

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
November 19, 2019**

Board Members Present:

Mr. Creighton Mershon, Chair
Dr. Sharon Kerrick, Vice Chair
Dr. Sundeep "Sunny" Dronawat
Ms. Tierra Kavanaugh Wayne (via teleconference)
Mr. Craig Willman

Not Present:

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

Visitors:

The regular called meeting of the Board of Water Works (BOWW) was held on Tuesday, November 19, 2019 at the Louisville Water Company (Louisville Water or the Company) located at 550 South Third Street, Louisville, Kentucky. Chair, Creighton Mershon called the meeting to order at 11:03 a.m.

Minutes of the Previous Regular BOWW Meeting Approved

Craig Willman moved to approve the Regular Called Meeting Minutes of October 22, 2019 seconded by Dr. Sunny Dronawat and the motion unanimously carried.

Report Provided by the President/Chief Executive Office

Spencer Bruce advised that on November 5, Louisville Water recognized 56 employees who reached a milestone in their employment with our Company. The group included employees who

had 5, 10, 15, 20, 25, 30 and 35 years of service. As part of our Strategic Business Plan priority to be the “Employer of Choice,” we have placed an emphasis on employee retention and recruitment. This is the first time in decades the Company has hosted an employee recognition event. In the early 1900s, we frequently held gatherings of the “Old Timers Club” and honored employees with over 50 years of service!

For the third year, Louisville Water joined Louisville MSD in recognizing the veterans who work for our utilities. More than 90 veterans were treated to a breakfast and awards program where Louisville Mayor Greg Fischer thanked the men and women for their service and representatives of each military branch offered comments. The representative for the U.S. Navy was Lieutenant Junior Grade A.J. Lueke whose dad, Joe, works for Louisville Water and is a U.S. Marine Corp veteran. Our veterans also participated in the city’s Veterans Day Parade.

Mr. Mershon stated that if there is no objection, he will take the Budget item on the meeting agenda out of order.

Approve Proposed 2020 Annual Operating and Capital Budget

Lynn Pearson provided an overview of the proposed 2020 Annual Operating Budget. The summary included a presentation on budget trends for water consumption and sales, other operating revenue, and operating expense.

Ms. Pearson advised the 2019 – 2025 Strategic Business Plan drives the Operating and Capital Budget. She noted the organization has worked collectively to put together the proposed budget for the next fiscal year. Upon approval of the budget, staff will prepare the cost of service study for the 2020 water rates to be presented in December.

Ms. Pearson reviewed highlights of the proposed operating budget for 2020 with the Board. The budgeted consumption for 2020 is 33.6 billion gallons, which is based on a three-year average retail consumption less a trend adjustment, plus additional wholesale gallons totaling 225 million gallons projected to be sold. Overall, wholesale revenue is projected to be \$6.6 million in 2020, an increase of \$700,000 over 2019 budget.

Other operating revenue is budgeted at \$20.1 million, an increase of \$1.7 million from 2019 budget. Other operating revenue includes sewer billing charges, customer fees and charges, home service line protection revenue, and contract operations revenue.

Ms. Pearson also reviewed increases in operating and maintenance expense and depreciation.

Ms. Pearson advised that management is recommending an average rate increase effective January 1, 2020 of 3.5%. For a typical residential customer using 4,000 gallons, the increase is 85 cents, resulting in a monthly water bill of \$24.01.

Budgeted net income is \$40.246 million for 2020. Using the dividend formula from the Master Bond Resolution, this budget results in a budgeted dividend of \$20.425 million to Louisville Metro Government, Louisville Water’s sole shareholder.

Tim Kraus discussed the proposed 2020 Capital Budget.

The total Capital Budget for 2020 is proposed at \$109.2 million before cash reimbursements. This represents an increase of 3.6% over the 2019 Capital Budget. Mr. Kraus also reviewed the

amount of funding and the major areas of the Capital Budget. Infrastructure Renewal makes up the largest portion of capital projects at \$44.3 million (40.5%), followed by New Technology and Facilities at \$40.2 million (36.8%), Growth-Related Improvements at \$18.1 million (16.6%), and Self-Financing Improvements at \$6.6 million (6.1%).

A summary of the projects planned under each of the above-mentioned categories was also provided.

Projects Approved as a Part of the Capital Budget

Mr. Kraus advised that there are three current-year projects that require specific Board action due to changes in the budget.

Mr. Kraus provided a summary of the three projects that require Board action which include Project 15509: Belmont Road BPS; Project 14641: Harrods Creek PRV Renovation; and, Project 13650: Relocation 2013 – 690 – Preston Highway Corridor T&D – John Harper Highway to Highway 44.

Dr. Dronawat moved to adopt the following resolution for approval of the 2020 Capital and Operating Budget and to approve the requested change action items identified above. Mr. Willman seconded, and the motion unanimously carried.

RESOLVED, that the Draft 2020 Operating Budget submitted by staff on November 19, be adopted as the approved 2020 Operating Budget, and
RESOLVED, that the Draft 2020 Capital Budget submitted by staff on November 19, be adopted as the approved 2020 Capital Budget, and
RESOLVED, that the 2020 – 2029 Financial Plan submitted by staff on November 19, be filed as the approved Financial Plan, and
RESOLVED, that rate schedules be developed and presented by staff based upon a cost-of-service rate study with an average rate increase of 3.50%, effective for water service beginning January 1, 2020, and thereafter.

Closed Session Held

Dr. Dronawat moved to go into Closed Session to discuss current or pending litigation pursuant to KRS 61.810(1)(c) at 12:15 p.m., seconded by Mr. Willman and the motion unanimously carried.

Open Session Resumed

Dr. Kerrick moved to return to Open Session at 1:20 p.m., seconded by Dr. Dronawat and the motion unanimously carried. No action was taken in closed session.

Review Board Policies

Pursuant to discussions held in closed session, Mr. Mershon called for a motion on the Open Meetings and Open Records Policy and the Purchasing Policy. Mr. Willman moved to approve the Open Meetings and Open Records Policy and the Purchasing Policy as proposed. Dr. Dronawat seconded and the motion carried. Dr. Kerrick abstained.

Labor Relations

Adam Carter, Local 1683 Union President, Terrence Spencer and Dave Vogel provided a history of the partnership between Louisville Water Company and Local 1683 of the American Federation of State, County and Municipal Employees, AFL-CI (the Union). Mr. Vogel discussed the current state of the partnership noting that there has been many years of success and it is on solid footing. However, some challenges have developed that should be communicated to the Board. The specific challenges were reviewed with the Board and it was advised that both management and the Union have spent significant time and energy attempting to resolve the issues.

A grievance on the main issue of contention, after hours emergency call out response, is set for arbitration on December 12, 2019.

One Water Update

Shannon Tivitt provided a summary of the discussions that took place at the Louisville One Water Partnership Board meeting which was held on November 6, 2019.

A Human Resources update on the shared ancillary (dental, vision, life/disability) benefit initiative was provided to the One Water Board. Both Louisville Water and Louisville MSD were able to take advantage of better premiums based on this opportunity.

Ms. Tivitt provided an update on the Strategic Plan "Refresh" process. Strategic Initiatives are being reviewed and evaluated now through December in One Water Advisor Council meetings by owners/team. Once this process is completed, those items that are amended/carried forward will be the focus in 2020.

Kim Reed lead a discussion on the One Water Partnership's journey from a historical perspective and the value of the One Water shared services opportunities since 2012.


Ms. Reed also briefed board members on innovation efforts underway by Louisville Water, Louisville MSD and the One Water Partnership. The One Water focus will shift to innovation activities in the coming year.

Financial Report, Communication and Marketing Report, Customer Service and Distribution Operations Report, Engineering and Production Operations Report, Human Resources Report, and the Information Technology

In the interest of time, Mr. Mershon asked the Board to take the above reports under advisement.

There being no further business for the Board, the meeting was adjourned at 2:12 p.m.

Respectfully submitted,



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