

Louisville/Jefferson County MSD Annual Budgets

Adopted May 24, 2021
Fiscal Year Starting July 1, 2021



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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 budgets 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.

In the coming fiscal year, MSD will invest more than \$200 million in capital improvement projects. One of our most significant infrastructure improvement projects, the Waterway Protection Tunnel, will near completion at the end of 2022. We are leveraging grants and innovative loans for the critical work to replace the outdated biosolids processing at Morris Forman Water Quality Treatment Center and renovating and expanding our Paddy's Run Flood Pumping Station, built in 1953. Additionally, frequent sewer cave-ins and failures are examples of the challenges we face across the community with outdated infrastructure that is long past its useful life.



On May 24, 2021 the MSD Board voted to approve a preliminary rate change, including a \$3.54 increase for monthly wastewater and a \$.77 increase for monthly stormwater, totaling a \$4.31 monthly increase for the average residential bill. In addition, the Board extended our Emergency Wastewater Rate Assistance Program, EWRAP, launched last year during the COVID-19 pandemic, to help those customers experiencing financial hardships. Under the program, MSD provides a 10 percent discount to ratepayers whose household incomes are at 150 percent of the poverty line or below. EWRAP is in addition to MSD's existing 30 percent discount on wastewater services for qualified senior citizens.

This year's rate proposal and budgets will help us maintain our vital facilities that protect the community's health and safety while also meeting our federal regulatory requirements for environmental protection.



MSD's Portland Combined Sewer Overflow Basin

2022 Annual Budget Executive Summary

Operating Budget

Operating Revenue

Wastewater service charges for fiscal year 2022 are budgeted at \$255.7 million. Wastewater service charge revenue is 5.6% higher than the fiscal year 2021 forecast as a result of the August 1, 2021 rate increase.

Stormwater service charges for fiscal year 2022 are budgeted at \$85.2 million. Stormwater service charge revenue is 7.2% higher than the fiscal year 2021 forecast primarily as a result of the August 1, 2021 rate increase.

Other Revenue for fiscal year 2022 is budgeted at \$4.3 million. Other revenue is 3.4% lower than the FY21 forecast.

Operating Expense

Operating and Maintenance Expense for fiscal year 2022 is budgeted at \$161 million. Operating and Maintenance expense is 5.3% higher than the FY21 forecast due to a combination of funding vacant positions, higher insurance premiums, and increasing operating costs associated with capturing and treating stormwater and wastewater.

Depreciation and Amortization Expense for fiscal year 2022 is budgeted at \$97 million. Depreciation and Amortization Expense is 0.6% higher than the fiscal year 2021 forecast.

Non-Operating Income/Expense

Interest Income for fiscal year 2022 is budgeted at \$11.5 million. Interest income is 2.7% lower than the fiscal year 2021 forecast due to lower projected returns on MSD's investment portfolio.

Interest Expense for fiscal year 2022 is budgeted at \$114.2 million. Interest expense is 26.8% higher than the fiscal year 2021 forecast due to the planned issuance of the 2022A revenue bond that will redeem outstanding commercial paper and the implementation of GASB 89 which eliminates the capitalization of interest cost incurred before the end of a construction period.

Capital Budget

Capital Improvement Plan for fiscal year 2022 is \$200.7 million. The capital improvement plan is 10.5% higher than the fiscal year 2021 forecast due to a combination of spending required under the Integrated Overflow Abatement Plan, the 2nd Amended Consent Decree, state agreed orders, and continued repair, replacement and rehabilitation of existing assets.

Operating Budget Summary

2022 Operating Budget Summary Dollars in 000's				
	FY21 Budget	FY 21 Forecast	FY22 Budget	
Wastewater	\$ 242,596	\$ 242,086	\$ 255,698	
Stormwater	78,738	79,501	85,238	
Other Operating Revenue	4,275	4,501	4,350	
Total Operating Revenue	325,609	326,088	345,286	
Net Operating Expenses	116,676	116,182	122,394	
Depreciation	96,779	96,451	97,000	
Total Operating Expenses	213,455	212,633	219,394	
Income from Operations	112,154	113,455	125,892	
Investment Income	15,978	11,844	11,526	
Net Interest Expense	(95,863)	(90,092)	(114,207)	
Total Non-Operating Income/Expense	(79,885)	(78,248)	(102,681)	
Change in Net Position Before Swaps	\$ 32,269	\$ 35,207	\$ 23,211	

Historical Operating Budget Summary Dollars in 000's									
	2016	2017	2018	2019	2020	2021B	2021F	2022B	
Total Operating Revenue	\$ 243,290	\$ 259,634	\$ 279,149	\$ 294,368	\$ 319,057	\$ 325,609	\$ 326,088	\$ 345,286	
Total O&M Expense	118,599	120,464	132,940	143,195	151,085	153,521	152,872	161,045	
GASB 68/75 Pension/OPEB Expense	3,075	1,634	9,771	11,130	16,686	-	-	-	
Capitalization	(30,516)	(31,949)	(38,059)	(38,383)	(39,643)	(36,845)	(36,690)	(38,651)	
Depreciation & Amortization	62,820	77,156	77,954	87,882	98,872	96,779	96,451	97,000	
Total Operating Expenses	153,978	167,305	182,606	203,824	227,000	213,455	212,633	219,394	
Income from Operations	89,312	92,329	96,543	90,544	92,057	112,154	113,455	125,892	
Gain/Loss Disposal of Assets	-	-	-	15	(15,008)	-	-	-	
Investment Income	17,891	14,273	16,529	18,677	15,600	15,978	11,844	11,526	
Net Interest Expense	(73,779)	(77,655)	(78,728)	(84,687)	(90,103)	(95,863)	(102,812)	(114,207)	
Total Non-Operating Income/Expense	\$ (55,888)	\$ (63,382)	\$ (62,199)	\$ (65,995)	\$ (89,511)	\$ (79,885)	\$ (90,968)	\$ (102,681)	
Change in Net Position Before Swaps	\$ 33,424	\$ 28,947	\$ 34,344	\$ 24,549	\$ 2,546	\$ 32,269	\$ 22,487	\$ 23,211	

Fiscal Year 2022 Operating Revenue

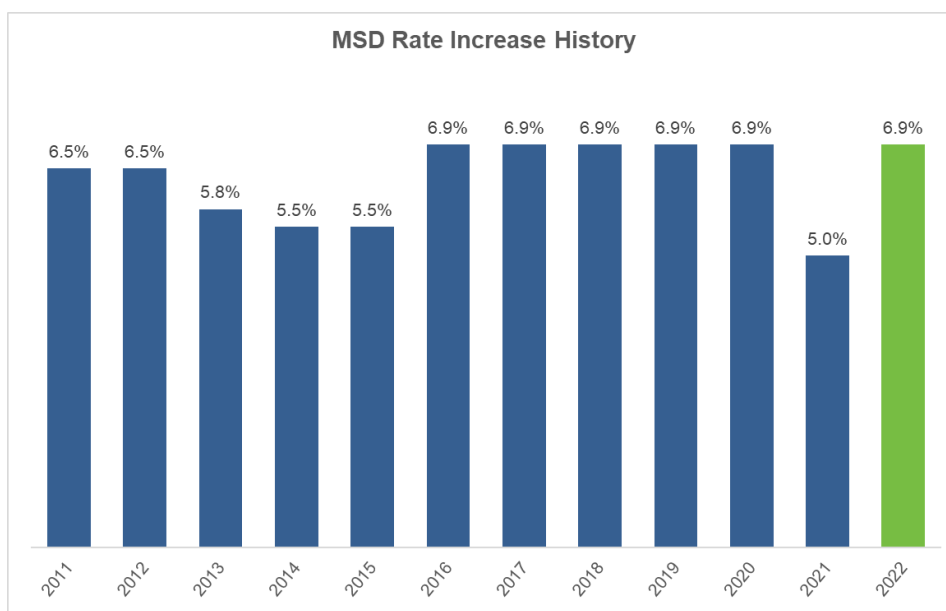
Wastewater & Stormwater Service Charges

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 year during the rate planning process. For the six month period ending March 31, 2021, the debt service coverage ratio was 0.74. 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 recommended to MSD's Board in the form of a preliminary rate resolution.

On Monday, May 24, 2021, the MSD Board approved a preliminary rate resolution amending MSD's 2021 schedule of rates, rentals, and charges. The proposed fiscal year 2022 rate schedule, which was recommended pursuant to the debt service adjustment provisions of §50.24, includes a 6.9% 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 May 30, 2021. MSD will accept written comments until June 30, 2021. Comments from the public will be delivered to the MSD Board on July 26, 2021 at which time the Board will consider final adoption of the preliminary rate resolution.

Rate Increase History

The following table shows MSD's rate increase history since 2011 along with the current preliminary rate increase.



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 \$1,500,000 in total customer assistance in fiscal year 2022.

EWRAP

MSD implemented the Emergency Wastewater Rate Assistance Program (EWRAP) on August 1, 2020. EWRAP provides a 10% discount on MSD wastewater services to customers with a total household income at or below 150% of the federal poverty line.

Applications for the EWRAP discount can be made on the Louisville MSD website (louisvillemsd.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, 2022. Applications require household information and income verification.

Senior Citizens Discount

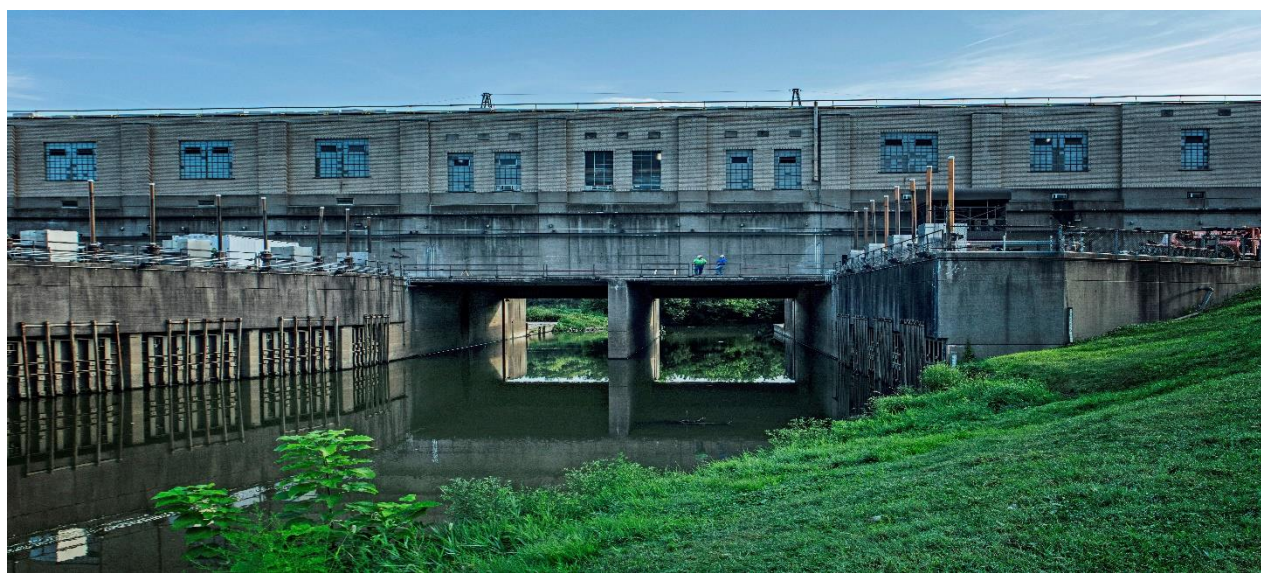
MSD offers a Senior Citizens Discount program for customers that are 65 years or older with an annual income of \$35,000 or less. Qualifying customers receive a 30% discount on wastewater services. This program provides about \$1,000,000 in assistance to qualifying seniors annually. Customers cannot qualify for both the Senior Discount and EWRAP discount.

Applications for the Senior Citizens discount can be made on the Louisville MSD website (louisvillemsd.org). Once a customer is approved, the discount will become effective on the next MSD bill generated by the Louisville Water Company. Applications require household information and income verification. Program participants must re-certify annually.

Drops of Kindness

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. MSD provided another \$250,000 in contributions to the Louisville Water Foundation in fiscal year 2021. This funding is distributed to the Association of Community Ministries to provide customer bill assistance to families in need. MSD will continue to support this program in fiscal year 2022.

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



MSD's Beargrass Creek Flood Pump Station

Average Residential Bill

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 will increase on August 1, 2021 from \$51.45 to \$54.99 or by \$3.54. The monthly residential drainage charge will increase from \$11.11 to \$11.88 or by \$0.77. The total monthly increase for the average residential customer is \$4.31.

Average residential customers qualifying for the EWRAP discount will receive a credit of \$5.50 reducing their monthly bill to \$61.37.

Average Monthly Residential Bill			
	8/1/2020		8/1/2021
Wastewater	\$	51.45	\$ 54.99
Stormwater		11.11	11.88
Total	\$	62.56	\$ 66.87
Monthly Wastewater Increase	\$	2.45	\$ 3.54
Monthly Stormwater Increase		0.53	0.77
Total Monthly Increase	\$	2.98	\$ 4.31

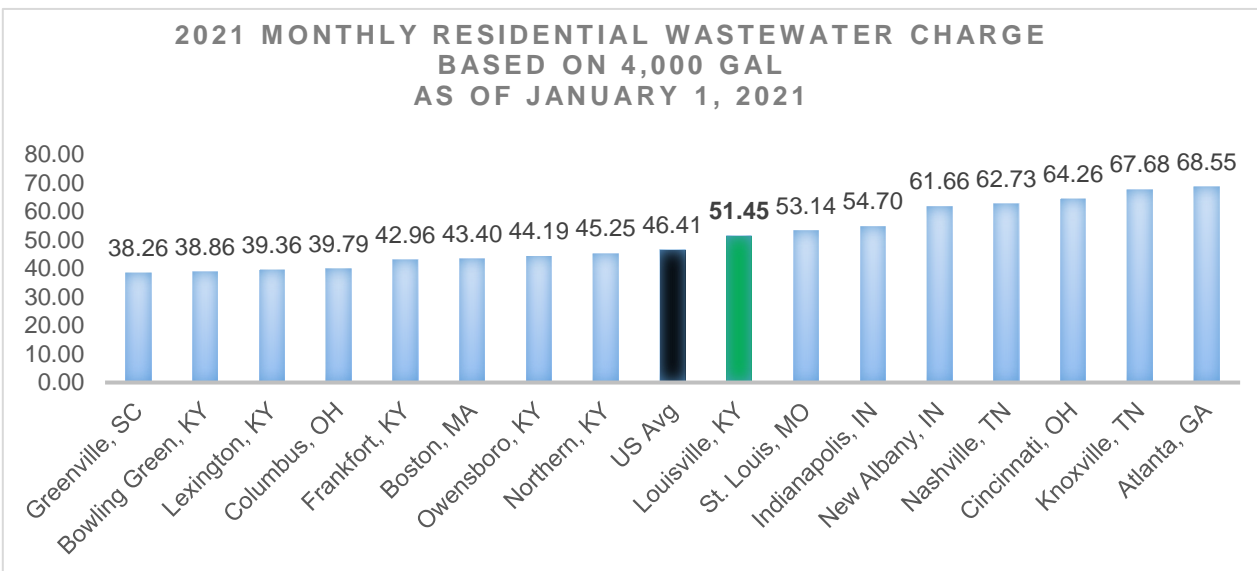
Average Monthly Residential Bill with EWRAP			
	8/1/2020		8/1/2021
Wastewater	\$	51.44	\$ 54.99
EWRAP Discount		(5.14)	(5.50)
Stormwater		11.11	11.88
Total	\$	57.41	\$ 61.37
Monthly Wastewater Increase	\$	(2.70)	\$ 3.20
Monthly Stormwater Increase		0.53	0.77
Total Monthly Increase	\$	(2.17)	\$ 3.97

Example Bill For Residential Customer Using 4,000 Gallons/Month	
	8/1/2021
Wastewater	
Monthly Service Charge	\$ 18.90
Monthly Volume Charge (\$5.16 per 1,000 gallons)	20.64
Consent Decree Surcharge	15.45
Total Wastewater Charges	\$ 54.99
Monthly Drainage Service Charge	11.88
Total Wastewater and Drainage Charges as of August 1, 2021	\$ 66.87

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, 2021, 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 17th 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.



MSD's Pond Creek Flood Pump Station

Fiscal Year 2022 Operating and Maintenance Expenses

Operating & Maintenance Expense Summary

O&M Budget Total	FY2021 Budget	FY2022 Budget	\$ Increase	% Increase
LABOR				
Salaries & Wages	\$52,470,195	\$56,029,900	\$3,559,705	6.8%
Labor & Related Overhead	\$23,734,300	\$26,841,709	\$3,107,409	13.1%
	\$76,204,495	\$82,871,608	\$6,667,113	8.7%
NON-LABOR				
Utilities	\$17,616,888	\$18,069,372	\$452,484	2.6%
Materials & Supplies	\$7,037,233	\$7,200,700	\$163,467	2.3%
Contractual Services	\$37,793,863	\$35,547,655	(\$2,246,208)	-5.9%
Bad Debt	\$3,500,000	\$3,500,000	\$0	0.0%
Chemicals	\$5,119,855	\$6,642,694	\$1,522,839	29.7%
Fuel	\$1,389,398	\$1,355,815	(\$33,583)	-2.4%
Insurance Premiums & Claims	\$2,811,961	\$3,770,302	\$958,341	34.1%
Other Operating Expense	\$2,047,307	\$2,086,302	\$38,995	1.9%
	\$77,316,505	\$78,172,839	\$856,334	1.1%
Total O&M Budget	\$153,521,000	\$161,044,447	\$7,523,447	4.9%
Capitalization	(\$36,845,040)	(\$38,650,667)	(\$1,805,627)	4.9%
Net O&M Budget	\$116,675,960	\$122,393,780	\$5,717,820	4.9%



MSD's Waterway Protection Tunnel

Operating & Maintenance Expenses by Division

O&M Budget by Division	FY2021 Budget	FY2022 Budget	\$ Increase	% Increase
CORPORATE COSTS	\$22,115,419	\$17,521,578	(\$4,593,841)	-20.8%
CORP_COSTS - Corporate Costs-Service & Administration Costs	\$22,115,419	\$17,521,578	(\$4,593,841)	-20.8%
ENGINEERING	\$11,101,501	\$12,443,541	\$1,342,040	12.1%
610_ADMIN - Engineering - Administration-Service & Administration Costs	\$286,188	\$306,701	\$20,513	7.2%
620_CONSTR - Engineering - Technical Services-Service & Administration Costs	\$4,130,249	\$4,833,737	\$703,488	17.0%
640_DEVPLA - Engineering - Development/Plan Review-Service & Administration Costs	\$5,080,677	\$5,586,352	\$505,675	10.0%
837_GIS - Engineering - GIS Services & Records-Service & Administration Costs	\$1,604,387	\$1,716,751	\$112,364	7.0%
ADMINISTRATION	\$9,629,424	\$12,233,032	\$2,603,608	27.0%
COMBEN - Community Benefits-Service & Administration Costs	\$291,009	\$890,734	\$599,725	206.1%
COMMUN - Communications-Service & Administration Costs	\$462,424	\$700,217	\$237,793	51.4%
CUST_SRVCE - Customer Relations-Service & Administration Costs	\$1,076,548	\$1,876,164	\$799,616	74.3%
511_EXEC - Executive Offices-Service & Administration Costs	\$1,656,781	\$1,650,010	(\$6,771)	-0.4%
INNOV-Service & Administration Costs	\$469,091	\$740,876	\$271,785	57.9%
INT_AUDIT-Service & Administration Costs	\$494,500	\$485,992	(\$8,508)	-1.7%
ONEWATER-Service & Administration Costs	\$71,360	\$145,386	\$74,026	103.7%
322_OFFSRV - Physical Assets-Administrative Services-Service & Administration Costs	\$2,621,637	\$2,850,350	\$228,713	8.7%
RECORDS-Service & Administration Costs	\$939,674	\$1,009,049	\$69,375	7.4%
SECURITY - Security & Safety-Service & Administration Costs	\$1,546,400	\$1,884,253	\$337,853	21.8%
FINANCE	\$2,175,770	\$2,296,284	\$120,514	5.5%
210_ADMIN - Administration Offices-Service & Administration Costs	\$658,245	\$737,696	\$79,451	12.1%
220_REVENUE - Revenue Services-Service & Administration Costs	\$783,564	\$831,148	\$47,584	6.1%
240_ACCTG - General Accounting Services-Service & Administration Costs	\$733,961	\$727,439	(\$6,522)	-0.9%
INFORMATION TECHNOLOGY	\$10,059,379	\$11,040,515	\$981,136	9.8%
831_ADMIN - Administration Offices-Service & Administration Costs	\$183,136	\$276,794	\$93,658	51.1%
832_LOJIC - LOJIC-Service & Administration Costs	\$154,793	\$562,895	\$408,102	263.6%
833_ADMIN - Information Systems-Service & Administration Costs	\$9,721,450	\$10,200,827	\$479,377	4.9%
HUMAN RESOURCES	\$2,594,317	\$2,906,256	\$311,939	12.0%
410_ADMIN - Administration-Service & Administration Costs	\$14,900	\$0	(\$14,900)	-100.0%
420_HRTRN - Admin/Training-Service & Administration Costs	\$2,579,417	\$2,906,256	\$326,839	12.7%
LEGAL	\$3,472,102	\$3,072,962	(\$399,140)	-11.5%
520_LEGAL - Legal-Service & Administration Costs	\$3,472,102	\$3,072,962	(\$399,140)	-11.5%
SUPPLY CHAIN	\$2,260,018	\$2,791,872	\$531,854	23.5%
230_PURCH - Purchasing Services-Service & Administration Costs	\$954,172	\$1,209,342	\$255,170	26.7%
380_INVENT - Physical Assets-Storeroom/Inventory-Service & Administration Costs	\$828,971	\$863,283	\$34,312	4.1%
513_DIVERS - Supplier Diversity Dept-Service & Administration Costs	\$476,875	\$719,247	\$242,372	50.8%
OPERATIONS	\$90,113,070	\$96,738,408	\$6,625,338	7.4%
COLLECTION-Service & Administration Costs	\$25,356,729	\$26,945,846	\$1,589,117	6.3%
DRAINAGE & FLOOD PROTECTION-Service & Administration Costs	\$16,677,385	\$17,484,438	\$807,053	4.8%
PERFORMANCE-Service & Administration Costs	\$669,152	\$1,087,605	\$418,453	62.5%
OLDHAM COUNTY-Service & Administration Costs	\$4,128,000	\$3,854,839	(\$273,161)	-6.6%
SUPPORT-Service & Administration Costs	\$7,927,636	\$9,110,309	\$1,182,673	14.9%
TREATMENT-Service & Administration Costs	\$35,354,168	\$38,255,373	\$2,901,205	8.2%
Total O&M Budget	\$153,521,000	\$161,044,447	\$7,523,447	4.9%

Administration Division Operating Expense Budget

Administration O&M Budget	FY2021 Budget	FY2022 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$3,789,832	\$5,726,961	\$1,937,129	51.1%
51130 - Overtime	\$69,012	\$42,400	(\$26,612)	-38.6%
51140 - Wages pd for vacation, holidays & other	\$721,828	\$0	(\$721,828)	-100.0%
51300 - Payroll Taxes	\$333,238	\$426,104	\$92,866	27.9%
51400 - Unemployment Insurance	\$3,108	\$3,108	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$379,884	\$494,197	\$114,313	30.1%
51600 - Retirement Contributions	\$1,085,476	\$1,477,893	\$392,417	36.2%
	<u>\$6,382,378</u>	<u>\$8,170,664</u>	<u>\$1,788,286</u>	<u>28.0%</u>
NON-LABOR				
53310 - Electric	\$300,000	\$300,000	\$0	0.0%
53320 - Natural Gas	\$28,440	\$28,440	\$0	0.0%
53330 - Water	\$30,000	\$15,000	(\$15,000)	-50.0%
53340 - Telephone	\$900	\$0	(\$900)	-100.0%
53345 - Data Communications	\$900	\$0	(\$900)	-100.0%
53140 - Materials & Supplies	\$222,438	\$270,223	\$47,785	21.5%
51700 - Uniforms	\$63,200	\$63,200	\$0	0.0%
52130 - Custodial & Watchmen	\$707,240	\$791,280	\$84,040	11.9%
52140 - Professional Services	\$237,500	\$754,000	\$516,500	217.5%
52160 - Maintenance & Repairs	\$830,273	\$852,952	\$22,679	2.7%
52180 - Temporary Services	\$56,584	\$72,000	\$15,416	27.2%
52195 - Other Contractual Services	\$76,352	\$162,552	\$86,200	112.9%
54140 - General Liability Claims	\$0	\$10,786	\$10,786	100.0%
53410 - Equipment Rental	\$9,000	\$9,000	\$0	0.0%
53430 - Leased Parking	\$75,396	\$34,500	(\$40,896)	-54.2%
54250 - Contributions	\$168,000	\$257,500	\$89,500	53.3%
54400 - Advertising	\$4,000	\$83,070	\$79,070	1976.8%
54500 - Travel & Meetings	\$105,679	\$126,451	\$20,772	19.7%
54550 - Training	\$48,079	\$50,979	\$2,900	6.0%
54600 - Dues, Fees and Subscriptions	\$268,665	\$166,036	(\$102,629)	-38.2%
54700 - Board Members	\$14,400	\$14,400	\$0	0.0%
	<u>\$3,247,046</u>	<u>\$4,062,368</u>	<u>\$815,322</u>	<u>25.1%</u>
Total O&M Budget	\$9,629,424	\$12,233,032	\$2,603,608	

Corporate Division Operating Expense Budget

Corporate O&M Budget	FY2021 Budget	FY2022 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$1,104,168	\$219,675	(\$884,493)	-80.1%
51140 - Wages pd for vacation, holidays & other	\$210,312	\$0	(\$210,312)	-100.0%
51147 - Service & Safety Incentive Awards	\$33,194	\$28,568	(\$4,626)	-13.9%
51210 - Short-Term Disability	\$250,000	\$0	(\$250,000)	-100.0%
51220 - Workers' Compensation Insurance	\$264,468	\$264,468	\$0	0.0%
51225 - Workers' Compensation Claims	\$1,020,008	\$1,063,773	\$43,765	4.3%
51230 - Long-Term Disability	\$68,375	\$49,992	(\$18,383)	-26.9%
51240 - Group Life - AD&D Insurance	\$59,796	\$99,960	\$40,164	67.2%
51250 - Tuition Assistance	\$60,000	\$60,000	\$0	0.0%
51260 - Empl Assistance & Wellness Program	\$0	\$14,000	\$14,000	
51300 - Payroll Taxes	\$33,967	\$12,012	(\$21,955)	-64.6%
51400 - Unemployment Insurance	\$912	\$912	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$27,456	\$11,230	(\$16,226)	-59.1%
51600 - Retirement Contributions	\$316,264	\$62,168	(\$254,096)	-80.3%
	\$3,448,920	\$1,886,757	(\$1,562,163)	-45.3%
NON-LABOR				
53140 - Materials & Supplies	\$70,000	\$0	(\$70,000)	-100.0%
52110 - Billing & Collection	\$6,263,700	\$6,204,714	(\$58,986)	-0.9%
52140 - Professional Services	\$0	\$205,100	\$205,100	100.0%
52155 - Banking Services	\$10,000	\$10,000	\$0	0.0%
52195 - Other Contractual Services	\$5,932,988	\$2,000,736	(\$3,932,252)	-66.3%
54200 - Bad Debts	\$3,500,000	\$3,500,000	\$0	0.0%
54110 - General Liability Insurance	\$777,150	\$1,100,004	\$322,854	41.5%
54130 - Property Insurance	\$1,529,988	\$2,029,992	\$500,004	32.7%
54140 - General Liability Claims	\$492,823	\$540,000	\$47,177	9.6%
54400 - Advertising	\$75,000	\$0	(\$75,000)	-100.0%
54500 - Travel & Meetings	\$14,500	\$11,000	(\$3,500)	-24.1%
54550 - Training	\$0	\$32,800	\$32,800	100.0%
54600 - Dues, Fees and Subscriptions	\$350	\$475	\$125	35.7%
	\$18,666,499	\$15,634,821	(\$3,031,678)	-16.2%
Total O&M Budget	\$22,115,419	\$17,521,578	(\$4,593,841)	

Engineering Division Operating Expense Budget

Engineering O&M Budget	FY2021 Budget	FY2022 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$6,094,940	\$8,036,546	\$1,941,606	31.9%
51130 - Overtime	\$166,072	\$165,972	(\$100)	-0.1%
51135 - Special Event Compensation	\$2,196	\$996	(\$1,200)	-54.6%
51140 - Wages pd for vacation, holidays & other	\$1,160,888	\$0	(\$1,160,888)	-100.0%
51300 - Payroll Taxes	\$554,241	\$604,710	\$50,469	9.1%
51400 - Unemployment Insurance	\$4,992	\$4,992	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$893,712	\$972,590	\$78,878	8.8%
51600 - Retirement Contributions	\$1,745,712	\$2,228,442	\$482,730	27.7%
	\$10,622,753	\$12,014,248	\$1,391,495	13.1%
NON-LABOR				
53310 - Electric	\$2,000	\$0	(\$2,000)	-100.0%
53320 - Natural Gas	\$1,500	\$0	(\$1,500)	-100.0%
53330 - Water	\$960	\$0	(\$960)	-100.0%
53140 - Materials & Supplies	\$116,608	\$88,548	(\$28,060)	-24.1%
52140 - Professional Services	\$228,000	\$195,500	(\$32,500)	-14.3%
52160 - Maintenance & Repairs	\$3,000	\$3,000	\$0	0.0%
52180 - Temporary Services	\$0	\$10,000	\$10,000	100.0%
52195 - Other Contractual Services	\$960	\$0	(\$960)	-100.0%
53420 - Space Rent	\$18,000	\$0	(\$18,000)	-100.0%
54500 - Travel & Meetings	\$52,700	\$51,625	(\$1,075)	-2.0%
54550 - Training	\$26,645	\$42,710	\$16,065	60.3%
54600 - Dues, Fees and Subscriptions	\$28,375	\$37,910	\$9,535	33.6%
	\$478,748	\$429,293	(\$49,455)	-10.3%
Total O&M Budget	\$11,101,501	\$12,443,541	\$1,342,040	

Finance Division Operating Expense Budget

Finance O&M Budget	FY2021 Budget	FY2022 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$1,092,785	\$1,406,218	\$313,433	28.7%
51130 - Overtime	\$2,700	\$1,500	(\$1,200)	-44.4%
51140 - Wages pd for vacation, holidays & other	\$207,620	\$0	(\$207,620)	-100.0%
51300 - Payroll Taxes	\$97,871	\$104,904	\$7,033	7.2%
51400 - Unemployment Insurance	\$892	\$892	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$138,468	\$153,383	\$14,915	10.8%
51600 - Retirement Contributions	\$312,212	\$387,808	\$75,596	24.2%
	<u>\$1,852,548</u>	<u>\$2,054,705</u>	<u>\$202,157</u>	<u>10.9%</u>
NON-LABOR				
53140 - Materials & Supplies	\$11,860	\$6,900	(\$4,960)	-41.8%
52140 - Professional Services	\$128,301	\$129,180	\$879	0.7%
52155 - Banking Services	\$40,000	\$44,580	\$4,580	11.5%
52160 - Maintenance & Repairs	\$5,000	\$0	(\$5,000)	-100.0%
52195 - Other Contractual Services	\$101,200	\$21,310	(\$79,890)	-78.9%
54400 - Advertising	\$0	\$400	\$400	100.0%
54500 - Travel & Meetings	\$15,492	\$18,500	\$3,008	19.4%
54550 - Training	\$14,540	\$14,540	\$0	0.0%
54600 - Dues, Fees and Subscriptions	\$6,829	\$6,169	(\$660)	-9.7%
	<u>\$323,222</u>	<u>\$241,579</u>	<u>(\$81,643)</u>	<u>-25.3%</u>
Total O&M Budget	\$2,175,770	\$2,296,284	\$120,514	

Human Resources Division Operating Expense Budget

Human Resources O&M Budget	FY2021 Budget	FY2022 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$1,263,824	\$1,702,181	\$438,357	34.7%
51130 - Overtime	\$2,625	\$2,225	(\$400)	-15.2%
51140 - Wages pd for vacation, holidays & other	\$240,720	\$0	(\$240,720)	-100.0%
51145 - Incentive Pay - Performance, ERT, Sugg	\$250	\$0	(\$250)	-100.0%
51300 - Payroll Taxes	\$113,054	\$127,438	\$14,384	12.7%
51400 - Unemployment Insurance	\$1,040	\$1,040	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$155,628	\$181,980	\$26,352	16.9%
51600 - Retirement Contributions	\$361,984	\$460,364	\$98,380	27.2%
	<u>\$2,139,125</u>	<u>\$2,475,229</u>	<u>\$336,104</u>	<u>15.7%</u>
NON-LABOR				
53140 - Materials & Supplies	\$15,550	\$16,050	\$500	3.2%
51700 - Uniforms	\$1,000	\$1,000	\$0	0.0%
52140 - Professional Services	\$309,585	\$336,734	\$27,149	8.8%
52160 - Maintenance & Repairs	\$192	\$192	\$0	0.0%
52180 - Temporary Services	\$43,300	\$0	(\$43,300)	-100.0%
54250 - Contributions	\$10,000	\$5,000	(\$5,000)	-50.0%
54400 - Advertising	\$14,808	\$14,808	\$0	0.0%
54500 - Travel & Meetings	\$13,400	\$11,600	(\$1,800)	-13.4%
54550 - Training	\$24,569	\$27,694	\$3,125	12.7%
54600 - Dues, Fees and Subscriptions	\$22,788	\$17,949	(\$4,839)	-21.2%
	<u>\$455,192</u>	<u>\$431,027</u>	<u>(\$24,165)</u>	<u>-5.3%</u>
Total O&M Budget	\$2,594,317	\$2,906,256	\$311,939	

Information Technology Division Operating Expense Budget

Information Technology O&M Budget	FY2021 Budget	FY2022 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$2,306,656	\$3,106,965	\$800,309	34.7%
51130 - Overtime	\$11,196	\$11,196	\$0	0.0%
51135 - Special Event Compensation	\$1,000	\$1,000	\$0	0.0%
51140 - Wages pd for vacation, holidays & other	\$439,352	\$0	(\$439,352)	-100.0%
51300 - Payroll Taxes	\$209,936	\$234,992	\$25,056	11.9%
51400 - Unemployment Insurance	\$1,908	\$1,908	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$276,924	\$319,140	\$42,216	15.2%
51600 - Retirement Contributions	\$660,688	\$835,919	\$175,231	26.5%
	\$3,907,660	\$4,511,121	\$603,461	15.4%
NON-LABOR				
53340 - Telephone	\$361,200	\$330,200	(\$31,000)	-8.6%
53345 - Data Communications	\$898,992	\$929,750	\$30,758	3.4%
53140 - Materials & Supplies	\$591,802	\$562,804	(\$28,998)	-4.9%
51700 - Uniforms	\$996	\$1,000	\$4	0.4%
52140 - Professional Services	\$1,007,780	\$1,006,410	(\$1,370)	-0.1%
52160 - Maintenance & Repairs	\$1,731,504	\$2,086,952	\$355,448	20.5%
52180 - Temporary Services	\$9,000	\$9,000	\$0	0.0%
52195 - Other Contractual Services	\$1,394,731	\$1,470,681	\$75,950	5.4%
54500 - Travel & Meetings	\$56,800	\$48,000	(\$8,800)	-15.5%
54550 - Training	\$92,500	\$76,500	(\$16,000)	-17.3%
54600 - Dues, Fees and Subscriptions	\$6,414	\$8,099	\$1,685	26.3%
	\$6,151,719	\$6,529,395	\$377,676	6.1%
Total O&M Budget	\$10,059,379	\$11,040,515	\$981,136	

Legal Division Operating Expense Budget

Legal O&M Budget	FY2021 Budget	FY2022 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$782,860	\$1,030,938	\$248,078	31.7%
51130 - Overtime	\$2,100	\$3,600	\$1,500	71.4%
51140 - Wages pd for vacation, holidays & other	\$149,112	\$0	(\$149,112)	-100.0%
51300 - Payroll Taxes	\$63,014	\$73,158	\$10,144	16.1%
51400 - Unemployment Insurance	\$648	\$648	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$50,340	\$65,938	\$15,598	31.0%
51600 - Retirement Contributions	\$224,228	\$255,692	\$31,464	14.0%
	\$1,272,302	\$1,429,974	\$157,672	12.4%
NON-LABOR				
53140 - Materials & Supplies	\$15,000	\$15,000	\$0	0.0%
52140 - Professional Services	\$122,000	\$253,896	\$131,896	108.1%
52145 - Legal	\$2,000,000	\$1,310,100	(\$689,900)	-34.5%
54500 - Travel & Meetings	\$14,000	\$14,000	\$0	0.0%
54550 - Training	\$2,000	\$2,000	\$0	0.0%
54600 - Dues, Fees and Subscriptions	\$46,800	\$47,992	\$1,192	2.5%
	\$2,199,800	\$1,642,988	(\$556,812)	-25.3%
Total O&M Budget	\$3,472,102	\$3,072,962	(\$399,140)	

Operations Division Operating Expense Budget

Operations O&M Budget	FY2021 Budget	FY2022 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$24,071,413	\$30,225,661	\$6,154,248	25.6%
51130 - Overtime	\$2,161,940	\$2,205,116	\$43,176	2.0%
51135 - Special Event Compensation	\$363,192	\$353,192	(\$10,000)	-2.8%
51140 - Wages pd for vacation, holidays & other	\$4,546,264	\$0	(\$4,546,264)	-100.0%
51300 - Payroll Taxes	\$2,220,797	\$2,319,361	\$98,564	4.4%
51400 - Unemployment Insurance	\$19,704	\$19,704	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$4,186,008	\$4,634,028	\$448,020	10.7%
51600 - Retirement Contributions	\$6,921,675	\$8,104,996	\$1,183,321	17.1%
	\$44,490,993	\$47,862,059	\$3,371,066	7.6%
NON-LABOR				
53310 - Electric	\$13,937,000	\$13,942,000	\$5,000	0.0%
53320 - Natural Gas	\$578,396	\$967,182	\$388,786	67.2%
53330 - Water	\$1,248,600	\$1,300,200	\$51,600	4.1%
53345 - Data Communications	\$228,000	\$256,600	\$28,600	12.5%
53140 - Materials & Supplies	\$5,694,559	\$5,934,875	\$240,316	4.2%
53160 - Landfill Cost of fill dirt	\$273,000	\$273,000	\$0	0.0%
51700 - Uniforms	\$159,574	\$157,646	(\$1,928)	-1.2%
52110 - Billing & Collection	\$125,000	\$165,216	\$40,216	32.2%
52130 - Custodial & Watchmen	\$114,000	\$197,600	\$83,600	73.3%
52140 - Professional Services	\$448,700	\$556,900	\$108,200	24.1%
52160 - Maintenance & Repairs	\$2,536,907	\$2,417,334	(\$119,573)	-4.7%
52170 - Sludge & Grit Disposal	\$2,799,139	\$3,313,422	\$514,283	18.4%
52180 - Temporary Services	\$156,600	\$191,600	\$35,000	22.3%
52195 - Other Contractual Services	\$10,122,388	\$10,425,760	\$303,372	3.0%
53210 - Chlorine	\$11,388	\$11,400	\$12	0.1%
53215 - Sodium Hypochlorite	\$782,452	\$1,198,600	\$416,148	53.2%
53220 - Polymer	\$1,730,124	\$2,794,000	\$1,063,876	61.5%
53225 - Sodium Aluminate	\$144,000	\$291,800	\$147,800	102.6%
53230 - Liquid Oxygen	\$720,000	\$459,600	(\$260,400)	-36.2%
53235 - Liquid Nitrogen	\$12,000	\$24,000	\$12,000	100.0%
53240 - Other Chemicals	\$218,391	\$110,208	(\$108,183)	-49.5%
53250 - Dechlorination	\$228,000	\$467,000	\$239,000	104.8%
53275 - Defoamer	\$72,000	\$84,186	\$12,186	16.9%
53280 - Bioxide	\$1,200,000	\$1,200,400	\$400	0.0%
53285 - Sodium Hydroxide	\$1,500	\$1,500	\$0	0.0%
53120 - Gasoline	\$530,795	\$527,634	(\$3,161)	-0.6%
53130 - Diesel Fuel	\$858,603	\$828,181	(\$30,422)	-3.5%
54110 - General Liability Insurance	\$0	\$2,520	\$2,520	100.0%
54130 - Property Insurance	\$0	\$70,000	\$70,000	100.0%
54140 - General Liability Claims	\$12,000	\$17,000	\$5,000	41.7%
53410 - Equipment Rental	\$128,196	\$120,596	(\$7,600)	-5.9%
53420 - Space Rent	\$24,000	\$30,000	\$6,000	25.0%
54400 - Advertising	\$1,500	\$1,650	\$150	10.0%
54500 - Travel & Meetings	\$74,290	\$74,440	\$150	0.2%
54550 - Training	\$208,030	\$209,871	\$1,841	0.9%
54600 - Dues, Fees and Subscriptions	\$242,945	\$252,428	\$9,483	3.9%
	\$45,622,077	\$48,876,349	\$3,254,272	7.1%
Total O&M Budget	\$90,113,070	\$96,738,408	\$6,625,338	

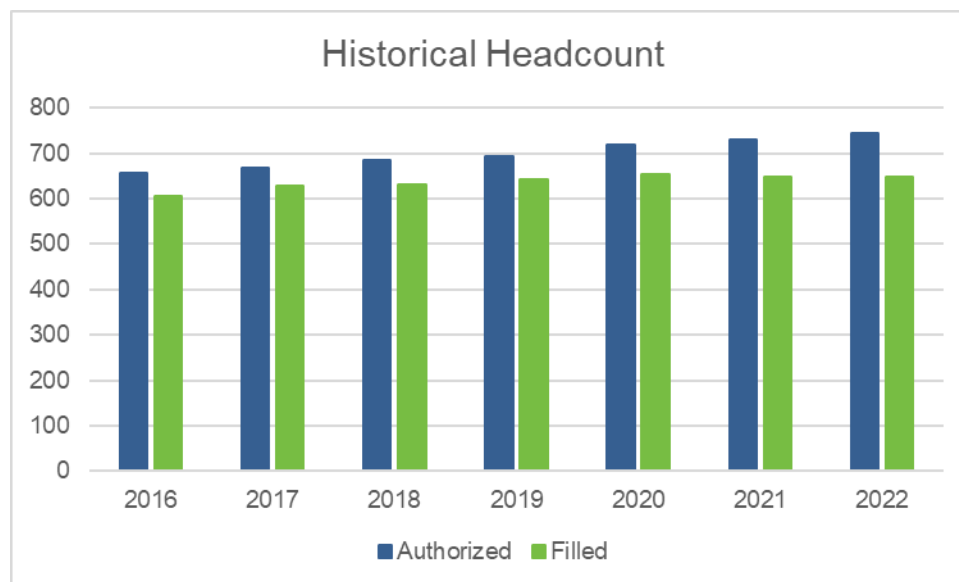
Supply Chain & Economic Inclusion Division Operating Expense Budget

Supply Chain O&M Budget	FY2021 Budget	FY2022 Budget	\$ Increase	% Increase
LABOR				
51120 - Regular Salaries & Wages	\$1,215,192	\$1,733,489	\$518,297	42.7%
51130 - Overtime	\$25,500	\$25,500	\$0	0.0%
51140 - Wages pd for vacation, holidays & other	\$231,452	\$0	(\$231,452)	-100.0%
51300 - Payroll Taxes	\$109,856	\$130,851	\$20,995	19.1%
51400 - Unemployment Insurance	\$992	\$992	\$0	0.0%
51500 - Med Ins: MSD's port. of prem for grp	\$156,768	\$170,463	\$13,695	8.7%
51600 - Retirement Contributions	\$348,056	\$405,558	\$57,502	16.5%
	<u>\$2,087,816</u>	<u>\$2,466,853</u>	<u>\$379,037</u>	<u>18.2%</u>
NON-LABOR				
53140 - Materials & Supplies	\$26,416	\$33,300	\$6,884	26.1%
51700 - Uniforms	\$4,400	\$4,400	\$0	0.0%
52140 - Professional Services	\$53,713	\$168,773	\$115,060	214.2%
52160 - Maintenance & Repairs	\$15,000	\$30,000	\$15,000	100.0%
52180 - Temporary Services	\$40,000	\$0	(\$40,000)	-100.0%
52195 - Other Contractual Services	(\$85,944)	(\$77,064)	\$8,880	-10.3%
53410 - Equipment Rental	\$15,000	\$5,000	(\$10,000)	-66.7%
53430 - Leased Parking	\$0	\$2,500	\$2,500	100.0%
54250 - Contributions	\$11,000	\$19,000	\$8,000	72.7%
54400 - Advertising	\$21,500	\$35,500	\$14,000	65.1%
54500 - Travel & Meetings	\$25,000	\$42,000	\$17,000	68.0%
54550 - Training	\$27,707	\$41,500	\$13,793	49.8%
54600 - Dues, Fees and Subscriptions	\$18,410	\$20,110	\$1,700	9.2%
	<u>\$172,202</u>	<u>\$325,019</u>	<u>\$152,817</u>	<u>88.7%</u>
Total O&M Budget	\$2,260,018	\$2,791,872	\$531,854	

Headcount

FY22 Authorized Headcount by Division	
Administration	
Communications	4
Community Benefits & Partnerships	8
Customer Relations	22
Executive Office	5
Facilities	8
Innovation	3
Internal Audit	4
Records and Information Governance	9
Safety	15
Engineering	96
Finance	19
Human Resources	19
Information Technology	33
Legal	10
Operations	
Administration	3
Fleet	19
Linear Assets	205
Vertical Assets	238
Supply Chain & Economic Inclusion	24
Total Authorized Positions	744

FY22 Vacancy by Division	
Communications	1
Community Benefits & Partnerships	3
Customer Relations	4
Engineering	11
Facilities	1
Finance	2
Human Resources	2
Information Technology	4
Legal	3
Records and Information Governance	1
Safety	4
Supply Chain & Economic Inclusion	7
Operations	54
Total Vacant Positions	97



Fiscal Year 2022 Non-Operating Income and Expenses

2022 Non-Operating Income & Expenses Dollars in 000's			
	FY21 Budget	FY 21 Forecast	FY22 Budget
Investment Income	\$ 5,640	\$ 1,446	\$ 1,188
Build America Bond Subsidy	10,338	10,398	10,338
Total Non-Operating Income	15,978	11,844	11,526
Bond Interest Expense	99,289	91,540	97,756
Commercial Paper Interest Expense	4,758	4,318	5,416
Swap Interest Expense	8,488	9,407	8,488
BAN Interest Expense	11,424	9,799	10,625
Other Subordinate Interest Expense	794	956	1,039
Capitalized Interest Expense	(18,984)	(11,607)	-
Interest Amortizations	(9,906)	(14,321)	(9,117)
Total Non-Operating Expense	\$ 95,863	\$ 90,092	\$ 114,207

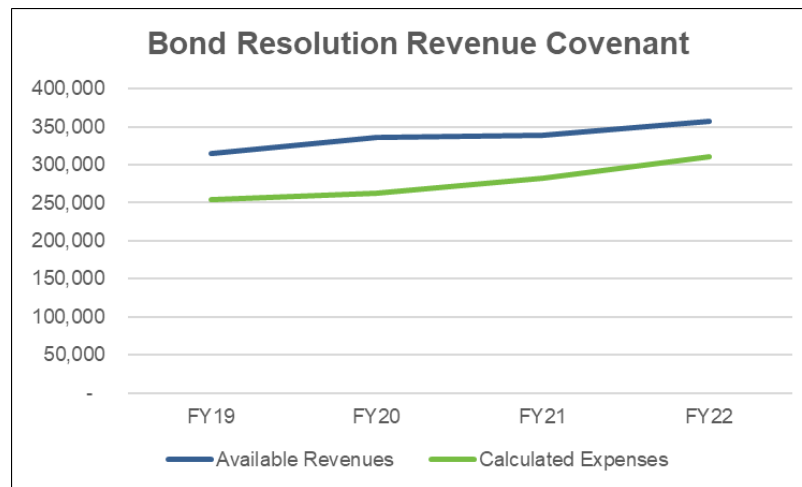
Fiscal Year 2022 Capital Budget

The MSD Board approved a suite of Capital Improvement Program (CIP) projects totaling \$200.7 million for fiscal year 2022 on May 24, 2021. The projects included in the fiscal year 2022 CIP fit into MSD's 5-year CIP. Many projects span multiple years and will continue spending beyond fiscal year 2022. 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). Additional information regarding the CIP can be found in the accompanying FY22 Capital Improvement Plan Overview Report. The following table summarizes CIP funding sources for fiscal year 2022.

	FY21 Budget	FY 21 Forecast	FY22 Budget
Capital Improvement Plan	194,112	181,683	200,716
Funding Sources:			
Cash Funded	(10,867)	(10,901)	(12,043)
CP/Senior Debt	(156,145)	(153,050)	(169,929)
WIFIA	-	-	(2,050)
KIA Financing	(2,100)	(17,732)	(16,600)
DSR Release	(25,000)	-	-

Ratios

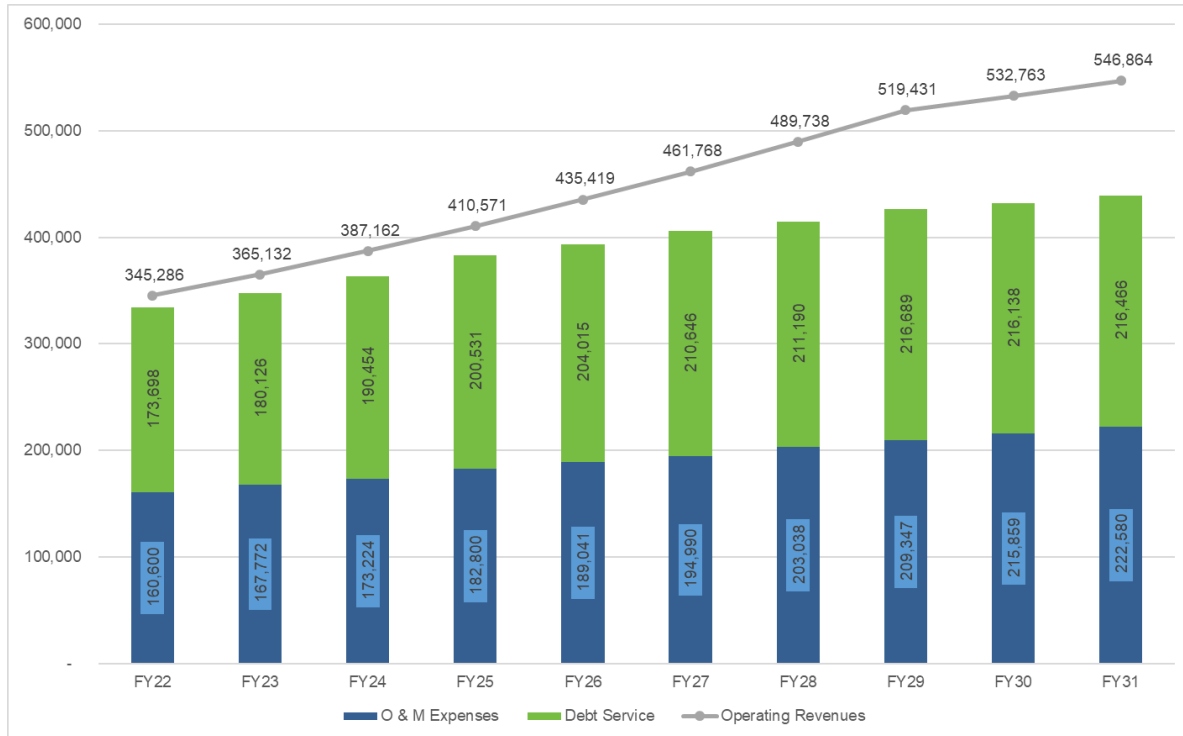
Historical Ratios Dollars in 000's							
	FY 2016	FY 2017	FY2018	FY 2019	FY20	FY21 F	FY22 B
Revenues							
Service Charges	\$ 238,480	\$ 253,943	\$ 274,504	\$ 289,173	\$ 312,859	\$ 321,587	\$ 340,936
Other Operating Income	4,810	5,691	4,645	5,195	6,198	4,501	4,350
Assessments	9,457	1,375	1,232	1,258	909	850	850
Investment Income	17,278	14,273	16,531	18,692	15,600	11,844	11,526
Total Revenues	270,025	275,282	296,912	314,318	335,566	338,782	357,662
Operating Expenses							
Service and Administrative Costs ¹	117,671	119,586	131,948	142,082	149,945	152,871	160,600
Less: Capitalized Overhead	(30,516)	(31,949)	(38,148)	(38,383)	(39,643)	(36,689)	(37,620)
Capitalization Rate	26%	27%	29%	27%	26%	24%	24%
Total Operating Expenses	87,155	87,637	93,800	103,699	110,302	116,182	122,980
Net Revenues	182,870	187,645	203,112	210,619	225,264	222,600	234,682
Aggregate Debt Service							
Current Maturities of Long-Term Debt	31,825	33,655	33,906	40,358	40,637	45,200	47,776
Interest Expense - Senior Lien ²	86,818	90,117	95,041	94,831	92,274	91,540	97,970
Less: Capitalized Interest Expense	(21,051)	(20,074)	(21,859)	(18,582)	(13,043)	(11,607)	-
Aggregate Net Debt Service	\$ 97,592	\$ 103,698	\$ 107,088	\$ 116,607	\$ 119,868	\$ 125,133	\$ 145,746
Debt Service Coverage Ratio³	187%	181%	190%	181%	188%	178%	161%
Debt to Operating Revenue	6.89	6.54	6.5	6.21	5.68	6.24	6.36
¹ Excludes the actuarial portion of changes to GASB 68 pension expense and GASB 75 OPEB for the year ² GASB 89 eliminates capitalized interest beginning in FY 2022 ³ Excludes the actuarial portion of changes to GASB 68 pension expense and GASB 75 OPEB for the year							



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 our financial obligations.

FY 2022 - FY 2031 Financial Plan (\$ Thousands)



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 2022 to redeem outstanding commercial paper that has been used as interim funding for capital projects in fiscal years 2021 and 2022.

MSD manages annual debt service expenses by refinancing its long-term obligations when feasible. Our most recent refinancing occurred on September 22, 2020 when we issued \$112 million of taxable sewer and drainage system refunding bonds that were used to advance refund the series 2013C revenue bonds. This refunding reduces debt service payment over the next twenty years by \$26.5 million.

MSD's total debt at the end of fiscal year 2021 is \$2.4 billion and 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 five fiscal years.

