

# Louisville/Jefferson County MSD Annual Budgets

Approved FY 2021

Adopted May 26, 2020

Fiscal Year Starting July 1, 2020



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## Blueprint 2025

MSD invested significant time and effort in fiscal year 2020 implementing an Integrated Strategic Business Plan, Blueprint 2025. Blueprint 2025 is our action plan to transform MSD into the Utility of the Future by the year 2025.

MSD establishes annual performance goals that are in alignment with Blueprint 2025. Each goal category has two focus areas: a) business activities critical to the attainment of the goal category desired outcome and (b) strategic transformational initiatives designed to enhance the attainment of each critical success factor. Individual goals and transformational initiatives are established for management of the operating and capital budget as part of critical success factor 4, Ensure Financial Stewardship and Sustainability of Community Resources.

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 Capital Improvement Program (CIP) Management Team meeting which facilitates collaboration and adaptive management of the program.

## 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.

## OUR ORGANIZATIONAL VALUES

### INVESTING IN PEOPLE

Ensuring a sustainable future by aligning organizational architecture and enhancing leadership development, succession planning, generational inclusion and employee career planning programs that provide staff opportunity for advancement and utilize the right people in the right places to achieve greater operational excellence for the community

#### RESPECT

We demonstrate high regard, value and consideration for each other, our customers and the community

#### EXCELLENCE

We strive for personal excellence, recognize exemplary performance, and seek continuous improvement

### FOCUSING ON PERFORMANCE

Enhancing quality of life in the region by providing safe, clean waterways through consistent, reliable and transparent delivery of our core business functions

#### CUSTOMER FOCUS

We provide value-added service to our internal and external customers

#### INTEGRITY

We serve with high ethical standards, deliver on commitments and maintain honesty as we advance the greater good

### INNOVATING THROUGH LEADERSHIP

Engaging in collaborative problem-solving with partners locally, regionally, and nationally to develop innovative solutions for managing our wastewater, stormwater, and flood protection assets

#### ACCOUNTABILITY

We account for our actions, address challenges promptly, and implement effective solutions

#### STEWARDSHIP

We manage the infrastructure, environment and resources entrusted to our care in a responsible and sustainable manner



## Executive Director's Message

Louisville MSD is committed to achieving our mission of safe, clean waterways. The vital services we provide through collecting and treating wastewater, flood protection, and managing stormwater are essential for our community's health and safety and its economic vitality.

Providing these essential services is not an easy task in the best of times. But now, as our community deals with the COVID-19 global pandemic, we face some tough choices. Our regulatory requirements continue even as we face severe revenue shortages resulting from an economic downturn in our community, country and world.

At the outset of this year's budgeting process, we required all divisions to plan reduced budgets for the upcoming fiscal year. Additionally, we eliminated 66 vacant positions, saving approximately \$5.6 million in salary, benefits, and overhead expenses. The capital improvement budget shrunk by \$6.9 million. However, those savings are countered by steep increases in delinquent accounts since the COVID-19 pandemic began. Our delinquent accounts jumped from less than 500 customers in mid-March to close to 10,000 customers in early May. That is about \$2.5 million in lost income to the agency to date. We expect this trend to continue throughout 2020 and into 2021. Additionally, our debt service requirements are going up by \$7 million. Debt is used to fund our capital projects, many of which are required to meet the federal Consent Decree requirements to reduce sewer overflows that pollute area waterways.

Let me state that no one wants to increase rates in this economic climate. We have made every effort to hold or reduce costs. But we still face a challenging situation. The proposed rate increase for fiscal year 2021 allows us to continue vital service to the community, meet our debt requirements in a financially responsible way, and enact an assistance program to help those experiencing difficulties.

At our May 26, 2020 Board meeting, we proposed an Emergency Wastewater Rate Assistance Program (EWRAP) for customers who need help paying sewer bills. The program is in response to the proposed rate increase of \$2.98 per month on the average MSD bill that, if approved, would take effect on August 1, 2020.

Under our proposed EWRAP, households up to 150 percent of the federal poverty line would be eligible for a 10 percent wastewater discount on their bill. With this discount, customers would effectively be paying less than they pay currently, even in light of the rate increase. We will also continue our Senior Citizen discount program where eligible customers can receive a 30 percent discount on their wastewater charges and the Consent Decree Surcharge. Additionally, we participate in the Louisville Water Foundation's Drops of Kindness program that helps customers who have trouble paying their water and sewer bills.



MSD's Waterway Protection Tunnel



## Budget at a Glance

### Operating Expenditures (\$ Thousands)

Category	FY 2020 Approved	FY 2021 Approved
Authorized Headcount	718	665
Salaries & Wages	\$ 51,106	\$ 52,552
Labor Related Overhead	25,904	23,652
Total Salary & Labor Related Overhead	\$ 77,010	\$ 76,204
Utilities	17,598	17,616
Contractual Services & Supplies	38,610	46,468
Chemicals	4,621	5,120
Fuel	1,417	1,389
Insurance Premiums/Claims	2,099	2,799
Bad Debt	3,000	3,500
Other Operating Expenses	539	425
Total O&M	\$ 67,884	\$ 77,317
Total Operating Expenses	\$144,894	\$153,521

### Debt Service Expenditures (\$ Thousands)

Category	FY 2020 Approved	FY 2021 Approved
Senior Debt Service	\$135,363	\$142,055
Subordinated Debt Service	21,942	26,392
Total Debt Service	\$157,305	\$168,447

### Operating Revenues (\$ Thousands)

Customer Class	FY 2020 Approved	FY 2021 Approved
Residential	\$156,054	\$163,482
Commercial	115,240	120,871
Industrial	35,331	36,981
Other Operating Revenue	4,000	4,275
Total Operating Revenue	\$310,625	\$325,609

### Operating Revenues (\$ Thousands)

Category	FY 2020 Approved	FY 2021 Approved
Wastewater	\$231,859	\$242,596
Stormwater	74,766	78,738
Other Operating Revenue	4,000	4,275
Total Operating Revenue	\$310,625	\$325,609

### Capital Improvement Program (\$ Thousands)

Project Type	FY 2020 Approved	FY 2021 Approved
Consent Decree (CD)	\$114,700	\$ 43,600
Wastewater (Non-CD)	56,600	123,112
Stormwater & Flood Protection	12,400	15,700
Support Systems	21,300	11,700
Total Operating Revenue	\$205,000	\$194,112

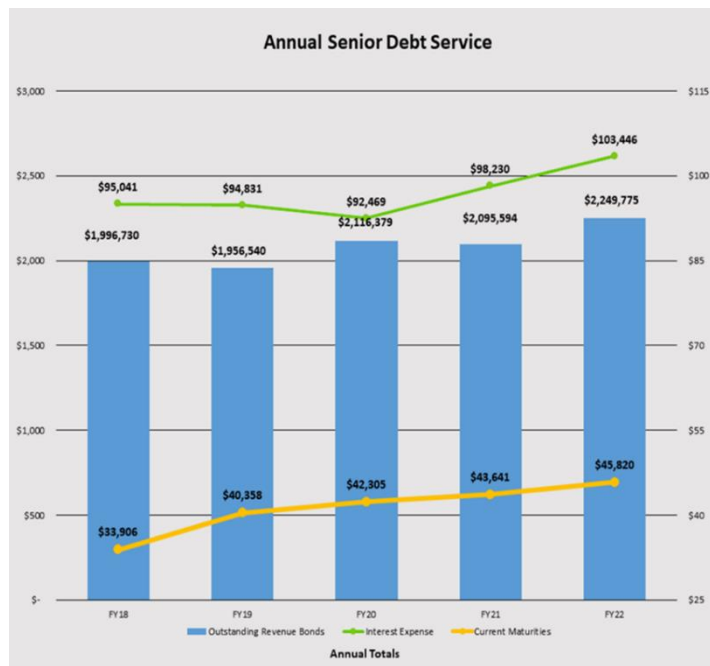


Southwestern Parkway Combined Sewer Overflow Basin - winner of DBIA National Award of Excellence in Water/Wastewater

## Debt Management

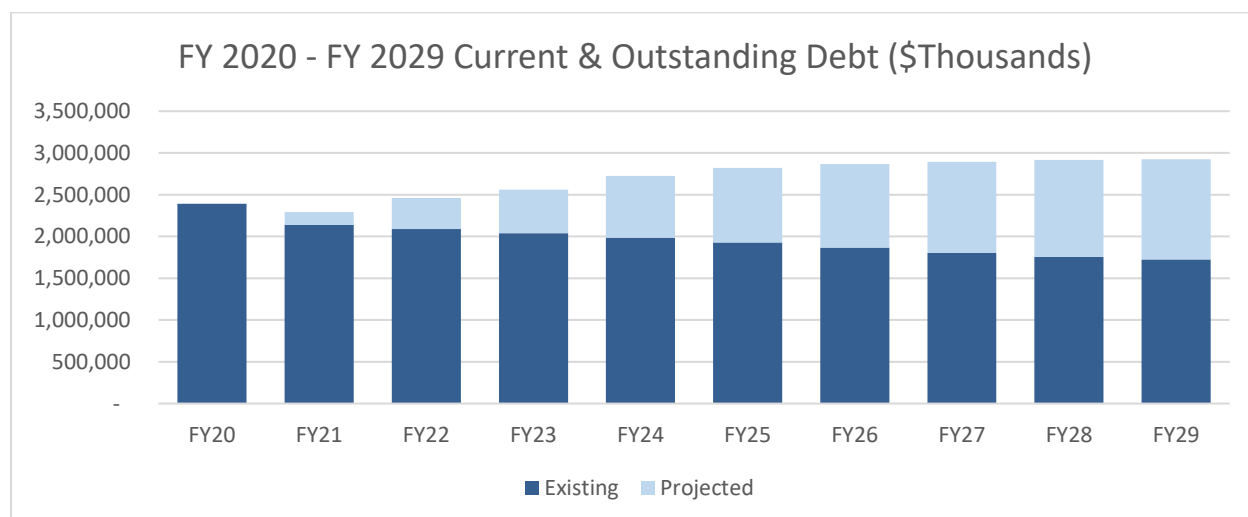
MSD strives continuously to maintain strong financial performance and bond ratings. The credit ratings on our senior lien bonds remain at Aa3 and AA ratings by Moody's Investors Service and Standard and Poor's Ratings Services, respectively.

MSD uses debt to finance its capital program and plans to issue \$225 million in revenue bonds during fiscal year 2021 to redeem outstanding commercial paper that has been used as interim funding for capital in fiscal years 2019 and 2020. Additionally, MSD plans to issue a \$97 million bond under the Water Infrastructure and Finance Innovation Act (WIFIA) administered by the Environmental Protection Agency (EPA). This bond will be used to fund a portion of the Morris Forman Water Quality Treatment Center Biosolids Processing Solution project that will replace the outdated existing biosolids dryers with a reconfigured solids treatment process. MSD intends to provide sustainable capacity to treat all solids produced district-wide to Class A standards and to beneficially recover and reuse energy from the new process.



MSD manages annual debt service expenses by refinancing its long-term obligations when feasible. Our most recent refinancing occurred on April 8, 2020 when MSD and Bank of America completed agreements for the direct placement, forward delivery of the 2021A Sewer and Drainage System Revenue Refunding Bonds, which refund the 2011A Series of Sewer and Drainage System Revenue Bonds. The delivery and closing of the refunding bonds is scheduled for August 17, 2021. The refunding generates net present value savings of \$45.5 million. Annual debt service savings of \$4.3 million per year begins in fiscal year 2022 and continues through fiscal year 2034.

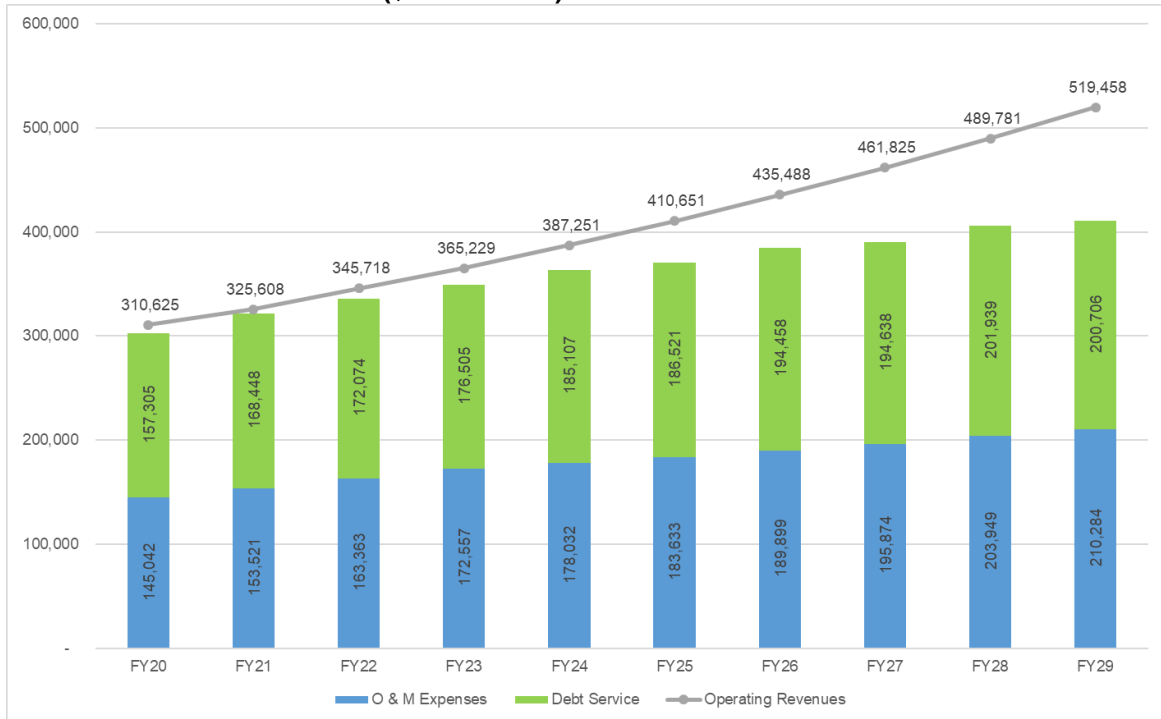
MSD's total debt at the end of fiscal year 2020 is \$2.3 billion and is projected to increase over the next ten years as we continue to invest in rehabilitation of our aging infrastructure and address consent decree and regulatory compliance driven initiatives.



## Ten Year Outlook

MSD's Finance team conducts long-term financial planning in conjunction with its financial advisor to provide a framework for ensuring financial sustainability. The ten-yr 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 its financial obligations.

### FY 2020 - FY 2029 Financial Plan (\$ Thousands)



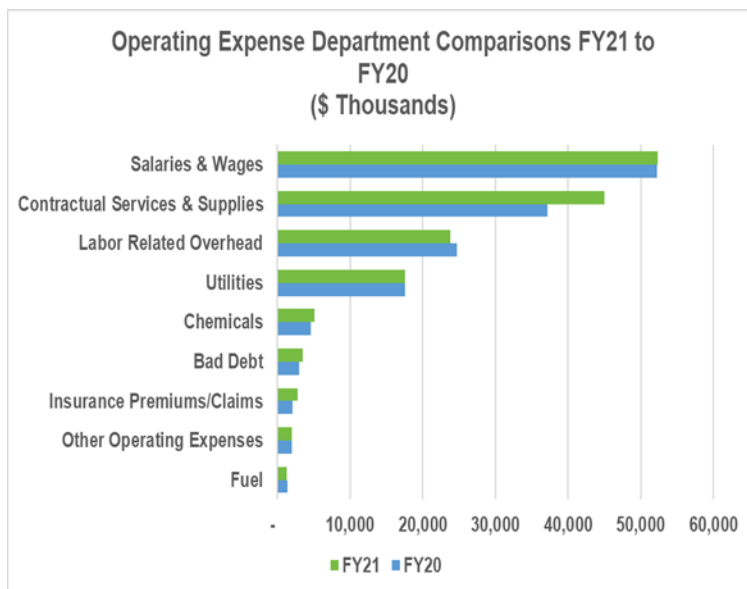
Portland Combined Sewer Overflow Basin



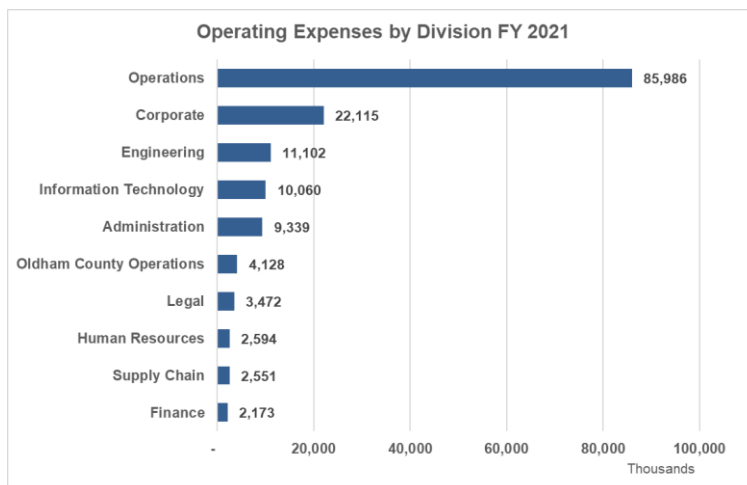
## Fiscal Year 2021 Operating Budget

### Operating Budget Summary

MSD's annual operating budget provides the funding necessary to operate and maintain Louisville's wastewater collection and treatment, stormwater drainage and flood protection systems. Together these systems provide for public health and safety and support economic development and businesses in the service area. The operating budget approval process begins in February with management teams preparing budgets at the cost center level within each division. Division heads review these budgets and then meet with the Executive Director, CFO and Budget and Financial Reporting Manager in March. Revisions are made as needed through a collaborative process to arrive at a final budget request that is recommended to the Finance Committee and Board of Directors in May. The MSD Board granted final approval on the fiscal year 2021 operating budget at the Board meeting held on May 26, 2020.



The table to the left compares the FY20 and FY21 budgets by cost category. The approved fiscal year 2021 budget for existing operations totals \$149.3 million which is a 3.1% increase over the fiscal year 2020 budget and a 3.0 % increase over our current forecast for 2020. MSD will acquire the former Oldham County Environmental Authority system on June 30, 2020 and has budgeted \$4.1 million to operate this system in fiscal 2021 bringing the total operating budget request to \$153.5 million.



The table to the left summarizes total operating expense budgets by division. Operations is MSD's largest division representing over half of the annual operating budget and 433 of MSD's 665 employees. The Operations division consists of Collections, Treatment, Drainage & Flood Protection, Support Services, and Fleet departments.

## Operating Budget by Division

Summarized operating budgets for each major division of MSD follow.

### Corporate (\$ Thousands)

Category	FY 2020 Approved	FY 2021 Approved
Authorized Headcount	-	-
Salaries & Wages	\$ (2,582)	\$ 1,348
Labor Related Overhead	1,959	2,101
Total Salary & Labor Related Overhead	\$ (623)	\$ 3,449
Utilities	-	-
Contractual Services & Supplies	6,463	12,277
Chemicals	-	-
Fuel	-	-
Insurance Premiums/Claims	2,099	2,799
Bad Debt	3,000	3,500
Other Operating Expenses	-	90
Total O&M	\$ 11,562	\$ 18,666
Total Operating Expenses	\$ 10,939	\$ 22,115

### Information Technology (\$ Thousands)

Category	FY 2020 Approved	FY 2021 Approved
Authorized Headcount	32	29
Salaries & Wages	\$ 2,949	\$ 2,758
Labor Related Overhead	1,292	1,150
Total Salary & Labor Related Overhead	\$ 4,241	\$ 3,908
Utilities	1,311	1,260
Contractual Services & Supplies	5,880	6,371
Chemicals	-	-
Fuel	-	-
Insurance Premiums/Claims	-	-
Bad Debt	-	-
Other Operating Expenses	(1,300)	(1,480)
Total O&M	\$ 5,891	\$ 6,151
Total Operating Expenses	\$ 10,132	\$ 10,059

### Engineering (\$ Thousands)

Category	FY 2020 Approved	FY 2021 Approved
Authorized Headcount	101	86
Salaries & Wages	\$ 8,474	\$ 7,424
Labor Related Overhead	3,800	3,199
Total Salary & Labor Related Overhead	\$ 12,274	\$ 10,623
Utilities	4	4
Contractual Services & Supplies	625	350
Chemicals	-	-
Fuel	-	-
Insurance Premiums/Claims	-	-
Bad Debt	-	-
Other Operating Expenses	154	126
Total O&M	\$ 783	\$ 480
Total Operating Expenses	\$ 13,057	\$ 11,103

### Legal (\$ Thousands)

Category	FY 2020 Approved	FY 2021 Approved
Authorized Headcount	11	8
Salaries & Wages	\$ 1,171	\$ 934
Labor Related Overhead	496	338
Total Salary & Labor Related Overhead	\$ 1,667	\$ 1,272
Utilities	-	-
Contractual Services & Supplies	1,930	2,137
Chemicals	-	-
Fuel	-	-
Insurance Premiums/Claims	-	-
Bad Debt	-	-
Other Operating Expenses	70	63
Total O&M	\$ 2,000	\$ 2,200
Total Operating Expenses	\$ 3,667	\$ 3,472

### Administration (\$ Thousands)

Category	FY 2020 Approved	FY 2021 Approved
Authorized Headcount	47	55
Salaries & Wages	\$ 3,686	\$ 4,404
Labor Related Overhead	1,526	1,740
Total Salary & Labor Related Overhead	\$ 5,212	\$ 6,144
Utilities	399	360
Contractual Services & Supplies	2,967	2,172
Chemicals	-	-
Fuel	-	-
Insurance Premiums/Claims	-	-
Bad Debt	-	-
Other Operating Expenses	740	662
Total O&M	\$ 4,106	\$ 3,194
Total Operating Expenses	\$ 9,318	\$ 9,338

### Supply Chain (\$ Thousands)

Category	FY 2020 Approved	FY 2021 Approved
Authorized Headcount	23	21
Salaries & Wages	\$ 1,643	\$ 1,649
Labor Related Overhead	744	678
Total Salary & Labor Related Overhead	\$ 2,387	\$ 2,327
Utilities	-	-
Contractual Services & Supplies	242	75
Chemicals	-	-
Fuel	-	-
Insurance Premiums/Claims	-	-
Bad Debt	-	-
Other Operating Expenses	173	150
Total O&M	\$ 415	\$ 225
Total Operating Expenses	\$ 2,802	\$ 2,552

### Finance (\$ Thousands)

Category	FY 2020 Approved	FY 2021 Approved
Authorized Headcount	25	17
Salaries & Wages	\$ 1,825	\$ 1,300
Labor Related Overhead	819	550
<b>Total Salary &amp; Labor Related Overhead</b>	<b>\$ 2,644</b>	<b>\$ 1,850</b>
Utilities	-	-
Contractual Services & Supplies	297	286
Chemicals	-	-
Fuel	-	-
Insurance Premiums/Claims	-	-
Bad Debt	-	-
Other Operating Expenses	61	37
<b>Total O&amp;M</b>	<b>\$ 358</b>	<b>\$ 323</b>
<b>Total Operating Expenses</b>	<b>\$ 3,002</b>	<b>\$ 2,173</b>

### Operations (\$ Thousands)

Category	FY 2020 Approved	FY 2021 Approved
Authorized Headcount	461	433
Salaries & Wages	\$ 32,368	\$ 30,940
Labor Related Overhead	14,594	13,264
<b>Total Salary &amp; Labor Related Overhead</b>	<b>\$ 46,962</b>	<b>\$ 44,204</b>
Utilities	15,884	15,488
Contractual Services & Supplies	19,786	19,280
Chemicals	4,621	4,958
Fuel	1,417	1,389
Insurance Premiums/Claims	-	-
Bad Debt	-	-
Other Operating Expenses	562	667
<b>Total O&amp;M</b>	<b>\$ 42,270</b>	<b>\$ 41,782</b>
<b>Total Operating Expenses</b>	<b>\$ 89,232</b>	<b>\$ 85,986</b>

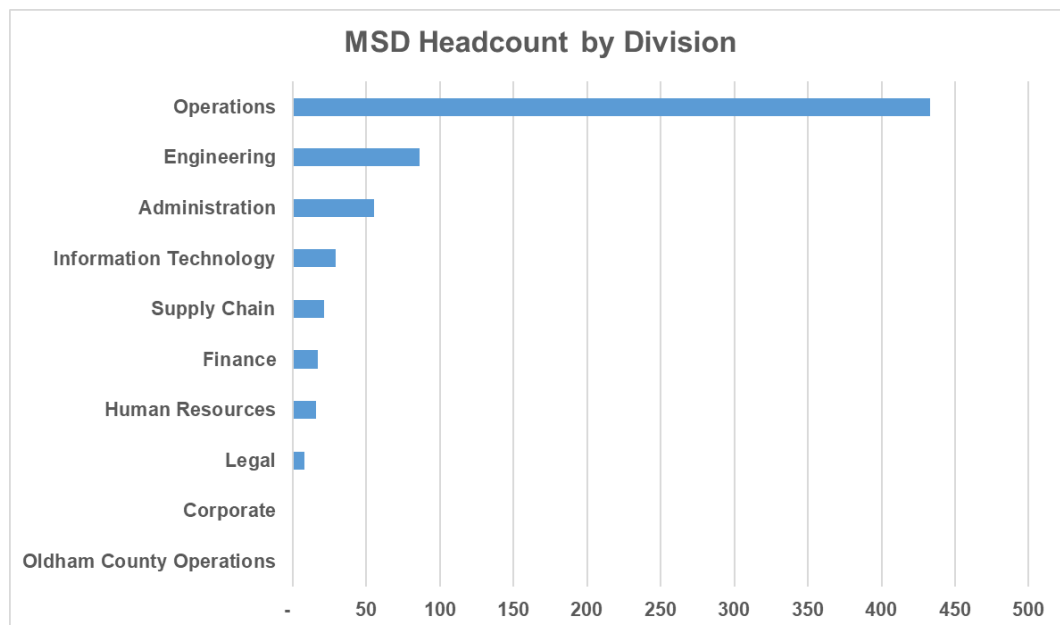
### Human Resources (\$ Thousands)

Category	FY 2020 Approved	FY 2021 Approved
Authorized Headcount	18	16
Salaries & Wages	\$ 1,572	\$ 1,507
Labor Related Overhead	674	632
<b>Total Salary &amp; Labor Related Overhead</b>	<b>\$ 2,246</b>	<b>\$ 2,139</b>
Utilities	-	-
Contractual Services & Supplies	420	370
Chemicals	-	-
Fuel	-	-
Insurance Premiums/Claims	-	-
Bad Debt	-	-
Other Operating Expenses	79	86
<b>Total O&amp;M</b>	<b>\$ 499</b>	<b>\$ 456</b>
<b>Total Operating Expenses</b>	<b>\$ 2,745</b>	<b>\$ 2,595</b>

### Oldham County Operations (\$ Thousands)

Category	FY 2020 Approved	FY 2021 Approved
Authorized Headcount	-	-
Salaries & Wages	\$ -	\$ 288
Labor Related Overhead	-	-
<b>Total Salary &amp; Labor Related Overhead</b>	<b>\$ -</b>	<b>\$ 288</b>
Utilities	-	504
Contractual Services & Supplies	-	3,150
Chemicals	-	162
Fuel	-	-
Insurance Premiums/Claims	-	-
Bad Debt	-	-
Other Operating Expenses	-	24
<b>Total O&amp;M</b>	<b>\$ -</b>	<b>\$ 3,840</b>
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ 4,128</b>

MSD's budgeted head count for fiscal year 2021 is 665 employees. The table below shows number of employees by division.



## Fiscal Year 2021 Capital Budget

Over the past 10 years of MSD's Capital Improvement Plan (CIP) has been focused on implementing the projects required to comply with the Consent Decree and subsequent Integrated Overflow Abatement Plan (IOAP) (approximately \$1 billion). New infrastructure was necessary to meet the level of control for sewer overflows throughout the District. In order to fund the new infrastructure, MSD had to continue deferring critical existing infrastructure needs for piping, pumps, treatment plants, and flood gates. MSD's aging infrastructure needs is well documented in the 2017 Critical Repair and Reinvestment Plan (CRRP). The CRRP estimated MSD needs to invest approximately \$4.3 billion over a 20-year period to address all wastewater (\$1.85 billion); stormwater (\$2.34 billion) and support systems (\$124.5 million) needs.

Some deferred infrastructure has continued to deteriorate to the level that immediate investment is required for regulatory compliance and protection of public health and community safety. MSD has developed a conceptual planning 30-year CIP forecast inclusive of all capital needs (approximately \$4.6 billion). This forecast includes the projects identified in the CRRP, current regulatory requirements, additional planning evaluations, regionalization conceptual discussions, and replacement of the Morris Forman Water Quality Treatment Center. These considerations frame the development of MSD's annual capital budget and 5-year CIP.

MSD has several programs requiring capital investment in fiscal year 2021:

- Consent Decree mandated and support projects
- District-wide biosolids management program
- Flood protection program
- Asset management & regulatory programs
- Stormwater management program
- Regionalization

The MSD Board approved a suite of CIP projects totaling \$194.1 million for fiscal year 2021 on May 26, 2020. The projects included in the CIP fit into MSD's 5-year CIP. Many projects span multiple years and will continue spending beyond fiscal year 2021. 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 replaced with 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). MSD also plans to utilize funds released from its debt service reserve (DSR) to fund CIP in fiscal 2021. The following table summarized CIP funding sources over the next five years.

	2021	2022 - 2025	Total
Capital Improvement Plan	\$ 194,112	\$ 803,538	\$ 997,650
	2021	2022 - 2025	Total
Cash Funded	\$ 10,867	\$ 155,945	\$ 166,812
Senior Debt	156,145	528,360	684,505
WIFIA/KIA Financing	2,100	119,233	121,333
DSR Release	25,000	-	25,000
<b>Total</b>	<b>\$ 194,112</b>	<b>\$ 803,538</b>	<b>\$ 997,650</b>

*Dollar amounts in '000s*

Additional information regarding the CIP can be found in the accompanying FY 2021 Capital Improvement Plan Overview Report.



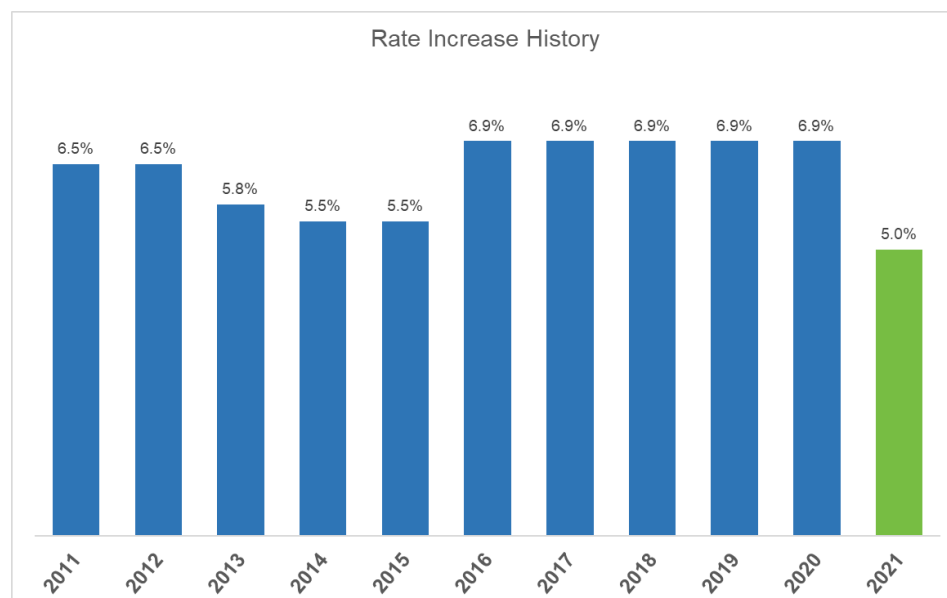
## Rates Rentals and Charges

### Operating Revenue

MSD covenants in its Bond Resolution to maintain sufficient 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 stormwater 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 stormwater service charges in excess of 7%. MSD performs this debt service calculation every March at the beginning of the rate planning process. For the six month period ending March 2020 the debt service coverage ratio was 0.82. MSD's Revenue and Collection Manager leads a cross-functional management team each year to recommend updates to the schedule of rates, rentals and charges. These updates are recommend to MSD's Board in the form of a preliminary rate resolution.

On Tuesday, May 26, 2020, the MSD Board approved a preliminary rate resolution amending MSD's 2019 schedule of rates, rentals, and charges. The proposed 2020 rate schedule, which was recommended pursuant to the debt service adjustment provisions of §50.24, includes a 5.0% rate increase in wastewater and drainage charges. This is the lowest % rate increase in a preliminary rate resolution approved by the MSD Board in the last 10 years. 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](https://LouisvilleMSD.org/Rates) and notice of the rate increase was published in the Courier Journal on May 31, 2020. MSD will accept written comments until July 26, 2020. Comments from the public will be delivered to the MSD Board on July 27, 2020 at which time the Board will consider final adoption of the preliminary rate resolution.

### Rate Increase History



This table shows MSD's rate increase history over the last 10 years along with the current preliminary rate increase.

## Customer Affordability

Many in the MSD community are struggling financially right now, as a result of large segments of the economy being shut down to safeguard the public from exposure COVID-19. As an essential service provider, MSD must continue to work on behalf of the health and safety of the community. Due to the ongoing COVID-19 pandemic and economic impacts related to the crisis, MSD is recommending a new financial assistance program for all eligible residential customers called the Emergency Wastewater Rate Assistance Program or EWRAP.

EWRAP will be administered by Louisville MSD personnel and will begin on August 1, 2020. This program will be in place for one year, and the MSD Board has the ability to review and renew in 2021. The EWRAP will provide a 10% discount on MSD wastewater services for those who qualify.

To qualify for EWRAP an individual must be an MSD customer, and will qualify if they are households with income equal to or less than 150 percent of the Federal poverty line. This guideline is similar to the Low Income Energy Assistance Program (LIHEAP), but unlike LIHEAP, which involves actual cash transfers between the Federal Government and LG&E on behalf of the customer, EWRAP is simply a discount program that will be reflected as a reduction on the customer's bi-monthly bill provided by the Louisville Water Company.

Applications will be processed through a dedicated page on the Louisville MSD website ([louisvillemad.org](http://louisvillemad.org)). Once a customer is approved, the EWRAP discount will become effective on the next MSD bill generated by the Louisville Water Company. Discounts will continue through July 31, 2021. Applications require various household and income information.

MSD increased its contribution to the Louisville Water Foundation in fiscal year 2020 by \$100,000 to \$250,000 after the outbreak of COVID-19. These contributions have been matched by LWC providing total assistance of \$500,000 this year. This funding is provided to Community Ministries for customer bill assistance. MSD will continue to support this program.

MSD currently offers a Senior Citizen's Discount program for customers over 65 with an annual income below \$35,000. This program currently serves about 3,600 customers representing a total discount of \$930,000 per year. EWRAP will greatly expand the number of customers eligible representing a total discount of approximately \$1.3 million per year. Existing Senior Citizen's Discount participants will continue to be served by that program, but cannot be served by both the Senior Discount and EWRAP.

## Average Residential Bill

The monthly wastewater bill for an average residential customer will increase on August 1, 2020 from \$48.99 to \$51.44 or by \$2.45. The average monthly residential drainage bill will increase from \$10.58 to \$11.11 or by \$0.53. The total monthly increase for the average residential customer is \$2.98. The average customer qualifying for the EWRAP discount will receive a credit of \$5.14 reducing their monthly bill to \$57.41.

Average Monthly Residential Bill - 4000 Gallons/Month		
	8/1/2019	8/1/2020
Wastewater	\$ 48.99	\$ 51.44
Stormwater	10.58	11.11
<b>Total</b>	<b>\$ 59.57</b>	<b>\$ 62.55</b>
Monthly Wastewater Increase	\$ 2.45	
Monthly Stormwater Increase	0.53	
<b>Total Monthly Increase</b>	<b>\$ 2.98</b>	

Average Monthly Residential Bill - 4000 Gallons/Month		
	8/1/2019	8/1/2020
Wastewater	\$ 48.99	\$ 51.44
ERAP Discount	-	(5.14)
Stormwater	10.58	11.11
<b>Total</b>	<b>\$ 59.57</b>	<b>\$ 57.41</b>

## 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, 2020, MSD's wastewater rates remain lower than area regional cities including Cincinnati, Indianapolis, Nashville and St. Louis.

NACWA publishes an annual Cost of Clean Water Index. The 2018 Index published on May 19, 2019 found that the average cost of wastewater services in 2018 surpassed the increase in the rate of inflation as measured by the Consumer Price Index (CPI) for the 17<sup>th</sup> 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.

