

MSD Fiscal Year 2026 Budget

FY26 Operating Budget adopted May 27, 2025

FY26 Capital Budget adopted May 27, 2025

Jefferson County Preliminary Rate Resolution Adopted May 27, 2025

Oldham County Preliminary Rate Resolution Adopted May 27, 2025



Budget Calendar

PHASE	STARTING	ENDING
BUDGET FRAMEWORK MEETING	1/08/2025	1/08/2025
TRAINING	1/28/2025	1/31/2025
CIP KICKOFF MEETING	2/03/2025	2/14/2025
OPERATING BUDGET DEVELOPMENT	2/03/2025	2/28/2025
CIP DEVELOPMENT MEETINGS	2/14/2025	3/07/2025
RATE DEVELOPMENT MEETINGS	3/06/2025	4/07/2025
OPERATING BUDGET REVIEW MEETINGS	3/17/2025	3/31/2025
FINALIZE FY26 OPERATING RECOMMENDATION	4/01/2025	4/23/2025
FINALIZE FY26 CIP RECOMMENDATION	4/01/2025	4/22/2025
FINALIZE FY26 RATE RECOMMENDATION	4/25/2025	4/25/2025
PREPARE COMMUNICATION MATERIALS	4/25/2025	5/09/2025
JOINT INFRASTRUCTURE & FINANCE COMMITTEE	5/14/2025	5/14/2025
BOARD APPROVAL – OPERATING & CIP BUDGETS	5/27/2025	5/27/2025
BOARD APPROVAL – PRELIMINARY RATES	5/27/2025	5/27/2025
30 DAY PUBLIC COMMENT PERIOD	6/01/2025	6/30/2025
FY26 BUDGET YEAR BEGINS	7/01/2025	7/01/2025
BOARD APPROVAL – FINAL RATES	7/28/2025	7/28/2025

FY26 Budget Summary

- Operating Budget of \$221.5 million, increase of \$18.8 million (9.3%)
- Debt Service for FY26 is \$204.8 million, increase of \$19.5 million (10.6%)
- 5-year Capital Improvement Program of \$1.3 billion
- Proposed Financial Plan
 - Jefferson County rates adjusted 4.9% August 1, 2025
 - Oldham County rates adjusted 2% August 1, 2025
 - Bullitt County rates adjusted 12% January 1, 2026



RESPECT



EXCELLENCE



ACCOUNTABILITY



STEWARDSHIP



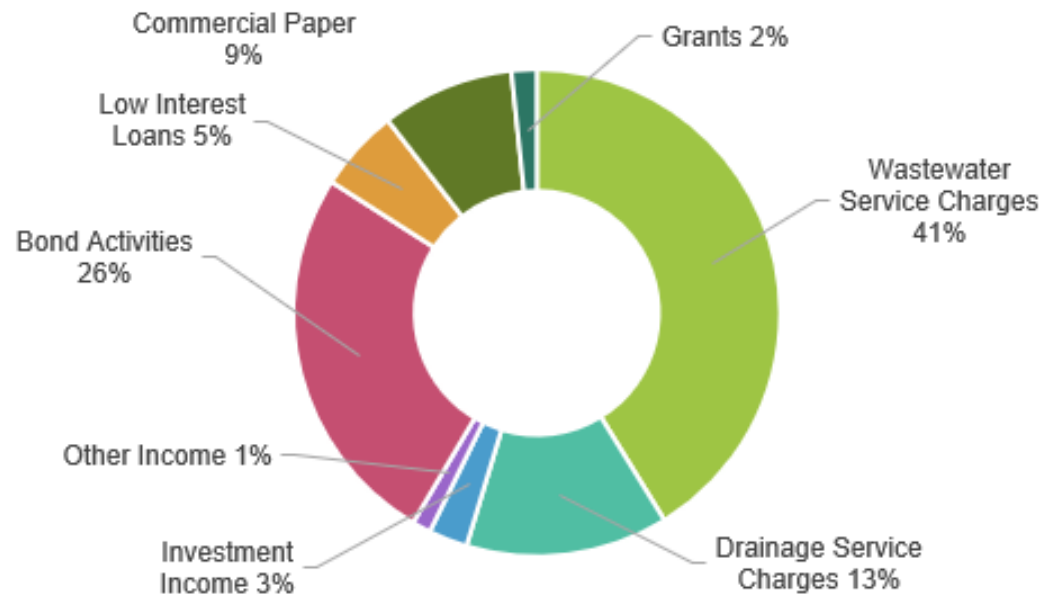
CUSTOMER FOCUS



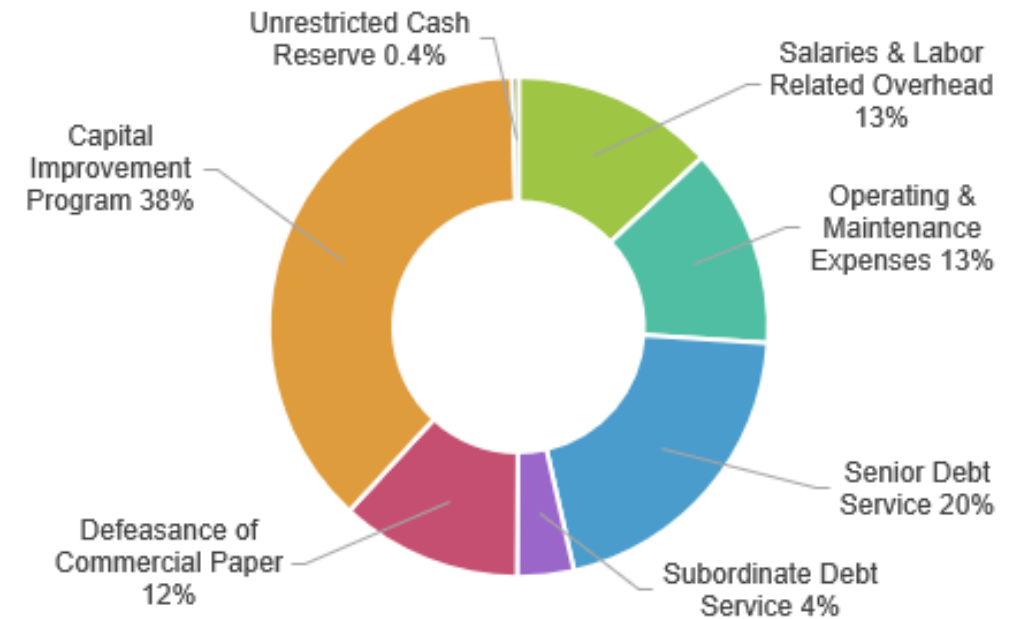
INTEGRITY

FY26 Sources & Uses of Funds

Revenues & Sources of Funds



Expenses & Uses of Funds



How Does MSD Spend User Rates?



Based on Fiscal Year 2026 Budget

FY25 Budget Performance

(\$ in 000's)	Adpoted Budget	Forecast	Change
Wastewater Revenue	\$ 320,022	\$342,302	\$ 22,280
Drainage Revenue	104,366	109,163	4,797
Other Income	8,401	8,587	186
Total Operating Revenue	\$ 432,789	\$460,052	\$ 27,263

Operating Revenues increase \$27.5 million (6.2%) over budget

- ~\$3M related to billing cycle changes
- ~\$8M one-time industrial customer revenues

(\$ in 000's)	Adpoted Budget	Forecast	Change
Operations & Maintenance	\$ 202,610	\$193,928	\$ (8,682)
Debt Service	185,364	180,694	(4,670)
Total Operating Budget	\$ 387,974	\$374,622	\$(13,352)

Operating budget savings of \$8.7 million (4.2%) in Contractual Services, Chemicals, Insurance and Fuel

Debt Service budget savings of \$4.7 million (2.5%) due to 2024A refundings and lower swap payments

FY26 Operating Budget Comparison

(\$ in 000's)	FY 25 Adpoted Budget	FY26 Proposed Budget	Increase/(Decrease)	
			\$	%
Salaries & Wages	\$ 73,933	\$ 80,116	\$ 6,183	8.4%
Labor Related Overhead	29,575	31,674	2,099	7.1%
Total Personnel Costs	103,508	111,790	8,282	8.0%
Utilities	18,566	21,514	2,948	15.9%
Materials & Supplies	10,161	11,105	944	9.3%
Contractual Services	43,683	51,257	7,574	17.3%
Chemicals	10,574	10,937	363	3.4%
Fuel	2,027	1,766	(261)	-12.9%
Insurance Premiums & Claims	7,978	6,742	(1,236)	-15.5%
Bad Debt	3,527	3,527	-	0.0%
Other Operating Expense	2,586	2,848	262	10.1%
Total Non-Personnel Costs	99,102	109,696	10,594	10.7%
Total Operations & Maintenance	\$ 202,610	\$ 221,486	\$ 18,876	9.3%
Capitalized Overhead	(42,548)	(44,297)	(1,749)	4.1%
Net Operations & Maintenance	\$ 160,062	\$ 177,189	\$ 17,127	10.7%

FY26 proposed O&M budget is \$18.8 million increase (9%)

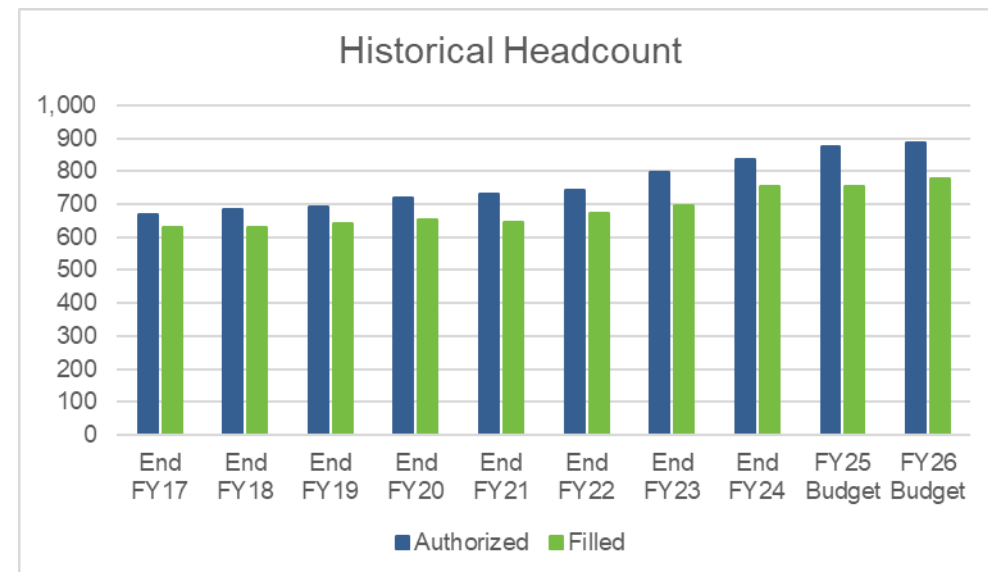
- Utility expense increased \$3 million due to demand charges from flooding events
- Contractual Services includes \$5.9 million in Engineering professional services that were formerly included in capital budget
- Other Operating Expenses include increases related to training and equipment rental

FY26 Labor Budget

- Budgeted vacancy rate for FY26 is 11% compared to 15% for FY25
- Salary Salvage factor is 48% which reduced total budget by \$4.5 million
 - Actual results could vary based on hiring and turnover
- No new positions authorized in the budget request
 - New position reserve created for FY26

Budgeted Headcount		
	FY25	FY26
Filled Positions	740	780
Vacant Positions	96	98
New Positions (Vacant)	32	-
New Position Reserve	6	10
Total Positions	874	888

*Part time positions counted as '1'



FY26 Non-Operating Budget Comparison

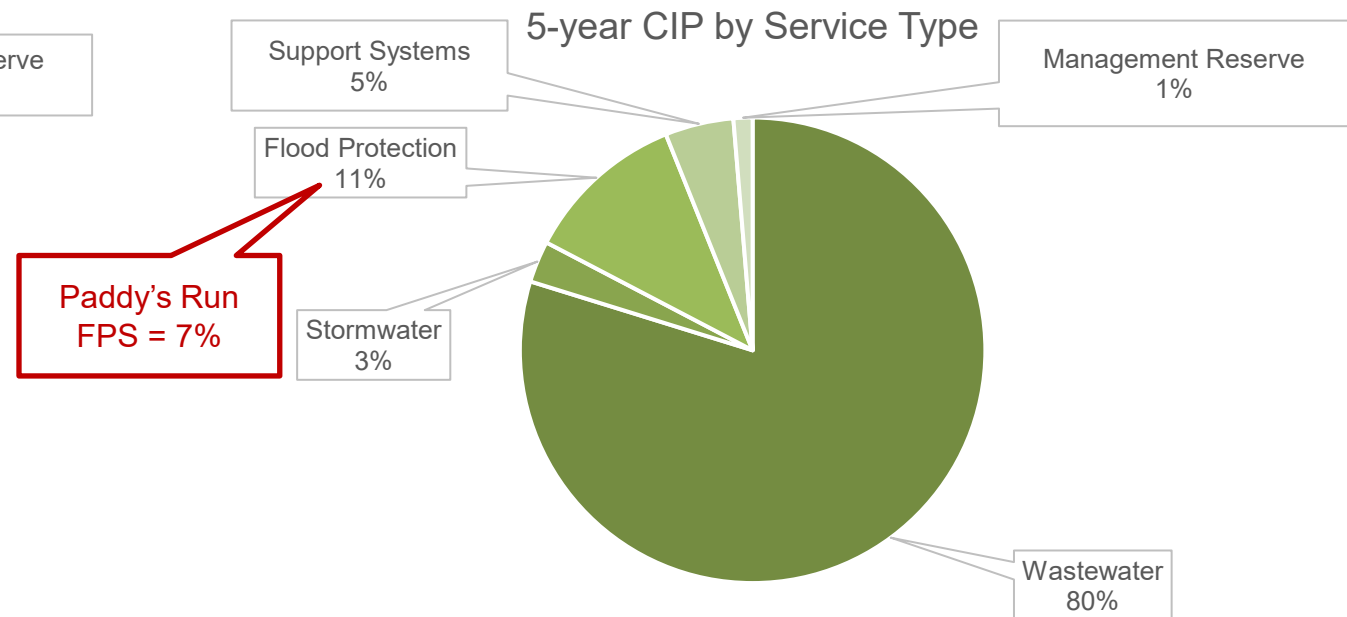
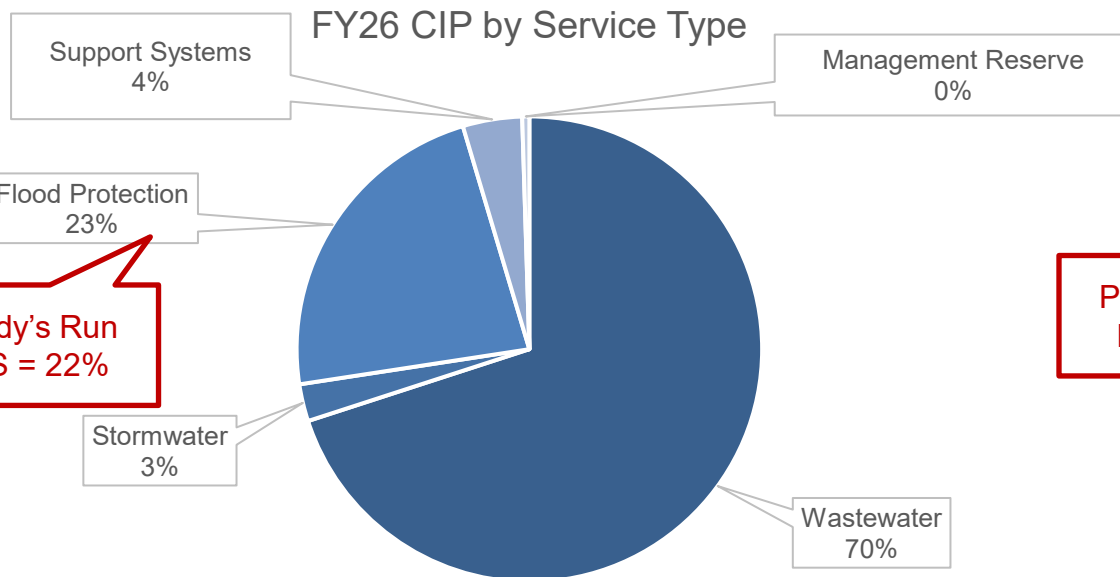
(\$ in 000's)	FY25	FY26	Increase/(Decrease)	
			\$	%
Senior Principal & Interest	156,671	173,699	17,028	10.9%
Senior Subordinate Principal & Interest	18,379	19,063	684	3.7%
Subordinate Principal & Interest	10,314	12,161	1,847	17.9%
Cash Financed Capital	67,762	77,915	10,153	15.0%
Contributions to Reserves	3,650	2,110	(1,540)	-42.2%
Total Non O&M	\$ 256,776	\$ 284,948	\$ 28,172	11.0%

FY26 Non-O&M budget is \$28 million increase (11%)

- New money bond issued in FY26 driving increase in Senior debt service
- Cash financing goal approaching target of 25%
- Continue focus on building Reserves

FY26 Capital Budget

Service Type	FY26	FY27	FY28	FY29	FY30	5-year Total
Wastewater	\$224,872,000	\$198,400,000	\$252,153,000	\$227,196,000	\$150,658,000	\$1,053,279,000
Stormwater	\$8,284,000	\$8,695,000	\$9,428,000	\$2,971,000	\$8,719,000	\$38,097,000
Flood Protection	\$73,244,000	\$23,005,000	\$20,259,000	\$12,880,000	\$19,148,000	\$148,536,000
Support Systems	\$13,236,000	\$13,401,000	\$9,107,000	\$8,803,000	\$18,284,000	\$62,831,000
Management Reserve	\$1,585,000	\$569,000	\$5,100,000	\$5,100,000	\$5,100,000	\$17,454,000
Grand Total	\$321,221,000	\$244,070,000	\$296,047,000	\$256,950,000	\$201,909,000	\$1,320,197,000



Regulatory Compliance Driven Spend by County

Jefferson County CIP by Regulatory Program	FY26	FY27	FY28	FY29	FY30	5-year Total
Consent Decree	\$171,561,000	\$108,815,000	\$131,227,000	\$113,285,000	\$23,028,000	\$547,916,000
Agreed Order	\$22,837,000	\$8,902,000	\$4,207,000			\$35,946,000
CMOM	\$52,587,000	\$38,225,000	\$55,140,000	\$53,383,000	\$78,182,000	\$277,517,000
NMC	\$26,030,000	\$25,124,000	\$26,632,000	\$39,648,000	\$41,827,000	\$159,261,000
Stormwater Quality (MS4)	\$665,000	\$740,000	\$690,000	\$440,000	\$440,000	\$2,975,000
Grand Total	\$273,680,000	\$181,806,000	\$217,896,000	\$206,756,000	\$143,477,000	\$1,023,615,000
Percent of CIP	90%	84%	87%	87%	73%	85%

Bullitt County CIP by Regulatory Program	FY26	FY27	FY28	FY29	FY30	5-year Total
Agreed Order	\$10,763,000	\$21,838,000	\$30,840,000	\$11,323,000	\$1,200,000	\$75,964,000
CMOM	\$1,149,000	\$1,569,000	\$613,000	\$826,000	\$3,330,000	\$7,487,000
Stormwater Quality (MS4)				\$30,000		\$30,000
Grand Total	\$11,912,000	\$23,407,000	\$31,453,000	\$12,179,000	\$4,530,000	\$83,481,000
Percent of CIP	98%	99%	100%	99%	97%	99%

Oldham County CIP by Regulatory Program	FY26	FY27	FY28	FY29	FY30	5-year Total
CMOM	\$6,311,000	\$4,783,000	\$13,183,000	\$6,681,000	\$991,000	\$31,949,000
Grand Total	\$6,311,000	\$4,783,000	\$13,183,000	\$6,681,000	\$991,000	\$31,949,000
Percent of CIP	98%	98%	99%	99%	91%	98%

Wastewater Programs



Wastewater Projects Consent Decree	FY26	5-year Total
Asset Management Program Implementation - \$25M AM	\$81,000	\$81,000
Bardstown Road PS Improvements		\$1,000,000
Cinderella Pump Station Elimination		\$1,500,000
Dell Road & Charlane Pkwy Interceptor Improvements		\$10,191,000
Goose Creek Pump Station Improvements and Wet Weather Storage		\$258,000
Gunpowder PS Elimination	\$5,000,000	\$8,327,000
Kavanaugh Road PS Elimination	\$7,300,000	\$8,978,000
Leven Pump Station Elimination	\$1,495,000	\$1,495,000
Mellwood System Improvements and Pump Station Elimination - Win		\$2,515,000
Morris Forman WQTC New Biosolids Facility	\$83,500,000	\$169,964,000
Raintree & Marian Ct 2 - Pipe Upgrades		\$2,064,000
Sutherland Interceptor		\$975,000
Upper Middle Fork Pump Station, Forcemain and Interceptor	\$4,000,000	\$243,489,000
Grand Total	\$101,376,000	\$450,837,000

Wastewater Projects Agreed Order	FY26	5-year Total
BC Lower Mud Lane Interceptor	\$1,763,000	\$2,351,000
Bullitt Hills and Hillview #1 WWTP Elimination	\$5,000,000	\$16,675,000
Chickasaw Trap Catch Basin Rehab, Phase 1	\$250,000	\$250,000
Hillview PS#2 Elimination (Construction)		\$1,200,000
MFWQTC DAFT Rehabilitation	\$9,507,000	\$22,154,000
MFWQTC Digester Gas Hydrogen Sulfide (H2S) Removal	\$6,792,000	\$6,921,000
MFWQTC Sedimentation Basin RR	\$4,750,000	\$4,750,000
Neighborhood Odor Control Catch Basin Inspections	\$333,000	\$666,000
Pioneer Village WWTP Expansion 1.25 MGD	\$3,000,000	\$54,195,000
Shawnee Trap Catch Basin Replacement	\$820,000	\$820,000
Starkey PS Odor Mitigation Chemical Use Assessment	\$50,000	\$50,000
Taylor-Berry Catch Basin Replacement	\$160,000	\$160,000
West Triangle PS FM and Interceptor	\$1,000,000	\$1,543,000
Grand Total	\$33,425,000	\$111,735,000

Stormwater Programs



Safe, clean waterways

Stormwater Projects Drainage	FY26	5-year Total
Bass-Shirley Stormwater Improvements	\$681,000	\$681,000
Drainage Response Initiative (DRI)	\$2,000,000	\$10,000,000
Lynnview Stormwater Improvements	\$126,000	\$126,000
Oak Valley Drainage Remedies		\$2,762,000
Rustic Way Pipe Replacement	\$17,000	\$17,000
Stober Rd Drainage Improvement Project		\$4,000,000
Stormwater Implementation		\$3,533,000
Stormwater Master Plan		\$4,592,000
West Indian Trail Stormwater Improvements	\$900,000	\$900,000
Grand Total	\$3,724,000	\$26,611,000

Stormwater Projects Floodplain Management	FY26	5-year Total
400 Shelby Station Basin Repairs	\$380,000	\$380,000
Brooklawn Tributary Floodplain Map Update	\$21,000	\$21,000
Floyds Fork Tributary Modeling	\$38,000	\$38,000
GRANT 2018 MEDFORD LANE RL FMA 2018-013	\$402,000	\$402,000
GRANT 2018 TRANSYLVANIA BEACH RL FMA	\$410,000	\$410,000
Grant Elba DR4428-0043	\$350,000	\$350,000
Grant Indian Trail DR4428-0042	\$250,000	\$500,000
Grant Medford DR4358-0026	\$260,000	\$260,000
Grant Sandstone DR4358-0006	\$250,000	\$250,000
Grant Waldoah Beach Buyout	\$450,000	\$450,000
Grant Waldoah Beach DR4361-0012	\$345,000	\$834,000
Mud Creek Floodplain Map Update	\$100,000	\$100,000
Orville Drive Grant	\$319,000	\$319,000
Pope Lick Tributary Floodplain Map Update	\$20,000	\$20,000
Southern Ditch Alternatives		\$2,947,000
Grand Total	\$3,595,000	\$7,281,000

Stormwater Projects MS4	FY26	5-year Total
Urban Reforestation	\$240,000	\$1,200,000
GI Fee In Lieu Program		\$800,000
BC Fish and Macro Sampling		\$30,000
Goodwill Green Infrastructure Stipend	\$125,000	\$125,000
Logan St Basin Green Infrastructure Rehab	\$0	\$50,000
Monitoring Site Safety Improvements Phase 2	\$200,000	\$200,000
Monitoring Site Safety Improvements Phase 3		\$500,000
Oakmount Dr. RFF Basin	\$100,000	\$100,000
Grand Total	\$665,000	\$3,005,000

Flood Protection Programs



Flood Protection Projects Consent Decree	FY26	5-year Total
Paddy's Run FPS Capacity Upgrade	\$70,185,000	\$97,079,000
Grand Total	\$70,185,000	\$97,079,000

Flood Protection Projects Facilities	FY26	5-year Total
FPS Roof Repairs Phase 2 - 4th, 10th, Bingham, Starkey, Beargrass	\$165,000	\$165,000
FPS Roof Repairs Phase 3 - 17th, 27th, 34th	\$144,000	\$144,000
Grand Total	\$309,000	\$309,000

Flood Protection Projects Ohio River Flood Protection	FY26	5-year Total
10th Street FPS - Generator Improvements		\$4,859,000
17th Street FPS - Capacity and Generator Improvements		\$6,074,000
27th Street FPS - Capacity and Generator Improvements		\$1,121,000
27th Street FPS Transformer Replacement	\$200,000	\$250,000
4th Street FPS - Capacity and Electrical Service Improvements		\$1,207,000
Floodgate 33 Replacement		\$854,000
Flood Structures RR	\$800,000	\$4,800,000
Gate 138 Access Road		\$200,000
Lower Mill Creek FPS - Electrical Improvements		\$4,000,000
Pond Creek FPS - Electrical Service Improvements		\$7,424,000
Pond Creek FPS Breaker Replacement		\$900,000
Riverport FPS Transformer Replacement		\$4,000,000
Sluice Gate Repair/Replacement Program		\$8,559,000
Starkey FPS Electrical Service Improvements	\$500,000	\$2,000,000
Upper Mill Creek FPS Transformer and MCC Replacement	\$1,250,000	\$4,500,000
Western FPS Physical Model		\$400,000
Grand Total	\$2,750,000	\$51,148,000

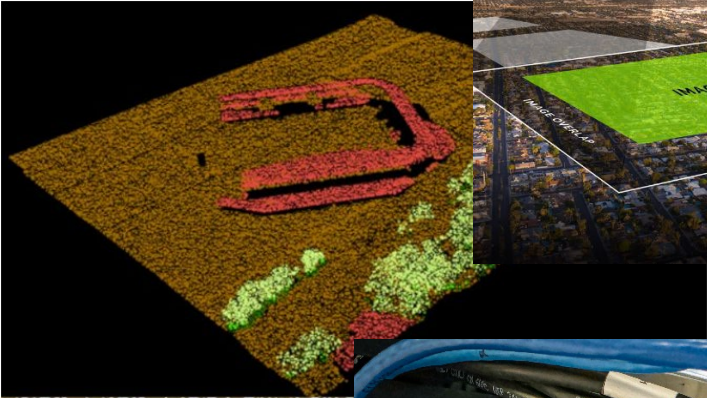
Capital Equipment & Facilities



Support Systems Projects Capital Equipment	FY26	5-year Total
CMF Automated Vehicle Wash Facility		\$1,842,000
Fleet Maintenance Drive-On Lift Replacement	\$290,000	\$290,000
Fleet Renewal & Replacement	\$200,000	\$1,000,000
Fleet Repair	\$150,000	\$750,000
New Fleet Additions	\$100,000	\$500,000
Vehicles & Equipment	\$5,500,000	\$27,500,000
Grand Total	\$6,240,000	\$31,882,000

Support Systems Projects Facilities	FY26	5-year Total
15th & Hill Main Office Renovations Phase 1	\$395,000	\$395,000
15th & Hill Street Fire Panel	\$153,000	\$153,000
15th & Hill Street IT Infrastructure	\$665,000	\$665,000
15th & Hill Street Security Phase 2		\$1,084,000
BC Office Building Security and Buildout	\$53,000	\$53,000
CMF Structural Repairs Phase 1	\$1,637,000	\$1,701,000
CMF Structural Repairs Phase 2		\$2,552,000
Collections Maintenance Facility		\$9,627,000
FFWQTC Office HVAC Replacement	\$510,000	\$510,000
MFWQTC Admin Building HVAC Rehab	\$100,000	\$1,100,000
MFWQTC Repaving		\$1,000,000
Grand Total	\$3,513,000	\$18,840,000

IT & LOJIC



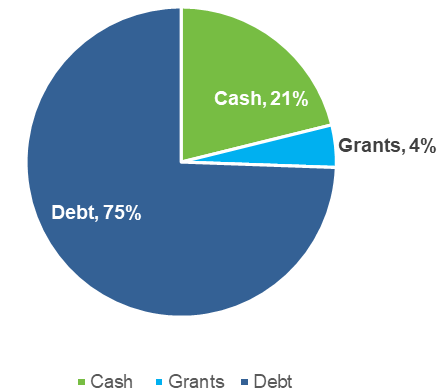
Support Systems Projects | IT & LOJIC

	FY26	5-year Total
IT Cybersecurity Initiatives	\$100,000	\$700,000
IT Data Center Lifecycle	\$2,178,000	\$4,158,000
IT End User Lifecycle	\$450,000	\$2,250,000
IT Network Lifecycle	\$50,000	\$650,000
HANA Phase 2 Enhancements	\$260,000	\$1,490,000
PMIS System Implementation		\$2,000,000
LOJIC HW Upgrades & Replacements	\$52,000	\$260,000
Aerial Imagery & Map Updates	\$52,000	\$260,000
Grand Total	\$3,142,000	\$11,768,000

Paying for the Capital Improvement Plan

Fiscal Year	Actual 2021	Actual 2022	Actual 2023	Actual 2024	Budget 2025	Budget 2026	Plan 2027	Plan 2028	Plan 2029	Plan 2030
Total CIP (in millions)	\$179.24	\$147.60	\$177.41	\$255.09	\$298.80	\$321.22	\$245.00	\$224.40	\$224.70	\$236.80
CIP Funding Source										
Cash	21.34	14.60	32.11	95.49	67.80	67.90	63.00	65.20	64.20	101.80
Grants	2.60	2.30	1.30	3.60	14.40	14.20	0.90	0.10	0.00	0.00
Debt	155.30	130.70	144.00	156.00	216.60	239.12	181.10	159.10	160.50	135.00
Cash & Grant Funding (in millions)	\$ 23.94	\$ 16.90	\$ 33.41	\$ 99.09	\$ 82.20	\$ 82.10	\$ 63.90	\$ 65.30	\$ 64.20	\$ 101.80
Debt Funding 4.9% (in millions)	\$155.30	\$130.70	\$144.00	\$156.00	\$216.60	\$239.12	\$181.10	\$159.10	\$160.50	\$135.00
<i>Debt Funding Percentage 4.9%</i>	87%	89%	81%	61%	72%	74%	74%	71%	71%	57%

2026 Planned CIP Financing

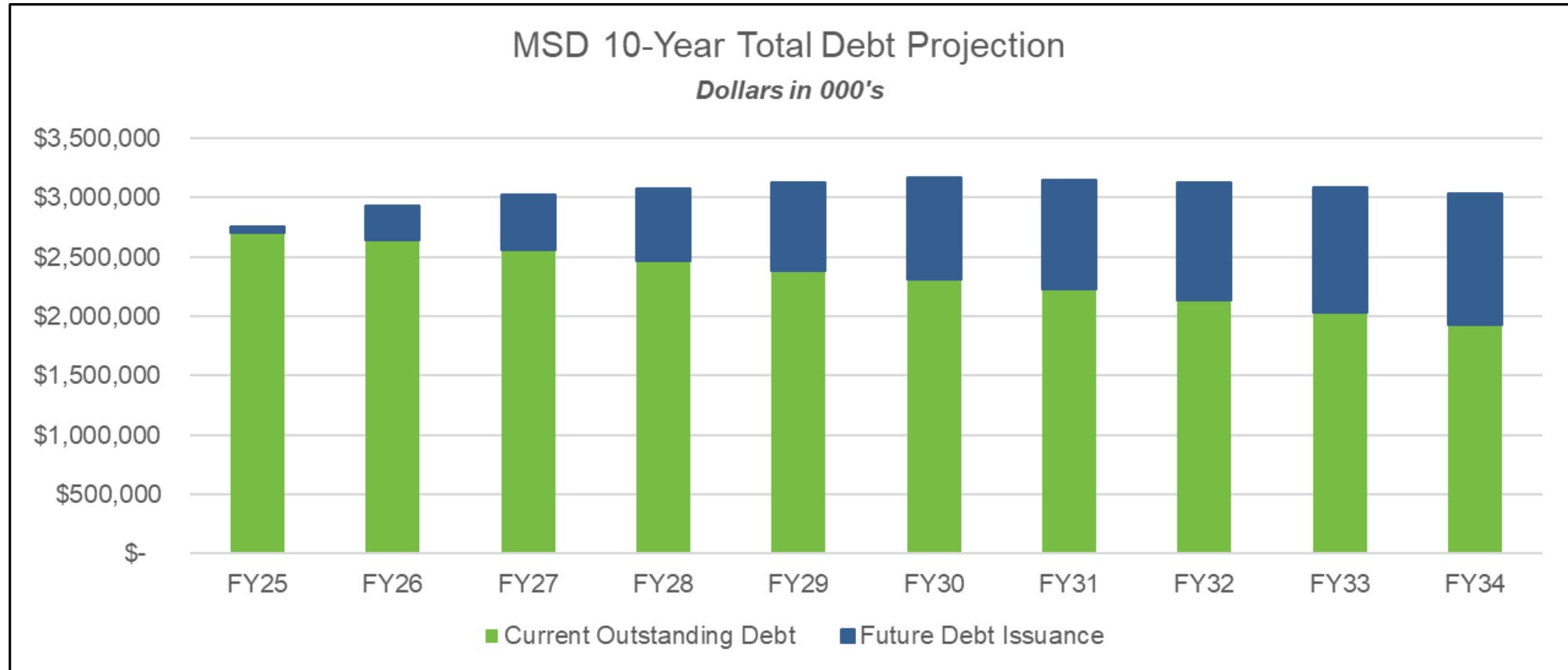


Long Term Financial Plan and Metrics

Financial Ceiling	2025 Forecast	2026 Budget	2027 Plan	2028 Plan	2029 Plan	2030 Plan
Variable Rate Increase		4.9%	4.9%	6.9%	4.9%	4.9%
Revenue	484,721	497,754	516,760	548,353	570,708	594,131
Operating Expenses	(193,928)	(221,486)	(230,065)	(239,664)	(247,379)	(255,853)
Debt Service	(180,694)	(204,922)	(223,486)	(240,059)	(256,787)	(233,551)
Capital Expense	(297,693)	(321,221)	(245,122)	(224,409)	(224,704)	(236,844)
Debt Financing Proceeds	192,111	253,306	182,032	159,124	160,475	135,000
Net Change in Working Capital	4,517	3,431	119	3,345	2,313	2,883
Funds Available From Operations	110,099	71,345	63,209	68,630	66,542	104,727
% Funds Available From Operations	22.7%	14.3%	12.2%	12.5%	11.7%	17.6%
Pledged (Senior) Debt Service Ratio	214%	196%	184%	188%	180%	206%
Total Debt Service Ratio	185%	164%	156%	155%	152%	175%
Debt to Operating Revenue	5.9	6.1	6.0	5.7	5.6	5.4
Planned Revenue Bond Issue	-	250,000	-	200,000	250,000	-

NOTE: Actual revenues, expenses, or both could differ materially from those forecasted and there can be no assurance that such estimates of future results will be achieved. Factors that could cause actual results to differ materially include, but are not limited to, unanticipated changes in law or unanticipated material litigation, a material downturn in economic activity, efficiency of operations, and the capital construction and expenditure plans and results of the District.

Ten-Year Projected Debt



Rate Rationale

- About 90% of our capital budget is **regulatory and mandatory**. Failure to complete these projects will result in fines – 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 Board Rate Setting Authority

Metro Ordinance Debt Service Coverage Calculation		
<i>Dollars in 000's</i>		
		Six Months Ending April 30, 2025
Service Charge Revenues	\$	219,743
Operating Expenses		(95,676)
Subordinate Debt Service		(15,875)
Net Revenues	\$	108,192
Revenue Bond Principal Maturities	\$	52,595
Revenue Bond Interest Expense		51,662
Net Debt Service	\$	104,257
Metro Ordinance Debt Service Coverage Ratio		1.04

Jefferson County

- Metro Ordinance 50.24: Board may adjust rates no more than 7% annually if coverage is less than 1.1%
- Rate changes occur on August 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
- Rate changes occur on August 1

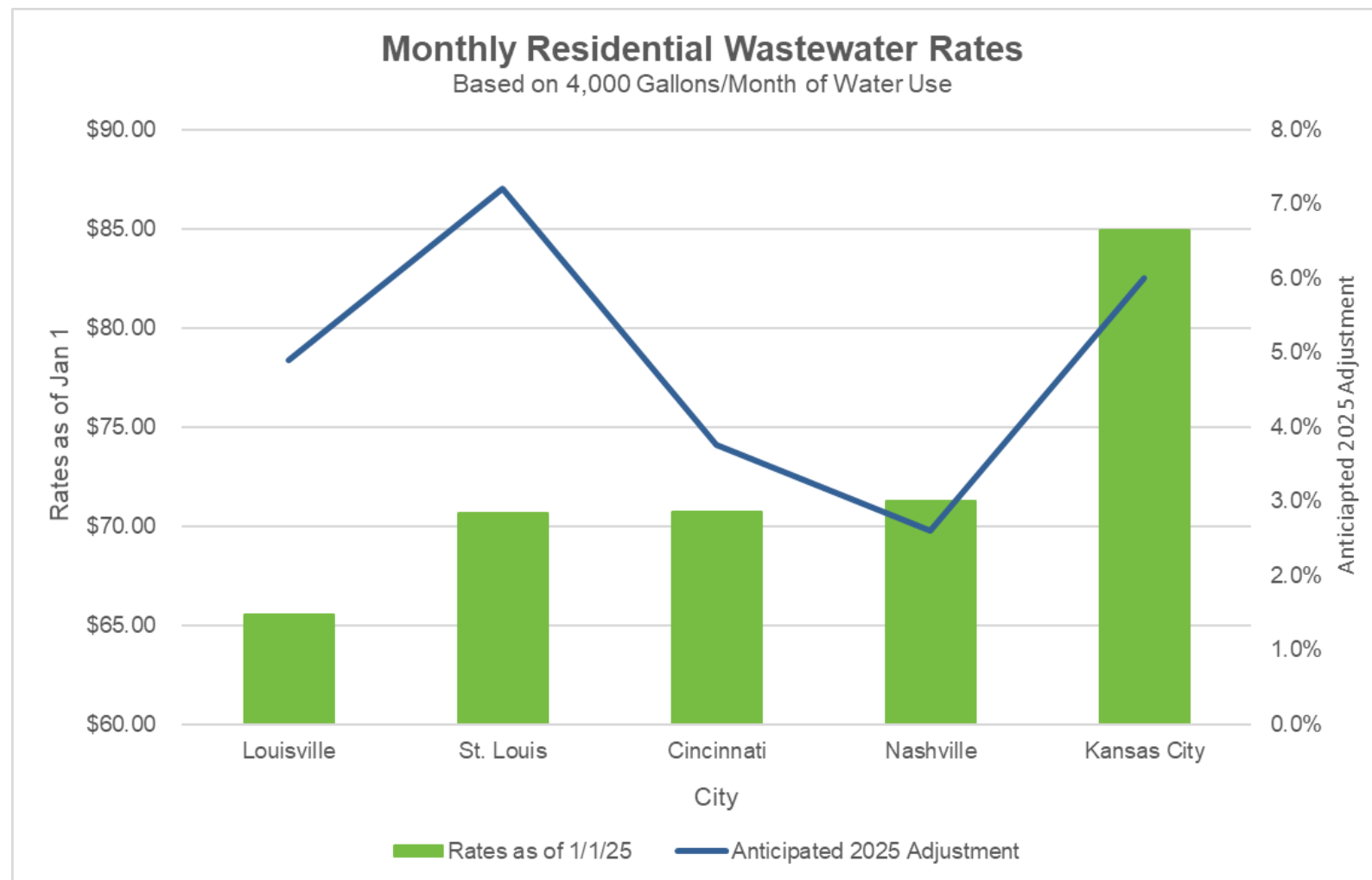
Bullitt County

- ILA: Rates increase 12% annually through January 1, 2026
- Rate changes occur on January 1

Average Monthly Residential Bill

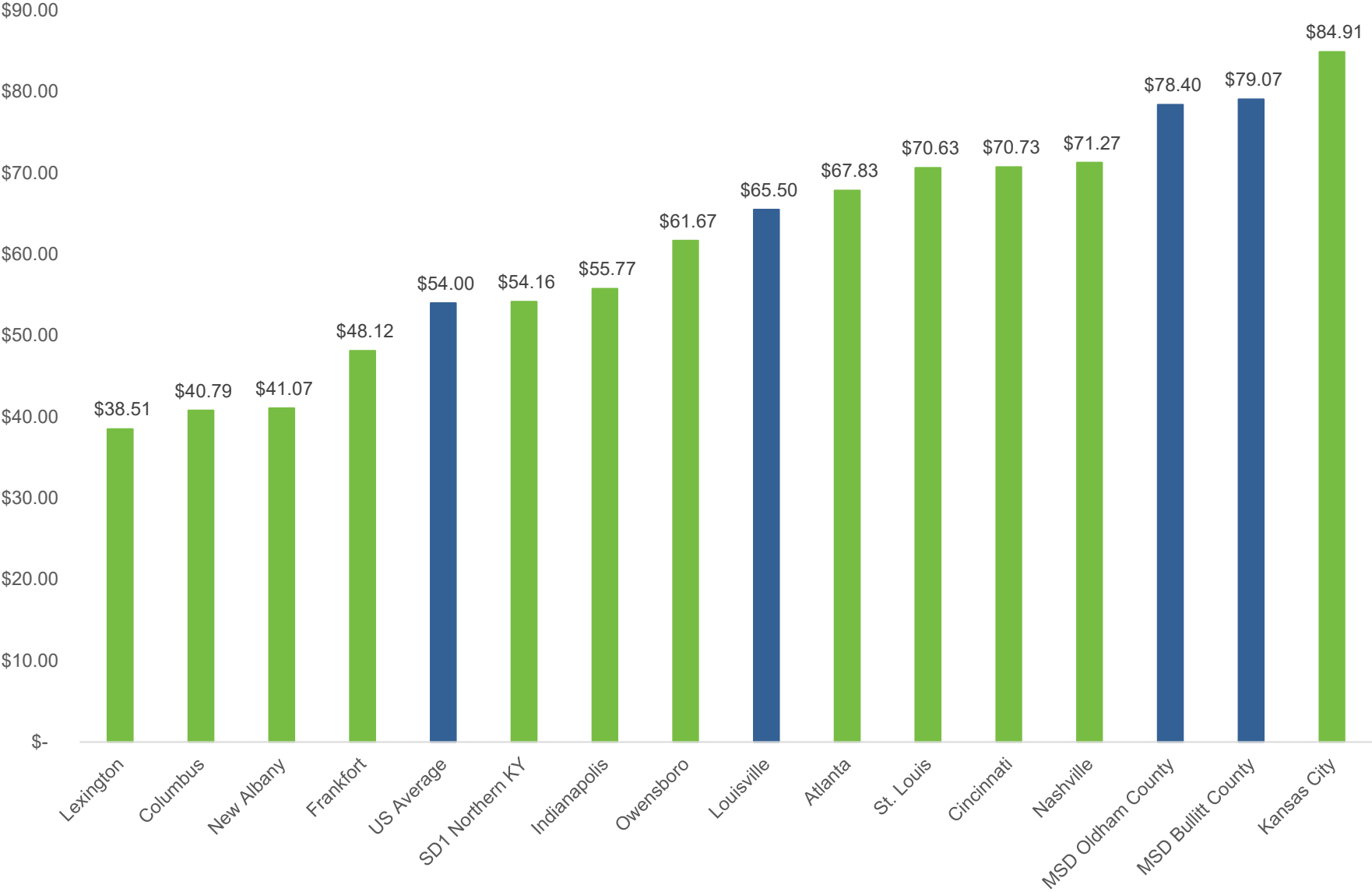
Average Monthly Residential Bill at Proposed Rates						
	Jefferson (4.9%)		Oldham (2%)		Bullitt (12%)	
Wastewater	\$	68.71	\$	79.99	\$	88.56
Drainage & Flood Protection		14.95		-		-
Total Average Monthly Bill	\$	83.66	\$	79.99	\$	88.56
Monthly Wastewater Adjustment	\$	3.21	\$	1.57	\$	9.49
Monthly Drainage & Flood Protection Adjustment		0.70		-		-
Total Monthly Adjustment	\$	3.91	\$	1.57	\$	9.49
Annual Wastewater Cost	\$	824.52	\$	959.88	\$	1,062.72
Annual Drainage & Flood Protection Cost	\$	179.40	\$	-	\$	-
Total Average Annual MSD Bill	\$	1,003.92	\$	959.88	\$	1,062.72

Rate Comparisons

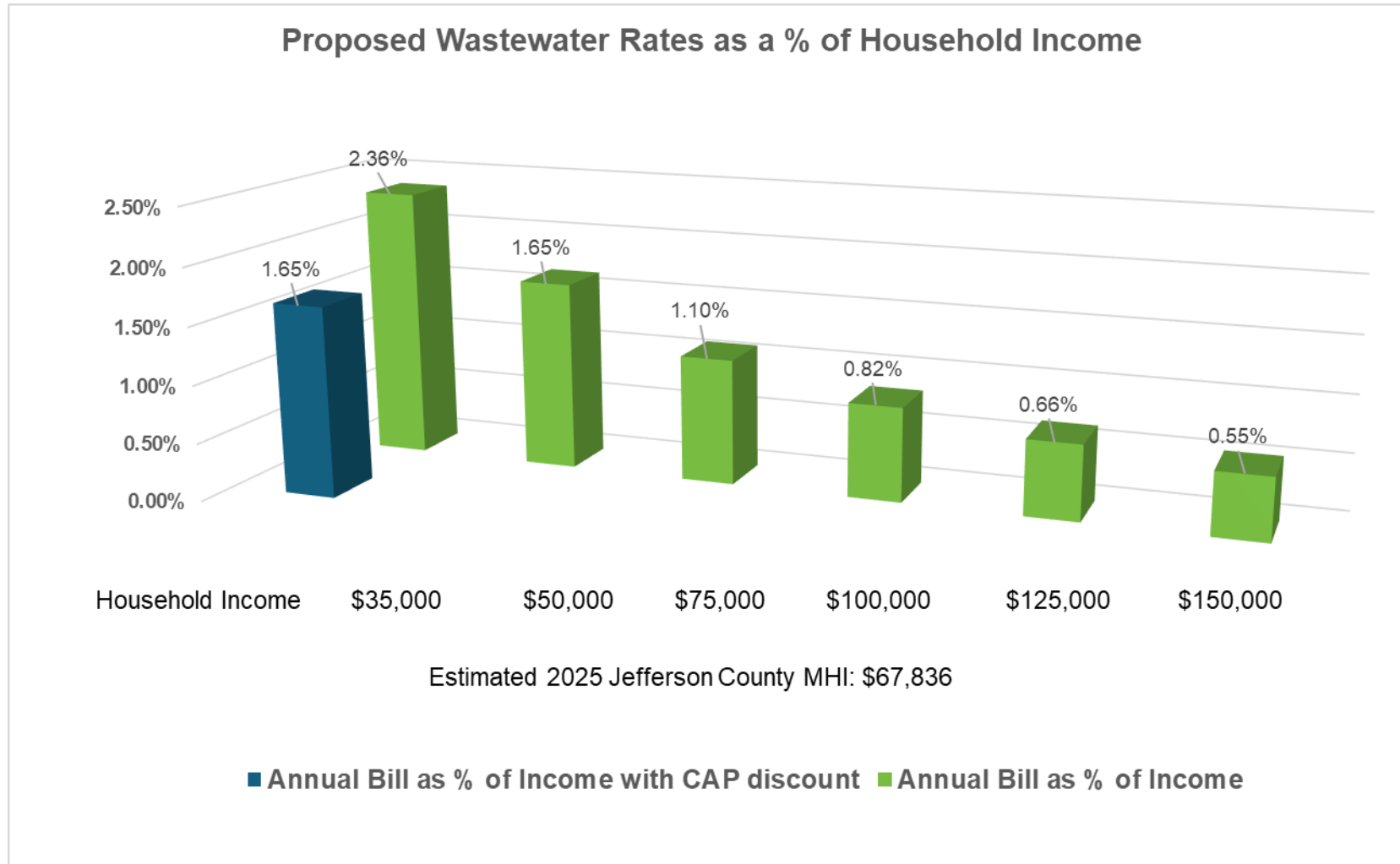


Monthly Residential Wastewater Rate Comparison

Based on 4,000 Gallons/Month of Water Use
Rates as of January 1, 2025

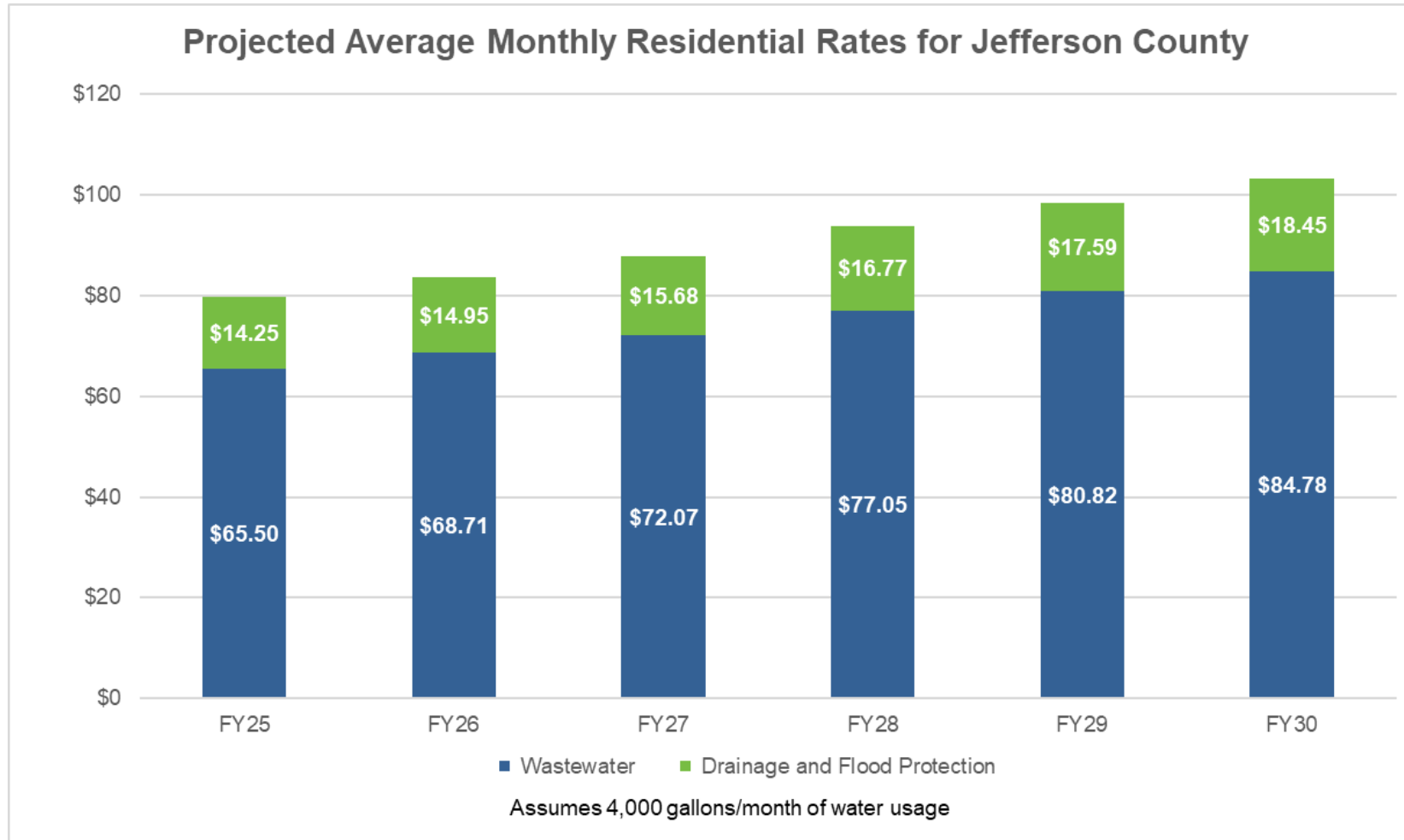


Annual MSD Bill as a % of Household Income



Based on proposed Jefferson County rates and assuming 4,000 gallons/month of water usage.

Historical and Projected Rate Adjustments: Louisville



Customer Assistance Program

- \$500,000 for EWRAP
 - Eligibility ceiling moves from 150% to 175% of Federal Poverty Level
 - Target enrollment of 3,000 households
 - Changes effective November 1, 2025
- \$1,400,000 for Senior Citizen Discount
 - Eligibility ceiling moves to \$40,000 August 1, 2025
 - Ceiling has been at \$35,000 since 2007
 - Changes effective August 1, 2025
- \$150,000 Contribution to Louisville Water Foundation
- Payment Plans & Payment Extensions are available



Safe, clean waterways

[Contact Us](#)[Pay My Bill](#)[Report an Odor](#)

- Press Release May 27, 2025
- Preliminary Rate Resolution: [Louisvillemid.org/Rates](https://louisvillemid.org/Rates)
- FY26 Budget Summary: [Louisvillemid.org/Rates](https://louisvillemid.org/Rates)
- Rate FAQ: [Louisvillemid.org/Rates](https://louisvillemid.org/Rates)

30-Day Public Comment Period



- Legal Notice in Courier Journal and Oldham Era
- 30-day Public Comment Period
- Comments shared with Board prior to final rate adoption
- Email: Finance@LouisvilleMSD.org

Rate Implementation



May 15
Finance
Committee



May 27
Board Adoption:
Prelim



May 28
Elected Official
Notification



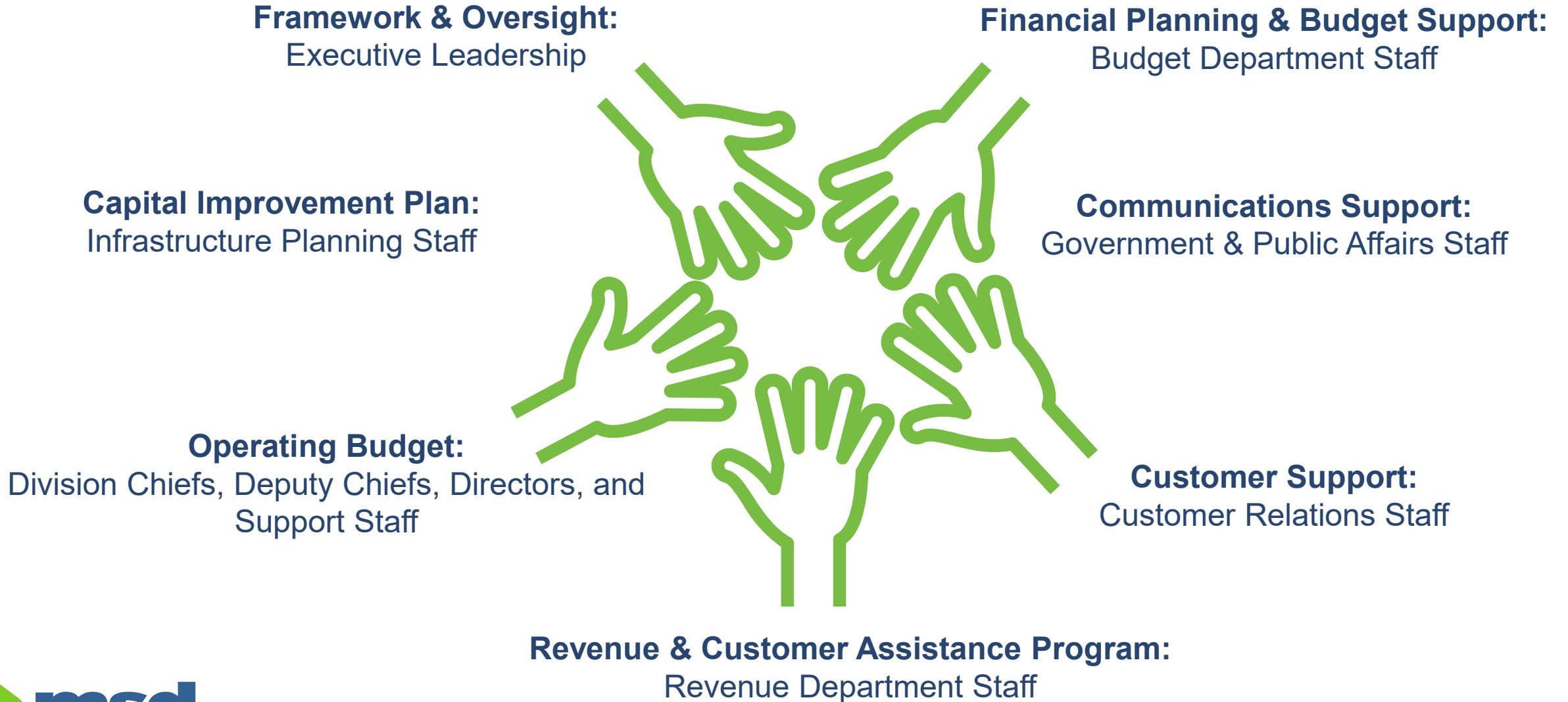
July 28
Board Adoption:
Final



August 1
Rates Effective
(Jefferson & Oldham)

➤ Customer communication plan under development

Fiscal Stewardship Through Collaboration: Thank You!



Appendix

Supplemental Information

O&M Budget Variance Analysis

Salaries & Wages	<ul style="list-style-type: none">▪ The budget request authorizes 888 positions for fiscal year 2026.▪ The budgeted vacancy rate is 11% compared to 15% for fiscal year 2025.▪ The salary salvage factor for fiscal year 2026 is 48%, which reduced the total budget by \$4.5 million.▪ Funding is provided for contractual wage adjustments for union employees and performance-based wage adjustments for non-union employees.▪ Overtime is expected to increase \$778 thousand budget-to-budget due to actual data from fiscal year 2025 and continuing vacant positions.▪ No new positions were added for fiscal year 2026 but a reserve was established for 10 positions.
Labor Related Overhead	<ul style="list-style-type: none">▪ Medical premiums for fiscal year 2026 are expected to increase 11.2%. Medical insurance has been budgeted based on historical plan participation rates and assumptions for vacant positions. Actual expenses could vary based on the 2026 open enrollment period.▪ The contribution percentage rate for employees eligible to participate in the County Employee Retirement System fell from 19.71% in fiscal year 2025 to 18.62% for fiscal year 2026.
Utilities	<ul style="list-style-type: none">▪ Utility expense is budgeted to increase 16%, or \$3 million. Flood events on the Ohio River in February and April established new peak demand thresholds for each of MSD's sixteen flood pump stations. MSD will be billed a portion of the new peak demand charges for the following twelve-month period.

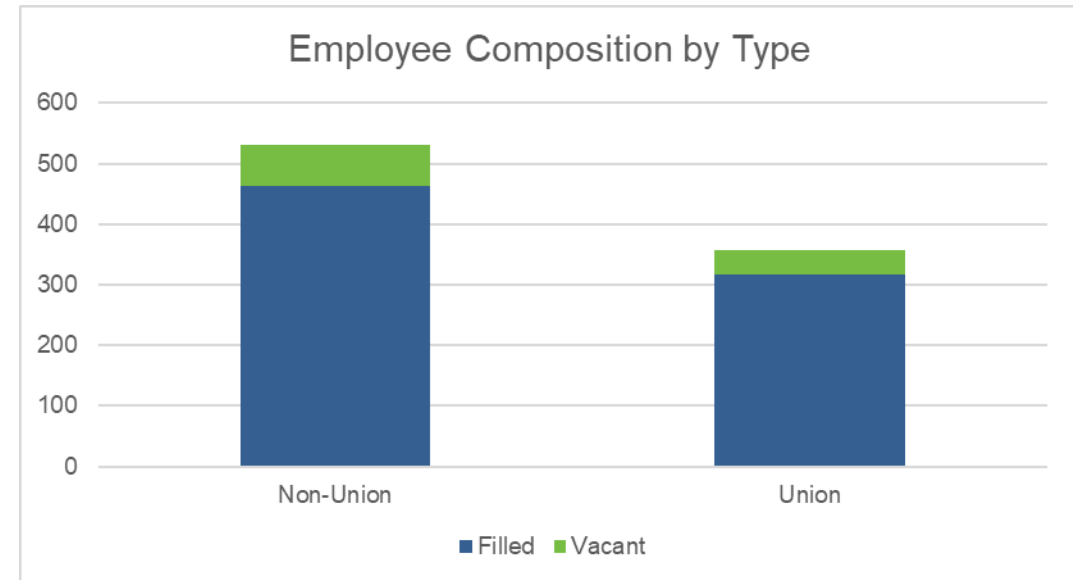
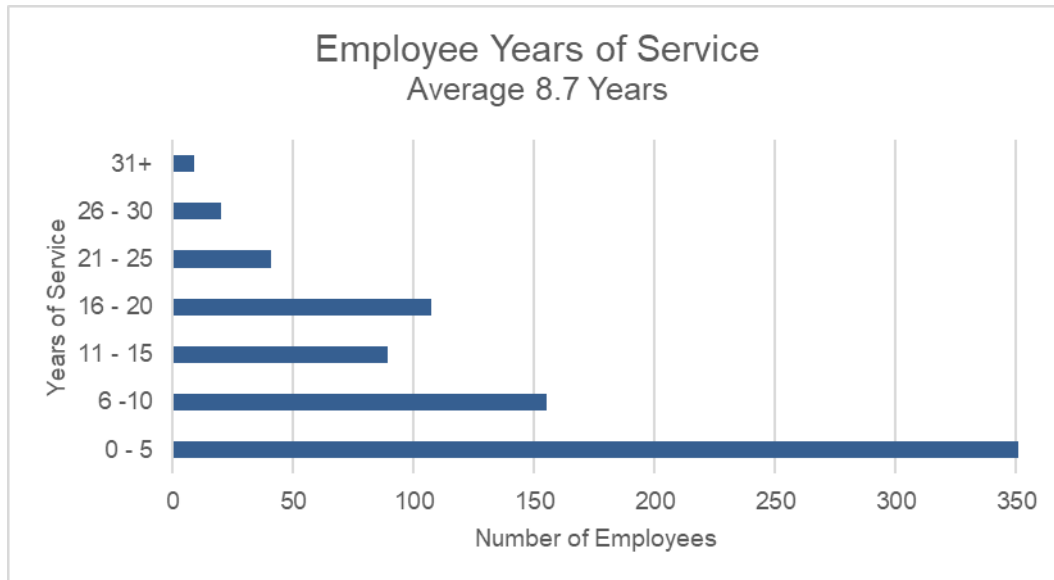
O&M Budget Variance Analysis

Materials & Supplies	<ul style="list-style-type: none">Contractual price adjustments, along with consideration for price adjustments related to tariffs and inflation for materials and supplies that must be bid during the fiscal year, increased the budget for this line item by 9%, or \$944 thousand.
Contractual Services	<ul style="list-style-type: none">Certain Engineering professional service contracts not associated with a specific capital project or that don't result directly in a tangible asset from the Capital budget to the Operating and Maintenance budget for fiscal year 2026. This change allows the expenses to be capitalized as a component of overhead going forward. There is no net increase in spending for these contracts in fiscal year 2026, but this change did increase this line item in the Operating budget by \$5.9 million.Other contractual service increases include new contracts for the Enterprise Risk Management program, Cost of Service study, software licensing and maintenance, and a new IT ticketing system software as a service agreement.Contractual Services includes a \$1 million management reserve for unforeseen circumstances which is consistent with prior year Operating and Maintenance budgets.
Chemicals	<ul style="list-style-type: none">Chemical costs are expected to be flat to the FY25 budget. Actual Chemical costs incurred in FY25 were lower than budget due to two of the sedimentation basins being out of service for rehabilitation at the Morris Forman Water Quality Treatment Center and favorable weather conditions during odor season.

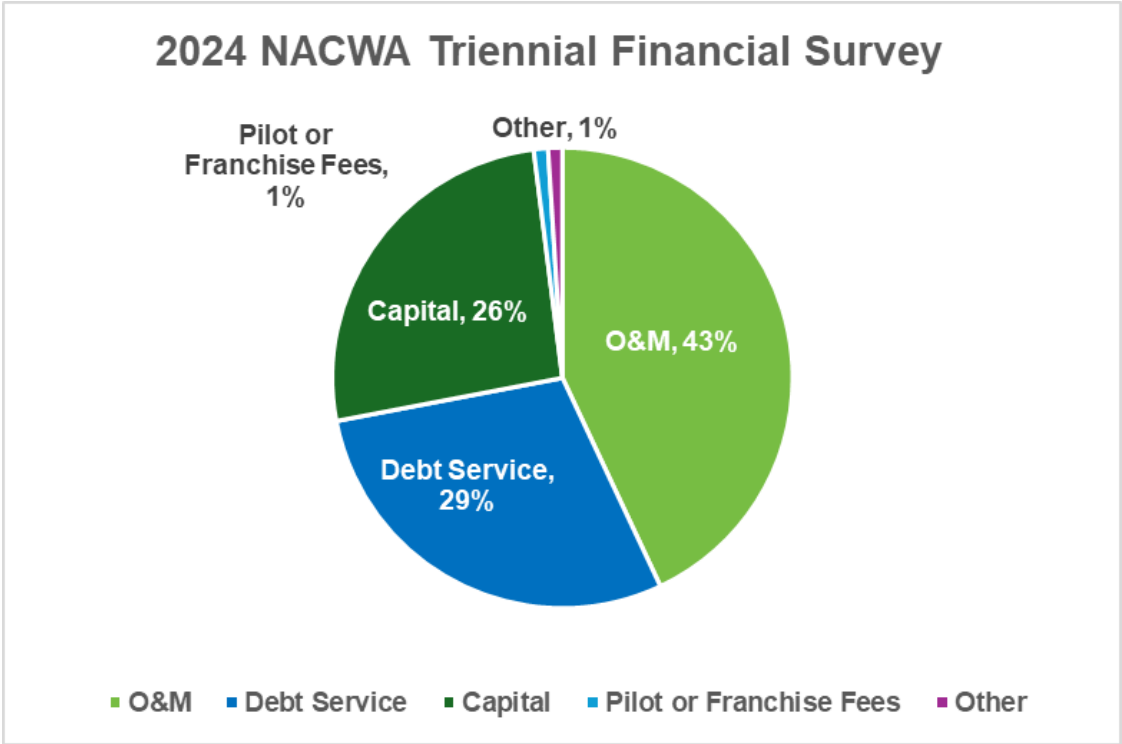
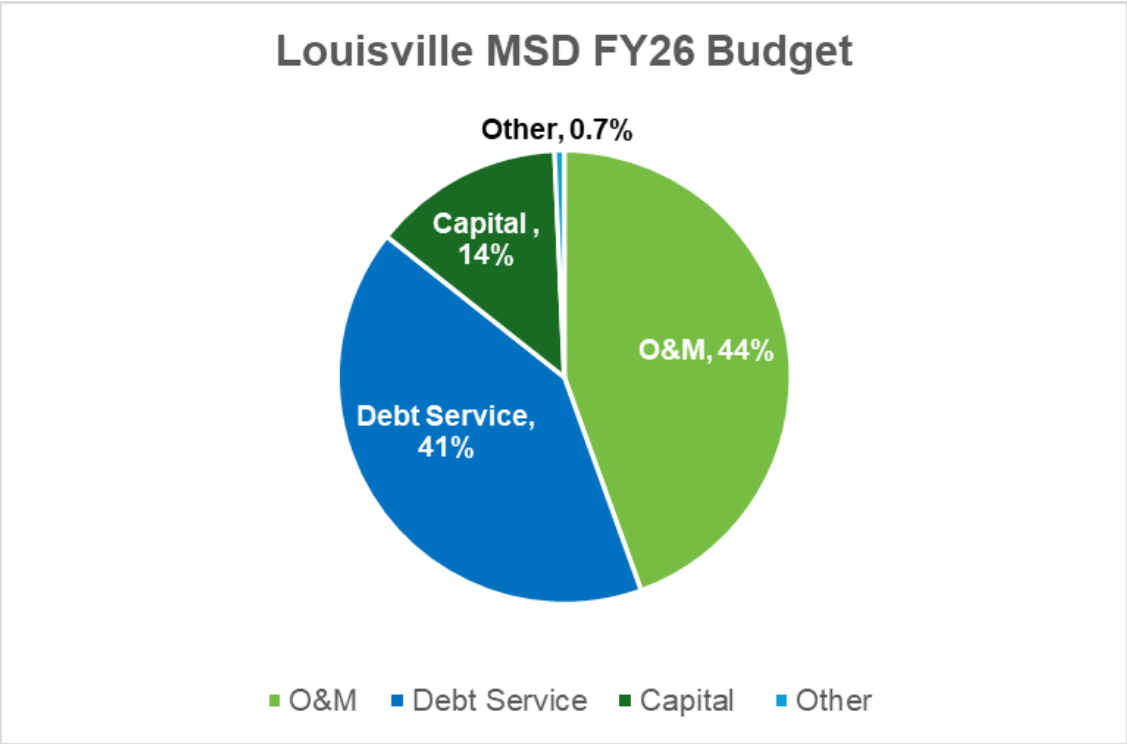
O&M Budget Variance Analysis

Fuel	<ul style="list-style-type: none">▪ The fuel budget is reduced from the fiscal year 2025 budget level based on actual prices while leaving room for price fluctuations in fiscal year 2026.
Insurance Premiums and Claims	<ul style="list-style-type: none">▪ Insurance premiums are expected to continue to stabilize based on recent claim history
Bad Debt	<ul style="list-style-type: none">▪ Bad debt expense is expected to be flat to fiscal year 2025
Other Operating Expenses	<ul style="list-style-type: none">▪ Additional training has been budgeted for in fiscal year 2026 compared to 2025.▪ The equipment rental budget has increased for fiscal year 2026.

Workforce Analysis



Benchmark: Where Does the Money Go?

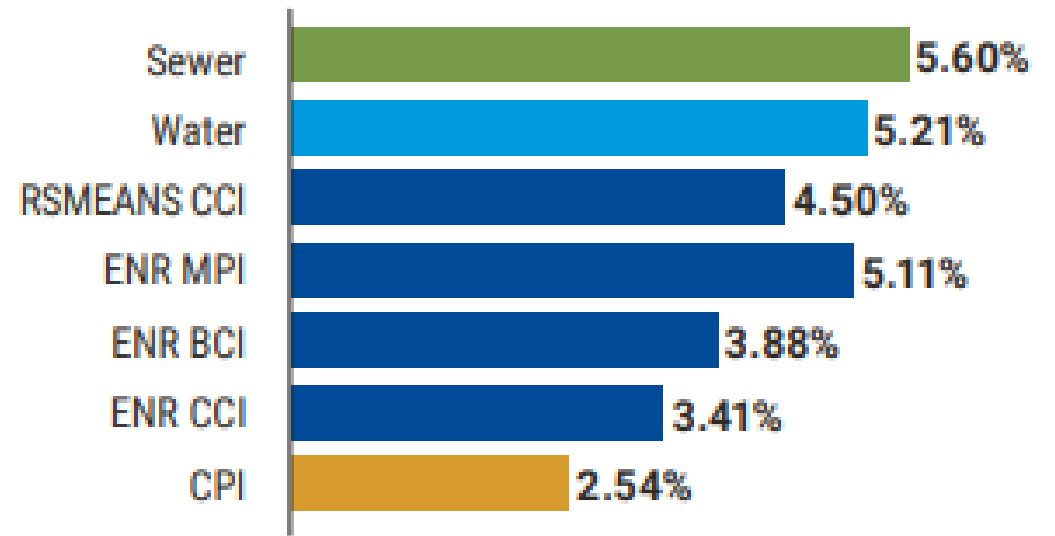


Source: NACWA’s Triennial Financial Survey September 2024. Based on 2022 data representing \$19.1 billion in expenditures by 91 utilities.

Consumer Price Index (CPI) Does Not Accurately Reflect Water Utility Costs

- CPI too broad
- Utility costs historically outpace CPI by a factor of 2.2
- Other indices are a closer approximation because they include construction costs such as labor, steel, cement, and lumber

Compounded average rate of change of surveyed typical bills from 2001 to 2023.

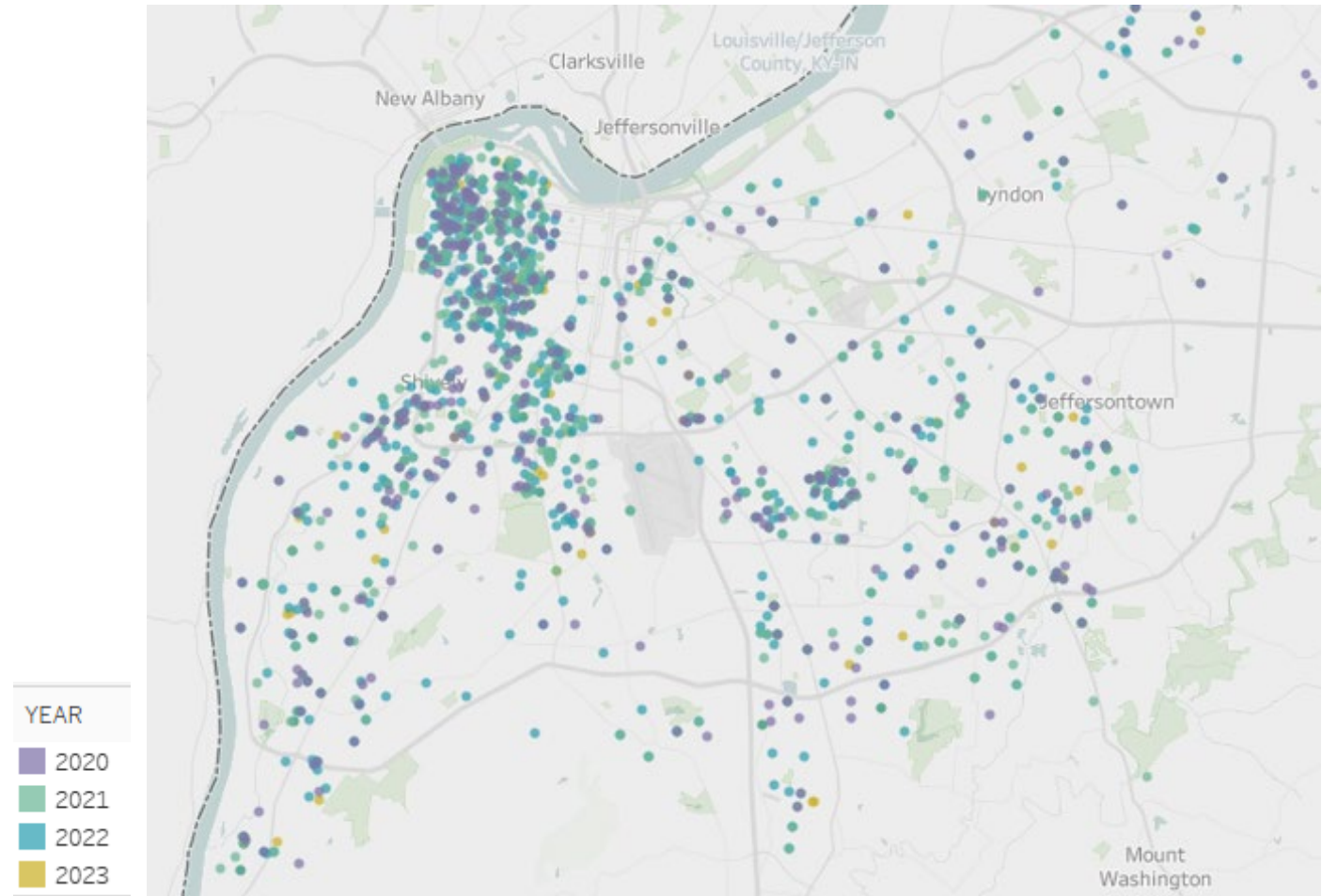


Source: Black & Veatch 2024 Rate Report

Customer Assistance Map

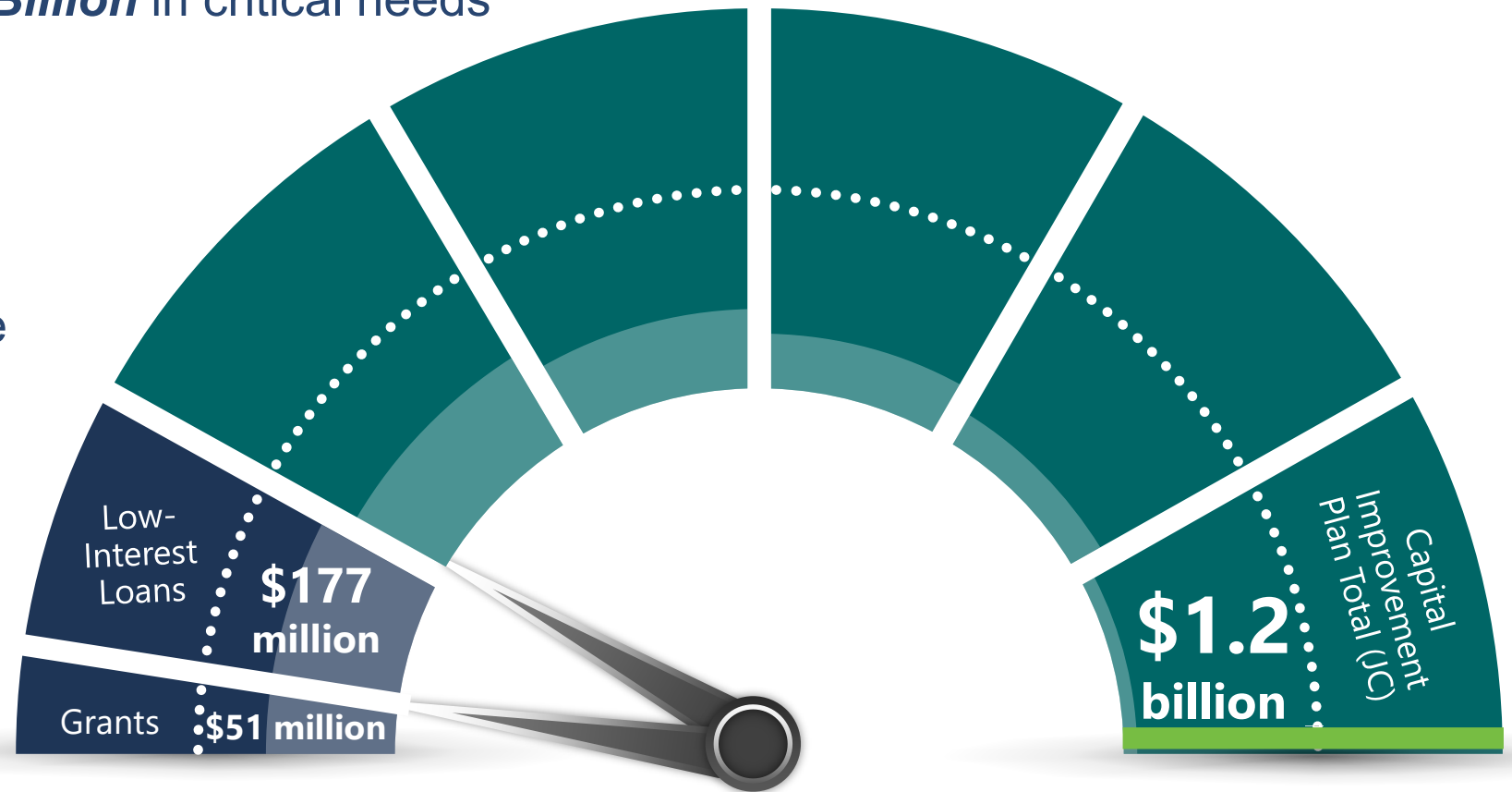
➤ Each dot reflects the location of a customer who has received some form of assistance

- EWRAP
- Senior Citizen Discount
- Community Ministries
- Payment Extensions & Plans
- Leak Adjustments



Alternative Funding Impact on 5-year CIP for Jefferson Co.

- Nearly **\$230 million** in grants and low-interest loans have been awarded to fund the 5-year CIP, which exceeds **\$1.2 Billion** in critical needs
- Nearly **\$1 billion** must be funded via rates and traditional borrowing
- Low-interest loans like WIFIA and SRF contribute **\$177 million (15%)**
- Grants and/or principal forgiveness contribute **\$51 million (4%)**
- Significant increases to grant funding would be needed to curb rate increases for customers



Largest Capital Projects to Date

Project Name	EAC	ETC	Spending Start	Spending Finish
Waterway Protection Tunnel	\$195.4M	\$0	FY16	FY23
MFWQTC New Biosolids Facility	\$315.2M	\$195.5M	FY22	FY28
Paddy's Run FPS Capacity Upgrade	\$239.2M	\$142.4M	FY21	FY28
Upper Middle Fork PS, FM, Int	\$244.4M	\$243.4M	FY23	FY30
MFWQTC Secondary Treatment Improvements - Phase 2	\$200.0M	\$200.0M	FY29	FY33
\$1.2 Billion				

Capital Projects with Highest Forecasted Spending

FY26 Project Spending

\$83.5M	Morris Forman WQTC New Biosolids Facility
\$70.2M	Paddy's Run FPS Capacity Upgrade
\$16.2M	CCWQTC Solids Dewatering Facility
\$9.5M	MFWQTC DAFT Rehabilitation
\$7.3M	Kavanaugh Road PS Elimination
\$6.8M	MFWQTC Digester Gas Hydrogen Sulfide (H2S) Removal
\$6.0M	Fairmount Road Pump Station Force Main Extension - Phase 2
\$5.5M	Vehicles & Equipment*
\$5.0M	Bullitt Hills and Hillview #1 WWTP Elimination (Bullitt County)
\$5.0M	Gunpowder PS Elimination

5-Year CIP Project Spending

\$243.5M	Upper Middle Fork Pump Station, Force Main and Interceptor*
\$170.0M	Morris Forman WQTC New Biosolids Facility
\$97.1M	Paddy's Run FPS Capacity Upgrade
\$54.2M	Pioneer Village WWTP Expansion 1.25 MGD (Bullitt County)
\$36.9M	Admiral Rd Storage
\$32.4M	MFWQTC Secondary Treatment Improvements - Phase 2
\$31.8M	MFWQTC Mixed Liquor Channel and HPO Batteries A, B, C Improvements
\$27.5M	Vehicles & Equipment*
\$22.2M	MFWQTC DAFT Rehabilitation
\$20.3M	CCWQTC Solids Dewatering Facility

*All projects are currently In Progress except UMF and annual appropriations

Significant Deferred Capital Projects

Economic Development

- **Cedar Creek WQTC Expansion to 12.0 MGD** \$72M; Design FY29
- **Floyds Fork WQTC Expansion to 10.0 MGD** \$60M; Design FY30
- **Floyds Fork Interceptor** \$177M; Construction FY30
- **Reality Trail Int & PS Upgrades** \$3.2M; Design FY30

Operational Improvements

- **Northern Ditch PS Replacement** \$27M; Construction FY29
- **MFWQTC MDS Gate 1 Replacement** \$10M; Design FY27
- **MFWQTC Effluent Diffuser** \$10M; Design FY27
- **DRGWQTC Effluent Diffuser** \$10M; Design FY30
- **MFWQTC West Headworks Improvements** \$16.5M; Design FY28
- *13 PS Elim or Improvement projects* \$13M; varies

Flood Protection

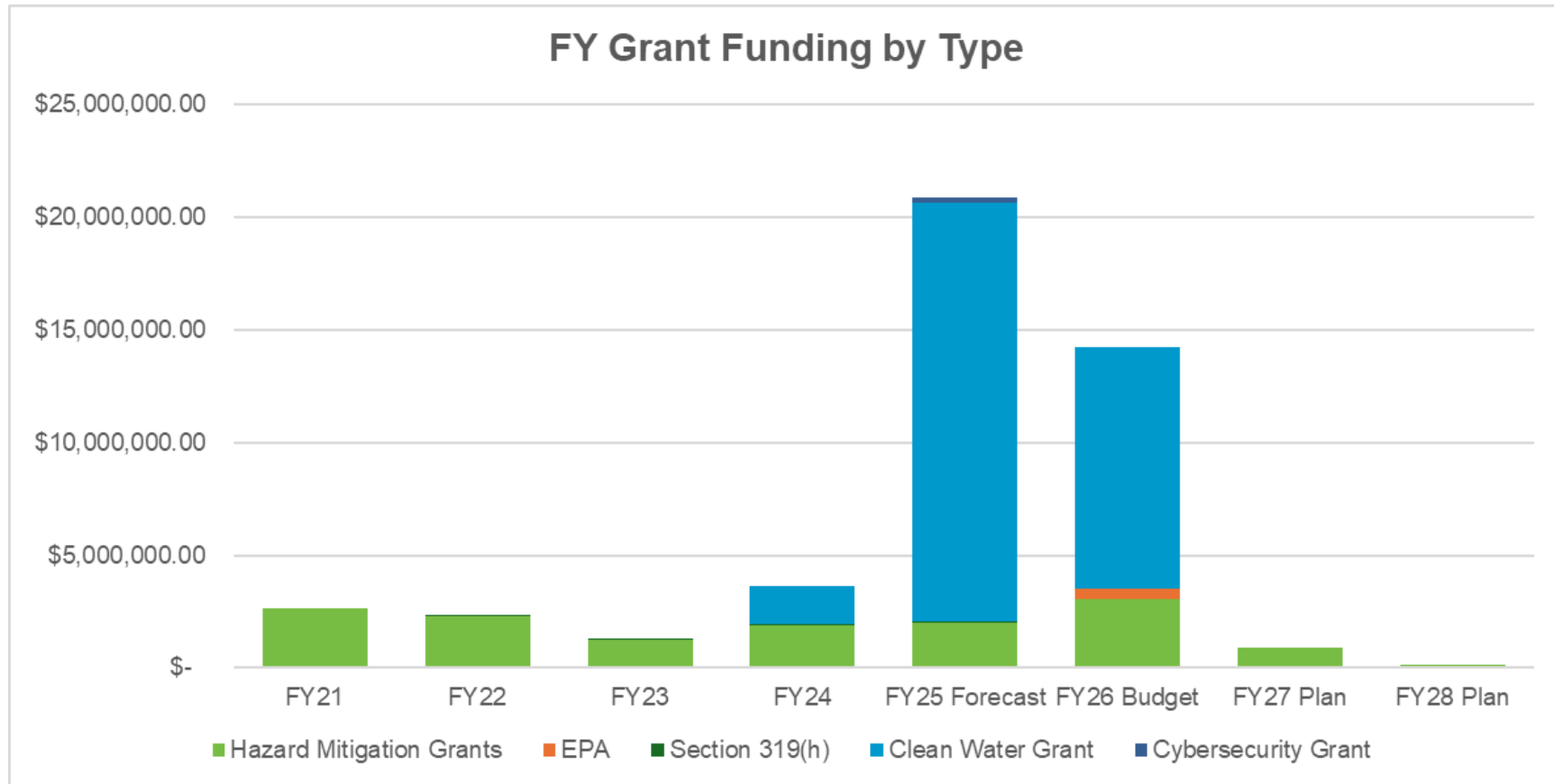
- **Floodgate 33 Replacement** \$1M; Construction FY27
- **Pond Creek Breaker Replacement** \$1M; Construction FY27
- **Gate 138 Access Road** \$0.2M; Construction FY27
- **Sluice Gate Repair/Replacement Program** \$10M; Design FY27

Odor Control Improvement

- **Park Hill Neighborhood Catch Basin Replacement** \$2M; Construction FY27
- **Russell Neighborhood Catch Basin Replacement Phase 1** \$6M; Construction FY27
- **Russell Neighborhood Catch Basin Replacement Phase 2** \$9M; Construction FY31



Grant Funding History and Projections



Low Interest Loan Outlook

SRF: MSD approaching 20% of KIA Fund A outstanding debt which presents a concentration of credit risk for KIA. We anticipate they can extend 1 additional project loan to MSD of ~\$15M.

WIFIA: MSD has a Letter of Interest under development requesting a loan for Upper Middle Fork and Admiral Way. We are also considering asking for a Master Agreement which would allow for multiple project loans. This loan would not be considered “low-interest” today given where treasury rates are, however, there may be structuring and repayment benefits to MSD.

Disclosures

This presentation has been prepared by Louisville MSD for purposes of updating its governing Board of Directors of various operational and financial matters regarding Louisville MSD. The presentation is not prepared to help investors decide whether to purchase or sell financial obligations of Louisville MSD. As such, the presentation contains unaudited financial information that may change after the date of the presentation. In addition, the presentation 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 this presentation as a recommendation to purchase or sell financial obligations of Louisville MSD. The presentation does not present a complete summary of Louisville MSD's financial or operational position to investors and should not be used in that manner.

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

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