

**Board Of Water Works**  
**REGULAR CALLED MEETING MINUTES**  
**April 20, 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  
Mr. Jeff Knott, 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. Peter Goodman, Director, Water Quality and Research  
Ms. Jenni Schelling, Director, Internal Audit  
Ms. Shannon Tivitt, Director, Project Liaison, One Water  
Mr. Chris Bobay, Manager, Water Quality and Compliance  
Mr. Matthew Griffith, Strategic Planning and Performance Specialist  
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, April 20, 2021 by video teleconference via Zoom. Chair, Dr. Sharon Kerrick called the meeting to order at 11:12 a.m.

**Minutes of the Previous Regular BOWW Meeting Approved**

Paul Esselman moved to approve the Regular Monthly Meeting Minutes for March 18, 2021. Seconded by Greg Dearing and the motion unanimously carried.

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

Spencer Bruce advised that since March 16, 2020, many of Louisville Water’s back-office staff have worked remotely or a mix of in-office and remote to manage the risk of spreading the COVID-19 virus. At the treatment plants and field distribution center, we have put measures in place to

protect employees who must do their work at a facility or at a job site. Mr. Bruce noted that he is proud of how we have managed this crisis; it's been challenging for employees both at home and work.

Our Leadership team is now working on a return-to-the-office plan. Our target date to bring back employees who have worked remotely is July 12. Staff have updated our Remote Work Policy to allow for greater flexibility with manager approval for remote work for certain positions. Additionally, we want to take advantage of the technology incorporated during the pandemic to help define the future of our workspace.

### **Renewal of Oracle Unlimited License Agreement Approved**

Mr. Bruce introduced Jeff Knott, Louisville Water's new Vice President and Information Technology (IT) and provided a brief summary of his professional experience. The Board congratulated Mr. Knott on his promotion.

Mr. Knott advised that Louisville Water continues to partner with Oracle Corporation for its enterprise applications including Work and Asset Management (WAM), Customer Care and Billing (CC&B), Human Resource Management and Payroll (PeopleSoft), and Enterprise Business Systems (EBS). The underlying technologies that support these applications include Oracle Databases, SOA, Weblogic, GoldenGate, as well as others.

In May of 2019, the BOWW approved the purchase of a new Unlimited License Agreement (ULA) for the technologies that are required to support Louisville Water applications replacing the previous ULA which was executed in 2017. This second agreement expires in May of 2021. To develop a new ULA, IT leadership met with Oracle and reviewed Louisville Water's options and short term (two year) plans for further use and development of the Oracle applications. After negotiations with Oracle, the recommendation is to renew the ULA for an additional two years in order to expand the use of these tools to avoid additional license fees which would have cost well over \$5 million.

In addition, these negotiations resulted in Louisville Water receiving a 35% discount from list price for a two-year cost of \$2,353,947.30 for unlimited licenses and a first year maintenance support costs of these unlimited licenses of \$1,737,271.05 for a total of \$4,091,218.32.

After a brief discussion, Dr. Sunny Dronawat moved to approve the two-year Oracle ULA and first year maintenance support in the amount of \$4,091,218.32. Mr. Esselman seconded, and the motion unanimously carried.

### **Contract Award Ratified for Charleswood Road MRRP**

Tim Kraus advised that he is requesting Board ratification of the award of the construction contract for Charleswood Road Main Replacement Project to Seven Seas Construction.

The Charleswood Road project consists of 9,715 linear feet of distribution water main replacement, with pipe sizes ranging from 12-inch diameter to four-inch diameter along nine different streets, located in the south-central end of Louisville Metro.

On March 3, 2021, Louisville Water received bids from four prequalified contractors for construction of this project. The Project Manager's estimate for the project was \$2,630,000. The low bidder was Seven Seas Construction with a bid of \$1,721,864.15. The total approved project budget is \$2,919,800.

This bid was awarded to Seven Seas Construction through emergency provisions due to inclement weather impacting resin production in Texas which lead to immediate increases in PVC pipe costs. Seven Seas had to commit to prices immediately in order to retain their quoted bid price.

Dr. Dronawat moved to ratify the contract award for the Charleswood Road MRRP. Jennifer Fust-Rutherford seconded, and the motion unanimously carried.

### **Contract Awarded for Project No. 15506 - 660 Plan - SW Jefferson County Improvements – Blanton Lane – 20-inch**

Mr. Kraus advised that condition assessment activities on the Greenwood 30-inch main during 2017 provided data indicating there were transmission deficiencies in this corridor which were confirmed by the hydraulic model. The Greenwood 30 inch is the primary feed from the 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 needed to ensure reliable and long-term supply to this area. The first project, 660 plan SW Jefferson County Improvements – Lower Hunters Trace 20-inch, was approved by the BOWW in March.

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 7,005 +/- linear feet of 20-inch PC350 ductile iron water main. The alignment stretches from the intersection of Dixie Highway and Blanton Lane to St. Andrews Church Road near Cardinal Oaks Drive. This project was competitively bid with the bid opening occurring on March 3, 2021. Louisville Water received three competitive bids with MAC Construction & Excavating, Inc. being the low bidder. This bid was 28.4% below the Engineer's estimate of \$3,759,000.

Dr. Kerrick asked what the percentage of change orders is on our projects. Mr. Kraus advised that Louisville Water's change order rate is approximately 1%. The industry average is 3%.

Mr. Esselman moved to award the contract for the 660 SW Jefferson County Improvements – Blanton Lane 20-inch to MAC Construction and Excavating Inc. William Summers, seconded, and the motion unanimously carried.

### **2022 Main Replacement and Rehabilitation Program Approved**

Mr. Kraus advised he is requesting approval and authorization of funding for the 2022 Main Replacement and Rehabilitation Program. The program consists of 14 projects with an estimated budget of \$22,507,540.00. The scope of work includes replacement of 430 lineal feet of four-inch water main, 43,110 lineal feet of six-inch water main, 18,655 lineal feet of eight-inch water main, 21,530 lineal feet of 12-inch water main, 1,010 lineal feet of 16-inch water main, renewal of water services and replacement of fire hydrants.

Mr. Kraus added that these projects will continue Louisville Water's effort to improve resiliency in the distribution system and will reduce maintenance costs by reducing water main breaks.

The program is being accelerated in anticipation of receiving federal stimulus money allocated in the COVID-19 Economic Relief Bill. Mr. Bruce noted that if Louisville Water does not receive stimulus money, this program will not be accelerated.

Following a short discussion, Mr. Summers moved to approve the 2022 Main Replacement and Rehabilitation Program and to establish a budget of record of \$22,507,540.00 for this program. Mr. Esselman seconded, and the motion unanimously carried.

### **Contract Awarded for Frankfort Avenue 60-inch Transmission Main Project**

Mr. Kraus stated the existing 36-inch main in Frankfort Avenue, adjacent to the Crescent Hill Filtration Plant was installed in 1877. It is an unlined cast iron pipe that delivers water both west (to downtown Louisville) and east (to Westport Road Pump Station) and is critical to our water distribution network. This main is undersized as it feeds one 30-inch, one 36-inch, and one 48-inch transmission main. In addition, the existing water main that crosses under the CSX Railroad at Reservoir Avenue has no casing pipe and many of the butterfly valves connected to this main do not fully operate.

Louisville Water's Frankfort Avenue 60-inch transmission main project was initiated to replace the existing 36-inch main along Stilz Avenue with a new 60-inch main. The redundancies that this project provides are paramount in allowing Louisville Water to better adjust to changes in the system and react to issues that arise at and around the pump station. Upsizing of the main will also allow Louisville Water to increase the output through the Frankfort Avenue corridor. This project will also provide Louisville Water the ability to pass water from the front of the plant to the back to help facilitate another major capital project, the Crescent Hill Pump Station header modification project.

The scope of this portion of the project includes: installation of fourteen Louisville Water-supplied horizontal gate valves, furnish and installation of 2,513± feet of six-inch, 12-inch, 16-inch, 30-inch, 36-inch, 48-inch, and 60-inch water main, eight 24-inch access manways, three four-inch vertical outlets, 15 two-inch automatic air release valve assemblies, nine 12-inch pump drain assemblies, removal of 1,545± feet of existing 36-inch cast iron water main, remove four trees and replant 32 trees at Louisville Water-designated locations, paving and striping of Frankfort Avenue from Crescent Court to Reservoir Avenue and Stilz Avenue from Frankfort Avenue to Grinstead Drive, and restore the remaining site to preconstruction conditions.

Louisville Water received four competitive bids on April 14, 2021. The apparent low bidder was MAC Construction & Excavating, Inc., with a bid of \$5,000,000.00. This bid was 20.24% below the Engineer's estimate of \$6,269,000.

Following a short discussion, Ms. Fust-Rutherford moved to award the contract for the Frankfort Avenue 60-inch Transmission Main Project to MAC Construction & Excavating, Inc. Mr. Summers seconded, and the motion unanimously carried.

### **Executive Union Management Alliance Council Update Provided**

Adam Carter provided a summary of the history of the Local Union 1683 of the American Federation of State, County and Municipal Employees, AFL-CIO. He noted there has never been a layoff or strike of the Union membership at Louisville Water.

Mr. Carter also provided an overview of the Labor-Management Partnership which was first formed on August 7, 1995. The partnership model is nationally recognized and has received numerous awards.

A Union Strategic Partnership Plan was developed in 2019 by a Union and Company Steering Committee. This plan, which is in alignment with the 2019 Company Strategic Plan, identifies actions that will drive both entities forward, together. The Strategic Partnership Plan consists of Priorities, Strategies, Tactics and Actions. Mr. Carter provided some examples such as increasing training level knowledge and participating in programs like the Heavy Equipment Science Program at Fairdale High School.

Mr. Carter also provided an overview of Local 1683 Vision and Values which include safety, trust, partnership, quality and diversity.

The Executive Union Management Alliance Council (EUMAC) was established in 2017 and is tasked with approving, prioritizing, and facilitating the execution of actions established in both the Union and Company's strategic plans.

### **First Quarter 2021 Certification of Projects and Change Actions**

Mr. Bruce certified that the following Projects and Change Actions were authorized during the First Quarter of 2021 in accordance with the Capital Projects Authorization Policy and Procedure.

Project Proposals Requiring Board Approval:

Project Number	Project Name	Requested Total Estimate	Contribution	LWC Net Cost	Current Year Estimate
<b>Total</b>					

Project Change Actions/Admin Notifications Requiring Board Approval:

Project Number	Project Name	Previously Approved Total Estimate	Change In Total Estimate	Requested Total Estimate	Change In Current Year Estimate
15607	CHFP - North/South Filter Gallery Rehab	\$ 12,893,000.00	\$ 1,058,100.00	\$ 13,951,100.00	\$ 3,585,897.00
3999-444-0002 <sup>1</sup>	I.T. Oracle Unlimited License Agreement	\$ 1,700,000.00	\$ 4,091,600.00	\$ 5,791,600.00	\$ 3,222,600.00
<b>Total</b>		<b>\$ 14,593,000.00</b>	<b>\$ 5,149,700.00</b>	<b>\$ 19,742,700.00</b>	<b>\$ 6,808,497.00</b>

Project Proposals Approved by the President:

Project Number	Project Name	Requested Total Estimate	Contribution	LWCNet Cost	Current Year Estimate
<b>Total</b>					

Project Change Actions Approved by the President with Total Estimate Changes:

Project Number	Project Name	Previously Approved Total Estimate	Change In Total Estimate	Requested Total Estimate	Change In Current Year Estimate
15607	CHFP North/South Filter Gallery Rehab	\$ 12,893,000.00	\$ 1,058,100.00	\$ 13,951,100.00	\$ 3,585,897.00
16122	Coral Ridge Rd Area MRRP 2021	\$ 1,569,000.00	\$ 250,000.00	\$ 1,819,000.00	\$ 50,000.00
<b>Total</b>		<b>\$ 14,462,000.00</b>	<b>\$ 1,308,100.00</b>	<b>\$ 15,770,100.00</b>	<b>\$ 3,635,897.00</b>

Project Change Actions Approved by the President with no change Total Estimate Changes:

Project Number	Project Name	Previously Approved Total Estimate	Change In Total Estimate	Requested Total Estimate	Change In Current Year Estimate
13109	ZPS Standby Generator	\$ 15,874,260.00	\$ -	\$ -	\$ (2,819,622.00)
<b>Total</b>		<b>\$ 15,874,260.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,819,622.00</b>

Board Letter Notifications: Projects \$250,00 - \$500,00

Project Number	Project Name	Previously Approved Total Estimate	Change In Total Estimate	Requested Total Estimate	Change In Current Year Estimate
<b>Total</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### Status of Open Projects with Total Estimates over \$2,000,000:

Project Number	Project Name	Total Estimate	Total Cost To Date	Status	Budget Year
11264	Transmission - Cardinal Hill Second Supply Phase 2B	\$ 3,708,490.00	\$ 125,621.36	Pending Capital	2005 Budget
11310	BEP - Renovate Sludge Lagoons #1, #2, #3, and #4	\$ 19,970,280.00	\$ 12,675,478.72	Work In Progress	2006 Budget
11615	Transmission - Gene Snyder Freeway Section 1B	\$ 9,133,000.00	\$ 383,106.60	Pending Capital	2007 Budget
11616	Transmission - Gene Snyder Freeway Section 2A	\$ 6,641,500.00	\$ 64,331.00	Pending Capital	2007 Budget - Program Child
13109	ZPS - Standby Generator	\$ 15,408,083.00	\$ 10,904,620.46	Work In Progress	2011 Budget
13264	CHPS - Replace Slate Roof and Improve Masonry	\$ 6,137,000.00	\$ 215,724.56	Pending Capital	2012 Budget
13274	Metering - AMI for Jefferson County	\$ 61,000,000.00	\$ 15,262,274.88	Design In Progress	2013 Budget
13512	ZPS - Station #3 Slate Roof Replacement and Masonry Improvements	\$ 6,569,000.00	\$ 6,447,065.81	Completed Not Closed	2013 Budget
14321	Rehabilitation 2015 - Eastern Pkwy 48-inch main	\$ 27,186,000.00	\$ 27,197,341.93	Completed Not Closed	2015 Budget
14325	CHFP - Chemical Building and Lab Fire Protection and Office Space Improvements for Productions	\$ 9,982,740.00	\$ 3,418,542.83	Work In Progress	2015 Budget
14330	CHWTP - Standby Generator	\$ 12,987,000.00	\$ 12,452,754.20	Work In Progress	2015 Budget -
14524	ATT RBF for CH	\$ 221,905,253.00	\$ 5,724,658.30	Pending Capital	2017 Budget
14534	I.T. - Oracle Utilities CCB,MWM Enhancements	\$ 3,500,000.00	\$ 3,243,904.73	Work In Progress	2016 Budget
14536	I.T. - Work and Asset Management System - WAM	\$ 23,526,488.00	\$ 23,152,294.86	Work In Progress	2016 Budget

### Status of Open Projects with Total Estimates over \$2,000,000:

Project Number	Project Name	Total Estimate	Total Cost To Date	Status	Budget Year
14542	Transmission - Urton Lane	\$ 5,297,725.00	\$ 232,852.70	Pending Capital	2017 Budget
14543	860 PZ - Bardstown Road Elevated Storage Tank	\$ 6,343,131.00	\$ 6,238,375.69	Completed Not Closed	2016 Budget
15036	Condition 2017 - Reservoir Yard Piping and Valves	\$ 5,000,000.00	\$ 55,399.49	Design In Progress	2017 Budget - Program
15055	Property Acquisition for Spoil Disposal - Site B	\$ 4,300,000.00	\$ 4,200,893.71	Work In Progress	2017 Budget
15253	900 Plan - Old Henry Rd to Terra Crossing Blvd	\$ 2,374,551.00	\$ 60,257.26	Pending Capital	2018 Budget
15438	660 Plan-SW Jefferson Cty Improvements-Lower Hunters Trace 20"	\$ 4,857,300.00	\$ 179,455.45	Design In Progress	2019 Budget
15458	Condition 2019 - PCCP	\$ 8,074,818.00	\$ 11,151,205.73	Completed Not Closed	2019 Budget - Program
15468	Kentucky,Oak,Glenmary Transmission Main Rehab 2019	\$ 11,500,000.00	\$ 239,099.47	Design In Progress	2019 Budget
15506	660 Plan-SW Jefferson County Improvements-Blanton Lane 20 inch	\$ 5,464,300.00	\$ 423,949.66	Design In Progress	2019 Budget - Unbudgeted
15509	Belmont Road BPS	\$ 2,245,000.00	\$ 2,004,523.20	Work In Progress	2019 Budget
15511	690 Plan:Preston Hwy Area	\$ 7,476,000.00	\$ 3,566,966.75	Work In Progress	2019 Budget - Program
15513	Cardinal Hill-Slope Stability	\$ 2,770,400.00	\$ 2,591,554.37	Completed Not Closed	2019 Budget -

- Pending - An approved project that has not yet begun. Some projects may go to Design and back to Pending if put on 'hold' with no construction.
- Design - The project is currently in Preliminary or Final Design, but a contract has not yet been awarded for construction.
- Work in Progress - Project has full approval to move forward, construction has begun, and a contract has been executed, if applicable.
- Complete Not Closed - Construction is complete, assets are in-service, but the project has not yet been closed due to various reasons.
- Contributed Capital is excluded from the Total Cost.

\* This information is time sensitive

3999-444-0002<sup>1</sup> This project is awaiting board approval

## First Quarter 2021 Certification of Contracts and Bids

Mr. Bruce certified that the following contracts were awarded during the First Quarter of 2021 in accordance with the Purchasing Policy and Procedure.

## Construction

<b>17-150</b>	<b>Assignment to Master Agreement - Transmission System Repairs and/or Capital Improvements. Algonquin Pkwy 24"/30" Corridor</b>	
16095	MAC Construction & Excavating, Inc	\$697,430
<b>17-150</b>	<b>Assignment to Master Agreement - Transmission System Repairs and/or Capital Improvements-Transmission Valve condition Assessment 2020 Change Order #3</b>	
15618	MAC Construction & Excavating, Inc	\$185,000
<b>20-56</b>	<b>Newburg Road Water Main Replacement Project</b>	
15665	Louisville Paving	\$720,000
<b>21-09</b>	<b>Stonestreet Road Area Water Main Replacement Project</b>	
16105	Excel Excavating	\$355,599
<b>SUM BY BIDS AND AWARDS CATEGORY</b>		<b>\$1,958,029</b>

## Procurement of Materials and Services

<b>15-154 KY State Contract</b>	<b>Wireless Servers (cell phones &amp; data) Contract Extension</b>	
MA7581300000622	Verizon Wireless	Annual Estimate \$300,000
<b>16-175</b>	<b>Ready Mix Concrete 3rd PPI Renewal</b>	
	Ernst Concrete	Estimate \$456,463
<b>16-21</b>	<b>Assignment to Master Agreement -Funding for WAM/CCB Reporting Development Enhancements and Support 2021-2022</b>	
	Intoollect LLC	\$246,150
<b>17-71</b>	<b>Construction Inspection Services 3rd CPI Renewal</b>	
	RA Consultants LLC	Estimate \$1,449,677
<b>18-01</b>	<b>Assignment from PeopleSoft Managed Services Master Agreement-Oracle SOA Applications Architect</b>	
	Sierra-Cedar	Estimate \$362,600
<b>18-02</b>	<b>Temporary Personnel &amp; Direct Hire Placement Services 3rd CPI Renewal</b>	
	Category A: 22nd Century Technologies, Inc.	\$300,000
<b>18-88</b>	<b>Property Protection/Security Services 2nd Contract Renewal</b>	
	Frederick Asset Protection	Estimate \$1,228,062
<b>19-27</b>	<b>Stone, Soil, and Sand 1st CPI Renewal</b>	
	Course Concrete Sand- Quality Stone	\$22,498
	Manufactured Sand- Hanson Aggregates	\$30,334
	Manufactured Sand- Irving Materials	\$25,933
	Soil- Earth First of Kentuckiana	\$77,723
	Soil- Liters Environmental	\$55,516
	Stone- Hanson Aggregates	\$43,576
	Stone- Irving Materials	\$72,626
	Stone- Quality Stone	\$225,275
<b>20-101</b>	<b>Assignment to -IT Project Consulting Services - Master Agreement- Enhancements 2021 for Oracle Utilities O&amp;M Support</b>	
GSA G535F474GA	TMG Consulting Inc	\$284,750
<b>20-121</b>	<b>New Services</b>	
	Section A Small Services Installations Primary- Debbie Sutherland Excavating (CWBE) (LWC-SBE)	\$592,850
	Section B Medium Service Installations Primary- Seven Seas Construction (CMBE) (LWC-SBE)	\$253,236
	Section C Large Service Installations-Primary Seven Seas Construction (CMBE) (LWC-SBE)	\$416,704
<b>21-05</b>	<b>Distribution System Repairs &amp; Capital Improvement Master Agreement - CORRECTION</b>	
	Basham Construction	Estimate \$1,200,000
	Southern Pipeline (CWBE)	\$1,656,078
<b>21-11</b>	<b>Resilient Seated Gate and Wheel Valves</b>	
	Mueller Co, LLC	Estimate \$332,035
<b>21-12</b>	<b>Grounds Maintenance, Landscaping, and Snow Removal for LWC</b>	
	Grounds Maintenance & Landscaping- Klausung Group-Site 2 and Site 3	\$50,413
	Grounds Maintenance & Landscaping- Site 1 & Site 4-Integrated Services	Estimate \$101,519
	Snow removal Contingency-Integrated Services-Site 1 & Site 2	Estimate \$132,890
<b>SUM BY BIDS AND AWARDS CATEGORY</b>		<b>\$9,916,908</b>

## Procurement of Professional Services

	<b>Oracle Applications Technical Architect</b>	
	V-Soft Consulting (CMBE)	Estimate\$341,120
<b>14-21</b>	<b>Assignment for Plant &amp; Facilities Engineering Services - Master Agreement- North/South Filter Building Renovation CHWTP</b>	
15607	CDM Smith	\$554,717
<b>21-15</b>	<b>Assignment to Architectural &amp; Facility Engineering Design Services Master Agreement- CHFP Chemical Bldg. &amp; Lab Fire Protection and Office Space Improvements Phase 2</b>	
14325	JRA Architects	NTE\$446,400
	<b>SUM BY BIDS AND AWARDS CATEGORY</b>	<b>\$1,342,237</b>

## Procurement of Sole Source Materials and Services

<b>14-10</b>	<b>AMR Meters, Registers, Endpoint Transmitters and Equipment 7th PPI Renewal</b>	
	Neptune Technology Group, Inc	Estimate\$458,671
<b>Sole Source</b>	<b>LOJIC Capital and Operations Costs for Fiscal Year 2021</b>	
	LOJIC	\$376,354
	<b>SUM BY BIDS AND AWARDS CATEGORY</b>	<b>\$835,025</b>
	<b>GRAND TOTAL</b>	<b>\$14,052,199</b>

## Pending Litigated Matters

Michael Tigue advised this item will be discussed in closed session.

## Compensation and Benefits Committee

Dr. Kerrick provided a summary of the discussions which took place during the Compensation and Benefits Committee meeting held on April 12, 2021. She reported that staff presented the proposed 2021 Leadership Shared Operating Goals, Management Incentive Goals and Corporate Performance Goals for review. Dr. Kerrick reviewed each goal with the Board.

Dr. Kerrick advised the committee recommends approval of the proposed Leadership Shared Operating Goals, the Management Incentive Goals, and the Corporate Performance Goals as presented.

After a short discussion, Mr. Esselman moved to approve the proposed goals as presented, seconded by Mr. Summers and the motion unanimously

## Closed Session Held

Mr. Summers moved to go into closed session to discuss current and pending litigation pursuant to KRS 61.810(c) at 1:36 p.m., seconded by Mr. Dearing and unanimously carried.

## Closed Session Resumed

Dr. Dronawat moved to return to open session at 1:50 p.m., seconded by Mr. Esselman, the motion unanimously carried. No action was taken.

## Financial Report Given

Ms. Pearson advised the audit of the 2020 financial statements, which is being performed remotely due to the pandemic, is nearing its conclusion. The ultimate completion date of the audit and issuance of the 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 provided an overview of the preliminary financial results for March.

Financial results are positive in March, despite total water revenue coming in slightly under budget. Favorable budget variances in operating and non-operating expenses more than offset the shortfall in water sales. As a result, net income for the month exceeds budget by \$316,000.

Consumption of 2.5 billion gallons for March is 13 million gallons higher than budget, and 161 million gallons higher than March 2020. Wholesale and industrial customer classes drove the favorable budget variance for the month, partially offset by shortfalls in residential and Metro Government consumption. Year-to-date consumption remains under budget and prior year, by 2.2% and 1.5% respectively, with all classes except irrigation and wholesale driving the unfavorable budget variance.

Water Revenue for March 2021 is \$194,000 lower than budget and \$1.0 million higher than the prior year. The majority of the shortfall to budget is in residential but is offset to a considerable extent by favorable budget variances in wholesale, commercial and industrial revenue. For the year-to-date period, water revenue is 1.7% less than budget and 1.1% higher than prior year levels.

Other Operating Revenue for March is \$15,000 lower than budget and \$139,000 below year-ago levels. The variance to budget is due to lower profit on sale of materials and property lease revenue due to timing, slightly offset by higher consulting services revenue. Consulting services are higher 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 partially offset by higher consulting services. Year-to-date, other operating revenue is \$58,000 below budget and \$491,000 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 revenue, partially offset by higher consulting services. The variance to prior year for the year-to-date period is driven by lower late fees, service deactivation fees and contract operations revenue offset by higher revenue from cross connection, consulting services and sewer billing.

Operating and Maintenance Expenses for March are \$426,000 lower than budget and \$201,000 lower than March 2020. The March variance to budget is primarily due to lower labor and labor related expenses along with lower bad debt and insurance reserves. These favorable variances are partially offset by higher contractual services mainly due to timing and higher main breaks. The favorable variance to March 2020 is driven by lower insurance reserves, bad debt reserves and reward and recognition expense, offset to an extent by higher contractual services costs. March year-to-date operating and maintenance expenses are \$1.1 million lower than budget and \$149,000 lower than year-ago levels. Contractual services, materials and supplies, labor and labor related and bad debt expenses were all lower than budget through March, although the favorable variance was slightly offset by an overage in insurance reserves. The variance to prior year through March is mainly due to lower equipment maintenance, insurance reserves and bad debt expense somewhat offset by higher contractual services.

Total Operating Expenses for March are \$476,000 lower than budget and \$9,000 lower than prior year. Total operating expenses year-to-date are 3.7% lower than budget and 1.4% over year-ago levels. The March and the year-to-date budget variances are primarily the result of lower operating and maintenance expense.

Non-Operating Income through March is \$27,000 higher than budget and \$256,000 less than March 2020. The favorable variance to budget is due to the transfer of earnings 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 earned as a result of market rates declining significantly due to the pandemic's impact on the economy, along with a lower dollar amount invested than in March 2020.

Non-Operating Expense through March is \$175,000 less than budgeted and \$475,000 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 March is \$3.2 million, which is \$316,000 more than budgeted. In comparison between years, net income for March is \$966,000 more than prior year. March year-to-date net income of \$9.2 million is \$800,000 more than budget and \$300,000 lower than prior year.

Contributions through March are \$151,000 more than budgeted and \$774,000 less than prior year.

Cash, Cash Equivalents and Short-term Investments totaled \$66.9 million at the end of March 2021, remaining in excess of 250 days of estimated Operating and Maintenance expense of \$59.2 million.

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

Eleven chemical spills were reported upstream of the Zorn intake; none that impacted water treatment. We fed carbon for nine days to mitigate taste and odor issues caused by river flood conditions. All treatment goals continue to be achieved.

In the interest of time, Dr. Kerrick asked the board to take the remaining Offices' letters under advisement.

There being no further business, the meeting adjourned at 2:05 p.m.

Respectfully submitted,



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