



Rating Action: Moody's Ratings revises Louisville & Jefferson County MSD, KY's outlook to positive; affirms Aa3 on revenue bonds

17 Jul 2025

New York, July 17, 2025 -- Moody's Ratings (Moody's) has assigned a Aa3 rating to Louisville & Jefferson County Metropolitan Sewer District, KY's proposed \$347.5 million Sewer and Drainage System Revenue and Refunding Revenue Bonds, Series 2025A. Concurrently we have affirmed the Aa3 rating on the district's outstanding revenue bonds and A1 bank bonds rating. We have revised the outlook to positive from stable. Following the current issuance, the district will have approximately \$2.7 billion in debt outstanding.

The revision of the outlook to positive from stable reflects the district's management of a large capital plan driven by a consent decree while maintaining sound coverage and liquidity through annual rate increases.

RATINGS RATIONALE

The Aa3 rating on the revenue bonds reflects the essential service provided to a large service area that is a regional economic center and the district's sound financial metrics despite large capital needs. The system is large with \$138 million in O&M expenses, significantly greater than the median for the rating category. Debt service coverage has steadily increased in recent years to about 1.8x, which is supported by annual rate increases. Debt represents an elevated 5x revenues but will steadily decrease due to revenue growth from rate increases and debt amortization outpacing future issuances.

The A1 rating on the bank bonds reflects the subordinate nature of the pledge to the district's commercial paper program and the related bank bonds.

RATING OUTLOOK

The positive outlook reflects the likelihood that the district's financial metrics will remain stable and debt to revenues will decline as capital needs moderate.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Maintenance of coverage above 1.6x and liquidity around 365 days
- Continued reduction in debt to revenue, remaining below 5.5x, while meeting consent decree requirements

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Significant increase in debt to revenues
- Substantial decrease in coverage nearing 1.5x or liquidity below 300 days cash on hand
- Failure to implement timely rate increases or to meet consent decree deadlines

PROFILE

The Louisville & Jefferson County Metropolitan Sewer District was created and established in 1946 and is responsible for the sewer and drainage system that serves Louisville & Jefferson County Metro Government, KY (Aa1 stable). The district collects and treats wastewater from approximately 260,000 customers in Jefferson County, and portions of nearby Bullitt and Oldham Counties. In addition, the district is responsible for stormwater collection, drainage and flood protection within Jefferson County. The drainage system provides service to about 225,000 customers, the majority of which are residential.

METHODOLOGY

The principal methodology used in these ratings was US Municipal Utility Revenue Debt published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/416489>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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Lauren Dahan
Lead Analyst

Orlie Prince
Additional Contact

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street

New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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