

Board Of Water Works
REGULAR CALLED MEETING MINUTES
October 18, 2022
Louisville Water Company and Virtual

Board Members Present:

Dr. Sundeeep "Sunny" Dronawat, Chair
Mr. Paul Esselman, Vice Chair
Mr. Greg Dearing
Ms. Jennifer Fust-Rutherford (via video teleconference)
Dr. Sharon Kerrick (via video teleconference)
Mr. William E. Summers, IV

Not Present:

Mayor Greg Fischer

Others Present:

Mr. Spencer Bruce, President and Chief Executive Officer
Mr. Aaron Jackson, Louisville Metro Budget Director
Mr. Dave Vogel, Executive Vice President, Customer Service and Distribution Operations
Ms. Lynn Pearson, Vice President Finance and Treasurer
Ms. Kelley Dearing Smith, Vice President, Communications and Marketing
Mr. Terrence Spence, Vice President, Human Resources and Labor Relations
Mr. Michael Tigue, Vice President, Compliance and General Counsel
Ms. Shannon Tivitt, Executive Director, One Water
Ms. Sue Purdy, Director, Finance
Ms. Jenni Schelling, Director, Internal Audit
Mr. Andrew Winslow, Manager, Finance
Ms. Ramiza Carpenter, Senior Accountant
Ms. Megan Starnes, Budget Specialist II
Mr. Brian Sturgeon, Computer Network Administrator
Mr. Peter Goodmann, Director, Water Quality and Research
Mr. Joe Schmitt, Director, Distribution Operations
Mr. Brad Hart, Manager, Security and Emergency Preparedness
Mr. Pat Howard, Manager, Engineering, Main Replacement and Rehabilitation Program
Mr. Eric Gant, Supervisor, Plant Operations
Mr. Tim Meyer, Cross Connection Specialist
Mr. Sean Reichert, Heavy Equipment Operator
Mr. Nathan Reid, Heavy Equipment Operator
Mr. Shawn Shaw, Plumber Leader
Mr. Paul Stallings, Plumber Leader's Assistant
Ms. Beverly Soice, Paralegal

Visitors:

The meeting of the Board of Water Works (BOWW) was held on Tuesday, October 18, 2022 at the Louisville Water Company located at 550 South Third Street, Louisville, Kentucky and virtually via Microsoft Teams. Chair, Dr. Sunny Dronawat called the meeting to order at 11:03 a.m.

Minutes of the Previous Regular BOWW Meeting Approved

Paul Esselman moved to approve the Regular Monthly Meeting minutes of September 20, 2022. Seconded by Greg Dearing, and the motion unanimously carried.

President/Chief Executive Officer Report

Spencer Bruce stated the Board of Water Works and Louisville Water would like to thank the employees who gave their time and service to the communities of eastern Kentucky following the catastrophic flooding that occurred this summer.

Mr. Bruce then read the following resolution which he advised will be included in the Board minutes.

WHEREAS, the Louisville Water Company began operations in 1860, and since its founding has developed a reputation as a premier water provider in the Commonwealth; and

WHEREAS, the Company prides itself on being not just a successful business, but a pillar of the local community; and

WHEREAS, in marrying its expertise with that sense of civic duty, the Company has long endeavored to assist other water districts throughout the Commonwealth in times of need; and

WHEREAS, on July 28, 2022, a devastating flood struck Eastern Kentucky, sweeping away homes and leaving thousands of people with nothing but the clothes on their backs; and

WHEREAS, the water systems in the path of the flooding suffered catastrophic damage, leaving entire communities without potable water; and

WHEREAS, the Kentucky Water/Wastewater Agency Response Network put out a call for qualified personnel to offer emergency relief assistance; and

WHEREAS, Louisville Water immediately volunteered its services, along with other utilities across the Commonwealth;

WHEREAS, Louisville Water mobilized equipment and personnel to perform the difficult and essential work of repairing and replacing the water systems affected by the flooding;

WHEREAS, the responding Louisville Water personnel demonstrated not only their professional competence but also their humanity and selflessness in the face of great tragedy;

NOW THEREFORE, the Board of Water Works offers a commendation to the following individuals for their outstanding service to others in the name of Louisville Water:

Pete Goodmann, Director, Water Quality and Research, Joe Schmitt, Director, Distribution Operations, Brad Hart, Manager, Security and Emergency Preparedness, Pat Howard, Manager, Engineering Main Replacement and Rehabilitation Program, Eric Gant, Plant Operations Supervisor, Tim Meyer, Cross Connection Specialist, Sean Reichert, Heavy Equipment Operator, Nathan Reid, Heavy Equipment Operator, Shawn Shaw, Plumber Leader and Paul Stallings, Plumber Leader's Assistant.

William Summers moved to approve the resolution honoring these employees. Mr. Dearing seconded and the motion unanimously carried.

Aaron Jackson presented an inscribed proclamation to each of the employees signed by Mayor Fischer thanking them for their service to the impacted areas.

The Board members, staff and all those present expressed their thanks with a round of applause.

Mr. Bruce stated that Louisville Water and Louisville Metropolitan Sewer District (MSD) are celebrating the 10th anniversary of the One Water Partnership, created in 2012 by Mayor Greg Fischer, for Louisville Water and MSD to share best practices, leverage our collective knowledge, and collaborate on key projects and programs.

Mr. Bruce and Shannon Tivitt unveiled a new communication publication, "*Partnering for Progress – One Water at Work*" to the Board, our employees, and to the entire community. This booklet will be used to tell the history of the One Water partnership and how Louisville Water and MSD currently partner to improve our customer experience, drive efficiencies to help maintain competitive rates, and fuel advancement and innovation in water management.

Contract and Overall Budget Increases Approved for the Water Tower Restoration and Museum Renovation Project

Tim Kraus advised that a change action is needed for the Water Tower Restoration and Museum Renovation Project.

CMec Environmental inspected and completed a report noting unacceptable lead levels in the paint on the exterior surface of the museum and portions of the Water Tower. The change in project scope includes complete remediation of the lead-based paint on the museum exterior and the brick portion of the tower. CMec Environmental will perform additional testing and laboratory analysis throughout the remediation process, to assure that the lead paint is properly remediated.

Following a thorough discussion, Mr. Esselmen moved to increase the project budget in the amount of \$1,539,009, to establish a new budget of record of \$8,286,586, and to increase the contract value for Corbett Construction to \$6,803,221.25. Mr. Dearing seconded, and the motion unanimously carried.

Contract Approved for Project 16270: 2021 PCCP Condition Assessment – BE Payne 60" Transmission Main

Mr. Kraus advised that the 2021 PCCP (Prestressed Concrete Cylinder Pipe) Condition Assessment – BE Payne 60" Transmission Main project is the first reinspection of a PCCP main since the program started in 2010. This project will be used to determine if further degradation of low priority wire breaks has progressed since the inspection in 2010 and 2011. The reinspection will allow Louisville Water to better forecast our condition assessment needs as well as provide valuable data for asset management.

Two contracts are issued for each project. One contractor manages the condition assessment, inspection, leak detection, and failure risk analysis, and the other contractor handles all of the appurtenance repair, tap installation, valve replacement, and site assistance.

Pure Technologies is to perform condition assessment on the 60" PCCP water main which runs from BE Payne to the English Station Tank. They will utilize the Smart Ball and Pipe Diver inspection platforms. Any sections identified by Pure Technologies and confirmed by SG&H as high or medium priority wire breaks, or areas of visual damage to internal steel can will be repaired by a second contractor after inspection. Pure's estimate for this scope of work is \$1,866,808, or 8.5%, lower than the Project Manager's estimate.

Dr. Sharon Kerrick moved to approve the contract with Pure Technologies in the amount of

\$1,866,808. Mr. Summers seconded, and the motion unanimously carried.

2023 Preliminary Operating and Capital Budget Reviewed

Lynn Pearson and Mr. Kraus provided highlights of the preliminary 2023 Operating and Capital Budget. The presentation included a 2022 year in review, a full year forecast for 2022, an overview of the budget process and timetable along with a look at Louisville Water's 2023 funding priorities with key drivers and assumptions for revenue and expenses. A summary of the budgeted capital by category was also presented.

Third Quarter Certification of Projects & Change Actions Approved

Mr. Bruce certified that the following Projects and Change Actions were authorized during the Third Quarter of 2022 in accordance with the Capital Projects Authorization Policy and Procedure.

Project Proposals Requiring Board

Project Number	Project Name	Requested Total Estimate	Contribution	LWC Net Cost	Current Year Estimate
16376	690 Plan HCWD 2 Phase 1 Wilson Creek Tank	\$ 7,000,000	\$ -	\$ 7,000,000	\$ -
Total		\$ 7,000,000	\$ -	\$ 7,000,000	\$ -

Project Change Actions/Admin Notifications Requiring Board Approval:

Project Number	Project Name	Previously Approved Total	Change In Total Estimate	Requested Total Estimate	Change In Current Year Estimate
14325	CHFP - Chemical Building and Lab Fire	\$ 14,107,740	\$ 3,900,000	\$ 18,007,740	\$ 2,900,000
16125*	Mud Lane Area-2021 MRRP	\$ 338,000	\$ 240,000	\$ 578,000	\$ 112,000
16126	Roe Hill Rd Area CDBG/SRF Proj	\$ 2,397,354	\$ 660,000	\$ 3,057,354	\$ -
16273	Mitchell Hill Area Imp WM	\$ 1,209,000	\$ 710,000	\$ 1,919,000	\$ 20,350
Total		\$ 18,052,094	\$ 5,510,000	\$ 23,562,094	\$ 3,032,350

Project Proposals Approved by the President:

Project Number	Project Name	Requested Total Estimate	Contribution	LWCNet Cost	Current Year Estimate
16437	ZPS Pump #8 Repair	\$ 202,000	\$ -	\$ 202,000	\$ 202,000
16438	BEP HSP #5 Rehabilitation	\$ 420,000	\$ -	\$ 420,000	\$ 25,000
16386	Bayly Ave Lead Tailpiece	\$ 253,550	\$ -	\$ 253,550	\$ 230,500
Total		\$ 875,550	\$ -	\$ 875,550	\$ 457,500

Project Change Actions Approved by the President with Total Estimate Changes:

Project Number	Project Name	Previously Approved Total	Change In Total Estimate	Requested Total Estimate	Change In Current Year Estimate
15506	660 Plan-SW Jefferson County Improvements-	\$ 4,461,716	\$ 308,047	\$ 4,769,763	\$ 308,047
15602	Fleet Program 2020	\$ 1,846,023	\$ 292,481	\$ 2,138,504	\$ -
15632	2020 RR 6546 W HWY 146	\$ 716,300	\$ 187,800	\$ 904,100	\$ -
16102	2021 Fleet Replacement	\$ 1,778,650	\$ 421,000	\$ 2,199,650	\$ -
16278	2022 Fleet Replacement	\$ 1,800,000	\$ 365,796	\$ 2,165,796	\$ 150,000
16375*	BEP Groundwater Monitoring	\$ 193,000	\$ 98,177	\$ 291,177	\$ 83,177
Total		\$ 10,795,689	\$ 1,673,301	\$ 12,468,990	\$ 541,224

Project Change Actions Approved by the President with no change Total Estimate

Project Number	Project Name	Previously Approved Total	Change In Total Estimate	Requested Total Estimate	Change In Current Year Estimate
15619	CHWTP Redundant Sludge Conveyance System	\$ 16,960,000	\$ -	\$ 16,960,000	\$ 300,000
Total		\$ 16,960,000	\$ -	\$ 16,960,000	\$ 300,000

Status of Open Projects with Total Estimates over \$2,000,000:

Project Number	Project Name	Total Estimate	Total Cost To	Status	Budget Year
11264	Transmission - Cardinal Hill Second Supply Phase 2B	\$3,708,490	\$125,621	Pending Capital	2005 Budget
11310	BEP - Renovate Sludge Lagoons #1, #2, #3, and #4	\$19,970,280	\$14,468,421	Work In Progress	2006 Budget
11615	Transmission - Gene Snyder Freeway Section 1B	\$9,133,000	\$383,107	Pending Capital	2007 Budget
11616	Transmission - Gene Snyder Freeway Section 2A	\$6,641,500	\$64,331	Pending Capital	2007 Budget - Program Child
13109	ZPS - Standby Generator	\$15,624,260	\$15,031,279	Completed Not	2011 Budget
13264	CHPS - Replace Slate Roof and Improve Masonry	\$6,137,000	\$215,725	Pending Capital	2012 Budget
13274	Metering - AMI for Jefferson County	\$61,000,000	\$32,846,022	Design In	2013 Budget
14325	CHFP - Chemical Building and Lab Fire Protection and Office Space Improvements for Productions	\$14,107,740	\$11,124,219	Work In Progress	2015 Budget
14524	ATT RBF for CH	\$221,905,253	\$5,724,658	Pending Capital	2017 Budget
14542	Transmission - Urton Lane	\$5,297,725	\$232,853	Pending Capital	2017 Budget
15036	Condition 2017 - Reservoir Yard Piping and Valves	\$5,000,000	\$57,368	Design In Progress	2017 Budget - Program
15253	900 Plan - Old Henry Rd to Terra Crossing Blvd	\$2,374,551	\$60,257	Pending Capital	2018 Budget
15438	660 Plan-SW Jefferson Cty Improvements-Lower Hunters Trace 20"	\$4,857,300	\$3,241,875	Completed Not Closed	2019 Budget
15468	Kentucky,Oak,Glenmary Transmission Main Rehab 2019	\$11,500,000	\$354,195	Design In Progress	2019 Budget
15506	660 Plan-SW Jefferson County Improvements-Blanton Lane 20 inch	\$5,464,300	\$3,317,233	Work In Progress	2019 Budget - Unbudgeted

- Pending - An approved project that has not yet begun. Some projects may go to Design and back to Pending if put on 'hold' with no construction.
- Design - The project is currently in Preliminary or Final Design, but a contract has not yet been awarded for construction.
- Work In Progress - Project has full approval to move forward, construction has begun, and a contract has been executed, if applicable.
- Complete Not Closed - Construction is complete, assets are in-service, but the project has not yet been closed due to various reasons.
- Contributed Capital is excluded from the Total Cost.

* This information is time sensitive

Third Quarter Certification of Contracts & Bids Awarded

Mr. Bruce certified that the following contracts were awarded during the Third Quarter of 2022 in accordance with the Purchasing Policy and Procedure.

Construction

14252	Relocation 2014 – River Road Main-Edith Rd to Zorn Ave	
17-150	Louisville/Jefferson County Metro Government	Estimate - LWC Reimbursement Cost\$343,980
	Assignment to Master Agreement - Transmission System Repairs and/or Capital Improvements Mud Lane Area 2021 Water Main Abandonment	
16125	Mac Construction & Excavating, Inc.	\$270,767
18-73	Carbon Fiber-Reinforced Polymer Repairs on Large Diameter Water Mains - Master Agreement 4th & Final CPI Renewal	
	Structural Preservation Systems, LLC	\$948,819
20-112	North/South Filter Building Renovation Change Order #5	
15607	Dugan & Meyers Construction Co.	\$219,520
20-86	Pavement Restoration Utilizing Louisville Metro Contract	
IFB200148	Hall Contracting	Estimate
\$1,200,000		
21-16	660 Plan – SW Jefferson County Improvements – Blanton Lane 20-inch CO#2	
15506	MAC Construction & Excavating, Inc.	\$308,047

22-48 16109	6451 Ladd Avenue Water Main Replacement Project Seven Seas Construction - (CMBE -LWC-SBE)	\$210,447
22-58 16282	Cedar Creek Lane Main Extension Project Seven Seas Construction / S-Walk Inc. (CMBE & LWC SBE)	\$219,358
22-61 15632	LaGrange Rd & West HWY 146 CSX RR Crossing Water Main Replacement Basham Construction & Rental Co., Inc. (LWC-SBE)	\$797,000
22-65 16364	Palatka Road Area Water Main Replacement Project Basham Construction & Rental Co. (LWC SBE)	\$1,486,000
22-74 16422	Mariemont Road Area Water Main Replacement Allterrain Paving & Construction, LLC (CWBE & LWC-SBE)	\$220,000
SUM BY BIDS AND AWARDS CATEGORY		\$6,223,938

Procurement of Materials and Services

Insurance Program Renewal

	A.J. Gallagher (Broker Compensation)	\$40,000
	Affiliated FM (Property) (A.J. Gallagher)	\$324,559
	Allied Public Risk (Excess Casualty 10M) (A.J. Gallagher)	\$178,429
	Ambridge (Cyber) (A.J. Gallagher)	\$78,903
	Argo (Architects E&O) (A.J. Gallagher)	\$38,690
	Berkley (Excess Casualty 15M) (A.J. Gallagher)	\$80,269
	Chubb (Management Liability D&O & EPLI) (A.J. Gallagher)	\$77,525
	Cincinnati (Excess Mngt Liability 5M) (A.J. Gallagher)	\$23,093
	Great American (Excess Casualty 15M) (A.J. Gallagher)	\$90,000
	Liberty Mutual (Excess Worker Comp) (A.J. Gallagher)	\$74,286
14-59 11310	BEP-Remove Residuals in Lagoons #1, #2, #3 and #4 Change Order # 13 Liter's Inc	Estimate\$150,000
18-96	Concrete Paved Services 3rd & Final CPI Renewal Allterrain Paving & Construction LLC (CWBE) (LWC SBE)	Estimate\$622,579
19-0919	Paving Restoration 2nd CPI Renewal Reid Brothers, Inc.	Estimate\$569,548
19-75 110520	Vehicle Parts Supply and Management (Metro Louisville Cooperative Agreement through Sourcewell) 3rd Renewal Napa	\$850,000
20-16	Distribution System Repairs & Capital Improvement Master Agreement - 1st CPI Renewal. MAC Construction & Excavating, Inc	Estimate\$750,000
20-23	Frames & Covers and Monitor Castings 2nd PPI Renewal General Foundries	Estimate\$239,820
21-107	Barricade Rentals and Traffic Control Package, Signage 1st CPI Renewal AWP, Inc.	Estimate\$484,177
21-126 16102	Single Axle 6yd Hydro-Excavating Truck 1st PPI Renewal BEC Enterprises, LLC	Estimate\$362,604
21-82	Water Treatment Chemicals 6-month Extension Gunther Salt	Estimate\$339,300
21-96	Meter Setters 1st PPI Renewal Hayes Pipe Supply	Estimate\$267,579
22-44	Ductile Iron Pipe Core & Main	\$784,283
22-55	Water Treatment Chemicals Airgas Specialty Products-Aqua Ammonia	Estimate\$268,944
	American Welding-Liquid Carbon Dioxide	\$47,500
	Atlas Carbon-Powdered Activated Carbon PAC (Taste & Odor)	\$391,680
	Brenntag Mid-South-Liquid Sodium Bisulfite	\$48,780
	Chemical Resources-Liquid Sodium Chlorite	\$70,000
	Polydyne-Poly (diallyl dimethylammonium	\$338,300
	Shannon Chemical-Liquid Sodium Permanganate	\$117,930
	Univar-Fluorosilicic Acid	\$329,280
	USALCO-Liquid Polyaluminum Chloride (PACL)	\$60,720
22-69	Copper Tubing Purchase & Delivery Plumbers Supply Company	\$209,710
22-70 2018011.02	Microsoft License Renewal 1 Year Term Software House International (SHI) (CMBE/CWBE) Omnia	\$262,075
SUM BY BIDS AND AWARDS CATEGORY		\$8,570,563

Procurement of Professional Services

13274	AMI Project Implementation Lead Contract Extension	
	AMI Consultants	\$336,960
14-21	North/South Filter Building Renovation Change Order #2	
15607	CDM Smith, Inc.	\$71,121
16-03	Assignment from Transmission Pipeline System Design Engineering Services-690	
	Plan North Nelson Water District Hwy 245 Transmission Main and Master Meter	
	HDR Engineering, Inc.	\$1,093,623
20-03	Assignment to Plant & Facilities Engineering Services Master Agreement—	
	BE Payne WTP Expansion: 60MGD to 75MGD	
16350	Black & Veatch	NTE \$1,021,894
20-03	Assignment to Plant & Facilities Engineering Services Master Agreement-Enhanced	
	Groundwater Monitoring at BEP WTP	
16375	Black & Veatch	NTE \$255,177
	SUM BY BIDS AND AWARDS CATEGORY	\$2,778,775

Procurement of Sole Source Materials and Services

	CC/ACH Payment Transactions online with an IVA, in Web Chat and in IVR.	
	Paymentus	5-year Estimate \$6,000,000
	Hach Water Quality Instrumentation	
	Hach Company	Estimate 2 year\$280,000
21-113 / WKU-553	Software Defined Wide Area Network (SD-WAN) by Fortinet.	
16276	Volta, Inc.	\$497,321
22-66	Kentucky Underground Protection, Inc.	
	Kentucky 811	Estimate\$380,000
	SUM BY BIDS AND AWARDS CATEGORY	\$7,157,321
	GRAND TOTAL	\$24,730,597

Financial Report Given

Ms. Pearson advised that Louisville Water successfully completed the process of issuing our Series 2022 bonds. The pricing was conducted on Thursday, September 22. The Pricing and Sale Committee composed of Sunny Dronawat, Spencer Bruce and Lynn Pearson, made the award to JP Morgan, the lowest and best bidder at the competitive bond sale. The closing of the transaction took place on October 6, 2022.

Total operating revenue for the month fell short of budget, driven by water revenue. Total operating expense and non-operating revenue performed favorably to budget, but only offset a portion of the shortfall. As a result, net income for the month was \$487,000 under budget.

Consumption of 3.5 billion gallons for September is 57 million gallons less than budget, and 123 million gallons higher than September 2021. Residential consumption accounts for the majority of the unfavorable budget variance, with irrigation contributing to a lesser degree. Year-to-date consumption remains under budget by 1.2% but is 0.6% higher than same period last year. Residential and to a smaller extent, industrial, are the main drivers of the year-to-date budget shortfall. The positive variance compared to this time last year is due to higher consumption in commercial and Metro government offset by lower residential and wholesale consumption, the latter resulting from Hardin County Water District No. 1 bringing their plant back into service earlier than anticipated.

Water Revenue for September 2022 is \$737,000 lower than budget and \$1.3 million higher than the prior year. Lower consumption is the key factor driving lower water revenue for this period as compared to budget. Residential, irrigation and commercial are the main drivers of the negative budget variance for September. For the year-to-date period, water revenue is 2.0% less than budget and 4.0% higher than prior year levels.

Other Operating Revenue for September is \$76,000 higher than budget and \$110,000 above

year-ago levels. The variance to budget is due to higher revenue from late charges and service line protection, partially offset by lower revenue from disconnect fees. The increase from prior year is driven by higher revenue from late charges, sewer billing, service line protection and disconnect fees, partially offset by lower revenue from contract operations. Year-to-date, other operating revenue is \$596,000 higher than budget and \$1.3 million higher than prior year. The year-to-date variance to budget is primarily due to higher revenue from late charges and service line protection offset to an extent by lower disconnect fees.

Operating and Maintenance Expenses for September are \$24,000 lower than budget and \$1.5 million higher than September 2021. The September favorable variance to budget is driven by labor and labor related expenses, materials and supplies and insurance reserves, partially offset by budget overages in power, contractual services, and bad debt. The impact of inflation is clearly evident in the increase in costs over September 2021 in numerous categories, including power, chemicals, contractual services, equipment maintenance and fleet. Bad debt expense is also significantly higher than the prior year as 2021 benefited from a significant influx of customer assistance funds. September year-to-date operating and maintenance expenses are \$112,000 higher than budget and \$7.4 million higher than year-ago levels. Chemicals, power, contractual services, bad debt and fleet expenses are all higher than budget through September. Those overages are offset to a great extent by lower labor and labor related expenses, insurance reserves, materials and supplies, equipment maintenance and employee training costs. The year-to-date variance to prior year reflects the significant impact of inflation with higher costs in almost every category.

Total Operating Expenses for September of \$14.8 million are \$111,000 or 0.7% lower than budget and \$2.1 million or 16.3% more than prior year. The favorable budget variance is mainly due to depreciation expense and net loss on disposition of property coming in below budgeted levels which is mostly due to timing of projects. The unfavorable variance to prior year is mainly due to higher operating and maintenance expense along with higher depreciation. Total operating expenses year-to-date are 1.6% lower than budget and 8.0% over year-ago levels. The year-to-date budget variance is primarily the result of lower depreciation and net loss from disposition of property only slightly offset by higher operating and maintenance expenses. Year-to-date net gain from disposition of property includes \$230,000 gain from sale of property on Johnstontown Road recognized in March, along with total gain of \$365,000 from the sale of the properties on Minor Lane and the Bullitt County office recognized in June. The remaining favorable variance is due to timing of closing capital projects along with timing related to the AMI metering project.

Non-Operating Income through September is \$207,000 higher than budget and \$116,000 less than September 2021. The favorable variance to budget is due to a treasury investment made at the end of February which is earning at a higher rate than budgeted levels. The variance to prior year results from a lower overall effective rate earned on our portfolio in the current year, along with a lower dollar amount invested than in September 2021.

Non-Operating Expense through September is \$4,000 less than budget and \$296,000 lower than year-ago levels. Interest expense is lower than prior year due to bond principal payments made in 2021, offset by lower capitalized interest.

Net Income before Distributions and Contributions for September is \$6.7 million, which is \$487,000 less than budgeted. In comparison between years, net income for September is \$581,000 less than prior year. September year-to-date net income of \$39.9 million is \$322,000 less than budget and \$1.7 million lower than prior year.

Contributions through September of \$9.4 million are \$335,000 or 3.7% more than budgeted and

\$1.7 million or 22.8% more than prior year.

Cash, Cash Equivalents and Short-term Investments totaled \$43.5 million at the end of September, falling short of our target of 250 days of estimated Operating and Maintenance expense as we approached our planned September bond issuance. The issuance of the bonds will resolve this shortfall and return our days cash outstanding to well in excess of target.

Communication and Marketing Report Given

Kelley Dearing Smith advised that nearly 56 million people saw a story about Louisville Water in September. The top stories were the historic agreement with Hardin County Water District #2 for a water purchase agreement and Louisville Water crews helping MSD minimize odor complaints by flushing hydrants. The cancellation of 2023 indoor rentals at Louisville Water Tower Park required a coordinated response in crisis communications. Staff successfully managed working with renters who had weddings planned at the tower.

Additionally, Louisville Water's economic development efforts and the Water Grows KY campaign were featured in Business First. The publication also included a profile on Brandon Hill, an employee in our IT department who was chosen as a *40 under 40* recipient.

Customer Service and Distribution Operations Report Given

Dave Vogel advised that the Call Center is still struggling with staffing.

A class of six new CSRs started last week, and we are in the process of recruiting for our remaining four vacancies. A contract has been signed with a new payment processing vendor which will allow us to provide some enhanced payment options to our customers. The additional functionality is expected to be available in early 2023. Staff continues to work with the vendor that provides payment plans to tighten the eligibility parameters as we move away from the pandemic.

The Winter Emergency Plan is being updated to prepare for cold weather operating conditions.

Engineering and Production Operations Report Given

Mr. Kraus advised that 2022 capital program expenditures through September totaled \$58,558,591, which is \$12,008,706 higher than the same period last year. These expenditures equate to 52.5% of the 2022 total capital program of \$111,534,377.

All water quality goals for September 2022 were achieved. No water quality violations were incurred.

Eight chemical spills were reported upstream of the Zorn intake; none that impacted water treatment. The highest atrazine level detected in finished water was 0.601 ppb on July 13. All treatment goals continue to be achieved. Four water quality customer complaints were received in September (the five-year average is six complaints).

Human Resources Report Given

Terrence Spence provided a summary of recent and current activity 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).

- Currently there are five active grievances filed by the Union.
- Union and Company representatives are continuing negotiations for the next collective bargaining agreement (CBA).
- Union leadership coordinated the fourth annual Jimmy Stone Memorial Golf Scramble raising over \$11,000.00 donated to the Rajon Rondo Foundation.
- Human Resources and Aon representative Rob Gipperich presented a benefit status update and projected 2023 insurance trends to the union's negotiations team.
- The Company posted five temporary full-time classified union positions.

Integrity Development Corporation (IDC) is continuing on-site Diversity, Equity, and Inclusion training for management and non-management Louisville Water staff.

Several Louisville Water employees participated in the Jefferson County Public School's Flash Dads Program at Byck Elementary Wednesday, October 5.

Human Resources hosted two employee Health & Wellness Day events on October 4 and 13 providing employees with opportunities to register and participate in Anthem's Wellness Program and win prizes.

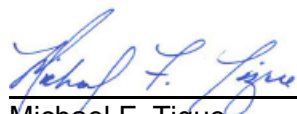
Information Technology Report Given

Jeff Knott advised that IT staff are participating in a cyber security desktop exercise in October. Homeland Security and CISA are hosting this effort and are in the building today for a tabletop exercise.

Michael Tigue advised that the Louisville Water Service Board is participating in the Salvation Army's Angel Tree efforts this year. He invited any Board member interested in volunteering or wishing to make a donation to please contact him.

There being no further business, the meeting adjourned at 1:25 p.m.

Respectfully submitted,



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