

**Board Of Water Works  
REGULAR CALLED MEETING MINUTES  
March 16, 2021  
Virtual Meeting**

**Board Members Present:**

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

**Not Present:**

Greg Fischer

**Others Present:**

Mr. Spencer Bruce, President and Chief Executive Officer  
Mr. Daniel Frockt, CFO, Louisville / Jefferson County Metro Government  
Mr. Dave Vogel, Executive Vice President, Customer Service and Distribution Operations  
Ms. Kelley Dearing Smith, Vice President, Communications and Marketing  
Mr. Tim Kraus, Vice President, Engineering and Production Operations, and Chief Engineer  
Dr. Tom Lockett, Vice President, Information Technology  
Ms. Lynn Pearson, Vice President and Treasurer  
Mr. Terrence Spence, Vice President, Human Resources and Labor Relations  
Mr. Michael Tigue, Vice President, General Counsel and Corporate Secretary  
Mr. Adam Carter, Union President, Local 1683, AFSCME  
Mr. Jeremy Raney, Director, Engineering  
Ms. Jenni Schelling, Director, Internal Audit  
Ms. Shannon Tivitt, Director, Project Liaison, One Water  
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 16, 2021 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 for February 16, 2020. Seconded by Greg Dearing and the motion unanimously carried.

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

Spencer Bruce provided a verbal report to the Board.

Mr. Bruce congratulated Adam Carter on his re-election as Union President. Dr. Kerrick and the Board congratulated Mr. Carter as well.

Terrance Spencer announced Caden Gunn has been awarded the first annual Thomas Family Scholarship. Caden is a graduating senior at Doss High School with a 3.5 GPA and has not yet made a final determination of where he will attend college.

Mr. Bruce congratulated Tom Lockett who will be retiring at the end of this month. Dr. Kerrick and Dr. Sunny Dronawat thanked Dr. Lockett for his work to advance the Information Technology department.

### **Compensation and Benefits Committee Provided**

Mr. Bruce provided highlights of Louisville Water's achievements for 2020.

Dr. Kerrick provided a summary of the discussions that took place during the Compensation and Benefits Committee meeting held on March 3, 2021, which included a review of the results of the Company's 2020 goals.

Mr. Bruce advised that employees will not receive awards for the 2020 Management Incentive Plan Goals and Corporation Performance Goals. The Light Switch to meet the budgeted dividend for the year was not met and, therefore, no awards will be paid out.

After a short discussion, Dr. Dronawat moved to approve the proposed merit matrix budget for all non-union employees at a 2.9% average, to adjust the non-union employees' salary structure ranges by 2.0%, and to approve movement to one salary structure for management and non-management employees for the 2021 compensation plan year. Seconded by Mr. Summers, the motion unanimously carried.

Daniel Frockt asked if the Board could be provided with a comparison of the goals and results over the last few years. Mr. Bruce advised that the Matthew Griffith maintains a spreadsheet of that information. Dr. Kerrick asked that it be emailed to all Board members. Mr. Bruce advised he will forward it to the Board members and Mr. Frockt.

### **First Quarter 2021 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 2020, 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 2021.

The annual audit has not been completed, and as a result, there will be no adjustment to the first quarter 2021 dividend. The adjustments will occur in subsequent quarters of Louisville Water's 2021 calendar year as directed by Louisville Metro Office of Management and Budget.

The 2021 Annual Budget provides for a budgeted annual dividend of \$18,827,358. Dr. Dronawat moved to declare the first quarterly 2021 dividend in the amount of \$4,706,839.50.

**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 \$20,424,641 was paid in 2020 based on estimated Adjusted Net Income of \$39,747,104 and  
**WHEREAS**, the annual audit for 2020 is not yet completed, no adjustment will be made to the first quarter 2021 dividend and adjustments will occur in subsequent quarters of Louisville Water's 2021 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 2021 Louisville Water Company Annual Budget reflects the 2021 annual dividend to be \$18,827,358 it would be in order at this time to declare a regular first quarter dividend of \$4,706,839.50; therefore, be it  
**RESOLVED**, the regular first quarter 2021 dividend of \$4,706,839.50 is hereby declared, and further  
**RESOLVED**, that the President of the Company hereby is authorized and directed to pay \$4,706,839.50 to the Louisville / Jefferson County Revenue Commission on March 31, 2021, this being the first quarterly dividend for 2021.

Mr. Summers seconded, and the motion unanimously carried.

**Contract Awarded for Project No.: 15438 – 660 Plan – SW Jefferson County Improvements – Lower Hunter Trace**

Jeremy Raney advised that the 2021 Capital Improvement Plan (CIP) includes funding for the Lower Hunters Trace 20" Project with a project budget of \$4,857,300.

Condition assessment activities conducted on the Greenwood 30-inch main in 2017 indicated there were transmission water main deficiencies in this corridor which was confirmed by the hydraulic model. The Greenwood 30-inch is the main feed from Cardinal Hill Reservoir to Southwest Jefferson County, including wholesale customer Hardin County #1 and Riverport Phase 5, a large industrial/commercial site. The Kentucky Transportation Cabinet currently has plans to widen Greenwood Road as well as St. Andrews Church Road which will require the relocation of parts of our existing 30-inch transmission main, making this redundant main a necessity. This project is one of two projects to complete this objective. The second project, 660 plan SW Jefferson County Improvements – Blanton Lane 20-inch, is currently out for bid and will have a recommendation for award next month.

The scope of work for this project is to furnish all labor, tools, equipment, and materials required by the contract documents to supply and install 7,000 +/- linear feet of 20-inch PC350 ductile iron water main. The alignment stretches from the intersection of Kerrick Blvd and Dixie Hwy to Lucille Ave at Greenwood Rd.

Paul Esselman moved to award the contract for 660 Plan – SW Jefferson County Improvements – Lower Hunters Trace project to Basham Construction & Rental Co., Inc. Dr. Dronawat seconded and the motion unanimously carried.

## **One Water Update Provided**

Shannon Tivitt provided a summary of the Louisville One Water Partnership Board held on February 25, 2021.

The 2019 One Water Audit Report was shared with the board along with the corrective action plan that was approved by the One Water Advisory Council. The board accepted the report as written.

The 2020 One Water Work Plan Final Snapshot was given to the board. Each functional area leader provided the board with an end-of-year update on their initiatives. Out of the 23 different initiatives, six are now continuous in daily operations; three will continue into the 2021 plan; seven were completed and seven were closed.

The board was provided with a copy of the annual Shared Services Reimbursement report for 2020. Moving forward, a report will be presented each quarter to the board.

The board members heard presentations on various innovation projects/programs (regionalization, advanced technology, and new business opportunities) that Louisville Water and Louisville MSD are working on individually and together through the One Water Partnership.

## **Financial Report Given**

Ms. Pearson advised field work for the audit of the 2020 financials, which is being performed remotely due to the pandemic, is ongoing. 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.

Ms. Pearson advised the preliminary financial results for February must be considered preliminary until the audit of the 2020 financial statements is complete.

Financial results were positive in February, despite total consumption and water revenue coming in slightly under budget. Favorable budget variances in other operating revenue, total operating expense and non-operating expense more than offset the shortfall in water sales. As a result, net income for the month exceeded budget by \$191,000.

Consumption of 2.3 billion gallons for February is 32 million gallons less than budget, and 87 million gallons higher than February 2020. The budget shortfall was largely a result of the inclement weather which prevented the meter readers from meeting normal schedules. Year-to-date consumption remains under budget and prior year by 3.6% and 5.5% respectively, with all classes except residential and irrigation driving the unfavorable budget variance.

Water Revenue for February 2021 is \$80,000 lower than budget and \$760,000 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, industrial and Metro government. For the year-to-date period, water revenue is 1.9% less than budget and 2% under prior year levels.

Other Operating Revenue for February is \$15,000 higher than budget and \$178,000 below year-ago levels. The variance to budget is due to higher consulting services offset by lower service activation

fees. Consulting services is over budget due to a grant received in the Water Quality area. The unfavorable variance to prior year is driven by lower revenue from late fees, service deactivation fees, and contract revenue. Year-to-date, other operating revenue is \$42,000 below budget and \$352,000 less than prior year. The year-to-date variance to budget is primarily due to lower revenue from service activation fees and service line protection partially offset by higher consulting services and property leases. The variance to prior year for the year-to-date period is driven by lower late fees, service deactivation fees and contract revenue offset by higher cross connection fees and consulting services.

Operating and Maintenance Expenses for February are \$156,000 lower than budget and \$432,000 higher than February 2020. The February variance to budget is primarily due to lower contractual services in a number of areas, along with lower bad debt reserves and materials and supplies. These favorable variances are partially offset by higher insurance reserves related to a worker's compensation claim. Much of the shortfall in contractual services is timing related and we anticipate that will turn around in future months. The unfavorable variance to February 2020 is primarily due to higher insurance reserves and contractual services, offset to an extent by lower equipment maintenance and materials and supplies. February year-to-date operations and maintenance expenses are \$694,000 lower than budget and \$54,000 higher than year-ago levels. Contractual services, materials and supplies, chemicals, and bad debt expense were all lower than budget through February, though the favorable variance was somewhat offset by an overage in insurance reserves. The variance to prior year is mainly due to higher insurance reserves offset by lower equipment maintenance, materials and supplies and bad debt expense.

Total Operating Expenses for February of \$12.3 million are \$206,000 lower than budget and \$734,000 higher than prior year. Total operating expenses year-to-date are 3.7% lower than budget and 2.2% over year-ago levels. The February and the year-to-date budget variances are primarily the result of lower operating and maintenance expense.

Non-Operating Income through February is \$204,000, which is \$34,000 higher than budget and \$146,000 less than February 2020. The favorable variance to budget is due to the transfer of interest from the bond escrow fund to our current bond service accounts. This additional income was not factored into the budget. The variance to prior year is due to lower interest rates earned as a result of market rates declining sharply due to the pandemic's impact on the economy, along with a lower dollar amount invested than in February 2020.

Non-Operating Expense through February of \$1.0 million is \$117,000 less than budgeted and \$303,000 lower than year-ago levels. Variance to budget is due to higher amounts of interest capitalized than anticipated. Interest expense is lower than prior year due to principal payments on bonds made in 2020.

Net Income before Distributions and Contributions for February is \$2.9 million, which is \$191,000 more than budgeted. In comparison between years, net income for February is \$76,000 less than prior year. February year-to-date net income of \$5.9 million is \$481,000 more than budget and \$1.3 million lower than prior year.

Contributions through February of \$899,000 are \$435,000 less than budgeted and \$1.4 million less than prior year. Variance to prior year is due to several projects with contributed labor that were closed in February 2020 resulting in higher contributions than normal that month.

### **Communications and Marketing Report Given**

Kelley Dearing Smith advised that Louisville Water has received significant positive media for stories on weather and our operations. Media covered our crews working during the February

snow event and, when the Ohio River flooded in early March, local media highlighted efforts to transport crews by boat to the Zorn Pumping Station.

The additional media attention came from partners. Louisville Water's communication efforts to highlight the importance of "flushing" the water lines inside commercial buildings was highlighted in a global public health conference. During the pandemic, we created an ongoing campaign to educate business owners on the importance of maintaining water quality inside their facilities. Finally, a national event to mark the 10th anniversary of a bourbon association included the Louisville Water story. One of Beam Suntory's Whiskey Ambassadors joined Louisville Water for a behind-the-scenes look at the science of water and bourbon.

Louisville Water was part of 250 traditional media stories and social media with a reach of nearly 100 million people.

The communications' team has increased our community engagement to reach the remaining customers who are eligible for the Metro COVID-19 Relief Fund. Over the past month, eligible customers received a postcard letting them know of the opportunity and local food banks included the one-time credit availability as part of weekly pick-ups.

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

Dave Vogel advised that Call Center operations received 19,890 calls in February with an abandonment rate of 4.6%, which is higher than last year (2.2%) and lower than the five-year average (13.8%). The average speed of answer came in at 1:33 m:s for the month, which is also higher than last year but significantly lower than the five-year average. Call volume continues to run lower than historical levels due to the metro grant funding reducing customer balances, the lack of disconnections, and customer use of the IVR system. As of February 28, \$3,481,973 of the \$4 million Metro COVID grant funds have been distributed to 10,227 customers with an average relief amount of \$343.90.

Poor weather created challenges for meter reading resulting in higher than normal estimates, which finished the month at 13.8%. In February we initiated default payment plans for commercial customers with arrearages. These plans spread the past due amounts over a 12-month period and customers will be subject to disconnection if they don't meet their payment obligations starting in March.

The first of two cycles that experienced the AMI firmware issue was billed in February with the corrected volumetric readings. The permanent fix to the firmware was completed and tested by our vendor, Itron. Itron continues to expand its collection network, and endpoint connectivity is up 92.2% from 88.0% last month.

The month ended with 134 main breaks, which is significantly higher than last year (30) and the five-year average (67). Capital work was primarily suspended in February to focus on emergency main breaks, the leak backlog, and customers without water calls. We did continue some service installation work as well as a few fire hydrant replacements and renovations. Priority 1 and 2 backlogs are in good shape and work is underway to close out and clean up many of the orders in our priority 4 backlog. Thus far we are injury free for the year with no OSHA recordable injuries.

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

Mr. Raney advised that 2021 capital program expenditures through February totaled \$5,833,610, which is \$2,091,262 lower than the same period last year. These expenditures equate to 4.98% of the 2021 total capital program of \$117,158,160.

The amount of water produced and delivered to the system in February 2021 was 115.3 MGD, which was 7.1% higher than February 2020 and 7.8% higher than the February five-year average. For year-to-date, the amount of water delivered to the system was 5.6% higher than 2020, and 4.8% higher than the five-year average.

All water quality goals for February 2021 were achieved. No water quality violations occurred.

Water Quality personnel analyzed 1,130 water quality parameters; 970 of which were required pursuant to federal and state regulations. Personnel collected 280 routine distribution system compliance samples. Zero Total Coliform and zero E. coli detections were noted. Personnel also collected 244 main break compliance samples for 123 repairs. Two localized boil water advisories (BWAs) were issued due to field conditions. No BWAs were issued due to water quality monitoring results.

Four 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. Nine water quality customer complaints were received in February (the five-year average is 12 complaints).

## **Human Resources**

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

- Currently there are two active grievances filed by the Union in discussion for possible resolution. One has been resolved and should be closed by the end of this week.
- Management and Union leadership participate in weekly COVID-19 update meetings to discuss the pandemic's impact on Louisville Water employees, work schedules, and operations.
- Company management and union leadership conducted the monthly labor management meeting to discuss current grievances and various collaborative efforts.
- Union President Mr. Carter participated in the 4<sup>th</sup> Quarter Operating Status Update virtual meeting providing a review of completed and on-going projects sponsored by the Executive Union Management Alliance Council (EUMAC).
- Mr. Carter and Mr. Spence participated in a Water Equity Taskforce virtual meeting to discuss increasing local utilities active partnership with Jefferson County Public Schools vocational magnet programs students.
- The 2021 Health/Wellness Incentive Plan was finalized and signed by Company and Union Leadership.

- The Company posted three regular full-time and six temporary full-time classified positions for the internal union personnel bidding process.

### **Information Technology Report Given**

Dr. Lockett advised that hardware is being configured for the 2.7 upgrade of Oracle Customer Care & Bill and Enterprise Business Systems. This upgrade will move the application from the Solaris to the Linux operating systems. This will also simplify support and eliminate the cost of supporting Solaris.

The EY engagement for Phase 2 enhancements of the Work Order and Asset Management (WAM) system was completed on February 26.

A second data line from CenturyLink has been installed to connect Louisville Water's Third Street facility to our Disaster Recovery (DR) vendor, Flexential's facility on Barrett Avenue. This provides a second path to our DR site and will be used for both high availability and extra capacity for data transfers to our DR site in Franklin, TN. Staff is researching methods for adding a second vendor to our phone configuration to have a failover if AT&T fails. Staff is also researching Software Defined Wide Area Network (SD-WAN) capabilities for both data and phones to automatically manage failover.

Mr. Bruce thanked Dr. Lockett for all of his hard work over the last several years. Mr. Bruce also congratulated Daniel Frockt on his new position. Mr. Frockt will be leaving Louisville Metro Government for a position with a local university.

### **Closed Session Held**

Dr. Dronawat moved to go into closed session to discuss executive performance pursuant to KRS 61.810(f) at 12:28 p.m., seconded by Mr. Dearing and unanimously carried.

### **Closed Session Resumed**

Mr. Esselman moved to return to open session and adjourn the meeting at 12:51 p.m., seconded by Dr. Dronawat and unanimously carried.

Mr. Esselman 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 2.9% requirement: Dave Vogel, Tim Kraus, 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, the meeting adjourned at 12:55 p.m.

Respectfully submitted,



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