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MSD Credit Rating Upgraded

Moody's upgrades MSD credit rating, citing strong financial position

LOUISVILLE, KY – Moody's Ratings, a leading independent credit rating agency, has upgraded the Louisville and Jefferson County Metropolitan Sewer District's (MSD) revenue debt rating to Aa2. Moody's cited the district's historically stable financial performance, strong liquidity and ability to manage significant capital needs, in elevating the utility's rating from the previous mark of Aa3.

Moody's also upgraded MSD's bank bond rating to Aa3 from A1 and revised the district's outlook to stable from positive.

In its rating rationale, Moody's notes the upgrade "reflects the essential service provided to a large regional economic center and the district's continued sound financial metrics despite large capital needs." Moody's cites MSD's improving debt service coverage which has steadily grown in recent years to approximately 1.9x.

"Maintaining our strong financial position is essential as MSD continues to invest in the infrastructure our community depends on every day," said MSD Executive Director Tony Parrott. "Moody's upgrade of the MSD credit rating helps reduce the cost of borrowing, allowing each ratepayer dollar to go further as we deliver the critical infrastructure projects needed to protect the community and meet regulatory requirements."

How credit ratings affect affordability

MSD engineers have identified approximately $1.2 billion in critical infrastructure investment needed over the next five years to protect the community through wastewater treatment, stormwater drainage and flood protection. That investment is needed as MSD continues to address federal clean water requirements and aging infrastructure — some of which was built before the Civil War.

A favorable credit rating helps MSD manage the long-term cost of these significant infrastructure investments. A higher rating can lower the interest costs associated with borrowing for major capital projects, allowing MSD to spread those costs over the useful life of the infrastructure rather than placing the full cost on current customers. This helps MSD make necessary investments while managing the impact on rates and keeping services as affordable as possible for customers over time.

The upgraded rating also strengthens MSD's position in the financial markets, supporting reliable access to the capital needed to fund major projects as they arise. That access gives

MSD greater flexibility to plan and finance its capital program over time, helping ensure critical infrastructure work can continue as planned.

The Moody's rating upgrade reflects its expectation that MSD will continue to maintain sound debt service coverage and liquidity through conservative budgeting and timely rate increases as it advances the capital-improvement plan.

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About MSD

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