



Louisville Metro Council Budget Committee June 18, 2015

**Presentation of FY 2016 Budgets
and Preliminary Rate Increase**

AGENDA

- Operating Emergencies Updates
- Capital Program Overview
- Financial Overview
- Questions



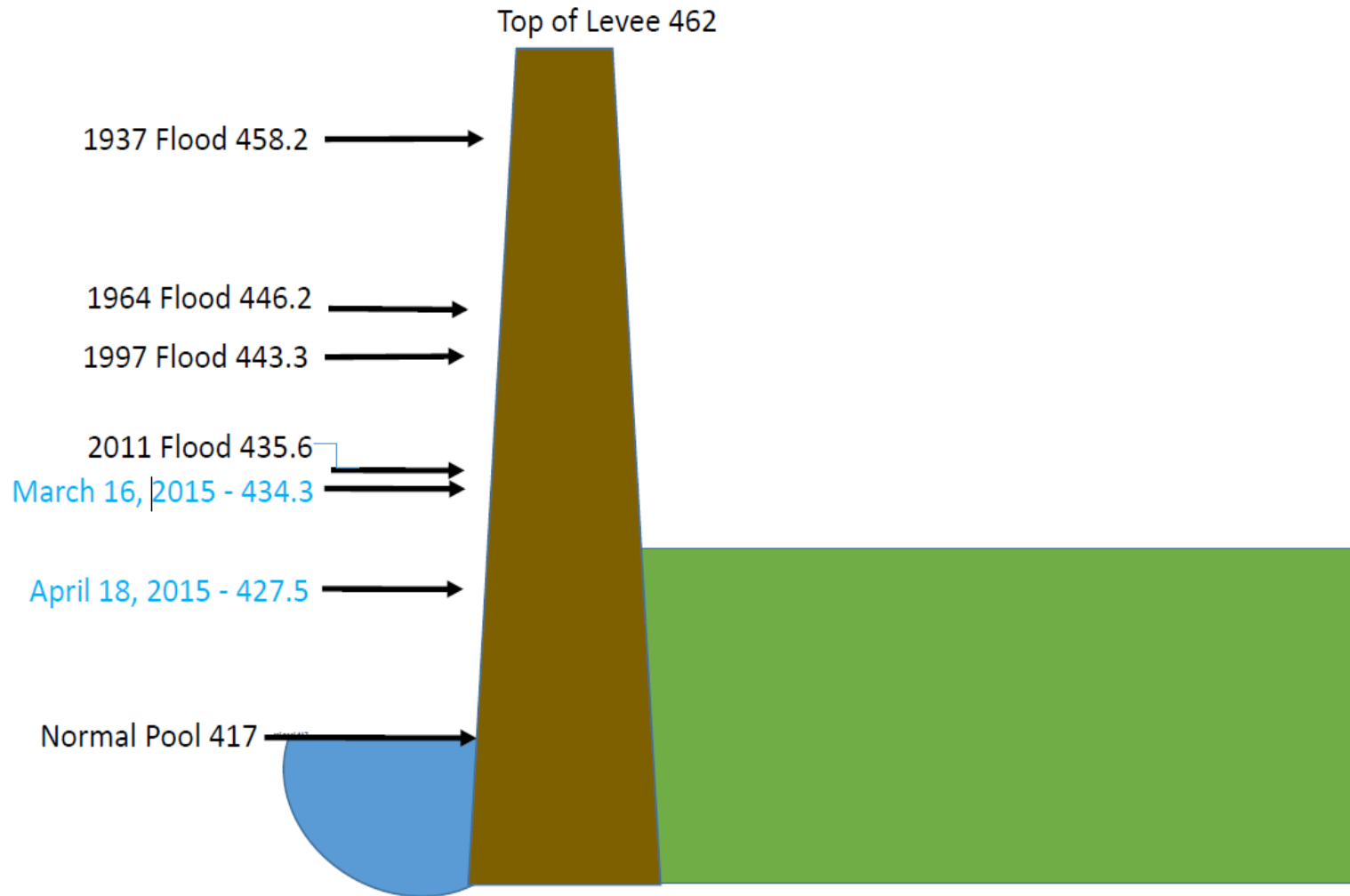
OPERATING EMERGENCIES UPDATE

2015 Ohio River Flooding

- Cause:
 - Significant rain
 - Snow melt
- Severity or Level of Flooding:
 - Flow at Crest 4.5 times the normal volume
 - 29.77 Upper Gauge (29th highest)
 - 55 Lower Gauge (31st highest)
- Inundated Areas:
 - Homes and buildings in lower areas
 - Roadways, including River Road
 - Open Space



2015 Ohio River Flooding (2 events)



2015 Ohio River Flooding Response

- 15 of 16 Flood Pump Stations in Service
- 63 Flood/Sluice Gates Activated
- 12.6 Billion Gallons Pumped

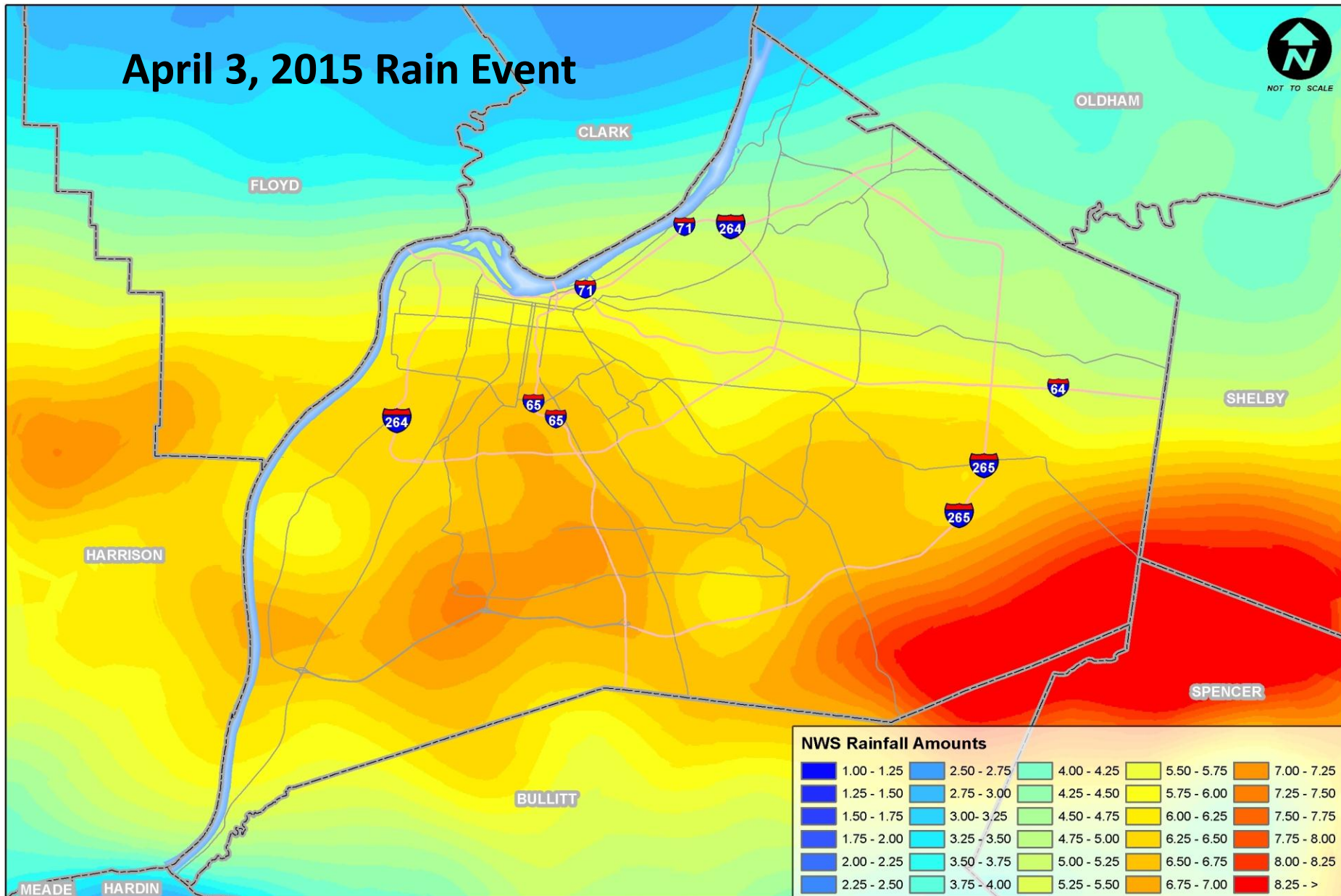


**10th Street
Closure**



**Pond Creek
FPS**

April 3, 2015 Rain Event



Rainfall Amounts

NOTE:
Rain event totals provided by the
National Weather Service, Louisville Ky

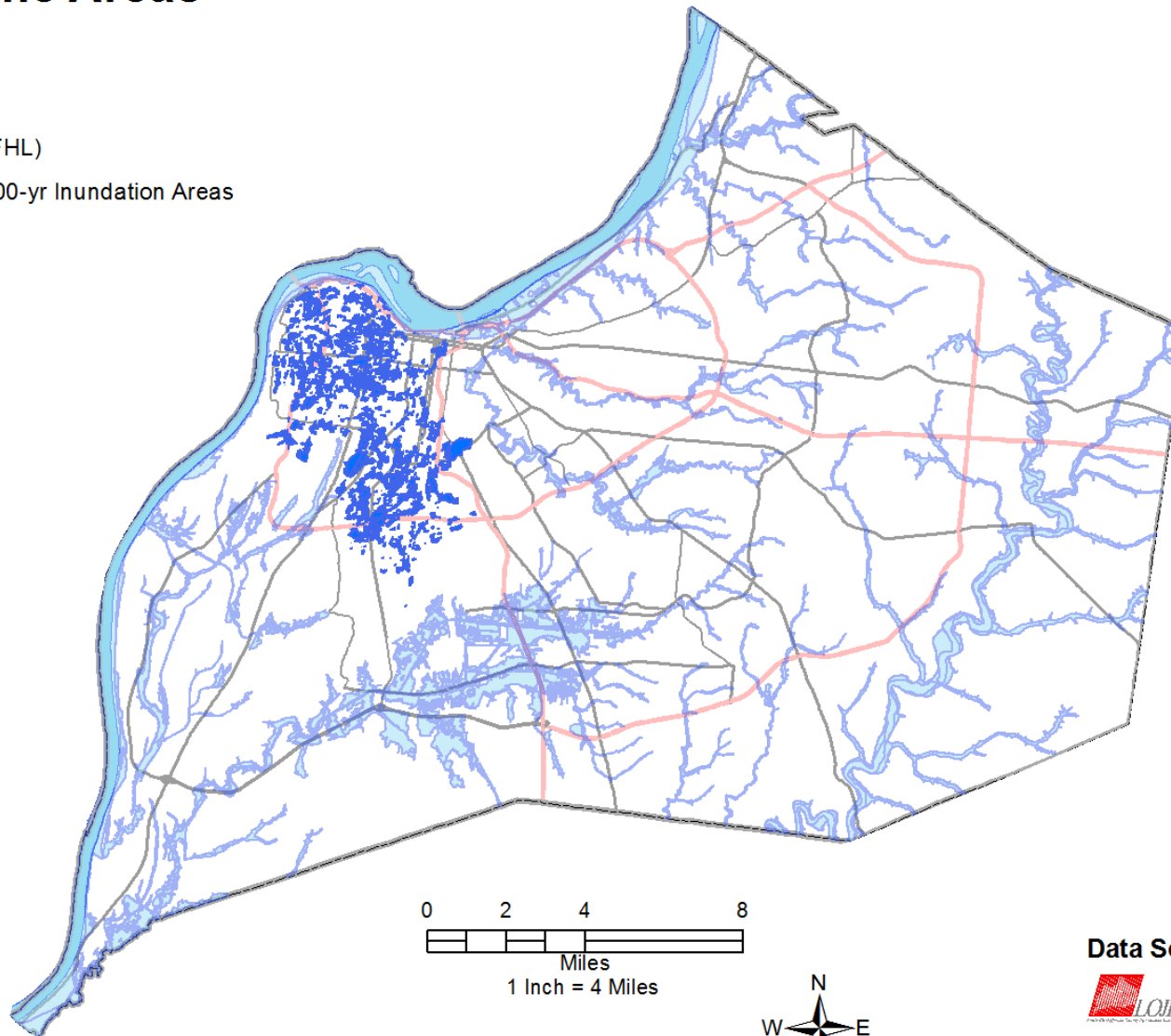


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Louisville and Jefferson County Floodprone Areas

Legend

- SFHA (NFHL)
- CSSA - 100-yr Inundation Areas



0 2 4 8
Miles
1 Inch = 4 Miles



Data Sources:



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April 3, 2015 Inland Flooding Event



Preston Hwy & McCawley Road



Water Recue at Sutherland



National Turnpike & Fairdale Road

**Fern Valley Hotel (Formerly
Holiday Inn)**



**Whipps Mill Road @ Beargrass
Creek**



Road Washout on Hwy 22



April 3, 2015 Inland Flooding Event

Regional Flood Control Basins



Aluma Basin

Buechel
Basin



Buechel Basin
April 3th 2015

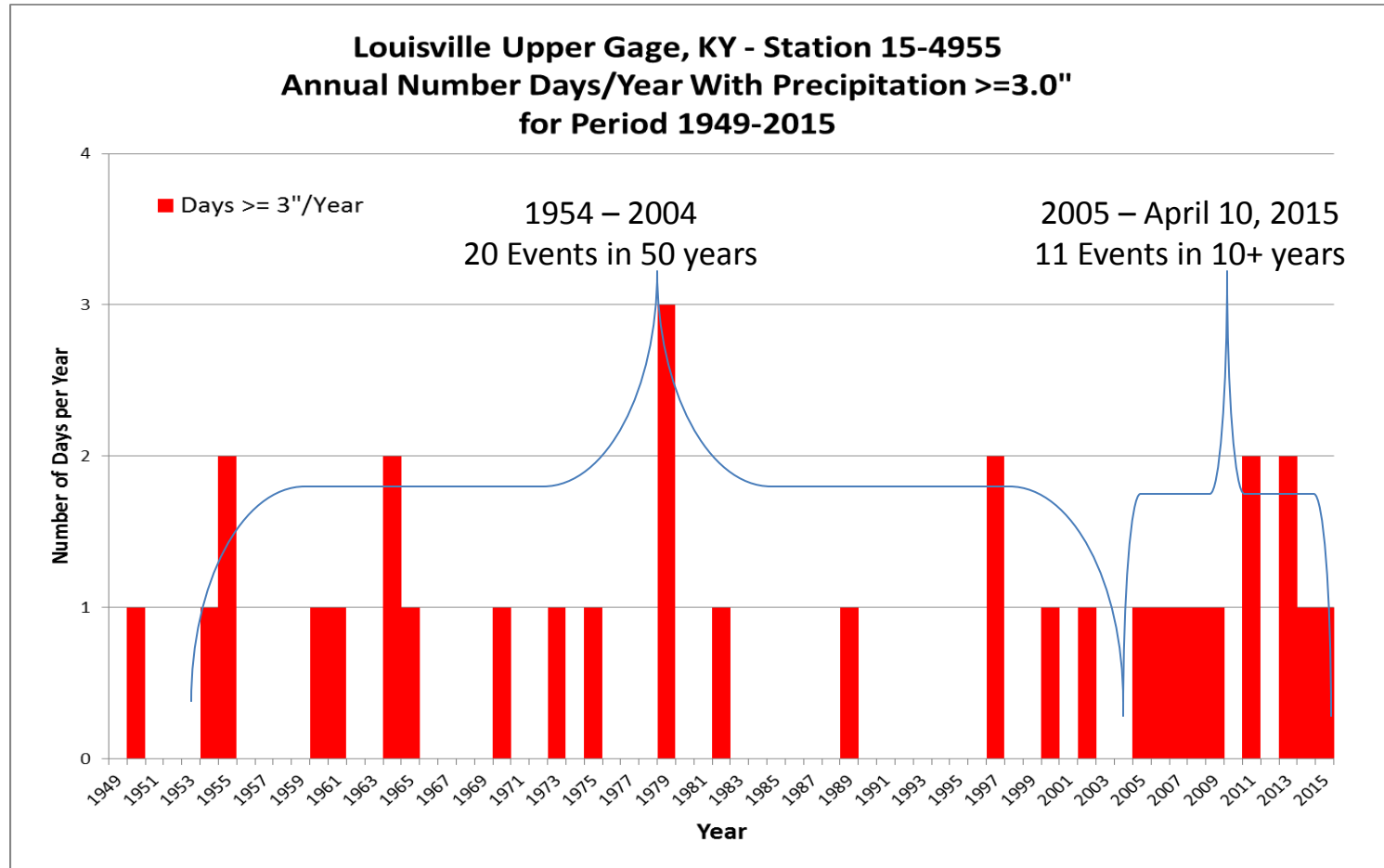


Whipps Mill Basin



Bashford Manor Basin

Increased Frequency of Extreme Storms





Morris Forman Power Outage Report

June 2015

Oil Circuit Breaker (OCB)



MFWQTC



Generator and Electrical Panels for Secondary Bypass Gate



Electrical Panels (below ground)



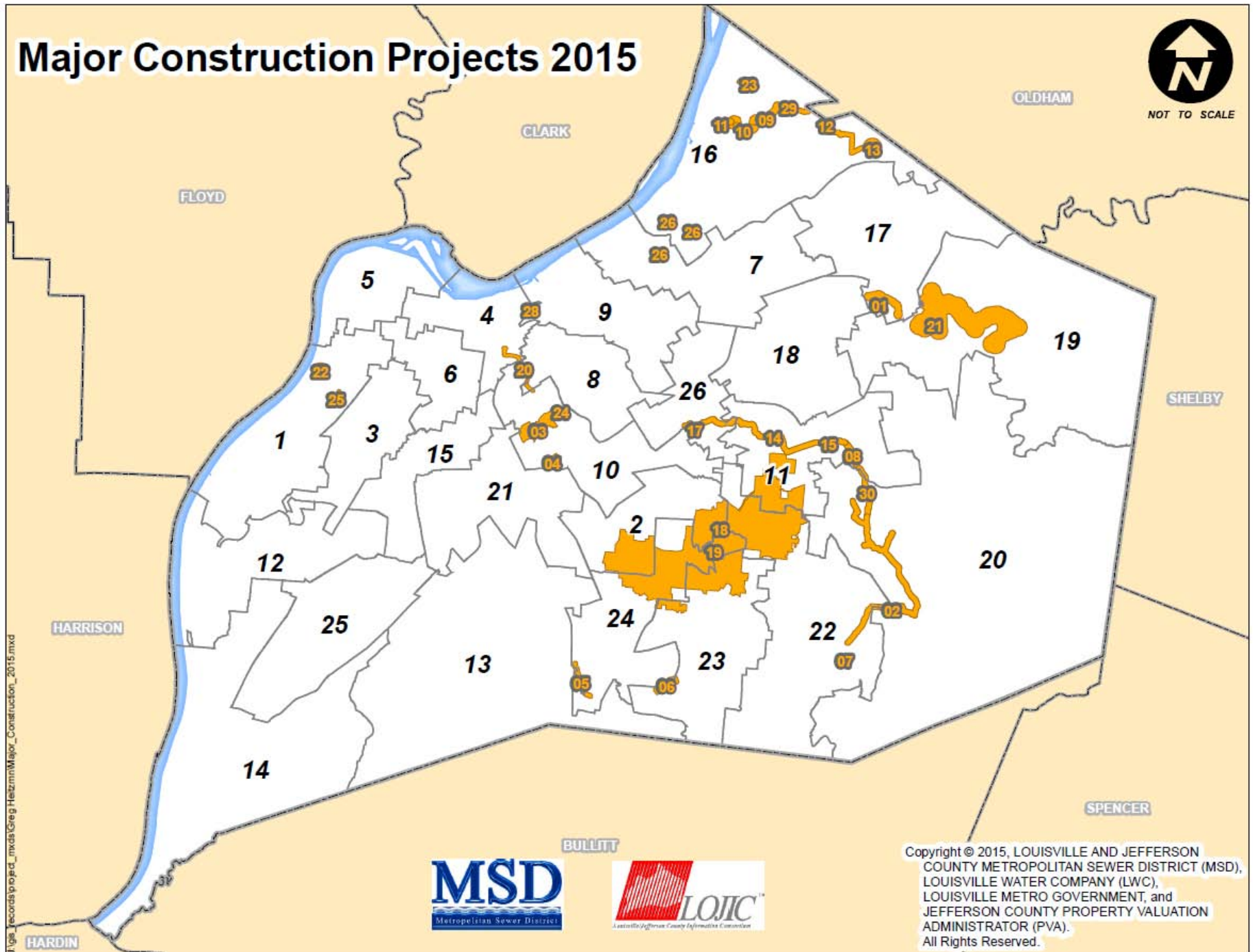
Dissolved Air Flootation Thickening (below ground)





CAPITAL PROGRAM OVERVIEW

Major Construction Projects 2015

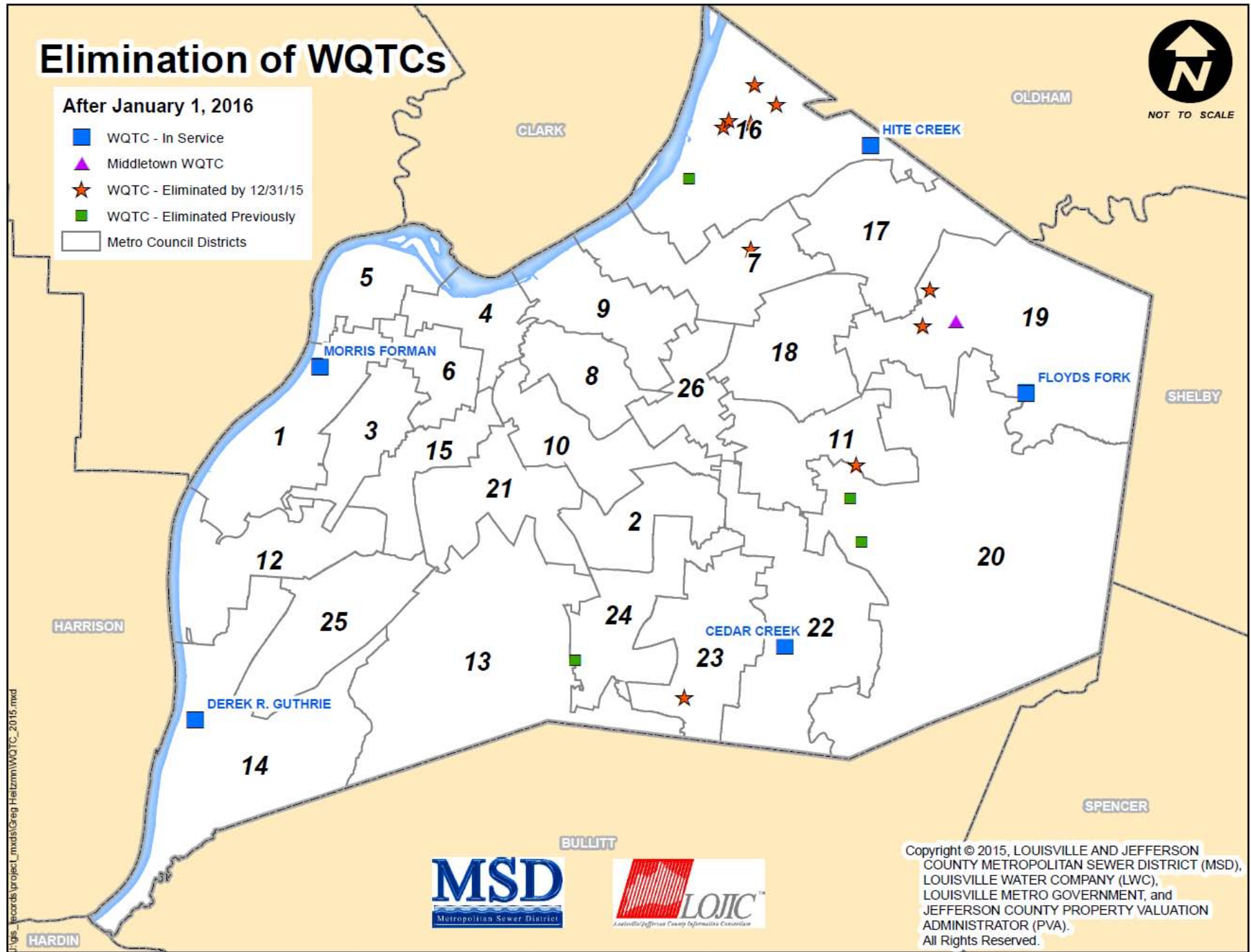


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Elimination of WQTCs

After January 1, 2016

- WQTC - In Service
- ▲ Middletown WQTC
- ★ WQTC - Eliminated by 12/31/15
- WQTC - Eliminated Previously
- Metro Council Districts



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Grand Ave. Pump Station



**Neighboring
J-town
Public Works**

District 11



Harrods Creek Pump Station

Ken Carla Dr.

District 16



Logan Interceptor and Basin

**Within the
channel of
Beargrass
Creek from
Eastern
Parkway to E.
Breckenridge
St.**

District 4



Bells Lane Wet Weather Treatment



Bells Lane and I-264

District 1



Fairmount Road SSO Basin

District 22



McNeely Lake Sanitary Sewer and Force Main

District 23



Mt. Washington Rd



Preliminary FY 16 Budget Development

- Budget Development
 - Engineering/Operations ~ \$260M
 - Engineering/Operations Revised ~ \$220M
 - Chief Engineer/Chief of Operations May 2015 ~ \$187M

Note: Increase of 160% over FY15 Budget of \$117M
- Budget Process Improvements
 - Internal Process to Develop 5-year Capital Plan
 - 20 Year Facility Plan (Spring 2016)

FY16 Capital Budget Highlights

Integrated Overflow Abatement Program/Consent Decree - \$ 90 Million

- Prospect Water Quality Treatment Center eliminations
- Jeffersontown Water Quality Treatment Center elimination
- Grand Avenue Pump Station
- Fairmount Road and Muddy Fork SSO Basins
- Logan Street/Nightingale CSO Basins
- Bells Lane Wet Weather Treatment Facility
- Lea Ann Way Sewer System Improvements
- Camp Taylor Area Sewer Replacement

Sanitary Sewer System Improvements - \$ 15 Million

- Knopp/Melton, River Rd, Perth/Clyde sanitary sewer assessment projects
- Mud Creek/Penn Run/Chenoweth Run (Middletown) interceptor sewers

Water Quality Treatment Center Improvements - \$18 Million

- Elimination of remaining five package treatment plants by December 2015
- Morris Forman High Yard Replacement, Headworks Replacement & FEPS generator
- Hite Creek Hydraulic improvements

FY16 Capital Budget Highlights

Storm Water and Drainage System Improvements - \$7 Million

- Project DRI
- Green Infrastructure Program
- MS4 Permit Compliance

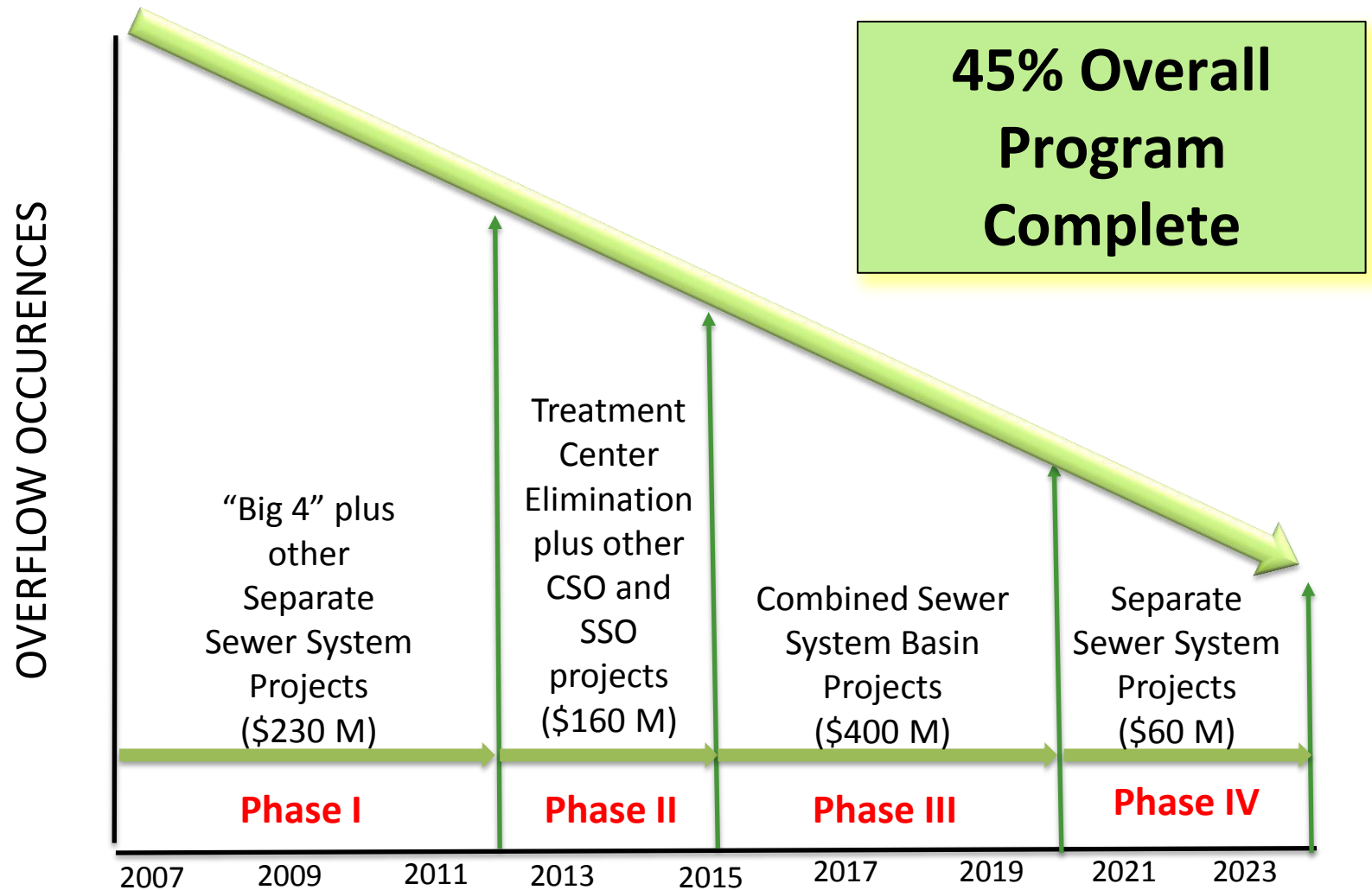
Flood Protection System Improvements - \$7 Million

- Bear Grass Creek Flood Pumping Station rehabilitation
- Flood Protection System Operation and Maintenance w/USACOE
- Continuing evaluation/replacement of gates/motors/pumps/closures/levee

Information Technology and Fleet System Improvements | \$9 Million

- Computer Information System upgrades
- LOJIC GIS Mapping System upgrades
- Fleet Equipment replacement

Consent Decree IOAP Implementation Phases



FY17-FY20 Highlights

CD IOAP Phase III

FY17-FY18 ~ \$200M

- Logan Basin
- Clifton Heights Basin
- Southwestern Pkwy Basin
- Hite Creek WQTC Expansion
- Paddys Run FPS Expansion
- IOAP Green Infrastructure

FY19-FY20 ~ \$125M

- I64&Grinstead Basin
- Story&Main Basin
- 13th&Rowan Basin
- Lexington&Payne Basin
- Portland Wharf Basin
- IOAP Green Infrastructure



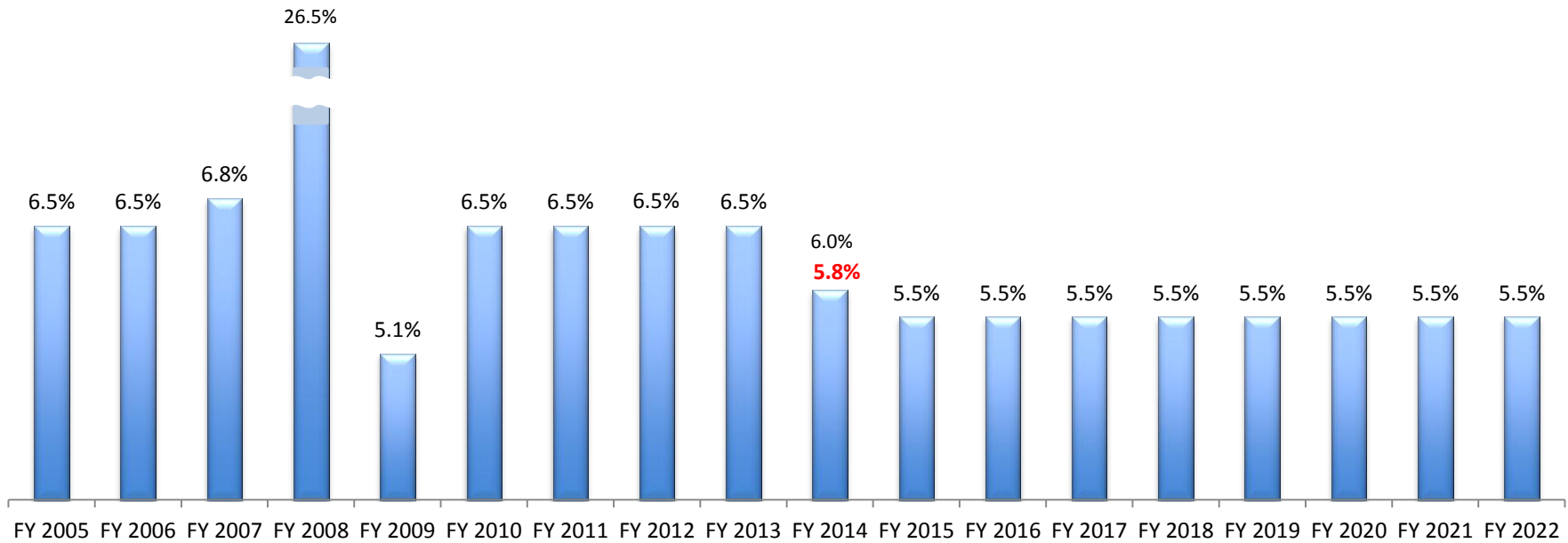
FINANCIAL OVERVIEW

2016 Budget Approval

- Approve FY2016 Capital Budget of \$187,476,359
- APPROVE FY2016 O&M Budget of \$116,021,000
- APPROVE 2015 Preliminary Rate Increase of 5.5%

Louisville Metro Budget Committee 6/18/15

History of Rate Increases



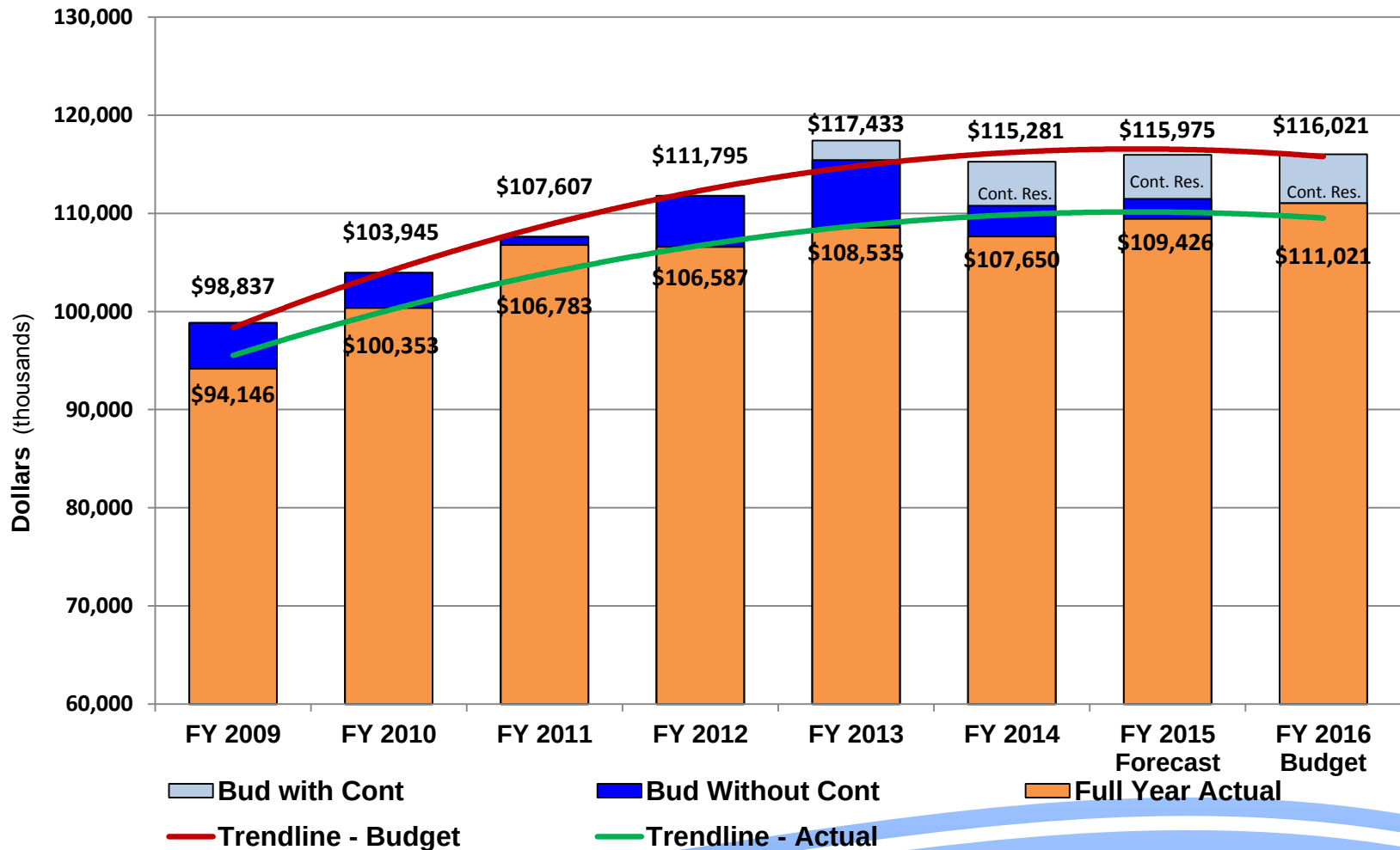
IOAP

2024

In FY 2008 a Consent Decree surcharge of \$6.95 per account per month was included. This produced a rate increase of approximately 26.5% for total wastewater and drainage charges for the fiscal year it was instituted.

Paradigm Shift – Bending the Trend

“Budget to Actual”

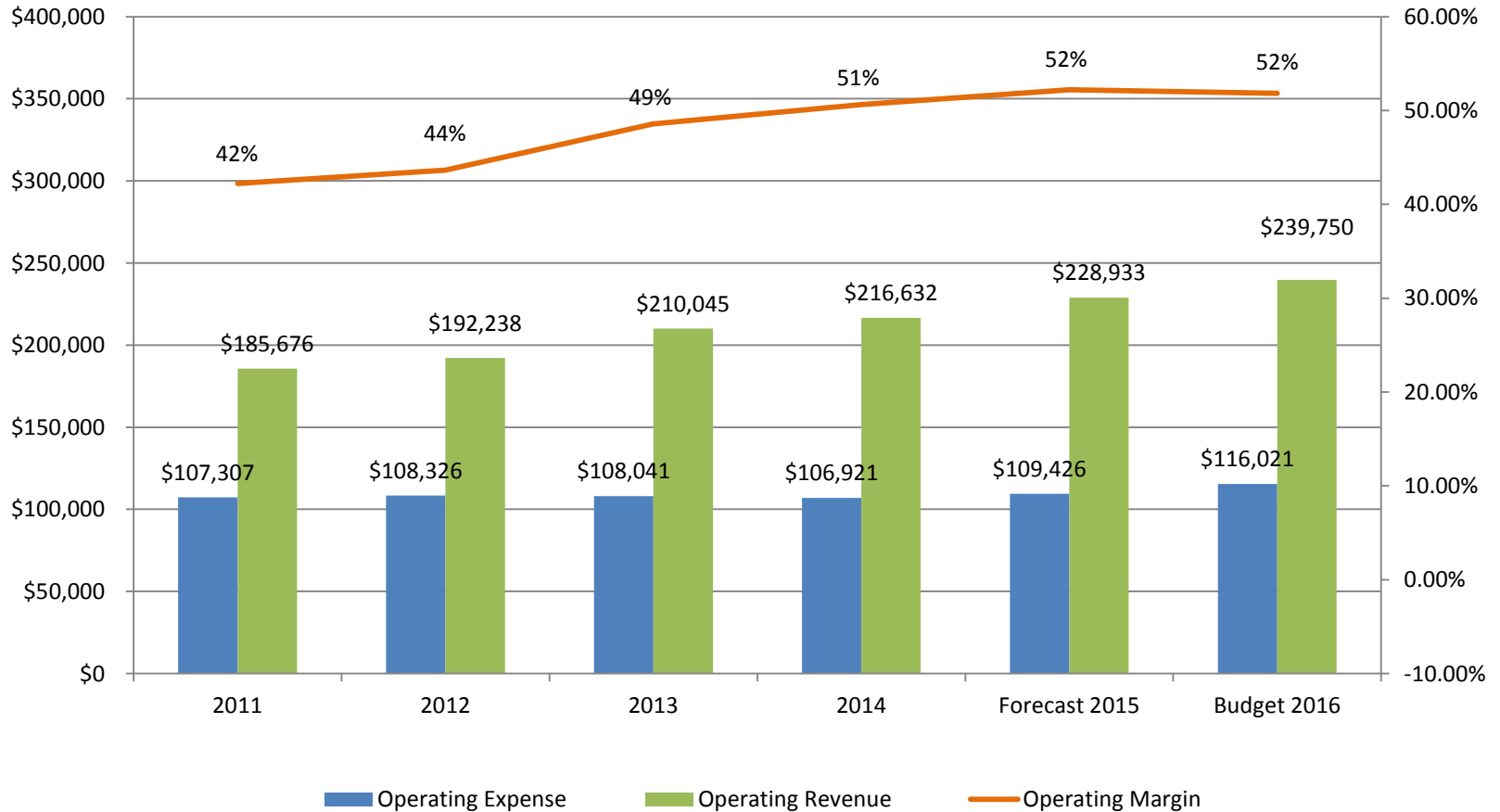


MSD Operating Expenses

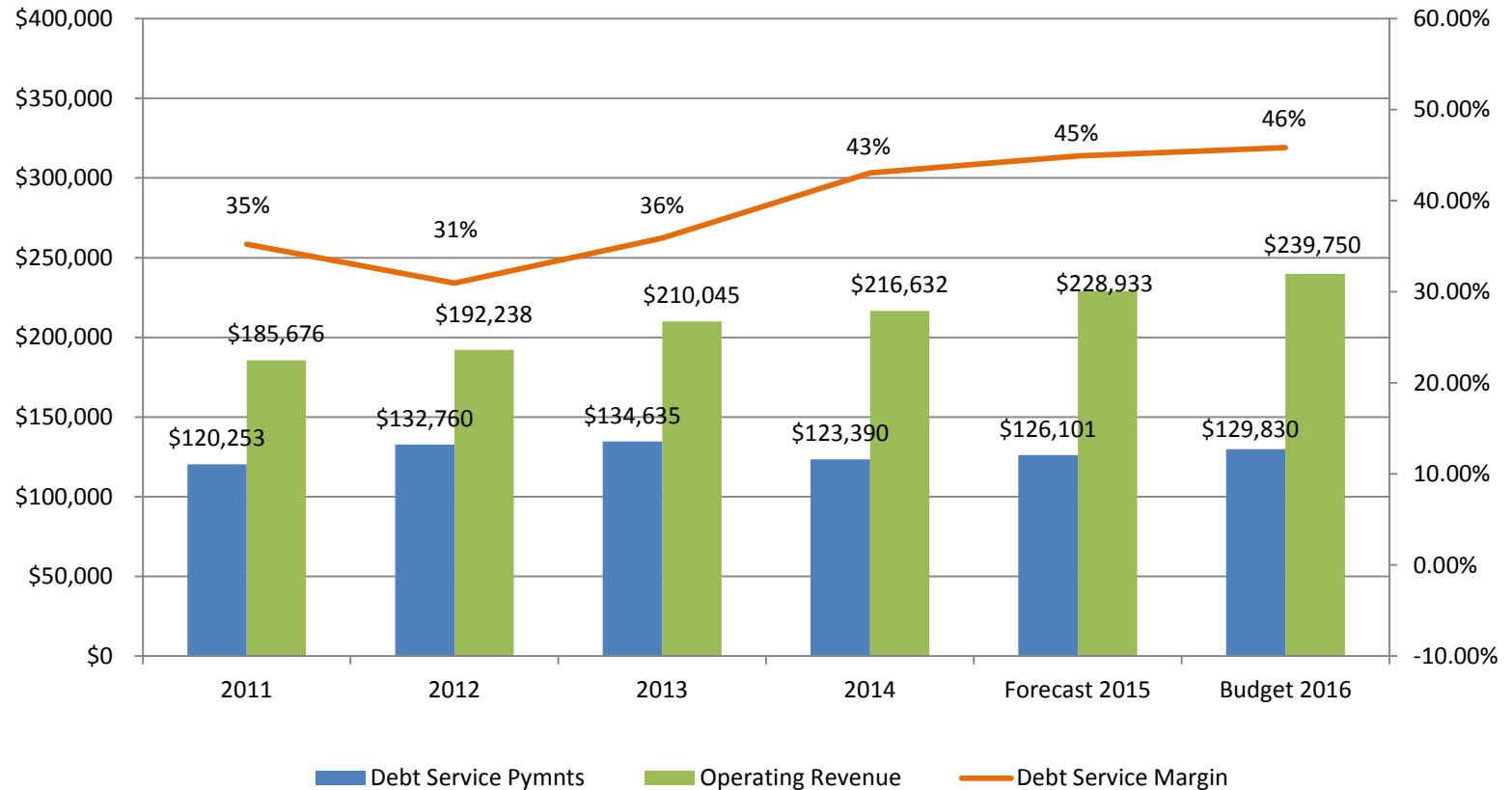
FY 2016 Budget Summary: Account Groups

<u>Operating Expenses</u>	<u>FY15 Budget</u>	<u>FY15 Actual 3/31/15</u>	<u>FY15 Forecast</u>	<u>FY16 Budget</u>	<u>FY16 Budget / FY15 Budget</u>	<u>FY16 Budget / FY15 Forecast</u>
Salaries & Wages	41,768,018	28,548,663	39,409,477	42,463,879	1.7%	7.8%
Labor Related Overhead	17,695,224	11,883,869	16,405,120	16,940,193	-4.3%	3.3%
Headcount Reduction	0	0	0	(500,000)	0.0%	0.0%
Salary Salvage	(2,595,360)	0	0	(3,235,036)	24.6%	-
LRO Totals	56,867,882	40,432,532	55,814,597	55,669,036	-2.1%	-0.3%
Utilities	13,898,580	9,427,790	13,014,620	15,864,606	14.1%	21.9%
Materials & Supplies	7,945,607	5,418,181	7,259,290	7,900,631	-0.6%	8.8%
Contractual Services	21,338,846	13,839,077	19,495,661	21,073,019	-1.2%	8.1%
	29,284,453	19,257,258	26,754,951	28,973,650	-1.1%	8.3%
Chemicals	4,458,970	2,704,850	3,733,918	4,216,701	-5.4%	12.9%
Fuel	1,948,300	1,121,613	1,547,781	1,647,220	-15.5%	6.4%
Insurance Premiums & Claims	1,719,829	1,129,571	1,559,320	1,319,921	-23.3%	-15.4%
Bad Debt	2,000,000	1,261,844	1,741,915	2,000,000	0.0%	14.8%
Other Operating Expense	1,297,000	544,264	758,234	1,330,022	2.5%	75.4%
	11,424,099	6,762,142	9,341,168	10,513,864	-8.0%	12.6%
O&M Totals	111,475,014	75,879,722	104,925,336	111,021,156	-0.4%	5.8%
Contingency Reserve	4,500,000	0	4,500,000	5,000,000	11.1%	11.1%
Grand Totals	115,975,014	75,879,722	109,425,336	116,021,156	0.0%	6.0%

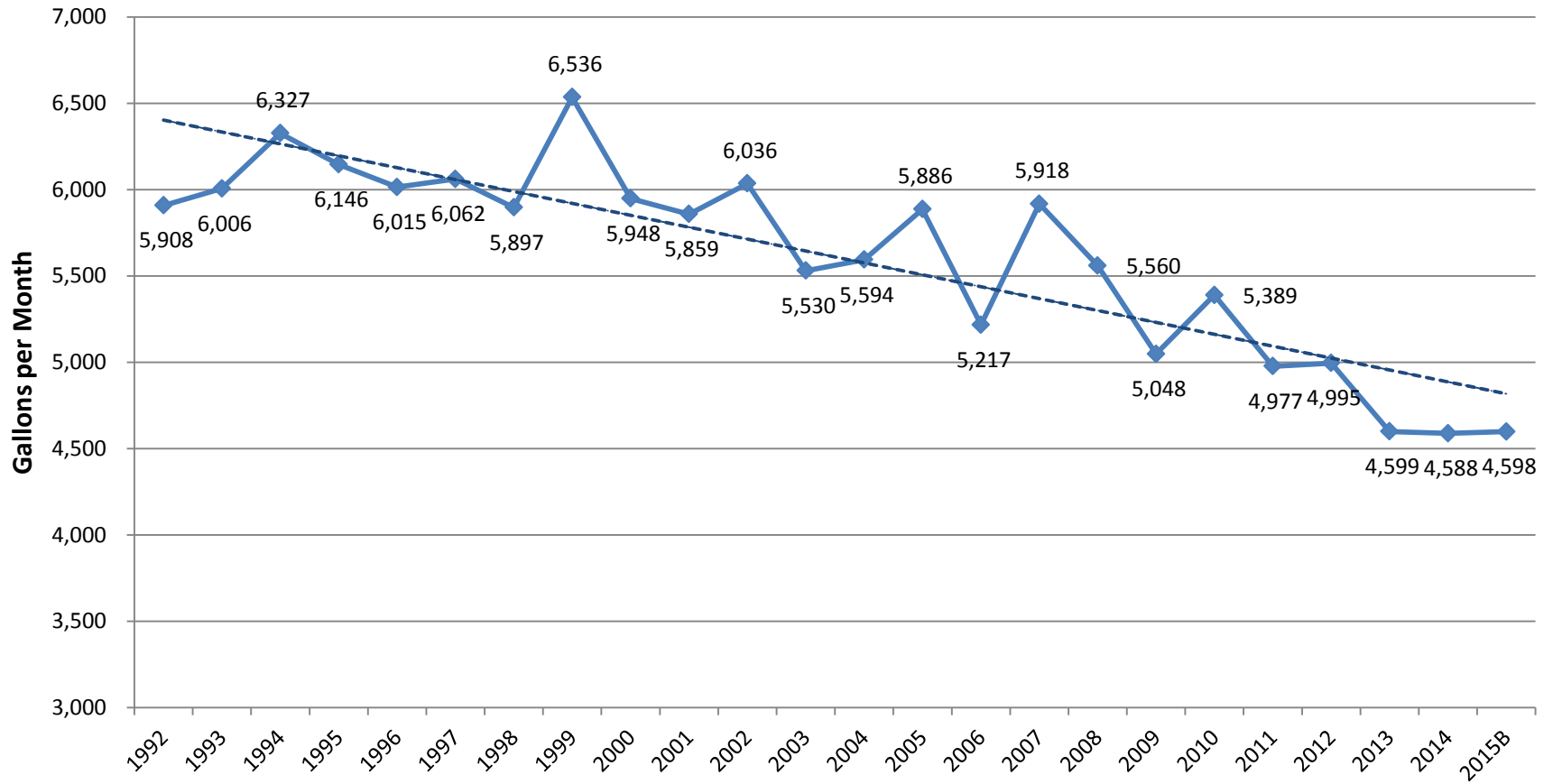
MSD Operating Margin



MSD Debt Service Margin

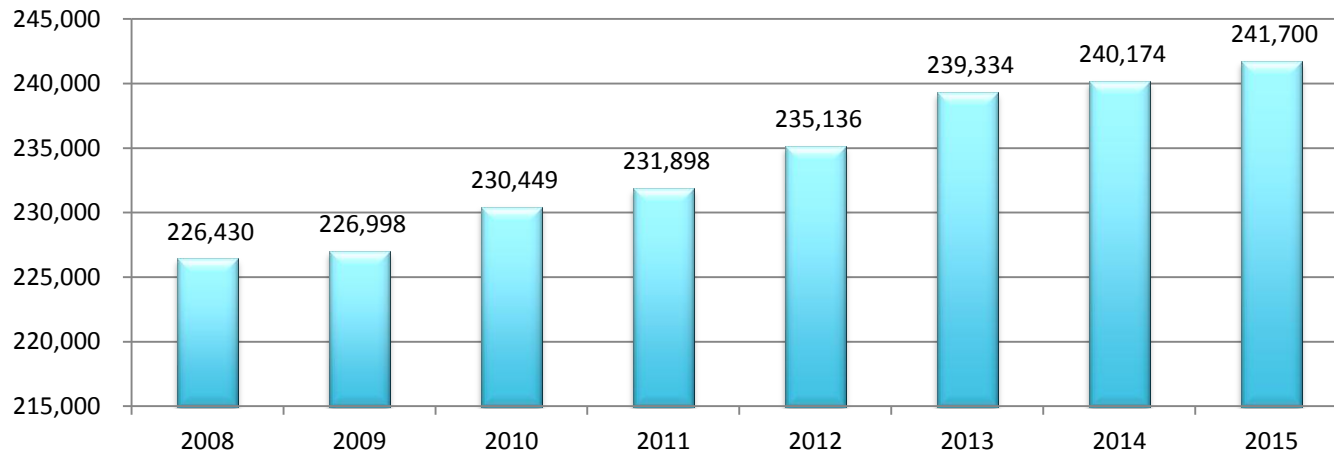


LWC Annual Consumption per Residential Customer



Revenue Enhancement Program

Number of Customers



Additional Revenues (000's):

	FY 2014	FY 2015	FY 2016
RES (external contractor)	1,307	1,267	1,237
Internal Efforts (REP)	2,000	2,510	2,910
	\$ 3,307	\$ 3,777	\$ 4,147
Senior Citizen's Discount 8,900 Families	\$ (680)	\$ (750)	\$ (860)
Local Area Ministries	\$ (50)	\$ (100)	\$ (100)

5 Year Borrowing Plan

(000's)

	2015	2016	
	Borrowing Plan	Borrowing Plan	
2015	\$ 80,000	Issued	
2016	60,000	\$ 150,000	2016
2017	70,000	130,000	2017
2018	60,000	100,000	2018
2019	55,000	25,000	2019
	\$ 325,000	-	2020
5 Years Beyond	50,000	\$ 405,000	
	\$ 375,000	25,000	5 Years Beyond
		\$ 430,000	

Preliminary Projection

FY 2016 Income & Expense

(Dollars in Thousands)	<u>FY 2013 ACTUAL</u>	<u>FY 2014 ACTUAL</u>	<u>FY 2015 BUDGET</u>	<u>FY 2015 FORECAST</u>	<u>FY 2016 FORECAST</u>
Service Fee Revenues	205,222	214,056	223,439	224,000	235,250
Other Operating Revenues	4,823	2,576	4,250	4,900	4,500
Total Service & Admin Costs <i>(net of capitalization)</i>	(74,931)	(73,353)	(81,183)	(76,600)	(84,150)
Depreciation	(60,335)	(63,516)	(64,000)	(63,700)	(64,000)
Net Operating Income	74,779	79,763	82,506	88,600	91,600
Investment Income	14,681	20,331	18,986	16,900	18,900
Interest Expense <i>(net of capitalization)</i>	(74,552)	(71,129)	(80,755)	(76,300)	(78,800)
Other Non-operating	7,134	8,103	-	-	-
Non-operating Income/Expense	(52,737)	(42,695)	(61,769)	(59,400)	(59,900)
Total change in Net Position	22,042	37,068	20,737	29,200	31,700
<i>(before change in swap value)</i>					

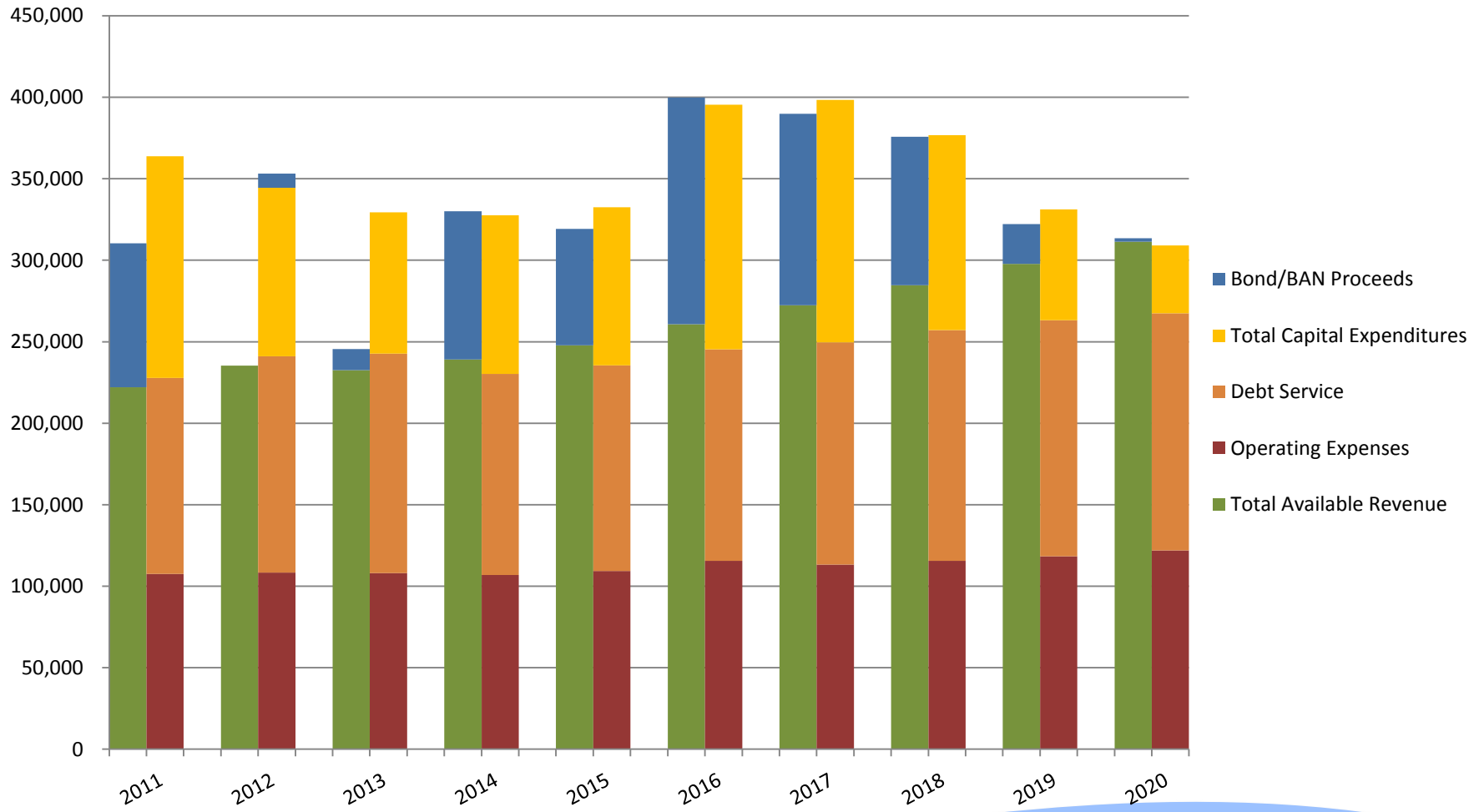
MSD Working Capital

FY 2016 Budget

(Dollars in Thousands)

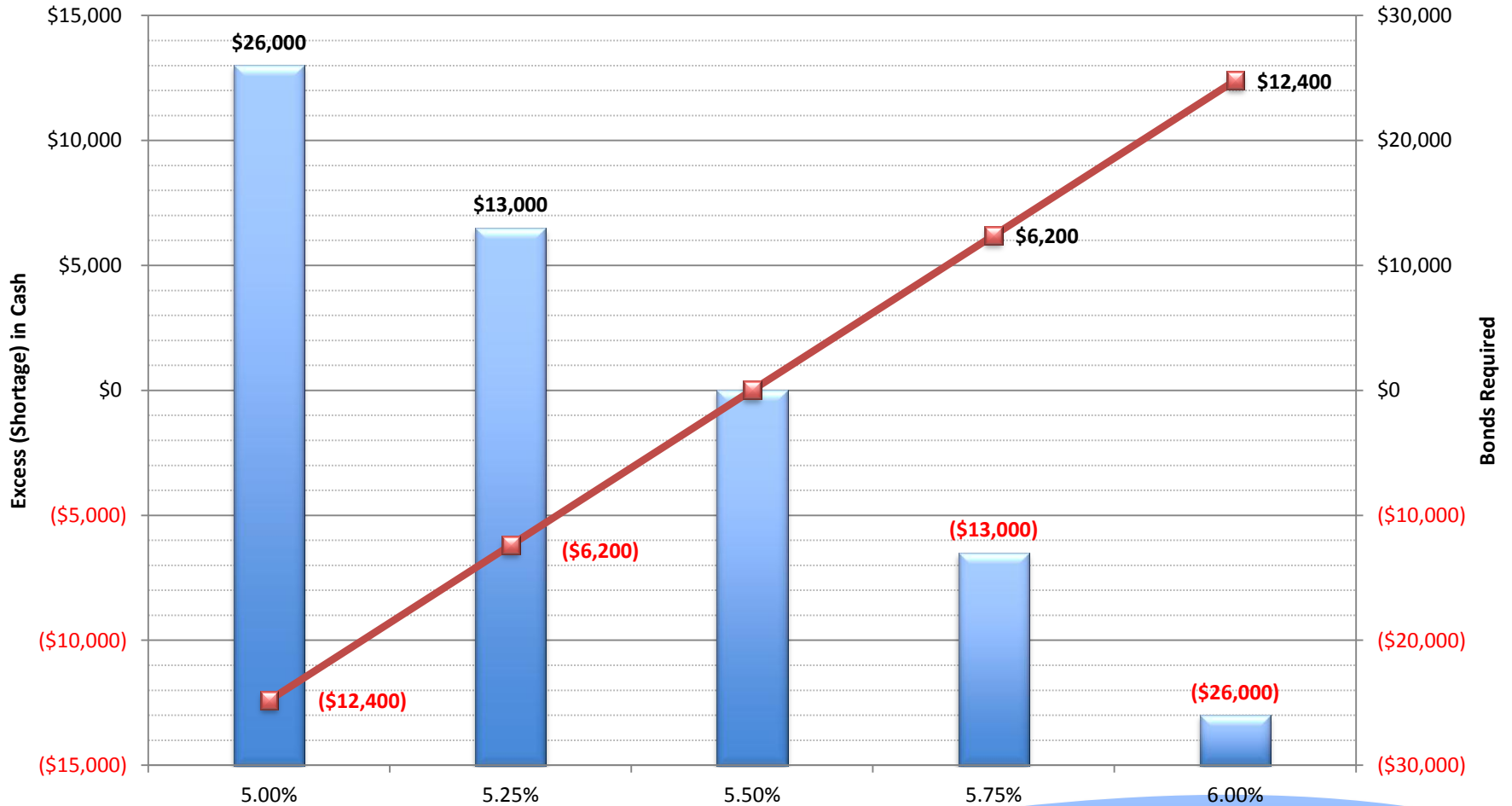
	Actual 2013	Actual 2014	Budget 2015	Forecast 2015	Budget 2016
Revenue					
Service Fees	\$205,222	\$214,056	\$223,439	\$224,000	\$235,250
Investment Income	18,454	20,330	18,986	16,900	18,900
Other	7,215	4,705	6,250	6,825	6,500
Total Revenue	\$230,891	\$239,091	\$248,675	\$247,725	\$260,650
Operating Expenses	(\$108,041)	(\$106,921)	(\$111,475)	(\$109,425)	(\$116,000)
Debt Service					
Maturities	(\$25,740)	(\$28,525)	(\$28,650)	(\$28,700)	(\$29,400)
Sr. Debt Interest	(89,244)	(80,613)	(82,953)	(83,200)	(86,100)
BAN Interest	(4,784)	(4,519)	(4,527)	(4,515)	(4,500)
SWAP Payments	(10,200)	(9,733)	(9,506)	(9,735)	(9,800)
Total Debt Service	(\$129,968)	(\$123,390)	(\$125,636)	(\$126,150)	(\$129,800)
Capital Projects	(\$87,185)	(\$90,526)	(\$88,394)	(\$94,000)	(\$150,000)
Bond Proceeds					
New Bonds Issued	\$235,305	\$86,476	\$75,000	\$80,000	\$150,000
Bonds Retired	(264,065)	-	-	(16,800)	-
Misc.	37,997	(2,316)	4,500	5,300	(10,900)
Total Bond Proceeds	\$9,237	\$84,160	\$79,500	\$68,500	\$139,100
Increase/(Decrease) in Working Capital	(\$85,066)	\$2,414	\$2,670	(\$13,350)	\$3,950

MSD's Cash Flow Analysis 2011-2020



Cumulative Cash 2016-2025

■ Bonds Needed
 ■ Additional Cash



METRO ORDINANCE

DEBT SERVICE RATIO

(Dollars in Thousands)

November 2013 - April 2014

November 2014 - April 2015

MSD's net revenues are less than 110% of Debt Service on Revenue Bonds for the 6-month period

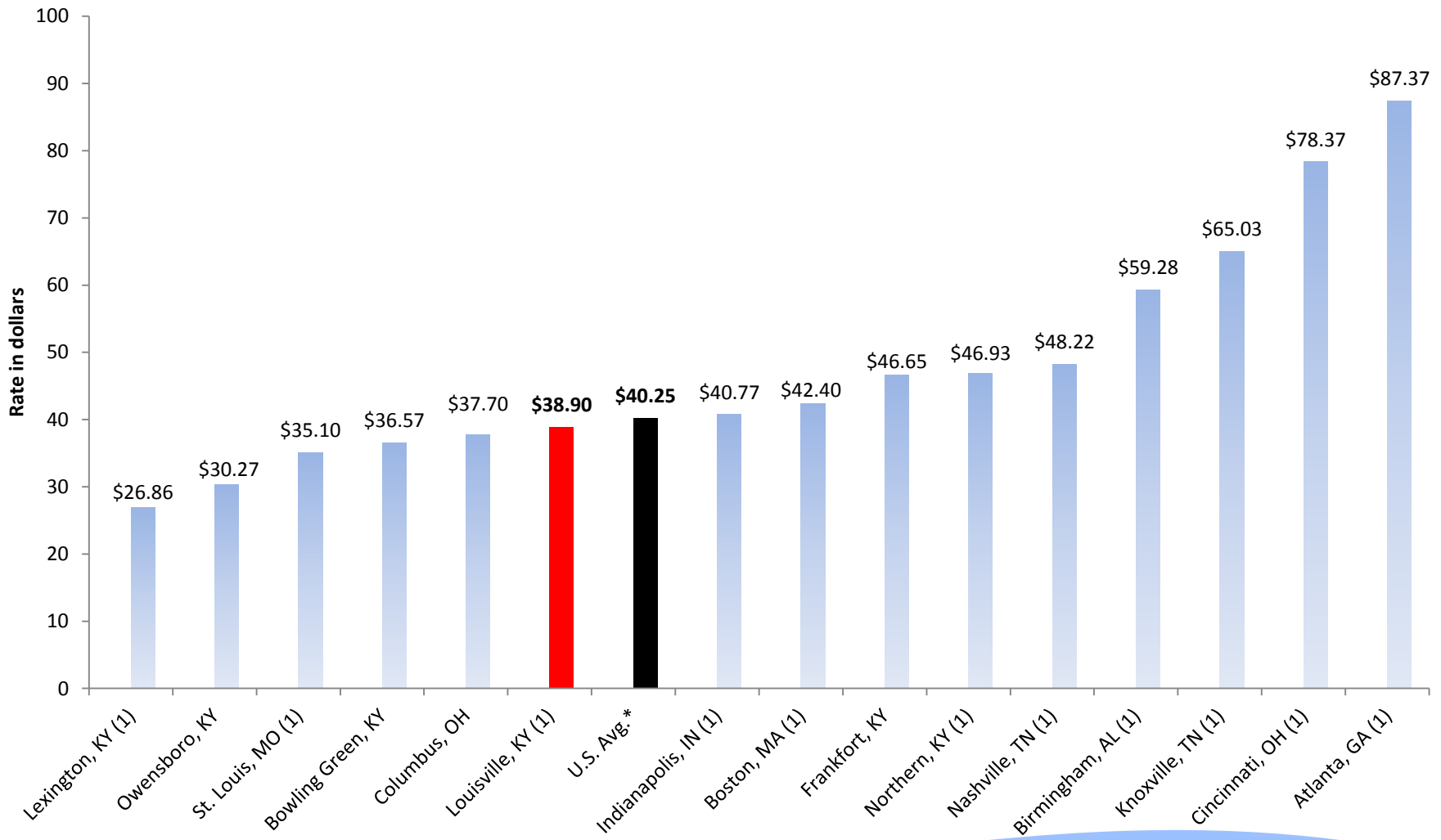
Revenue	107,613	111,761
Debt Payments	(7,132)	(7,128)
Operational Expenses	(52,112)	(53,754)
Net Revenue	48,369	50,879
 Bond Principal Maturities	 28,525	 28,650
Bond Interest Expense	40,606	42,486
Net Debt Service	69,131	71,136
 Debt Service Coverage Ratio	 70%	 72%

* Defined as gross revenue from wastewater and drainage fees, less operating expenses and debt payments other than Revenue Bonds

Peer Cities with Consent Decrees

City	Year	Amount	Average Wastewater Bill for 2015
Atlanta	1999	\$4 billion	\$87.37
Cincinnati	2002	\$3.2 billion	\$78.37
Knoxville	2004	\$650 million	\$65.03
Nashville	2007	\$1.5 billion	\$48.22
Northern KY	2005	\$880 million	\$46.93
Indianapolis	2006	\$1.7 billion	\$40.77
Louisville	2005	\$850 million	\$38.90
St. Louis	2012	\$4.7 billion	\$35.10

2015 Monthly Residential Wastewater Fee City Comparison based on 5,000 Gallons



2015 Proposed Rate Increase

Average Residential Customer (5000 gal/mo)

Proposed Rate Increase	5.5%
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Monthly Wastewater Fee Increase	\$ 2.12
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Monthly Drainage Fee Increase	\$ 0.42
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2015 Rate Approval Calendar

May 25 - Preliminary increase approved by MSD Board

May 27 – Notice of increase sent to Mayor and Metro Council

(Metro Ordinance 50.24 – at least 60 days prior to final approval)

June 3 – Legal notice of increase printed in Courier Journal

(KRS 76.090(2) – 30 day public notice period)

June 18 – Presentation to Metro Council Budget Committee

July 27 – Final approval from MSD Board

(KRS 76.090(2) – final approval within 60 days of notice)



MSD Community Service

Community Service

- MSD employees and vendors joined together to contribute
- **598 volunteer hours** for the annual “Give-A-Day” week of public service



Volunteer and make a difference!

Ohio River Sweep

- Saturday · June 20 · 9 a.m. to Noon

Hays Kennedy Park
Juniper Beach Area

Carrie Gaulbert Cox Park
Eva Bandman Park

Shawnee Park
Riverview Park





QUESTIONS