

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
March 21, 2023
Louisville Water Company**

Board Members Present:

Dr. Sundeep “Sunny” Dronawat, Chair
Mr. Paul Esselman, Vice Chair
Mr. Greg Dearing
Ms. Jennifer Fust-Rutherford
Dr. Sharon Kerrick
Mr. William E. Summers, IV

Not Present:

Mayor Craig Greenburg

Others Present:

Mr. Spencer Bruce, President and Chief Executive Officer
Mr. Dave Vogel, Executive Vice President, Customer Service and Distribution Operations
Mr. Jeff Knott, Vice President, Information Technology
Mr. Tim Kraus, Vice President, Engineering and Production Operations, Chief Engineer
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
Mr. Adam Carter, Union President, Local 1683, AFSCME
Mr. David Jared, Union Vice President , Local 1683, AFSCME
Mr. Larry Bryant, Director, Production Operations
Mr. Jeremy Raney, Director, Engineering
Ms. Jenni Schelling, Director, Internal Audit
Ms. Shannon Tivitt, One Water Executive Director
Mr. Brad Hart, Manager, Security and Emergency Preparedness
Mr. Andrew Winslow, Manager, Finance
Mr. Bart Potts, Senior Technical Engineer
Mr. Brian Sturgeon, Computer Network Administrator
Ms. Beverly Soice, Paralegal

Visitors:

The meeting of the Board of Water Works (BOWW) was held on Tuesday, March 21, 2023 at Louisville Water Company corporate headquarters located at 550 South Third Street, Louisville, Kentucky. Chair, Dr. Sunny Dronawat called meeting to order at 11:11 a.m.

Minutes of the Previous Regular BOWW Meeting Approved

Greg Dearing moved to approve the Regular Monthly Meeting minutes of February 21, 2023. Seconded by Bill Summers and the motion unanimously carried.

Spencer Bruce introduced the newly elected Vice President of local 1683, AFSCME, David Jared. The BOWW and staff welcomed Mr. Jared to the meeting.

Report of Chief Executive Officer Given

Spencer Bruce advised that Louisville Water employees take their jobs and the responsibility of providing safe, clean water very seriously every day. Public health is at the core of what we do.

Mr. Bruce stated the Ohio train derailment and subsequent chemical spill showed how quickly concerns about water in other areas can escalate and create panic in our own community. Louisville Water was transparent about evaluating the situation and what we were doing proactively to keep our customers safe and maintain high quality drinking water. Staff was in frequent contact with ORSANCO, a network of water utilities along the Ohio River, about their water sample testing. Our water quality team increased monitoring of the river and calibrated a special instrument to specifically test for the chemical that spilled. Louisville Water provided daily updates to the local media, on our social media platforms, and on LouisvilleWater.com. Staff shared test results to confirm there was no local impact and we established Manager of Water Quality & Compliance, Chris Bobay, as a public voice of confidence and expertise. Our Metro Government partners supported us by sharing our messages to reassure customers Louisville Pure Tap® was safe to drink.

Earlier this month, Louisville experienced hurricane force winds which led to power disruptions at the treatment plants and several remote sites. Thankfully, Louisville Water escaped any major damage. Production Operations Director Larry Bryant and his team successfully managed the issues. There is backup power at the treatment plants and generators kept a few booster pumping stations running until LG&E restored full power. The windstorm is the third most impactful event for LG&E in 20 years.

Change Orders Ratified and Contract Increase Approved for Project No. 14325: CHFP Chemical Building, Lab Fire Protection and Office Space Improvements Project

Tim Kraus requested the Board ratify change order no. 8 of the Crescent Hill Filter Plant Chemical Building, Lab Fire Protection and Office Space Improvements Project in the amount of \$1,349,661.48 that was awarded to Corbett Construction on July 22, 2022.

On June 21, 2022, a change action was presented to the BOWW to increase the project budget \$3,900,000 for the referenced project. This increase was to cover additional fire protection requirements from Louisville Metro Inspections Permits and Licensing as well as to provide new finishes and furniture for all newly renovated office space as well as the existing office spaces. The Board approved this request. Due to an oversight, change order no. 8 to Corbett Construction to increase their contract amount \$1,349,661.48 was not included in the June 21, 2022 Board request.

Since the change order to Corbett Construction was executed without BOWW approval, staff is requesting ratification and approval to increase Corbett Construction's contract \$1,349,661.48 for change order no. 8. This created a new budget of record for Corbett's contract in the amount of \$11,104,985.41.

After a short discussion, Dr. Sharon Kerrick moved to ratify change order no. 8 and approve the contract increase as requested with Corbett Construction. Paul Esselman seconded, and the motion unanimously carried.

First Quarter 2023 Dividend Declared

Lynn Pearson advised that the state recently released the 2022 pension and OPEB reports. Staff

has reviewed the information and prepared journal entries needed to close the year-end books and have forwarded this to our auditors Crowe LLP for review. Ms. Pearson stated that this year the actuarial adjustments have resulted in a \$400,000 reduction to expense. Ms. Pearson stated that this will have a substantial positive impact on the 2022 dividend to Louisville Metro as compared to the amount budgeted.

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 2022, 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 adjustment is to be paid with or deducted from the regular quarterly dividend payments in 2023.

The annual audit has not been completed, and as a result, there will be no adjustment to the first quarter 2023 dividend. The adjustments will occur in subsequent quarters of Louisville Water's 2023 calendar year as directed by Louisville Metro Office of Management and Budget.

The 2023 Annual Budget provides for a budgeted annual dividend of \$22,230,512.

Mr. Esselman moved to declare the first quarterly 2023 dividend in the amount of \$5,557,628. Mr. Dearing seconded, and the motion unanimously carried.

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 \$18,992,712 was paid in 2022 based on estimated Adjusted Net Income of \$38,231,438 and
WHEREAS, the annual audit for 2022 is not yet completed, no adjustment will be made to the first quarter 2023 dividend and adjustments will occur in subsequent quarters of Louisville Water's 2023 calendar year 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 2023 Louisville Water Company Annual Budget reflects the 2023 annual dividend to be \$22,230,512 it would be in order at this time to declare a regular first quarter dividend of \$5,557,628; therefore, be it
RESOLVED, the regular first quarter 2023 dividend of \$5,557,628 is hereby declared, and further
RESOLVED, that the President of the Company hereby is authorized and directed to pay \$5,557,628 to the Louisville / Jefferson County Revenue Commission on March 31, 2023, this being the first quarterly dividend for 2023.

Renewal of Property Protection and Security Services Contract Approved

Michael Tigue advised that Armed Security Officers are key to the success of our physical security program. Security officers ensure compliance with the Company's physical security policies and procedures as well as deter outside threats to employees and infrastructure. Employing and retaining quality security officers ensures that employees and assets are always well protected in a continuously evolving threat landscape.

Louisville Water currently has a total of 29 Armed Security Officers. The current Property Protection and Security Services Contract with Inter-Con Security Systems Inc. provides up to 30 Armed Security Officers at their optimal staffing levels. Officers are posted at 3rd Street, Crescent Hill, Allmond Avenue, and B.E. Payne. These officers are posted at the main entry point of each facility and conduct periodic patrols at the assigned facility, including the Crescent Hill officer additionally patrolling the Zorn properties.

The current security services contract was bid and subsequently awarded on April 1, 2022, with the option to renew up to four additional years. The current contract is set to expire on March 31, 2023. With the set cost increase based on CPI at 6.3%, the new annual cost of this contract is \$1,698,063.70. The project manager's cost estimate was \$1,800,000.00 for this contract renewal year.

Mr. Tigue introduced Brad Hart, Manager of Security and Emergency Preparedness, who provided a brief summary of various internal training and simulated threats he arranges to test the officers. Mr. Hart also answered questions from the Board.

Mr. Summers moved to approve the contract for Inter-Con Security Systems, Inc. in the amount of \$1,698,063.70. Mr. Esselman seconded, and the motion unanimously carried.

Unbudgeted Oracle Cloud Infrastructure Migration Project Approved and Budget of Record Established

Jeff Knott requested the Board authorize an unbudgeted capital project and to establish a new budget of record in the amount of \$5,108,486 for the Oracle Cloud Infrastructure Migration Project.

Louisville Water continues to partner with Oracle Corporation for its enterprise applications including Work and Asset Management (WAM), Customer Care and Billing (CC&B), Human Resource Management and Payroll (PeopleSoft), and Enterprise Business Systems (EBS). The primary underlying technologies that support these applications include Oracle Databases, SOA, Weblogic, and GoldenGate. The annual costs of supporting the underlying technologies for the Oracle system is approximately \$2.4 million.

Currently, the Oracle environment is considered "on-premise" with the applications and technologies hardware located at our corporate headquarters. The overwhelming trend for businesses today is to migrate on-premise solutions to Oracle's Cloud Infrastructure (OCI) allowing a third party to manage the data centers for critical applications.

Staff has also been working with Oracle to identify opportunities for cost savings as well as planning a migration to OCI.

Based on an extensive review, Louisville Water IT staff recommends migrating the current on-premise Oracle solution to OCI. This project will take approximately 10 to 12 months and be performed primarily by Louisville Water IT staff and business support departments utilizing

contractors and/or consultants as needed at various times throughout the project. Once complete, Louisville Water will realize a \$1.1 million annual maintenance cost savings per year.

Mr. Knott added that Louisville Water will also eliminate a significant investment in annual hardware costs, which will then allow us to automate many of the manual processes in place today.

Following a short discussion, Mr. Esselman moved to establish a budget of record of \$5,108,486 for the Oracle Cloud Infrastructure Migration Project and award a contract to Mythics for \$3,038,352 for the Oracle Cloud licenses for the next 36 months. Mr. Summer seconded, and the motion unanimously carried.

Mr. Knott advised the remaining funds will be used for the support of the current solution for the second half of 2023 and as a contingency for use with an implementation partner should the need arise.

Contract Awarded for Engineering Design for Project 15609: Crescent Hill Pump Station Discharge System Improvements

Mr. Kraus requested authorization to award an assignment from the Plant, Facilities, and Maintenance Master Services Agreement for engineering design for Project 15609 – Crescent Hill Pump Station Discharge System Improvements to Hazen and Sawyer in the amount of \$2,707,328. The assignment includes engineering design and collaboration with the project's Construction Manager At Risk (CMAR) during the preconstruction phase.

Ulliman Schutte, the selected CMAR contractor, will be awarded a contract in the amount of \$775,000, for preconstruction collaborative assistance during the design phase. Mr. Kraus advised that currently, we estimate a total project budget of \$90,000,000. The final budget will be established during the preconstruction phase.

Mr. Esselman moved to award engineering design for Project 15609 – Crescent Hill Pump Station Discharge System Improvements to Hazen and Sawyer in the amount of \$2,707,328. Mr. Dearing seconded, and the motion unanimously carried.

Resolution Approved for Kentucky Public Employees' Deferred Compensation (KDC) Joinder Agreement

Mr. Tigue advised that Louisville Water's 401(k) and KY 457 deferred compensation plans are presently administered by the Kentucky Public Employee's Deferred Compensation Authority (KPEDCA) pursuant to an existing Joinder Agreement. Staff recently received notice that the KPEDCA updated the terms of its Joinder Agreements and has requested Louisville Water approve continued participation by execution of a new Joinder Agreement.

Human Resources staff has confirmed that Louisville Water complies with the terms of the proposed Joinder Agreement and requests approval to execute it on behalf of the Company.

Mr. Esselman moved to approve execution of the resolution and joinder agreement. Dr. Kerrick seconded, and the motion unanimously carried.

The Board took a short break at 11:55 AM. The meeting resumed at 12:20 PM.

Compensation and Benefits Committee Given

Jennifer Fust-Rutherford provided a summary of the discussions that took place during the Compensation and Benefits Committee meeting held on March 6, 2023, which included a review of the results of the Company's 2022 goals and discussed the 2022 merit budget for non-union wages.

After a short discussion, Ms. Fust-Rutherford moved to approve the proposed merit budget for all non-union employees at a 4.2% average and approve the performance incentive program results and corresponding payouts. Seconded by Mr. Dearing, and the motion unanimously carried.

Closed Session Held

Dr. Kerrick moved to go into closed session to discuss executive performance reviews pursuant to KRS 61.810(f) at 12:30 p.m., seconded by Mr. Esselman, and unanimously carried.

Open Session Resumed

Mr. Esselman moved to return to open session at 1:20 p.m., seconded by Dr. Kerrick, and unanimously carried.

The Board took the Other Officers' Reports (Financial Report, Communication and Marketing Report, Customer Service and Distribution Operations Report, Engineering and Production Operations Report, Human Resources Report, and the Information Technology Report) under advisement.

There being no further business, the meeting adjourned at 1:21 p.m.

Respectfully submitted,



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