

**Board Of Water Works  
REGULAR CALLED MEETING MINUTES  
August 18, 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. Adam Carter, President, Union Local 1683 of the AFSCME  
Ms. Kim Reed, One Water, Chief Innovation Officer  
Ms. Jenni Schelling, Director, Internal Audit  
Ms. Shannon Tivitt, Director, One Water, Project Liaison  
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, August 18, 2020 at the Louisville Water Company (Louisville Water or the Company) located at 550 South Third Street, Louisville, Kentucky. The meeting was held by video teleconference via Zoom Communications. Chair, Dr. Sharon Kerrick called the meeting to order at 11:03 a.m.

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

Greg Dearing moved to approve the Regular Monthly Meeting Minutes of July 28, 2020, seconded by Jennifer Fust-Rutherford and the motion unanimously carried.

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

Spencer Bruce advised that last week, Louisville Water crews assembled a wooden barrier around our corporate office on Third Street. The plywood pieces are similar to what other businesses and government facilities in the downtown area have done and are a precautionary

measure. Louisville Water understands many are frustrated, angry, and disheartened but, as a public water utility, we must protect the people and the systems that produce and deliver safe drinking water to nearly one million people.

Our Executive Leadership Team made this decision after talking with city leaders and weighing the safety risks. But we wanted this to be more than a precautionary measure. We wanted to use this as an opportunity to make a statement; to acknowledge the hurt and to show how we will listen and be part of meaningful change. We shared our idea with a local artist who took our message and created the artwork that was placed over the barrier.

### **Approve Louisville Water Tower Park Rates**

Kelley Dearing Smith advised that the rates and rental charges for Louisville Water Tower Park are included in the tariff that is approved by the BOWW. Staff has identified a needed change for the admission rates to the WaterWorks Museum and an opportunity to add a new service for rentals.

Beginning in September, we will offer scheduled general admission tours of the WaterWorks Museum, rather than walk-in tours. This will allow for social distancing and proper cleaning to minimize the spread of the coronavirus. To make the online portal easier to use, we need to streamline the admission charges. Instead of five rate categories, we propose three: Adults (ages 18-59) will be \$5.00, Seniors (ages 60+), Youth (age 6-17), Military and College (with valid ID) will be \$3.00, and Teachers and children 5 and under will be free. These changes do not increase the museum rates for any category but consolidate the discounts.

Staff also suggests adding a “Day of Coordinator” service to weddings at Louisville Water Tower Park. This service would include assistance in planning and event coordination on the wedding day. Based on requests from renters and the services staff already provides, we believe this will be a good addition to the overall rental package. This service would include a separate agreement and a rate of \$1,750.

William Summers moved to approve the proposed updated WaterWorks Museum admission rates and the addition of a “Day of Coordinator” service for Louisville Water Tower Park. Ms. Fust-Rutherford 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. Louisville Water continues to follow the governor’s request to halt all turnoffs for nonpayment during the pandemic.

### **Investment Report**

Ms. Pearson advised that Louisville Water’s Investment Guidelines require that, on a semi-annual basis (as of June 30th and December 31st), an update will be provided to the Board on investments held in the portfolio.

Ms. Pearson provided an overview of Louisville Water's investment portfolio.

### **One Water Update**

Shannon Tivitt provided a summary of the items discussed at the July 30, 2020 Louisville One Water Partnership Board meeting.

J.T. Sims was re-elected Chair of the One Water Board and Mr. Summers was elected Vice-Chair.

A summary of the One Water Net Benefits was given by Brad Good, CFO of Louisville MSD.

An update on the Strategic Plan "Refresh" process held in late 2019 and how the 2020 Work Plan was created.

The board members were briefed on how Louisville Water and Louisville MSD are working together to identify economic development opportunities and develop a coordinated response for future inquiries.

Kim Reed, One Water Chief Innovation Officer, briefed board members on the current Billing Services project. The external evaluation needed to determine the cost of service data is scheduled to be completed by the end of October.

### **Financial Report Given**

Ms. Pearson summarized the Financial report.

The financial impact of the COVID-19 pandemic continued to negatively affect Louisville Water's financials in July, however we did see some improvement in water revenue which came in slightly higher than budget. Other Operating Revenue remains lower than budget along with interest income. These unfavorable budget variances were more than offset by a favorable variance in total operating expenses. As a result, net income for July was above budget by \$492,000.

Consumption of 3.2 billion gallons for July 2020 is 71 million gallons lower than budget, and 145 million gallons higher than July 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, July consumption was stronger than May and June as businesses started reopening. Residential water usage was very strong in July, exceeding budget by 9.4% and offsetting a large portion of the shortfall in commercial and industrial sales. Year-to-date consumption remains under budget and prior year, by 5.1% and 1.2% respectively, with all customer classes except residential and private fire services contributing to the unfavorable budget variance.

Water Revenue for July 2020 is \$45,000 higher than budget and \$1.7 million higher than prior year. Water revenue through July is \$2.4 million lower than budget but remains higher than prior year by \$4.2 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 July is \$293,000 lower than budget and \$62,000 less than year-ago levels. The budget variance for July continues to reflect the reduction in revenue resulting from the Company's suspension of late fees and service deactivations during the pandemic. For year-

to-date, other operating revenue is lagging budget by \$1.1 million but is \$110,000 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 July of \$7.0 million are \$551,000 lower than budget and \$684,000 lower than July 2019. The favorable July variance to budget is primarily due to lower labor and labor related, utilities, chemicals and contractual services offset to an extent by unfavorable variances in equipment maintenance, insurance reserves and bad debt. July year-to-date operating and maintenance expenses are \$1.7 million under budget and \$2.2 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. Many other expense categories 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 and bad debt.

Total Operating Expenses for July of \$12.6 million are \$856,000 lower than budget and \$428,000 less than July 2019. Total operating expenses year-to-date are lower than budget by 2.6% and higher than prior year by 5.4%. The favorable budget variance for the month of July 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 July is \$1.1 million, which is \$388,000 lower than budget and \$329,000 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.

Net Income before Distributions and Contributions for July is \$6.3 million, which is \$492,000 more than budgeted. In comparison between years, net income is \$2.0 million more than July 2019. July year-to-date net income of \$24.7 million is \$1.5 million lower than budget and \$437,000 lower than the seven months ended July 2019.

### **Communications and Marketing Report Given**

Ms. Dearing Smith summarized the Communications and Marketing report.

Louisville Water continues to see a steady increase in its digital footprint, especially in traffic to the company's website. The July statistics reflect both the current economy and customer concerns. The top 10 links at LouisvilleWater.com were all related to billing, payments, customer service and water usage tips. Much of the traffic comes from general interest plus targeted communication campaigns with Drops of Kindness, email blasts to customers, earned media and partner outreach.

In July, Louisville Water's efforts to manage through the pandemic were featured in The Lane Report. The company's recent announcement to eliminate its known lead service lines were also part of national earned media in several industry outlets.

In July, a customer service representative received a call from Katherine who mentioned that a sketchbook on Louisville Water was found in her grandfather's home. The customer representative shared the information with the Communications team. It turns out that her grandfather, Roy Metcalf, worked at the Crescent Hill Pumping Station in the 1920s and 30s. Roy sketched caricatures of his fellow employees and wrote a humorous biography of them. In October, Louisville Water marks its 160<sup>th</sup> anniversary of delivering drinking water. We will use the sketchbook as part of our anniversary story and will add it to our archive collection.

### **Customer Service and Distribution Operations Report Given**

Mr. Vogel noted that in addition to the information provided in his written report, staff is preparing for the Kentucky Derby which will run on September 5.

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

Tim Kraus provided the Engineering and Production Operations report.

2020 capital program expenditures through July totaled \$42,757,733, which is \$940,581 or 2.15% less than the same period last year. These expenditures equate to 35.29% of the 2020 total capital program of \$121,176,319.

The amount of water produced and delivered to the system in July 2020 was 133.7 MGD, which was 1.9% lower than July 2019 and 0.5% lower than the July five-year average. For year-to-date, the amount of water delivered to the system was 0.1% higher than 2019, and 1.5% lower than the five-year average.

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

Water Quality personnel monitored 1,214 water quality parameters of a required 1,054 pursuant to federal and state regulatory requirements. Personnel collected 283 routine compliance distribution samples. There was one Total Coliform and zero E-Coli detections. Personnel also collected 62 main-break compliance samples on 28 repairs in the month, of which a total of seven localized boil water advisories (BWAs) were issued; five BWAs were issued due to field conditions, and two 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. There were twelve water quality customer complaints, in comparison to the 5-year average of twelve complaints.

In addition, Mr. Kraus advised that staff is very close to finalizing a contract change order for the construction of the generator at the Zorn Pumping Station.

Mr. Dearing stated that in response to his request during the August Board meeting, Mr. Kraus provide him with statistical information on project change orders.

## **Human Resources and Labor Relations Report Given**

Terrence Spence provided 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).

- Company management reviewed mid-year progress of union leadership (President & Vice-President) 2020 performance goals.
- Union and Labor Management are conducting meetings to review the impact of AMI on personnel and develop a joint communication roll-out plan prior to full implementation.
- Company and Union leaders conducted an Executive Union Management Alliance Council video conference call to discuss the status of various collaborative projects and initiatives.
- The Company posted three regular full-time temporary classified positions for the internal union personnel bidding process.

## **Information Technology Report Given**

Tom Lockett summarized the Information Technology (IT) Report.

Louisville Water and Oracle Managed Services have taken over primary support of Work and Asset Management implementation as well as support of all patches, upgrades and issue resolution. Staff is working with EY to complete all knowledge transfer prior to their departure on Aug 21.

Staff continues to implement a Disaster Recovery capability in Tennessee by the end of the year. Installation of the equipment is complete. Staff is now implementing the network failover functions and testing the software that will sync all of our applications and data.

The IT Steering Committee at Louisville Water has had its first virtual meeting. The committee is on track to be part of the operational and capital budgeting processes for 2021.

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

There being no further business for the Board, the meeting was adjourned at 12:26 p.m.

Respectfully submitted,



---

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