

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
May 18, 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. Aaron Jackson, Budget Director, 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. 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
Ms. Laura Armistead, Director, Information Technology
Mr. Peter Goodman, Director, Water Quality and Research
Mr. Larry Bryant, Director, Production Operations
Ms. Sue Purdy, Director, Accounting and Finance
Mr. Jeremy Raney, Director, Engineering
Ms. Jenni Schelling, Director, Internal Audit
Ms. Shannon Tivitt, Director, Project Liaison, One Water
Mr. Matthew Griffith, Strategic Planning and Performance Specialist
Ms. Patti Kaelin, Project Manager, Regional Development
Mr. John Baum, Manager, Accounting
Mr. Brian Sturgeon, Computer Network Administrator
Ms. Beverly Soice, Paralegal

Visitors:

Mr. Scott Nickerson, Crowe
Mr. Kevin McGill, Crowe
Mr. Seth Martindale, CBRE Consulting

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 11:00 a.m.

Minutes of the Annual and Previous Regular BOWW Meeting Approved

William Summers moved to approve the Annual and Regular Monthly Meeting Minutes of April 20, 2021 as presented, seconded by Greg Dearing and the motion unanimously carried.

Mr. Bruce introduced Aaron Jackson, Louisville Metro Budget Director who is taking Daniel Frockt's position as the Metro representative to the BOWW. Dr. Kerrick and other Board members welcomed Mr. Jackson.

Mr. Bruce informed that he is planning to hold the July Board meeting in person in Training Rooms A and B. He added that the ability to video teleconference will be available.

Report Provided by the President/Chief Executive Officer

Mr. Bruce advised that House Foods America (House Foods) will build its first facility in the Midwest at the Riverport Industrial Complex in Louisville. The Japanese-based company is the largest producer of tofu in the United States and currently operates facilities on the west and east coasts. The announcement follows a nine-month effort from a team from Louisville Water, Louisville MSD, the state and Louisville Forward. This new business opportunity took an unusual degree of coordination because of the value of water to this food sector. There are two primary ingredients in tofu, soybeans and water.

House Foods plans to begin construction in 2022 and be operational in 2025. The facility represents a \$146 million investment and 109 jobs and is expected to use nearly 1 million gallons per day when fully operational.

Kelley Dearing Smith added that Louisville Water hosted representatives from House Foods at our corporate office. They take great pride in the product they produce.

Mr. Bruce advised that on April 26, 2021 he participated in the American Water Works Association (AWWA) Annual "Fly-In" event. This is an annual event where, under pre-COVID conditions, water utilities go to Washington D.C to meet with their federal legislatures to discuss their concerns, needs and legislative issues. For 2021, due to the continued concern with the pandemic, this was a "virtual" event. Mr. Bruce and representatives from Bowling Green Water and the Northern Kentucky Water District met with Senator McConnell's aide where they discussed funding needs for water infrastructure that include both loan and grant programs; restoring the tax-exempt benefits of advanced refunding of municipal bonds; funding assistance for public and private lead service line removal; and, continuing PFAS research and ensuring the requirements of the Safe Drinking Water Act are utilized to determine regulatory action.

Our presentation was well received and we offered any assistance Senator McConnell may need as he works to support drinking water systems in the state.

2020 Financial Audit Presented

Lynn Pearson advised that that 2020 financial audit has been completed. The audit was again conducted remotely this year due to the continued COVID pandemic.

Ms. Pearson introduced Scott Nickerson and Kevin McGill with the independent auditing firm of Crowe, LLC (Crowe) who provided a summary of the audit report.

Mr. Nickerson advised that Crowe conducted an audit of Louisville Water's financial statements

for the year ended December 31, 2020 and has issued an unqualified opinion. He reviewed the financial highlights in the Management Discussion & Analysis (MD&A), the Income Statement and Key Performance Indicators.

Mr. Nickerson advised Crowe found no significant deficiencies or material weaknesses. He also stated no difficulties were encountered during the audit and no disagreements with management. Mr. Nickerson commented that the Board could rely on the monthly reporting provided by staff.

Mr. Nickerson answered questions of the Board members.

Dr. Kerrick thanked Ms. Pearson and her team as well as Mr. Nickerson and his team for their work on the audit.

Ms. Pearson thanked Sue Purdy, John Baum and his staff for their work on the financial audit.

Paul Esselman congratulated Ms. Pearson and her staff on the clean audit.

Mr. Esselman moved to approve the 2020 Annual Report. William Summers seconded, and the motion unanimously carried.

Contract Awarded for Project No. 114325 – Crescent Hill Filter Plant: Chemical Building Renovation Phase 2

Tim Kraus advised the Crescent Hill Filter Plant Chemical Building Renovation is being bid in three separate phases. Construction of phase 1 was bid in 2019 and completed at the beginning of 2021. Phase 1 focused on the relocation of existing functioning treatment plant services that conflict with the eventual project build out. The first floor was extended filling in a void left from demolition of a wash water tank. Two new fire rated stairwells were constructed from the new lower level to the new first floor. Phase 1 also included 100% abatement of all existing lead paint within the phase 1 project limits.

Phase 2 will include installation of concrete floors on the second, third, fourth, fifth and seventh levels where the wash water tank once stood within the building. The two previously constructed fire rated stairwells will be extended up to the seventh floor. The existing elevator will be replaced to provide access out the front and back of the elevator. A fire suppression system will be installed in the chemical building as well as the existing lab building, plant main offices and treatment plant control room. Existing restrooms in front of the control room will be expanded and renovated, along with the employee locker rooms in the lab area. This phase will also include 100% lead abatement within the Phase 2 limits.

Phase 3 which is estimated to begin in the fall of 2022, will remodel the remaining office space and install new furniture throughout the chemical building and filter plant offices.

The apparent low bid for phase 2 of this project is \$9,665,582, which is 8.2% higher than the engineers estimate of \$8,930,000. This difference is due to the increase in material (steel) since the engineer's estimate was prepared.

Mr. Dearing moved to award the contract to Corbett Construction Co., Inc. Seconded by Mr. Summers and the motion unanimously carried.

Unbudgeted Capital Project Approved: Replacement of the John L. Huber Building Roof

Mr. Kraus advised the purpose of the letter is to request approval of an unbudgeted capital project for the replacement of the John L. Huber Building Roof.

The scope of the project is to remove and replace 21,680 square feet of the existing Styrene Butadiene Styrene (SBS) roofing system. The existing roof was installed in 1998 and is at the end of its useful life. Leaks have occurred over the past few years validating the deterioration of the existing roofing system. A capture system has been developed within the file room to collect water seeping through the roof threatening as-built and easement records.

Dr. Kerrick asked Ms. Pearson if there are funds available for this project. Ms. Pearson indicated Louisville Water has no problem funding this project.

Mr. Summers moved to proceed with the John L. Huber Building Roof Replacement and to establish a budget of record of \$720,000.00 for this project. Seconded by Mr. Dearing and the motion unanimously carried.

SCADA Security

Dr. Kerrick stated this item will be covered in closed session.

One Water Update

Shannon Tivitt provided a summary of the Louisville One Water Partnership Board held on April 22, 2021.

The 2020 One Water Progress Report was presented to the Board. This new annual summary, along with the One Water Value infographic, will be updated to summarize yearly One Water activities.

Megan Hancock, Director of Customer Care and Business Operations for Louisville Water, gave a presentation to the Board outlining how staff formulated a strategy to process and distribute relief funds and how successful the Drops of Kindness program has been to date.

The Board was provided with a copy of the First Quarter Reimbursement Report for 2021.

The 2021 One Water Project Plan was unveiled to Board members. The plan includes ten projects for the year and is aligned with our four One Water Goals: Improve Every Customer Experience, Sustain Partnership/Partner for Progress, Drive Revenue Growth and Create Efficiencies.

Louisville Water Brand Research

Ms. Dearing Smith advised that staff recently conducted a brand audit of Louisville Water's trademarked product. She provided the history of Louisville Water's campaign to promote the quality, innovation and value of tap water which began in 1997.

The audit research was conducted in the third quarter of 2020 and consisted of 800 customers completing an online survey, 110 employees and interviews with 15 business partners. Ms. Dearing Smith reviewed the audit results with the Board which included the following:

- Most customers drink water from the tap (43%) or refrigerator (27%) because of the convenience and taste.
- Customers consider the quality of Louisville tap water very good, giving it an average 8.8 rating out of 10. They are proud of this quality and most (73%) consider it a good value.
- Awareness of pure tap® is growing: 74% are aware compared to 55% in 2011. Almost all customers (95%) associate pure tap® with Louisville Water. Most customers are familiar with pure tap® because of the reusable water bottles, races and walks, and bottle filling stations.
- For 62% of customers, pure tap® means 'quality water', an increase of 27 percentage points from a similar survey conducted in 2011 when only 35% of customers used this descriptor. They also consider pure tap® 'trustworthy' and 'consistent' and 69% say pure tap® quality is better or comparable to packaged water.
- Despite this favorability, 43% of customers purchase bottled or canned water at least once a month. Customers aged 18-34 are least likely to purchase bottled or canned water, while those customers aged 45-54 are the most likely.
- Almost all of Louisville Water employees (99%) are proud of the quality of Louisville's tap water. Most (96%) are aware of pure tap® and know it as 'the highest rated water in the U.S. (38%)'.
- Employees like the quality of pure tap®. It makes most of them (74%) feel 'Excellent' or 'Very good' about Louisville tap water. For them, pure tap® is a source of pride. In fact, employees would like to know even more about pure tap® and be able to purchase pure tap® merchandise.
- Like customers, employees describe pure tap® as 'trustworthy' and 'consistent' and 58% say it is important for Louisville tap water to be branded as 'Louisville pure tap®'.
- Almost all employees (95%) would recommend pure tap to their family and friends.
- For “locals” both the W and pure tap® logos were easily recognized as belonging to Louisville Water. The wave is a strong connecting element.
- Those new to Louisville had trouble making the connection that pure tap was the product from Louisville Water and not just another brand of water. Some are under a misperception that Louisville pure tap ® is a distilled or bottled water.

As the result of the audit, a new iteration of Louisville pure tap® identity must be intentional in conveying key takeaways: It is the product (out of the faucet water) brought to you by Louisville Water.

A refreshed logo has been developed, Louisville Pure Tap™, that includes capitalizing the “P” and “T”. In an attempt to link the parent to the product, we have included a faucet and a tagline to build on the existing pride. The updated mark will be launched during National Drinking Water Week, the first week of May.

Our communication and marketing plan will build on the equity with the attributes: Quality + Taste + Value = Pride. We will use the research to evolve strategic efforts to tell the story of Louisville’s drinking water and will update brand standards for Louisville Water and Louisville Pure Tap™

Closed Session Held

Jennifer Fust-Rutherford moved to go into closed session to discuss current and pending

litigation pursuant to KRS 61.810(m) at 12:07 p.m., seconded by Mr. Summers and unanimously carried.

Closed Session Resumed

Mr. Dearing moved to return to open session at 12:45 p.m., seconded by Sunny Dronawat, the motion unanimously carried. No action was taken.

In the interest of time, Dr. Kerrick asked that each Vice President provide a very brief summary of their reports.

Financial Report Given

Mr. Pearson advised that financial results are favorable for April with total consumption and water revenue coming in higher than budget and total operating and non-operating expenses coming in below budget. These favorable budget variances are only partially offset by unfavorable variances in other operating revenue and non-operating income. As a result, net income for the month exceeded budget by \$889,000.

Year-to-date consumption remains under budget by 0.6% with commercial, industrial, and Metro government all falling short. Wholesale consumption is significantly higher than budget through April, offsetting more than half of the shortfall in other categories. For the year-to-date period, consumption is 0.3% higher than prior year, also a result of the strength of wholesale.

Operating and Maintenance Expenses for April are \$240,000 lower than budget and \$570,000 higher than April 2020.

Net Income before Distributions and Contributions for April is \$3.2 million, which is \$889,000 more than budgeted. In comparison between years, net income for April is \$348,000 more than prior year. April year-to-date net income of \$12.4 million is \$1.7 million more than budget and \$48,000 higher than prior year.

Communications and Marketing Report Given

Ms. Dearing Smith advised that she and her Communication and Marketing Department have provided a great deal of support to the Customer Service Department over the last month in addition to assisting with finalizing the Consumer Confidence Report which is required by the Environmental Protection Agency (EPA), conducting the Earth Month campaign, and conducting the second Pulse Survey of customers' perception of how Louisville Water is handling COVID pandemic (Drops of Kindness program).

Customer Service and Distribution Operations Report Given

Dave Vogel reminded the Board that Louisville Water will resume residential disconnections for non-payment of water bills next month. Louisville Water stopped disconnections due to non-payment shortly after the COVID pandemic began.

He also informed the Board that Advanced Metering Infrastructure will restart installations in June.

Finally, Mr. Vogel was happy to report that there were no operational issues during any Derby event this year.

Engineering and Production Operations Report Given

Mr. Kraus advised that the prices of materials have significantly increased as the result of the COVID pandemic, recent increases in export taxes from China, and the weather disaster in Texas. Staff has seen price increases between 15 to 66 percent.

Human Resources Report Given

Terrence Spence provided a summary of recent and current activity between the Louisville Water Labor Management and Local Union 1683.

- Currently there is one active grievance filed by the Union in discussion for possible resolution.
- Union leadership and management staff conducted the monthly Executive Union Management Alliance Council (EUMAC) to review the status of various projects and initiatives.
- The Company posted five regular full-time and one temporary full-time classified positions for the internal union job bidding process. Mr. Spence added that they are in the process of beginning to digitize job postings for union employees.

Information Technology Report Given

Jeff Knott advised that given news on recent cyber-attacks, he and his staff have been concentrating their time on security measures.

Dr. Kerrick welcomed Mr. Jackson as the Mayor's new representative to the BOWW. Mr. Jackson provided a short summary of his education and professional background with the Board

There being no further business, the meeting adjourned at 1:00 p.m.

Respectfully submitted,



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