

Board Of Water Works
REGULAR CALLED MEETING MINUTES
July 28, 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, Engineering and Production Operations, and Chief Engineer
Dr. Tom Luckett, 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. Larry Bryant, Director, Production Operations
Ms. Jenni Schelling, Director, Internal Audit
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, July 28, 2020 at the Louisville Water Company (Louisville Water or the Company) located at 550 South Third Street, Louisville, Kentucky. The meeting was held by teleconference video via Zoom Communications. 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 of June 23, 2020, seconded by Dr. Sunny Dronawat and the motion unanimously carried.

Report Provided by the President/Chief Executive Office

Spencer Bruce advised that Louisville Water continued with its current operating plan for managing through the pandemic. More than 60% of our staff continue to work remotely and for those on-site, we are following the CDC guidelines and Kentucky’s Healthy at Work plan. The Executive Leadership Team (ELT) began working on a phased return-to-office plan but we do not plan to change our operations until Kentucky’s governor lifts the current requirements. In late

June, we reopened our lobby to customers for walk-in payments and service.

Six Louisville Water employees have tested positive for COVID-19. In each case, we've worked to get employees any help needed and while maintaining confidentiality, spoke with others who are part of the work area. The contact logs employees use have been extremely helpful. Our facilities team has a plan for cleaning work areas and if needed, vehicles.

Mr. Bruce advised that he continues to host regular COVID-19 meetings with directors and ELT. This team now meets three times a week and he communicates with employees at least once a week through email and our intranet.

Contract Awarded for Project No. 15655 – 60” Gate Valve and Grid Tie

Tim Kraus advised that a robotic inspection of the 60-inch transmission main from the Crescent Hill Water Treatment Plant to just beyond I-64 at Cannons Lane is scheduled for later this year. This transmission main is critical to our ability to distribute water but has not been inspected since it was installed in 1954. The scope of this project includes installation of valves and piping to improve system reliability and provide the ability to inspect one of the most critical mains in the Louisville Water system. By installing four 60” gate valves and a 24-inch grid-tie connecting the 60-inch Reinforced Concrete Cylinder Pipe (“RCCP”) main to the 24-inch cast iron main that parallels it in Seneca Park along Pee Wee Reese Road, it will allow for the ability to isolate either main and maintain flow to Cardinal Hill. This will be critical while inspecting and making necessary repairs after the condition assessment.

Louisville Water received three competitive bids on June 25, 2020. The apparent low bidder was Garney Companies with a bid of \$2,028,216.00. This bid was 1.4% below the Engineer's estimate of \$2,057,000.00.

Greg Dearing asked if the staff keeps track of the increases requested after a contract is awarded. Tim Kraus advised that we do keep track of all change actions and change orders. Our construction contract also includes a provision for receiving liquidated damages when a contractor does not complete a job on time. Mr. Kraus advised he would provide the statistic on change orders and change actions to Mr. Dearing.

Mr. Dearing moved to award a contract to Garney Companies, Inc. in the amount of \$2,028,216.00. Dr. Dronawat seconded and the motion unanimously carried.

COVID-19 Update Given

Lynn Pearson provided an update on the financial impact of the COVID-19 pandemic which included a review of residential, commercial and industrial water consumption, top 20 water usage accounts, pumping statistics, income statement forecast, and dividend forecast.

Dave Vogel provided an update on bad debt expense and the number of accounts that would be in danger of turnoff for nonpayment (approximately 11,547). Louisville Water continues to follow the governor's request to halt all turnoffs for nonpayment during the pandemic.

Mr. Vogel advised that customer service representatives are receiving additional training on setting up payment plans for those customer who have fallen behind paying their water bills due to the pandemic. He also noted that Louisville Water and Louisville MSD have provided additional funding to the Louisville Water Foundation customer assistance program.

Kelley Dearing Smith provided an update regarding the Company’s customer assistance program now known as “Drops of Kindness.”

Backup Generation

Dr. Kerrick advised that this item will be covered in closed session.

Closed Session Held

Paul Esselman moved to go into Closed Session to discuss proposed or pending litigation pursuant to KRS 61.810(1)(c) at 11:50 a.m., seconded by Mr. Dearing and the motion unanimously carried.

Open Session Resumed

Mr. Esselman moved to return to Open Session at 12:55 p.m., seconded by Mr. Dearing and the motion unanimously carried. No action was taken in closed session.

First Quarter 2020 Certification of Contracts & Bids

Mr. Bruce certified that the following contracts were awarded during the Second Quarter of 2020 in accordance with the Purchasing Policy and Purchasing Procedure with one exception.

An exception to Purchasing Policy and Procedures: Change Orders 3,4 and 7 for Oracle Work & Asset Management (WAM) Solution Implementation Services were executed prior to required Bids & Awards, President and BOWW Approval. Mr. Bruce advised that corrective measures have been implemented. All future change orders related to this contract shall require Project Manager, Executive Vice President, and Procurement Manager signature. Procurement Manager will verify all approvals prior to final signature and execution of the change order.

Construction

17-150	Assignment to Master Agreement Transmission System Repairs and/or Capital Improvements-Transmission Valve Condition Assessment 2020	
15618	MAC Construction and Excavating, Inc.	Estimate\$695,200
18-31	Assignment for Distribution System Repairs & Capital Improvement from the Master Agreement-Watson Water Master Meter	
20770	Basham Construction & Rental Co., Inc.	Estimate\$223,000
18-73	Carbon Fiber-Reinforced Polymer Repairs on Large Diameter Water Mains - Master Agreement 2nd CPI Renewal	
	Structural Preservation Systems, LLC	
18-74	External Post-Tensioning Tendon Repairs on Large Diameter PCCP Water Mains – Master Agreement 2nd CPI Renewal	
	Structural Preservation Systems, LLC	
20-28	CampGround Road Area	
15622	Louisville Paving	\$628,000
20-50	Finley Hill Access Improvements	
15456	Seven Seas Construction (CMBE)	\$24,700
20-54	Pumpkin PRV	
15032	Scott & Ritter	\$149,500
20-59	Reamers Road Tank Coating Renovations	
15620	Classic Protective Coatings	\$787,958
	SUM BY BIDS AND AWARDS CATEGORY	\$2,508,358

Procurement of Materials and Services

	*Oracle Work & Asset Management (WAM) Solution Implementation Services (RFP		
	75% Technical / 25% Cost)		
	Ernest & Young (EY)	Change Orders 3,4,7	\$576,921
11-03	Lockbox Services (RFP - 75% Technical / 25% Cost) 2020-2021 Contract Extension		
	Fifth Third Bank		Estimate \$82,056
12-05	Cold Water Meters 2020 Contract Extension 3 Months		
	Badger Technology	Unit Price Contract	\$64,423
	Neptune Technologies		\$73,622
14-119	New Services 2020 Contract Extension		
	Basham Construction		Estimate\$139,178
	Debbie Sutherland Excavating (CWBE)		\$424,266
16-0216	Waste Disposal- (Joint Bid with MSD) 4th and Final Renewal		
	Waste Management of Kentucky		Estimate \$42,566
16-126	Assignment from Master Contract for Contingency Pump Repairs-High Service Pump #4 Rework		
	Layne (Reynolds, Inc.)		Estimate\$114,005
16-21	Assignment to CIS Analytics Solutions Reporting Development, Enhancements and Support Customer Care & Billing (CC&B)		
	Intolect, LLC		\$80,100
16-21	Assignment to Master Agreement- CIS Analytics Solutions Reporting Development, Enhancements and Support WAM Phase 2		
	Intolect LLC		\$234,000
16-84	Oracle Work & Asset Management (WAM) Solution Implementation Services (RFP 75% Technical / 25% Cost) Change Order #8 GoLive Date Change		
	Ernest & Young LLP (EY)		\$398,500
16-95	5000 lb. Lift Capacity, LP Gas Powered Forklifts 4th & Final PPI Renewal		
	Cardinal Carryor		\$49,594
17-114	Vehicle/Equipment Body Repair Light and Heavy Duty 1st Renewal Period		
<i>Metro Contract 190176</i>	Auto Body & Frame, Inc.	Unit Price Contract	\$31,500
17-14	Ductile Iron Fittings 3rd PPI Renewal		
	Ferguson Waterworks		\$275,054
17-53	Emergency Response		
	ServPro Louisville		Estimate\$100,000
18-01	Oracle Remote Application Management Support and Project Work 1st Renewal		
	Oracle		\$76,608
18-19	Uniforms 2nd PPI Renewal		
	National Workwear, Inc.		Estimate\$102,992
18-48	Assignment to Master Agreement 18-48 Electro-Mechanical Work for Water Treatment or Distribution Facilities. Fabrication and Installation of New Lime Unloading Platform		
	Ward Engineering		Estimate \$27,300
18-48	Assignment to Master Agreement 18-48 Electro-Mechanical Work for Water Treatment Or Distribution Facilities. Supply and Installation of (2) 20 HP Low Lift Motor Starters		
<i>15531</i>	Diecks Electric, Inc.		Estimate \$29,859
18-48	Assignment to Master Agreement 18-48 Electro-Mechanical Work for Water Treatment Or Distribution Facilities. Managing Distribution Water Quality Finley Hill		
	Walter B. Diecks		Estimate \$27,630
18-48	Electro-Mechanical Work for Water Treatment or Distribution Facilities 2nd CPI Renewal		
	Gatterdam & Morgan Electric (Pumpwork)	Estimate Unit Price Contract	\$50,000
18-50	Janitorial Services 2nd CPI Renewal		
	Facilities Management Services site 3,4,5 & 6	Estimate	\$59,918
	JJC Maintenance, LLC site 1		\$30,672
	National Janitorial and Building Services Corp Site 2		\$65,904
18-64	10YD Mobile Mixing Concrete Truck -2nd CPI Renewal		
	Pro-All International	Estimate Unit Cost Contract	\$243,170
19-45	Plumbing Services 1st CPI Renewal		
	Southern Plumbing		Estimate\$109,344
19-53	Plastic Meter Vault and Extension Rings 1st PPI Renewal		
	Bingham and Taylor Corp.		Estimate\$143,745

19-61	Pavement Restoration Contract Extension	
<i>Metro Contract</i>	Flynn Brothers	Estimate\$425,000
<i>IFB190147</i>	Hall Contracting (Secondary)	\$824,000
19-75	Vehicle Parts Supply and Management (Metro Louisville Cooperative Agreement through Sourcewell)	
<i>369462</i>	Napa Auto Parts	Estimate\$700,000
20-16	Distribution System Repairs & Capital Improvement Master Agreement	
	Basham Construction	Estimate\$775,472
	Southern Pipeline (CWBE)	Estimate\$775,472
20-17	Flat faced Flanged Spool Pieces	
	Merrick Company	Estimate \$51,445
20-18	Water Pressure Regulators	
	Hayes Pipe Supply	Estimate \$47,424
20-45	Stainless Steel Tapping Sleeves W/MJ Outlets	
	Ferguson Water Works	\$114,378
20-51	Office Supplies	
<i>Lou Metro RFP 170016</i>	Office Depot	\$73,500
20-86	Pavement Restoration Utilizing Louisville Metro Contract	
<i>IFB200148</i>	Hall Contracting	\$900,000
GSA Contract	KloudGin Developer Platform License Procurement	
<i>47QTCA18D00CC</i>	KloudGin	\$22,853
KY State Contract	Cisco Advance Malware Protection	
<i>MA7581400000876</i>	Volta, Inc	\$20,993
KY State Contract	Disaster Recovery (DR) Oracle Cluster	
<i>MA7581400000876</i>	Prosys (CMBE)	\$375,005
KY State Contract	License for all Employees Learning Online Training 3 year Contract	
<i>MA7581700001211</i>	LinkedIn	\$70,181
KY State Contract	Storage Upgrade	
<i>MA7581600000490</i>	Prosys (CWBE)	\$952,390
KY State Contract	Two (2) 2020 Ford F450 XL Flat Cab (4WD Diesel V8 Truck)	
<i>MA7581800000180</i>	Paul Miller Ford	\$258,216
RFP 18-01	Oracle Remote Application Management Support-PeopleSoft-RFP 35% Technical, 30% Interview, 35% Cost 1st CPI Renewal	
	Sierra Cedar	Estimate \$31,200
WKU-553	SentinalOne Software to Protect Oracle Linux	
	Volta	Estimate \$39,726
	SUM BY BIDS AND AWARDS CATEGORY	\$10,110,182

Procurement of Professional Services

	Billing Services Analysis Contract	
	Raftelis	\$78,240
	HR Compensation Consultant	
	Mercer	Estimate \$21,000
	Intranet Homepage Menu Redesign	
	Elcom	Estimate \$31,950
15-0423	Auditing Services- 5th & Final CPI Renewal Contract Extension	
	Crowe, LLP	Estimate \$70,443
16-03	Assignment from Transmission Pipeline System Design Engineering Services-Widen KY1931-St Andrews Road Area	
	HDR Consultants	\$204,344
17-13	Assignment from Engineer of Record - Master Agreement- Peaceful Valley Booster Pump Station Renovation	
<i>15441</i>	Hazen & Sawyer	\$43,390
17-13	Engineer of Record - Master Agreement RFP (50% Technical, 25% Interview, 25% Cost Proposal) RFP 3rd Renewal	
	Hazen & Sawyer	Estimate\$1,250,000
17-77	Potable Water Tank Cleaning & Inspection Services - Master Agreement-1st CPI Renewal	
	Dixon Engineering	\$175,000
19-01	Brokerage Services for Medical, Dental, Medicare, HMO Supplement, Short/Long Term Disability and Life Insurance (Group, AD&D, Supplemental, & Dependent) 1st CPI Renewal	
	AON Risk Service	\$50,750

RFP- 14-21	Assignment from Plant & Facilities Engineering Services - Master Agreement - RFP (Technical-45%, Interview-30%, Cost-25%) CHPS Overhaul Pump #4	
15603	HDR, Inc.	NTE \$45,939
RFP-14-21	Assignment to Plant & Facilities Engineering Services - Master Agreement. Crescent Hill North/South Filter Gallery Rehabilitation	
15607	CDM Smith	\$449,307
SUM BY BIDS AND AWARDS CATEGORY		\$2,420,363

Procurement of Sole Source Material and Services

Sole Source	Carbon Dioxide Tanks and Carbon Dioxide Renewal	
	Airgas	Estimate \$26,400
Sole Source	Construction Monitoring and Inspection Fees	
15035	CSX Transportation, Inc.	\$38,498
Sole Source	Itron FCS Upgrade	
	Itron	\$22,450
Sole Source	Micro Focus Cobol Maintenance, Support and License 3 year Renewal	
	Micro Focus	\$67,437
Sole Source	NavTeg/Here Maintenance	
	Korem	\$20,500
Sole Source	Renewal of Oracle Sun Server Maintenance	
	Oracle	\$34,148
Sole Source	Zorn Pump Station Standby Generators #1	
13109	Louisville Gas & Electric	Estimate \$63,348
Sole Source	Zorn Pump Station Standby Generators #2	
13109	Louisville Gas & Electric	Estimate \$61,213
SUM BY BIDS AND AWARDS CATEGORY		\$333,994
GRAND TOTAL		\$15,372,897

First Quarter 2020 Certification of Projects & Change Actions

Mr. Bruce certified that the following Projects and Change Actions were authorized during the Second Quarter of 2020 in accordance with the Capital Projects Authorization Policy and Procedure.

Project Proposals Requiring Board

Project Number	Project Name	Requested Total Estimate	Contribution	LWC Net Cost	Current Year Estimate
Total					

Project Change Actions/Admin Notifications Requiring Board Approval:

Project Number	Project Name	Previously Approved Total	Change In Total Estimate	Requested Total Estimate	Change In Current Year Estimate
15606	BEP Chlorine Dioxide System	\$ 1,500,000.00	\$ 2,660,000.00	\$ 4,160,000.00	\$ -
Total		\$ 1,500,000.00	\$ 2,660,000.00	\$ 4,160,000.00	\$ -

Project Proposals Approved by the

Project Number	Project Name	Requested Total	Contribution	LWCNet Cost	Current Year
Total					
15657	2020 MRRP - W Shannon Lane	\$ 306,200.00	\$ -	\$ 306,200.00	\$ 306,200.00
Total		\$ 306,200.00	\$ -	\$ 306,200.00	\$ 306,200.00

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

Project Number	Project Name	Previously Approved Total	Change In Total Estimate	Requested Total Estimate	Change In Current Year Estimate
Total					

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

Project Number	Project Name	Previously Approved Total	Change In Total Estimate	Requested Total Estimate	Change In Current Year Estimate
15607	CHFP - North/South Filter Gallery Rehab	\$ 12,893,000.00	\$ -	\$ 12,893,000.00	\$ 375,000.00
Total		\$ 12,893,000.00	\$ -	\$ 12,893,000.00	\$ 375,000.00

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

Project Number	Project Name	Total Estimate	Total Cost To Date	Status	Budget Year Category
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	\$ 10,441,791.85	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 -
13109	ZPS - Standby Generator	\$ 15,408,083.00	\$ 2,353,268.06	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	\$ 5,509,862.47	Design In Progress	2013 Budget
13512	ZPS - Station #3 Slate Roof Replacement and Masonry Improvements	\$ 6,569,000.00	\$ 6,378,493.18	Work In Progress	2013 Budget
13650	Relocation 2013 - 690 Plan - Preston Hwy Corridor T&D- John Harper Hwy to Highway 44	\$ 3,548,700.00	\$ 4,218,957.24	Completed Not Closed	2014 Budget - Unbudgeted
14321	Rehabilitation 2015 - Eastern Pkwy 48-inch main	\$ 27,186,000.00	\$ 26,907,885.17	Work In Progress	2015 Budget
14325	CHFP - Chemical Building and Lab Fire Protection and Office Space Improvements for Productions	\$ 9,982,740.00	\$ 1,810,660.60	Work In Progress	2015 Budget
14330	CHWTP - Standby Generator	\$ 12,987,000.00	\$ 12,057,981.12	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	\$ 3,094,156.93	Work In Progress	2016 Budget
14536	I.T. - Work and Asset Management System - WAM	\$ 23,526,488.00	\$ 19,245,732.68	Work In Progress	2016 Budget
14542	Transmission - Urton Lane	\$ 5,297,725.00	\$ 231,974.27	Design In Progress	2017 Budget
14543	860 PZ - Bardstown Road Elevated Storage Tank	\$ 6,343,131.00	\$ 6,312,987.08	Work In Progress	2016 Budget
14545	Transmission - I-64 Transmission Main, I-64 Clark Station Rd to Hwy 55 in Shelby Co	\$ 15,685,230.00	\$ 15,640,628.04	Completed Not Closed	2016 Budget
15035	Condition 2017 - PCCP	\$ 10,295,101.00	\$ 10,183,625.40	Completed Not Closed	2017 Budget -
15036	Condition 2017 - Reservoir Yard Piping and Valves	\$ 5,000,000.00	\$ 53,286.66	Design In Progress	2017 Budget -
15055	Property Acquisition for Spoil Disposal - Site B	\$ 4,300,000.00	\$ 142,257.82	Design 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
15255	Condition 2018 - PCCP	\$ 10,221,922.00	\$ 9,198,190.26	Work In Progress	2018 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 Category
15438	660 Plan-SW Jefferson Cty Improvements-Lower Hunters Trace 20"	\$ 4,857,300.00	\$ 89,964.55	Design In Progress	2019 Budget
15458	Condition 2019 - PCCP	\$ 8,074,818.00	\$ 6,933,332.00	Completed Not Closed	2019 Budget -
15468	Kentucky,Oak,Glenmary Transmission Main Rehab 2019	\$ 11,500,000.00	\$ 197,979.57	Design In Progress	2019 Budget
15506	660 Plan-SW Jefferson County Improvements-Blanton Lane 20 inch	\$ 5,464,300.00	\$ 139,072.31	Design In Progress	2019 Budget - Unbudgeted
15509	Belmont Road BPS	\$ 2,245,000.00	\$ 94,529.63	Work In Progress	2019 Budget
15511	690 Plan:Preston Hwy Area	\$ 7,476,000.00	\$ 179,339.21	Work In Progress	2019 Budget -
15513	Cardinal Hill-Slope Stability	\$ 2,770,400.00	\$ 2,389,755.78	Work In Progress	2019 Budget -
15515	E Manslick Rd - MRRP 2019	\$ 2,928,001.00	\$ 926,486.73	Work In Progress	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

Financial Report Given

Ms. Pearson summarized the Financial report.

The impact of the COVID-19 pandemic continued to negatively affect Louisville Water's financials in June. Total consumption and water revenue for the month are less than budget, as is other operating revenue and non-operating income. These unfavorable budget variances were only partially offset by a favorable variance in total operating expenses. As a result, net income for June fell short of budget by \$693,000.

Consumption of 2.6 billion gallons for June 2020 is 323 million gallons lower than budget, and 123 million gallons less than June 2019. The commercial and industrial customer classes continue to have the largest negative variances due to businesses which closed or scaled back operations during the pandemic. However, June consumption was stronger than May's as many businesses did start reopening in June. Year-to-date consumption remains under budget and prior year, by 5.8% and 2.5% respectively, with all customer classes with the exception of private fire services contributing to the unfavorable budget variance.

Water Revenue for June 2020 is \$1.2 million below budget and \$70,000 higher than prior year. Water revenue through June is \$2.4 million lower than budget but remains higher than prior year by \$2.5 million. Lower consumption is the key factor driving decreased water revenue for the year-to-date period as compared to budget.

Other Operating Revenue for June is \$191,000 lower than budget and \$37,000 less than year-ago levels. The budget variance for June continues to reflect the reduction in revenue resulting from the Company's suspension of late fees and service deactivations during the pandemic. This reduction is partially offset by higher contract revenue in June from the River Ridge contract. This revenue is offset by related expenses. For year-to-date, other operating revenue is lagging budget by \$767,000 but is \$172,000 higher than 2019. The year-to-date variance to budget is due to lower revenue from late fees and service deactivation fees, partially offset by a favorable variance in revenue from contract operations. The favorable year-to-date variance to prior year is driven by higher cross connection and contract revenue, offset by lower late fees and service deactivation fees.

Operating and Maintenance Expenses for June of \$7.0 million are \$485,000 lower than budget and \$863,000 higher than June 2019. The favorable June variance to budget is primarily due to lower labor and labor related, utilities, chemicals and materials and supplies costs, offset to an extent by unfavorable variances in bad debt and contractual services. The unfavorable variance in contractual services is related to the River Ridge contract. It is key to note that there is offsetting revenue from the River Ridge contract and thus there is no impact to net income from the additional expense. June year-to-date operating and maintenance expenses are \$1.2 million under budget and \$3.0 million over year-ago levels. The majority of the year-to-date favorable budget variance is in labor and labor related costs, contractual services, materials and supplies and chemicals, partially offset by higher power and insurance reserves. Lower main breaks are a key driver of the favorable variance in contractual services and materials and supplies. The elimination of temporary labor in the call center also is contributing to the favorable variance in contractual services. Various other expenses are also contributing to the favorable variance as a result of ongoing cost reduction efforts. The year-to-date variance to prior year is mainly in labor and labor related costs, utilities, contractual services, insurance reserves and bad debt.

Total Operating Expenses for June of \$12.4 million are \$807,000 lower than budget and \$1.1

million more than June 2019. Total operating expenses year-to-date are lower than budget by 1.9% and higher than prior year by 7.1%. The favorable budget variance for the month of June and for the year-to-date period is mainly due to lower operating and maintenance expenses. The year-to-date variance to prior year is primarily due to higher operating and maintenance expense and depreciation costs.

Non-Operating Income through June is \$941,000, which is \$317,000 lower than budget and \$312,000 more than the same period in 2019. The variance to budget is due to a lower interest rate earned than anticipated as a result of market rates declining sharply due to the pandemic's impact on the economy. The variance to prior year is due to a higher dollar amount invested as a result of the bond issuance late last year.

Non-Operating Expense through June of \$3.7 million is \$134,000 less than budgeted and \$574,000 more than year-ago levels. Interest expense is less than budgeted because the budget was inadvertently misstated through May. This favorable variance is partially offset by capitalized interest, which has come in lower than expected. Interest expense is more than prior year due to the interest related to the bond issuance in October 2019.

Net Income before Distributions and Contributions for June is \$3.7 million, which is \$693,000 less than budgeted. In comparison between years, net income is \$1.2 million less than June 2019. June year-to-date net income of \$18.4 million is \$2.0 million lower than budget and \$2.4 million lower than the six months ended June 2019.

Water consumption in the industrial and commercial classes have been particularly impacted by the COVID-19 pandemic, and we expect that to continue until the economy returns to normal. Residential consumption has actually increased as a result of the pandemic, but not enough to offset the loss in nonresidential. A drop in late charges and service deactivation fees continues to negatively affect other operating revenue, and that will continue until late charges and disconnections resume. On the expense side, the anticipated increase in bad debt expense which began in May continued in June, and we expect to see this escalate in future months. Cost reduction efforts have resulted in an overall decline in operating expenses.

Communications and Marketing Report Given

Ms. Dearing Smith summarized the Communications and Marketing report.

Louisville Water marked the end of a 50-year effort to replace our lead service lines with a media plan that also announced the start of a program to help customers pay to replace a lead service line on their private property. The pandemic prevented a large-scale in-person media event, but we still received extensive coverage from local, regional and national media. Staff is working with engineering and water quality teams on a strategic communication to reach the customers we know have a lead service line on their property and to raise awareness of the opportunity to the community at-large.

A media plan accompanied the strategic outreach for Drops of Kindness, Louisville Water's program to customers who find themselves in a bind with paying their water and wastewater bill. Through mid-July, four local media outlets have produced stories on the program with more than 300 shares on social media. In addition, we're doing targeted outreach with businesses organizations and Louisville Metro. Communication staff is working with Customer Service to monitor comments and responses and then adjust the communication.

Louisville Water is part of Lou City FC's move to the new soccer stadium. Fans can bring a clear, reusable bottle to fill at one of three Louisville Water filling stations. Lou City players helped promote the hydration campaign through the team's social media. The team's home games this season also feature a Louisville Water video to fans.

Staff has created several new partnerships as we continue to evolve in how we share Louisville Water's story during the pandemic. In July, we're helping with Jefferson County Public Schools feeding programs with a visit from Tapper; a UofL student is using Louisville pure tap® bottles as part of care packages for children at Neighborhood Houses; and, staff has participated in events with the Kentucky Alliance for Racial Injustice.

After closing to the public for nearly three months, Louisville Water Tower Park is once again hosting private events. Weddings now include masks and social distancing. Staff has worked closely with our vendors and clients to follow CDC guidelines. In early August, the WaterWorks Museum will be open for scheduled tours.

Customer Service and Distribution Operations Report Given

Dave Vogel summarized the Customer Service and Distribution Operations.

Phase Two of our WAM project officially went live on June 22, 2020. The rollout went well, and the project team and staff were very busy the first couple of weeks ensuring that employees had adequate support as we moved to this new tool. Overall, implementation has gone better than expected and we have received some positive feedback from our crew leaders. Mr. Vogel thanked our project team members, business partners, management team, and frontline employees who made this effort a success. We will spend the next few months tweaking the system and addressing any fixes that need to take place.

Engineering and Production Operations Report Given

Mr. Kraus provided the Engineering and Production Operations report.

2020 capital program expenditures through June totaled \$37,867,778, which is \$4,493,839 or 13.47% higher than the same period last year. These expenditures equate to 31.25% of the 2020 total capital program of \$121,176,319.

The amount of water produced and delivered to the system in June 2020 was 128.4 MGD, which was 8.5% higher than June 2019 and 0.3% lower than the June five-year average. For year-to-date, the amount of water delivered to the system was 0.6% lower than 2019, and 1.7% lower than the five-year average.

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

Water Quality personnel monitored 1,310 water quality parameters of a required 1,104 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 43 main break compliance samples on 21 repairs in the month, of which six localized boil water advisories (BWAs) were issued due to field conditions; zero BWAs were issued due to water quality monitoring results.

There were nine chemical spills reported upstream of the Zorn intake, no incidents prompted additional treatment or impact to water quality. Herbicide run-off in the river impacted treatment for 16 days. There were five water quality customer complaints, in comparison to the five-year average of nine complaints.

Human Resources and Labor Relations Report Given

The following is a summary outline regarding 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).

- Received notice of determination from third party arbitrator hearings concluding and respectively closing current active grievances.
- The Company's Executive Leadership Team and the Union's Executive Board attended separate presentations, via zoom call, conducted by third party facilitator Eric Ellis of Integrity Development introducing the following topics regarding the implementation of Louisville Water's Diversity & Inclusiveness (D&I) Program:
 - Practical tips for responding to current cultural, racial, and civil unrest
 - Creating sustainable inclusion initiatives and maximizing business results
 - Outline of core D&I strategies to be implemented at Louisville Water
- The Company posted two (2) regular full-time and three (3) temporary full-time classified positions for the internal union personnel bidding process.

Mr. Spence advised that in an effort to be a force for positive change, Louisville Water is expanding its reach and partnerships with other local organizations and agencies to engage in dialogue, activities, programs and services to remove systemic barriers that impact minorities and other under-represented/socially economically disadvantaged people in our community.

Louisville Water currently partners and/or collaborate with the following organizations: Big Brothers/Big Sisters of Kentuckiana; Bridging the Gap Learning Academy (Ambassadors of The Evers Academy for African American Males – The A-TEAAM – Middle School Mentoring Program); Center for Accessible Living – (Employment training/placement assistance for disabled citizens); Coalition for Workforce Diversity; Family & Children's Place; Habitat for Humanity; Home of the Innocents; Louisville Urban League; Water Equity Taskforce – Workforce Diversity; Water for People; Wayside Christian Mission (Shelter Donations); Who's Who Louisville – African American Profiles; and, SOAR – (Emerging leadership program providing middle-management female & minorities mentoring access to C-suite executives).

We continue to take steps to increase our influence and reach in an effort to promote dialogue and unity with our diverse population and to level opportunity gaps.

Information Technology Report Given

Mr. Luckett summarized the Information Technology (IT) Report.

Staff completed Managed Services transition meetings with EY in connection with the Oracle Work and Asset Management (WAM) implementation. Since go-live, the Louisville Water and Oracle Managed services teams have been shadowing the EY team when resolving any issues. As a result, Louisville Water and Oracle Managed Services assumed the responsibility for primary support of WAM as of July 13, five weeks before EY rolls off the project. While our Louisville Water and Oracle Managed Services teams have taken over the day-to-day responsibility, EY is still responsible for all open work items and any new issues that arise prior to their departure.

Staff continue to implement a warm Disaster Recovery (DR) capability in Tennessee by the end of the year. Installation of the equipment was completed in June. We are currently working on the configuration which will include network failover. Testing should start by the end of July.

The Infrastructure Team (IT) continues to support remote Louisville Water workers. The remote worker count still averages 250 users per day.

An IT Steering Committee has been established at Louisville Water to help plan and prioritize IT projects. The first meeting occurred on July 13. All areas of the Company are represented. Discussions will include new implementation projects, application upgrades, as well as regulatory and security requirements. We expect the output from this committee to be used in the operating and capital budgeting processes as well as in the development of an IT roadmap and strategic plan.

There being no further business for the Board, the meeting was adjourned at 1:26 p.m.

Respectfully submitted,



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