

FY27 Proposed Budget

Presentation to Joint Finance &
Infrastructure Committees

May 7, 2026



Purpose

Present the Proposed Fiscal Year (FY) 2027 Budget and Rates

- Budget Summary
- Operating Budget
- Financing the Capital Improvement Program
- Updates to Schedules of Rates, Rentals and Charges
- Drops of Kindness

Actions:

- Approval of FY27 Operating Budget
- Adoption of Preliminary Rate Resolutions

Budget Summary

Our Vision: The innovative regional utility for safe, clean waterways.

FY26 Accomplishments



MF THP Project

THP is the largest spending project in the FY26 CIP. The WIFIA loan is almost fully drawn at a 2.37% interest rate. Principal repayment is deferred until 2030.

Outlook: First train to begin operation in FY27. Positions added to Treatment staff to operate and maintain.

2025 Flood Recovery

The 8th largest flood on record occurred in April 2025. MSD incurred nearly \$13M in additional capital and operating expenses responding and recovering.

Outlook: Flood Pump Station repairs are nearly complete and ready for the next flood.

Lowest Rate Increase

MSD implemented the lowest rate increase in more than 20 years. The O&M budget was reduced \$5M after adoption.

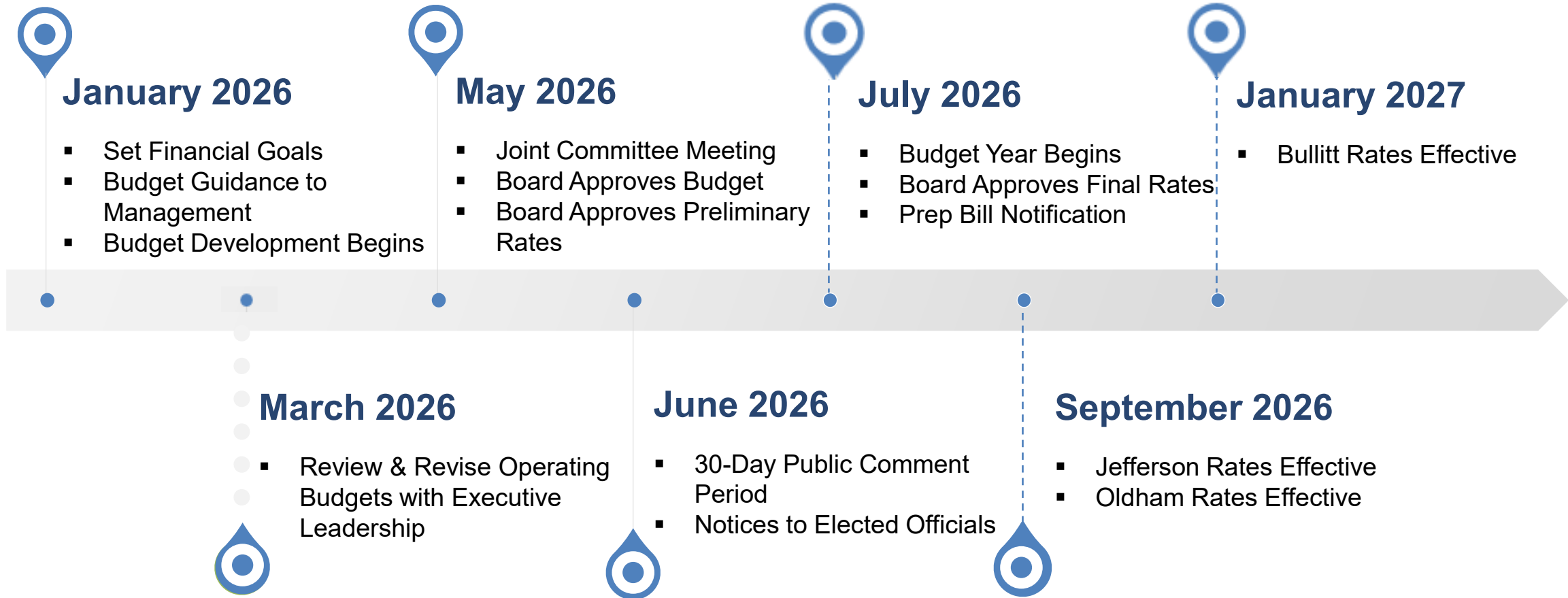
Outlook: Budget reductions carry forward and focus on affordability continues.

Hill Street Campus

MSD's new main office campus at 15th & Hill Street was readied for use. Relocation of Liberty Street staff to Hill Street is underway

Outlook: Liberty Street Office is listed for sale.

Budget Development & Implementation Calendar



MSD FY27 Budget Summary

- Proposed Operating Budget of \$512.7 million, increase of \$18.3 million (3.7%)
- Proposed 5-year Capital Improvement Program of \$1.2 billion
- Proposed Financial Plan
 - Jefferson County rates adjusted to generate 3.9% additional revenue effective September 1, 2026
 - Oldham County rates adjusted 2% September 1, 2026
 - Bullitt County rates adjusted 3% January 1, 2027



RESPECT



EXCELLENCE



ACCOUNTABILITY



STEWARDSHIP



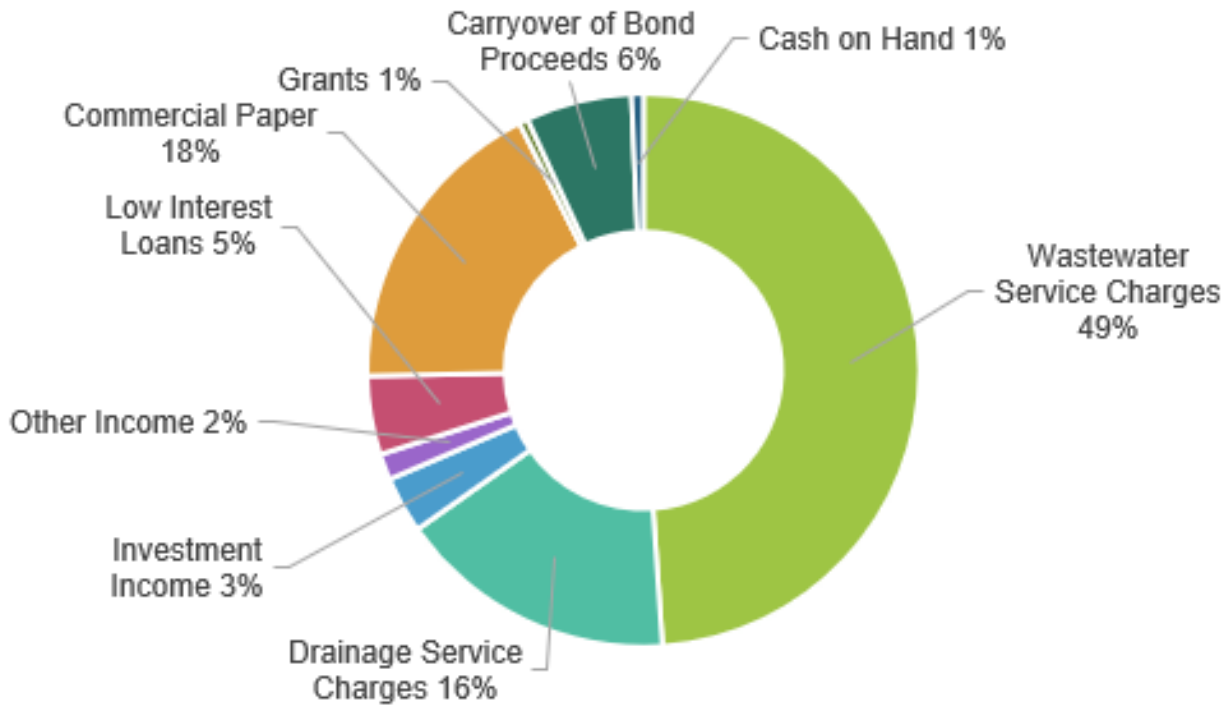
CUSTOMER FOCUS



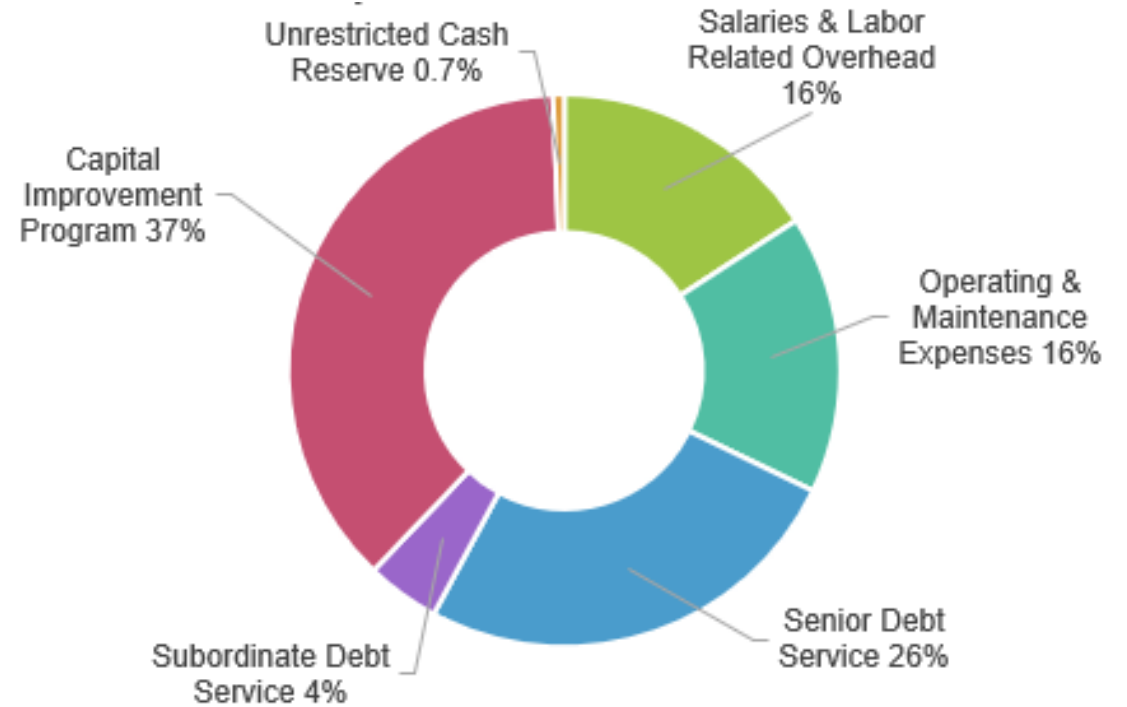
INTEGRITY

FY27 All-In Budget

Revenues & Sources of Funds

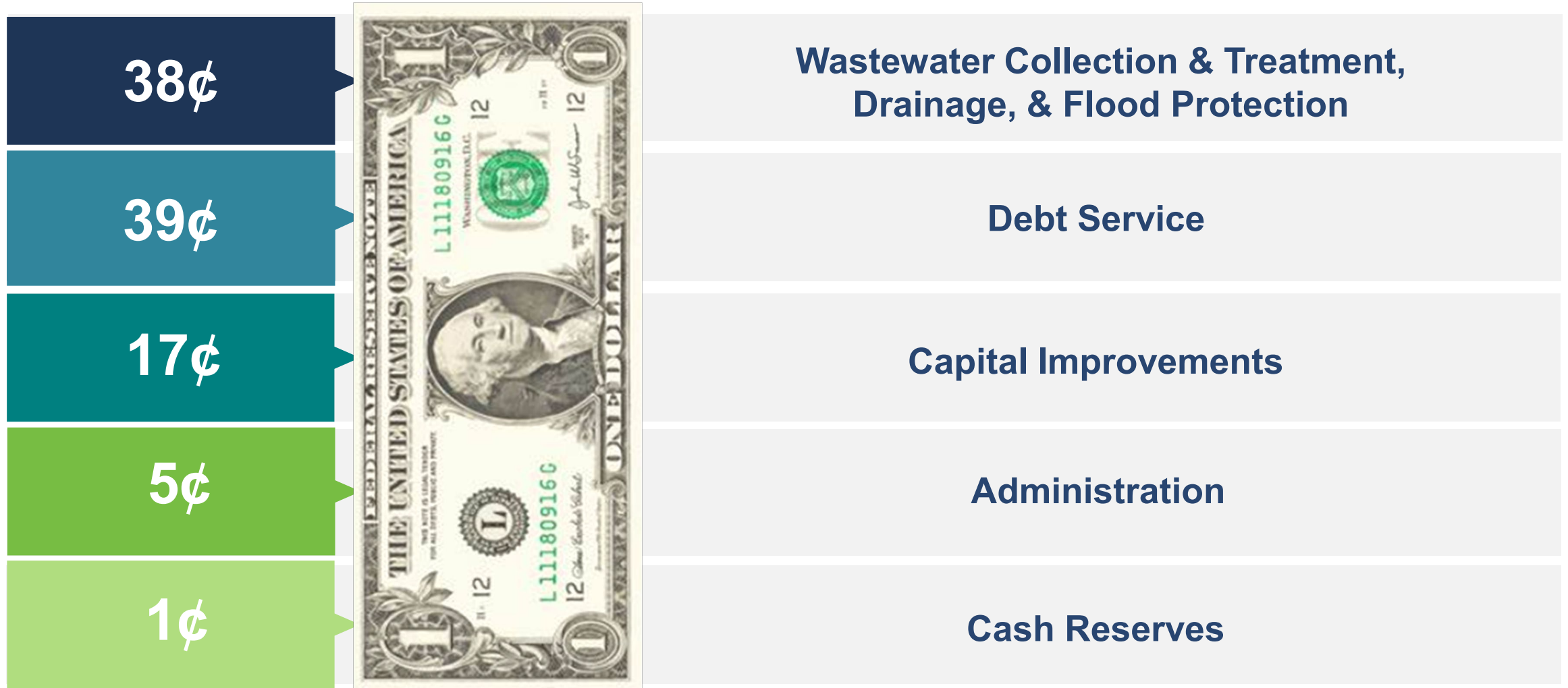


Expenses & Uses of Funds



Our Mission: Providing quality wastewater, stormwater and flood protection services to protect public health & safety

FY27 Budget: Where does the money go?



Based on service charge and other fees paid by users of MSD's systems.

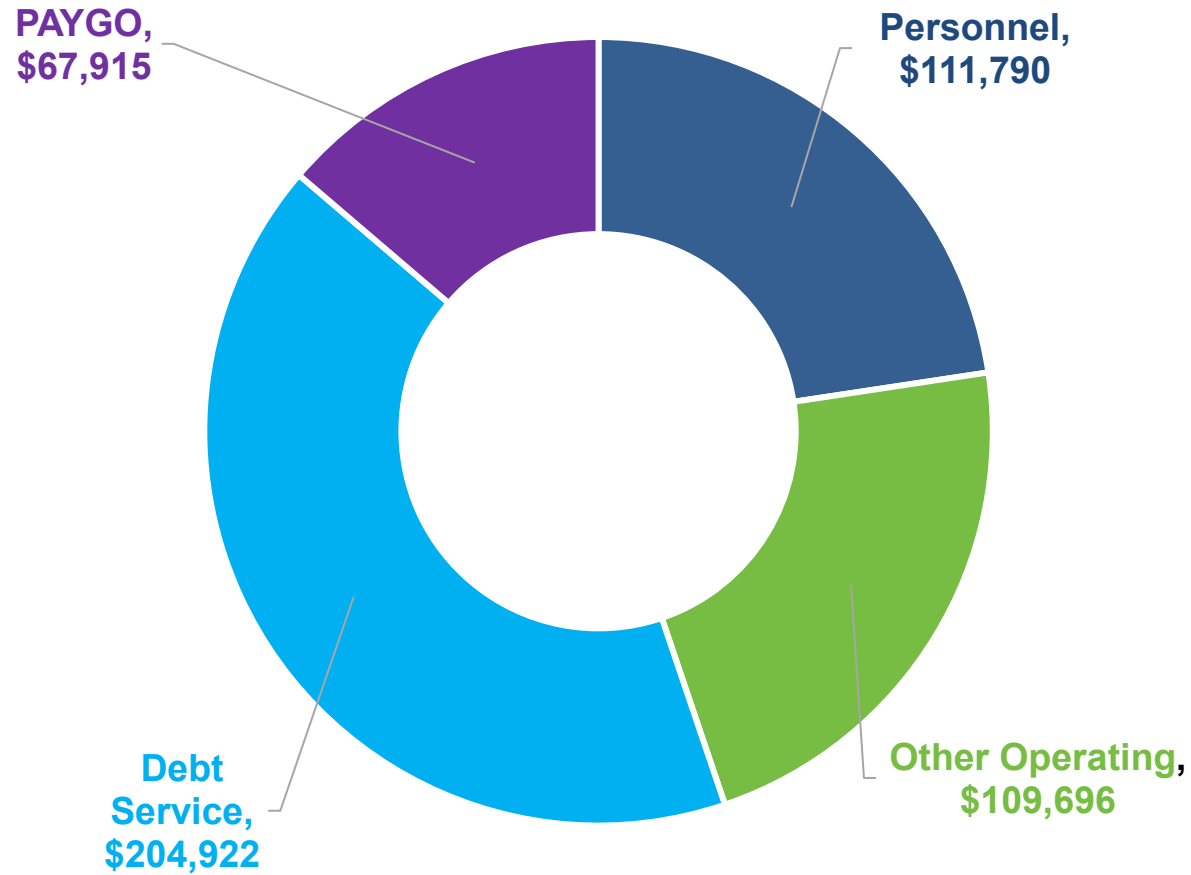
FY27 Operating Budget

Funding Mission-Driven Operations, Debt Service & Paygo.

Operating Budget Comparison

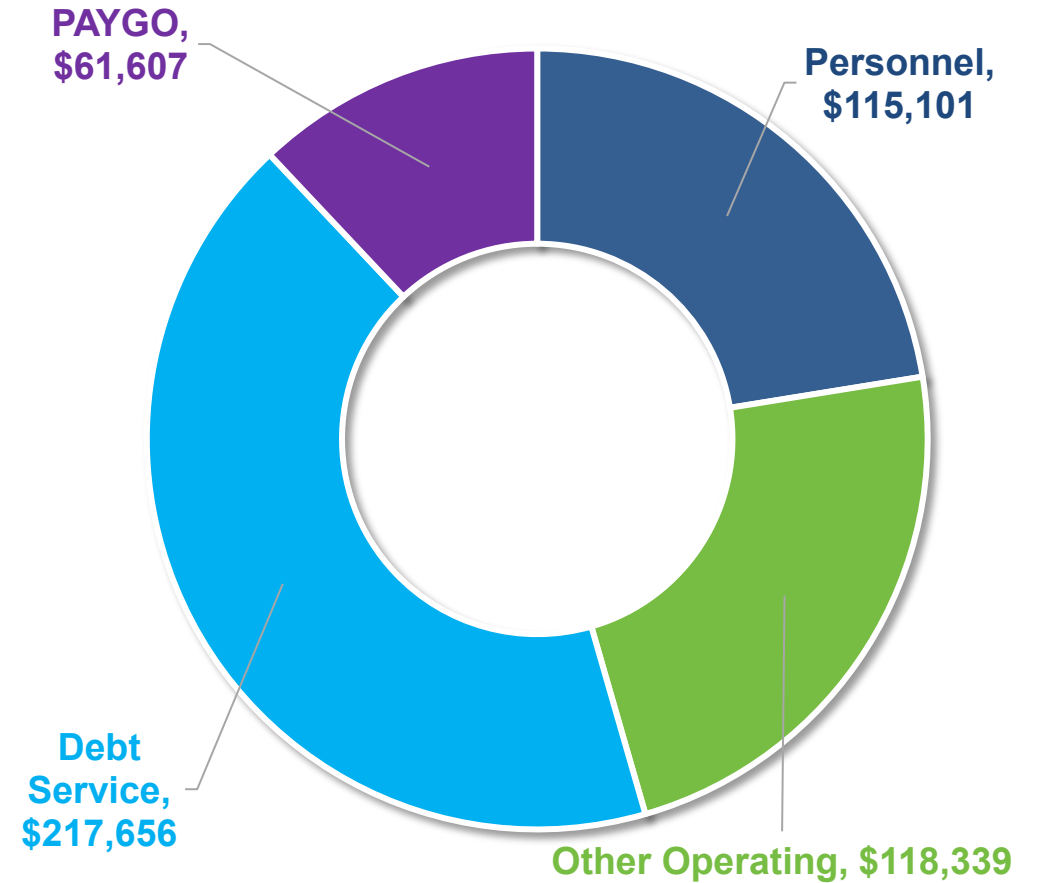
FY26 Operating Budget

Dollars in 000's



FY27 Operating Budget

Dollars in 000's

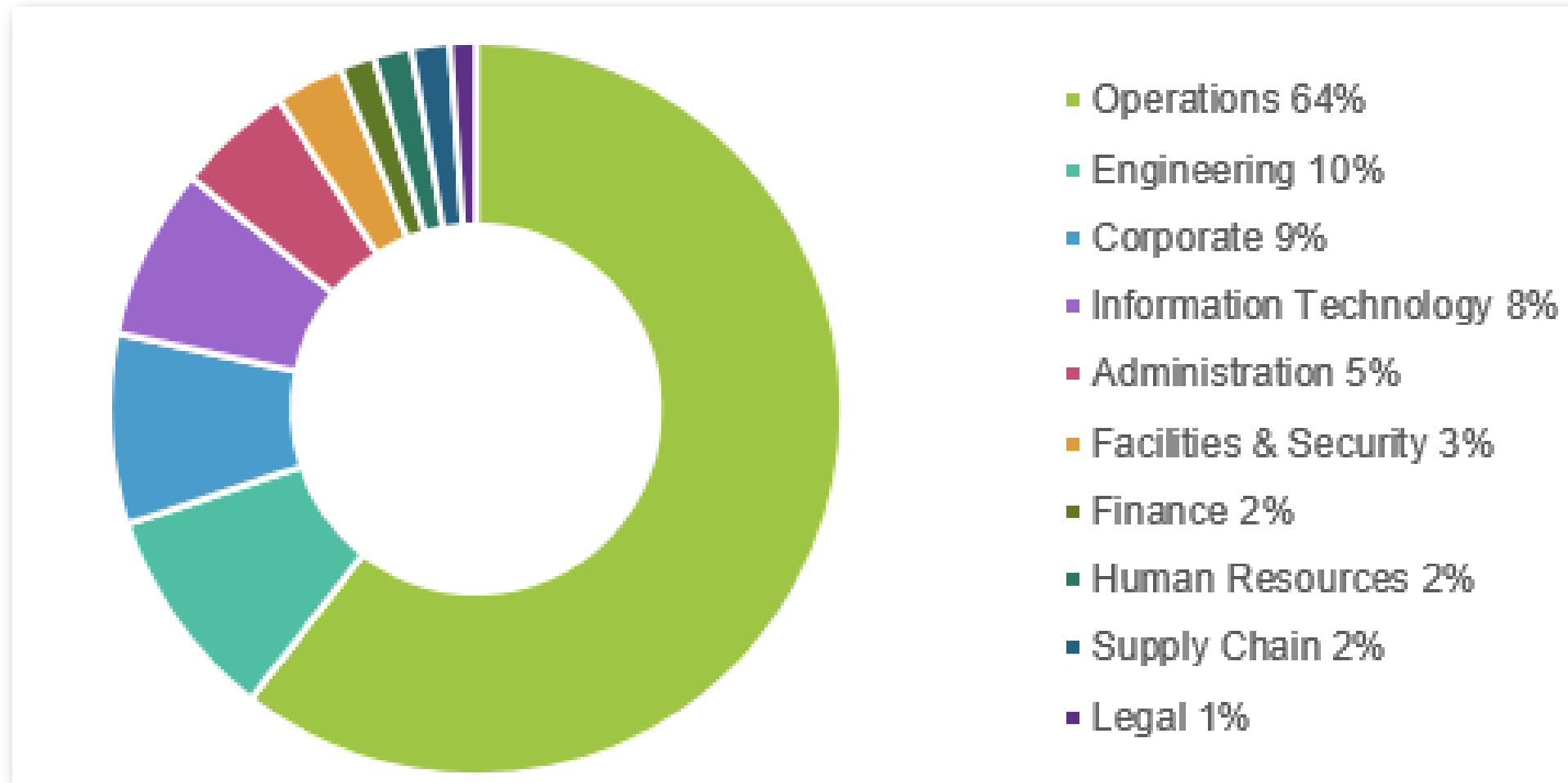


Operating Budget Comparison by Cost Category

- FY27 proposed Operations & Maintenance budget is \$233.4 million, increase of 5.4%
- \$1.5 million management reserve in Operations & Maintenance budget
- Annual debt service totals \$217.7 million, increase of 6.2%
- FY27 proposed Paygo is \$61.6 million, decrease of 9.3%

	FY25			FY26 Budget	FY27 Budget	(Increase)/Decrease	
	Budget	Actual	Variance			\$	%
Salaries & Wages	\$ 73,933	\$ 74,351	\$ (418)	\$ 80,116	\$ 81,742	\$ (1,626)	-2.0%
Labor Related Overhead	29,575	30,809	(1,234)	31,674	33,359	(1,685)	-5.3%
Total Personnel Expenses	103,508	105,160	(1,652)	111,790	115,101	(3,311)	-3.0%
Utilities	18,566	19,814	(1,248)	21,514	20,114	1,400	6.5%
Materials & Supplies	10,161	10,824	(663)	11,105	11,354	(249)	-2.2%
Contractual Services	43,683	41,341	2,342	51,257	63,206	(11,949)	-23.3%
Bad Debt	3,527	4,894	(1,367)	3,527	3,080	447	12.7%
Fuel	2,027	1,386	641	1,766	2,467	(701)	-39.7%
Chemicals	10,574	7,475	3,099	10,937	8,373	2,564	23.4%
Insurance & Claims	7,978	6,353	1,625	6,742	6,819	(77)	-1.1%
Other Operating Expense	2,586	2,610	(24)	2,848	2,926	(78)	-2.7%
Total Other Expenses	99,102	94,697	4,405	109,696	118,339	(8,643)	-7.9%
Total Operations & Maintenance	\$ 202,610	\$ 199,857	\$ 2,753	\$ 221,486	\$ 233,440	\$ (11,954)	-5.4%
Debt Service	185,364	180,238	5,126	204,922	217,656	(12,734)	-6.2%
PAYGO	67,762	73,457	(5,695)	67,915	61,607	6,308	9.3%
Total Debt Service & PAYGO	253,126	253,695	(569)	272,837	279,263	(6,426)	-2.4%
Total Operating Expenditures	\$ 455,736	\$ 453,552	\$ 2,184	\$ 494,323	\$ 512,703	\$ (18,380)	-3.7%
Capitalized Overhead	(46,600)	(37,291)	(9,309)	(44,297)	(45,591)	1,294	-2.9%
Net Operating Expenditures	\$ 409,136	\$ 416,261	\$ (7,125)	\$ 450,026	\$ 467,112	\$ (17,086)	-3.8%

Operating & Maintenance Budget by Division



Personnel Expenses

Salaries & Wages:

- Budget funds 852 positions (807 filled, 45 vacant)
- Headcount reduced by 36 positions compared to FY26 budget
- Nonunion wage adjustments budgeted at average cost of 3.4%
- Union wage adjustments budgeted at 3%

Labor-Related Overhead

- CERS retirement rates decreased from 18.6% to 17.4%
- Medical insurance rates increase 16%

FY 2026 vs FY 2027 Budget Variances

Personnel: Salaries & Wages increase 2%, budgeted headcount reduced by 36 positions compared to FY26.

Labor Related Overhead: Medical insurance rates increase 16%, Retirement expense fell 1.2%.

Utilities: Demand charges at Flood Pump Stations reset lower in May 2026; LG&E rates increased in February 2026. Net change is a 6.5% reduction compared to FY26.

Materials & Supplies: Contractual price adjustments and changes in our tire program increase Materials & Supplies by 2.2%.

Contractual Services: Solids hauling and disposal is fully covered in the O&M budget. A new contract is planned for cleaning the Waterway Protection Tunnel estimated at \$1.3 million. LOJIC Partner payments have been budgeted as revenue rather than a reduction of expense. Net changes to Contractual Services total a 23.3% increase.

Bad Debt: The budget for bad debt has been reduced to the FY26 forecast level resulting in a reduction of 12.7%.

Fuel: The budget for fuel increases 39.7% due to economic conditions.

Chemicals: The budget for chemicals has been reduced 23.4% based on the current utilization model and pricing.

Insurance Premiums & Claims: A net increase of 1.1% in Insurance is associated with liability claims.

Other Operating Expenses: A net increase of 2.2% in Other Operating Expenses is associated with expected price increases.

In total, this budget request is a 5% increase over the FY26 budget. Removing the budgetary changes for biosolids hauling and disposal and LOJIC, which don't reflect changes in spending, the FY27 budget is a 2.2% increase in spending compared to the FY26 Operations and Maintenance budget.

Annual Debt Service

	FY25			FY26	FY27	(Increase)/Decrease	
	Budget	Actual	Variance			Budget	Budget
Bond Series 2009C	\$ 10,764	\$ 10,764	\$ -	\$ 10,764	\$ 10,764	\$ -	0%
Bond Series 2010A	20,625	20,625	-	23,542	55,625	(32,083)	-136%
Bond Series 2013B	3,573	(761)	4,334	-	-	-	-
Bond Series 2014A	5,642	1,959	3,683	1,759	1,759	-	0%
Bond Series 2015A	9,201	9,184	17	9,101	5,517	3,584	39%
Bond Series 2015B	5,630	5,596	34	5,608	4,664	944	17%
Bond Series 2016A	5,742	5,720	22	5,755	4,787	968	17%
Bond Series 2016B	5,676	5,898	(222)	2,475	5,747	(3,272)	-132%
Bond Series 2017A	10,873	10,793	80	11,025	4,783	6,242	57%
Bond Series 2017B	13,054	14,095	(1,041)	-	-	-	-
Bond Series 2018A	2,415	2,311	104	2,415	2,415	-	0%
Bond Series 2020A	9,064	8,940	124	10,095	10,063	32	0%
Bond Series 2020B	-	1,423	(1,423)	-	2,367	(2,367)	-
Bond Series 2020C	988	988	-	988	988	-	0%
Bond Series 2021A	18,159	18,103	56	18,070	18,197	(127)	-1%
Bond Series 2022A	8,891	8,718	173	10,905	13,524	(2,619)	-24%
Bond Series 2023A	2,487	2,491	(4)	2,487	2,487	-	0%
Bond Series 2023B	2,098	2,100	(2)	2,097	2,098	(1)	0%
Bond Series 2023C	-	20,718	(20,718)	31,732	16,458	15,274	48%
Bond Series 2024A	21,789	5,481	16,308	6,549	5,154	1,395	21%
Bond Series 2025A	-	-	-	18,334	16,671	1,663	9%
Bond Series 2027A	-	-	-	-	2,392	(2,392)	-
Total Senior Debt Service	156,671	155,146	1,525	173,699	186,460	(12,761)	-7%
Commercial Paper	18,379	17,518	861	19,062	22,054	(2,992)	-16%
Total Senior Subordinate Debt Service	18,379	17,518	861	19,062	22,054	(2,992)	-16%
Interest Rate Swap Agreements	4,917	2,598	2,319	4,733	3,500	1,233	26%
Jefferson Subordinate KIA Loans	2,381	1,926	455	4,097	2,812	1,285	31%
Oldham Subordinate KIA Loans	2,897	2,783	114	3,116	2,758	358	11%
Bullitt Subordinate KIA Loans	119	73	46	215	72	143	67%
Total Subordinate Debt Service	10,314	7,380	2,934	12,161	9,142	3,019	25%
Total Debt Service	\$ 185,364	\$ 180,044	\$ 5,320	\$ 204,922	\$ 217,656	\$ (12,734)	-6%

Paygo

- Paygo is capital funded directly from user rates and fees or other cash
 - Directly affects long-term rates and affordability
 - Slows the growth of outstanding debt
 - Credit strength – demonstrates disciplined financial management
 - MSD has steadily improved Paygo from 5% in 2015 to over 20% today
- Our internal goal for Paygo funding is 25%; FY27 budget is at 22%
- \$56.6 million coming from user rates and \$5 million from the Rate Stabilization Fund

Financing the Capital Improvement Plan

Investing today to protect public health, system reliability, and long-term affordability.

Paying for the Capital Improvement Plan

Fiscal Year	Actual 2023	Actual 2024	Actual 2025	Budget 2026	Budget 2027	Plan 2028	Plan 2029	Plan 2030	Plan 2031
Total CIP (in millions)	\$177.41	\$255.09	\$292.60	\$321.22	\$268.00	\$251.50	\$244.00	\$226.40	\$223.90
CIP Funding Source									
Cash	32.11	95.49	73.50	67.90	59.60	72.70	62.70	68.40	53.00
Grants	1.30	3.60	8.30	14.20	3.80	0.00	0.00	0.00	0.00
Debt	144.00	156.00	216.60	239.12	204.60	178.80	181.30	158.00	170.90
Cash & Grant Funding (in millions)	\$ 33.41	\$ 99.09	\$ 81.80	\$ 82.10	\$ 63.40	\$ 72.70	\$ 62.70	\$ 68.40	\$ 53.00
Debt Funding (in millions)	\$144.00	\$156.00	\$216.60	\$239.12	\$204.60	\$178.80	\$181.30	\$158.00	\$170.90
<i>Debt Funding Percentage</i>	81%	61%	74%	74%	76%	71%	74%	70%	76%

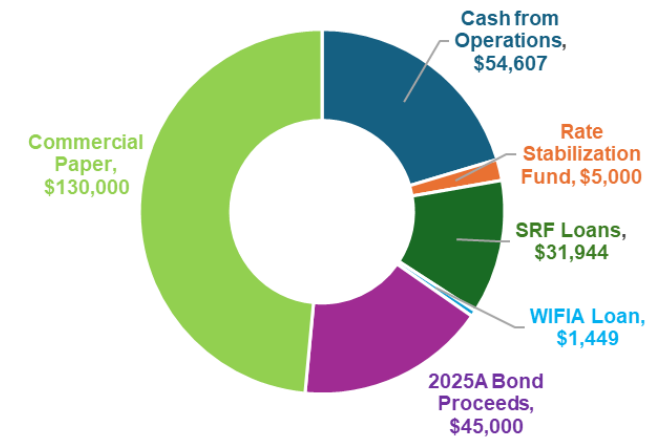
- Debt funding includes the remaining 2025A bond proceeds, SRF loans, WIFIA loan, and Commercial Paper
- Cash funding includes \$5 million from the Rate Stabilization Fund
- Grant awards are not included in the financial plan until agreements are executed

Critical Success Factor 4: Ensure financial responsibility and sustainability of community resources.

Interim Financing & 2027A Bonds

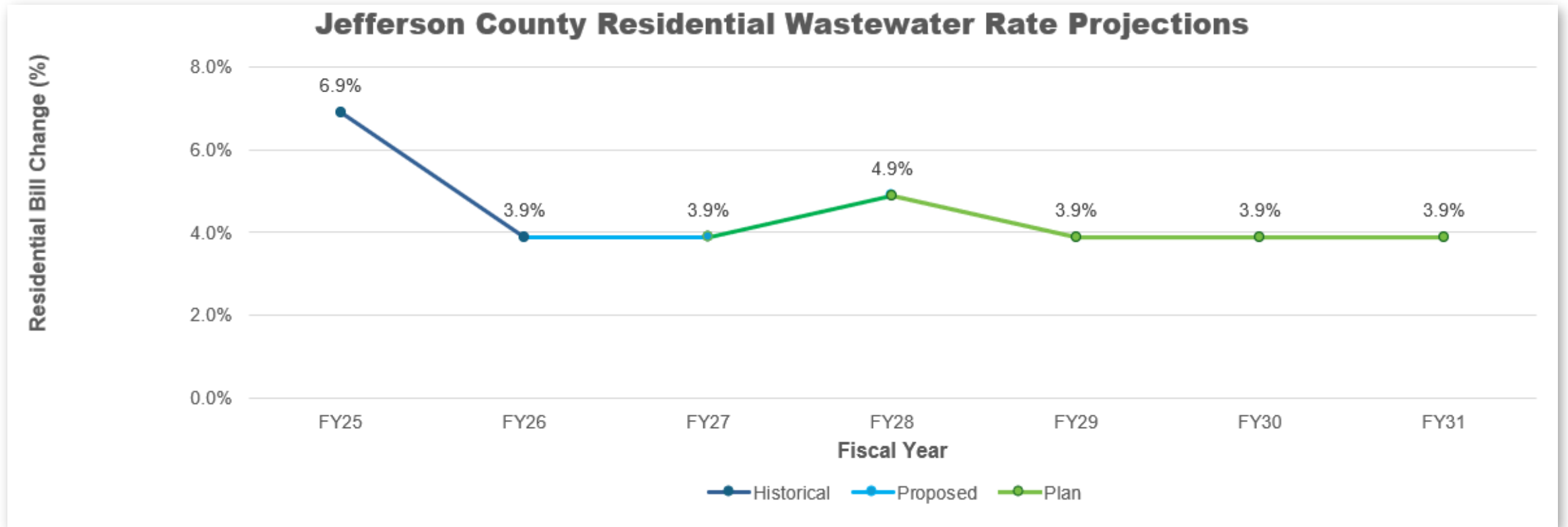
- Commercial Paper Program Capacity is \$500 million

Estimated CP Outstanding 6/30/26	\$227,195,000
Estimated Accrued FY26 CIP paid in FY27	60,000,000
Estimated CP Issued for FY27 CIP	<u>130,000,000</u>
Estimated CP Outstanding 6/30/27	\$417,195,000



- Current estimate is the 2027A bonds need to close in July
- Credit Rating will be requested
- Time required to execute a Bond issue is 4-6 months including authorization from MSD Board and Metro Council

Rate Projections



A rate increase higher than 3.9% is needed in FY28 due to the issuance of the 2027A bonds and to support the financial metrics necessary to maintain our bond rating.

Key Financial Metrics

MSD Metrics					Moody's Scorecard Metrics					
Metric	FY25 Actual	FY26 Forecast	FY27 Budget	5-Year Plan	Metric	FY24 Published	FY25 Estimate	FY26 Estimate	FY27 Estimate	5-Year Estimate
Total Debt Service Coverage	193%	181%	155%	145-155%	Debt Service Coverage	180%	1.9%	1.8%	1.5%	1.4-1.5%
Pledged Debt Service Coverage	225%	211%	184%	176-210%	Debt to Operating Revenue	5.7%	5.3%	5.2%	4.9%	4.4-4.8%
Days Cash on Hand	377	353	345	302-324	Days Cash on Hand (Liquidity)	307	366	326	302	265-302

- Moody's 2025A rating report: *“maintenance of coverage above 1.6x, liquidity above 365 and debt to operating below 5.5x could lead to an upgrade.”*
- S&P 2025A rating report: *“anticipation that MSD will continue to adjust rates to achieve strong financial metrics, wide margins and strong all-in debt service coverage.”*

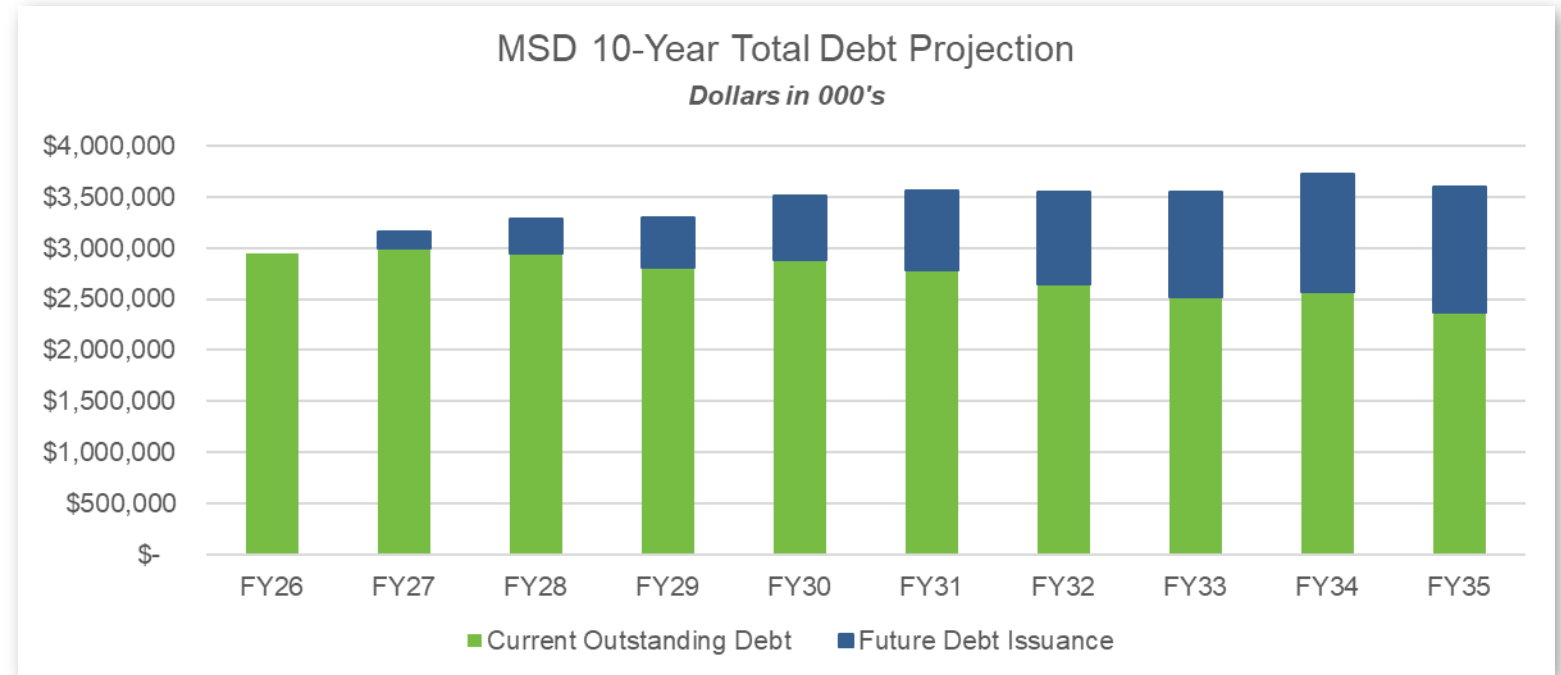
Ten-Year Projected Debt

Risk Factors:

- Deferred Projects
- Inflation/Bid Prices
- Future Regulations
- Emergencies

Management Tools:

- Alternative Funding
- Annual Rate Increases
- Focus on Credit Rating
- Refunding Debt



Since 2020, MSD has delivered \$1.3 billion in infrastructure investment while limiting debt growth to \$384 million. Total debt through 2035 is relatively flat.

Updates to Schedule of Rates, Rentals, & Charges

Aligning rates with the cost of providing safe, reliable service.

Rate Rationale

- Approximately **87%** of our capital budget is **regulatory and mandatory**. Failure to complete these projects will result in fines or civil and criminal penalties.
- Rate adjustments are dictated based on work required by EPA, the state of Kentucky, Air Pollution Control District, and other regulatory bodies.
- Failure to approve bond issuances, adjust rates to meet those obligations, and thus increase revenues, could result in a rating downgrade which would have catastrophic effects on MSD's financial position and the cost to borrow money.
- MSD has moderated rate increases for two consecutive years because of affordability concerns. The impacts of that include deferral of capital projects and lower levels of Paygo.

MSD Board Rate Setting Authority

Metro Ordinance Debt Service Coverage Calculation	
<i>Dollars in 000's</i>	
	October 2025 - March 2026
Service Charge Revenues	\$ 219,692
Operating Expenses	(102,005)
Subordinate Debt Service	(15,930)
Net Revenues	\$ 101,757
Revenue Bond Principal Maturities	\$ 52,085
Revenue Bond Interest Expense	56,763
Net Debt Service	\$ 108,848
<i>Metro Ordinance Debt Service Coverage Ratio</i>	0.93

Jefferson County

- Metro Ordinance 50.24: Board may adjust rates no more than 7% annually if coverage is less than 1.1%

Oldham County

- ILA: Rates may increase no more than 5% annually until such time the rate is equivalent to that of other MSD customers

Cost of Service Approach for FY26

Cost of Service Analysis

- Assess the cost of providing wastewater and drainage services
- Compare system revenue requirements to current revenues
- Allocate wastewater costs to specific system functions & processes for rate development

Rate Development

- Review and modify MSD's existing rate structures to align with cost of service
- Evaluate rates and structures for Oldham and Bullitt counties, considering rate equalization
- Evaluate detailed impervious measurements and develop single family residential drainage tiers
- Provide phased, modular options that enable MSD to selectively transition toward a full COS approach

Benchmarking

- Compare MSD's approaches with peer utilities
- Evaluate rates, structures, credit programs, quality charges, and multi-year strategies
- Review bill presentation methods and Customer Assistance Programs

Residential Wastewater Rates

- Jefferson wastewater service charge, volume rate, and infrastructure surcharge adjusted 3.9%
- Oldham wastewater service charge and volume rate adjusted 2.0%

Jefferson County Service Charges

Meter Size	Current	Calculated	Change
5/8"	\$ 23.56	\$ 24.48	\$ 0.92
1"	\$ 47.32	\$ 46.32	\$ (1.00)
1.5"	\$ 78.71	\$ 74.65	\$ (4.06)
2"	\$ 107.96	\$ 101.90	\$ (6.06)
3"	\$ 240.66	\$ 223.87	\$ (16.79)
4"	\$ 389.12	\$ 360.12	\$ (29.00)
6"	\$ 764.60	\$ 704.62	\$ (59.98)
8"	\$ 1,146.91	\$ 1,055.62	\$ (91.29)
10"	\$ 1,506.78	\$ 1,386.07	\$ (120.71)
12"	\$ 2,220.15	\$ 2,040.91	\$ (179.24)
16"	\$ 2,691.03	\$ 2,473.00	\$ (218.03)

- Service charges adjusted to recover a portion of flow related debt service and a fixed customer charge per account

Jefferson County Infrastructure Surcharge

- The EPA Consent Decree Surcharge implemented by MSD Board in 2007 to *“perform the work required under the Consent Decree and provide a more reliable, efficient and environmentally sound wastewater and drainage system”*.
 - The programmatic requirements made part of the Consent Decree do not end when the Consent Decree ends in 2035
 - Debt issued to pay for infrastructure required by the Consent Decree will not be paid off until at least 2065
- An Infrastructure Charge is a more common name among utilities and makes it clear that the fee funds infrastructure that supports *a more reliable, efficient and environmentally sound wastewater and drainage system*.

Jefferson Commercial & Industrial Volume Rates

- Sewer Only Rate
 - Commercial and Industrial unified at \$8.47
 - Gradually eliminate residential reduction (\$7.71 proposed)
- Regular Volume Rate
 - Commercial discounted 10% off Sewer Only Rate
 - Industrial discount 5% off Sewer Only Rate
- Optional Clean Volume Rate (Oldham County mirrors Jefferson)
 - Optional Clean Sewer Only calculated at \$5.76
 - Optional Clean Regular calculated at \$5.34

Jefferson County Quality Charges

Quality Charges	Current		Calculated	
	BOD	TSS	BOD	TSS
Excess Quality	\$0.006135	\$0.00247893	\$0.006135	\$0.00252706
Total Quality	\$0.005719	\$0.00252706	\$0.006135	\$0.00252706

- BOD & TSS rates unified for Excess & Total Quality customers
- Oldham County rates mirror Jefferson

Jefferson County Drainage

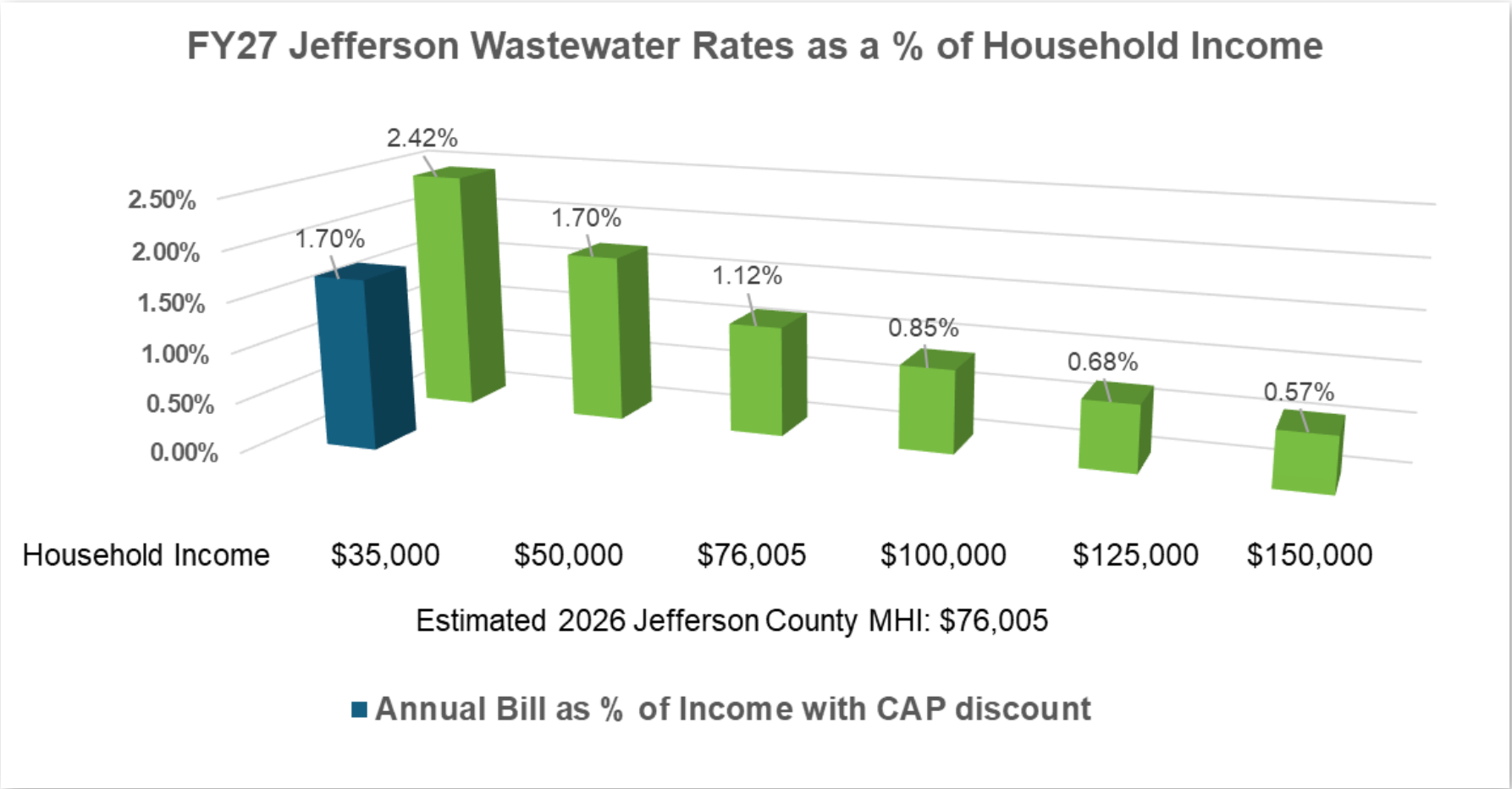
	Units	Current	Proposed
Jefferson Drainage Service Charge	ESU	\$ 14.81	\$ 15.39
\$ Increase			\$ 0.58
Percent Increase			3.9%

- Class A (residential) pay 1 ESU regardless of impervious area
- Class B (commercial and industrial) pay based on impervious area

Average Residential Wastewater Monthly Bill

	Units	Current	Proposed
Jefferson Wastewater Service Charge	5/8 or 3/4"	\$ 23.56	\$ 24.48
Jefferson Wastewater Volume Charge (4 cons)	Con	\$ 25.23	\$ 26.21
Jefferson Infrastructure Surcharge	Fixed	\$ 19.26	\$ 20.01
Total Jefferson Wastewater Rates & Charges		\$ 68.05	\$ 70.70
\$ Increase			\$ 2.65
Percent Increase			3.9%
Bullitt Wastewater Service Charge (includes 2 cons usage)		\$ 55.99	\$ 57.67
Bullitt Wastewater Volume Charge (2 cons)	Con	\$ 32.58	\$ 33.55
Total Bullitt Wastewater Rates & Charges		\$ 88.57	\$ 91.22
\$ Increase			\$ 2.65
Percent Increase			3.0%
Oldham Wastewater Service Charge		\$ 53.90	\$ 54.97
Oldham Wastewater Volume Charge (4 cons)	Con	\$ 26.09	\$ 26.61
Total Oldham Wastewater Rates & Charges		\$ 79.99	\$ 81.58
\$ Increase			\$ 1.59
Percent Increase			2.0%
	Units	Current	Proposed
Jefferson Drainage Service Charge	ESU	\$ 14.81	\$ 15.39
\$ Increase			\$ 0.58
Percent Increase			3.9%

Annual MSD Bill as a % of Household Income



Public Communication



Careers

Doing Business with MSD

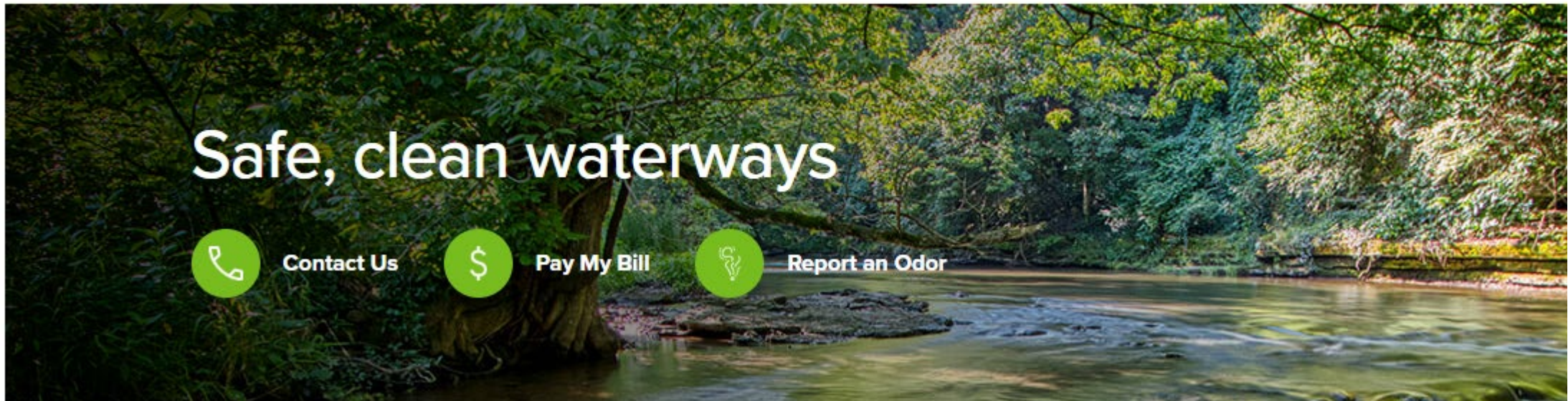
About Us

Customer Relations

What We Do

Education

Programs



- Preliminary Rate Resolution: [LouisvillemSD.org/Rates](https://louisvillemSD.org/Rates)
- FY27 Budget Presentation: [LouisvillemSD.org/Financial](https://louisvillemSD.org/Financial)
- Rate FAQ: [LouisvillemSD.org/Rates](https://louisvillemSD.org/Rates)
- Public comments may be sent to finance@louisvillemSD.org

Drops of Kindness

Getting help starts with one simple step.



A partnership between Louisville Water and Louisville MSD

MSD Senior Citizen Discount: 30% discount off wastewater for income-eligible households

MSD EWRAP Discount: 30% discount off wastewater households at or below 175% of FPL

Louisville Water Pure Connect: Monitor usage in real time, Payment Arrangements, Leak Adjustments

Louisville Water Foundation: Funds community nonprofit agencies providing neighborhood-based support

MSD Offers \$2M Annually in Customer Assistance

Fiscal Stewardship Through Collaboration: Thank You!

Framework & Oversight:
Executive Leadership

Financial Planning & Budget Support:
Budget Department Staff

Capital Improvement Plan:
Infrastructure Planning Staff

Communications Support:
Government & Public Affairs Staff

Operating Budget:
Division Chiefs, Deputy Chiefs, Directors, and
Support Staff

Customer Support:
Customer Relations Staff

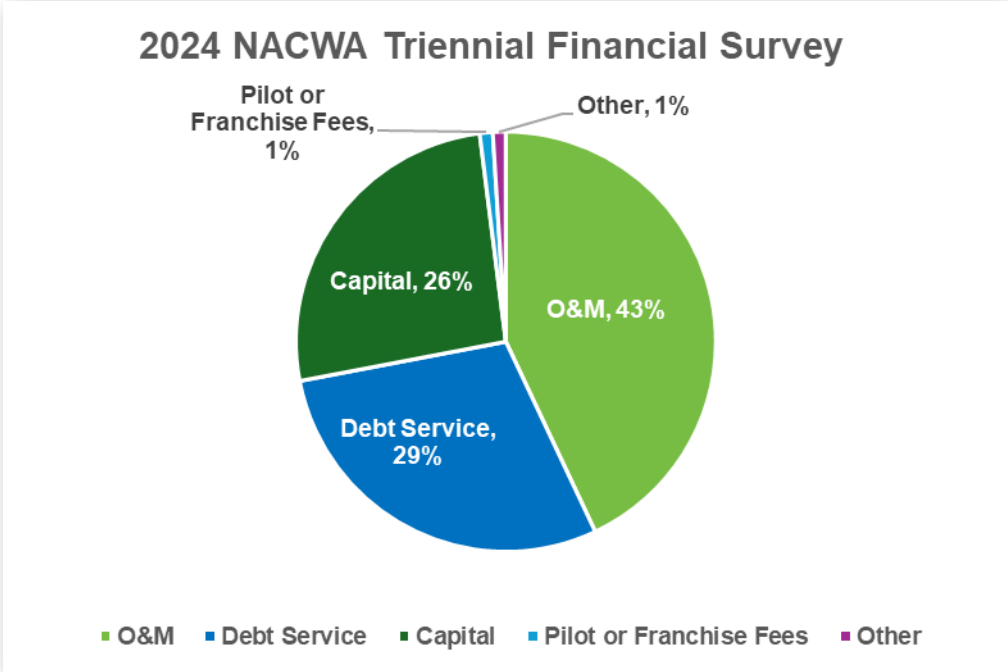
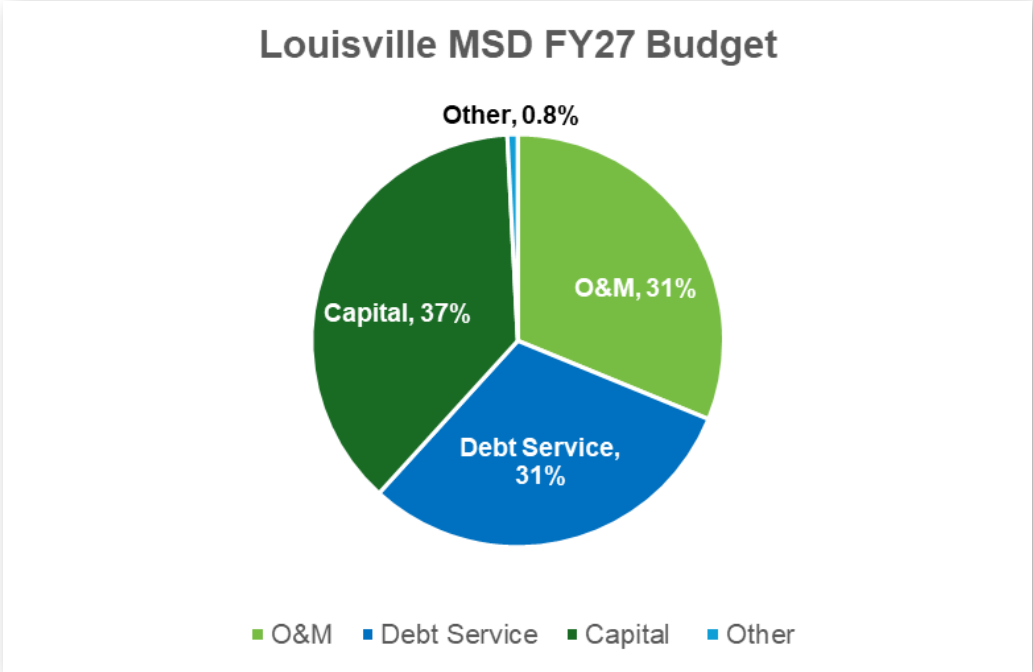


Revenue & Customer Assistance Program:
Revenue Department Staff

Appendix

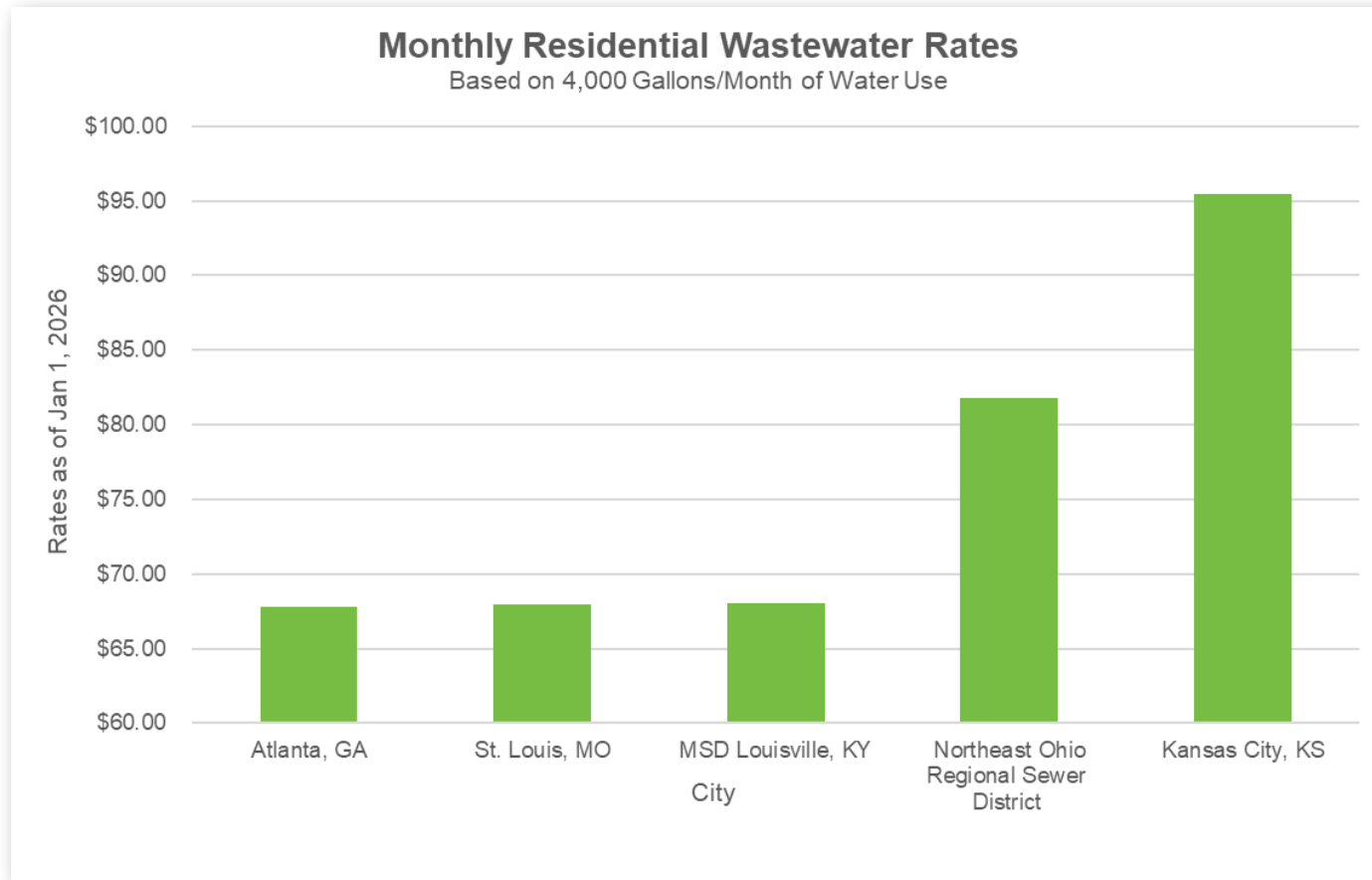
Supplemental Information

Benchmark: Where Does the Money Go?



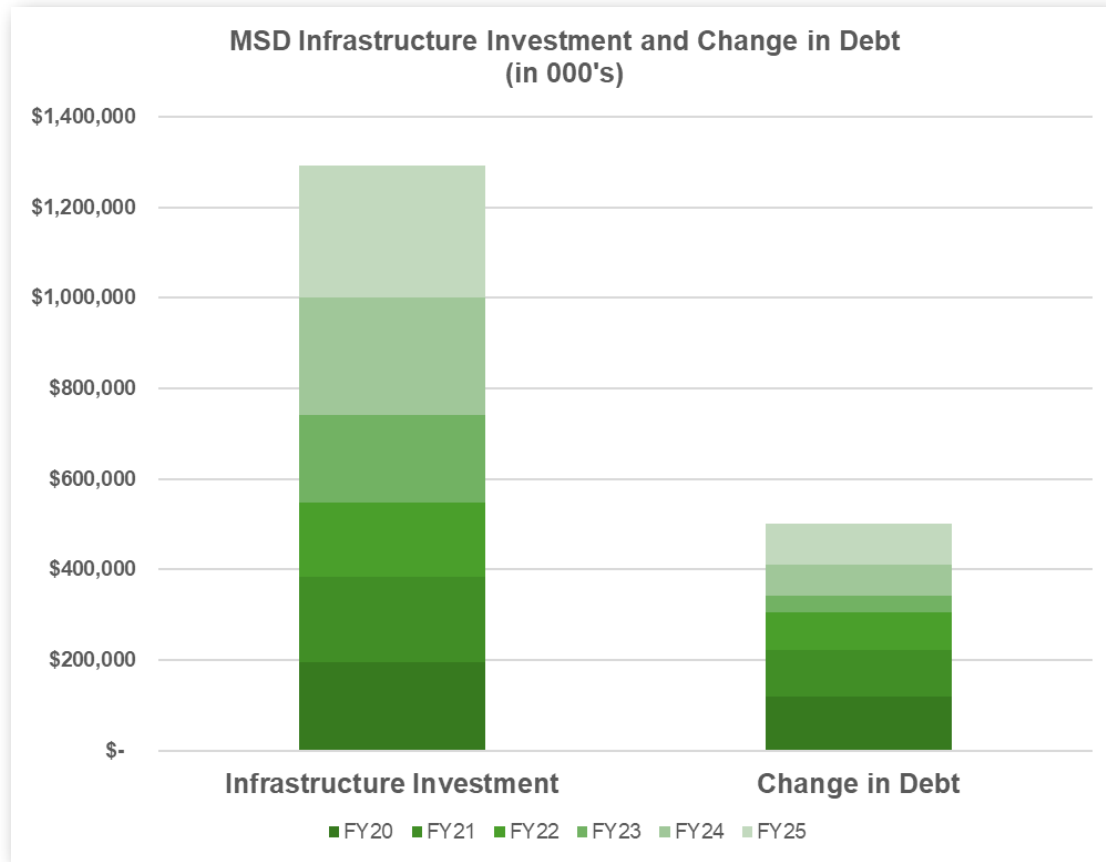
Source: NACWA's Triennial Financial Survey September 2024. Based on 2022 data representing \$19.1 billion in expenditures by 91 utilities.

Residential Wastewater Rate Comparison



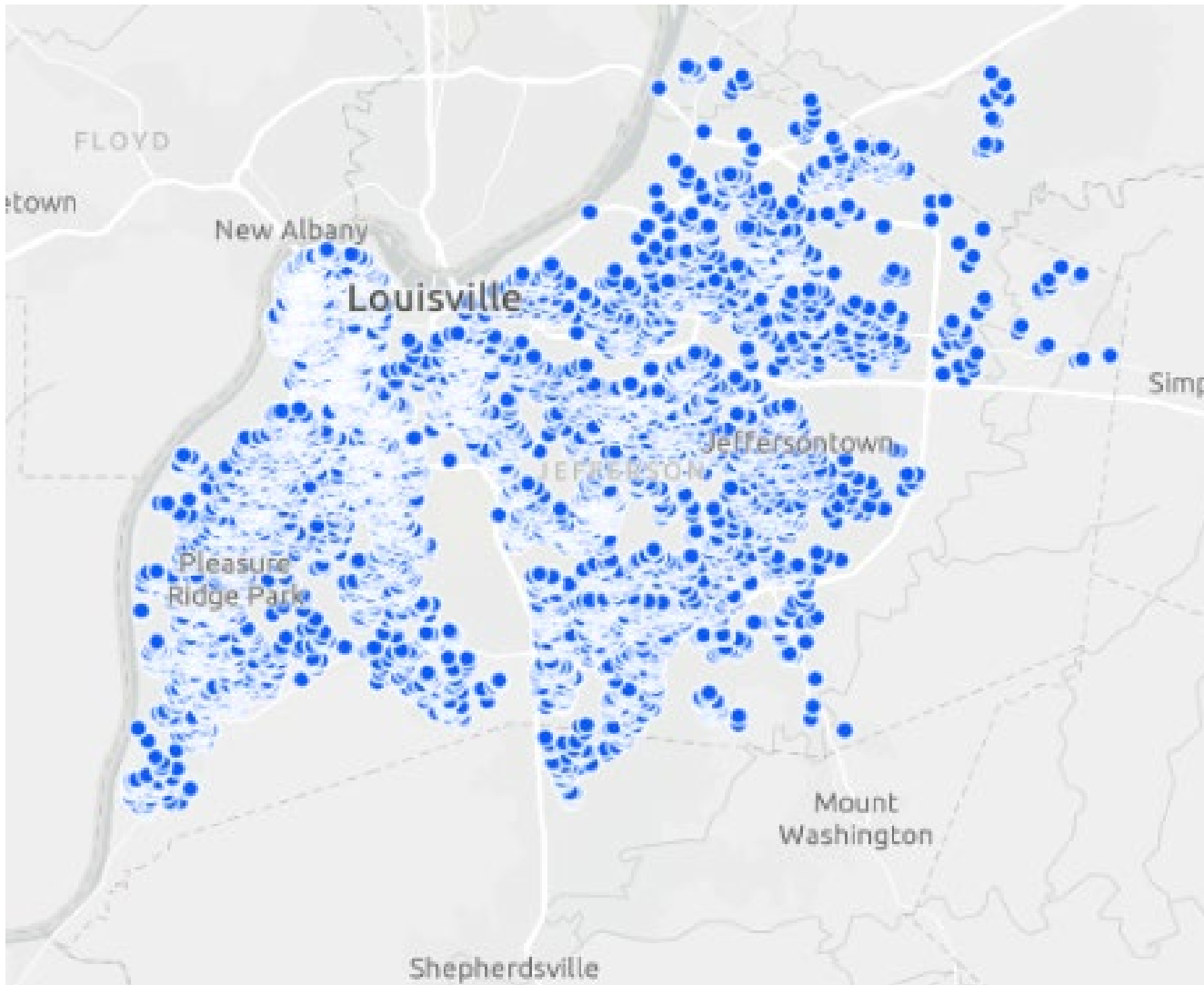
- Louisville MSD rates remain competitive with other large regional systems

MSD Historical Infrastructure Investment



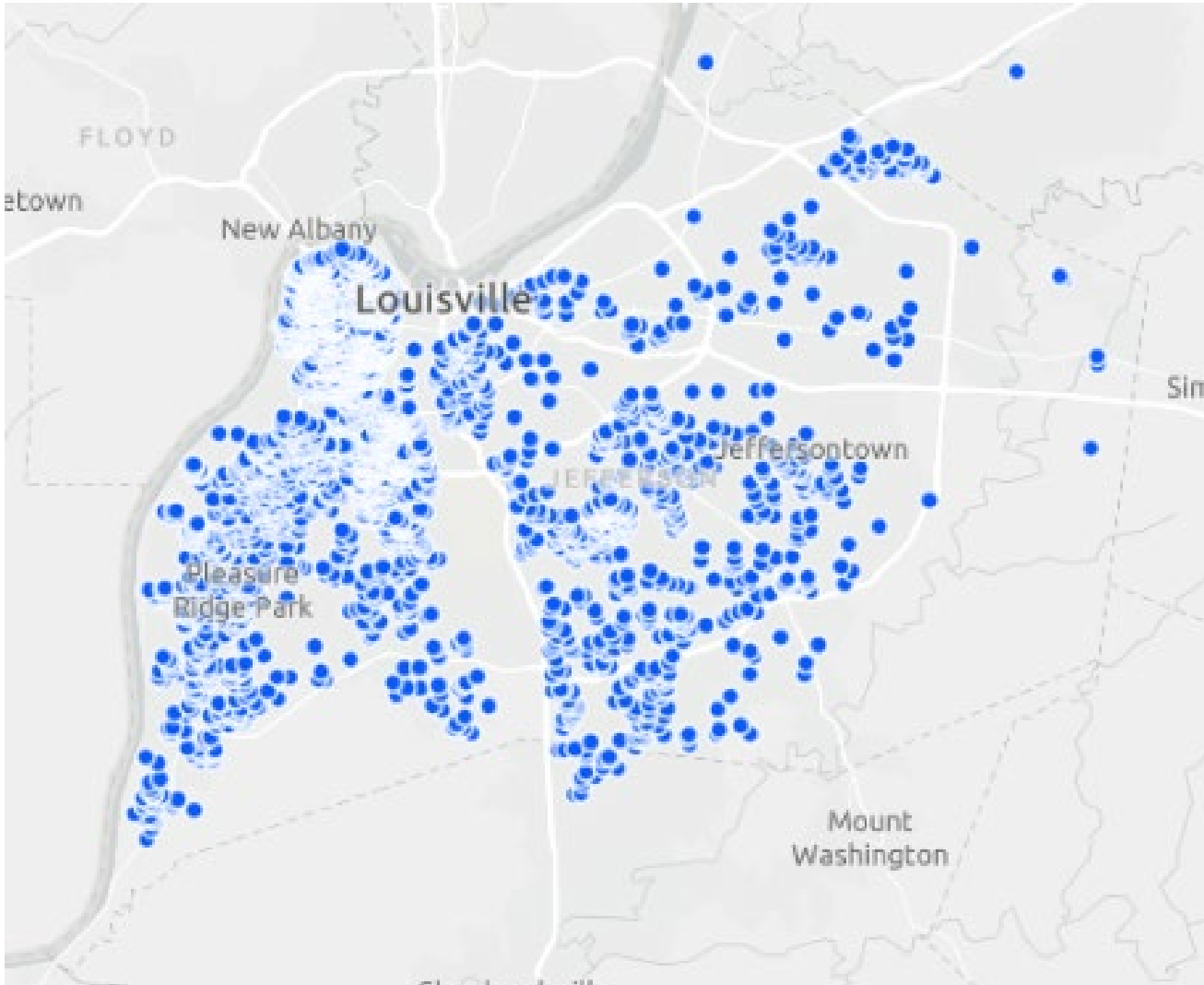
- Since 2020, MSD has delivered \$1.3 billion in infrastructure investment while limiting debt growth to \$384 million

FY26 Senior Citizen Discount Program



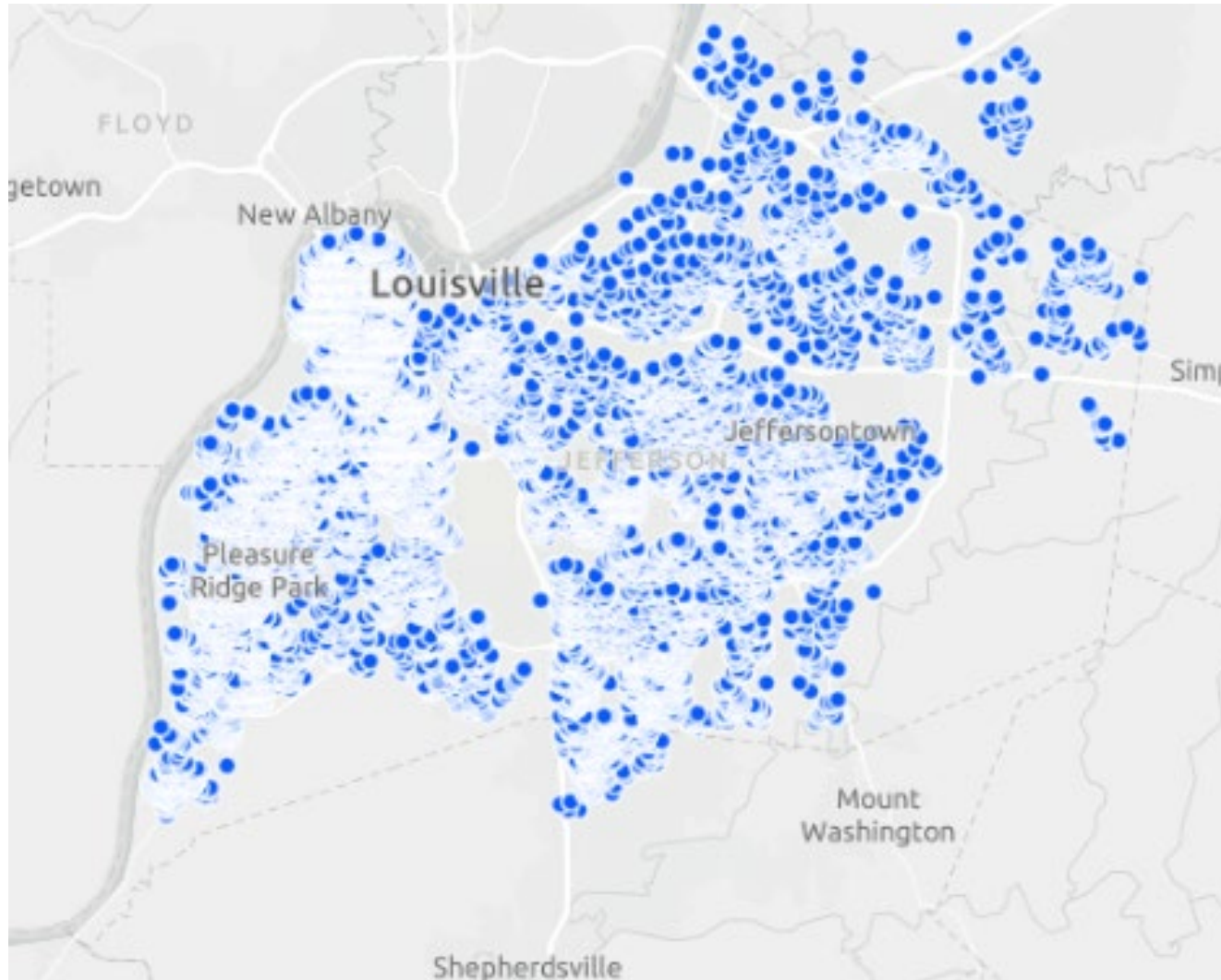
- 7,107 service points
- \$1,123,488 through April 30th

FY26 EWRAP Discount Program



- 3,228 service points
- \$364,615 through April 30th

FY26 Payment Plans & Extensions



- 17,704 service points
- \$4,433,907 through April 30th

Disclosures

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Audited financial statements are available at <https://louisvillemSD.org/financial-information-louisville-msd>

Additional financial information may be obtained by emailing finance@louisvillemSD.org

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