

# Finance Committee Charter

This charter (the "Charter") sets forth the duties and responsibilities and governs the operations of the Finance Committee (the "Committee") of the Board of Directors (the "Board") of Louisville and Jefferson County Metropolitan Sewer District ("MSD"), a public body corporate and political subdivision organized and operating pursuant to Chapter 76 of the Commonwealth of Kentucky Revised Statutes.

## I. Purpose

The Committee's purpose is to assist the Board in its oversight of MSD's financial affairs, including MSD's financial condition, financial planning, operational and capital budgeting, rate setting, debt structure, debt financing and refinancing, investment policy, investment performance, financial risk management and other significant financial matters involving MSD.

## II. Duties and Responsibilities

The Committee's primary duties and responsibilities are as follows:

### A. Budgets/Rate Setting

1. Review and recommend to the Board for approval an annual operating budget for MSD.
2. Review the annual capital expenditures plan as approved by the Infrastructure Committee.
3. Review the five year capital expenditures budgets for the next four succeeding years as approved by the Infrastructure Committee.
4. Review and recommend to the Board for approval any increases in rates, rentals and charges through adopting a final rate resolution amending MSD's Schedule of Rates, Rentals and Charges.

### B. Debt, Financing and Refinancing

1. Evaluate and monitor MSD's long and short-term indebtedness, debt structure, collateral and/or security pledged, cash flows, and uses and applications of funds.
2. Evaluate and recommend to the Board for approval proposed debt financings and refinancings, including (i) interest rates and whether the rate will be fixed or floating; (ii) collateral or security, if any; (iii) issuance costs; (iv) banks, investment banks and underwriters retained or compensated by MSD in connection with any financing or refinancing.
3. Review and approve all guarantees or other obligations for the indebtedness of any third party.
4. Periodically review MSD's ratings from credit rating agencies.

### C. Risk Management and Insurance

1. Review and recommend to the Board for approval MSD's strategies for the risk management of significant financial risks and contingent liabilities including the use of hedges, derivative instruments, insurance coverage and other risk management techniques.
2. Review and recommend to the Board for approval MSD's insurance coverage, including (i) identity and rating of carriers; (ii) premiums; (iii) retentions; (iv) self-insurance and captive insurance arrangements; (v) stop-loss policies; and (vi) all other aspects of insurance coverage.

### D. Investment Policies

1. Review and approve MSD's investment policy, utilizing the advice of financial consultants as the Committee deems necessary or desirable. This policy will detail various financial risk parameters and must comply with KRS 66.480 and the Master Bond Resolution.
2. Review and approve MSD's investment decisions relating to assets included in the Debt Service Fund, the Debt Reserve Fund, the Construction Fund and the Revenue Account Fund, utilizing the advice of financial consultants as the Committee deems necessary or desirable.
3. Periodically review the performance of MSD's investment portfolio at least semi-annually.

#### *E. General*

1. Review the financial performance metrics set by MSD's management to help guide MSD in achieving its goals and plans to ensure MSD's future plans also incorporate financial improvement, the Committee will review annually in November the five-year projections for the following financial ratios:

- Funds Available From Operations Ratio
- Senior Debt Service Coverage Ratio

If either of these ratios are not improving over the five year period, the Committee must (1) document the reasons why, and (2) require management to incorporate actions to potentially generate improvements during the following year's budget process.

2. Review and approve the services of all outside financial advisors, financial consultants, banks, investment banks, and underwriters for MSD. Review periodically MSD's significant commercial and investment bank relationships.
3. Review and approve MSD's Procurement Regulations, including Procurement Card procedures and Signature Authority limits.
4. Evaluate and recommend to the Board for approval the financial impacts from MSD entering into business ventures including acquisitions, consolidations and partnerships, and operating agreements.
5. Perform any other duties and responsibilities as the Board may deem necessary, advisable or appropriate for the Committee to perform.

### **III. Organization**

The Committee shall consist of not less than three members of the Board. MSD's Board Chairman shall appoint the Committee members and the Committee Chair and all members shall serve on the Committee at the discretion of the Board. The Committee should seek members with backgrounds in finance, accounting, business, investment management, executive leadership, and business ownership.

The Committee's primary liaisons with MSD's management will be the Executive Director, the Chief Financial Officer and the Chief Engineer who will brief the Committee Chair in advance on all matters to be covered at Committee meetings, and who will undertake follow-up actions by management at the Committee's direction.

### **IV. Annual Review**

The Committee shall review the Charter annually and recommend changes in the Charter to the Board. The report to the Board may take the form of an oral report by the chairperson or any other member of the Committee designated by the Committee to make the report.

**V. Resources and Authority of the Committee**

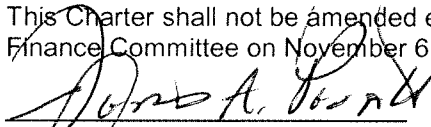
The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the engagement and other retention terms of special counsel or other experts or consultants, as it deems appropriate.

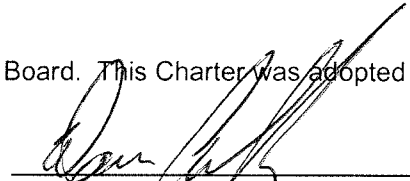
**VI. Meetings**

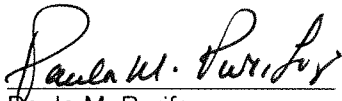
The Committee will meet at least four times a year as determined by the Board. Special meetings may be called by the Chairman of the Board, the Chairman of the Committee or any two Board members. The Committee may invite members of management, outside advisors or others to attend meetings and provide pertinent information, as necessary. Meeting agendas will be prepared and provided in advance to members along with appropriate briefing materials. All meetings of the Committee will be held pursuant to the Bylaws of MSD and written minutes will be filed in the company records. Reports of meetings of the Committee shall be made to the Board at its next regularly scheduled meeting following the Committee meeting accompanied by any recommendations to the Board approved by the Committee.

**VII. Amendment**

This Charter shall not be amended except upon approval by the Board. This Charter was adopted by the Finance Committee on November 6, 2017.

  
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James A Parrott  
Executive Director, MSD

  
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Dan Arbough  
Chair, MSD Finance Committee

  
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Paula M. Purifoy  
Legal Counsel, MSD