

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
MAY 19, 2020
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, 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, President, Local Union 1683 of the AFSCME
Ms. Jenni Schelling, Director, Internal Audit
Ms. Beverly Soice, Paralegal
Mr. Brian Sturgeon, Computer Network Administrator

Visitors:

The regular called meeting of the Board of Water Works (BOWW) was held on Tuesday, May 19, 2020 at the Louisville Water Company (Louisville Water or the Company) located at 550 South Third Street, Louisville, Kentucky. The meeting was held through teleconference video via Zoom Communications. Chair, Dr. Sharon Kerrick called the meeting to order at 11:04 a.m.

Minutes of the Previous Regular BOWW Meeting Approved

Greg Dearing asked that he be added to the list of Board members present at the Annual Meeting held on April 21, 2020. With this addition, Mr. Dearing moved to approve the Annual Meeting Minutes of April 21, 2020 as presented, seconded by Dr. Kerrick and the motion unanimously carried. William E. Summers, IV moved to approve the Special Called Meeting Minutes of the April 21, 2020, seconded by Paul Esselman, and the motion unanimously carried.

Report Provided by the President/Chief Executive Office

Spencer Bruce spoke of the untimely passing of former BOWW Director, Tierra Wayne Kavanaugh. Mr. Bruce recalled her service as a Board member, the guidance and expertise she

provided with regard to the Company's women and minority owned business endeavors, and her friendship.

Mr. Bruce provided his monthly report which included the following:

Louisville Water continues to follow the Kentucky's Healthy at Work guidelines as well as the Center for Disease Control (CDC) recommendations. A majority of employees continue to work remotely, and our management team is monitoring team performance and morale. At our treatment facilities and distribution center, we continue to provide hand sanitizers, keep our crews separate as much as possible and stagger shift times. Employees wear masks at Company facilities when they cannot maintain social distancing and we have implemented self-health assessments. Our lobby remains closed to the public. Our COVID-19 Risk Team meets daily.

A variety of tools are being used to communicate with employees. While most information is delivered through email, Mr. Bruce advised he did meet virtually with a small group of employees for his monthly "Breakfast with the President". In addition, a video message was created where he shared an update on the financial impact of the pandemic. Management and frontline employees have done a good job of tightening budgets as we plan for lower commercial and industrial water sales and increased bad debt. We are also partnering with Louisville MSD on a strategy to work with customers who have outstanding balances.

We do not plan to bring our remote employees back to the office on a regular schedule for the next several weeks. Working with our Directors, the Executive Leadership Team has developed a phased return-to-work plan that follows the state and federal recommendations.

Contract Awarded for Project No. 15511-690 Plan: Preston Highway Water Main Installation

Tim Kraus advised the purpose of this correspondence is to request the Board's authorization to award the construction contract for the 690 Plan: Preston Highway Water Main Installation Project. This project includes the installation of 14,125 feet of 24-inch and 16-inch water main along Preston Highway from the proposed Belmont Pump Station, currently under construction at Belmont Road, to Baxter Drive in Bullitt County. This project will provide an increased volume of water to the southern portion of Bullitt County and to supply Hardin County Water District No. 2 an increase from 2 MGD to 5 MGD effective May 1, 2021, as per the contractual agreement.

Louisville Water received bids from six prequalified contractors for the construction of this project. The Project Manager's estimate for the project was \$4,250,000. The low, responsive bidder was Scott & Ritter, Inc., with a bid of \$3,462,095.

Mr. Dearing moved to award the 690 Plan: Preston Highway Water Main Installation Project construction contract to Scott & Ritter, Inc., for \$3,462,095, Mr. Esselman seconded and the motion unanimously carried.

Compensation and Benefits Committee Report Given

Dr. Kerrick provided a summary of the discussions held during the Compensation and Benefits Committee meeting held on April 15, 2020. She reported that staff presented the proposed 2020 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.

Daniel Frockt thanked the Executive Leadership Team for its management of the Company over the past year. He added that he would be remiss if he did not mention that in light of the economic impact due to the COVID-19 pandemic, annual raises will not be proposed for Metro employees this fiscal year. Mr. Bruce explained that the three sets of goals are developed and presented to the Compensation and Benefits Committee and to the full BOWW for approval. These represent the goals that the Company strives to achieve. It does not mean we will necessarily meet them, and staff is not requesting approval to award the incentive based on the goal results. Review of our achievements toward the goals will come after the end of the year.

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

Mr. Frockt exited the meeting at 11:59 a.m.

COVID-19 Update

Lynn Pearson provided an analysis of the financial impact of the COVID-10 pandemic which included a review of April's residential, commercial and industrial water consumption and other operating revenue and water pumpage statistics through mid-May. Ms. Pearson also updated the board on expense reductions planned to help offset the negative impact of the pandemic.

Dave Vogel provided an overview of the impact of the pandemic to customer service and collections, which included a review of statistics concerning accounts in collection, bad debt expense and turnoff for nonpayment.

Kelley Dearing Smith provided a summary of the customer assistance program, Drops of Kindness, that provides assistance to customers in Jefferson, Oldham and Bullitt counties to pay their water and wastewater bills.

Financial Report Given

Ms. Pearson summarized the Financial report for April.

The audit of the Company's 2019 financial statements is substantially complete. Final audited pension and post-retirement benefit balances have been incorporated into our financial statements and we expect final sign off by Crowe LLP this week.

In April, the negative financial impact of the COVID-19 pandemic intensified, but bottom-line results are still favorable as compared to both budget and prior year. Total consumption and water revenue for April 2020 came in slightly higher than budget while other operating revenue was materially under. Total operating expenses performed favorably to budget, more than offsetting the negative variances in total operating revenue and non-operating income and expense. As a result, net income for the month was \$207,000 more than budgeted.

Consumption of 2.3 billion gallons for April 2020 is 3.1 million gallons higher than budget and 14.7 million gallons higher than April 2019. As expected, the pandemic is pushing residential consumption higher, offsetting the negative variance in the industrial customer class. Residential

consumption is 6.5% higher than budget in April while industrial is 19.2% short of budget. Year-to-date consumption remains under budget by 1.3% and over prior year by 1.4%, with the industrial customer class driving the unfavorable budget variance.

Water Revenue for April 2020 is \$196,000 higher than budget and \$590,000 above prior year. Water Revenue through April is over budget by \$475,000 and is \$3.3 million over last year.

Net Income before Distributions and Contributions for April is \$2.9 million which is \$207,000 higher than budgeted. In comparison between years, net income is \$40,000 higher than April 2019. April year-to-date net income of \$12.4 million is \$486,000 higher than budget and \$296,000 higher than the four months ended April 2019.

Last month staff reported initial views on the potential negative impact of the COVID-19 pandemic on the Company's 2020 financial performance. April is the first full month under the pandemic crisis and the month's financial results have provided more insight. Our initial expectation that water consumption in the industrial and commercial classes will fall was proved correct this month. We also anticipated that these declines would likely be offset to some extent by higher consumption by residential users. This offset was more pronounced than expected in April, more than offsetting the declines in non-residential. A drop in other operating revenue as a result of the suspension of late charges and service deactivation fees took place as expected. On the expense side, the anticipated sizable increase in bad debt expense has not yet occurred, but we knew there would be a lag and we still expect to see this in future months.

Communications and Marketing Report Given

Ms. Dearing Smith summarized the Communications and Marketing report for April.

Louisville Water's marketing strategy continues to focus on clear, consistent and relevant messaging to build trust during the COVID-19 crisis. A digital campaign with the theme "We Make Life Pure & Simple" performed exceptionally well. The campaign included a short video for Drinking Water Week that captured over 4,000 direct views and was shared by Mayor Fischer during his daily COVID-19 briefings. The campaign also included employee profiles, a live morning television remote and the distribution of our annual water quality report.

The Louisville Water Tower is a beloved landmark, and as we added green lights to honor those impacted by COVID-19, media outlets across the state shared the image. We continue to cast the green light on the National Historic Landmark.

Local media also featured a story on how our crews are managing the increased interest in our field work. With many people staying home, our work to repair a water main or replace a fire hydrant can attract a small crowd. We have added "social distancing" signage to our job sites, but we're also using the interest as an education opportunity.

As businesses re-open, the Communication and Water Quality teams developed and launched a communication plan with guidance for business owners to maintain good water quality inside their facilities. If a building has been empty or under used for months, it's important to "flush the water lines" to move out the older water and bring in fresh water. The campaign includes a website, direct mail communication to ~22,000 commercial businesses, outreach to nearly 50 local and state organizations, infographics and an animation. This campaign will continue through the summer.

Louisville Water has launched a new partnership with Louisville City FC, the city's professional soccer team. The partnership includes three branded water filling stations, a digital campaign with Lou City players endorsing Louisville pure tap® and an education campaign on hydration at soccer clinics and the stadium.

Customer Service and Distribution Operations Report Given

Mr. Vogel summarized the Customer Service and Distribution Operations for April.

Estimated bills for the month were 0.8%, which is an improvement over last year and the five-year average. Year-to-date, the estimated bills are also down significantly compared to last year and the five-year average. On April 20, 2020 we successfully billed our first group of 700 customers using the new AMI technology. Daily workload remains lower (down from an average of 400 units a day to 230) due to the suspension of disconnects and we have been able to use this extra capacity to help with meter exchanges and other maintenance activities. The backlog of customers eligible for disconnections continues to grow but has shown signs of flattening.

Engineering and Production Operations Report Given

Mr. Kraus summarized the Engineering and Production Operations report for April.

All water quality goals were achieved for April 2020. There were zero water quality violations.

Water Quality personnel monitored 1,373 water quality parameters of a required 1,213 pursuant to federal and state regulatory requirements. Personnel collected 280 routine compliance distribution samples. There were zero Total Coliform and zero E-Coli detections. Personnel also collected 34 main break compliance samples on 17 repairs in the month, of which five localized boil water advisories (BWAs) were issued due to field conditions; zero BWAs were issued due to water quality monitoring results.

There were four chemical spills reported upstream of the Zorn intake, no incidents prompted additional treatment or impact to water quality. There were four water quality customer complaints, in comparison to the five-year average of 11 complaints.

Human Resources and Labor Relations Report Given

Terrence Spence provided a summary of recent and current activity between the Louisville Water Company'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 is one active grievance filed by the Union waiting for final determination by a third-party arbitrator.
- Company and Union representatives continue to work collaboratively to implement measures to reduce the risk of employee exposure to COVID-19.
- Union and Company leadership are participating in Louisville Water's planning and implementation of the governor's recently announced Healthy at Work initiative.

Information Technology Report Given

Tom Luckett summarized the Information Technology (IT) Report for April.

Work continues to support Phase One in production and developing Phase Two of the Oracle Work & Asset Management (WAM) Implementation. Final Phase Two testing is under way, and we have started the planning process for transferring production support from EY to Oracle after the warranty period is over.


The upgrade of the Oracle PeopleSoft (PeopleTools) software that the HR and Payroll departments use for reporting and workflow functions was completed on April 27.

We have started migrating off of TrackIt!, an IT ticket tracking system, due to its limitations for ticketing, change management, configuration management, and asset management. We are migrating to ManageEngine's Service Desk Plus which will allow greater control over IT assets.

The IT Infrastructure Team continues to support remote Louisville Water workers. The remote worker count averages 260 users per day.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Michael F. Tigue", is written over a horizontal line.

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