

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
February 15, 2022
Virtual Meeting**

Board Members Present:

Dr. Sharon Kerrick, Chair
Mr. Paul Esselman
Ms. Jennifer Fust-Rutherford
Mr. William E. Summers, IV

Not Present:

Mr. Greg Fischer
Dr. Sundeep “Sunny” Dronawat, Vice Chair
Mr. Greg Dearing

Others Present:

Mr. Spencer Bruce, President and Chief Executive Officer
Mr. Aaron Jackson, Budget Manager, Louisville Metro Government
Mr. Dave Vogel, Executive Vice President, Customer Service and Distribution Operations
Mr. Jeff Knott, Vice President, Information Technology
Mr. Tim Kraus, Vice President, Engineering and Production Operations, and Chief Engineer
Ms. Lynn Pearson, Vice President Finance and Treasurer
Ms. Kelley Dearing Smith, Vice President, Communications and Marketing
Mr. Terrence Spence, Vice President, Human Resources and Labor Relations
Mr. Michael Tigue, Vice President, Compliance, General Counsel and Corporate Secretary
Mr. Adam Carter, Union President, Local 1683, AFSCME
Ms. Shannon Tivitt, One Water Project Liaison Director
Ms. Jenni Schelling, Internal Audit
Mr. Brad Hart, Security Manager
Mr. Brian Sturgeon, Computer Network Administrator
Ms. Beverly Soice, Paralegal

Visitors:

The regular called meeting of the Board of Water Works (BOWW) was held on Tuesday, February 15, 2022 by video teleconference via Zoom. Chair, Dr. Sharon Kerrick called the meeting to order at 11:02 a.m.

Minutes of the Previous Regular BOWW Meeting Approved

William Summers moved to approve the Regular Monthly Meeting minutes of January 18, 2022. Jennifer Fust-Rutherford seconded, and the motion unanimously carried.

Report Provided by the President/Chief Executive Officer

Spencer Bruce provided an update on recent regional development activities.

Security Contract Procurement Approved

Michael Tigie advised that Louisville Water contracts for security services to protect Louisville Water personnel, properties, and assets 24 hours a day, 365 days a year. The contractor provides professional, training personnel to patrol facilities, guard facilities, man security posts at gated entrances and escorting visitors.

A Request for Proposal for Property Protection and Security Services was recently put on the street to replace the current contractor. Staff is currently interviewing the bidders and will be opening the bidders' cost proposals on Friday of this week. Staff is not certain what the proposed bid figures will be but feel confident the bids will come in equal to or less than \$1.6M and, therefore, would require Board approval. In facilitate the transfer of security services from the existing security contractor to the new security contractor, it is necessary to move forward with Board approval without waiting until next month. As such, Mr. Tigie requested that the Board move to award a contract not to exceed \$1.8M for property protection and security services. The \$1.8M will provide sufficient flexibility if the bids come in higher than anticipated.

Dr. Kerrick asked the amount of the security contract currently in place. Mr. Tigie advised that it is \$1.3M. He noted we have budgeted \$1.6M for the pending contract. Given current economic conditions, limitations affecting the availability of qualified security personnel, we anticipate and are experiencing an increase in the hourly rate for qualified security personnel.

Ms. Fust-Rutherford asked if we can absorb the difference between the current contract and a possible \$1.8M contract. Mr. Bruce advised that we can.

Ms. Fust-Rutherford moved to authorize the award of a contract for security services not to exceed \$1.8M. Seconded by Mr. Summers, and the motion unanimously carried.

Investment Report Given

Lynn Pearson provided a semiannual report to the Board on Louisville Water's investment portfolio.

Financial Report Given

Ms. Pearson advised the audit of the 2021 financial statements kicked-off in January with Louisville Water staff meeting with Crowe, LLC to conduct audit planning activities and develop the audit timetable. Crowe will actually commence field work for the audit later this month. The ultimate completion date of the audit and the year-end financial statements is uncertain as it is dependent upon the timing of the release of the audited pension report by the state. This report provides updated liability numbers and other information related to pension and other post-employment benefits that we must have in order to finalize the audit and the financial statements.

Ms. Pearson then provided an overview of financial results for January which must be considered preliminary until the audit of the 2021 financial statements is complete.

The year started out on a positive note, with total consumption and water revenue for January coming in very close to budget and other operating revenue exceeding budget. Total operating expense also performed favorably. As a result, net income for the month exceeded budget by \$299,000.

Consumption of 2.4 billion gallons for January is 42 million gallons less than budget, and 126 million gallons higher than January 2021. The budget shortfall was driven primarily by residential, partially offset by commercial consumption which exceeded budget.

Water Revenue for January 2022 is \$33,000 lower than budget and \$1.3 million higher than the prior year. Lower consumption is the key factor driving lower water revenue for this period as compared to budget. The majority of the shortfall was in residential, offset by commercial which exceeded budget.

Other Operating Revenue for January is \$98,000 higher than budget and \$347,000 above year-ago levels. The variance to budget is mainly due to higher late charges, cross connection fees and service line protection revenue. The increase over prior year is mainly driven by revenue from late fees and to a lesser extent, cross connection fees, service deactivation fees and service line protection revenue.

Operating and Maintenance Expenses for January of \$7.0 million are only \$11,000 higher than budget and \$576,000 higher than January 2021. The January variance to budget is primarily due to higher labor and labor related, bad debt and chemical costs offset by lower contractual services and insurance reserves. Much of the shortfall in contractual services is timing related and we anticipate that will turn around in future months. The unfavorable variance to January 2021 is primarily due to higher labor and labor related costs and bad debt expense offset by lower insurance reserves.

Total Operating Expenses for January of \$12.7 million are \$246,000 lower than budget and \$851,000 more than prior year. The budget variance is due to lower depreciation and loss from disposition of assets, primarily due to timing. The variance to prior year is mainly due to higher operating and maintenance and depreciation expense.

Non-Operating Income for January is \$11,000 which is \$5,000 lower than budget and \$119,000 less than January 2021. The unfavorable variance to budget is due to lower interest rates than budgeted. The variance to prior year is due to lower interest rates earned as a result of the continued declining market rates, along with a lower dollar amount invested than in January 2021.

Non-Operating Expense for January of \$482,000 is \$8,000 more than budgeted and \$31,000 lower than year-ago levels. Variance to budget is due to lower amounts of interest capitalized than anticipated. Interest expense is lower than prior year due to bond principal payments made in 2021, slightly offset by lower capitalized interest.

Net Income before Distributions and Contributions for January is \$3.7 million, which is \$299,000 more than budgeted. In comparison between years, net income for January is \$702,000 more than prior year.

Communication and Marketing Report Given

Kelley Dearing Smith provided a brief update on the soft launch of Louisville Water's leak protection coverage, WaterPro. This product is an optional coverage that customers can purchase similar to those offered by HomeServe that will cover the customer's portion of a high water bill due to a leak. Approximately 248 customers have enrolled to date. A few claims have been filed and we will monitor the process through March to determine the feasibility of the product. So far, we have experienced no red flags or negative customer feedback.

In January a mysterious "P" emoji began trending on Twitter and Instagram. The phrase "Pushing P" is the title of a popular hip-hop song and has since been used as another way to say "cool", "positive" or "keeping it real." A social media post that used the "P" as part of Pure Tap went viral with more than 1,700 likes and 500 retweets.

Ms. Dearing Smith provided the annual report on the Voice of the Customer, Louisville Water's holistic effort to annually measure customer satisfaction, brand perception and brand reputation. The effort looks at the customer experience, benchmark against national data and identify trends and improvement opportunities. She then reviewed the Voice of the Customer dashboard which includes Customer Satisfaction data provided by JD Power and Customer Experience surveys (CES); Digital Customer Experience and Media Reputation; and Louisville Pure Tap™, Education & Outreach and Water Tower Park Reach.

Dave Vogel added that the JD Power Overall Satisfaction scores is a national syndicated survey. Its strength is that it includes approximately 90 other utilities involved in this survey. Its weakness is that people sign up to complete the survey and only about 100 sign-up per quarter.

Louisville Water enjoys strong customer satisfaction and positive sentiment with water quality and trustworthiness as leading indicators. In 2022, the project will expand to learn more about the high marks on quality and trust and aim to hear from a larger group of ethnic and Black communities. Staff is also working with engineering and distribution to gather data on project work and incorporate into the dashboard.

Ms. Fust-Rutherford complimented Ms. Dearing Smith on the presentation and thanked her for the information.

Customer Service and Distribution Operations Report Given

Mr. Vogel referred the Board to his Report provided in the meeting packet but added that management continues to struggle with staffing in the call center.

Dr. Kerrick asked how many open positions exist in the call center. Mr. Vogel responded there are currently four open positions.

Engineering and Production Operations Report Given

Tim Kraus advised 2021 capital program expenditures through December totaled \$94,445,519 which is \$7,125,148 or 7.01% lower than the same period last year. These expenditures equate to 80.61% of the 2021 total capital program of \$117,158,160. Mr. Kraus advised that although 2021 was not our best year, given the economic conditions, staff worked very hard and he feels it was a successful year.

The amount of water produced and delivered to the system in January 2022 was 114.5 MGD, which was 2.7% higher than January 2021 and 4.2% higher than the January five-year average.

All water quality goals for January 2022 were achieved. No water quality violations occurred. Water Quality personnel analyzed 1,214 water quality parameters; 1,054 of which were required pursuant to federal and state regulations. Personnel collected 280 routine distribution system compliance samples. No Total Coliform and zero E. coli detections were noted. Personnel also collected 160 main break compliance samples for 79 repairs. Seven localized boil water advisories (BWAs) were issued due to field conditions.

Nine chemical spills were reported upstream of the Zorn intake; no incidents prompted additional treatment or impact to water quality. All treatment goals continue to be achieved. Eight water quality customer complaints were received in January.

The microbial lab was audited in January by the Kentucky Division of Water (KDOW). No deviations were identified, and KDOW made no recommendations. It was a very successful audit.

Mr. Kraus advised that following Dan Borsch's presentation to the Board on January 18, 2022, staff followed-up with a phone call and letter to Mr. Borsch. In the letter, we acknowledged his concerns and committed to improving our processes in three areas when implementing projects of the magnitude of Frankfort Avenue. These areas are communications to business stakeholders farther in advance of construction; bidding multiple alternatives for contractor work hours (e.g. 8 hour/day, 12 hour/day, 7 days/week) within the bid documents; and diligent evaluation of traffic control options for the project.

Human Resources Report Given

Terrence Spence provided a summary regarding recent and current activity between the Louisville Water's (Louisville Water/the Company) Labor Management and Local Union 1683 of the American Federation of State, County and Municipal Employees, AFL-CIO (the Union).

- Currently there are three active grievances filed by the Union in discussion for possible resolution.
- Management and Union leadership continue to participate in weekly COVID-19 update meetings to discuss the pandemic's impact on Louisville Water employees, work schedules, and operations.
- The Executive Union Management Alliance Council convened and established their 2022 performance goals.
- Company and Union leadership established the structure and format for the upcoming collective bargaining agreement negotiations.
- Union and Company representatives attended the monthly labor management meeting and discussed various work-related topics.
- The Company posted ten regular full-time and four temporary full-time positions for the internal union job bidding process.

Louisville Water's Scholarship Award Committee is reviewing student application packets to select the 2022 "Thomas Family Scholarship" award winner.

Louisville Water's Diversity Equity & Inclusion (DEI) third-party consultant, Integrity Development Corporation (IDC), provided Intercultural Development Inventory training and individual assessments to Louisville Water's ELT and BMC group.

Employees are attending Achieving Sustainable Inclusion (ASI) training sessions scheduled for each Louisville Water facility.

Louisville Water's HR Department is conducting an internal pay equity analysis using third-party OutSolve Business Management Consultant with results anticipated by end of February.

Mr. Spence reviewed the Utilization Report results for the Affirmative Action Plans as of the 4th quarter of 2021 for each location (Corporate Office, Crescent Hill and Distribution).

Information Technology Report Given

Jeff Knott stated that Cohesity Backup and Recovery Solution continues to provide a disaster recovery/backup environment that is secured from intrusion, has strong protections against insider attack, and provides anomaly detection via machine learning to provide alerts when data patterns are deemed suspicious.

Information Technology (IT) continues to concentrate on a regular cadence testing of Disaster Recovery (DR) plans. Staff has completed all planned DR testing for 2021 and will be evaluating the requirements for a complete system test during the first quarter of 2022.

Work order and Asset Management (WAM) Phase 5 enhancements are being discussed but work will be delayed to the second half of 2022 to accommodate a CC&B upgrade.

E-Business Suite (EBS) Phase 2 enhancement project scope development is underway.

Customer Care and Billing (CC&B) Second Systems Integration test was completed in January. The upgrade to version 2.8 is on schedule for May 2022 go-live.

IT staff is working with Customer Service to improve their new application process. This will be accomplished by automating much of the manual research done within our own systems. Additionally, we will be able to create applications within our billing system from a central location, simplifying the number of steps and the amount of manual work. This enhancement is in development and will be in production in early February.

Mr. Knott added that a data and reporting specialist was recently hired to focus on migration and enhancement of reports used across Louisville Water as well as to help develop data analysis capabilities.

Mr. Bruce advised that the Board's March meeting will be longer and will be going into executive session for management reviews.

There being no further business, the meeting adjourned at 12:12 p.m.

Respectfully submitted,



Michael F. Tighe
Vice President, General Counsel and
Corporate Secretary