



Our Community Impact & Accountability
Fiscal Year 2023: July 1, 2022 - June 30, 2023



Three utilities in one provide efficient, effective service to protect the region's people and property

There is perhaps nothing more foundational to life than water. That truth drives Louisville MSD in fulfilling its vision to be the innovative, regional utility for safe, clean waterways.

Our 720 employees work 24/7/365 to efficiently and effectively deliver our core services of wastewater treatment, stormwater management and flood-protection services.

More than 800,000 area residents rely on us to protect public health and safety through sustainable solutions, fiscal

stewardship and strategic partnerships. MSD is unique among utilities, in that we represent three utility services in one organization. This helps us to better coordinate our work across our distinct services for seamless customer service, and allows us to share back-office functions to create cost efficiencies and help keep our rates as low as possible. In addition, because rivers, creeks and streams are not bound by political or jurisdictional boundaries, MSD expanded our services beyond Jefferson County into neighboring areas of Bullitt and Oldham counties, in order to take a more holistic, regional view of watershed management.

In this fiscal year 2023 Impact and Accountability Report, we present MSD's financial results for the most recent fiscal year, along with the progress made to advance our Blueprint 2025 strategic business plan that is driving our ongoing operational improvements.

Like electricity, natural gas and drinking water, MSD's services are a critical part of everyday life, and I am pleased to share with the community this report highlighting our accomplishments and advancements.



-James A. Parrott
Executive Director

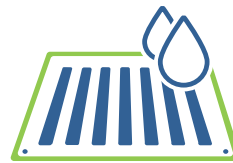
#3UtilitiesInOne

Wastewater



155 million gallons of wastewater treated daily at our water quality treatment centers in Jefferson, Bullitt and Oldham counties

Stormwater



376-square mile storm drainage area to move stormwater away from homes and businesses

Flood Protection



26.1 miles of floodwall and levee to protect more than \$34 billion in property from Ohio River flooding



James A. Parrott
Executive Director

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Data-informed decision making driving MSD's progress

As MSD works to fulfill its community promise to deliver safe, clean waterways, we must continually seek opportunities to enhance our existing internal processes and procedures. Likewise, we must always keep an eye towards the future to institute new programs when necessary to better serve our employees, customers and the community.

Over the last few years, we have embarked on several initiatives to support MSD's strategic transformational journey to become a "utility of the future." It began with the development of Blueprint 2025, our strategic business plan, where we refreshed our vision, mission, and organizational values and established five Critical Success Factors that focus our organizational priorities. Next, we began implementing the U.S. EPA's Effective Utility Management (EUM) program, a nationally recognized program to identify specific service delivery enhancement opportunities and define metrics that support data-informed decision making

across the organization. With our Critical Success Factors driving the outcomes, EUM guides us in creating customer-focused, process improvement roadmaps across all critical business functions. From these roadmaps we derive annual transformational initiative action plans that move the organization forward one year at a time to advance our strategic transformation.

Not only is MSD deploying EUM locally for our community, we are currently serving on a U.S. EPA committee to help modernize the EUM program to reflect the changing operational circumstances that all clean water utilities should consider to provide quality, compliant utility services to their communities. Our local experience with EUM is guiding how utilities around the country improve.

The following pages of this report highlight MSD's progress in advancing each of our Critical Success Factors through our focused EUM efforts and transformational initiatives.

-Angela Akridge
Chief Strategy Officer for Regulatory Compliance and Business Transformation

MSD's Critical Success Factors (CSF)

CSF1:
Sustain quality and compliant wastewater, stormwater and flood protection services.

CSF2:
Earn the community's trust daily, as the leading provider of quality wastewater, stormwater and flood protection services.

CSF3:
Transform into an Employer of Purpose where employees are provided the opportunity to thrive.

CSF4:
Ensure financial stewardship and sustainability of community resources.

CSF5:
Realize operational efficiencies and revenue generation through strategic partnerships and innovation.



Angela Akridge
Chief Strategy Officer for Regulatory Compliance and Business Transformation



CSF 1: Sustaining Quality and Compliant Utility Services



David Johnson
Chief Engineer

Strategic Asset Management Program extends the useful life of our infrastructure

MSD's Strategic Asset Management Program is at the heart of our commitment to efficiently maintaining our critical assets – including treatment plants, the drainage collection network, and our flood protection system. With twenty water quality treatment plants, thousands of miles of underground pipes, numerous storage basins, and an extensive network of floodwall and levee, we have billions of dollars in assets to maintain.

Our proactive asset management program represents a pivotal shift from reactive maintenance, ensuring that the community's

wastewater, stormwater and flood protection infrastructure not only lasts longer but also performs at its best. It's our strategic playbook, fostering collaboration between Engineering and Operations teams to prioritize preventive maintenance and risk-based rehabilitation and replacement strategies. To draw a parallel, think of it as following your car manufacturer's maintenance recommendations; by taking these proactive measures, your car's performance and lifespan are significantly enhanced.

MSD has integrated this process into its regular operations, allocating a minimum of \$25 million annually to proactive renewal and enhancement of critical sewers to address concerns before they escalate.

It's an investment in ensuring that established service level expectations and operational objectives are met at the lowest life cycle cost. Program goals include strategic financial planning, prolonging asset life through maintenance strategies, data-driven risk analysis, stakeholder engagement, investments in employees and technology, and dynamic inventory maintenance. The program offers insight into operations and maintenance needs and replacement strategies, ensuring capital investments are smart and efficient.

Ultimately, MSD's asset management plan is about realizing value from assets while balancing costs, risks, and benefits – all leading to more efficient and sustainable delivery of the three utility services MSD provides.

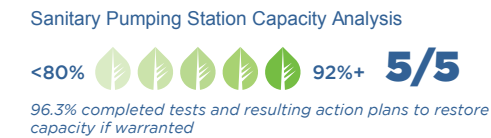
-David Johnson
Chief Engineer

CSF 1 Key Metrics (Fiscal Year 2023)

Reclaimed Water Effluent Quality & Flood Protection System Readiness



Infrastructure Systems Inspections & Preventive Maintenance



MSD cannot be effective in maintaining its vital services without proactive inventory management. For instance, when a pump station needs a new part, having the right materials on hand makes the difference in protecting a neighborhood from flooding. Or, when a customer experiences a sewer backup at their property, it's vital to health and safety that MSD has the right supplies on hand to respond quickly.

As part of our materials planning, we diligently track inventory against its usage and make adjustments if some supplies are depleting faster than planned, so that we maintain inventory at optimal levels. Moving forward, we are exploring new technology such as radio frequency identity tags (RFID) as a tool to further enhance our supply chain and inventory management.

There's a lot that goes on behind the scenes to make sure our MSD crews have what they need, when they need it, to serve the community effectively.

-René Lindsay
Chief Procurement Officer



CSF 1: Sustaining Quality and Compliant Utility Services



Paddy's Run



Morris Forman



Prologis



South Oldham

Planful action to upgrade critical infrastructure

MSD is committed to safeguarding the communities we serve through substantial investments in critical infrastructure projects. In fiscal year 2023, several initiatives have advanced to upgrade and modernize the service we provide our customers.

Upgrading Flood Protection in West Louisville MSD broke ground for a \$230 million project to replace the aging Paddy's Run Flood Pump Station. The existing Paddy's Run Flood Pump Station, dating back to 1953, protects 40 neighborhoods and 200,000 properties. However, it relies on original parts that are no longer replaceable, necessitating extensive maintenance. The replacement project is set to double the station's pumping capacity from 875 million gallons per day to 1.9 billion gallons

per day. The modernized facility will boast eight pumps that could drain the equivalent of an Olympic-sized swimming pool in just 29 seconds.

The completion of the Paddy's Run project is expected by December 2026.

Upgrading the state's largest water quality treatment facility

The water you use leaves your house or business and flows to one of MSD's twenty treatment plants serving our region. The Morris Forman Water Quality Treatment Center plays a pivotal role, handling wastewater treatment for approximately two-thirds of the Louisville community, with a capacity of 120 million

gallons per day. However, after more than 65 years in service, this critical asset is in need of an upgrade.

MSD is investing \$255 million in Kentucky's largest wastewater treatment facility to replace the outdated biosolids processing system with a modern, efficient facility. This transformation will boost capacity, allowing the center to produce 400,000 dry tons of quality biosolids annually for beneficial reuse while reducing reliance on landfills. MSD anticipates project completion by 2026, well ahead of the 2030 consent decree deadline.

These and several other capital project improvements underway at MSD represent the agency's unwavering commitment to safeguarding and enhancing the Louisville community through innovative infrastructure investments. By strengthening flood protection, stormwater collection and wastewater treatment, MSD is building a safer, more sustainable future for the region.

Improvements underway in Oldham and Bullitt counties

Creeks and rivers don't heed county boundaries. That's why Louisville MSD takes a holistic view in watershed management and partnered with utilities in Oldham County in 2019 and Bullitt County in 2021 in order to enhance wastewater treatment across the region. We have advanced a number of improvement projects in both counties, particularly in the area of eliminating or improving outdated "package plants" - small facilities that have passed their useful life, resulting in sewer overflows.

In Oldham County, MSD built the Ash Avenue Interceptor, a pipe that allowed us to decommission the Ash Avenue Wastewater Treatment Plant and Fox Run Pump Station by rerouting underground wastewater flow to our more modern Floyds Fork Wastewater Quality Treatment Center. At a number of

other Oldham County facilities, MSD installed backup generators to enhance safety and sophisticated telemetry equipment that allows the facilities to better integrate with MSD's system and helps our teams to better monitor and manage their operation.

In Bullitt County, elimination of the Bigwood Pump Station is complete, and MSD redirected flow to our larger regional facility, the Derek R. Guthrie Water Quality Treatment Center. Projects are underway to reroute underground wastewater flow from Hunter's Hollow, Bullitt Hills, Hillview #1 and Hillview #2 in the coming years.

MSD also made critical updates to both the Willabrook and the Prologis wastewater treatment plants, replacing corroded or malfunctioning parts with new equipment. This work enhanced safety for the plants and is improving the water quality of the effluent, helping the facilities meet environmental permit requirements more consistently.

CSF 2: Earn Community Trust Daily

Responding to the needs of the community

Wastewater treatment is a cornerstone of public health, and one of MSD's three utility services. But, let's face it, this important job can be an odorous endeavor. MSD's cIAIRity Program focuses on proactive odor management.

With a combined sewer system designed to be self-cleaning, less water flowing through the system contributes to increased odor. Communities around the country, including Louisville, are seeing sewer flow significantly reduced through longer periods of dry weather, along with the important measures to store stormwater to eliminate sewer overflows, and the widespread use of low-flow faucets and fixtures that have efficiently conserved water. Each of these leads to less water flowing through the system and therefore more concentrated waste within our pipes to contribute to odor.

MSD works tirelessly to address these concerns. Through the cIAIRity program, MSD allocates millions of dollars annually to odor-control initiatives. In addition to bio-filters, chemical treatment and odor-containment devices, we have embarked on a scientific identification

and quantification of odors surrounding each water quality treatment center. These findings will guide our long-term financial investments to enhance odor management at each site.

In addition, we are replacing numerous untrapped catch basins, particularly in West Louisville as part of our odor control strategy. On a daily basis, our crews are responding to odor reports, flushing lines and deodorizing the system. We've contracted with water tanker trucks to flush and fill catch basins to minimize odors escaping the system and joined forces with Louisville Water to implement a comprehensive hydrant flushing schedule tailored to combat odor issues in key areas during dry spells. Also, the \$255 million project at the Morris Forman Water Quality Treatment Center will upgrade equipment that mitigates odor there.

We are committed to fulfilling our mission of serving the Louisville community as a responsible steward of the environment. With the cIAIRity initiative, MSD remains dedicated to ensuring that the essential wastewater treatment process is as unobtrusive as possible for all residents, while recognizing the critical importance of this service to the health and well-being of the community.

-Brian Bingham
Chief Operations Officer

Maintaining water in the underground pipe system is key to diluting wastewater flow and reducing odor. Yet while the number of MSD customers has almost doubled over five decades, the amount of water distribution has remained relatively constant.

There's not an engineered solution to drought.

2 inches of rain produces

2 billion gallons of water over the community

VS.

Louisville Water's daily customer consumption



150 million gallons of drinking water

It would take roughly 2 weeks of Louisville Water's full supply, to flush MSD's system of pipes to the equivalent of one good rainfall.



Brian Bingham
Chief Operations Officer

CSF 2 Key Metrics

(Fiscal Year 2023)

Responsiveness to Customers

Customer Service Request Responsiveness

8+hrs. <4 hrs. **5/5**

3 hours and 57 minutes average response time from customer request receipt

Customer Service Call Quality

<80% 95%+ **5/5**

98.2% average survey scored for adequate and accurate information provided, professionalism and politeness

Responsiveness to Supply Chain Partners

Vendor Invoice Payment Timeliness

<85% 97%+ **5/5**

97.3% invoices paid within 30 days of receipt

Development Plan Review Responsiveness

92% 98%+ **4/5**

96% of 2,111 developmental plan submittal reviews completed within 14 days of receipt

Supplier Diversity Commitment

<10% 17%+ **5/5**

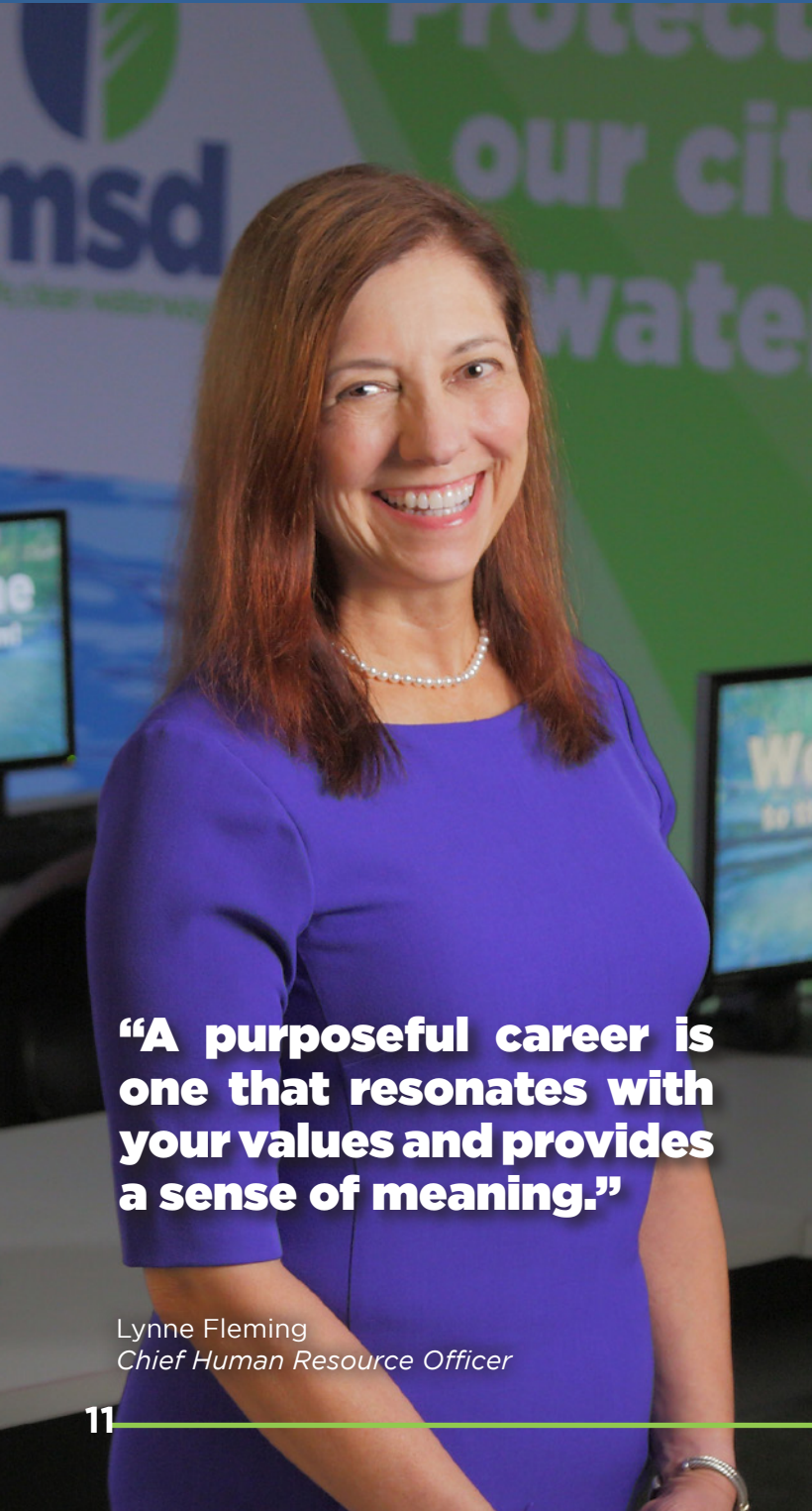
20.7% cumulative percentage fo total contract spend awarded to MWBE

Strategic Business Plan Initiatives Completion

Blueprint 2025 CSF2 Initiatives Completion

<60% 90%+ **5/5**

100% completed planned activities under Blueprint 2025 CSF2



“A purposeful career is one that resonates with your values and provides a sense of meaning.”

Lynne Fleming
Chief Human Resource Officer

Our Human Resources team along with our Equity and Community Partnerships team collaborate closely to help MSD be an employer of purpose, providing opportunities to thrive.

In light of the pandemic changing how working people view jobs and careers, along with the expected surge in baby boomer retirements, we have re-imagined how to best attract, retain and grow our talent. And, with federal infrastructure dollars flowing into communities, we are committed to ensuring MSD is visible to the communities we serve in providing economic opportunity through job creation.

Creating a pipeline of opportunities

MSD is nurturing the clean water talent of tomorrow. We partner with the University of Louisville to offer paid co-op positions in civil/environmental and electrical engineering. These positions provide students with practical experience, helping them apply their theoretical knowledge to real engineering challenges.

MSD’s Maintenance Mechanic Apprenticeship Program, in partnership with Jefferson Community and Technical College, trains high-school educated candidates for a career. Graduates receive a journey worker certification and achieve the status of Maintenance

Mechanic II. For those interested in an electrician career, the Commonwealth of Kentucky has certified our five-year Industrial Electrician Apprenticeship program that launches in 2024.

MSD also sponsors Kentuckiana Builds, a Louisville Urban League program that provides opportunities for individuals interested in the construction trade to learn hands-on skills, practice interviewing, and meet employers. As a sponsor, MSD provides mentors, mock interviews, and connectivity to our external workforce pipeline through MSD JobLink, as well as available positions within the organization.

To cultivate the next generation of clean water workers, MSD participates in the Mayor’s SummerWorks Program, helping Louisville youth explore career interests, gain real-world experience, and develop a network of mentors. After the six-week summer program, MSD’s interns have an opportunity to train and test for a Water Quality Technical Apprentice Certificate.

These strategic partnerships help MSD connect with a more broad and diverse pool of prospective workers, while opening doors for aspiring professionals in wastewater, environmental management, and electrical engineering.

Thriving in a career with purpose

Once employed with MSD, we are diligent in ensuring our team members have opportunities to thrive. We’ve enhanced our new employee orientation to be more welcoming and instituted an onboarding program to help our newest team members understand their role in MSD’s vital mission of protecting public health and safety.

We’ve created career paths and job progressions across roles like engineers, construction inspectors, mechanics and electricians, making it easier for employees to develop their skills and earn promotions. Beyond their day-to-day roles, we provide additional opportunities for employee engagement through community volunteerism and involvement, as well as our new Employee Resource Groups that allow cross-functional team members to connect with one another.



“MSD is focused on creating a work culture of respect, trust and honesty that provides a safe space for employees to feel heard, seen and valued.”

Sharise Horne
Chief of Equity & Community Partnerships

CSF 3 Key Metrics
(Fiscal Year 2023)

Management Effectiveness



Employee Training & Development



Strategic Business Plan Initiatives Completion



Safeguarding infrastructure and information: a commitment to cybersecurity

Water utilities are critical infrastructure, making them primary targets for cybercriminals. As a result, we remain steadfast in fending off attacks, proactively detecting potential threats, and ensuring recovery mechanisms are in place in the event of a successful cyber-attack. Our mission extends beyond safeguarding our systems; it encompasses the protection of our employees, user data, and the sensitive information we manage.

Cyberattacks, including ransomware and malware, are on the rise, posing an imminent threat to our operations. It is crucial to protect information not only for our customers, employees and partners but also to prevent malicious actors, including criminals and terrorists, from exploiting sensitive details about our operations and assets.

At MSD, our primary cybersecurity objectives encompass the uninterrupted delivery of services to our customers. These priorities extend to safeguarding confidential information, preserving the integrity of our systems and data, and ensuring reliability and availability of our critical infrastructure. We invest

considerable resources, both in terms of department budget and personnel, in these areas. It's crucial that our operations remain uninterrupted, especially during critical events such as rainstorms, where the consistent operation of our systems is vital.

Email remains the number one risk for cyber threats, particularly in the form of phishing emails, so we regularly conduct phishing simulations to gauge our employees' readiness and educate them on protecting themselves and our organization. Communication plays a pivotal role, as we keep our employees informed about potential threats and provide them with regular training to enhance their cybersecurity knowledge.

In addition, MSD's cybersecurity program leverages industry best practices and tools to manage enterprise-class firewall capabilities, intrusion detection and prevention systems, endpoint protection, vulnerability assessments and remediation, a multi-faceted backup and recovery practice, and much more.

As a utility entrusted with essential public services, the reason for our emphasis on cybersecurity is simple: it's a matter of public health and safety.

-Paul Bagley
Chief Information Officer

CSF 4 Key Metrics
(Fiscal Year 2023)

Capital Budget Utilization



Operating Budget Utilization



Strategic Business Plan Initiatives Completion



CSF 5:
(Fiscal Year 2023)
Realize operational efficiencies and revenue generation through innovation

MSD continuously explores new approaches and creative partnerships to drive organizational resiliency and sustainability.

Our cross-functional Innovation Team engages with the water utility industry, research organizations, public health institutions and universities to identify innovation opportunities – and then collaborates across MSD teams to apply those innovations. Some initiatives include:

- Implemented Aquasight technology at Cedar Creek Water Quality Treatment Center, leveraging artificial intelligence to inform our teams' adjustments of plant operations and optimize treatment.
- Partnered with national health organizations to advance wastewater surveillance methodologies and help communities proactively respond to predictable surges in COVID-19 infections.
- Enhanced the One Water partnership with Louisville Water by participating in an Affordability pilot with the U.S. Water Alliance; launching new, combined fleet management technology; and successfully pursuing infrastructure funding at the federal, state and local levels.
- Enacted employee-engagement programs to cultivate ideas from the field for process improvements and foster innovations to business operations.

-Kimberly Reed
Chief Innovation Officer

Paul Bagley
Chief Information Officer

Funding infrastructure needs through balanced financial stewardship

MSD is accountable to the more than 800,000 people who count on us every day for vital wastewater, stormwater and flood protection services – and part of that accountability includes ensuring we are effectively and efficiently managing our customers’ funds.

It’s our priority to responsibly meet the operating budget and capital improvement needs of our three utility services in order to deliver the high-quality level of service our customers require, while at the same time managing risk and long-term affordability for our customers.

This includes balancing the significant portion of our budget dedicated to system

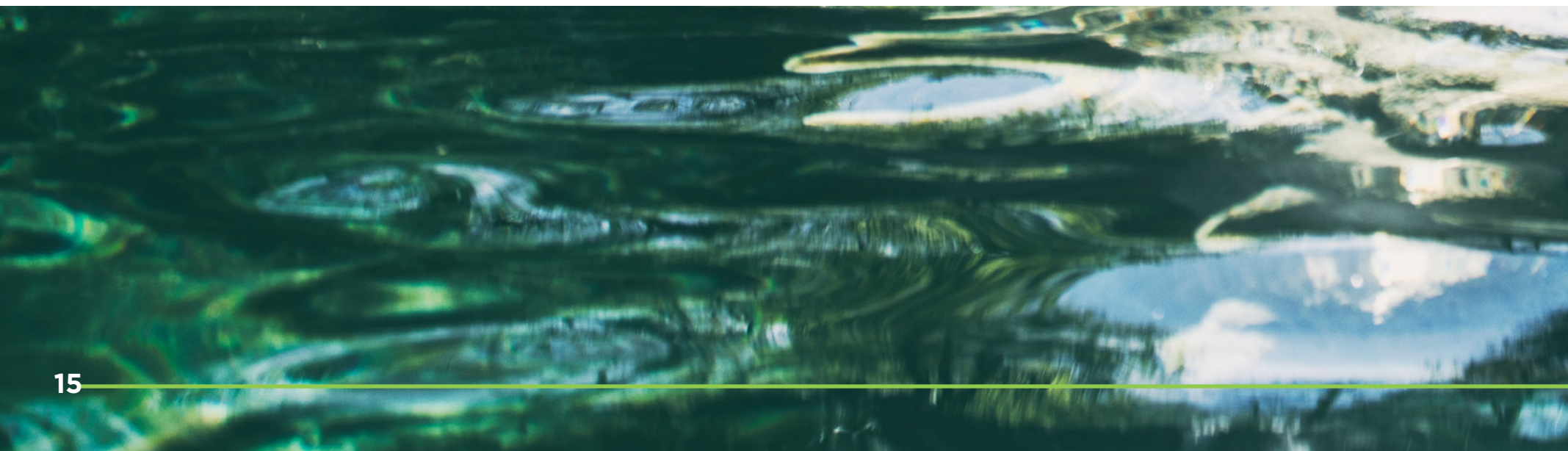
improvements and projects to meet the environmental requirements of our federal consent decree to reduce sewer overflows that occur during periods of heavy rain, while still addressing the ongoing challenge of aging infrastructure and facilities that have reached the end of their functional lifespan.

To achieve this, we aggressively pursue alternative funding sources to deliver projects with lower total financing costs. We have been successful in securing Congressional earmarks and funds from the American Rescue plan, as well as leveraging innovative tools like commercial paper as well as low-interest and forgivable public loans offered from the government to maximize our budgetary resources serving the community.

These initiatives, combined with the dedicated efforts of our teams in finance, procurement, project management and out

in the field together help us be efficient in delivering our services and result in a positive financial position for MSD for fiscal year 2023 and beyond.

-Brad Good
Chief Financial Officer



Brad Good
Chief Financial Officer

Financial Results - Year Ending June 30, 2023

Condensed Statements of Net Position (dollars in thousands)

The financial information included is derived from the Annual Comprehensive Financial Report in conformity with GAAP.

	FY23	FY22	FY21
Assets			
Unrestricted Current Assets	171,322	153,423	143,541
Restricted Current Assets	22,414	33,735	21,181
Non-current Assets	387,261	389,839	399,583
Capital Assets	3,427,168	3,293,005	3,168,614
Total Assets	4,008,165	3,870,002	3,732,919
Deferred Outflow of Resources			
Deferred Outflow - Pension	20,102	21,836	25,932
Deferred Outflow - OPEB	16,397	23,447	21,962
Deferred Outflow - Derivative Instrument	-	-	8,541
Deferred Outflow - Loss on Refunding	22,957	26,827	24,549
Total Deferred Outflows of Resources	59,456	72,110	80,984
Total Assets and Deferred Outflow of Resources	<u>4,067,621</u>	<u>3,942,112</u>	<u>3,813,903</u>
Liabilities			
Current Liabilities	17,940	20,395	29,099
Current Liabilities from Restricted Assets	129,974	103,924	118,469
Non-current Liabilities	2,874,580	2,846,272	2,808,293
Total Liabilities	3,022,494	2,970,591	2,955,861
Deferred Inflow of Resources			
Deferred Inflow - Pension	6,605	17,811	-
Deferred Inflow - OPEB	15,030	17,068	7,420
Other Deferred Inflows	19,213	13,610	2,857
Total Deferred Inflows of Resources	40,848	48,489	10,277
Total Liabilities and Deferred Inflow of Resources	3,063,342	3,019,080	2,966,138
Net Position			
Net Investment in Capital Assets	955,494	891,231	834,820
Restricted	82,418	84,607	84,429
Unrestricted	(33,633)	(52,806)	(71,484)
Total Net Position	1,004,279	923,032	847,765
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>4,067,621</u>	<u>3,942,112</u>	<u>3,813,903</u>

Condensed Statements of Revenues, Expenses and Changes in Net Position

(dollars in thousands)

	FY23	FY22	FY21
Operating Revenues			
Wastewater Service Charges	290,697	270,066	245,802
Drainage Service Charges	94,466	86,804	79,915
Other Operating Income	6,863	8,497	3,701
Total Operating Revenues	392,026	365,367	329,418
Non-Operating Revenues			
Gain or Loss Disposal of Assets	-	124	(21)
Transfer of Assets	(14,320)	-	-
Investment Income	18,603	8,877	12,175
Total Non-Operating Revenues	4,283	9,001	12,154
Operating Expenses			
Service and Administrative Costs	124,641	118,978	109,741
GASB 68 Pension/GASB 75 OPEB Actuarial Expense	2,132	8,725	18,547
Depreciation and Amortization	114,562	103,964	97,874
Total Operating Expenses	241,335	231,667	226,162
Non-Operating Expenses			
Interest Expense	104,100	101,703	103,915
Amortization	(9,558)	(13,404)	(14,322)
Change in Fair Value - Derivative Instruments	(7,614)	(11,293)	(8,796)
Total Non-Operating Expenses	86,928	77,006	80,797
Income before Capital Contributions	68,046	65,695	34,613
Capital Contributions	13,201	9,572	16,422
Change in Net Position	81,247	75,267	51,035
Net Position - Beginning of Year	923,032	847,765	796,730
Net Position - End of Year	1,004,279	923,032	847,765

The financial information contained herein is summarized from our Annual Comprehensive Financial Report published on October 31, 2023. The Annual Comprehensive Financial Report is prepared in accordance with Generally Accepted Account Principles (GAAP) and is available online at www.louisvillemsd.org/financial.

8.8% ▲

increase in total net position
\$81.2 million above prior year

\$125.5^{mm} ▲

increase in assets and
deferred outflows of
resources, a 3.2% increase
over prior year

\$135.7^{mm} ▲

in unrestricted cash and
investments, an increase
from \$118.6 million at the
close of the prior year

11% ▲

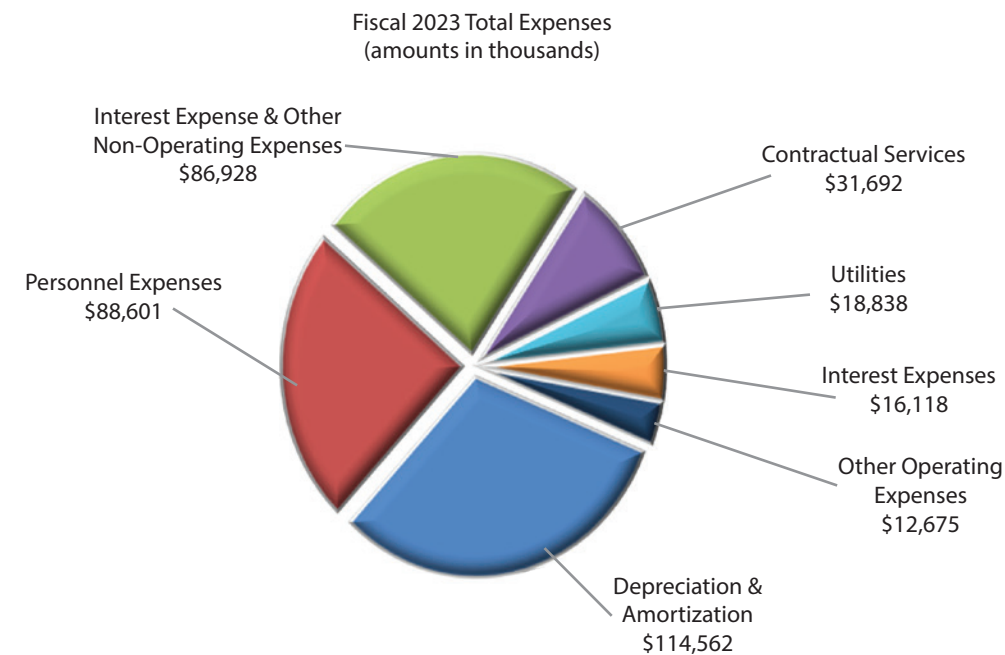
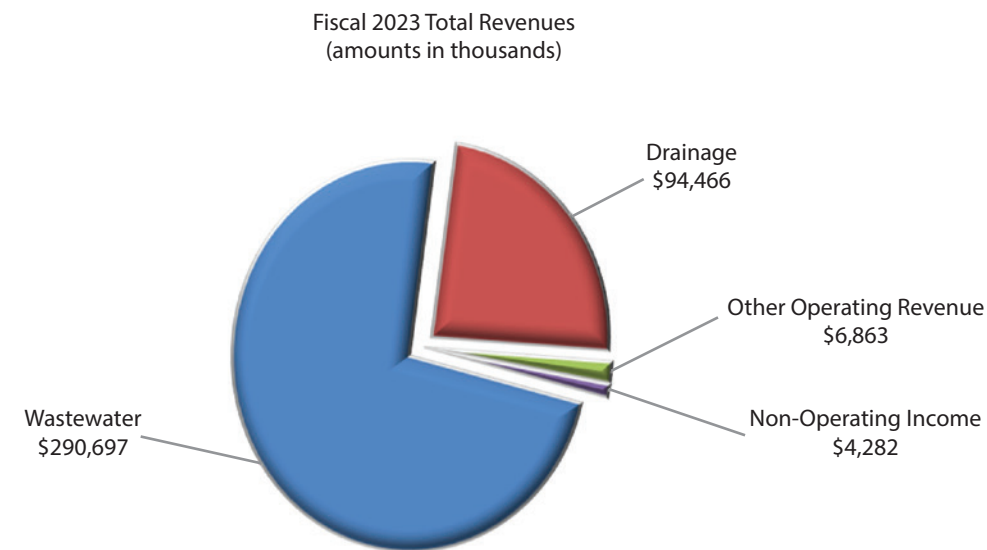
increase in cash on hand
299 days cash on hand as of
June 30, 2023. Compared to
269 days cash on hand as of
June 30, 2022

Financial Results - Year Ending June 30, 2023

Condensed Statements of Cash Flow

(dollars in thousands)

	FY23	FY22	FY21
Cash Flows from Operating Activities	223,404	196,174	182,859
Cash Flows from Capital and Related Financing Activities	(226,569)	(172,871)	(169,908)
Cash Flows from Investing Activities	23,097	(53,435)	(53,782)
Net Increase (Decrease) In Cash and Cash Equivalents	<u>19,932</u>	<u>(30,132)</u>	<u>(40,831)</u>
Cash and Cash Equivalents Beginning of Year	71,854	101,986	142,817
Cash and Cash Equivalents End of Year	91,786	71,854	101,986



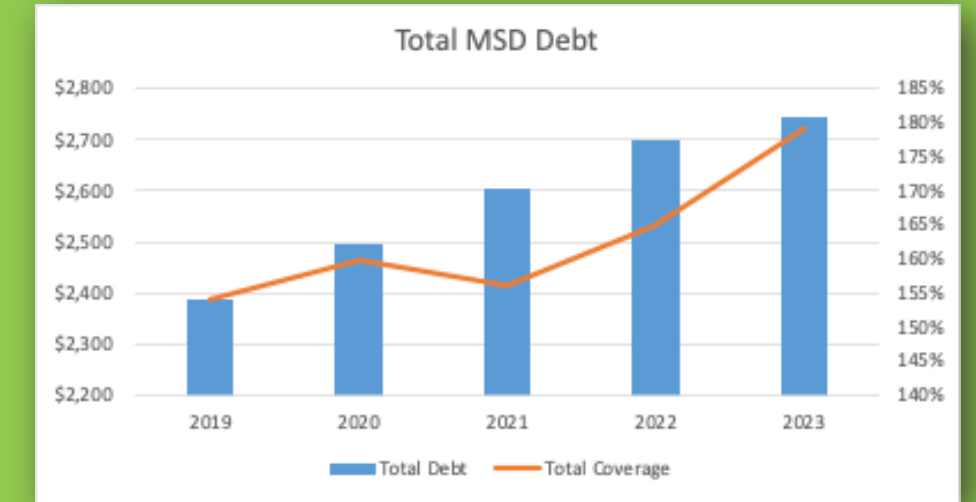
Maintaining Consistently Stable Credit Ratings

A credit rating is an independent evaluation of an organization's credit risk and serves as a predictive indicator of their ability to repay debt. A strong credit rating allows MSD to obtain lower interest rates when we borrow money. Lower interest rates reduce our cost of borrowing over the lifetime of the debt. MSD's debt is rated by Moody's, S&P and Fitch rating agencies. Our ratings have remained stable over the last three fiscal years.

	FY23	FY22	FY21
Moody's	Aa3	Aa3	Aa3
Standard & Poor's	AA	AA	AA
Fitch	AA-	AA-	AA-

Managing MSD Debt

Proactively managing debt is a foundation of our financial stewardship. As a regional utility, providing three services in one organization, our relatively large size and efficient fiscal management allow us to effectively manage our debt, and it's our goal to have upward trajectory on debt coverage over time. For fiscal year 2023 MSD increased its senior debt coverage to 2.08x, compared to 1.95x the prior year.



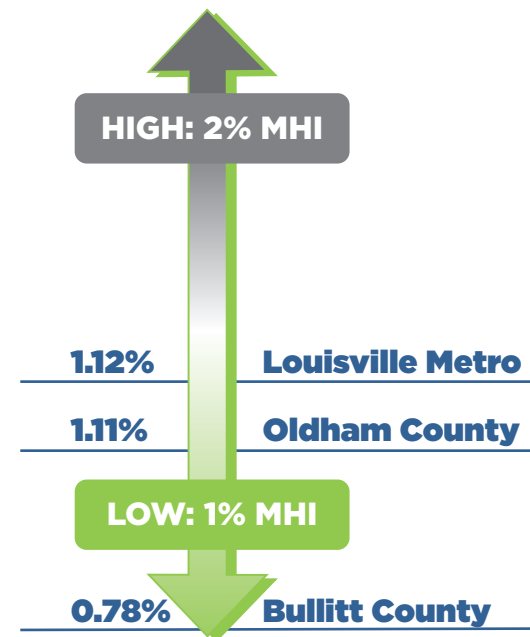
“Despite sizable capital needs, most of which are expected to be debt-financed, the system’s financial condition will remain stable given a history of timely rate adjustments and conservative financial management.”

– Moody's, a leading credit-review agency, as written in its August 2023 credit opinion on MSD

A Focus on Affordability

The Environmental Protection Agency (EPA) has established affordability guidelines for the cost of sewer services based on the Median Household Income (MHI) of the service area. MSD is pleased to maintain rates within the low range of the EPA guidelines.

EPA Affordability Guidelines



Rate Assistance

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 provided more than \$1.6 million in total customer assistance in FY23.

EWRAP



MSD implemented the Emergency Wastewater Rate Assistance Program (EWRAP) in 2020, and the FY23 budget effectively tripled this discount program. EWRAP provides 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.

LIHWAP

MSD also partners with Louisville Metro Office of Resilience and Community Services to implement the Low Income Household Water/Wastewater Affordability Program. Established in 2021, this program leverages federal funds from the American Rescue Plan to assist qualifying low-income customers as well as households experiencing a home water service crisis. Kentucky and Louisville specifically have been leaders in delivering millions of dollars to those in need for bill assistance.

Senior Citizens Discount

MSD offers a Senior Citizens Discount program for customers who 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 million in assistance to qualifying seniors annually. Customers cannot qualify for both the Senior Discount and EWRAP.

Drops of Kindness



MSD frequently contributes to the Louisville Water Foundation's Drops of Kindness program to further assist community members, and included a \$150,000 allocation for FY23. This funding is distributed to the Association of Community Ministries to provide customer bill assistance to families in need.

Additional Leadership Team

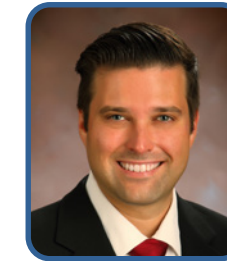
Sections of this report highlight some of MSD's executive leadership team relative to specific Critical Success Factors. Additional leadership team members whose work crosses over multiple CSFs include:



Lopez F. High Sr.,
Chief of Facilities,
Safety and Security



Kimberly Reed,
Chief Innovation Officer



Wes Sydnor,
Chief of Government
and Public Affairs



Kellie S. Watson,
General Counsel and
Legal Director

The MSD Board

Appointed to serve our community by the Louisville Metro Mayor, MSD's eight-member citizen Board governs our annual budget, rates, policies and initiatives.



Marita Willis,
Chair



Keith Jackson,
Vice Chair



Gerald Joiner



Ricky Mason



Carmen
Moreno-Rivera



Jeff Mosley



John Selent



Rebecca Cox
Rolled off board
August 2023



Lonnie Wright
Appointed to board
November 2023



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Wastewater • Stormwater • Flood Protection

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