

RatingsDirect®

Louisville & Jefferson County Metropolitan Sewer District, Kentucky; CP

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Louisville & Jefferson County Metropolitan Sewer District, Kentucky; CP

Credit Profile

US\$250.0 mil swr & drainage sys subord prog nts cml pap ser 2023A-2 due 06/18/2026		
<i>Short Term Rating</i>	A-1+	New
US\$250.0 mil swr & drainage sys subord prog nts cml pap ser 2023A-1 due 06/18/2026		
<i>Short Term Rating</i>	A-1+	New

Credit Highlights

- S&P Global Ratings assigned its 'A-1+' short-term rating to Louisville & Jefferson County Metropolitan Sewer District, Ky.'s series 2023A-1 and 2023A-2 senior subordinate sewer revenue commercial paper (CP) notes, with a combined par amount of \$500 million.
- We base the CP ratings on our 'AA' long-term ratings on the district's senior-lien bonds, using our "Methodology For Linking Long-Term And Short-Term Ratings" criteria, published April 7, 2017.

Security

The CP notes have a senior subordinate lien pledge on the revenues of the district's sewer and drainage system. We view the bond provisions to be credit neutral. The series will refinance the series 2018 and provide interim financing for improvements to the systems.

Credit overview

The series 2023 was established with liquidity support provided by a revolving credit agreement (RCA); A-1 with Bank of America N.A. and A-2 with JPMorgan Chase N.A.. In addition, a sub-series 2023 (which we do not rate) was established with a direct purchase agreement also with Bank of America and JPMorgan, respectively. There are no cross-default provisions or acceleration provisions. The RCA and direct purchase notes will bear interest at the higher of either the daily secured overnight financing rate (SOFR) or the term SOFR, not to exceed 12%. We believe that the system's liquidity reserves are sufficient to mitigate interest rate risk.

- The series 2023A-1 has a total program authorization of \$250 million; aggregate with the direct purchase notes. The RCA expires June 18, 2026.
- The series 2023A-2 has a total program authorization of \$250 million; aggregate with the direct purchase notes. The RCA expires on June 18, 2026.

The program notes are subordinated to \$2.3 billion of revenue bonds outstanding and senior to \$53 million of subordinate general obligation bonds, state revolving fund loans, and leases. CP notes of \$50 million were outstanding as of June 30, 2022.

The short-term rating reflects the water and sewer system's long-term general creditworthiness (AA/Stable). For more information, see "Louisville & Jefferson County Metro Sewer District, Kentucky," published on April 6, 2023, on

RatingsDirect. We view the district's liquidity reserves as supportive of the note program, with nearly \$120 million in unrestricted cash. In addition, we view supportive the district's ability to access capital markets to refinance its notes with long-term debt.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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