

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
February 20, 2024**

Board Members Present:

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

Not Present:

Mayor Craig Greenberg
Ms. Cathe Dykstra

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
Mr. Tim Kraus, Vice President, Engineering and Chief Engineer
Ms. Lynn Pearson, Vice President, Finance and Treasurer
Mr. Terrence Spence, Vice President, Human Resources and Labor Relations
Mr. Michael Tigue, Vice President, Compliance, General Counsel and Corporate Secretary
Mr. Adam Carter, Union President, Local 1683 of the AFSCME, AFL-CIO
Mr. Jeremy Raney, Director, Engineering
Ms. Jenni Schelling, Director, Internal Audit
Ms. Cathy Scrivner, Director, Diversity
Ms. Channa Newman, Manager, Community Relations
Ms. Megan Jones, Supervisor, Event Operations
Mr. Karambir Yadav, Manager Business Systems Support
Mr. Justin Capps, Security Specialist
Mr. Brian Sturgeon, Computer Network Administrator
Ms. Beverly Soice, Paralegal

Visitors:

The meeting of the Board of Water Works (BOWW) was held on Tuesday, February 20, 2024, at Louisville Water Tower Park 3005 River Road, Louisville, KY. 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 January 23, 2024. Dr. Sharon Kerrick seconded, and the motion unanimously carried.

President/CEO Report Given

Spencer Bruce reported that Louisville Water Company awarded the \$10,000 Thomas Family Scholarship on Saturday night at the YMCA Black Achievers Celebration.

The Thomas Family Scholarship was created in 2021 to honor of the Thomas family, the first Black employees on Louisville Water's payroll dating back to 1872. Every year, the scholarship selection committee reviews the applicants and chooses a graduating Black senior who will continue higher education studies in Kentucky.

Louisville Male High School senior Alyssa Hughes won the 2024 Thomas Family Scholarship to go toward her studies. The committee selected Alyssa out of five applicants. They felt her aspiration to become a business analyst, membership in the Governor's Scholars Program, National Honor Society, and dedication to academic achievement with a 4.2 GPA made her a deserving recipient of the \$10,000 annual scholarship. In the event that Ms. Hughes decides to attend an out of state school, the award will go the second place applicant, Christopher Thomas.

Contract Awarded for Implementation of Oracle Human Capital Management Cloud Service Solution

Terrence Spencer advised that he is requesting BOWW authorization to award the implementation contract for Oracle's Human Capital Management (HCM) Cloud services solution to HighStreet IT Solutions LLC.

Louisville Water is currently utilizing several manual processes, standalone and lightly integrated applications in support of the HR and Payroll functions. A modern Human Resources Management and Payroll system is needed to standardize processes and operational efficiencies, improve employee experience, handle anticipated growth, reduce risk of segregated systems and be flexible to evolve with the business. Oracle's HCM Solutions was chosen to meet these future needs.

On June 14, 2023, Louisville Water received proposal bids from 13 potential implementation partners. Through a four-round process, shortlisted proposals were opened and reviewed. All six shortlisted firms' Statements of Work (SOWs) were evaluated. The cost proposals were normalized, evaluated, and scored. HighStreet IT Solutions LLC received the highest score and therefore was selected as the awardee.

Following a thorough discussion, Mr. Esselman moved to award the implementation contract to HighStreet IT Solutions LLC in the amount of \$ 2,943,228.00. Jennifer Fust-Rutherford seconded, and the motion unanimously carried.

Investment Report Provided

Lynn Pearson provided a semiannual report to the Board on Louisville Water's investment portfolio.

Louisville Water Tower Marketing Overview Provided

Kelley Dearing Smith introduced her staff who were present at the meeting, Channan Newman and Megan Jones.

Ms. Dearing Smith provided a short history of Louisville Water's Pumping Station No. 1 and the Water Tower

Louisville Water began interior restoration in 2012 and opened the WaterWorks Museum in 2014. The most recent restoration work began during the pandemic at which time her team took the opportunity to review the existing marketing and communication plan.

Ms. Dearing Smith advised that there is always a balance between form and function as it is the site of Kentucky's largest drinking water pumping station, a National Historic Landmark, and a tourist destination.

Updating the marketing and communication plan included consumer research, identifying primary audiences, developing strategic drivers, and establishing metrics. Ms. Dearing Smith summarized the takeaways of the research.

Ms. Dearing Smith provided an updated Logo which builds on the strength of the parent brand, Louisville Water and highlights the Tower. A descriptor clarifies the property and helps with awareness.

Ms. Dearing Smith summarized a three-year Sales and Marketing plan including the Strategic Drivers and Marketing Strategies.

Using 2019 as the base, Ms. Dearing Smith reviewed projected metrics for 2026 and 2027 volume, revenue and brand awareness targets.

Next Steps include internal and external re-opening plans, digital advertising, public open dates, field trips and special-interest tours, and hiring a sales and marketing part-time specialist.

Diversity, Equity, Inclusion and Belonging Overview Provided

Cathy Scrivner provided a summary of Louisville Water's holistic approach to Diversity, Equity, Inclusion and Belonging (DEIB). The approach includes four phases: Build Foundation for DEIB Success, Understand the Cultures, Implement Data Driven Solutions and Measure DEIB progress and Evolve.

Ms. Scrivner discussed strengths and gaps identified in 2022 and summarized results of the 2023 Inclusion Survey. Louisville Water's DEIB commitment is more important than ever but information shared in 2022 and 2023 suggests we still have work to do.

Louisville Water is currently in Phase IV which includes the following:

- (1) Assessing Louisville Water DEIB Progress which will be ascertained by a targeted inclusion survey and focus group interviews.
- (2) Engage Louisville Water Leaders to address their DEIB Coaching and Development needs.
- (3) CARS (Commitment-Actions-Results-Stories) in Motion. Leaders across levels are placed in cohort groups of 5-7 people to engage in bi-monthly collaborative discussions on their CARS strategy and building accountability in Performance Evaluations.
- (4) Managers and Supervisors DEIB Competency Training. Reinforce, strengthen, and institutionalize knowledge, skills, and practices of DEIB competencies.

Ms. Scrivner also advised that a Culture, Ownership, Respect and Engagement (CORE) Counsel was established and is made up of a cross-section of 30 employees to promote and encourage DEIB.

The Board to a short break for lunch at 12:19 pm and resumed the meeting at 12:35 pm.

Customer Satisfaction Survey Update

Ms. Dearing Smith advised that Louisville Water uses two independent sources to measure customer satisfaction, brand perception and brand reputation, JD Power and Big Spring Research.

Ms. Dearing Smith advised that Big Spring Research utilizes both quantitative and qualitative surveys to measure customer satisfaction, brand perception, and brand reputation. 3,117 unique customers were surveyed.

The types of surveys were reviewed and included Frankfort Avenue Engineering Project - perceptions of the construction; Water Quality - Overall perceptions of water quality; Customer Experience - General perceptions and attitudes; Pure ConnectSM - New portal experience; Customer Experience Focus Group - Brand perception; and, Brand Perception-Overall brand performance.

Survey results were reviewed and reflect that meeting the goal of providing high-quality water and service continues to increase.

Dave Vogel reviewed the JD Power Water Utility Residential Customer Satisfaction Survey findings. Louisville Water came in second overall in the Midwest Region Large Utility survey and first in Water Quality and Reliability in the Midwest Region.

Mr. Vogel reviewed what studies and surveys are planned for 2024 which include water quality benchmark study, brand perception benchmark study, Louisville Pure Tap[®] perception study, Customer Satisfaction Study, Voice of Customer, and JD Power Utility Residential Survey.

Financial Report Given

Ms. Pearson advised that field work for the audit of the 2023 financials will commence in early March. The ultimate completion date of the audit and the year-end financial statements is uncertain as it is dependent upon the timing of the release of the audited pension report by the state. This report provides updated liability numbers and other information related to pension and other post-employment benefits that we must have in order to finalize the audit and the financial statements.

Ms. Pearson then provided an overview of financial results for January, which must be considered preliminary until the audit of the 2023 financial statements is complete.

Total consumption for January exceeds budget, however total water revenue is slightly below budget as a result of variances in consumption within individual rate tiers. Other operating revenue along with non-operating income and expense are also favorable compared to budget, however total operating expense performed unfavorably. As a result, net income for the month is under budget by \$364,000. Details of the Company's financial performance as compared to budget and prior year are as follows.

Consumption of 2.4 billion gallons for January is 94 million gallons more than budget, and 308 million gallons lower than January 2023. The budget overage occurred in all customer classes except irrigation.

Water Revenue for January 2024 is \$43,000 lower than budget and \$1.1 million lower than the prior year. Residential and irrigation customer classes are driving the budget shortfall for the month offset by overages in industrial and wholesale.

Other Operating Revenue for January is \$23,000 higher than budget and \$28,000 above year-ago levels. The variance to budget is mainly due to higher service deactivation fees. The increase over prior year is mainly driven by revenue from service line protection and sewer billing charges partially offset by lower revenue from cross connection and late fees.

Operating and Maintenance Expenses for January of \$8.7 million are \$439,000 higher than budget and \$1.0 million higher than January 2023. The January variance to budget is primarily driven by labor and labor-related expenses including overtime, chemical and utilities costs and insurance reserves, slightly offset by lower contractual services and miscellaneous expenses. Much of the overage in operating and maintenance expenses is due to the high number of main breaks in January associated with the unusually cold weather. The unfavorable variance compared to prior year is driven by labor and labor-related expenses, utilities, contractual services, and insurance reserves somewhat offset by lower system support and maintenance.

Total Operating Expenses for January of \$14.9 million are \$397,000 higher than budget and \$1.3 million more than prior year. The budget variance is due to higher operating and maintenance expenses offset by lower loss from disposition of assets. The variance to prior year is mainly due to higher operating and maintenance and depreciation expense.

Non-Operating Income for January is \$599,000 which is \$16,000 higher than budget and \$63,000 lower than January 2023. The favorable variance to budget is due to higher interest rates earned than budgeted. The variance to prior year is due to a lower dollar amount invested than in January 2023, partially offset by higher yields earned on the portfolio.

Non-Operating Expense for January of \$629,000 is \$37,000 less than budgeted and \$36,000 lower than year-ago levels. Variance to budget is due to higher amounts of interest capitalized than anticipated. Interest expense is lower than prior year due to bond principal payments made in 2023, slightly offset by capitalized interest.

Communication and Marketing Report Given

Ms. Dearing Smith advised that Louisville Water has an active presence at the Kentucky Legislative Session and staff is currently monitoring more than a dozen bills that are directly or indirectly related to the water sector. Of note is House Bill 141 which would make adding fluoride to drinking water optional. This bill will give the governing bodies of a water utility the authority to decide if they want to add fluoride to the water. Louisville Water has long supported adding fluoride as a sound public health initiative and we have built educational programs around the effort. Louisville Water is part of a coalition that includes the Kentucky Dental Association, Delta Dental, Kentucky Dental Hygiene Association, and the Kentucky Oral Health Coalition that is opposing the legislation.

The bill has been assigned to a committee but has stalled, with no movement occurring over the past week.

Customer Service and Distribution Operations Report Given

Mr. Vogel advised that due to some very cold weather and a drop in the finished water temperature, main break activity for the month was significantly higher than past periods. The month ended with 194 main breaks, which is higher than last year (65) and the five-year average (103).

A bill print issue by our vendor delayed billing to approximately 17,000 customers. Staff took steps to mitigate this situation including suspending late charges on all of the impacted bills.

Through January, 249,867 AMI endpoints have been installed and 143,686 Jefferson County customers have been converted to monthly billing. 255k endpoints will be installed by end of the 2nd quarter; cleanup will take place over the remainder of the year.

Engineering and Production Operations Report Given

Mr. Kraus advised the unaudited 2023 capital program expenditures through December totaled \$111,534,950, which is \$6,239,232 or 5.93% higher than the same period last year. These expenditures equate to 91.59% of the 2023 total capital program of \$121,781,334.

2024 capital program expenditures through January totaled \$2,817,944, which is \$26,236 or 1.91% higher than the same period last year. These expenditures equate to 1.91% of the 2024 total capital program of \$147,518,045.

The amount of water produced and delivered to the system in January 2024 was 123.7 MGD, which was 3.5% higher than January 2023 and 9.3% higher than the January five-year average. For year-to-date, the amount of water delivered to the system was 3.5% higher than 2023, and 9.3% higher than the five-year average.

All water quality goals for January 2024 were achieved. No water quality violations were incurred.

Human Resources and Labor Relation Report Given

Mr. Spence advised that Human Resources distributed the Company's 2023 Total Compensation and Benefits Letters to all employees. These letters are provided to employees annually to provide information so they can see the total income and benefits they receive from the Company.

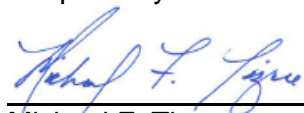
Information Technology Report Given

Jeff Knott advised that in March, Information Technology (IT) staff will begin the Data Classification Project, a crucial initiative aimed at organizing data into relevant categories. This process is instrumental in enhancing information security and privacy by enabling Louisville Water to identify, prioritize, and safeguard sensitive data more effectively. With a consistent and thorough classification system, Louisville Water can further mitigate risks, prevent data breaches, and optimize investments in data loss prevention tools.

Migration to the cloud environment was completed on February 4 and staff is resolving minor issues as they are found. All issues are expected to be resolved in the first week of February after all hourly, daily and weekly production cycles have been performed. Next steps will be to work on automating recovery should our primary site go down as well as planning other application migrations to our cloud services.

There being no further business, the meeting was adjourned at 1:10 p.m.

Respectfully submitted,



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