

**Board Of Water Works  
REGULAR CALLED MEETING MINUTES  
October 22, 2019**

**Board Members Present:**

Dr. Sharon Kerrick, Vice Chair  
Dr. Sundeep "Sunny" Dronawat  
Mr. Paul Esselman  
Ms. Tierra Kavanaugh Wayne  
Mr. Craig Willman

**Not Present:**

Greg Fischer  
Mr. Creighton Mershon, Chair

**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 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. Sue Purdy, Director, Finance and Accounting  
Ms. Kim Reed, Chief Innovation Officer, One Water  
Ms. Jenni Schelling, Director, Internal Audit  
Mr. Andrew Winslow, Supervisor, Budget Rates and Analysis  
Ms. Ramiza Carpenter, Senior Accountant  
Ms. Megan Starnes, Budget Specialist, II  
Ms. Jamie Long, Engineer, MRRP  
Ms. Beverly Soice, Paralegal

**Visitors:** Mike Borchers, Arcadis  
Katie Umberg, Arcadis  
Rob Gipperich, AON

The regular called meeting of the Board of Water Works (BOWW) was held on Tuesday, October 22, 2019 at the Louisville Water Company (Louisville Water or the Company) located at 550 South Third Street, Louisville, Kentucky. Vice-Chair, Dr. Sharon Kerrick called the meeting to order at 11:05 a.m.

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

Paul Esselman moved to approve the Regular Called Meeting Minutes of September 17, 2019 seconded by Tierra Kavanaugh Wayne and the motion unanimously carried.

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

Spencer Bruce informed the Board that Louisville Water recently lost another employee. Jesse Davidson passed away on October 9, 2019 at his home. Jesse was an inspector based out of our Allmond Avenue facility.

Mr. Bruce also advised the Board that representatives of the union and management attended a Labor Management Retreat on October 3 and 4 at General Butler State Park. The retreat was facilitated by Billy Meeks, a Louisville Water retiree and former President of AFSCME Local 1683.

Mr. Bruce noted that Louisville Water's Strategic Business Plan includes a priority for business transformation and our work around economic development in the region is key to achieving success in this priority. Mr. Bruce advised that he will periodically share highlights of the Company's efforts with the Board. Through the third quarter of 2019, staff has fielded 30 requests from potential new business or expansions in the Louisville-area, which are in-line with 2017 and 2018. These requests are often coordinated through Louisville Forward or Greater Louisville Inc. (GLI). Brand development, marketing and strategic partnerships are also key with this priority. In 2019, staff has worked to expand how we work with GLI and the Kentucky Association for Economic Development for regional growth. Louisville Water will host a group of regional business leaders later in November and are developing a collaborative 2020 partnership to highlight Louisville's advantages.

Kelley Dearing Smith advised we are strategic in our messaging and media focus, highlighting our abundance of water, affordable rates and water quality in markets within cities where you won't find this advantage with other water utilities.

### **Closed Session Held**

Mr. Esselman moved to go into Closed Session to discuss current or pending litigation pursuant to KRS 61.810(1)(c) at 11:16 a.m., seconded by Ms. Wayne and the motion unanimously carried.

### **Open Session Resumed**

Dr. Sunny Dronawat moved to return to Open Session at 11:35 a.m., seconded by Craig Willman and the motion unanimously carried. No action was taken in closed session.

### **Easement Condemnation Authorized for Project 15510 – I-65 Transmission Main**

Pursuant to discussion held in closed session, Dr. Kerrick called for a motion on the proposed easement condemnation. Mr. Esselman moved to adopt the condemnation resolution authorizing the commencement of eminent domain proceedings including the submission of a Petition for Condemnation to obtain the easement, seconded by Mr. Willman, 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 in Bullitt County, Kentucky (such land being more particularly described in Attachments B and C attached hereto) for the purpose of using such land for: installing, operating, monitoring, maintaining, repairing and upgrading one or more water mains and related facilities, and providing an above grade road crossing across the existing railroad for access to the proposed 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:

R.J. Corman Railway Source	66' Railroad Right of Way	Unknown	Record
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immediately west of Interstate 65 and bounded by Chapeze Lane and Highway 245

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.

**Change Order Approved for Project No. 14321 – Eastern Parkway 48-inch Water Main Rehabilitation Project, Phase 3**

Tim Kraus advised that staff is requesting Board approval of HDR, Inc.'s (HDR) Change Order No. 2 for Phase 3 of the Eastern Parkway 48-inch Water Main Rehabilitation Project. Mr. Kraus summarized the project and request as follows.

The existing 48-inch main was installed in the 1920's and is composed of cast iron pipe with leadite joints. In recent years, Louisville Water experienced a series of failures of this main and as a result a project was initiated to rehabilitate this main in a phased approach. Phase 3, the final phase of this transmission main rehabilitation project, currently in construction, begins at the Crescent Hill Filter Plant and extends down Stilz Avenue, to Lexington Road, to Grinstead Drive to the beginning point for Phase 1 of the project, at Grinstead Drive near Lexington Road.

Louisville Water has requested additional engineering assistance in the amount of \$76,000 from HDR to complete construction services through Phase 3 of the project. The additional services include providing technical assistance with design and construction related complications and contractor claims for additional costs, as well as an extension of the term for providing construction assistance for four months.

HDR's original contract included final engineering design and support during construction for Phases 1, 2 and 3 in the amount of \$657,289. Change Order No.1 included an additional \$246,900 for work requested by Louisville Water to divide Phase 2. With this change order, the total HDR change order amount is \$322,900, for a revised total HDR contract amount of \$980,189.

Dr. Dronawat inquired if there is a contingency included in the project budget. Mr. Kraus indicated that there is and that the Project Manager is working within the budget and no additional funds are being requested.

Mr. Esselman moved to approve project Change Order No. 2 \$76,000 and to approve a revised total engineering services contract of \$980,189 for HDR on the Eastern Parkway 48-inch Rehabilitation Project. Dr. Dronawat seconded and the motion unanimously carried.

The Board took a short break at 11:41 a.m. for lunch and resumed the meeting at 11:57 a.m.

## **Bond Rating and Series 2019 Bond Pricing**

Lynn Pearson provided the Board with an update on the Series 2019 bond issuance.

Louisville Water has completed two key steps in the process of issuing our Series 2019 bonds. The first step was accomplished when we obtained a rating from Moody's Investor Services and S&P Global Ratings. Members of the Executive Leadership Team (ELT) and Finance staff met with Moody's and S&P on September 24 and 25, respectively. We provided a comprehensive overview of the Company's operations and financial condition, with a presentation that was structured around the priorities of our Strategic Business Plan. We also provided the analysts from Moody's with a tour of the Zorn Avenue facilities and Crescent Hill Treatment Plant. S&P analysts' schedule did not allow time to attend a tour.

Ratings were received from each agency the first week of October. Louisville Water received top ratings of Aaa from Moody's and AAA from S&P. Receiving Aaa/AAA places Louisville Water in an elite group of water utilities and ensures we receive the most favorable rates on our bond issuance.

The second step, which was pricing our Series 2019 issuance, was conducted at 10:00 a.m. on Thursday, October 17. Ms. Pearson advised the par amount issued will be \$155.5 million, the premium will be \$21.7 million, and the all in total interest cost of the bond issuance will be 2.27%.

The Pricing and Sale Committee (Paul Esselman, Spencer Bruce and Lynn Pearson) made the award to Citigroup, the lowest and best bidder at the competitive bond sale. The closing of the transaction is scheduled for October 30, 2019.

## **Strategic Business Unit Presentation**

Mr. Bruce introduced Mike Borchert with Arcadis to provide a strategic business presentation.

Mr. Borchert provided his assessment of Louisville Water's Strategic Initiatives Team (SIT), Arcadis' recommendations and a roadmap for future growth.

## **2020 Preliminary Operating and Capital Budget**

Mr. Bruce and the Vice Presidents provided highlights of the proposed 2020 Operating and Capital Budget. The presentation included an overview of the budget process and timetable along with a look at Louisville Water's 2020 funding priorities with key drivers and assumptions for operating revenue and expenses. Key capital projects planned for 2020 were reviewed and a summary of the budgeted capital by category was presented.

## **Compensation & Benefits Committee**

Dr. Kerrick provided a summary of the items presented at the Compensation and Benefits Committee meeting held on October 10, 2019.

Representatives from Mercer, Lisa Dietrich and David Miller, attended the committee meeting and discussed compensation planning market trends by reviewing the 2019 projected versus actual pay increases. They then reviewed the projected changes to pay for 2020.

Dr. Kerrick advised that in terms of the compensation structure movement, Mercer recommends a 2.0% market movement be made and recommends budgeting for front-line, non-union salary increases at 3.0% overall. She also noted that Mercer recommends moving to one salary structure for both non-management and management. Mr. Bruce advised that staff recommends approving the structure, the overall budget in the recommended amount and moving to one combined salary structure. Staff will ask for approval of the Merit Matrix for 2020 at the spring 2020 Compensation and Benefits Meeting prior to the consideration of staff increases.

Dr. Kerrick advised that Rob Gipperich with Aon was present at the committee meeting to review the projected premiums for the employee health insurance for 2020. Mr. Gipperich is also present at this Board meeting.

For each of the last two years, Louisville Water sent a Request for Proposal to various insurance providers. This year we asked Humana for a proposed renewal premium and Anthem for a market check. Humana's initial projected premium for 2020 was 16% higher than the current 2019 premium. As a result of negotiations, Humana ultimately lowered its premium to a 5.2% increase. Anthem's projected premium was 19.0% higher than what the Company is currently paying for 2019. Mr. Gipperich also reviewed a summary of the premiums and the annual increases paid by Louisville Water over the last few years and noted that since 2015, the premium increases average 3.7% per year which is well below the national average.

Dr. Kerrick noted that ancillary insurance does not require the Board's approval as it is within the President's approval authority. Ancillary insurance includes dental, vision and life and disability. Dr. Kerrick noted that dental insurance will be provided by Delta Dental and the annual premium will decrease by 3.0% for 2020; vision insurance will be provided by VSP and that annual premium will decrease by 2.0%; and life and disability insurance will be provided by Securian Madison National and that premium will decrease by 12.8%.

After a short discussion, Dr. Dronawat moved to approve a 2.0% market movement and an overall 3.0% merit increase for front-line, non-union employees for budget purposes and to renew the contract with Humana for Louisville Water's employee health insurance for the 2020 benefit plan year. Mr. Willman seconded, and the motion unanimously carried.

Dr. Kerrick added that the committee also reviewed the mid-year performance report for the Shared Executive Operating Goals, Management Incentive Plan Goals and Corporate Performance Goals.

### **Third Quarter 2019 Certification of Projects & Change Actions and Third Quarter 2019 Certification of Contracts & Bids**

Mr. Bruce asked that the Board take the above reports under advisement.

### **Board Policies**

In the interest of time, review of the two Board policies will be postponed until the November Board meeting.

### **Financial Report, Communications and Marketing Report, Customer Service and Distribution Operations Report, Engineering and Production Operation Report, Human Resources Report and Information Technology Report**

Mr. Bruce asked the Board to take the Other Officers' reports under advisement.

There being no further business for the Board, the meeting was adjourned at 2:05 p.m.

Respectfully submitted,



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