Other Operating Income	5,691	4,645	5,195	6,198	3,701	9,216	4,500
Assessments	1,375	1,232	1,258	909	799	550	550
Investment Income	14,273	16,531	18,692	15,600	12,175	11,526	11,526
Total Available Revenues	\$ 275,282	\$ 296,912	\$ 314,318	\$ 335,566	\$ 342,392	\$ 382,175	\$ 390,819

Jefferson County Fiscal 2023 Preliminary Rate Resolution

MSD covenants in its Bond Resolution to maintain sufficient available revenues to cover the cost of operating its systems, paying its annual debt service and funding a portion of asset repair and rehabilitation costs. Louisville Metro Ordinance §50.24 requires that whenever MSD's net revenues are less than 1.1 times the debt service on MSD's outstanding revenue bonds for any consecutive six-month period, by order of the Board of MSD, the schedule of wastewater and drainage service charges shall be amended in order to maintain a 1.10 debt service coverage required by MSD's 1971 bond authorizing resolution provided the aggregate of such adjustments for any 12-month period shall not generate additional revenue from wastewater and drainage service charges in excess of 7 percent. MSD performs this debt service calculation every year during the rate planning process. For the six month period ending March 31, 2022, the debt service coverage ratio was 0.84. Following is the Metro Ordinance Debt Service Coverage calculation for the period of October 1, 2021 through March 31, 2022.

Metro Ordinance Debt Service Coverage Calculation Dollars in 000's

	October 2020 - March 2021	October 2021 - March 2022
Revenue	\$ 131,377	\$ 146,034
Operating Expenses	(59,476)	(65,049)
Subordinate Debt Service	(10,035)	(9,195)
Net Revenue	\$ 61,866	\$ 71,790
Bond Principal Maturities	\$ 44,985	\$ 51,480
Bond Interest Expense	39,828	34,072
Net Debt Service	\$ 84,813	\$ 85,552
Metro Ordinance Debt Service Coverage Ratio	0.73	0.84

On May 24, 2022, the MSD Board approved a preliminary rate resolution amending MSD's fiscal year 2022 Schedule of Rates, Rentals, and Charges for Jefferson County. The proposed fiscal year 2023 rate schedule, which was recommended pursuant to the debt service adjustment provisions of §50.24, includes a 5 percent rate increase in wastewater and drainage charges. This rate increase is necessary to produce aggregate revenues to MSD sufficient for the payment of interest on and principal of all revenue bonds and other debt of the District, the expenses of operating and maintaining the sewer and drainage system, and for the payment of capital improvements to the system. The preliminary rate resolution was posted on our

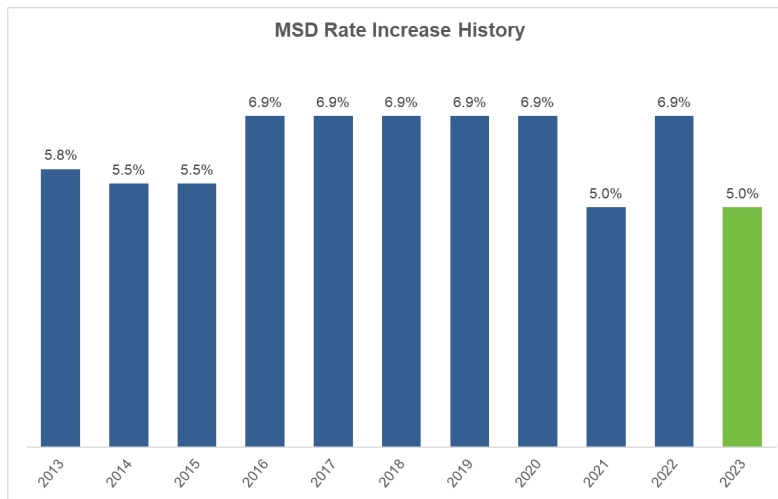
website at LouisvilleMSD.org/Rates and notice of the rate increase was published in the Courier Journal on June 1, 2022. MSD will accept written comments on the preliminary rate resolution until June 30, 2022. Comments from the public will be delivered to the MSD Board on July 25, 2022 at which time the Board will consider final adoption of the preliminary rate resolution.

MSD defines an average residential customer as a single family household that uses 4,000 gallons of water per month. The monthly wastewater bill for the average residential customer in Jefferson County will increase on August 1, 2022 from \$54.99 to \$57.75 or by \$2.76. The monthly residential drainage charge will increase from \$11.88 to \$12.47 or by \$0.59. The total monthly increase for the average residential customer is \$3.35.

Average Monthly Residential Bill		
Jefferson County Service Area	8/1/2021	8/1/2022
Wastewater	\$ 54.99	\$ 57.75
Drainage	11.88	12.47
Total	\$ 66.87	\$ 70.22
Monthly Wastewater Increase	\$ 3.54	\$ 2.76
Monthly Drainage Increase	0.77	0.59
Total Monthly Increase	\$ 4.31	\$ 3.35

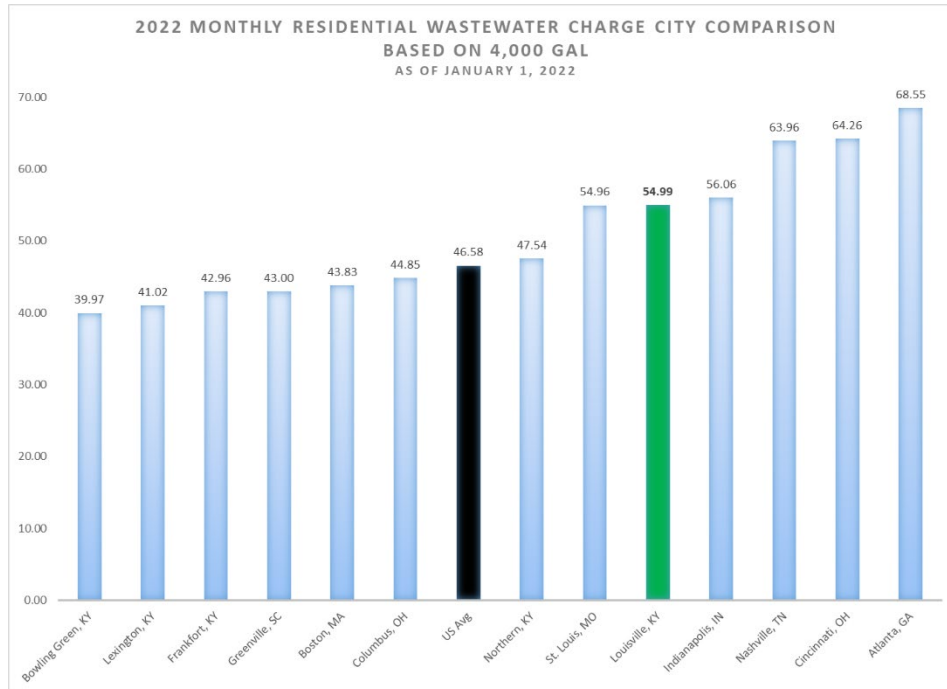
Rate Increase History

The following table shows MSD's rate increase history since 2013 along with the current preliminary rate increase.



Rate Comparability

The National Association of Clean Water Agencies (NACWA) collects data from around the country on wastewater rates. Based on information collected as of January 1, 2022, MSD's wastewater rates remain comparable to area regional cities like Indianapolis and St. Louis.



NACWA publishes an annual Cost of Clean Water Index. The 2020 Index found that the average cost of wastewater services in 2020 surpassed the increase in the rate of inflation as measured by the Consumer Price Index (CPI) for the 19th consecutive year. NACWA's results indicated that for the foreseeable future service charges will continue to increase nationwide as utilities struggle with capital infrastructure requirements, debt financing and aging infrastructure. Additionally, expected increases in operation and maintenance costs as well as regulatory requirements associated with nutrients will continue to drive the total cost to operate wastewater utilities.

Customer Affordability

MSD recognizes that the affordability of the essential services it provides is a concern for many. We have implemented the following programs to provide assistance to the most vulnerable in our community. MSD expects to provide over \$1,800,000 in total customer assistance in fiscal year 2023.

EWRAP

MSD implemented the Emergency Wastewater Rate Assistance Program (EWRAP) on August 1, 2020. Beginning October 1, 2022, EWRAP will provide a 30 percent discount on MSD wastewater services to customers with a total household income at or below 150 percent of the federal poverty line. Once a customer is approved for EWRAP, the discount will continue through September 30, 2023. Applications require household information and income verification. Program participation will be capped based on available funding. Program participants must re-apply for the discount annually.

Senior Citizens Discount

MSD offers a Senior Citizens Discount program for customers that are 65 years or older with an annual income of \$35,000 or less. Qualifying customers receive a 30 percent discount on wastewater services. This program provides about \$1,000,000 in assistance to qualifying seniors annually. Customers cannot qualify for both the Senior Discount and EWRAP discount. Applications require household information and income verification. Program participants must re-certify annually.

Drops of Kindness

MSD will contribute \$150,000 to the Louisville Water Foundation in fiscal year 2023. This funding is distributed to the Association of Community Ministries to provide customer bill assistance to families in need.

Questions about our customer assistance programs can be directed to revenuegroup@louisvillemsd.org.

Operating Budget

MSD's operating budget provides funding to operate and maintain its wastewater, drainage and flood protection systems.

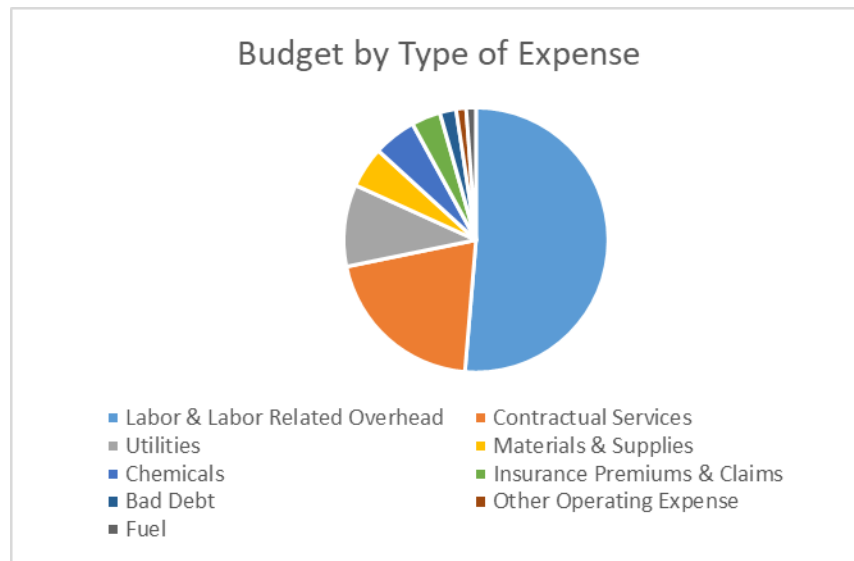
Operating Budget Summary

Following is a summary of the total Board-approved fiscal year 2023 operating budget.

MSD FY23 Budget Request
Operating & Maintenance Expenses
Dollars in 000's

Combined Service Area				
	FY22 Budget	FY23 Budget	Budget/ Budget	
Salaries & Wages	\$ 56,399	\$ 61,871	9.7%	
Labor Related Overhead	27,014	28,827	6.7%	
Total Salary & LRO	83,413	90,698	8.7%	
Bad Debt	3,516	3,535	0.5%	
Chemicals	6,708	9,255	38.0%	
Contractual Services	35,733	36,098	1.0%	
Fuel	1,356	2,116	56.0%	
Insurance Premiums & Claims	3,800	6,278	65.2%	
Materials & Supplies	7,314	8,831	20.7%	
Other Operating Expense	2,086	2,161	3.6%	
Utilities	18,278	17,696	-3.2%	
Total O&M	78,791	85,970	9.1%	
Total Operating Budget	\$ 162,204	\$ 176,668	8.9%	

Labor and labor related overhead represent 51 percent of the operating budget and these expenses are increasing 8.7 percent in total, budget-to-budget. Operating and maintenance expenses represent 49 percent of the operating budget and are increasing increase 9.1 percent in total, budget-to-budget.



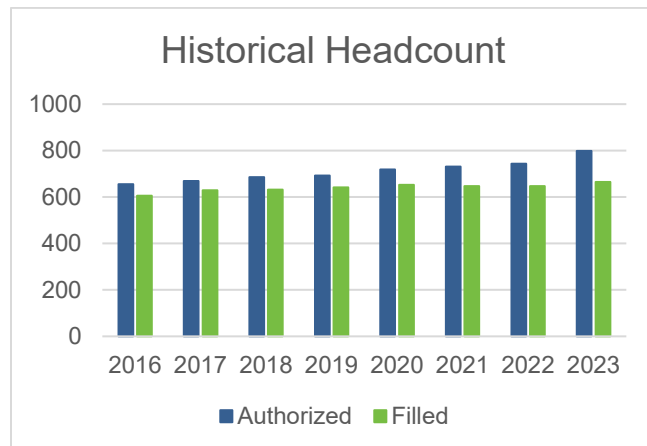
Labor

MSD budgets for authorized headcount considering vacancy rates, performance pay adjustments and reclassifications. MSD has contracts with two labor unions; LIUNA which represents 170 authorized positions (21.2 percent) and NAGE which represents 163 authorized positions (20.4 percent). The table to the left breaks down the total authorized headcount by MSD division and department.

At the time of budget development there were 132 vacation positions at MSD as shown in the following table.

FY23 Budget Vacancies by Division	
Administration	18
Engineering	13
Finance	5
Human Resources	4
Information Technology	3
Legal	5
Operations	77
Supply Chain & Economic Inclusion	7
Total Vacant Positions	132

Historical authorized and filled positions at the end of each fiscal year and for the beginning of fiscal 2023 are shown below.



Labor Related Overhead

Labor-related overhead includes all employer-paid payroll taxes as well as benefits including medical, dental and vision insurance and employer-paid pension contributions. MSD budgeted for a 5 percent increase in employer-paid medical insurance premiums. MSD employees participate in the County Employees Retirement System (CERS). Employer-paid contributions for fiscal 2023 are 26.79 percent of eligible employee creditable compensation.

FY23 Authorized Headcount by Division	
Administration	
Community Benefits & Partnerships	5
Corporate	1
Customer Relations	22
Executive Office	3
Facilities	9
Government & Public Affairs	6
Innovation	3
Internal Audit	4
Records & Information Governance	9
Safety & Security	21
Total	83
Engineering	
Administration	1
Capital Program Controls	2
Development & Stormwater Services	34
Regulatory Compliance, Records & GIS	15
Technical Services	49
Total	101
Finance	
Administration & Budget	5
General Accounting	6
Revenue	8
Total	19
Human Resources	
HR Services	13
Training	8
Total	21
Information Technology	
Administration	1
Information Systems	6
LOJIC	10
Support Services	15
Total	32
Legal	12
Total	12
Operations	
Administration	3
Fleet	21
Linear Assets	220
Vertical Assets	260
Total	504
Supply Chain & Economic Inclusion	
Administration	1
Procurement	9
Storeroom	10
Supplier Diversity & SBE Program	7
Total	27
Total Authorized Positions	799

Operating and Maintenance Expenses

Operating and maintenance expenses in the fiscal 2023 operating budget are projected to increase 9.3 percent in total over the fiscal 2022 budget. While there are some incremental increases in some expense line items, the most significant budgetary increases are being driven by inflation. Chemicals expense is expected to increase 38 percent, fuel costs will increase by 56 percent and materials costs are expected to rise 20.7 percent. The 2023 operating budget also includes a 65.2 percent budget-to-budget increase in liability and property insurance premiums and claims. This increase is due to claim history and a very difficult municipal insurance market nationwide.

Division Operating Budgets

Operating budgets for each MSD division follow.

Administration Division Operating Budget

Administration O&M Budget	FY2022 Budget	FY2023 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$5,726,961	\$6,443,450	\$716,488	12.5%
51130 - Overtime	\$42,400	\$73,600	\$31,200	73.6%
51300 - Payroll Taxes	\$426,104	\$476,707	\$50,603	11.9%
51400 - Unemployment Insurance	\$3,108	\$3,108	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$494,197	\$602,750	\$108,554	22.0%
51600 - Retirement Contributions	\$1,477,893	\$1,643,473	\$165,580	11.2%
	\$8,170,664	\$9,243,089	\$1,072,425	13.1%
NON-LABOR				
53310 - Electric	\$300,000	\$300,000	\$0	0.0%
53320 - Natural Gas	\$28,440	\$28,440	\$0	0.0%
53330 - Water	\$15,000	\$30,000	\$15,000	100.0%
53140 - Materials & Supplies	\$270,223	\$276,943	\$6,720	2.5%
51700 - Uniforms	\$63,200	\$66,200	\$3,000	4.7%
52130 - Custodial & Watchmen	\$791,280	\$695,749	(\$95,531)	-12.1%
52140 - Professional Services	\$754,000	\$673,803	(\$80,197)	-10.6%
52160 - Maintenance & Repairs	\$852,952	\$823,037	(\$29,915)	-3.5%
52180 - Temporary Services	\$72,000	\$47,380	(\$24,620)	-34.2%
52195 - Other Contractual Services	\$162,552	\$209,654	\$47,102	29.0%
54110 - General Liability Insurance	\$0	\$13,848	\$13,848	100.0%
54140 - General Liability Claims	\$10,786	\$0	(\$10,786)	100.0%
53410 - Equipment Rental	\$9,000	\$9,000	\$0	0.0%
53430 - Leased Parking	\$34,500	\$79,540	\$45,040	130.6%
54250 - Contributions	\$257,500	\$264,500	\$7,000	2.7%
54400 - Advertising	\$83,070	\$81,800	(\$1,270)	-1.5%
54500 - Travel & Meetings	\$126,451	\$164,901	\$38,450	30.4%
54550 - Training	\$50,979	\$75,729	\$24,750	48.5%
54600 - Dues, Fees and Subscriptions	\$166,036	\$198,785	\$32,749	19.7%
54700 - Board Members	\$14,400	\$14,400	\$0	0.0%
	\$4,062,368	\$4,053,709	(\$8,659)	-0.2%
Total O&M Budget	\$12,233,032	\$13,296,798	\$1,063,766	8.7%

Corporate Division Operating Budget

Corporate O&M Budget	FY2022 Budget	FY2023 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$219,675	\$227,353	\$7,678	3.5%
51147 - Service & Safety Incentive Awards	\$28,568	\$28,568	\$0	0.0%
51220 - Workers' Compensation Insurance	\$264,468	\$325,008	\$60,540	22.9%
51225 - Workers' Compensation Claims	\$1,070,786	\$1,184,241	\$113,456	10.6%
51230 - Long-Term Disability	\$49,992	\$50,400	\$408	0.8%
51240 - Group Life - AD&D Insurance	\$99,960	\$39,600	(\$60,360)	-60.4%
51250 - Tuition Assistance	\$60,000	\$60,000	\$0	0.0%
51260 - Empl Assistance & Wellness Program	\$14,000	\$14,000	\$0	0.0%
51300 - Payroll Taxes	\$12,012	\$12,105	\$93	0.8%
51400 - Unemployment Insurance	\$912	\$0	(\$912)	-100.0%
51500 - Med Ins: MSD's port. of prem for grp	\$11,230	\$11,792	\$561	5.0%
51600 - Retirement Contributions	\$62,168	\$60,908	(\$1,260)	-2.0%
	\$1,893,770	\$2,013,975	\$120,205	6.3%
NON-LABOR				
53140 - Materials & Supplies	\$0	\$20,000	\$20,000	100.0%
52110 - Billing & Collection	\$6,204,714	\$6,711,266	\$506,552	8.2%
52140 - Professional Services	\$205,100	\$0	(\$205,100)	100.0%
52155 - Banking Services	\$10,000	\$0	(\$10,000)	-100.0%
52195 - Other Contractual Services	\$2,000,736	\$2,015,000	\$14,264	0.7%
54200 - Bad Debts	\$3,500,000	\$3,500,000	\$0	0.0%
54110 - General Liability Insurance	\$1,100,004	\$3,576,456	\$2,476,452	225.1%
54130 - Property Insurance	\$2,029,992	\$1,971,600	(\$58,392)	-2.9%
54140 - General Liability Claims	\$540,000	\$540,000	\$0	0.0%
54500 - Travel & Meetings	\$11,000	\$14,000	\$3,000	27.3%
54550 - Training	\$32,800	\$32,800	\$0	100.0%
54600 - Dues, Fees and Subscriptions	\$475	\$800	\$325	68.4%
	\$15,634,821	\$18,381,922	\$2,747,101	17.6%
Total O&M Budget	\$17,528,591	\$20,395,897	\$2,867,306	16.4%

Engineering Division Operating Budget

Engineering O&M Budget	FY2022 Budget	FY2023 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$8,036,546	\$8,636,033	\$599,488	7.5%
51130 - Overtime	\$165,972	\$49,396	(\$116,576)	-70.2%
51135 - Special Event Compensation	\$996	\$996	\$0	0.0%
51300 - Payroll Taxes	\$604,710	\$649,830	\$45,120	7.5%
51400 - Unemployment Insurance	\$4,992	\$4,992	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$972,590	\$1,062,744	\$90,154	9.3%
51600 - Retirement Contributions	\$2,228,442	\$2,215,168	(\$13,274)	-0.6%
	<u>\$12,014,248</u>	<u>\$12,619,159</u>	<u>\$604,912</u>	<u>5.0%</u>
NON-LABOR				
53140 - Materials & Supplies	\$88,548	\$71,148	(\$17,400)	-19.7%
52140 - Professional Services	\$195,500	\$124,000	(\$71,500)	-36.6%
52160 - Maintenance & Repairs	\$3,000	\$178,000	\$175,000	5833.3%
52180 - Temporary Services	\$10,000	\$10,000	\$0	100.0%
54500 - Travel & Meetings	\$51,625	\$55,275	\$3,650	7.1%
54550 - Training	\$42,710	\$33,460	(\$9,250)	-21.7%
54600 - Dues, Fees and Subscriptions	\$37,910	\$39,115	\$1,205	3.2%
	<u>\$429,293</u>	<u>\$510,998</u>	<u>\$81,705</u>	<u>19.0%</u>
Total O&M Budget	\$12,443,541	\$13,130,157	\$686,617	5.5%

Finance Division Operating Budget

Finance O&M Budget	FY2022 Budget	FY2023 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$1,406,218	\$1,497,019	\$90,801	6.5%
51130 - Overtime	\$1,500	\$1,500	\$0	0.0%
51300 - Payroll Taxes	\$104,904	\$111,616	\$6,712	6.4%
51400 - Unemployment Insurance	\$892	\$892	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$153,383	\$144,014	(\$9,369)	-6.1%
51600 - Retirement Contributions	\$387,808	\$390,394	\$2,585	0.7%
	<u>\$2,054,705</u>	<u>\$2,145,435</u>	<u>\$90,730</u>	<u>4.4%</u>
NON-LABOR				
53140 - Materials & Supplies	\$6,900	\$6,600	(\$300)	-4.3%
52140 - Professional Services	\$129,180	\$153,705	\$24,525	19.0%
52155 - Banking Services	\$44,580	\$47,100	\$2,520	5.7%
52195 - Other Contractual Services	\$21,310	\$20,000	(\$1,310)	-6.1%
54400 - Advertising	\$400	\$20,792	\$20,392	100.0%
54500 - Travel & Meetings	\$18,500	\$22,492	\$3,992	21.6%
54550 - Training	\$14,540	\$14,540	\$0	0.0%
54600 - Dues, Fees and Subscriptions	\$6,169	\$6,419	\$250	4.1%
	<u>\$241,579</u>	<u>\$291,648</u>	<u>\$50,069</u>	<u>20.7%</u>
Total O&M Budget	\$2,296,284	\$2,437,083	\$140,799	6.1%

Human Resource Division Operating Budget

Human Resources O&M Budget	FY2022 Budget	FY2023 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$1,702,181	\$1,870,739	\$168,558	9.9%
51130 - Overtime	\$2,225	\$2,225	\$0	0.0%
51300 - Payroll Taxes	\$127,438	\$140,141	\$12,704	10.0%
51400 - Unemployment Insurance	\$1,040	\$1,040	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$181,980	\$197,625	\$15,645	8.6%
51600 - Retirement Contributions	\$460,364	\$478,559	\$18,195	4.0%
	<u>\$2,475,229</u>	<u>\$2,690,330</u>	<u>\$215,101</u>	<u>8.7%</u>
NON-LABOR				
53140 - Materials & Supplies	\$16,050	\$16,110	\$60	0.4%
51700 - Uniforms	\$1,000	\$1,500	\$500	50.0%
52140 - Professional Services	\$336,734	\$337,780	\$1,046	0.3%
52160 - Maintenance & Repairs	\$192	\$192	\$0	0.0%
54250 - Contributions	\$5,000	\$5,000	\$0	0.0%
54400 - Advertising	\$14,808	\$14,808	\$0	0.0%
54500 - Travel & Meetings	\$11,600	\$13,100	\$1,500	12.9%
54550 - Training	\$27,694	\$27,694	\$0	0.0%
54600 - Dues, Fees and Subscriptions	\$17,949	\$17,989	\$40	0.2%
	<u>\$431,027</u>	<u>\$434,173</u>	<u>\$3,146</u>	<u>0.7%</u>
Total O&M Budget	\$2,906,256	\$3,124,503	\$218,247	7.5%

Information Technology Division Operating Budget

Information Technology O&M Budget	FY2022 Budget	FY2023 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$3,106,965	\$3,208,874	\$101,909	3.3%
51130 - Overtime	\$11,196	\$16,200	\$5,004	44.7%
51135 - Special Event Compensation	\$1,000	\$5,000	\$4,000	400.0%
51300 - Payroll Taxes	\$234,992	\$242,938	\$7,946	3.4%
51400 - Unemployment Insurance	\$1,908	\$1,908	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$319,140	\$344,464	\$25,324	7.9%
51600 - Retirement Contributions	\$835,919	\$852,350	\$16,430	2.0%
	\$4,511,121	\$4,671,734	\$160,614	3.6%
NON-LABOR				
53340 - Telephone	\$330,200	\$313,000	(\$17,200)	-5.2%
53345 - Data Communications	\$929,750	\$1,022,000	\$92,250	9.9%
53140 - Materials & Supplies	\$562,804	\$536,748	(\$26,056)	-4.6%
51700 - Uniforms	\$1,000	\$1,000	\$0	0.0%
52140 - Professional Services	\$1,006,410	\$1,429,698	\$423,288	42.1%
52160 - Maintenance & Repairs	\$2,086,952	\$2,299,027	\$212,075	10.2%
52180 - Temporary Services	\$9,000	\$9,000	\$0	0.0%
52195 - Other Contractual Services	\$1,470,681	\$1,281,592	(\$189,089)	-12.9%
54500 - Travel & Meetings	\$48,000	\$39,000	(\$9,000)	-18.8%
54550 - Training	\$76,500	\$71,500	(\$5,000)	-6.5%
54600 - Dues, Fees and Subscriptions	\$8,099	\$6,840	(\$1,259)	-15.5%
	\$6,529,395	\$7,009,405	\$480,010	7.4%
Total O&M Budget	\$11,040,515	\$11,681,139	\$640,624	5.8%

Legal Division Operating Budget

Legal O&M Budget	FY2022 Budget	FY2023 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$1,030,938	\$1,306,616	\$275,678	26.7%
51130 - Overtime	\$3,600	\$3,600	\$0	0.0%
51300 - Payroll Taxes	\$73,158	\$91,889	\$18,731	25.6%
51400 - Unemployment Insurance	\$648	\$648	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$65,938	\$65,106	(\$833)	-1.3%
51600 - Retirement Contributions	\$255,692	\$301,458	\$45,767	17.9%
	<u>\$1,429,974</u>	<u>\$1,769,317</u>	<u>\$339,343</u>	<u>23.7%</u>
NON-LABOR				
53140 - Materials & Supplies	\$15,000	\$15,000	\$0	0.0%
52140 - Professional Services	\$253,896	\$332,700	\$78,804	31.0%
52145 - Legal	\$1,310,100	\$1,270,641	(\$39,459)	-3.0%
54500 - Travel & Meetings	\$14,000	\$14,000	\$0	0.0%
54550 - Training	\$2,000	\$2,000	\$0	0.0%
54600 - Dues, Fees and Subscriptions	\$47,992	\$50,918	\$2,926	6.1%
	<u>\$1,642,988</u>	<u>\$1,685,259</u>	<u>\$42,271</u>	<u>2.6%</u>
Total O&M Budget	\$3,072,962	\$3,454,576	\$381,614	12.4%

Operations Division Operating Budget

Operations O&M Budget	FY2022 Budget	FY2023 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$30,576,308	\$34,124,924	\$3,548,616	11.6%
51130 - Overtime	\$2,223,656	\$2,095,964	(\$127,692)	-5.7%
51135 - Special Event Compensation	\$353,192	\$357,235	\$4,043	1.1%
51300 - Payroll Taxes	\$2,346,966	\$2,617,720	\$270,755	11.5%
51400 - Unemployment Insurance	\$19,704	\$19,704	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$4,674,056	\$4,961,327	\$287,271	6.1%
51600 - Retirement Contributions	\$8,209,476	\$8,681,945	\$472,469	5.8%
	\$48,403,358	\$52,858,820	\$4,455,462	9.2%
NON-LABOR				
53310 - Electric	\$14,103,000	\$13,255,820	(\$847,180)	-6.0%
53320 - Natural Gas	\$981,182	\$985,496	\$4,314	0.4%
53330 - Water	\$1,322,600	\$1,415,523	\$92,923	7.0%
53345 - Data Communications	\$267,100	\$346,000	\$78,900	29.5%
53100 - Tires & Tire Service Expense	\$0	\$352,357	\$352,357	100.0%
53140 - Materials & Supplies	\$6,017,875	\$7,124,556	\$1,106,681	18.4%
53143 - Services - PM	\$30,000	\$0	(\$30,000)	-100.0%
53160 - Landfill Cost of fill dirt	\$273,000	\$378,000	\$105,000	38.5%
51700 - Uniforms	\$159,046	\$213,739	\$54,693	34.4%
52110 - Billing & Collection	\$165,216	\$208,974	\$43,758	26.5%
52130 - Custodial & Watchmen	\$197,600	\$146,855	(\$50,745)	-25.7%
52140 - Professional Services	\$556,900	\$895,671	\$338,771	60.8%
52160 - Maintenance & Repairs	\$2,490,834	\$2,377,261	(\$113,573)	-4.6%
52170 - Sludge & Grit Disposal	\$3,354,422	\$2,986,773	(\$367,649)	-11.0%
52180 - Temporary Services	\$191,600	\$164,850	(\$26,750)	-14.0%
52195 - Other Contractual Services	\$10,495,260	\$10,205,008	(\$290,252)	-2.8%
54200 - Bad Debts	\$16,212	\$35,292	\$19,080	117.7%
53205 - Peracetic Acid	\$0	\$200,000	\$200,000	100.0%
53210 - Chlorine	\$39,400	\$9,450	(\$29,950)	-76.0%
53215 - Sodium Hypochlorite	\$1,198,600	\$2,254,106	\$1,055,506	88.1%
53220 - Polymer	\$2,794,000	\$3,901,688	\$1,107,688	39.6%
53225 - Sodium Aluminate	\$291,800	\$431,232	\$139,432	47.8%
53230 - Liquid Oxygen	\$459,600	\$328,516	(\$131,084)	-28.5%
53235 - Liquid Nitrogen	\$24,000	\$88,584	\$64,584	269.1%
53240 - Other Chemicals	\$115,808	\$53,106	(\$62,702)	-54.1%
53250 - Dechlorination	\$498,500	\$747,772	\$249,272	50.0%
53275 - Defoamer	\$84,186	\$39,715	(\$44,471)	-52.8%
53280 - Bioxide	\$1,200,400	\$1,200,000	(\$400)	0.0%
53285 - Sodium Hydroxide	\$1,500	\$750	(\$750)	-50.0%
53120 - Gasoline	\$527,634	\$803,000	\$275,366	52.2%
53130 - Diesel Fuel	\$828,181	\$1,312,908	\$484,727	58.5%
54110 - General Liability Insurance	\$2,520	\$101,964	\$99,444	100.0%
54130 - Property Insurance	\$100,000	\$56,328	(\$43,672)	100.0%
54140 - General Liability Claims	\$17,000	\$17,250	\$250	1.5%
53410 - Equipment Rental	\$120,596	\$161,226	\$40,630	33.7%
53420 - Space Rent	\$30,000	\$30,000	\$0	0.0%
54400 - Advertising	\$1,650	\$1,650	\$0	0.0%
54500 - Travel & Meetings	\$74,440	\$95,450	\$21,010	28.2%
54550 - Training	\$209,871	\$182,274	(\$27,597)	-13.1%
54600 - Dues, Fees and Subscriptions	\$252,428	\$113,076	(\$139,352)	-55.2%
	\$49,493,961	\$53,222,221	\$3,728,259	7.5%
Total O&M Budget	\$97,897,319	\$106,081,041	\$8,183,721	8.4%

Supply Chain Division Operating Budget

Supply Chain O&M Budget	FY2022 Budget	FY2023 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$1,733,489	\$1,897,064	\$163,575	9.4%
51130 - Overtime	\$25,500	\$24,350	(\$1,150)	-4.5%
51300 - Payroll Taxes	\$130,851	\$143,192	\$12,341	9.4%
51400 - Unemployment Insurance	\$992	\$992	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$170,463	\$185,334	\$14,871	8.7%
51600 - Retirement Contributions	\$405,558	\$435,274	\$29,715	7.3%
	<u>\$2,466,853</u>	<u>\$2,686,205</u>	<u>\$219,352</u>	<u>8.9%</u>
NON-LABOR				
53140 - Materials & Supplies	\$33,300	\$33,560	\$260	0.8%
51700 - Uniforms	\$4,400	\$4,400	\$0	0.0%
52140 - Professional Services	\$168,773	\$125,700	(\$43,073)	-25.5%
52160 - Maintenance & Repairs	\$30,000	\$30,000	\$0	0.0%
52180 - Temporary Services	\$0	\$0	(\$0)	-100.0%
52195 - Other Contractual Services	(\$77,064)	\$1,020	\$78,084	-101.3%
53410 - Equipment Rental	\$5,000	\$15,000	\$10,000	200.0%
53430 - Leased Parking	\$2,500	\$0	(\$2,500)	100.0%
54250 - Contributions	\$19,000	\$29,500	\$10,500	55.3%
54400 - Advertising	\$35,500	\$28,300	(\$7,200)	-20.3%
54500 - Travel & Meetings	\$42,000	\$48,000	\$6,000	14.3%
54550 - Training	\$41,500	\$36,000	(\$5,500)	-13.3%
54600 - Dues, Fees and Subscriptions	\$20,110	\$29,400	\$9,290	46.2%
	<u>\$325,019</u>	<u>\$380,880</u>	<u>\$55,861</u>	<u>17.2%</u>
Total O&M Budget	\$2,791,872	\$3,067,085	\$275,213	9.9%

Capital Budget

Capital Budget Summary

The MSD Board approved the fiscal year 2023 capital budget totaling \$195.3 million on May 23, 2022. Many projects in this budget span multiple years and will continue spending beyond fiscal year 2023. Total five-year CIP spending is projected to be just over \$1 billion. The following table summarizes five-year CIP spending by service type.

Service Type	Five-Year CIP					Total
	FY23	FY24	FY25	FY26	FY27	
Wastewater	\$ 126,842	\$ 173,787	\$ 147,814	\$ 160,520	\$ 156,289	\$ 765,252
Stormwater	28,678	31,602	52,194	60,803	41,959	215,236
Support Systems	34,786	13,706	5,092	4,872	4,135	62,591
Management Reserve	5,000	-	-	-	-	5,000
Total	\$ 195,306	\$ 219,095	\$ 205,100	\$ 226,195	\$ 202,383	\$ 1,048,079

Sources and Uses of Funds

The CIP is funded with a mixture of cash funding, provided by operations, and debt. MSD utilizes its commercial paper program to provide short-term CIP financing. Periodically, commercial paper is redeemed with proceeds from the issuance of 30-year revenue bonds which provide fixed-rate, long-term financing. Additionally, MSD pursues low-cost financing opportunities through the Kentucky Infrastructure Authority's (KIA) State Revolving Fund loan program and the Environmental Protection Agency's Water Infrastructure Finance and Innovation Act (WIFIA). The following table summarizes CIP funding sources for fiscal year 2022.

FY23 CIP Budget	
<i>Dollars in 000's</i>	
Capital Improvement Plan	\$ 195,306
Funding Sources:	
Cash Funded	(41,801)
CP/Senior Debt	(111,540)
WIFIA	(4,165)
KIA Financing	(3,800)
Bond Proceeds	\$ (34,000)

Consent Decree Update

MSD agreed to enter into a Consent Decree with the Commonwealth of Kentucky's Environmental and Public Protection Cabinet (KEPPC) and the U.S. Environmental Protection Agency (EPA) on August 12, 2005. The Consent Decree called for MSD to submit a final Long-Term Control Plan (LTCP) to the KEPPC and EPA for review and joint approval. The final Sanitary Sewer Discharge Plan (SSDP) and the LTCP were certified on December 19, 2008 under the title of the Integrated Overflow Abatement Plan (IOAP). The SSDP included schedules and deadlines for capital projects to be completed by the end of 2024. The LTCP included schedules, and deadlines for combined sewer overflow projects to be completed by December 31, 2020.

On April 10, 2009, MSD agreed to enter into an Amended Consent Decree with the KEPPC and the EPA. The Amended Consent Decree resolved all pending claims of violations of the Federal Water Pollution

Control Act and the Water Quality Act of 1987. The Amended Consent Decree superseded and replaced the original Consent Decree entered on August 12, 2005. The Amended Consent Decree contains stipulated penalties for MSD's failure to comply with the provisions contained therein. The IOAP was amended in 2012 and 2014 to improve compliance and adjust capital project schedules.

Since entry of the 2009 Amended Consent Decree, MSD has spent approximately \$1 billion designing and constructing many of the IOAP projects. To date, all schedule milestones on IOAP projects to mitigate sewer overflows across the service area have been met. Local waterways are safer and cleaner today as a result of these expenditures. Spending on the Amended Consent Decree work has consumed the majority of MSD's capital expenditures since 2009. However, the IOAP projects have only addressed a fraction of the wastewater, drainage and flood protection assets under MSD's purview. An unintended consequence of compliance with the Amended Consent Decree has been deferred asset management on the remaining infrastructure.

MSD proactively approached the EPA in 2019 to renegotiate the timing for completing the remaining projects required by the Amended Consent Decree in order to reprioritize capital dollars for rehabilitation of MSD's aging biosolids systems, failing sewer interceptors, and flood protection system rehabilitation. As a result, MSD, the EPA, and the Commonwealth of Kentucky have negotiated the Second Amended Consent Decree, which grants a time extension for completing the remaining projects to 2035. MSD has agreed to invest a minimum of \$25 million annually for asset management projects through 2035. In addition, MSD agreed to incorporate \$70 million for critical sewer rehabilitation in its 5-year capital improvement plan. Final approval of the Second Amended Consent Decree is pending.

During negotiations with the EPA on the Second Amended Consent Decree, MSD engaged Black & Veatch to conduct a long-term financial analysis and financial capability analysis to evaluate the impact of required capital improvements on MSD's financial stability and customer affordability. The projected average annual residential bill for wastewater and drainage was calculated each year to evaluate the near-term and long-term impact of the capital improvements required by the Second Amended Consent Decree. The financial capability analysis showed that financing the Second Amended Consent Decree was achievable within the MSD Board's rate-setting authority.

The following table summarizes total regulatory spending, including the Second Amended Consent Decree, in the fiscal year 2023 CIP budget and the five-year CIP.

Regulatory CIP Summary		
<i>Dollars in 000's</i>		
	FY23 CIP	Five-Year CIP
Consent Decree	\$ 96,710	\$ 759,366
State Agreed Orders	26,200	50,582
CMOM Program	9,541	50,506
NMC Program	510	1,790
MS4 Program	1,963	10,212
	\$ 134,924	\$ 872,456

Additional information regarding the CIP can be found in the accompanying FY23 Capital Improvement Plan Overview Report.

Debt & Debt Service

Debt Service Budget

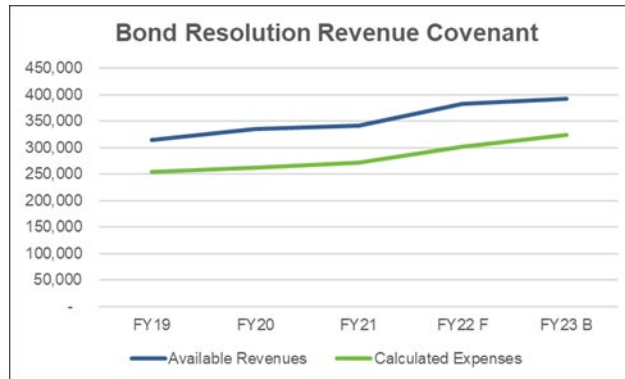
MSD's budgeted debt service for fiscal year 2023 is detailed below:

FY23 Budgeted Principal and Interest

<i>Dollars in 000's</i>				
Issue	Interest	Principal	Total	
Senior Debt				
Bond Series 2009C	\$ 10,764	\$ -	\$ 10,764	
Bond Series 2010A	20,625	-	20,625	
Bond Series 2013A	4,632	-	4,632	
Bond Series 2013B	4,560	1,765	6,325	
Bond Series 2013C	4	125	129	
Bond Series 2014A	3,370	50	3,420	
Bond Series 2015A	6,934	550	7,484	
Bond Series 2015B	2,603	2,980	5,583	
Bond Series 2016A	4,643	960	5,603	
Bond Series 2016B	722	2,080	2,802	
Bond Series 2016C	568	12,995	13,563	
Bond Series 2017A	5,886	6,110	11,996	
Bond Series 2017B	1,554	965	2,519	
Bond Series 2018A	2,415	-	2,415	
Bond Series 2019A	285	8,845	9,130	
Bond Series 2020A	6,383	1,000	7,383	
Bond Series 2020C	2,321	1,190	3,511	
Bond Series 2021A	5,303	12,765	18,068	
Bond Series 2022A	7,783	500	8,283	
Total Senior Debt	\$ 91,357	\$ 52,880	\$ 144,237	
Senior Subordinate Debt				
BAN	\$ 10,185	\$ -	\$ 10,185	
Commercial Paper	-	4,913	\$ 4,913	
Total Senior Subordinate Debt	\$ 10,185	\$ 4,913	\$ 15,098	
Subordinate Debt				
Swap Payments	\$ 8,488	\$ -	\$ 8,488	
Jefferson County KIA	616	740	1,356	
Oldham County Debt	639	1,751	2,391	
Bullitt County Debt	17	56	73	
Total Subordinate Debt	\$ 9,760	\$ 2,548	\$ 12,308	
Total FY23 Debt Service Payments	\$ 111,302	\$ 60,341	\$ 171,642	

Bond Resolution Revenue Covenant

This chart demonstrates MSD's ongoing compliance with the Revenue Covenant contained in our General Bond Resolution.



MSD's Beargrass Creek Flood Pump Station.

Debt Outstanding

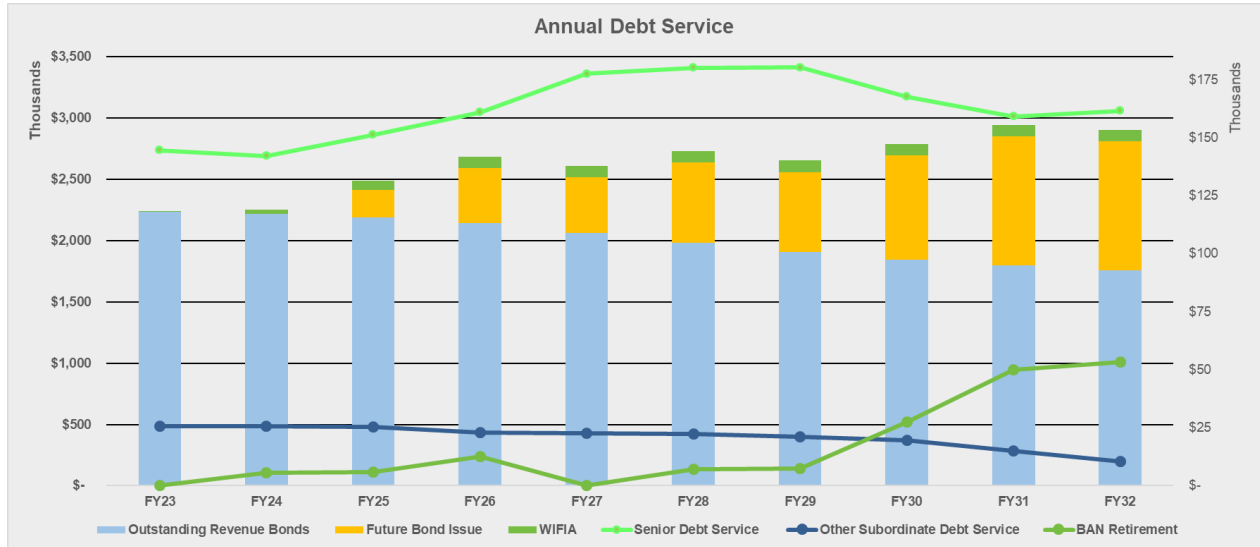
MSD's total debt at the end of fiscal year 2022 is \$2.6 billion. Following is a comparative, itemized schedule of debt outstanding for the last three fiscal years.

Total Outstanding Debt

	Outstanding June 30, 2020	Outstanding June 30, 2021	Outstanding June 30, 2022
Senior Debt			
Bond Series 2009C	\$ 180,000	\$ 180,000	\$ 180,000
Bond Series 2010A	330,000	330,000	330,000
Bond Series 2011A	246,225	243,910	-
Bond Series 2013A	115,790	115,790	115,790
Bond Series 2013B	112,575	110,970	109,280
Bond Series 2013C	99,250	250	125
Bond Series 2014A	79,750	79,700	79,650
Bond Series 2015A	173,160	172,175	171,395
Bond Series 2015B	71,515	68,815	65,975
Bond Series 2016A	149,290	148,415	147,500
Bond Series 2016B	23,915	21,960	19,910
Bond Series 2016C	50,515	32,305	12,995
Bond Series 2017A	161,895	155,790	149,390
Bond Series 2017B	32,885	32,055	31,210
Bond Series 2018A	60,380	60,380	60,380
Bond Series 2019A	24,770	17,065	8,845
Bond Series 2020A	-	224,750	224,000
Bond Series 2020C	-	110,790	109,605
Bond Series 2021A	-	-	240,485
Bond Series 2022A	-	-	224,750
Total Senior Debt	\$ 1,911,915	\$ 2,105,120	\$ 2,281,285
Senior Subordinate Debt			
BAN	\$ 226,340	\$ 226,340	\$ 226,340
Commercial Paper	255,000	150,000	40,000
Total Senior Subordinate Debt	\$ 481,340	\$ 376,340	\$ 266,340
Subordinate Debt			
General Obligation Bonds	\$ 12,453	\$ 11,629	\$ 10,774
KIA SRF Loans	15,818	32,462	39,998
KACO Lease	2,180	2,030	1,870
Notes Payable - LOC	100	-	-
Total Subordinate Debt	\$ 30,551	\$ 46,121	\$ 52,642
Total Outstanding Debt	\$ 2,423,806	\$ 2,527,581	\$ 2,600,267

Future Debt Issuance

MSD's total debt is projected continue to increase over the next ten years as we invest in rehabilitation of our aging infrastructure and work to address consent decree and regulatory compliance requirements. The chart below summarizes annual debt service and projected total senior debt over the next ten fiscal years.



Credit Ratings

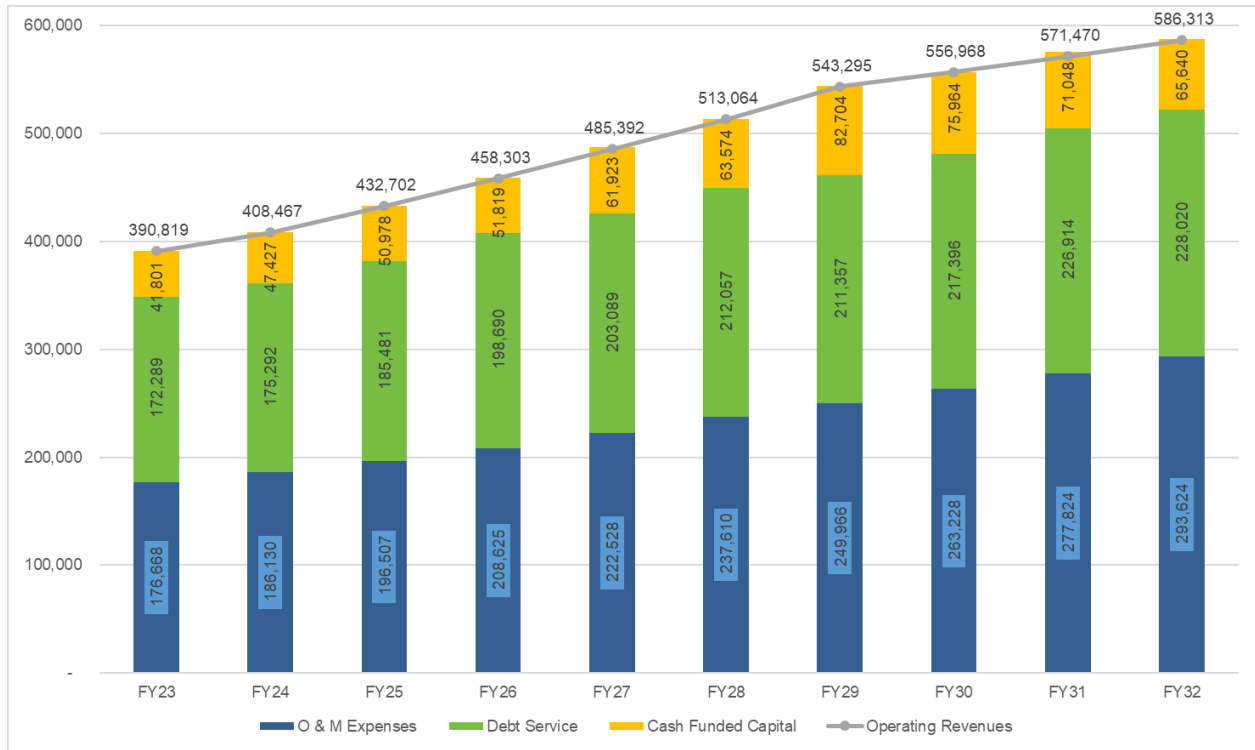
MSD strives continuously to maintain strong financial performance and bond ratings. The credit ratings on our senior lien bonds remain at Aa3, AA, and AA- by Moody's Investors Service, Standard and Poor's Ratings Services, and Fitch, respectively.

MSD Credit Ratings	
Moody's	Aa3
Standard & Poor's (S&P)	AA
Fitch	AA-

Long-Term Financial Planning

MSD's Finance team conducts long-term financial planning in conjunction with its municipal advisor to provide a framework for ensuring financial sustainability. The ten-year financial plan considers annual revenue requirements, operating expenses, debt service expenses and debt service coverage ratios. This planning process provides assurance that MSD will have sufficient liquidity to cover all of our financial obligations.

FY 2023 - FY 2032 Financial Plan (\$ Thousands)



Glossary

Acronyms

ASC: Accounting Standard Codification
BAN: Bond Anticipation Note
CERS: County Employees Retirement System
CIP: Capital Improvement Plan
CMOM: Capacity, Management, Operations, and Maintenance Program
CSO: Combined Sewer Overflows
DRI: Drainage Response Initiative
EPA: Environmental Protection Agency
EPSC: Erosion Prevention and Sediment Control
EWRAP: Emergency Wastewater Rate Assistance Program
FEMA: Federal Emergency Management Association
FY: Fiscal Year
IOAP: Integrated Overflow Abatement Plan
IPS: Infor Public Sector software program
GAAP: Generally Accepted Accounting Principles
GASB: Governmental Accounting Standards Board
GIS: Geographical Information Systems
KIA: Kentucky Infrastructure Authority
KYPDES: Kentucky Pollutant Discharge Elimination System
LIUNA: Laborer' International Union of North America
LOC: Line of Credit
LOJIC: Louisville/Jefferson County Information Consortium
LTCP: Long Term Control Plan
MSD: Louisville/Jefferson County Metropolitan Sewer District
MS4: Municipal Separate Storm Sewer System Program
NACWA: National Association of Clean Water Agencies
NAGE: National Association of Government Employees
NMC: Nine Minimum Controls Program
O & M: Operations and Maintenance
SBE: Small Business Enterprise
SRF: State Revolving Fund
SSDP: Sanitary Sewer Discharge Plan
WIFIA: Water Infrastructure Finance and Innovation Act

