

**Board Of Water Works  
REGULAR CALLED MEETING MINUTES  
September 22, 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. Jenni Schelling, Director, Internal Audit  
Mr. Jim Grunow, Director, Strategic Projects  
Ms. Judy Sherer, Project Manager, Strategic Projects  
Mr. Scott Clark, AMI Analyst II  
Mr. Brian Sturgeon, Computer Network Administrator  
Ms. Beverly Soice, Paralegal

**Visitors:**

Eric Ayers, Consultant

The regular called meeting of the Board of Water Works (BOWW) was held on Tuesday, September 22, 2020 by video teleconference 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 August 18, 2020. Seconded by Greg Dearing, and the motion unanimously carried.

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

Spencer Bruce advised that he has joined Louisville’s Equity in Contracting and Procurement Task Force created by Mayor Greg Fischer to develop solutions to support Black-owned and

Minority, Female and Disabled-owned Business Enterprises (MFDBE) through supplier diversity initiatives, particularly those related to capital projects. The goal of the task force is to determine if actions can be implemented that will allow more MFDBE involvement in infrastructure investments.

Metro has also established a Build Back Better, Together (BBBT) initiative to tackle the urgent current needs in the pandemic and social unrest and also look for innovative ideas to promote growth in the future. This initiative is focused on a full economic recovery in seven areas: Economy; Health & Safety; Education & Talent Development; Social Infrastructure & Impact; Built & Natural Environment; Arts & Culture; Hospitality, Sports & Bourbonism. Mr. Bruce advised that he is a member of the Built and Natural Environment team that includes transportation, utilities, parks, sustainability and clean energy.

Mr. Bruce also announced that Governor Andy Beshear recently appointed him to the board of the Ohio River Valley Water Sanitation Commission (Orsanco).

### **Third Quarter 2020 Dividend Declared**

Lynn Pearson advised that Section 508 of the Series 2009 Water System Revenue Bond Resolution provides that the Louisville Water Company will pay to the Louisville / Jefferson County Revenue Commission an annual dividend on the Louisville Water Company stock owned by Louisville / Jefferson County Metro Government, Kentucky. The dividend declared for 2019, based upon estimated net income, is required to be adjusted after completion of the annual audit to reflect any difference between estimated and actual net income. The amount of such adjustments is to be paid with or deducted from the regular quarterly dividend payments in 2020.

The annual audit has been completed. Net income of \$38,614,259 requires a total 2019 dividend to Louisville / Jefferson County Metro Government, Kentucky of \$19,019,796. The total dividends paid during 2019 were \$19,274,820. The difference between the dividend paid for 2019 and the actual dividend computed and declared for 2019 is \$255,024. The difference will be deducted from the dividend payment in the fourth quarter in 2020 as directed by Louisville Metro Office of Management and Budget.

The 2020 Annual Budget provides for a budgeted annual dividend of \$20,424,641. Mr. Dearing moved to declare the third quarterly 2020 dividend in the amount of \$5,106,160.25.

WHEREAS, it has been the long established policy of Louisville Water Company to pay a dividend on its common stock related to its net earnings, after giving consideration to any requirements for debt amortization and bond reserve requirements, and  
WHEREAS, a covenant written into the 2009 Water System Revenue Bond Resolution sets forth a formula for determining the amount of any such dividend, and  
WHEREAS, such covenant requires payment of a dividend each year based on estimated annual Adjusted Net Income, with adjustment upon completion of the annual audit to reflect any difference between estimated and actual net income, such adjustment to be made in the quarterly dividend payments of the following year, and  
WHEREAS, an estimated dividend of \$19,274,820 was paid in 2019 based on estimated Adjusted Net Income of \$39,215,000 and  
WHEREAS, the annual audit for 2019 has now been completed which establishes the full dividend for 2019 as \$19,019,796 based on actual Adjusted Net Income of \$37,890,462, and the Board resolution of December 17, 2019 was amended on June 23, 2020 to decrease the 2019 annual dividend by \$255,024 from \$19,274,820 to \$19,019,796, the

difference to be deducted from the fourth quarterly 2020 dividend payment, as directed by Louisville Metro, and  
WHEREAS, the 2009 Bond Resolution requires that the Board of Water Works pay a quarterly dividend based on the formula contained therein, such quarterly payments to be as nearly equal in amount as possible, and  
WHEREAS, the 2020 Louisville Water Company Annual Budget reflects the 2020 annual dividend to be \$20,424,641, it would be in order at this time to declare a regular third quarter dividend of \$5,106,160.25; therefore, be it  
RESOLVED, the regular third quarter 2020 dividend of \$5,106,160.25 is hereby declared, and further  
RESOLVED, that the President of the Company hereby is authorized and directed to pay \$5,106,160.25 to the Louisville / Jefferson County Revenue Commission on September 30, 2020, this being the third quarterly dividend for 2020.

Mr. Summers seconded, and the motion unanimously carried.

### **Amendment to By Laws Approved**

Michael Tigue advised that one responsibility of the General Counsel is to review and approve for form and legality every contract that Louisville Water enters into with third parties. Approximately 425 contracts are submitted to the legal department for review. Currently, Company By Laws require the General Counsel to personally review, approval and sign off on each contract. However, many of the contracts are created using pre-approved contract templates that are essentially locked down, fill in the blank forms. The substantive provisions of these documents cannot be modified by anyone outside of the legal department. This class of contract can be reviewed by a designated associate counsel which would facilitate quicker turnaround times when they are submitted for review.

Jennifer Fust-Rutherford moved to approve edits to Section 9 of the By Laws to allow the General Counsel to designate contract review to an associate legal counsel. Mr. Dearing seconded, and the motion unanimously carried.

### **Amendment to the Cafeteria Plan Approved**

Terrence Spence advised that due to recent amendments with the new CARES Act, Louisville Water must amend its Cafeteria Plan to comply with the new CARES Act provision concerning reimbursement of over-the-counter drugs, menstrual products, and telehealth; the change in status provisions under IRS Notice 2020-2; the DOL/IRS updates to the claims procedures and COBRA timelines (IRS Notice 2020-23 and EBSA Disaster Relief Notice 2020-01), and the new cost of living adjustments for the carryover provisions under IRS Notice 2020-33.

The amendment can take effect at any time during 2020; however, IRS guidance indicates expenses for over-the-counter drugs and menstrual products are reimbursable only if incurred after December 31, 2019. The IRS provided that the amendments be retroactive to January 1, 2020 so long as an amendment is made by December 31, 2021. However, since Louisville Water is adding the new changes to the Medical Expenses only, the amendment should be adopted prior to the end of the 2020 plan year for those expenses to be reimbursed for the 2020 plan year. There is no financial impact to Louisville Water.

Ms. Fust-Rutherford moved to approve amending the Cafeteria Plan as recommended. Paul Esselman seconded, and the motion unanimously carried.

### **Bullitt County Property Declared Surplus and Sale Authorized**

Tim Kraus advised that Louisville Water acquired the 0.689-acre property located at 3396 Burkland Boulevard in Shepherdsville, Kentucky from Kentucky Turnpike Water District as part of our merger in August 2000. The property includes a 11,041 square foot light industrial/office building.

The subject property is composed of lots 69 and 70, in Burkland Gardens Subdivision, Section 3-A in Bullitt County, Kentucky. Staff has determined that this property is no longer necessary for existing or future operations of Louisville Water and may be declared surplus and sold. The Company's Engineer of Record, Hazen and Sawyer, evaluated the property and issued a letter recommending that the property be declared surplus.

Mr. Summers moved to declare the subject property surplus and authorize the sale of the property accordance with Louisville Water's purchasing procedures. Dr. Sunny Dronawat seconded and the motion unanimously carried.

### **Contract Awarded for Project 15606 – BE Payne Chlorine Dioxide System**

Mr. Kraus advised the Capital Improvement Plan includes funding for the construction of a new chlorine dioxide generation and feeding system at BE Payne Water Treatment Plant. Chlorine dioxide (ClO<sub>2</sub>) will enhance water quality by providing an additional barrier for microbial disinfection, reduce disinfection by-products formation, provide additional manganese (Mn) removal, and assist with nitrification control.

The project scope includes construction of a new Raw Chemical Building and tanks, new Chlorine Dioxide batch tank and building, and new Chemical Generator and Dosing Pumps inside the existing On-Site Chlorine Generation (OSCG) building. Four bids were opened on August 26, 2020, and the submitted bids ranged from \$1,860,000 to \$2,252,031. The apparent low bidder was Thieneman Construction Inc., whose bid was 42.77% under the engineer's estimate.

After a brief discussion concerning the possibility of providing a preference to local businesses, Mr. Summers moved to award Project 15606 – BE Payne Chlorine Dioxide System to Thieneman Construction Inc. in the amount of \$1,860,000. Dr. Dronawat seconded and the motion unanimously carried.

### **Easement Condemnation Authorized for Project No. 12080: 690 Transmission Main**

Mr. Tighe advised that the company has been working to install a transmission main in Bullitt County to facilitate delivery of fire protection services and reliable potable water to the area. The least intrusive route for construction of this main involves crossing property owned by James D. Winchell at 176 Highway 44, Bullitt County, Kentucky. Therefore, fulfilling the objectives of the project requires that Louisville Water Company secure an easement on this property. The requested easement is the least intrusive measure needed to achieve the foregoing objectives.

Staff has conducted discussions with the property owner for over six months but has not been able to reach a suitable agreement. Time is of the essence and the project now needs to move forward. The easement is necessary for the public purpose of providing adequate fire protection and a reliable potable water source for the residents in this area.

Mr. Dearing moved to adopt the following resolution authorizing the commencement of eminent domain proceedings, including the submission of a Petition for Condemnation to obtain the necessary easement. Dr. Dronawat seconded and the motion unanimously carried.

RESOLVED, that it is hereby determined to be necessary that the Louisville Water Company, acting through the agency of the Board of Water Works, obtain a permanent easement on certain land located at 176 Highway 44 in Bullitt County, Kentucky (such land being more particularly described in Exhibits A and B attached hereto) for the purpose of using such land for installing, operating, monitoring, maintaining, repairing, and upgrading a water transmission main and related water facilities, which will provide a more reliable potable water supply, enhance water quality and improve fire protection service; it being the determination of the Louisville Water Company that such land is needed from:

James D. Winchell	176 Highway 44, Bullitt County	Deed Book 893, Page 336 Parcel ID: 036-SE0-03-015
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Or so many of those who have not or will not convey their statutory interest in such property and any or all other lawful owners of such property, the need for such land being to allow the Louisville Water Company to fulfill the public use and purpose as set forth herein for the residents of Bullitt County, Kentucky and surrounding areas, the Louisville Water Company being hereby authorized, if reasonable efforts to purchase the necessary easements having failed, to bring a condemnation action against the owners of such land pursuant to Kentucky Revised Statutes 416.540 *et. seq.* and any and all other lawful statutory and common law rights to do so.

### **2020 Payment Assistance Funding to the Louisville Water Foundation Approved**

Dave Vogel advised that each year Louisville Water makes a donation to the Louisville Water Foundation to use for water bill payment assistance and other water projects that serve to advance the Foundation's mission. The donation from Louisville Water has typically been funded by setting aside a portion of the HomeServe program revenue from the previous year. The largest percentage of the Foundation's annual contributions supports the Customer Assistance Program, "Drops of Kindness". Louisville Metropolitan Sewer District and HomeServe also contribute funds for this effort. The recommended donation for 2020 is \$250,000.

Mr. Summers moved to donate \$250,000 to the Louisville Water Foundation to fund the 2020 Customer Assistance Program and other water-related charitable activities. Dr. Dronawat seconded and the motion unanimously carried.

### **Master Resolution and Authorization for Depository Accounts and Treasury Management Services Approved**

Ms. Pearson advised that a Request for Proposal was submitted for Banking Services and Investment Custodial Services in early 2019. Five bids were submitted from the following institutions: BB&T (the incumbent), PNC Bank, Fifth Third Bank, Republic Bank and U.S. Bank. Two of the bids did not pass minimum qualifications. The three remaining bids proceeded to Rounds 2, 3 and 4 to be reviewed by the evaluation team. At the conclusion of the review, the team recommended award of the contract to PNC Bank who had the overall highest score.

Contract negotiations began with PNC which were very complex and detailed and took a significant amount of time. The COVID-19 pandemic further delayed negotiations and finalizing the contract.

The contract documentation with PNC Bank requires the Board of Water Works approve a Master Resolution and Authorization for Depository Accounts and Treasury Management Services. Ms. Pearson reviewed the documentation with the Board.

Ms. Pearson noted that in addition to the herself and Spencer Bruce, two additional signatories were added to the Louisville Water accounts; those being Michael Tigue and Tim Kraus.

Dr. Dronawat moved to approve the Master Resolution and Authorization for Depository Accounts and Treasury Management Services. Ms. Fust-Rutherford seconded, and the motion unanimously carried.

### **COVID-19 Update Provided**

Ms. 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.

Mr. 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.

### **Update on AMI Project Provided**

Mr. Vogel provided an update on implementation of the Advanced Metering Infrastructure (AMI) project. He provided an overview of PureConnect, which is a combination of AMI and a new customer access portal.

Mr. Vogel reviewed the many benefits AMI will provide to both the Company and our customers which include: it will facilitate our moved to monthly billing which is a strategic objective for both Louisville Water and MSD; bills will be on the same timeframe as other utilities; it will provide improved information to our customer service representatives; it will provide more accurate reads; it will allow our customers to access hourly usage information; it will provide leak/high bill alerts; and it will allow flexible billing dates.

Mr. Vogel introduced the Project Team lead by Eric Ayers, Judy Sherer and Scott Clark. Various business units are providing significant support to this project included the Communications team.

Approximately 8,000 endpoints have been installed to date and approximately 40,000 will be installed by year-end. The first group of customers will be shifting to monthly billing in November and the new Customer portal will be released in 2021.

Mr. Vogel provide a brief review of the Installation Plan which began in 2020 and is anticipated to be completed in 2022.

### **Audit Committee Report Provided**

Mr. Esselman provided a summary of the item discussed during the Audit Committee meeting held on Monday, September 14, 2020.

Dr. Kerrick asked each Vice President to provide a very brief overview of their monthly reports.

### **Financial Report Given**

Ms. Pearson reported that the financial impact of the COVID-19 pandemic continued to negatively affect Louisville Water's financials in August. 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 are only partially offset by a favorable variance in total operating expenses. As a result, net income for August is \$675,000 less than budget.

Ms. Pearson advised that in September, Louisville Water is launching its Small Business Equity Program (SBE). To date, over 100 firms have submitted applications to be part of the program.

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

Kelley Dearing Smith summarized the Communications and Marketing report.

A new partnership with the Kentucky Derby Museum includes education and branding. A grant from the Louisville Water Foundation allowed the Museum to replace its old drinking water fountains with bottle filling stations.

Louisville Water's fleet is transitioning to white vehicles for safety and because it's difficult to get a uniform blue color. This is a gradual transition, but the new vehicles feature updated branding and messaging.

The communication team is assisting Finance with the rollout of the Small Business Equity Program. Staff has coordinated a digital campaign and has received positive coverage from stakeholder groups and a local television station.

In September, Louisville Water Tower Park restarted its public opening days at WaterWorks Museum. Guided tours are available by reservation and the first opening date sold out in just a few days. Staff has taken extra precautions for their safety and our guests. We'll host another open date on October 18 as part of Louisville Water's 160<sup>th</sup> anniversary of service.

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

Mr. Vogel referred to the Board members to his written report.

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

Mr. Kraus noted that the 2020 capital program expenditures through August totaled \$47,673,762, which is \$2,636,222 or 5.24% less than the same period last year. These expenditures equate to 39.34% of the 2020 total capital program of \$121,176,319.

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

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

Mr. Spence advised that Eric Ellis of Integrity Development held kick-off sessions with each department and union employees as part of the Diversity Equity & Inclusion effort. He also noted that Union president Adam Carter joined the committee coordinating the upcoming virtual “Showcase of Opportunities” featuring a career and education expo regarding employment opportunities with local utilities.

## **Information Technology Report Given**

Tom Lockett provided a summary of the Information Technology report.

Louisville Water and Oracle Managed Services have completed all knowledge transfer from Ernst & Young and are now the sole technical support for the Oracle Work & Asset Management (WAM) system. We are Working with the WAM support team to address new issues as they are identified. We are also working on enhancements to integrations that will better support the business.

Staff continue to implement a Disaster Recovery (DR) capability in Tennessee by the end of the year. Our target is to have a maximum recovery point of ten minutes and recovery time of one hour. Installation of the equipment was completed in June. We have implemented the Zerto technology to help with testing of failovers. This technology provides Continuous Data Protection (CDP) by using journal-based technology to log all changes occurring within a specified time frame.

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

There being no further business for the Board, the meeting was adjourned at 1:09 p.m.

Respectfully submitted,



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