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MSD Board Approves 2017 Preliminary Rate Resolution

After months of study and community engagement, the Louisville/Jefferson County Metropolitan Sewer District Board yesterday afternoon approved a preliminary rate resolution to fund its FY18 Operating and Capital Budget that includes a rate increase in wastewater and storm water charges.

The rate increase will fund a 20-year, \$4.3 billion Critical Repair and Reinvestment Plan (CRRP), necessary to protect the public health and safety of residents and businesses. It will raise the average monthly residential bill (based on 5,000 gallons per month) by about \$10.49.

Acknowledging the impact that even a slight increase can have on lower income residents and seniors, the resolution also includes a new Wastewater Rate Assistance Program (WRAP) designed to assist eligible customers with the cost of service.

“We do not make this decision lightly or without considerable study and public input,” said MSD Director Tony Parrott. “We have worked to ensure the Louisville community is informed of the magnitude of the need and the risks of not acting. We committed to facilitating discussions with ratepayers, business leaders, elected officials and others with transparency and accuracy.”

Over the past decade, MSD has invested more than \$400 million toward achieving compliance with a federal Consent Decree meant to improve area waterways, protect public health, and enhance the community’s quality of life by reducing sewer overflows countywide. An estimated \$500 million of work is still necessary to reach the mandatory completion by December 2024.

And while neighborhoods and commercial areas across Louisville have benefitted from the Consent Decree investment, the magnitude of the required cost has stymied MSD’s ability to invest in normal upkeep, repair and replacement of other critical areas of system.

The result of this deferred investment is that Louisville’s aging system of pipes, pumps, treatment plants and flood gates is now in urgent need of rehabilitation. Serious failures are occurring at an increasingly rapid pace. Rainfall totals that once could be managed by the system now overwhelm it, a risk heightened by an increased frequency of extreme storms.

In a recent letter to the editor, local environmentalist David Wicks wrote, “Since 2006, I have served on an MSD committee to help our community think about a positive, comprehensive, future-oriented approach to improving our infrastructure and clean up our waterways. Consider the alternative: floodwaters over half of our hometown and waterways so polluted they are a threat to public health. I believe we must act. The Ohio River will flood again, it is not a question of if, only when.”

MSD's 20-year comprehensive Critical Repair & Reinvestment Plan (CRRP), developed in cooperation with six outside engineering firms, consolidates planning for facility rehabilitation, renewal, replacement, upgrade, and expansion across all its service areas.

To ensure the investment is managed wisely, MSD has adopted a structured cost management system, which incorporates industry best practices, proven effective on major infrastructure programs across the world. MSD also continues to achieve savings and efficiencies through its "One Water" partnership with the Louisville Water Co. To date, this joint management initiative has achieved over \$7 million in annual savings.

Local business leaders agree that CRRP is necessary for continuing economic development, noting that Louisville's prosperity depends on effective and reliable wastewater, storm water and flood protection systems.

In a letter to MSD, the local Building Industry Association, the Greater Louisville Association of Realtors, and the Mortgage Bankers Association of Louisville wrote: "As we continue to become a world class region, we must outline and fund a long-term plan" for rebuilding MSD infrastructure. "Without a stable and strong infrastructure, the region's public safety and real estate investments are at risk."

Beginning in January, the CRRP was made available on MSD's website as well as in all Louisville Free Public Library branches. Information was provided through bill inserts to all customers, through newsletters and social media, and in local media stories, editorials and letters. MSD presented the plan to a Metro Council committee, and conducted more than three dozen meetings throughout the community engaging over 1,500 citizens.

One result of that discussion is expansion of a rate relief program currently available to senior citizens. The new, more robust Wastewater Rate Assistance Program (WRAP) will be administered by the Metro Community Services Department, following the same general guidelines as the current Low Income Home Energy Assistance Program (LIHEAP) program.

"As we understand it, this is a matter of public health and safety, with the magnitude of the risk of not investing in our infrastructure being too great to ignore. We applaud the expansion of the Wastewater Rate Assistance Program (WRAP), which will help the most economically vulnerable citizens bear the costs of the very necessary repairs. We are pleased to have been a part of the community sessions and with the way the leadership at MSD has modeled community listening and response in this matter," wrote Sadiqa N. Reynolds, President & CEO Louisville Urban League.

"The presentation provided by MSD at the Louisville Urban League on March 16, 2017 was quite a "Wake Up Call!" The urgency of taking essential corrective action to restore and preserve our declining sewer system is clear. It is in light of this reality and in consideration of the promise of financial assistance for those who would experience financial hardship resulting from a rate increase to pay for necessary corrective action, I stand in support of said measures and encourage my fellow residents of Metro Louisville to do likewise," said Reverend Roosevelt Lightsey, Jr.

MSD's infrastructure reinvestment will have an economic impact in Louisville of \$3.4 billion and sustain 2,310 jobs/yr. over the next 10 years. MSD has a labor preference policy requiring set goals for local labor on projects over \$10 million, and for inclusion of minority and women owned businesses. In FY 16 and 17 collectively, MSD has spent over \$60M with M/W businesses. "I've seen the deterioration of the

sewers in this city. I know the repairs have become the band-aide approach. I don't see any other way but to go ahead with a rate increase to get the city's sewer system up to par," said Ruben Pulliam of the Justice Resource Center.

From a national perspective, based on a 2016 assessment by the American Society of Civil Engineers (ASCE), the U.S. needs to invest an additional \$95 billion per year in wastewater infrastructure to meet projected needs which would result in \$260 billion in total annual economic impact to the country. These investments would generate and sustain approximately 1.5 million jobs annually over the next 10 year period, Parrott said. Furthermore, the value of safe collection and treatment of wastewater and storm-water for customers results in significant productivity gains for businesses which would lead to \$93 billion a year in sales in the next 10 years and as much as \$336 billion a year from 2027 to 2040. Investment in Water and Wastewater infrastructure would be an economic boon for Louisville and Jefferson County. MSD's Critical Repair and Replacement Plan would provide jobs for local labor and opportunities for Small businesses as we strive to meet the Resiliency goals of our community, Parrott said.

By requirements of the Louisville Metro Code of Ordinances, to become effective the rate resolution must be approved by Metro Council.

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About MSD

The Louisville/Jefferson County Metropolitan Sewer District (MSD) works to achieve and maintain clean, environmentally safe waterways for a healthy and vibrant community. The organization's more than 600 employees provide wastewater management, drainage and flood protection services across the 376 square miles of Louisville Metro. In addition to operating and maintaining Louisville Metro's sewer system, floodwall system, water quality treatment centers and flood pumping stations, MSD invests in hundreds of infrastructure improvement projects each year, plants more than 1,000 trees and other vegetation annually to enhance water filtration and reduce runoff, and provides numerous outreach programs to inform and educate the community about protecting our waterways.