

**Board Of Water Works  
REGULAR CALLED MEETING MINUTES  
November 24, 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 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  
Ms. Sue Purdy, Director, Finance  
Mr. Jeremy Raney, Director, Engineering  
Ms. Jenni Schelling, Director, Internal Audit  
Ms. Shannon Tivitt, Director, Project Liaison, One Water  
Mr. Andrew Winslow, Manager, Finance  
Ms. Ramiza Carpenter, Senior Accountant  
Ms. Megan Starnes, Budget Specialist, II  
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, November 24, 2020 by video teleconference via Zoom. Chair, Dr. Sharon Kerrick called the meeting to order at 11:02 a.m.

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

William Summers, IV moved to approve the Regular Monthly Meeting Minutes of October 20, 2020. Seconded by Dr. Sunny Dronawat, and the motion unanimously carried.

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

Spencer Bruce stated that over the past three weeks staff has worked with Mayor Greg Fischer's office on a new partnership to help thousands of customers who are struggling to pay their utility

bills due to a financial hardship from the pandemic. On November 16, Mayor Fischer proposed an ordinance to provide \$10 million from the city's general fund for direct bill relief on Louisville Water, Louisville MSD and LG&E bills. Metro Council will need to approve the allocation from the general fund. While we wait for the ordinance to move through the legislative process, a team of Louisville Water and MSD employees are planning for the implementation. The goal is for the funds to be available in mid-January. Customers with outstanding balances on their utility bills could receive a one-time credit of an amount that's still to be determined. Customers will need to attest that they've had a financial hardship during the pandemic.

This relief is in addition to the customer assistance we've already provided in 2020. Through Drops of Kindness, our effort to help customers with an unpaid bill, Louisville Water has contributed \$350,000 to the Louisville Water Foundation. The Foundation works with local non-profits who administer customer assistance in Jefferson, Oldham and Bullitt counties.

Updates regarding implementation will be provided to the Board at the December and January meetings.

### **2021 Annual Operating and Capital Budget Approved**

Lynn Pearson advised the COVID-19 pandemic has had a substantial impact on the 2020 financial performance. She then provided a 2020 full year forecast compared to budget.

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 2021 water rates to be presented in December.

Ms. Pearson provided an overview of the proposed 2021 Annual Operating Budget which included a presentation on budget trends for water consumption and sales, other operating revenue, and operating expense, along with non-operating income and expense.

Ms. Pearson reviewed highlights of the proposed operating budget for 2021 with the Board. The budgeted water consumption for 2021 is 33.5 billion gallons. Ms. Pearson noted that non-residential water sales are budgeted assuming some recovery from the lows of 2020 but will still be negatively impacted by the pandemic. Residential and wholesale water sales will offset much of the drop in non-residential categories. Overall, wholesale revenue is projected to be \$7.6 million in 2021, an increase of \$978,000 over 2020 budget.

Other operating revenue is budgeted at \$19.7 million for 2021, a decrease of \$452,000 from the 2020 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, 2021 of 3.5%. For a typical residential customer using 4,000 gallons, the increase is 90 cents per month, resulting in a monthly water bill of \$24.91.

Ms. Pearson advised Pension Expense for 2021 is budgeted at \$16.5 million, Operating and Maintenance Expense at \$91.8 million, and Depreciation and Amortization on Capital Expenditures at \$48.2 million.

Budgeted net income is \$40.575 million for 2021. Using the dividend formula from the Master Bond Resolution, this budget results in a budgeted dividend of \$18.827 million to Louisville Metro Government, Louisville Water's sole shareholder. The 2021 dividend was calculated anticipating a \$1.75 million donation to the Louisville Water Foundation in 2020 for customer assistance as requested by Louisville Metro. This reduced the 2021 budgeted dividend by \$292,000.

Tim Kraus discussed the proposed 2021 Capital Budget.

The total Capital Budget for 2021 is proposed at \$112.4 million before cash reimbursements. This represents an increase of 2.9% over the 2020 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 \$54.1 million (48.2%), followed by New Technology and Facilities at \$36.6 million (32.5%), Growth-Related Improvements at \$15.6 million (13.9%), and Self-Financing Improvements at \$6.1 million (5.4%).

Mr. Kraus also provided a summary of the projects planned under each of the above-mentioned categories.

#### Projects Approved as a Part of the Capital Budget

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

Mr. Kraus provided a summary of the two projects that require Board action which include Project No. 14325 - CHFP Chemical Building and Office Space Improvements for Productions and Project No. 15252 – ZPS - Water Tower Balustrade Restoration.

Paul Esselman and Dr. Dronawat congratulated Ms. Pearson and her staff on completion of the budget.

Mr. Esselman moved to adopt the following resolution for approval of the 2021 Capital and Operating Budget and to approve the requested change action items identified above. Greg Dearing seconded, and the motion unanimously carried.

RESOLVED, that the Draft 2021 Operating Budget submitted by staff on November 24, be adopted as the approved 2021 Operating Budget, and  
RESOLVED, that the Draft 2021 Capital Budget submitted by staff on November 24, be adopted as the approved 2021 Capital Budget, and  
RESOLVED, that the 2021 – 2030 Financial Plan submitted by staff on November 24, 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, 2021, and thereafter.

#### Oldham County Advisory Board Report Provided

Dave Vogel provided a summary of the November 9, 2020 Oldham County Advisory Board meeting.

#### Procurement Procedure Update Provided

Ms. Pearson advised that in response to the Board's request that staff consider including a Local Preference Program in its procurement procedures, she reviewed the current statistic between

contracts awarded to local vs. non-local businesses. Ms. Pearson noted that in 2019 the percentage of contracts awarded to local vs. non-local businesses was 80% vs. 20% respectively. For 2020 to date, 79% of contracts have been awarded to local vendors vs. 21% to non-local vendors.

Ms. Pearson advised staff reviewed Louisville Water's procurement procedures to determine how a local preference program could best be designed to accomplish a goal of promoting local businesses while still achieving overall procurement goals. Staff also reviewed Louisville Metro and MSD Local Preference Programs. Louisville Water's recommended program is modeled after Louisville Metro's Local Preference Program.

Ms. Pearson stated that for purposes of the proposed program, the definition of "local" is consistent with that of the Louisville Water's Small Business Equity Program. To be considered a "local" business, it must have a physical business location in Jefferson, Oldham, Bullitt, Spencer, Shelby, Trimble Nelson, Hardin, or Meade county in Kentucky or Clark, Floyd, Harrison, Scott, or Washington county, Indiana.

For Bids, local bidders will have their price reduced by 5% (not to exceed \$50,000) for determining the lowest bid price. For Requests for Proposals (RFPs), 5% of the overall total possible points will be added to the evaluated total of local RFP respondents.

Ms. Pearson advised the program will be implemented in the first quarter of 2021.

Dr. Kerrick thanked Ms. Pearson and her staff for developing this program. Mr. Summers complimented Ms. Pearson on how quickly she and her staff have developed the program.

### **Financial Report Given**

Ms. Pearson advised that the COVID-19 pandemic continued to significantly impact Louisville Water's financials in October. Total consumption and water revenue for the month are under budget, as are other operating revenue and non-operating income. These unfavorable budget variances were only slightly offset by a favorable variance in total operating expenses. As a result, net income for October was lower than budget by \$1.5 million.

Ms. Pearson also noted that Operating and Maintenance Expenses for October of \$7.8 million are \$397,000 higher than budget. The unfavorable October variance to budget is due to an increase in insurance reserves for a worker's compensation claim that occurred in 2019.

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

Kelley Dearing Smith advised when crews removed the statues that sit on the Louisville Water Tower for restoration, local and national media highlighted the history of the nation's oldest standing ornamental water tower and the project to restore the tower.

Louisville Water, Louisville Forward, Greater Louisville, Inc., and LG&E delivered a unique program to highlight the region's advantages. "Bet on Louisville" was a virtual event that welcomed more than 20 business developers from nine states and the Kentucky Cabinet for Economic Development. With the Spirit of Kentucky exhibit at the Frazier History Museum as a backdrop, guests learned how Louisville is managing through the pandemic and growing its economy. The event featured content from each partner, a candid conversation about equity, a look at the job growth in 2020 and an authentic taste of Louisville with a horse race and an Old Fashioned.

Louisville Water is the title sponsor for “ShopLocalLou,” a year-round online e-commerce site provided by the Louisville Independent Business Alliance (LIBA). The site launches on “Shop Small Saturday,” November 28, and gives the option to purchase items from local specialty stores, black-owned businesses or neighborhood-specific businesses. Louisville Water is a member of LIBA.

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

Mr. Vogel advised that winter preparation activities continue, and our priority backlogs are in good shape as we enter the cold weather season.

The first week of October was “Customer Service Week” and we recognized staff for their outstanding efforts this year. Customer Service closed on Columbus Day for training and our staff spent the day in training and teambuilding sessions at the Water Tower Park.

AMI continues to progress with approximately 25,000 units installed to date. Two of our meter reading employees are performing quality inspections on each of the installs to make sure they are done to standards. We are on track to convert the first group of 700 Jefferson County customers to monthly billing in November.

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

Mr. Kraus advised that 2020 capital program expenditures through October totaled \$66,569,799, which is \$703,736 less than the same period last year. These expenditures equate to 54.94% of the 2020 total capital program of \$121,176,319.

All water quality goals for October 2020 were achieved. No water quality violations occurred.

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

Terrence Spence provided a summary of recent and current activities between the Louisville Water’s Labor Management and Local Union 1683 of the American Federation of State, County and Municipal Employees, AFL-CIO (the Union).

- Management and Union leadership participate in weekly COVID-19 update meetings to discuss the pandemic’s impact on Louisville Water employees, work schedules, and operations. To-date, 24 employees have tested positive for COVID-19.
- The Executive Union Management Alliance Council (EUMAC) met and reviewed the status regarding goals and projects established for 2020.
- Union President, Adam Carter provided a brief labor management presentation during the Company’s 3<sup>rd</sup> Quarter Operating Status Update meeting.
- Adam Carter, Kelley Dearing Smith and Mr. Spence met and outlined a communication strategy regarding the Louisville Water’s Employee Health and Wellness program in an effort to increase awareness and participation.
- Adam Carter coordinated the Combined Giving Campaign golf “Ball Drop” event.
- Union and Company leadership participated in a virtual meeting with Jefferson County Technical College to review the feasibility of Louisville Water providing assistance in the

establishment of their Commercial Driver's License (CDL) educational curriculum and potential employee training.

### **Information Technology Report Given**

Tom Luckett provided a summary of the Information Technology report.

IT staff is migrating all business reports from our unsupported reporting application to one used across Louisville Water. This will improve performance and security as well as save the cost of supporting multiple reporting platforms.

IT staff has installed the latest release of Oracle Work & Asset Management (WAM) for testing with an anticipated completion date of November 30. This release will address several issues that have surfaced post go-live.

Staff is reviewing a joint upgrade proposal of Oracle Customer Care & Billing (CCB) and Enterprise Business Systems (EBS) with Louisville Water's business leadership. A decision is anticipated before the end of November.

The H2INFO system is Louisville Water's internal intranet system. The system has been upgraded and is now in production and used across Louisville Water.

IT is continuing work on implementing a full failover Disaster Recovery (DR) function that is targeted for completion by the end of the year. The failover function will have a maximum target recovery point of ten minutes and recovery time of just one hour. IT has procured storage and servers needed for this critical effort. Installation of equipment was completed in June and a data protection program called Zerto was implemented to assist with testing of failovers. Zerto gives Continuous Data Protection (CDP) by using journal-based technology to log all changes occurring within a specified time frame. CDP gives any point-in-time recovery down to the second for the entire length of the journal. All storage devices are being replicated, with all replication occurring within five minutes or less. Next steps for DR include a failover plan for testing and then performing a simulated failover test.

A project has begun to remove both current Louisville Water end point security products and streamline security by implementing SentinelOne. SentinelOne has the same functionality of both McAfee and AMP but adds next generation end point protection for increased security.

Due to the increased criminal cyber activity, IT is closely monitoring network traffic both from internet usage as well as emails.

There being no further business for the Board, the meeting was adjourned at 12:35 p.m.

Respectfully submitted,



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