

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

**Board Members Present:**

Dr. Sharon Kerrick, Chair  
Dr. Sundeeep "Sunny" Dronawat, Vice Chair  
Mr. Greg Dearing  
Mr. Paul Esselman  
Ms. Jennifer Fust-Rutherford  
Mr. William E. Summers, IV

**Not Present:**

Mr. Greg Fischer

**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  
Mr. Andrew Winslow, Manager, Finance  
Ms. Jenni Schelling, Internal Audit  
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, March 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**

Paul Esselman moved to approve the Regular Monthly Meeting minutes of February 15, 2022. Dr. Sunny Dronawat seconded, and the motion unanimously carried.

**Report Provided by the President/Chief Executive Officer**

Spencer Bruce provided an update on recent regional development activities.

Mr. Bruce asked that the Board consider moving its April meeting from Tuesday, April 26 to Monday, April 25 and that it be held in-person. Mr. Bruce advised that Beverly Soice will email the Board members inquiring as to their availability to attend a meeting on April 25. Mr. Bruce advised that he would like to invite Creighton Mershon to attend the April meeting so that the

Board and staff may express their thanks for his years of service to the BOWW and the community. Mr. Mershon retired from the BOWW in April 2020 at the beginning of the COVID-19 pandemic and we have not had an opportunity to gather together to honor his service.

Dr. Kerrick advised that Al Sullivan, founder and former President and Chancellor Emeritus of Sullivan University, recently passed away. Al Sullivan was the father of Glenn Sullivan, a former BOWW member. Dr. Kerrick asked that everyone keep Glenn's family in their prayers.

### **Contract for Northwestern Parkway MRRP Awarded**

Tim Kraus asked the BOWW to award the construction contract for the Northwestern Parkway Area Main Replacement Project to MAC Construction & Excavating, Inc. The Northwestern Parkway Project consists of 7,690 linear feet of distribution water main replacement, with pipe sizes ranging from 12-inch diameter to 6-inch diameter along four different streets, located in the Portland area of Louisville Metro.

Louisville Water received competitive bids from two prequalified contractors for construction of this project. The Project Manager's estimate for the project was \$2,150,000. The low bidder was MAC Construction & Excavating, Inc. with a bid of \$2,640,000. This bid was 22.8% higher than the Project Manager's estimate and can be attributed to the current volatile material and labor market. The total approved project budget is \$2,441,000.

Mr. Esselman moved to award of the contract to MAC Construction & Excavating, Inc. in the amount of \$2,640,000, and the budget of record for this project be increased to \$3,071,000. Greg Dearing seconded and the motion unanimously carried.

### **First Quarter 2022 Dividend Declared**

Lynn Pearson advised that Section 508 of the Series 2009 Water System Revenue Bond Resolution provides that the Louisville Water Company will pay to the Louisville / Jefferson County Revenue Commission an annual dividend on the Louisville Water Company stock owned by Louisville / Jefferson County Metro Government, Kentucky. The dividend declared for 2021, based upon estimated net income, is required to be adjusted after completion of the annual audit to reflect any difference between estimated and actual net income. The amount of such adjustment is to be paid with or deducted from the regular quarterly dividend payments in 2022.

The annual audit has not been completed, and as a result, there will be no adjustment to the first quarter 2022 dividend. Adjustments will occur in subsequent quarters of Louisville Water's 2022 calendar year as directed by Louisville Metro Office of Management and Budget.

The 2022 Annual Budget provides for a budgeted annual dividend of \$18,992,712. Mr. Esselman moved to approve the following resolution to declare the first quarterly 2022 dividend in the amount of \$4,748,178. Mr. Dearing seconded, and the motion unanimously carried.

WHEREAS, it has been the long established policy of Louisville Water Company to pay a dividend on its common stock related to its net earnings, after giving consideration to any requirements for debt amortization and bond reserve requirements, and  
WHEREAS, a covenant written into the 2009 Water System Revenue Bond Resolution sets forth a formula for determining the amount of any such dividend, and  
WHEREAS, such covenant requires payment of a dividend each year based on estimated annual adjusted net income, with adjustment upon completion of the annual audit to reflect any difference between estimated and actual net income, such adjustment to be made in the quarterly dividend payments of the following year, and

WHEREAS, an estimated dividend of \$18,827,358 was paid in 2021 based on estimated Adjusted Net Income of \$40,324,622 and  
WHEREAS, the annual audit for 2021 is not yet completed, no adjustment will be made to the first quarter 2022 dividend and adjustments will occur in subsequent quarters of Louisville Water's 2022 calendar year as directed by Louisville Metro, and  
WHEREAS, the 2009 Bond Resolution requires that the Board of Water Works pay a quarterly dividend based on the formula contained therein, such quarterly payments to be as nearly equal in amount as possible, and  
WHEREAS, the 2022 Louisville Water Company Annual Budget reflects the 2022 annual dividend to be \$18,992,712 it would be in order at this time to declare a regular first quarter dividend of \$4,748,178; therefore, be it  
RESOLVED, the regular first quarter 2022 dividend of \$4,748,178 is hereby declared, and further  
RESOLVED, that the President of the Company hereby is authorized and directed to pay \$4,748,178 to the Louisville / Jefferson County Revenue Commission on March 31, 2022, this being the first quarterly dividend for 2022.

### **Compensation and Benefits Committee Report Given**

Mr. Bruce provided highlights of Louisville Water's achievements for 2021.

Jennifer Fust-Rutherford provided a summary of the discussions that took place during the Compensation and Benefits Committee meeting held on March 7, 2022, which included a review of the results of the Company's 2021 goals and the 2022 Merit Matrix for non-union wages.

After a short discussion, Mr. Dearing moved to approve the proposed merit budget for all non-union employees at a 3.0% average and to adjust the non-union employees' salary structure ranges by 2.0%. Seconded by William Summers, and the motion unanimously carried.

Dr. Dronawat moved to approve all performance incentive program results and corresponding payouts. Mr. Summers seconded, and the motion unanimously carried.

Mr. Bruce advised that the performance pay-outs will be made after the field work of the financial audit is complete to ensure there are no audit adjustments that would impact the incentive program results. Ms. Pearson stated that she anticipates field work will be complete around the end of March, though the audit will not be complete at that time as she has been informed that the audited pension report from the Kentucky Retirement Pension System will be released later than usual this year. Mr. Bruce believes it is important to issue the pay-outs in a timely manner and noted that the pension actuarial adjustments will not impact the incentive program results.

### **Financial Report Given**

Ms. Pearson advised that field work for the audit of the 2021 financials is ongoing and progressing well. The ultimate completion date of the audit and the year-end financial statements is dependent upon the release of the audited pension report from the Kentucky Retirement System. This report will provide 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.

Total consumption and water revenue were under budget for February, with the shortfall only slightly offset by a favorable variance in other operating revenue. Total operating expense, along with non-operating income and expense also performed unfavorably to budget. As a result, net income for the month was under budget by \$906,000.

Consumption of 2.1 billion gallons for February is 118 million gallons less than budget, and 223 million gallons lower than February 2021. The unfavorable budget variance was driven primarily by commercial, industrial and to lesser extent residential customer classes. A considerable portion of the shortfall is attributable to timing of the meter reads. Year-to-date consumption remains under budget and prior year, by 3.4% and 2.1% respectively, with residential, commercial, industrial and wholesale customer classes all contributing to the unfavorable budget variance.

Water Revenue for February 2022 is \$833,000 lower than budget and \$1.1 million lower 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 commercial but all other customer classes were also below budget with the exception of Metro government. For the year-to-date period, water revenue is 3.0% less than budget and 0.7% under prior year levels.

Other Operating Revenue for February is \$63,000 higher than budget and \$111,000 above year-ago levels. The variance to budget is mainly due to higher late charges. The increase over prior year is mainly driven by revenue from late charges and to a lesser extent, service deactivation fees and service line protection revenue. Year-to-date, other operating revenue is \$162,000 higher than budget and \$458,000 less than prior year. The year-to-date variance to budget is primarily due to higher revenue from late charges and service line protection revenue, partially offset by lower service deactivation fees.

Operating and Maintenance Expenses for February of \$7.2 million are \$67,000 higher than budget and \$345,000 higher than February 2021. The February variance to budget is primarily due to chemical and fleet costs offset by lower contractual services and bad debt expense. Much of the shortfall in contractual services is timing related and we anticipate that will turn around in future months. The increase over February 2021 is primarily due to higher labor and labor related costs, chemicals, and contractual services offset by lower insurance reserves. February year-to-date operating and maintenance expenses are \$78,000 higher than budget and \$921,000 higher than year-ago levels. Labor and labor related expense, chemicals, and bad debt expense were all higher than budget through February, though the unfavorable variance was somewhat offset by lower contractual services and insurance reserves. The variance to prior year is mainly due to higher labor and labor related expense, chemicals, materials and supplies, contractual services and bad debt expense somewhat offset by lower insurance reserves.

### **Communication and Marketing Report Given**

Kelley Dearing Smith joined the meeting from the James B. Beam Institute Industry Conference being held in Lexington, Kentucky where she spoke on Kentucky Bourbon and Water: A Strategic Pairing.

Ms. Dearing Smith advised that cold weather dominated the earned media results in February with seven press mentions and a reach of 71,000 people. The mentions resulted from proactive media pitches on managing a higher number of water main breaks. Louisville Water continues to see a high open rate and engagement with its external customer newsletter, News Splash. Open rates for January and February both averaged higher than 30 percent (industry trend is 18-20 percent).

Louisville Water's new online billing system, Pure Connect<sup>SM</sup> launched in February. The portal launched to a small group of customers in December 2021 and then was made available to the entire service area on February 23. The portal allows customers to monitor their water usage, sign up for alerts for abnormal water usage and provides an improved experience in viewing and paying the water bill. A cross-functional team from Customer Service, Communications, Metering and Information Technology (IT) managed this effort. Pure Connect is an important part of the

customer experience with the Advanced Metering Project. Customers with an advanced meter can view their water usage on an hourly basis. As of today, more than 32,000 customers have registered with the portal since the launch.

### **Customer Service and Distribution Operations Report Given**

Dave Vogel reported that Call Center operations received 20,875 calls in February with an abandonment rate of 7.9% which is higher than last year (4.6%) and lower than the five-year average (11.2%). The average speed to answer came in at 2:53 m:s for the month which is also higher than last year but lower than the five-year average. Call volume continues to run higher than last year when we had suspended disconnection. Our performance, after struggling through the first several months after resuming disconnection for non-payment (DNP), appears to be trending toward more historical levels. Training day was held on February 21, 2022 and included Predictive Index assessments and security training.

Estimated bills for the month finished at 2.08% which is significantly lower than past periods due to strong employee productivity as well as our meter reading contractor seeing improvement in its operation. Our Field Services team is now fully staffed with eight permanent and eight temporary positions and there was heavy focus in February on Verify/Inspection orders. A new door tag was developed through an internal Metering team for leak-related field orders and will be rolled out in the coming weeks. The tag features a stick strip that can be left on doors and garages in lieu of the old doorknob hanger. Metering and Billing staff completed their CC&B 2.8 upgrade UAT testing and will start performance testing in March.

There were 85 main breaks for the month which is significantly lower than last year (134) and in line with the five-year average (75). Capital work was primarily suspended in February to focus on emergency main breaks, the leak backlog, and customer “no water” calls. Thus far, the winter operation’s plan has effectively managed the increase in main break activity.

### **Engineering and Production Operations Report Given**

Mr. Kraus stated that 2022 capital program expenditures through February totaled \$6,617,812 which is \$784,202 or 13.44% higher than the same period last year. These expenditures equate to 5.93% of the 2022 total capital program of \$111,534,377.

The amount of water produced and delivered to the system in February 2022 was 119.7 MGD, which was 3.7% higher than February 2021 and 9.9% higher than the February five-year average. For year-to-date, the amount of water delivered to the system was 3.2% higher than 2021, and 6.9% higher than the five-year average.

Mr. Kraus advised that the 48”, 60”, and 78” diameter pipes which convey water from the pumps at Crescent Hill Filter Plant (CHFP) to most of our service area are 120 years, 100 years, and 50 years old, respectively. Additionally, many of the valves on these pipes are of similar age and the reliability to operate them when needed is a concern. Generally, the CHFP discharge system assets have served their useful service lives and require replacement. Replacing this infrastructure will entail operating over 35 large diameter valves, some of which have not been operated in years. Phased shutdowns of CHFP will be necessary to complete the work. Should a valve have issues opening/closing or a plant shutdown to accommodate construction take longer than expected, either would significantly reduce pumping capacity and if that reduction is longer than a day, significant issues could result. Because of this considerable risk to our customers, we are proceeding with an alternative delivery method for this project: construction management at risk (CMAR). CMAR is a more collaborative delivery process, compared to traditional design/bid/build and should help minimize the overall project risks.

Mr. Kraus advised he will be providing additional information concerning this project at a subsequent Board meeting.

### **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 seven active grievances filed by the Union in discussion for possible resolution. Mr. Spence advised that two grievances have been resolved since the writing of his report.
- The union's Health Care Incentive Plan goals were established for the 2022 calendar year.
- Union and non-union personnel are participating in the Louisville Water's Diversity, Equity, and Inclusion training for each facility.
- Union and non-union personnel participated in the Water for People fund-raising bowling event.
- Union and Company representatives attended the monthly labor management meeting and discussed various work-related topics.
- The Company posted four regular full-time and two temporary full-time positions for the internal union job bidding process.

Louisville Water's "Thomas Family" \$10,000 Scholarship was awarded to a local high school senior Eniayo Destiny Lyun, at the 43<sup>rd</sup> Annual YMCA' Black Achiever's Awards Celebration. She will be attending the University of Louisville in the fall.

Louisville Water's Diversity Equity & Inclusion (DEI) third party consultant, Integrity Development Corporation (IDC), continues to provide leadership and employee training/coaching to staff

Letters were recently sent to all Louisville Water employees showing the total value of their compensation and benefits. Mr. Spence provided a sample of the letter. Ms. Fust-Rutherford complimented Mr. Spence on the development of this letter and thinks it is a great idea to provide this information to employees.

### **Information Technology Report Given**

Jeff Knott stated that Louisville Water is attacked by phishing emails every day. He explained that our security software blocks the phishing emails and stated our system is very secure.

E-Business Suite (EBS) Phase 2 enhancement project scope development has been completed and we are now requesting funding for Phase 2 to begin in March.

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.

Dr. Dronawat asked if our system blocks activity from Europe. Mr. Bruce advise that we will report back to him on this question.

### **Closed Session Held**

Mr. Esselman moved to go into closed session to discuss executive performance pursuant to KRS 61.810(f) at 12:05 p.m., seconded by Mr. Dearing and unanimously carried.

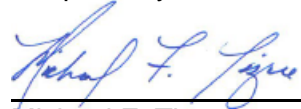
### **Closed Session Resumed**

Ms. Fust-Rutherford moved to return to open session and adjourn the meeting at 12:46 p.m., seconded by Mr. Williams and unanimously carried.

Mr. Esselman moved to authorize Mr. Bruce to follow Louisville Water's Policy and Procedures which utilize a compa ratio analysis to determine the appropriate salary increases within Mr. Bruce's recommended ranges for himself and the following executives ensuring the budgeted 3.0% requirement is met: Dave Vogel, Tim Kraus, Lynn Pearson, Kelley Dearing Smith, Terrence Spence and Michael Tigue. The motion was seconded by Mr. Dearing and unanimously carried.

There being no further business, the meeting adjourned at 12:48 p.m.

Respectfully submitted,



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