

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
March 17, 2020**

Board Members Present:

Mr. Creighton Mershon, Chair
Dr. Sharon Kerrick, Vice Chair
Mr. Greg Dearing
Dr. Sundeep "Sunny" Dronawat
Mr. Paul Esselman (via teleconference)

Not Present:

Greg Fischer

Others Present:

Mr. Spencer Bruce, President and Chief Executive Officer
Ms. Lynn Pearson, Vice President and Treasurer
Mr. Michael Tigue, Vice President, General Counsel and Corporate Secretary

Visitors:

The regular called meeting of the Board of Water Works (BOWW) was held on Tuesday, March 17, 2020 at the Louisville Water Company (Louisville Water or the Company) located at 550 South Third Street, Louisville, Kentucky. Chair, Creighton Mershon called the meeting to order at 11:05 a.m.

Greg Dearing was welcomed to the BOWW by Creighton Mershon. Michael Tigue administered the oath to Mr. Dearing.

Minutes of the Previous Regular BOWW Meeting Approved

Dr. Sharon Kerrick moved to approve the Regular Called Meeting Minutes of February 18, 2020, seconded by Dr. Sunny Dronawat and the motion unanimously carried.

Report Provided by the President/Chief Executive Office

Mr. Bruce provided a summary of the steps taken in response to the COVID-19 pandemic.

- Management meets every morning for the sole purpose of discussing matters involving the coronavirus and its effect on the Company and its employees;
- Non-essential employees that have the adequate technology are working from home;
- All non-critical meetings have been cancelled or postponed;
- Out of state travel has been restricted;
- Consultants on the WAM project are working remotely until further notice;
- Biometric screenings have been postponed;
- Our cleaning contractor for our office space is using a stronger disinfectant and cleaning more often;
- The lobby was closed to guests and customers on March 17;
- An Emergency Leave Policy was implemented which will provide any employee with 10 days of emergency leave if they have been diagnosed with the coronavirus; mandated

quarantine due to exposure to an immediate family member diagnosed with the coronavirus; recently traveled to a region that the Center for Disease Control (CDC) has designated travel notices (China, Iran, United Kingdom, Ireland, South Korea, & most countries in Europe); or recently returning from a cruise ship; and,

- Creation of a page on the Company's intranet, H2inf0 where we have posted information from the CDC about systems of the coronavirus, social distancing instructions, information contained in the daily emails sent to our employees and answers to questions posed by employees, and information about handling stress and anxiety.

Mr. Bruce also informed the Board that he sends a daily email to all employees advising them of any new information or updates.

Creighton Mershon mentioned to the Board that the Louisville Water Company has now removed all of their known lead services. He congratulated and thanked the Company and its employees for this accomplishment.

Declare First Quarter 2020 Dividend

Lynn Pearson stated 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 2019, 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 2020.

The annual audit has not been completed, and as a result, there will be no adjustment to the first quarter 2020 dividend. The adjustments will occur in subsequent quarters of Louisville Water's 2020 calendar year as directed by Louisville Metro Office of Management and Budget.

The 2020 Annual Budget provides for a budgeted annual dividend of \$20,424,641. Dr. Sunny Dronawat moved to declare the first quarterly 2020 dividend in the amount of \$5,106,160.25.

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 \$19,274,820 was paid in 2019 based on estimated Adjusted Net Income of \$39,214,551 and

WHEREAS, the annual audit for 2019 is not yet completed, no adjustment will be made to the first quarter 2020 dividend and adjustments will occur in subsequent quarters of Louisville Water's 2020 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 2020 Louisville Water Company Annual Budget reflects the 2020 annual dividend to be \$20,424,641 it would be in order at this time to declare a regular first quarter dividend of \$5,106,160.25; therefore, be it

RESOLVED, the regular first quarter 2020 dividend of \$5,106,160.25 is hereby declared, and further

RESOLVED, that the President of the Company hereby is authorized and directed to pay \$5,106,160.25 to the Louisville / Jefferson County Revenue Commission on March 27, 2020, this being the first quarterly dividend for 2020.

Dr. Sharon Kerrick seconded, and the motion unanimously carried.

Compensation and Benefits Committee

Dr. Sharon Kerrick provided a summary of the discussions that took place during the Compensation and Benefits Committee meeting held on February 24, 2020.

After a short discussion, Creighton Mershon moved to approve the proposed merit matrix budget for all non-union employees at a 3% average; to adjustment the non-union employee's salary structure ranges by 2%; to approve movement to one salary structure for management and non-management employees for the 2020 compensation plan year; and, to approve all performance incentive program results and corresponding payouts, contingent upon meeting the budgeted dividend for the Management Incentive Goals. Seconded by Dr. Dronawat, the motion unanimously carried.

Closed Session

Dr. Kerrick moved to go into Closed Session at 12:03 p.m. to discuss personnel matters pursuant to KRS 61.810(1)(f), seconded by Dr. Dronawat and the motion unanimously carried.

Open Session Resumed

Greg Dearing moved to return to Open Session at 12:48 p.m., seconded by Dr. Dronawat and the motion unanimously carried. No action was taken in closed session.

Mr. Dearing moved to authorize Mr. Bruce to determine the appropriate salary increases within Mr. Bruce's recommended ranges for himself and the following executives within the budgeted requirement: Dave Vogel, Tim Kraus, Tom Lockett, Lynn Pearson, Kelley Dearing Smith, Terrence Spence and Michael Tigue. The motion was seconded by Dr. Dronawat and unanimously carried.

There being no further business for the Board, the meeting was adjourned a 12:50 p.m.

Respectfully submitted,



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