

**Board Of Water Works**  
**REGULAR CALLED MEETING MINUTES**  
**March 19, 2024**

Board Members Present:

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

Not Present:

Mayor Craig Greenberg

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. David Jared, Vice President, Local 1683 of the AFSCME, AFL-CiO  
Mr. Brad Hart, Director, Security, Risk & Resiliency  
Ms. Jenni Schelling, Director, Internal Audit  
Mr. David Mulloy, Manager, Infrastructure Planning  
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 19, 2024, at Louisville Water Tower Park 3005 River Road, Louisville, KY. Chair, Dr. Sunny Dronawat called the meeting to order at 11:07 a.m.

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

Jennifer Fust-Rutherford moved to approve the regular monthly meeting minutes of February 20, 2024. Bill Summers seconded, and the motion unanimously carried.

**President/CEO Report Given**

Spencer Bruce welcomed Dr. Sharon Kerrick, who has been physically unable to attend BOWW meetings in person since the Fall of 2023 when she sustained injuries due to a fall. Everyone was happy to see Dr. Kerrick and welcomed her back.

Mr. Bruce also advised that today is Adam Carter's last BOWW's meeting as he will be retiring at the end of March. The Board thanked Adam for his service to the community and leadership of the Union.

Mr. Bruce reported that earlier this month, Louisville Water sponsored the 60th Annual Louisville Regional Science & Engineering Fair, which it has done for many years. Out of 22 middle and high school entries, Water Research & Development Manager Dr. Eric Zhu selected an eighth grader from Noe Middle School to win Louisville Water's award. The student's project focused on different disinfection techniques for drinking water.

Louisville Water's team of engineers has worked to create a pipeline to future engineers at the University of Louisville. Already in 2024, our engineers have met with UofL's student chapter of the American Society of Civil Engineering on multiple occasions. Throughout the different programs, students had the opportunity to ask questions about Louisville Water, the field of engineering, and the various career paths available at Louisville Water and the industry. They have also learned about our distribution system and how Pure Tap travels from our treatment plants to homes and businesses.

Director of Engineering Jeremy Raney is planning a tour for the students at the Crescent Hill Water Treatment Plant.

Dave Vogel distributed Derby pins to the Board members. Mr. Vogel is a member of the Executive Board of Kentucky Derby Festival.

### **President and CEO Authorized to Execute Documents Related to Kentucky Infrastructure Grant Funding – Kentucky Cleaner Water Program**

Tim Kraus requested that the BOWW officially designate Mr. Bruce as the authorized official to sign documents related to acceptance of supplemental funds from the Cleaner Water Grant Program Provided through the American Rescue Plan Act of 2021 and funds from House Bill 1 from the 2022 Regular Session of the Kentucky General Assembly for Phase I of the Kentucky, Oak, and Glenmary Transmission Main Rehabilitation project.

Louisville Water was awarded a total of \$5,625,796 in grant funding from KIA for this project, inclusive of the original allocation (\$5,114,360) and a supplemental allocation (\$511,436). To date, Louisville Water has accepted all funds from the original allocation and must now formally accept the supplemental allocation.

Paul Esselman moved to officially designate Mr. Bruce as the authorized official to sign appropriate documents related to acceptance of supplemental Cleaner Water Grant Program funds, including the required Conditional Commitment Letters. Seconded by Dr. Sharon Kerrick.

### **Property Protection and Security Services Contract Renewal Authorized**

Michael Tigue advised that Armed Security Officers are key to the success of our physical security program. Security officers also ensure compliance with the Company's physical security policies and procedures as well as deter outside threats to our employees and infrastructure.

Louisville Water currently has a total of 25 Armed Security Officers. The current Property Protection and Security Services Contract with Inter-Con Security Systems Inc. provides up to 25 Armed Security Officers at their optimal staffing levels, three Full-Time Supervisors, two Part-Time Supervisors, and one Account Manager. These officers are posted at 3<sup>rd</sup> 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 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, 2024. With the set cost increase based on CPI at 3.1%, the new annual cost of this contract is \$1,741,434.79.

Mr. Esselman moved to approve the contract for Inter-Con Security Systems, Inc. in the amount of \$1,741,434.79. Mr. Summers seconded, and the motion unanimously carried.

### **First Quarter 2024 Dividend**

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 2023, 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 2024.

The annual audit has not been completed, and as a result, there will be no adjustment to the first quarter 2024 dividend. The adjustments will occur in subsequent quarters of Louisville Water's 2024 calendar year as directed by Louisville Metro Office of Management and Budget.

The 2024 Annual Budget provides for a budgeted annual dividend of \$25,101,534. Mr. Esselman moved to declare the first quarterly 2024 dividend in the amount of \$6,275,383.50. Mr. Summers 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 \$22,230,512 was paid in 2023 based on estimated Adjusted Net Income of \$39,866,022 and  
WHEREAS, the annual audit for 2023 is not yet completed, no adjustment will be made to the first quarter 2024 dividend and adjustments will occur in subsequent quarters of Louisville Water's 2024 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 2024 Louisville Water Company Annual Budget reflects the 2024 annual dividend to be \$25,101,534 it would be in order at this time to declare a regular first quarter dividend of \$6,275,383.50; therefore, be it  
RESOLVED, the regular first quarter 2024 dividend of \$6,275,383.50 is hereby declared, and further  
RESOLVED, that the President of the Company hereby is authorized and directed to pay \$6,275,383.50 to the Louisville / Jefferson County Revenue Commission on March 28, 2024, this being the first quarterly dividend for 2024.

## **Compensation and Benefits Committee Meeting Report Given**

Ms. Fust-Rutherford provided a summary of the discussions that took place during the Compensation and Benefits Committee meeting held on March 5, 2024, which included a review of the results of the Company's 2023 goals and discussed the 2023 merit budget for non-union wages.

Following a short conversation, Dr. Kerrick moved to recommend the following:

1. Approve the proposed merit matrix budget recommended by Mercer for all non-union employees at a 4.0% average. Merit increase are performance based. This amount was budgeted for 2024,
2. Approve the range change and compensation adjustment of 2.25% for all non-union employees as recommended by Mercer, and
3. Approve all performance incentive program results and corresponding payouts for the Management Incentive Goals and the Corporate Performance Award.

Mr. Summers seconded, and the motion unanimously carried.

Mr. Bruce advised that in 2023, Dr. Kerrick asked leadership to have Mercer review Louisville Water's current incentive programs. Based on the analysis, Mercer recommended changes to the current program. Mr. Bruce reviewed the current program compared to the changes proposed by Mercer.

Ms. Fust-Rutherford stated the Compensation and Benefits Committee recommends approval of the changes proposed by Mercer.

Mr. Bruce added that, if the recommendations are approved, leadership will work with the Union to modify their goals so it is comparable to those provided to non-union employees.

Mr. Summers move to approve and implement the recommendations proposed by Mercer to the Company's current incentive program. Mr. Esselman seconded, and the motion unanimously carried.

## **Financial Report Given**

Ms. Pearson advised that the preliminary close of the books for 2023 is complete and the audit of the 2023 financial statements is progressing well. Draft numbers from the Kentucky Public Pensions Authority (KPPA) have now been released and finance staff has completed the calculations to determine the year-end entries related to pension and other post-employment benefits. However, KPPA has not yet released their audited report which we must have in order to finalize our audit and the financial statements.

Following is an overview of financial results for February. Results must be considered preliminary until the audit of the 2023 financial statements is complete.

Total consumption and water revenue came in higher than budget in February. Other operating revenue, along with total operating and non-operating expense also performed favorably to budget. Total non-operating income is under budget for February but only offset these positive variances to a small extent. As a result, net income for the month exceeds budget by \$412,000. Details of the Company's financial performance year are as follows.

Consumption of 2.6 billion gallons for February is 83 million gallons more than budget, and 283 million gallons higher than February 2023. The budget overage is primarily in the industrial and

wholesale classes. Year-to-date consumption is over budget by 3.6% and lower than prior year by 0.5% respectively, with industrial and wholesale being the primary drivers of the budget variance.

Water Revenue for February 2023 is \$1,700 more than budget and \$2.3 million higher than the prior year. Industrial and wholesale customer classes are significantly higher than budget, but these favorable variances are mostly offset by a negative budget variance in the commercial class. For the year-to-date period, water revenue is 0.1% lower than budget and 3.6% higher than prior year levels.

Other Operating Revenue for February is \$78,000 higher than budget and \$183,000 above year-ago levels. The variance to budget is mainly due to higher revenue from service line protection and service deactivation fees. The increase over prior year is mainly driven by service line protection and to a lesser extent cross connection fees. Year-to-date, other operating revenue is \$101,000 higher than budget and \$211,000 higher than prior year. The year-to-date variance to budget is primarily due to higher revenue from service line protection and service deactivation fees.

Operating and Maintenance Expenses for February of \$8.3 million are \$320,000 lower than budget and \$101,000 higher than February 2023. The February variance to budget is primarily due to lower utilities, contractual services, bad debt and labor and labor-related costs offset by higher materials and supplies and insurance reserves. The unfavorable variance to February 2023 is primarily due to higher labor and labor-related expenses, materials and supplies, and to a lesser extent insurance reserves offset by lower utilities, contractual services and system support and maintenance. February year-to-date operating and maintenance expenses are \$119,000 higher than budget and \$1.1 million higher than year-ago levels. Chemicals, materials and supplies and insurance reserves are all higher than budget through February, although these unfavorable variances were somewhat offset by lower contractual services, bad debt, and utilities. The variance to prior year through February reflects increased labor and labor-related costs over last year along with higher materials and supplies and insurance reserves.

Total Operating Expenses for February of \$14.6 million are \$354,000 lower than budget and \$387,000 more than prior year. The budget variance is due to lower operating and maintenance expense. The variance to prior year is mainly due to higher operating and maintenance and depreciation expense. Total year-to-date operating expenses are very close to budget, with an overage of only 0.1% and are 5.9% over year ago levels. The year-to-date budget variance is primarily the result of higher operating and maintenance costs and depreciation offset by lower loss from disposition of property.

Non-Operating Income through February is \$1.1 million, which is \$47,000 lower than budget due to a lower level of funds invested and slightly lower interest rates earned than expected. Year-to-date through February, non-operating income is \$79,000 lower than prior year due primarily to a lower dollar amount invested than at this time last year.

Non-Operating Expense through February is \$1.3 million which is \$79,000 less than budgeted due to higher amounts of interest capitalized than anticipated. Year-to-date through February, non-operating expense is \$81,000 lower than year-ago levels due to lower capitalized interest along with lower interest on bonds due to principal repayments made in 2023.

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

Kelley Dearing Smith advised that the final pieces of the restoration to the Louisville Water Tower dominated the content creation. As crews carefully returned 10 statues to the balustrade of the Tower, media crews joined Louisville Water's team in capturing the moments. This event resulted in more than 70 media mentions (local and national) with an equal amount of positive attention on

social media. A Facebook post about the statues earned more than 300 comments, reactions, and shares.

Louisville Water's partnership with Central High School's dental magnet program was highlighted in a news story and the company's position on a fluoride bill in the Kentucky legislature was part of several media stories.

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

Dave Vogel advised that there were 44 main breaks for the month, which is in line with last year (45) and significantly lower than the five-year average (171). Year to date, main break activity (238) is running higher than last year (110) and the five-year average (171). We continue to focus on staffing needs and have hired eight new field technician jobs and are interviewing for two open supervisor positions.

Call volume was adversely impacted by some unexpected downtime in our online third-party payment processor and this, coupled with staffing challenges, hurt the overall performance. Year to date, the abandonment rate is running at 17.3%, which is slightly higher than last year (16.9%) and significantly higher than the five-year average (10.7%).

The AMI project continued to progress in February, and we have now reached the 84% completion mark. Installation of endpoints should be complete by the end of the 2<sup>nd</sup> quarter.

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

Mr. Kraus advised the 2024 capital program expenditures through February totaled \$8,383,202 which is \$648,055 or 7.18% lower than the same period last year. These expenditures equate to 5.68% of the 2024 total capital program of \$147,518,045.

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

Three chemical spills were reported upstream of the Zorn intake; none impacted water treatment. Low levels of MIB and Geosmin in the river prompted treatment for one day. All treatment goals were achieved. Four water-quality customer complaints were received in January (the five-year average is six complaints)

### **Human Resources and Labor Relation 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).

- There are 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.
- The Company and the Union's insurance team established the 2024 Health Care Incentive Plan goals for Union employees.
- The Company posted four regular full-time and three temporary full-time classified union positions internally. The Company also extended job offers to eight external candidates for Field Technician positions.

Louisville Water kicked off the first of three scheduled Employee Wellness Day Events at our 3<sup>rd</sup> Street corporate office. Wellness events are scheduled for each of the Company's locations that

include on-site biometric screenings, vision service providers, U of L Health, massage therapists, healthy snacks, and more.

### **Information Technology Report Given**

Jeff Knott advised IT is working on phase 2 of the Cloud migration which consists of enhancing our Disaster Recovery, adding additional applications to the Cloud environment, evaluating other Cloud capabilities to further secure and enhance our solution, as well as look for further opportunities to reduce costs where possible.

The PeopleSoft migration to the Human Capital Management (HCM) Oracle Cloud application was announced this month and preparations have begun for this migration to kick off this quarter.

### **Executive Session Held**

Mr. Summers moved to go into executive session at 12:00 p.m. Seconded by Dr. Kerrick, and unanimously carried.

### **Open Session Resumed**


Ms. Fust-Rutherford moved to return to open session at 12:54 p.m., seconded by Mr. Esselman, and unanimously carried.

Cathe Dykstra moved to authorize Mr. Bruce to provide merit increases per Company guidelines for all the officers and review the final compensation making an additional equity adjustment for two officers, Ms. Dearing Smith and Mr. Spence, of up to 6% each. Dr. Kerrick seconded, and the motion unanimously carried.

Ms. Fust-Rutherford moved to approve an employment contract for Mr. Bruce as President and CEO of Louisville Water. Mr. Summers seconded and the motion unanimously carried.

There being no further business, the meeting was adjourned at 12:55 p.m.

Respectfully submitted,



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