

**Board Of Water Works**  
**REGULAR CALLED MEETING MINUTES**  
**June 20, 2023**  
**Louisville Water Company and Virtual**

**Board Members Present:**

Mr. Paul Esselman, Vice Chair  
Mr. Greg Dearing  
Ms. Jennifer Fust-Rutherford  
Dr. Sharon Kerrick

**Not Present:**

Mayor Craig Greenberg  
Dr. Sundeeep "Sunny" Dronawat, Chair  
Mr. William E. Summers, IV

**Others Present:**

Mr. Spencer Bruce, President and Chief Executive Officer  
Ms. Dana Mayton, Louisville Metro, Deputy Mayor  
Mr. Dave Vogel, Executive Vice President, Customer Service and Distribution Operations  
Ms. Kelley Dearing Smith, Vice President, Communications and Marketing  
Mr. Jeff Knott, Vice President, Information Technology  
Ms. Lynn Pearson, Vice President, Finance and Treasurer  
Mr. Michael Tigue, Vice President, General Counsel and Corporate Secretary  
Mr. Jordan Basham, Director, Infrastructure Planning and Records  
Mr. Jeremy Raney, Director, Engineering  
Ms. Jenni Schelling, Director, Internal Audit  
Ms. Shannon Tivitt, Executive Director, One Water  
Mr. Dmitriy Zimin, Microcomputer and Network Analyst  
Ms. Beverly Soice, Paralegal

**Visitors:**

The meeting of the Board of Water Works (BOWW) was held on Tuesday, June 20, 2023 at Louisville Water Company corporate headquarters and located at 550 South Third Street, Louisville, Kentucky and virtually via Microsoft Teams. Vice Chair, Paul Esselman called the meeting to order at 12:49 p.m.

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

Greg Dearing moved to approve the annual and regular monthly meeting minutes of May 23, 2023. Seconded by Jennifer Fust Rutherford, and the motion unanimously carried.

**Second Quarter 2023 Dividend Declared**

Lynn Pearson advised that 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

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

The annual audit has been completed. Net income of \$51,987,547 requires a total 2022 dividend to Louisville / Jefferson County Metro Government, Kentucky of \$22,438,542. The total dividends paid during 2022 were \$18,992,712. The difference between the dividend paid for 2022 and the actual dividend computed and declared for 2022 is \$3,445,830. The difference will be added to the dividend payment in a future quarter in 2023 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. Dearing moved to recognize adjustment of the 2022 dividend and declare the second quarterly 2023 dividend in the amount of \$5,557,628. Dr. Sharon Kerrick 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 has now been completed which establishes the full dividend for 2022 as \$22,438,542 based on actual Adjusted Net Income of \$51,487,548, it would be in order at this time to amend the Board resolution of December 20, 2022 to increase the 2022 annual dividend by \$3,445,830 from \$18,992,712 to \$22,438,542, the difference to be added to a future quarterly 2023 dividend payment, 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 second quarter dividend of \$5,557,628; therefore, be it

**RESOLVED**, the 2022 annual payment is increased from \$18,992,712 to \$22,438,542 and the difference of \$3,445,830 will be added to a future quarterly 2023 dividend payment and

**RESOLVED**, the regular second 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 June 30, 2023, this being the second quarterly dividend for 2023.

### **Unbudgeted Project Approved and Budget of Record Established for 2023 Condition Assessment – Bates Road 24-inch**

Tim Kraus requested that the BOWW establish a budget of record for the Condition Assessment – Bates Road 24-inch Project in the amount of \$905,350.

Mr. Kraus explained that while this project will be a continuation of the Condition Assessment program, it will be the first project to inspect a metallic transmission main using an ultrasonic robot from Pure Technologies. Pure Technologies will also utilize the SmartBall leak detection tool for inspection to provide a detailed engineering report and estimate of the remaining useful life of the water main.

The Infrastructure Planning Department has selected a 3.5-mile section of 24-inch cement lined ductile iron main from Pennsylvania Run Road to Bardstown Road Tank for inspection. This transmission main is a critical asset and is necessary to supply our largest wholesale customer, the City of Mount Washington. Large sections of this main are located behind houses or in wooded areas and are generally difficult to access in the event that a repair is needed. Therefore, performing a comprehensive condition assessment on this transmission main is a priority.

Mr. Dearing moved to establish a budget of record for the 2023 Condition Assessment project for the Bates Road 24-inch project in the amount of \$905,350. Dr. Kerrick seconded and the motion unanimously carried.

**Purchase of Real Estate Authorized for Project 16376: HCWD#2 Phase I: Wilson Creek Elevated Water Storage Tank**

Mr. Kraus requested the BOWW's approval to purchase real property for a proposed water storage tank. The property consists of 6.586 acres located at 8951 South Preston Highway in Bullitt County, Kentucky. The property is required as part of the I-65 Corridor projects which will supply additional water to Hardin County Water District #2. With the expansion of Jim Beam's production at the Booker Noe Distillery, increase demands in Hardin County from the Blue Oval Battery Plant, and increase demands from Lebanon Junction, this tank will ensure a resilient supply for that area. Mr. Kraus also advised that all required steps to acquire real property have been completed.

Mr. Esselman asked if this project is in the budget. Mr. Kraus advised that it is.

Dr. Kerrick moved to purchase real property for Project 16376 – 690 Plan, HCWD 2 Phase 1: Wilson Creek Elevated Water Storage Tank in the amount of \$700,000. Mr. Dearing seconded, and the motion unanimously carried.

**President/CEO Authorized to Execute Documents Related to Kentucky Infrastructure Grant Funding – Kentucky Cleaner Water Program – for Eagles Road Extension**

Mr. Kraus requested that the BOWW officially designate Spencer Bruce as the authorized official to sign documents related to acceptance of funds from the Cleaner Water Grant Program provided through the American Rescue Plan Act of 2021.

Louisville Water was awarded a total of \$8,397,103.00 in Round 1 grant funding from the Kentucky Infrastructure Authority (KIA) for five projects. Preparation of the legal paperwork for one of the projects was delayed and recently released to Louisville Water by KIA. A summary of that project and its funding is below:

<i>Project Name</i>	<i>Grant Funding</i>	<i>KIA Number</i>	<i>WRIS Number</i>
Eagles Road 6-inch Water Main Extension	\$252,680	21CWW019	WX21111194

Dr. Kerrick moved to designate Mr. Bruce as the authorized official to sign appropriate documents related to acceptance of Cleaner Water Grant Program funds for the listed project, including the required Conditional Commitment Letters, and to ratify the signature of such documents signed prior to this correspondence. Ms. Fust Rutherford seconded and the motion unanimously carried.

### **Award Contract for Project No. 16362 – 2023 MRRP – N. English Station Road Area**

Mr. Bruce advised this item is being delayed until the July BOWW meeting.

### **Approve Corporate Goals Modification Request**

Mr. Bruce advised this item is being delayed until the July BOWW meeting.

### **Audit Committee Report Given**

Mr. Esselman provided a summary of the items that were presented and discussed at the Audit Committee meeting held on May 24, 2023.

### **Marketing Committee Report**

Mr. Bruce advised this item is being delayed until the July BOWW meeting.

### **Financial Report Given**

Ms. Pearson advised that May financial performance was very strong, with total consumption and water revenue coming in considerably higher than budget. Other operating revenue, total operating expense and non-operating revenue and expense also performed favorably to budget. As a result, net income for the month exceeded budget by \$1.7 million. Details of the Company's financial performance as compared to budget and prior year are as follows.

Consumption of 2.6 billion gallons for May is 238 million gallons higher than budget, and 174 million gallons higher than May 2022. Commercial consumption accounted for over half of the favorable budget variance, with residential, irrigation and industrial contributing to a lesser degree. Year-to-date consumption remains over budget and prior year by 5.0% and 6.5% respectively, with the residential and commercial classes driving the favorable budget variance.

Water Revenue for May is \$1.3 million higher than budget and \$1.4 million higher than the prior year. Higher consumption is the key factor driving higher water revenue for this period as compared to budget. All customer classes are over budget for the month with the exception of wholesale and public fire hydrants. For the year-to-date period, water revenue performance remains strong, coming in 3.5% over budget and 10.2% higher than prior year levels.

Other Operating Revenue for May is \$106,000 higher than budget and \$16,000 above year-ago levels. The variance to budget is attributable to higher late charges and disconnect fees. The increase over prior year is mainly driven by sewer billing charges and disconnect fees, somewhat offset by lower revenue from service line protection program and consulting services. Year-to-date, other operating revenue is \$395,000 higher than budget and \$514,000 higher than prior year. The year-to-date variance to budget is primarily due to increased revenue from late charges, disconnect fees and temporary service fees.

Operating and Maintenance Expenses for May of \$9.0 million are \$85,000 higher than budget and \$1.5 million higher than May 2022. The May variance to budget is due to higher insurance

reserves and to a lesser extent increased contractual services, utilities and materials and supplies costs. Insurance reserves were higher than anticipated due to the May 11 main break along with an auto accident that also occurred in May. The overages in these areas were offset to a great extent by lower labor and labor-related expenses and chemicals costs. The unfavorable variance to May 2022 is primarily due to increases in labor and labor-related expenses, utilities, contractual services, systems support and maintenance costs, chemicals, materials and supplies, and insurance reserves. May year-to-date operating and maintenance expenses are \$93,000 lower than budget and \$4.4 million higher than year-ago levels. Labor and labor-related, contractual services and bad debt expenses were all lower than budget through May, however these favorable variances were partially offset by unfavorable variances in utilities, chemicals, materials and supplies, and insurance reserves. The variance to prior year through May reflects the continued impact of inflation with higher than normal increases in most categories with utilities, chemicals, contractual services, systems support and maintenance, insurance reserves and labor and labor-related expense having the most significant growth.

Total Operating Expenses for May of \$15.2 million are \$48,000 lower than budget and \$1.7 million more than prior year. The budget variance is due to higher operating and maintenance expenses offset by lower depreciation and loss from disposition of assets, both of which are mostly due to timing. The variance to the prior year is mainly due to higher operating and maintenance and depreciation costs. Total operating expenses year-to-date are 0.5% lower than budget and 9.9% higher than last year. The year-to-date budget variance is primarily the result of lower operating and maintenance costs, depreciation and loss from disposition of property.

Non-Operating Income through May is \$3.2 million which is \$970,000 higher than budget as a result of higher interest rates earned than anticipated. Non-operating income through May is \$3.0 million higher than the prior year due to higher interest rates earned on the portfolio as a result of increased market rates, along with a higher dollar amount invested.

Non-Operating Expense through May is \$3.4 million which is \$192,000 less than budgeted due to higher amounts of interest capitalized than anticipated. Year-to-date through May, non-operating expense is \$1.0 million higher than year-ago levels due to the issuance of bonds in the fall of 2022.

Net Income before Distributions and Contributions for May is \$3.4 million, which is \$1.7 million more than budgeted. In comparison between years, net income for May is \$147,000 more than prior year. May year-to-date net income of \$17.9 million is \$4.7 million higher than budget and \$3.5 million above prior year.

Contributions through May of \$3.3 million are \$3.5 million or 51.5% less than budgeted and \$2.2 million less than prior year. Variance to budget is due to timing as there were projects budgeted with contributed labor that did not close in the first five months of the year as expected.

### **Communication and Marketing Report Given**

Kelley Dearing Smith advised that a series of positive media stories occurred in May that reached 141 million people.

National industry outlets highlighted the successful implementation of the KloudGin technology that makes a cloud-based, mobile application work for asset management and crew management.

When a water main break in the Woodlawn area uncovered trolley tracks, a social media post that explained the history led to a news story and an overwhelming engagement on social media.

The return of the popular “Walking Wednesday” program at the Crescent Hill Reservoir/Gatehouse attracted several media mentions.

The Education and Outreach team is focused on strategic drivers in delivering education and outreach, including a push to reach each zip code in Louisville Water’s service area. This driver was key in the 31 school and community engagements in May, reaching 7,600 people.

A highlight for the month of May was Drinking Water Week. Staff celebrated with events throughout the week including Tapper’s birthday visits to all Louisville Water sites, his first pitch appearance with the Louisville Bats, and the first Walking Wednesday since the start of the pandemic in 2019.

The Louisville Pure Tap® season also got into full swing with nearly 29,000 touchpoints, including a first-ever event with Racing Louisville FC and fully booked cooler rentals bolstered by JCPS Field Day programs. A combined total of 66 coolers were provided to 12 schools for Field Day events, serving approximately 6,440 students. To date, Louisville Water has rented out 169 individual coolers to 41 unique renters, serving 22,445 people.

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

Dave Vogel reported that estimated bills for the month (1.0%) and year to date (0.9%) continue to run lower than past periods, primarily driven by the AMI technology. Staff completed 46 large meter AMI retrofits in May. Two full time employees are now trained in diagnosing and repairing AMI equipment. Disconnections for non-pay (DNPs) continued in May near pre-COVID levels. Automation for using the AMI system to complete move-in/move-out orders has been implemented and 1,076 truck runs were eliminated in May. Approximately 60% of AMI installations are now complete and 113,000 customers have been converted to monthly billing.

There were 32 main breaks for the month of May, which is higher than last year (23) and the five-year average (30). Year to date break activity (188) is running significantly lower than last year (270) and the five-year average (233). Capital work continued to increase in May with new service installations along with fire hydrant replacements and renovations, fire service renewals, valve replacements, and domestic service renewals. Interviews for 11 new hires were held in May and the new employees began work on June 12, 2023.

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

Mr. Kraus advised that 2023 capital program expenditures through May totaled \$34,944,767 which is \$4,232,247 or 13.78% higher than the same period last year. These expenditures equate to 28.69% of the 2023 total capital program of \$121,781,334.

The amount of water produced and delivered to the system in May 2023 was 132.3 MGD, which was 4.2% higher than May 2022 and 9.8% higher than the May five-year average. For year-to-date, the amount of water delivered to the system was 2.8% higher than 2022, and 8.3% higher than the five-year average.

All water quality goals for May 2023 were achieved. No water quality violations were incurred.

Water Quality personnel analyzed 1,303 water quality parameters; 1,143 of which were required pursuant to federal and state regulations. Zero Total Coliform and zero E. coli detections were noted. Personnel also collected 50 main-break compliance samples for 26 repairs. Five localized

boil-water advisories (BWAs) were issued due to field conditions. Zero BWAs were issued due to water-quality monitoring results.

Five chemical spills were reported upstream of the Zorn intake; none that impacted water treatment. Herbicide run-off in the river impacted treatment for six days. The highest atrazine level detected in finished water was 0.419 ppb on May 24 (cf. Goal < 0.80 ppb). All treatment goals continue to be achieved. Five water-quality customer complaints were received in May (cf. the five-year average is four complaints).

### **Human Resources Report Given**

Terrence Spence provided a summary regarding 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).

- Two active grievances filed by the Union.
- Union and Company leadership conducted their monthly Labor Management meeting to review various on-going and future joint initiatives and status updates.
- Externally - Louisville Water hired eleven full-time Field Technicians.
- Internally - The Company posted four regular full-time and two temporary full-time classified union positions.

Louisville Water sponsored and participated in the Louisville Urban Leagues Kentuckiana Builds Cohorts heavy construction training class graduation event.

The Human Resources Department conducted multiple site location in-class company-wide employee Harassment Awareness training classes.

The Company announced an enhancement to its existing 457 Deferred Compensation Savings Plan that will include Company matching funds effective July 1, 2023.

The Employee Activities Committee coordinated and hosted Louisville Water Employee Day at the Louisville Bats baseball game.

### **Information Technology Report Given**

Jeff Knott advised that staff continues to work on Phase 2 enhancements of the E-Business Suite (EBS).

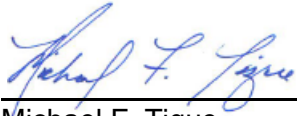
The Request For Proposal for a Human Resources Management Systems Integrator was released on May 5 and staff is currently answering questions from potential Systems Integrators and evaluating proposals for this work. The RFP window was closed on June 14 and staff is targeting August 25 for evaluations to be complete.

IT staff has presented the project and resource plan for the Oracle Cloud migration and the work has begun. The tentative timeline for completion of this migration is the end of December 2023.

Final negotiations with Oracle for a five year fixed price agreement for Customer Care and Billing licenses and support with an optional five year extension has concluded and is now in effect. This new agreement will save \$1.8M over the next 10 years.

There being no further business, the meeting was adjourned at 1:18 p.m.

Respectfully submitted,



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