



Fiscal Year 2027

Adopted Budget in Brief

Louisville/Jefferson County Metropolitan Sewer District
Louisville, KY

Morris Forman Water Quality Treatment Center
Thermal Hydrolysis
Train No. Skid Installation



Louisville has an abundance of waterways that provide opportunities for activities from boating and kayaking to fishing and more.

The following Budget Report is prepared and used by Louisville/Jefferson County MSD for purposes of communicating its annually adopted budget to customers and elected officials. The Report is not prepared to help investors decide whetherto purchase or sell financial obligations of Louisville/Jefferson County MSD. As such, the Report contains unaudited financial information that may change after the date of the Report. In addition, the Report contains forward-looking statements in the form of financial and operating budgets, performance targets, and other information. These statements are not a guarantee of future performance, and actual results may differ. Investors should not consider the Report a recommendation to purchase or sell financial obligations of Louisville/Jefferson County MSD. The Report does not present a complete summary of Louisville/Jefferson County MSD's financial or operational position to investors and should not be used in that manner.

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www.louisvillemsd.org



Message from the Executive Director



I am pleased to present the Louisville/Jefferson County Metropolitan Sewer District budget for the fiscal year 2026. The budget reflects our commitment to provide quality wastewater, stormwater and flood protection services to protect public health and safety.

MSD's fiscal year 2027 capital budget will invest more than \$245 million to support 185 capital-improvement projects and provides an additional \$25 million for appropriation projects and management reserve. MSD's investments will support three utility services under one organization: wastewater treatment, stormwater management and flood protection. Over 85% of the capital budget goes to work required to meet federal and state environmental standards. This includes ongoing projects to significantly reduce sewer overflows that pollute local waterways during periods of heavy rain. Other work focuses on upgrading or replacing critical infrastructure and facilities that are decades, even a century old in the case of some underground sewer lines and are in urgent need of repair or replacement.

MSD's operating budget for fiscal year 2027 totals \$512 million and provides funding for day-to-day operations and administration, funds annual debt service requirements and is a source of pay-as-you-go financing for the capital program which helps control long-term rates.

Keeping rates as low as possible while protecting public health and safety

MSD's rate-setting process includes oversight from its citizen board. The fiscal year 2027 rate proposal adds \$3.23 to the average monthly Jefferson County residential bill and \$2.65 to the average Oldham County residential bill, effective September 1, 2026.

We consider any rate increase carefully, and this capital budget plan allows us to effectively operate and maintain the system protecting our community today while preparing for what's to come tomorrow. We must be ready when critical needs arise, when a natural disaster strikes, or when critical infrastructure fails and damages the health, safety and quality of life of this community.

Nationally, infrastructure challenges continue to affect communities across the country. Recent incidents – such as the January collapse of a sewer pipe along the Potomac River that released 300 million gallons of raw sewage, or intense April rains in Milwaukee that led to 2.7 billion gallons of untreated wastewater discharging into Lake Michigan and nearby streams – underscore the importance of proactive investment in essential public systems. The American Society of Civil Engineers' annual "report card" assessing public infrastructure consistently grades the nation's wastewater infrastructure at a "D." Also, the National Association of Clean Water Agencies' recent survey showed the average rate increase in 2025 was 4.4% for wastewater and stormwater utilities. Rates are projected to increase an average of 6.8% annually through 2030, a cumulative increase of 34%.

Drops of Kindness

We don't believe any household should lose access to water because of financial hardship. MSD has partnered with Louisville Water Company to create Drops of Kindness, which offers multiple options for support based on the situation. Additional information can be found at <https://dropsofkindness.com>.

Summary

This budget, and the priorities it supports, demonstrates our ongoing commitment to preserving safe, clean waterways in the Louisville region as responsible stewards of the environment and of ratepayer dollars. I would like to thank all at MSD who participated in the preparation of this budget, along with the Executive Leadership Team and the Board of Directors, for their guidance throughout the process.

James A. Parrott
Executive Director

MSD Leadership

Board of Directors

Board Member	State Senate District	Political Party	Term Expires
Ricky Mason, Chair	6 th	Independent	July 31, 2028
John Selent, Vice Chair	6 th	Democrat	July 31, 2027
Christopher Burckle	19 th	Republican	July 31, 2026
Gerald Joiner	33 rd	Democrat	February 28, 2027
Jeff Mosley	26 th	Independent	July 31, 2026
Linda Schuster	19 th	Democrat	June 30, 2028
Brad Wilcox	36 th	Republican	July 31, 2027
Lonnie Wright	7 th	Republican	July 31, 2026

Executive Leadership

James A. Parrot	Executive Director, Secretary/Treasurer
Carmen Moreno-Rivera	Chief Administrative Officer/Chief of Staff
Angela Akridge	Chief Strategy Officer
Paul Bagley	Chief Information Officer
Brian Bingham	Chief Operations Officer
Sandra Conner	Chief Internal Auditor
Brad Good	Chief Financial Officer
Andrienne Henderson	Chief Human Resources Officer
Lopez High	Chief of Facilities & Security
Sharise Horne	Chief of Equity & Community Partnerships
David Johnson	Chief Engineer
Rene Lindsay	Chief Procurement Officer
Kim Reed	Chief Operations Officer
Kellie Watson	General Counsel & Legal Director

The following is a summary of MSD's approved budget for fiscal year 2027. For more comprehensive information on MSD's operating, capital, debt service, and revenue budgets, see MSD's adopted FY27 Budget Book.



www.louisvillemsd.org/financial

Strategic Plan

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

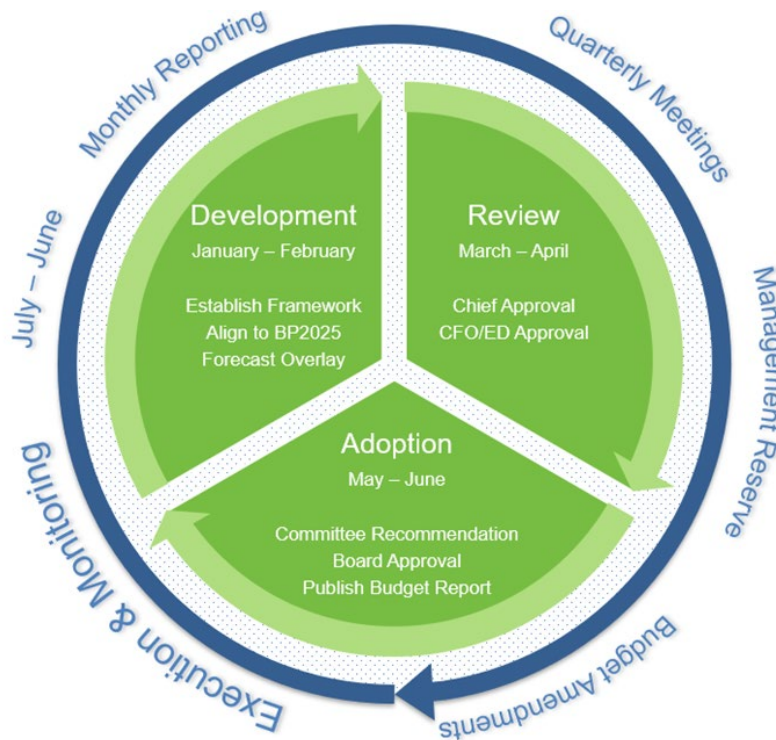
Meet today's operating and capital investment needs while managing risk and long-term affordability for the future.

Realize operational efficiencies and revenue generation through strategic partnerships and innovation

Implement innovative ideas and partnerships that drive organizational resiliency and sustainability.

MSD At a Glance

Governance 	- MSD is governed by an eight-member Board of Directors appointed by the Louisville Metro Mayor and approved by Louisville Metro Council. - The MSD Board meets monthly and has established the following standing committees who meet as needed: Audit Committee, Finance Committee, Infrastructure Committee, and the Personnel Committee.
Wastewater Treatment 	- MSD operates and maintains regional wastewater service in substantially all of Jefferson County and portion of Bullitt and Oldham Counties. - The wastewater system is comprised of five water quality treatment centers, and 16 small treatment plants. - MSD's plants can treat a total of 205.9 MGD of flow per day. - Our collection system comprises over 3,600 miles of pipe.
Drainage/Stormwater 	- MSD's drainage service area includes substantially all of Jefferson County except for the cities of Shively, Jeffersontown, St Matthews, and Anchorage. - Some portions of Jefferson County have a combined sewer and drainage system but outside of the Watterson Expressway there is a separate drainage system comprised of approximately 1,200 miles of dedicated drainage mains.
Flood Protection 	- The Ohio River Flood Protection System protects more than 200,000 people, 137,000 structures, and \$34 billion in property throughout 110 square miles of Louisville Metro. - It includes 26.1 miles of floodwall and earthen levee, 16 pump stations, nearly 150 floodgates and 79 floodwall closures.
Employees 	- MSD's currently employs 811 employees, 488 non-union and 323 union staff members. - MSD has contracts with LIUNA and NAGE labor unions. - MSD currently has 71 vacant positions.
Customers 	- MSD serves over 249,000 wastewater customers in Jefferson County, over 6,800 wastewater customers in Oldham County and over 4,700 wastewater customers in Bullitt County. - MSD serves over 227,000 drainage customers in Jefferson County.
Customer Assistance 	- MSD administers a Senior Citizen Discount Program in which qualifying low-income senior citizens can receive a 30% discount on wastewater charges. - MSD administers an Emergency Wastewater Rate Assistance Program (EWRAP) in which qualifying low-income customers can receive a 30% discount on wastewater charges.
Financial Stability 	- MSD maintains bond ratings of Aa3 with Moody's, AA with S&P, and AA- with Fitch. - Received its 36th consecutive Certificate of Achievement for Excellence in Financial Reporting (COA) certification from the Government Finance Officers Association (GFOA). - Received its 3rd consecutive Distinguished Budget Presentation Award from the GFOA.



Operating Budget Management

Each Division's management team is responsible for overseeing expenditures for their respective cost centers during the fiscal year. The Finance Division publishes financial dashboards and monthly financial statements to support management of the budget. The Finance Division also facilitates quarterly operating budget review meetings with each division. These quarterly meetings focus on the following topics:

- Key expense drivers for each cost center and how those expenses are being managed.
- Staffing plan, including use of overtime and temporary staffing.
- Variances to budget and the respective mitigation plan to keep spending within approved limits.
- Spending forecast for the remainder of the fiscal year compared to the approved budget.

Capital Budget Management

Throughout the year there are two tracks of CIP management efforts taking place to ensure that necessary program changes are fully endorsed.

- **Project-Level Change Management** – Throughout the life cycle of the project, major changes are presented, discussed and approved by the Gateway team. This team includes both engineering and operations leadership so that changes are fully vetted and understood.
- **Program-Level change Management** – A monthly cycle of project and program review takes place beginning with the project manager report of schedule and estimate changes leading to a Variance Meeting of Project Controls and Engineering Managers. This information is then fed into an Engineering and Operations Division leadership meeting to discuss the current year's CIP progress, and the cycle ends with the CIP Management Team meeting which focusses on progress metrics, high level risks and approvals of major changes.

Adopted Budget Highlights

The fiscal year 2027 operating and capital budgets contain several notable highlights.

Operating Budget

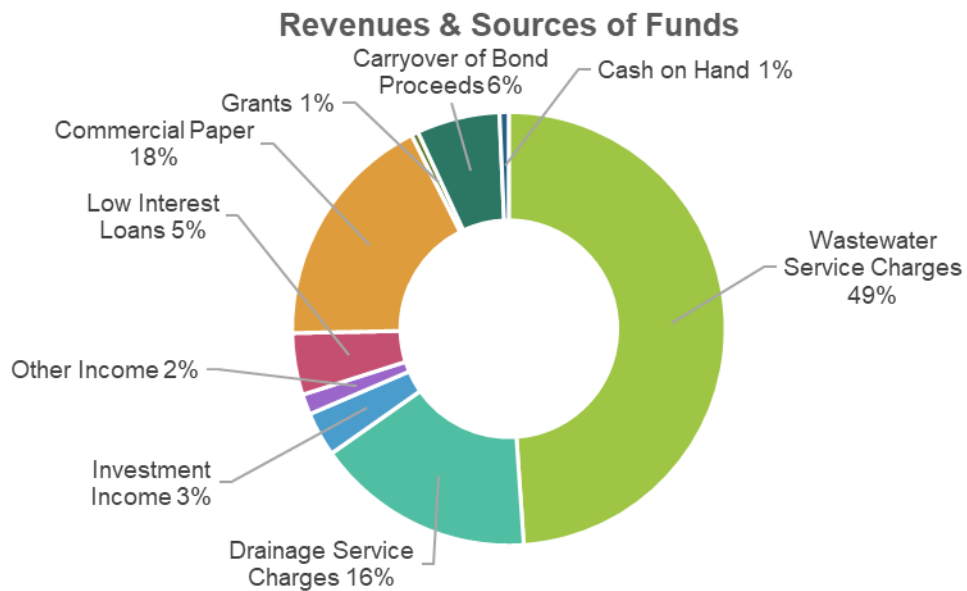
Salaries & Wages 	- Budgeted headcount reduced by 36 positions compared to FY26. - Year over year increase of 2%
Labor Related Overhead 	- Medical insurance premiums increased 13%, resulting in a 16% increase from 2026. - Retirement contribution expense decreased by 1.2%. - Year over year increase of 5%.
Utilities 	- Demand charges at Flood Pump Stations reset lower in May 2026. - LG&E rates increased in February 2026. - Year over year decrease of 7%.
Contractual Services 	- Solids hauling and disposal are now fully covered in the operating budget. - First cleaning of the Waterway Protection Tunnel planned for FY27, estimated cost is \$1.3M. - LOJIC Partner payments are now realized as revenue rather than a reduction of expense. - Year over year increase of 33%.
Fuel 	- Increased budget for gasoline and diesel fuel for FY27 due to ongoing geopolitical conditions that are impacting fuel prices. - Year over year increase of 40%
Management Reserve 	FY27 Operating Budget has a \$1.5M Management Reserve for contingency.

Capital Budget

Active Projects 	- The fiscal year 2027 CIP includes 185 projects. 104 of those projects are in progress, with the remaining 81 projects are set to begin in FY27. \$226M of the \$270M FY27 CIP budget is for in-progress projects.
Alternative Funding 	MSD continues to pursue alternative funding opportunities including the use of grants and low interest loans from both the state of Kentucky and the Federal Government.
Significant Deferred Projects 	- Cedar Creek WQTC expansion, \$72M - Floyds Fork WQTC expansion, \$60M - Floyds Fork Interceptor, \$177M - MFWQTC Secondary Improvements Phase 2, \$200M - MFWQTC West Headworks Improvements, \$16.5M - MFWQTC Effluent Diffuser, \$10M - DRGWQTC Effluent Diffuser, \$10M

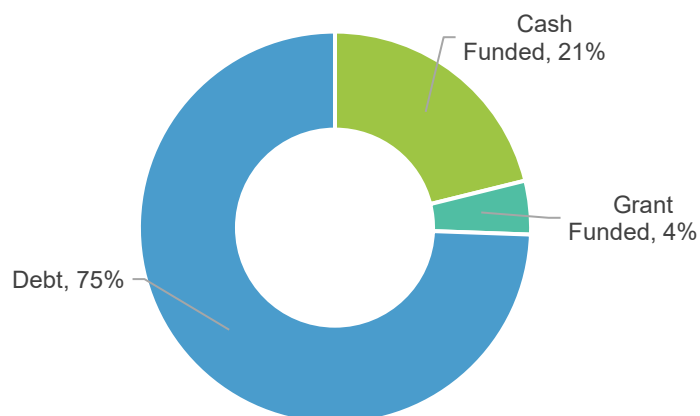
Where The Money Comes From

Operating and maintenance expenses are funded by wastewater and drainage service charges. The CIP is funded with a mixture of cash funding, from service charges, debt, and grants.



MSD utilizes its commercial paper program to provide short-term CIP financing. Periodically, commercial paper is redeemed with proceeds from the issuance of thirty-year revenue bonds which provide fixed-rate, long-term financing. Additionally, MSD pursues low-cost financing and grant opportunities through the state of Kentucky and the Federal Government.

FY26 CIP Funding Sources

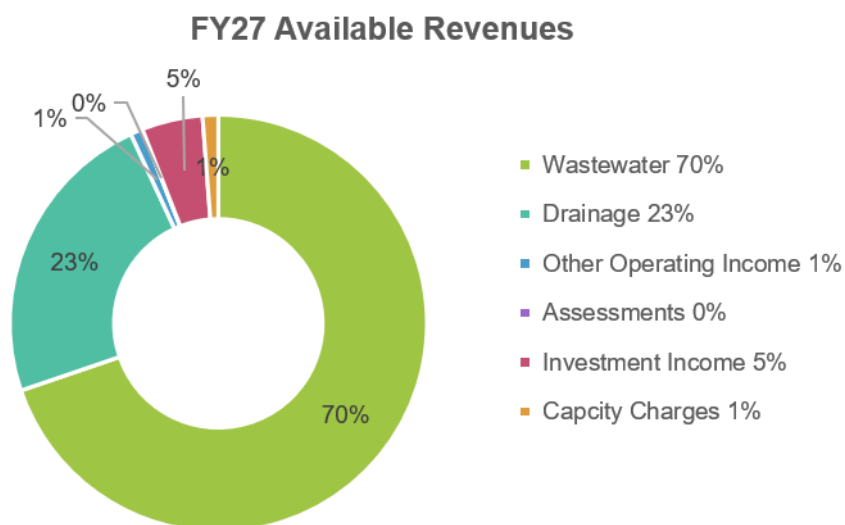


Operational Revenues

The major components of available revenues are described below.

- **Wastewater Service Charge:** Revenues in this category are derived from Service Charges, Volume Charges, Meter Reading Charges, Quality Charges and a Consent Decree Charge. Quality Charges are assessed to Commercial and Industrial accounts that discharge wastewater to the public sewer characterized by excess strength of Biochemical Oxygen Demand (BOD) and/or Total Suspended Solids (TSS).
- **Drainage Service Charge:** A drainage service charge is imposed on every parcel of land within the drainage service area except for exempted properties.
- **Other Operating Income:** Consists primarily of Capacity Charges, Inflow & Infiltration Fees, Site Plan Review Fees, and other miscellaneous revenues. A Capacity Charge is paid by any developer wishing to provide sewer service by extension of or connection to MSD's sewer system.
- **Assessment:** Amounts billed to residents to have sewer lines installed in their neighborhood.
- **Investment Income:** Interest income earned on investment portfolio.

The following chart shows the budgeted available revenues for fiscal year 2027.



Rate Resolution Summary

Below is the breakdown of preliminary rate resolutions for each county that will occur in fiscal year 2027. Full rate resolutions can be found on MSD's website at LouisvilleMSD.org/Rates

Jefferson County

On May 26, 2026, the MSD Board approved a preliminary rate resolution amending MSD's fiscal year 2026 Schedule of Rates, Rentals, and Charges for Jefferson County. The proposed fiscal year 2027 rate schedule, which was recommended pursuant to the debt service adjustment provisions of \$50.24, includes a 3.9 percent rate increase to residential wastewater and drainage charges. Comments from the public were delivered to the MSD Board on July 27, 2026, at which time the Board adopted a final rate resolution adjusting rates by 3.9 percent.

Average Residential Bill		
Jefferson County Service Area	9/1/2025	9/1/2026
Wastewater	\$ 68.05	\$ 70.71
Drainage & Flood Protection	14.81	15.39
Total Monthly Average Bill	\$ 82.86	\$ 86.10
Monthly Wastewater Adjustment	\$ 2.55	\$ 2.65
Monthly Drainage & Flood Protection Adjustment	0.56	0.58
Total Monthly Adjustment	\$ 3.11	\$ 3.23
Annual Wastewater Cost	816.60	848.48
Annual Drainage & Flood Protection Cost	177.72	184.66
Total Annual Average MSD Bill	\$ 994.32	\$ 1,033.14

Oldham County

On May 26, 2026, the MSD Board approved the preliminary rate resolution amending MSD's fiscal year 2026 Schedule of Rates, Rentals, and Charges for Oldham County. The proposed fiscal year 2027 rate schedule includes a 2 percent rate increase in wastewater charges.

Average Residential Bill		
Oldham County Service Area	9/1/2025	9/1/2026
Wastewater	\$ 79.99	\$ 81.59
Total Monthly Average Bill	\$ 79.99	\$ 81.59
Monthly Wastewater Adjustment	\$ 1.57	\$ 1.60
Total Monthly Adjustment	\$ 1.57	\$ 1.60
Total Annual Average MSD Bill	\$ 959.88	\$ 979.03

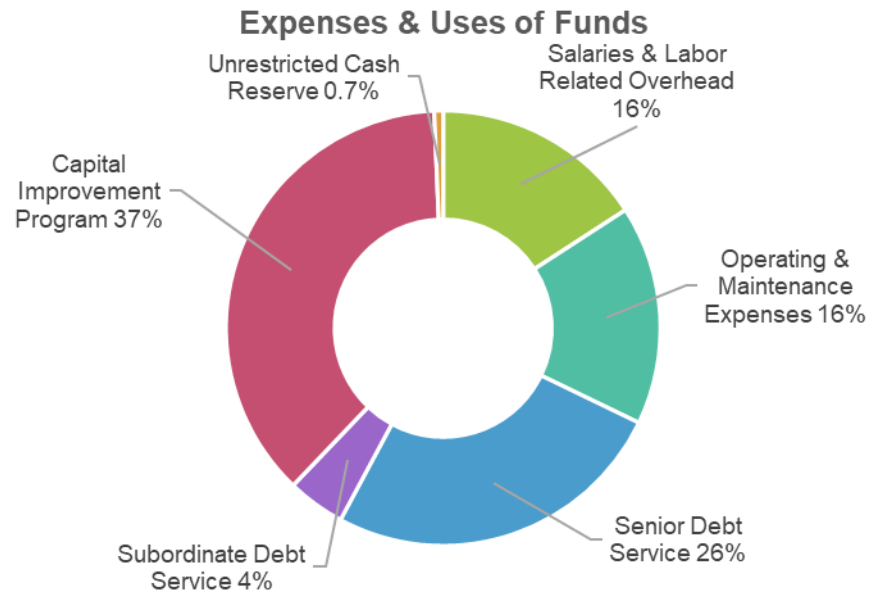
Bullitt County

The preliminary rate resolution amending MSD's fiscal year 2026 Schedule of Rates, Rentals and Charges for Bullitt County will be taken up by the MSD Board in November of 2026. The proposed fiscal year 2027 rate schedule will include a 3 percent increase in wastewater charges.

Average Residential Bill		
Bullitt County Service Area*	1/1/2026	1/1/2027
Wastewater	\$ 88.56	\$ 91.22
Total Monthly Average Bill	\$ 88.56	\$ 91.22
Monthly Wastewater Adjustment	\$ 9.49	\$ 2.66
Total Monthly Adjustment	\$ 9.49	\$ 2.66
Total Annual Average MSD Bill	\$ 1,062.72	\$ 1,094.62
*Rates vary for Big Valley & Hunters Hollow through 1/1/2026		

Where The Money Goes

The CIP makes up MSD's largest expenses component at 37 percent of total expenses followed by senior and subordinate debt at a combined 30 percent. Operating expenses, salaries and labor related overhead and operating and maintenance expenses come in third at a combined 32 percent. Less than 1 percent is allocated to the unrestricted cash reserves.



Where Does Your Money Go?

For every one-dollar MSD receives from customers from service charges and user fees, nearly three-quarters of that goes to providing customers with wastewater collection and treatment, drainage, and flood protection services and bond and loan repayments on debt instruments used to fund capital improvement projects.

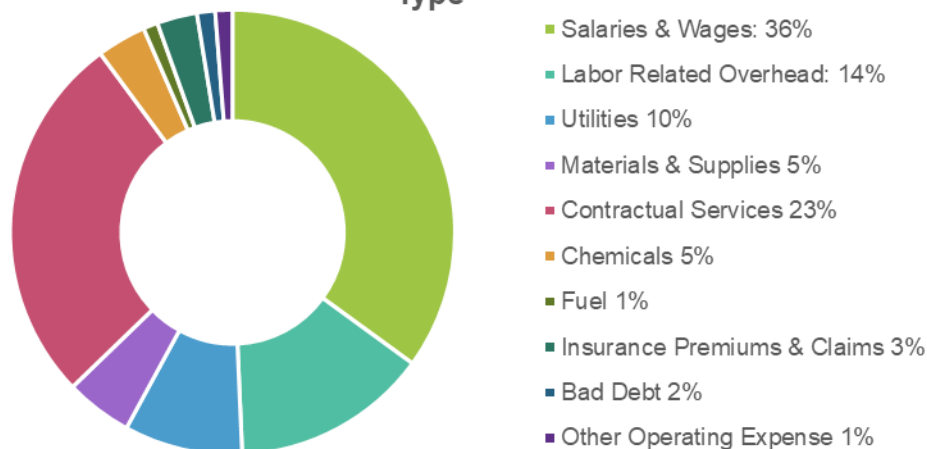


Expenditures

Operating Expenses

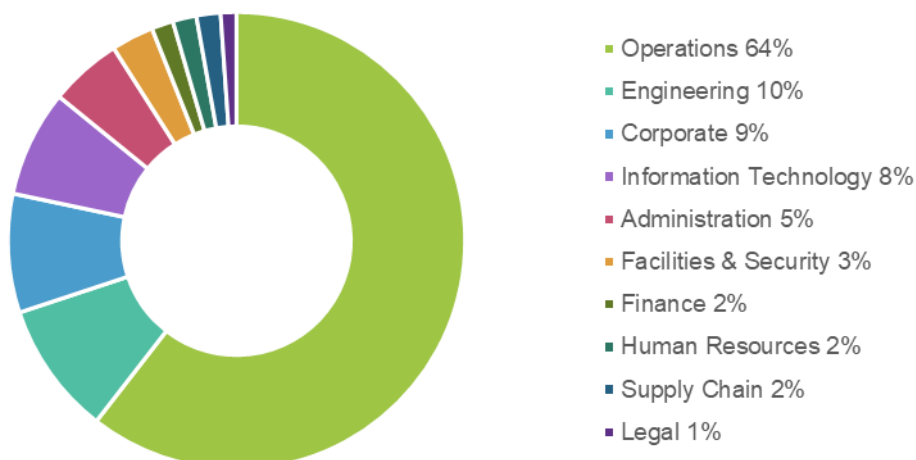
Labor and labor related overhead represent 49 percent of the 2027 operating budget which is 1 percent decrease from the fiscal year operating 2026 budget. Operating and maintenance expenses represent 51 percent of the operating budget, a 1 percent increase from the 2026 operating budget.

FY27 Operations & Maintenance Budget by Expense Type



The Operations division represents 61 percent of the total fiscal year 2027 operating budget, which is a 1 percent increase from fiscal year 2026.

FY27 Operations & Maintenance Budget by Division



Capital Improvement Program

The capital budget for fiscal year 2027 totals \$270 million. Many projects in this budget span multiple years and will continue spending beyond FY27. Total five-year CIP spending is projected to be \$1.17 billion. The following table summarizes five-year CIP spending by Service Type.

Five-Year CIP							
<i>Dollars in 000's</i>							
Service Type	FY27	FY28	FY29	FY30	FY31	Total	
Wastewater	\$ 209,146	\$ 209,041	\$ 210,876	\$ 168,936	\$ 127,598	\$ 1,053,279	
Drainage	\$ 6,601	\$ 3,856	\$ 3,821	\$ 10,012	\$ 6,082	\$ 38,097	
Flood Protection	\$ 34,895	\$ 24,499	\$ 14,908	\$ 16,635	\$ 19,837	\$ 148,536	
Support Systems	\$ 14,522	\$ 9,004	\$ 9,157	\$ 21,955	\$ 24,293	\$ 62,831	
Management Reserve	\$ 4,836	\$ 5,100	\$ 5,238	\$ 5,462	\$ 5,100	\$ 17,454	
Total	\$ 270,000	\$ 251,500	\$ 244,000	\$ 223,000	\$ 182,910	\$ 1,171,410	

The vast infrastructure related to MSD's Wastewater collection and treatment services represents a fundamental component of MSD's system, and it benefits the health and safety of residents across Louisville and Jefferson County, as well as Oldham and Bullitt Counties.

Stormwater management is a vital element of MSD's system, because it directly impacts the health and safety of all Louisville and Jefferson County residents. The Critical Repair and Reinvestment Plan included several programs related to drainage and floodplain management.

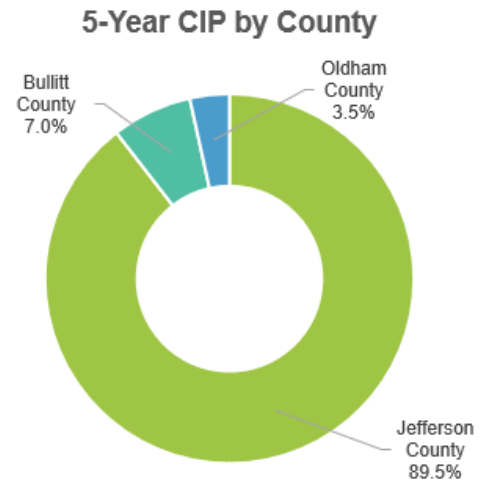
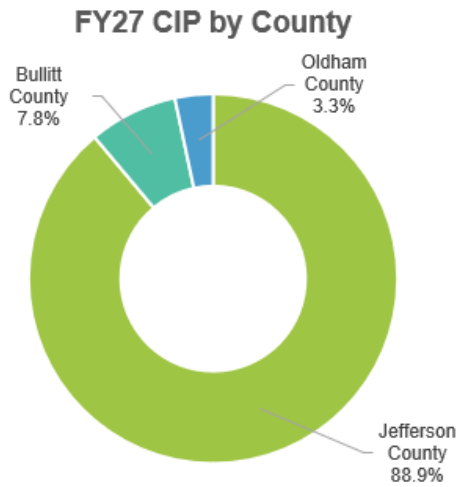
Flood protection is a critical public health service that MSD provides. Through close coordination with the United States Army Corps of Engineers, MSD has identified the elevated risk components of the Flood Protection Program, specifically replacing original electrical and switchgear systems and original gates dating back to the 1950s or 1960s.

MSD maintains more than 200 buildings as part of its infrastructure and includes investments related to buildings, site improvements, and repairs, as well as IT and LOJIC projects. It is imperative that MSD continues to make large investments in this area with increasing threats related to cyber-attacks and making sure MSD stays up to date on current technology and software versions.

The Management Reserve funds are reserved for unforeseen, unknown circumstances that result in new projects and higher costs. Project Managers may request use of Management Reserve funds from the CIP Management Team during the fiscal year. Separate Management Reserve budgets were developed for each county.

The FY27 and the 5-year CIP support MSD's regulatory commitments for the time-limited Federal Consent Decree and State Agreed Orders, as well as ongoing Regulatory Compliance for Capacity, Management, Operation, and Maintenance (CMOM), Nine Minimum Controls (NMC), and Stormwater Quality (MS4) programs.

The following charts summarize the FY27 capital budget and the five-year CIP spending by county.



Construction underway at Paddy's Run Flood Pump Station. The original pump station was placed into service in 1953. It provides critical flood protection in addition to serving as an essential wastewater infrastructure for combined sewer overflow control.

Debt Service

Debt Limits & Coverage Requirements

MSD must demonstrate prior to the issuance of additional revenue bonds that it satisfied the additional bonds test prescribed by the Revenue Bond Resolution. The additional bonds test requires that net revenues for the last 12 full calendar months are equal to or greater than the aggregate net debt service on all outstanding revenue bonds and the additional, proposed bonds.

Debt Service Budget

MSD's fiscal year budget includes the annual principal and interest payments due on all outstanding debt.

FY27 Debt Service Budget

