

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
May 17, 2022
Louisville Water Company**

Board Members Present:

Dr. Sundeep "Sunny" Dronawat, Chair
Mr. Paul Esselman, Vice Chair
Mr. Greg Dearing
Ms. Jennifer Fust-Rutherford (via video teleconference)
Dr. Sharon Kerrick (via video teleconference)

Not Present:

Mayor 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
Ms. Lynn Pearson, Vice President Finance and Treasurer
Ms. Kelley Dearing Smith, Vice President, Communications and Marketing
Mr. Adam Carter, Union President, Local 1683, AFSCME
Mr. Jeremy Raney, Director, Engineering
Ms. Jenni Schelling, Director, Internal Audit
Ms. Shannon Tivitt, One Water Project Liaison Director
Mr. Brian Sturgeon, Computer Network Administrator
Ms. Beverly Soice, Paralegal

Visitors:

The meeting of the Board of Water Works (BOWW) was held on Tuesday, May 17, 2022 at the Louisville Water Company located at 550 South Third Street, Louisville, Kentucky. Chair, Dr. Sunny Dronawat called the meeting to order at 11:03 a.m.

Minutes of the Previous Regular BOWW Meeting Approved

Paul Esselman moved to approve the Annual and Special Called Monthly Meeting minutes of April 25, 2022. Greg Dearing seconded, and the motion unanimously carried.

Report Provided by the President/Chief Executive Officer

Spencer Bruce advised that he will be consulting with Dr. Dronawat and Mr. Esselman about holding certain meetings in person and others virtually. He also stated that he plans to use Microsoft Teams for future virtual meetings.

Mr. Bruce briefly discussed an incident that took place during the Kentucky Derby. Low water pressure was experienced for approximately 30 minutes on Derby day in the infield and backside of the track. Staff immediately addressed the issue and appropriate pressure was regained.

Mr. Bruce announced the creation of a new program for the One Water Partnership, the “Partner(s) of the Year” Employee Recognition Award. This award will be given annually to an employee/team for their outstanding efforts on a project or program within the One Water Partnership. The objective of the program is to recognize employees who have demonstrated and contributed to improvements that benefit both organizations and our community. Nominees for the award are chosen based on the following criteria: professionalism, customer focus, teamwork, and innovation. For 2021, two employees were selected for the Inaugural One Water Partner of the Year – Megan Hancock with Louisville Water and Bill Malcolm with Louisville MSD. They received their awards at the One Water Board meeting on April 21, 2022. In addition to their award, both recipients also received a Mayor’s Proclamation recognizing their service and commitment to the One Water Partnership.

Megan Hancock serves as Louisville Water’s Director of Customer Service and has been instrumental in implementing the Partnership’s “Drops of Kindness” efforts for the past two years. Thanks to her hard work and dedication, we have been able to help approximately 25,000 customers with over \$9 million in customer assistance.

Bill Malcolm serves as the One Water Director of Fleet Services. Bill oversees both Louisville Water and Louisville MSD’s Fleet Operations. In 2021, Bill led a critical project to replace the Fleet Management System with a new web-based system called AssetWorks. Both organizations now use this system to manage Fleet processes.

Unbudgeted Project Approved and Budget of Record Established for Project No. 366-22-0019 - Owl Creek Lane Extension

In Tim Kraus’ absence, Jeremy Raney presented the engineering requests and reports.

Mr. Raney advised that staff is requesting BOWW authorization of an unfunded capital project and to establish a budget of record in the amount of \$548,415.00 for the Owl Creek Lane Extension Project.

This project includes the installation of 1,450 linear feet of 6-inch ductile iron pipe along Owl Creek Lane, one fire hydrant and the installation of new meters in front of each residence and work with property owners to realign their private plumbing to the new water meter locations. Easements will be needed from 1205A and 1205B Old Harrods Creek Road to comply with current Service Rules and Regulations. This project will bring all residents along Owl Creek in compliance with current Louisville Water Company Service Rules.

Mr. Esselman moved to approve the unbudgeted Owl Creek Lane Extension Project and to establish a budget of record of \$548,415.00 for this project. Mr. Dearing seconded and the motion unanimously carried.

Contract Awarded and Budget Increase Approved for Project 15252 - Tower Restoration and Museum Renovation

Mr. Raney advised that staff is requesting BOWW authorization to award a contract for the Tower Restoration and Museum Renovation Project and increase the project budget \$2,745,554, establishing a new budget of \$6,198,104.

Kelley Dearing Smith provided a history of the water tower including damaged sustain by the 1890 tornado and the 1937 Great Flood. The water tower is a National Historic Landmark, a Civil Engineering Landmark, a Kentucky Historic Site and has received numerous local and state preservation awards.

Mr. Raney advised the Tower Restoration and Museum Renovation project consists of a complete restoration of the historic water tower at the Zorn campus, new access to the mechanical room in the museum to address safety concerns, creation of storage space, museum exterior painting, and acoustic improvements to the Grand Hall. This change also includes design and inspection services related to the project.

The apparent low bid for this project is \$5,313,489, which is 83.2% higher than the engineers original estimate of \$2,900,000. The original estimate was based on a much smaller scope of work that included only the water tower restoration. Due to findings from the Company's restoration consultant, the scope of work greatly increased as listed in the paragraph above leading to the increased project cost.

After a brief discussion, Mr. Dearing moved to award a contract to Corbett Construction Company, Inc., in the amount of \$5,313,489 and to increase the project budget \$2,745,554, establishing a new budget of record in the amount of \$6,198,104. Mr. Esselman seconded and the motion unanimously carried.

One Water Update

Shannon Tivitt provided a summary of the items discussed at the Louisville One Water Partnership Board meeting held on April 21, 2022.

Megan Hancock with Louisville Water and Bill Malcolm with Louisville MSD were honored as the recipients of the inaugural 2021 One Water Partner of the Year Award.

The Board received a copy of various 2021 final reports including the One Water Project Plan results, Progress Report, Shared Services Reimbursement Report, and the One Water Impact Report.

The 2022 One Water Project Plan was presented to board members. The plan includes seven projects for the year and is aligned with the four One Water Goals: *Improve Every Customer Experience, Sustain Partnership/Partner for Progress, Drive Revenue Growth and Create Efficiencies.*

The One Water Board members heard updates regarding Partnership Innovation, Louisville Water Innovation efforts and Louisville MSD Innovation activities.

Ms. Tivitt advised the next One Water Partnership Board meeting is scheduled for November 17, 2022.

Financial Report Given

Lynn Pearson advised that the audit of the 2021 financial statements is nearing its conclusion, with the exception of areas related to pension and other post-retirement benefits. The ultimate completion date of the audit and issuance of the financial statements is dependent upon the release of the audited reports from the Kentucky Retirement System. These reports will provide updated liability numbers and other information that we must have in order to finalize the audit and the financial statements. Based on recent communications with the pension system, we anticipate that the final reports will be issued immediately following a special-called Kentucky Public Pensions Authority (KPPA) board meeting on June 16.

Following is an overview of financial results for April. Results must be considered preliminary until the audit of the 2021 financial statements is complete.

Total consumption and water revenue were under budget for April. Total operating expense, along with other operating and non-operating revenue performed favorably to budget, but this was not enough to offset the shortfall in water revenue. As a result, net income for the month was under budget by \$358,000. Details of the Company's financial performance as compared to budget and prior year are as follows.

Consumption of 2.2 billion gallons for April is 212 million gallons less than budget, and 306 million gallons lower than April 2021. The unfavorable budget variance was driven primarily by shortfalls in residential, wholesale and commercial consumption however all customer classes were under budget. A considerable portion of the negative variance in residential and commercial is attributable to the timing of meter reads. The majority of the shortfall in wholesale consumption comes from Hardin County Water District No. 1, as their plant came back into service earlier than anticipated. Year-to-date consumption remains under budget and prior year by 4.2% and 2.7%, respectively, with residential and wholesale being the main driver of the year-to-date budget variance.

Water Revenue for April 2022 is \$919,000 lower than budget and \$1.0 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 residential, commercial and wholesale, although all customer classes were under budget for the month. For the year-to-date period, water revenue is 3.2% less than budget and 1.5% higher than prior year levels.

Other Operating Revenue for April is \$80,000 higher than budget and \$139,000 above year-ago levels. The variance to budget is mainly due to higher revenue from late charges, service line protection and cross connection fees. The increase over prior year is also driven by revenue from late charges and to a lesser extent, disconnect fees and service line protection. Year-to-date, other operating revenue is \$372,000 higher than budget and \$910,000 higher than prior year. The year-to-date variance to budget is primarily due to higher revenue from late charges and service line protection offset slightly by lower disconnect fees.

Operating and Maintenance Expenses for April of \$7.5 million are \$215,000 lower than budget and \$309,000 higher than April 2021. The April variance to budget is primarily due to lower contractual services, insurance reserves, bad debt reserves, and materials and supplies costs, partially offset by higher labor and labor related costs. The unfavorable budget variance in labor and labor related costs is timing only and will reverse in coming months. The increase over April 2021 is primarily due to higher labor and labor related costs and chemicals offset by lower contractual services and insurance reserves. April year-to-date operating and maintenance expenses are \$347,000 higher than budget and \$2.4 million higher than year-ago levels. Labor and labor related expense, chemicals, and fleet expenses were all higher than budget through April, offset to an extent by lower insurance reserves, bad debt expense, equipment maintenance and materials and supplies. The year-to-date variance to prior year is mainly due to higher labor and labor related, chemicals, utilities, contractual services and bad debt expenses, partially offset by lower insurance reserves.

Total Operating Expenses for April of \$13.2 million are \$472,000 lower than budget and \$396,000 more than prior year. The budget variance is due to lower operating and maintenance and depreciation expenses. The variance to prior year is mainly due to higher operating and maintenance expense along with higher depreciation, offset by lower loss from disposition of property. Total operating expenses year-to-date are 1.4% lower than budget and 5.9% over year-ago levels. The year-to-date budget variance is primarily the result of lower depreciation and loss from disposition of property partially offset

by higher operating and maintenance expenses. Year-to-date loss from disposition of property includes \$230,000 gain on sale of property on Johnsonstown Road recognized in March.

Communication and Marketing Report Given

Ms. Dearing Smith advised that a media event in early May marked the start of the second phase of the Frankfort Avenue Project that replaces an 1879 water main near the treatment plant. This year-long project requires lots of community and stakeholder outreach and coordination and neighbors, businesses, schools, and elected leaders all received advance notice of new detours. Our communication efforts also include community involvement. In April, Louisville Water was part of the Frankfort Avenue Easter Parade, and this second phase includes new sidewalks that will make it safer and easier for students who walk to Field Elementary.

Voice of Customer is Louisville Water's ongoing effort to listen to consumers and measure customer satisfaction, brand perception and brand reputation. In the first quarter, research looked at sentiment around water quality, probing what is behind the scores for taste and trust and if living in a certain zip code changes your perception.

Overall, 91 percent of customers rate their water quality as "excellent" or "good." That high satisfaction appears across all demographics with customers giving high ratings for safety, taste, smell and appearance. Many customers have a high level of trust that Louisville Water will keep the water supply safe and reliable and provide high-quality drinking water. Several factors point to these favorable perceptions including high awareness that Louisville Water tests their drinking water at least daily; customers feel informed about their water quality; high awareness of Pure Tap™ as Louisville Water's high-quality drinking water; and, ongoing engagement with communications from Louisville Water.

Ms. Dearing Smith reviewed JD Power surveys results as well as surveys conducted by CEX.

Customer Service and Distribution Operations Report Given

Dave Vogel advised that as a result of the information Louisville Water and Metro have accumulated during the COVID pandemic, Metro has been able to apply for more grant funds.

Call Center operations received 22,161 calls in April with an abandonment rate of 7.3% and an average speed of answer of 2:39 m:s. Staff has been wrapping up the final activities associated with the LIHWAP program. New Services received 244 new service applications in April and has been completing these, on average, in less than four days. This is a significant improvement in performance and the building community is very satisfied. Staff members participated in the CS Week conference, which focuses on customer and billing services, and presented on several topics.

Estimated bills for the month were 1.83% which is favorable to past periods. Work continues with the new meter reading contractor to increase their performance and help train their staff. The AMI system is now being used for routine "move ins" and "move outs" to eliminate the need of rolling a truck to get a final read. We are now at over 90,000 AMI units installed and customer usage of the new portal continues to grow. As with other groups within the organization, Metering staff are preparing for the CC&B upgrade planned to begin in May.

All Kentucky Derby preparation activities were completed on schedule, however there was one issue which impacted water supply for a very short period to the facility's stable area and infield. Corrective action was taken immediately, and we are working with the customer to identify the root causes and corrective actions going forward.

Engineering and Production Operations Report Given

Mr. Raney stated the 2022 capital program expenditures through April totaled \$22,099,737 which is \$5,724,902 or 34.96% higher than the same period last year. These expenditures equate to 19.81% of the 2022 total capital program of \$111,534,377.

The amount of water produced and delivered to the system in April 2022 was 112.3 MGD, which was 1.4% lower than April 2021 and 3.9% higher than the April five-year average. For year-to-date, the amount of water delivered to the system was 1.7% higher than 2021, and 6.3% higher than the five-year average.

All water quality goals for April 2022 were achieved. No water quality violations were incurred.

Water Quality personnel analyzed 1,191 water quality parameters; 1,031 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 38 main-break compliance samples for 20 repairs. Five localized boil water advisories (BWAs) were issued due to field conditions. Zero BWAs were issued due to water-quality monitoring results.

Eight chemical spills were reported upstream of the Zorn intake; none that impacted water treatment. All treatment goals continue to be achieved. The highest atrazine level detected in finished water was 0.034 ppb on April 29 (Goal < 0.80 ppb). Seven water quality customer complaints were received in April (the five-year average is seven complaints).

Human Resources Report Given

In Terrence Spence absence, Adam Carter 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 four active grievances filed by the Union.
- Union and company representatives attended the monthly labor management meeting and discussed various work-related topics.
- Union and Company representatives are continuing negotiations for the next collective bargaining agreement (CBA).
- The Company posted five regular full-time classified union positions.

Louisville Water attended the Louisville Urban League's 2022 Cohort Heavy Construction Training Class Orientation on April 27.

Mr. Carter added that he and Joe Schmitt of Louisville Water are on the board of the heavy equipment science program.

Information Technology Report Given

Jeff Knott referred the Board to his monthly report but did want to mention that over the last several months we have had an increase in phishing attempts from external sources. In addition to enhancing our cybersecurity rules, we will be requiring all employees to go through training over

the next two quarters as well as perform phishing testing for all employees by the end of the year. If employees fail the test, they will receive additional training.

Mr. Knott also advised that staff will be implementing security improvements to SCADA.

There being no further business, the meeting adjourned at 12:30 p.m.

Respectfully submitted,



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