

Board of Water Works
SPECIAL CALLED MEETING MINUTES
August 28, 2018

Board Members Present:

Mr. Creighton Mershon, Chair
Dr. Sundeep “Sunny” Dronawat
Dr. Sharon Kerrick
Ms. Tierra Kavanaugh Wayne
Mr. Craig Willman

Not Present:

Mayor Greg Fischer
Mr. Paul Esselman

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
Ms. Lynn Pearson, Vice President, Finance and Treasurer
Mr. Terrence Spence, Vice President, Human Resources and Labor Relations
Mr. Michael Tigue, Vice President, Compliance, General Counsel and Corporate Secretary
Ms. Kim Reed, One Water Liaison
Ms. Lisa Burnett, Director, Customer Service and Business Operations
Mr. Mark Hall, Director, Meter and Billing Services
Mr. Kevin Kastensmidt, Director, Information Technology
Ms. Sue Purdy, Director, Finance and Accounting
Ms. Jenni Schelling, Director, Internal Audit
Mr. Ralph McCord, Program Manager, Strategic Projects
Ms. Mary Susan Abell, Manager, Communications & Marketing
Mr. John Baum, Manager, Accounting, Payroll and Projects
Mr. Andrew Winslow, Supervisor, Budgets, Rates and Analysis
Mr. Adam Carter, Union President
Mr. Brian Sturgeon, Computer Network Administrator
Ms. Beverly Soice, Paralegal

Visitors: Mr. Patrick Hamilton, Itron
Mr. Mark Champagne, Itron
Mr. Tracy Wright, Itron
Mr. Josh Braman, CH2M
Mr. Todd Webster, CH2M

The special called meeting of the Board of Water Works (“BOWW”) was held on Tuesday, August 28, 2018 at the Louisville Water Company (“Louisville Water” or “Company”) located at 550 South Third Street, Louisville, Kentucky. Chair Creighton Mershon called the meeting to order at 12:06 p.m.

Reimbursement of Federal Tax Subsidy on Build America Bonds Approved

Ms. Lynn Pearson advised the American Recovery and Reinvestment Act of 2009 authorized the Board to issue taxable bonds known as Build American Bonds (“BABs”) to finance capital expenditures for which it could issue tax exempt bonds and to elect to receive a subsidy payment from the federal government equal to 35% of the amount of each interest payment on such taxable bonds (“BABs Interest Subsidy Payment”). The Series 2009B Bond issue was issued as Federally Taxable BABs – Direct Payment.

The available subsidy for the Series 2009B Bonds will be paid to the Board; no holders of Series 2009B Bonds are entitled to a tax credit. The receipt of BABs Interest Subsidy Payments is subject to certain requirements, including the Board filing a form with the Internal Revenue Service prior to each interest payment. The next interest payment of \$1,880,558.75 will be paid on November 15, 2018.

Dr. Sharon Kerrick moved to approve the following resolution to file IRS Form 8038-CP for \$658,195.56, representing 35% of the interest payment, on August 31, 2018, seconded by Dr. Sunny Dronawat and the motion unanimously carried. The full amount of the subsidy will be requested; however, it is most likely the subsidy will be sequestered, reducing the payment by \$43,440.91 to \$614,754.65. This reduction was included in the Company’s 2018 budget approved in November of 2017.

WHEREAS, The American Recovery and Reinvestment Act of 2009 (the “Recovery Act”) authorizes the Board to issue taxable bonds known as Build American Bonds (“BABs”) to finance capital expenditures for which it could issue tax exempt bonds and elect to receive a subsidy payment from the federal government equal to 35% of the amount of each interest payment on such taxable bonds (“BABs Interest Subsidy Payment”)

WHEREAS, Louisville Water Company issued Series 2009B Bonds as Federally Taxable – Build America Bonds – Direct payment in December of 2009 to finance capital expenditures.

WHEREAS, the IRS requires Form 8038-CP be filed for each interest payment date no later than the date that is 45 days before the interest payment date but not more than 90 days before the interest payment.

WHEREAS, the next interest payment of \$1,880,558.75 will be paid on November 15, 2018

And

RESOLVED, that the Treasurer of the Company be authorized and directed to file IRS Form 8038-CP on August 31, 2018 for the subsidy payment from the federal government equal to 35% of the interest payment due on the 2009B Series Bonds.

One Water Update Provided and Strategic Plan Approved

Ms. Kim Reed advised the Louisville One Water Board met on July 20, 2018 in the Metropolitan Sewer District Board Room. Ms. Reed reviewed several updates that were provided on the progress of the One Water effort. These updates included:

Ms. Ellen Heslen informed the board that the Louisville Area Governmental Self-Insurance Trust (LAGIT) insurance for Fiscal Year 2019 will continue and the premium was approved at a 4.7% decrease from last year.

Ms. Jenni Schelling, Louisville Water Auditor and Ms. Sandra Conner, Louisville/Jefferson County Metropolitan Sewer District (MSD) Auditor, presented their findings and recommendations for the One Water Financial Audit. Several findings and recommendations were related to the formatting, management, review, and approval of the work orders. The auditors also acknowledged that based

on the records reviewed, the recorded benefits appeared to be accurate. Management has reviewed the findings and has responded to the recommendations. An effort will be made over the next several months to improve the work order and benefit tracking processes.

Ms. Lynn Pearson and Mr. Chad Collier reviewed the 2017 Financials. The 2017 benefits total \$12.8 million. The major benefits include Billing Agreement (Louisville Water provides billing services for MSD) - \$4.9 million; Revenue Enhancement (not billed or underbilled wastewater/storm water services) - \$5.1 million; Paving contract (Louisville Water currently using Metro's contract) - \$1.7 million; and, Other (includes shared leadership, shared contracts, etc.) - \$1.0 million.

Ms. Channa Newman, Manager of Education & Outreach for Louisville Water provided a high-level overview of the program that was piloted this past spring in JCPs schools and will be added as an educational program in Louisville Water's offerings.

The Vision, Mission, and strategic plan for One Water was discussed and the detailed 3-year work table was distributed.

Mrs. Reed reviewed several components of the One Water Strategic Plan and stated that both the One Water Board and the MSD Board have approved the Plan.

Dr. Kerrick moved to approve implementation of the 3-Year One Water Strategic Plan, seconded by Ms. Tierra Kavanaugh Wayne, and the motion unanimously carried.

Deed Amended for Property with Louisville Metro Government

Mr. Michael Tigue advised that Louisville Metro-Jefferson County Government ("Louisville Metro") is the record title owner of property located at 2700 River Road (the "Property"). The Property was formerly part of the River Road Country Club (RRCC) which is now closed. Since RRCC closed, the Property has increasingly been used by the general public as a municipal park.

The source Deed for the Property contains a restrictive covenant that vests the possession, management and control of the Property in Louisville Water. While Louisville Water previously had facility plans to improve parts of the Property, it no longer has plans to make use of the Property for the foreseeable future.

Louisville Metro now desires to insure the Property can continue to be used as a public park. In order to do so, Louisville Metro has requested that Louisville Water agree to amend the restrictive covenant so that the possession, management and control of the Property can be vested in Louisville Metro for so long as the Property is used as a public park and related activities. In the event the Property, in whole or in part, ceases being used as a public park, the possession, management and control of the Property would revert to Louisville Water.

After a short discussion, Dr. Dronawat moved to approve the amended deed as proposed, Mr. Craig Willman seconded, and the motion unanimously carried.

Contracts Awarded for Advanced Metering Infrastructure Project

Mr. Dave Vogel provided an overview of the Advanced Metering Infrastructure (AMI) project which included the background, timeline and the Request for Proposal process. Mr. Vogel reviewed the benefits

automated metering infrastructure would bring to Louisville Water including the ability to implement monthly billing, enhanced customer service levels through more accurate reads, improved information for our customer service representatives (CSRs), access to hourly usage information, leak and/or high bill alerts and the ability to provide our customers with flexible billing dates and consolidation of billing. Financial and Operational benefits were also discussed, as was enhanced safety for Louisville Water employees and its customers.

An overview of how the AMI system will actually work was provided by representatives of Itron, Inc. Itron also distributed examples of the meters and other components to be used as part of the AMI project. The project involves placing an attachment on the water meter that captures water usage and sending the data to our network. With this technology, Louisville Water can provide monthly billing to customers. The project also contains a portal for customers to access their own water usage data in real-time.

If approved by the Board, as part of the AMI project, Louisville Water will access every customer service connection in Jefferson County, which will assist to confirm that all service connections are lead free. Louisville Water is committed to being lead free by 2020.

After a question and answer period and additional discussion, Dr. Dronawat moved to approve the project for \$61,000,000, award a contract to Itron for the endpoint, network and system installation for AMI in the amount not to exceed \$53,000,000, and award a contract to CH2M for system implementation support in the amount of \$1,478,000, seconded by Dr. Kerrick. The motion unanimously carried.

There being no further business for the Board, the meeting was adjourned at 2:20 pm.

Respectfully submitted,



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