

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
May 21, 2024**

Board Members Present:

Dr. Sundeeep "Sunny" Dronawat, 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. David Jared, President, Local 1683 of the AFSCME, AFL-CIO
Mr. Homer Barger, Vice President, Local 1683 of the AFSCME, AFL-CIO
Mr. Jordan Basham, Director, Infrastructure Planning and Records
Mr. Pete Goodman, Director, Water Quality and Research
Mr. Brad Hart, Director, Security, Risk & Resiliency
Ms. Sue Purdy, Director, Finance and Accounting
Mr. Jeremy Raney, Director, Engineering
Ms. Jenni Schelling, Director, Internal Audit
Mr. Jim Smith, Director, Regionalization
Mr. Matthew Griffith, Manager, Strategic Business
Ms. LeAnn Swanson, Manager, Accounting, Payroll and Projects
Mr. Andrew Winslow, Manager, Finance, Budgets, Rates and Analysis
Mr. Mark Campbell, Scientist III, Strategic Innovation
Mr. Brian Sturgeon, Computer Network Administrator
Ms. Beverly Soice, Paralegal

Visitors: Donna Perry, Dinsmore
Jeremy Rogers, Dinsmore
Scott Nickerson, Crowe LLP
Phillip Piesz, Crowe LLP

The meeting of the Board of Water Works (BOWW) was held on Tuesday, May 21, 2024, at Louisville Water Tower located at 3007 River Road, Louisville, KY. Chair, Dr. Sunny Dronawat called the meeting to order at 11:02 a.m.

Minutes of the Previous Regular BOWW Meeting Approved

Cathe Dykstra moved to approve the annual and regular monthly meeting minutes of April 16, 2024. Jennifer Fust-Rutherford seconded, and the motion unanimously carried.

President/CEO Report Given

Spencer Bruce advised that as an innovative organization, Louisville Water is always looking to solve water-related problems within our community and the launch of Pure Spout last year is just one example of these efforts. Working with Kinetic-Vision, a product development firm based near Cincinnati, Louisville Water created the Pure Spout On-Fountain Filter System. This product replaces an existing water fountain spout with a filter that is designed specifically to reduce the risk of lead getting into drinking water. Pure Spout is geared to protect students at public schools with aging infrastructure.

Louisville Water has been recognized for this unique filter by multiple design organizations, with the most recent being the prestigious Thomas Edison Award. Pure Spout received a “Bronze” Award in the category of Social and Cultural Impact: Health and Wellness. The competition highlights innovations in product development and design, with entrants judged on societal impact, creativity, and marketplace success. The Pure Spout team is honored to have received recognition alongside companies such as Black & Veatch, Dow, and Siemens.

Last fall, Blue Focus, a subsidiary of Louisville Water, conducted a limited launch of Pure Spout in four cities across the country. Mr. Bruce expressed his excitement that within the next few months, we will showcase Pure Spout to more communities around the country to help them solve their lead concerns in schools and keep their children safe.

Mr. Bruce introduced Matthew Griffith who provided a summary of the next steps and answered questions posed by the Board members.

Board Vice-Chair Elected

Mr. Bruce announced that due to business obligations, Paul Esselman has resigned from the BOWW. It is now appropriate for the Board to elect a new Vice-Chair.

Dr. Dronawat asked for nominations for Vice Chair. Ms. Dykstra nominated Jennifer Fust-Rutherford for the position of Vice-Chair of the Board. Dr. Sharon Kerrick seconded the nomination. The members of the Board voted unanimously to approve Ms. Fust-Rutherford as Vice-Chair of the BOWW.

Ms. Fust-Rutherford thanked the Board members.

2023 Financial Audit Report Given

Lynn Pearson advised that the independent auditing firm Crowe, LLP (Crowe) has completed the 2023 audit. She then introduced Scott Nickerson who provided a summary of the audit report.

Mr. Nickerson advised that Crowe conducted an audit of Louisville Water’s financial statements for the year ended December 31, 2023 and has issued an unqualified opinion. He briefly reviewed the financial highlights in the Management Discussion & Analysis (MD&A), the Statements of Net Position, Changes in Net Position and Cash Flow, and discussed key performance indicators.

Mr. Nickerson advised Crowe found no significant deficiencies or material weaknesses. He also stated no difficulties were encountered during the audit and no disagreements with management. Mr. Nickerson commented that the Board could rely on the monthly reporting provided by staff.

Mr. Nickerson answered questions of the Board members.

Ms. Dykstra moved to approve the 2023 audited financial statements. William E. Summers, IV seconded, and the motion unanimously carried.

Ms. Pearson thanked Sue Purdy, LeAnn Swanson, Andrew Winslow and the rest of their team for their work related to the audit.

Mr. Bruce took a moment to introduced David Jared and the newly elected Vice President of the Union, Homer Barger, III.

Wholesale Water Purchase Agreement with North Nelson Water District Approved

Mr. Bruce advised he is pleased to inform the Board that staff is in the final stages of negotiating a new contract with the North Nelson Water District to provide additional water supplies to Nelson County and the city of Bardstown. Nelson County and Bardstown continue to experience extensive growth associated with the bourbon industry and bourbon-related tourism. The proposed agreement will extend the current contract, executed in November, 2009, another 50 years to May, 2074.

The majority of the expanded water supplies will pass through North Nelson Water District's system and be delivered to Bardstown. Bardstown's current average day water demand is 4.5 MGD supplied from an 8 MGD capacity water treatment plant; however, their source supply capability during drought conditions is only 4.0 MGD. This limitation constrains future growth opportunities and, currently, inhibits their supply to customers during drought conditions. Additionally, over the last 12 months, the Bardstown water plant has experienced emergencies which have caused the plant to be inoperable. Growth in the bourbon industry such as the new Heaven Hill Distillery scheduled to be in service in 2026, will further exacerbate their water supply challenges. As a result, Bardstown is seeking an additional water supply for redundancy. Based on these needs, Bardstown is negotiating a water purchase agreement that will have Louisville Water supply up to 5 MGD by December 31, 2029, through the North Nelson Water District with future potential of up to 7 MGD.

Mr. Bruce provided a summary of the necessary improvements needed (transmission mains, Booster Pump Station and Master Meter) to fulfill Louisville Water's obligations under the proposed contract.

Mr. Bruce introduced Jim Smith who spoke briefly about the negotiations and Louisville Water's relationship with North Nelson Water District.

Ms. Dykstra moved to authorize the President and CEO to finalize negotiations with North Nelson Water District and execute a new contract. Negotiations will be based on maintaining a return on investment consistent with other wholesale water agreements. Dr. Kerrick seconded, and the motion unanimously carried.

Contract Authorized for Project No. 16426 - 680 Plan - North Nelson District Hwy 245 Transmission Main and Master Meter and Increase Budget of Record

Tim Kraus requested Board authorization to increase the budget of record and to award the construction contract for the 690 Plan – North Nelson Water District Hwy 245 Transmission Main and Master Meter Project to C J Hughes Construction Co., Inc.

This project consists of a total of 33,686 linear feet of water main consisting of 18 linear feet of 12-inch, 29,666 linear feet of 24-inch, 1,937 linear feet of 36-inch, 2065 linear feet of 42-inch water main from Clermont Tank site, along Highway 245, to the new rebuilt master meter at Lotus Road, near the Nelson County line.

Louisville Water received competitive bids from five prequalified contractors for construction of this project. An alternate bid for upsizing a majority of the pipe from 20-inch to 24-inch was requested. The lowest bidder was C J Hughes Construction Co., Inc. with a base bid of \$18,160,270 and an alternate bid of \$22,154,810.

The base bid was 12.8% lower than the Project Manager's estimate and the alternate bid was 7.8% lower than the Project Manager's estimate. After a thorough review of the bid results and the impacts on the agreements with North Nelson County Water District, the alternate bid is being selected. The increase in pipe size will increase the flow capacity of the corridor by 23.0% allowing for future growth along the corridor. The current budget for this project is \$18,683,360.00. With selection of the alternate bid, the proposed budget is \$25,815,000.00, an increase of \$7,131,640.00.

Mr. Summers moved to increase the budget of record for this project to \$25,815,000.00 and to authorize the award of the contract to C J Hughes Construction Co., Inc. in the amount of \$22,154,810. Ms. Fust-Rutherford seconded, and the motion unanimously carried.

Mr. Kraus stressed that this award will be delayed until a wholesale contract is executed with North Nelson Water District.

Contract Awarded for Project No. 16399 - 2023 Railroad Crossing Rehab Group B

Mr. Kraus requested the Board authorize a contract for the 2023 Railroad Crossing Rehabilitation Group B projects to Basham Construction & Rental Co., Inc. In 2020, Louisville Water began a program to rehabilitate uncased railroad crossings. Uncased railroad crossings present a heightened consequence of failure given the proximity to railroad facilities. As part of the 2023 CIP planning process, the planning group changed the approach for this program to package crossings in proximity and with the same railroad company to streamline project management and leverage economies of scale. The 2023 Railroad Program reflects this revised planning approach.

The scope of work for this project is to furnish all labor, tools, equipment, and materials required by the contract documents to supply and install 1,730 +/- linear feet of 6-inch, 12-inch and 24-inch PC350 ductile iron water main at five railroad crossings. The crossings are at North Keats Avenue, North Jane Street, South Shelby Street, Produce Road and MacLean Avenue.

Mr. Summers moved to award the contract to Basham Construction & Rental Co., Inc. in the amount of \$1,992,000.00. Ms. Dykstra seconded, and the motion unanimously carried.

Unbudgeted Fire Hydrant Coating Project Approved

Dave Vogel requested that the BOWW approve an unbudgeted project for fire hydrant recoating in the amount of \$500,000.

Louisville Water has 25,093 fire hydrants in its distributions system. Periodic re-coating of fire hydrants is necessary to maintain structural integrity and aesthetic appearance of the asset. The actual life of a coating is greatly influenced by the environment; exposure to sunlight, precipitation, and wind. The coating is also vital in increasing the visibility of these fire hydrants which is critical to fire departments, as any opportunity to save time in an emergency situation could be lifesaving. The coating will increase the life of the external features of the fire hydrant. This project would encompass painting 2,000 fire hydrants at \$250 each in 2024. In future years, we intend to increase this budget with a goal to coat 10% of the total fire hydrants in the system each year so that each fire hydrant will be coated on a 10-year cycle.

In early 2024, staff began discussions with several small businesses to evaluate their interest in providing this service going forward. Two entities were chosen and provided coating on a small group of hydrants. This pilot validated the concept and verified that there were vendors who had an interest in the work and also could perform the work in an efficient and high quality manner.

Ms. Fust-Rutherford moved to approve an unbudgeted project for Fire Hydrant Coating in the amount of \$500,000. Mr. Summers seconded, and the motion unanimously carried.

Audit Committee Report Given

Jenni Schelling provided a summary of the items that were presented at the Audit Committee meeting held on April 25, 2024.

Closed Session Held

Mr. Summers moved to go into closed session to discuss proposed or pending litigation pursuant to KRS 61.810(c) at 12:05 p.m. Dr. Kerrick seconded, and the motion unanimously carried.

Open Session Resumed

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

Financial Report Given

Ms. Pearson reported that total consumption and water revenue came in slightly lower than budget in April. However, other operating revenue, total operating expenses and non-operating income and expense all performed favorably to budget. As a result, net income for the month exceeds budget by \$392,000. Details of the Company's financial performance as compared to budget and prior year are as follows.

Consumption of 2.5 billion gallons for April is 38 million gallons less than budget, and 156 million gallons higher than April 2023. The residential, industrial and wholesale customer classes all contributed to the budget shortfall. Year-to-date consumption is over budget by 1.3% and is lower than prior year by 2.2%, with residential, industrial and wholesale driving the favorable budget variance.

Water Revenue for April 2023 is \$354,000 less than budget and \$2.0 million higher than the prior year. The residential customer class has the most significant variance to budget for the month, accounting for well over half of the overall revenue shortfall. For the year-to-date period, water revenue is 0.9% under budget and 1.9% higher than prior year levels.

Other Operating Revenue for April is \$32,000 higher than budget and \$131,000 higher than year-ago levels. The variance to budget is mainly due to higher revenue from service activation/deactivation fees and temporary service fees, somewhat offset by late charges which are under budget for the month. The increase from April 2023 is driven by higher revenue from service activation/deactivation fees, cross connection fees, service line protection and sewer billing charges. Year-to-date, other operating revenue is \$108,000 higher than budget and \$279,000 higher than prior year. The year-to-date variance to budget is due to higher revenue from service activation fees and service line protection, partially offset by lower revenue from late charges.

Operating and Maintenance Expenses for April of \$8.8 million are \$485,000 lower than budget and \$431,000 higher than April 2023. The April variance to budget is driven by labor and labor-related, contractual services, and bad debt expense, partially offset by higher chemicals and materials and supplies costs. The unfavorable variance to April 2023 is primarily due to higher labor and labor-related, chemicals, materials and supplies, and utilities costs, offset by lower system support and maintenance and bad debt expense. April year-to-date operating and maintenance expenses are \$197,000 or 0.6% higher than budget and \$2.8 million higher than year-ago levels. The performance awards, chemicals, materials and supplies and insurance reserves all contribute to the budget overage through April, although these unfavorable variances are somewhat offset by lower contractual services, bad debt and utilities costs. The variance related to the payment of the performance awards is considered a timing difference as favorable variances in labor and other areas later in the year will offset the overage. The variance to the previous year through April reflects increased labor and labor-related costs, along with higher chemicals, materials and supplies, contractual services and insurance reserves.

Total Operating Expenses for April of \$15.1 million are \$553,000 lower than budget and \$663,000 more than the previous year. The budget variance is due to lower operating and maintenance expense. The variance to April 2023 is due to higher operating and maintenance expense and depreciation. Total operating expenses year-to-date are 0.1% and 6.2% above budget and prior year, respectively. The year-to-date budget variance is primarily the result of higher operating and maintenance costs.

Non-Operating Income through April is \$2.4 million which is \$47,000 higher than budget due to slightly higher interest rates earned than expected. Year-to-date through April, non-operating income is \$44,000 lower than the prior year due primarily to a lower dollar amount invested than this time last year.

Non-Operating Expense through April is \$2.5 million which is \$166,000 less than budgeted due to higher amounts of interest capitalized than anticipated. Compared to prior year, non-operating expense through April is \$219,000 lower due to lower interest on bonds as a result of principal repayments made in 2023.

Communication and Marketing Report Given

Kelley Dearing Smith advised that during April, Louisville Water launched a strategic content approach to highlight our involvement in the Kentucky Derby Festival and to complement the 150th anniversary of the Kentucky Derby. Staff produced more than a dozen stories highlighting our involvement with the mini and marathon races, the shared history with Churchill Downs and

the logistical work to ensure reliable service for the state's signature moment. The most popular post on LinkedIn featured crews working around the track.

The Kentucky Derby Festival is the largest event that Louisville Water supports with Pure Tap. The mini and marathon races are the events most dependent on our product and includes weeks of work with crews checking the course and connecting 15 water stops. Logistics continue on race day with the crews and more than 30 employees staffing a water stop at the John L. Huber office. In addition to the races, Louisville Water supported the Tour de Lou bike race, Taste of Derby and the Block Party hosted at Norton Sports and Learning Center.

Staff in Communications and Water Quality have collaborated to create a campaign to collect important information from thousands of customers. Recent revisions to the EPA Lead and Copper Rule require water utilities to identify the material for a customer's private water service line. The inventory is published online and if a customer's service line material is "unknown," we must communicate that. Over the next two months, nearly 40,000 customers will receive a postcard from Louisville Water explaining that we are missing the material for their water service line. Customers are prompted to visit an online portal and upload the service line material or contact us for an inspection. If a customer's service line material is lead or galvanized steel, Louisville Water will replace it for free. Ms. Dearing Smith displayed an example of the postcard that will be mailed to the customers. She also noted that a second round of postcards will be mailed to the customers who do not respond to the first mailing.

Customer Service and Distribution Operations Report Given

Mr. Vogel advised the AMI project which is now over 90% complete. Cycle 29 was converted to monthly billing in April which brings our total Jefferson County conversions to 153,199 customers.

All Kentucky Derby preparation activities were completed on schedule. There were no water related problems reported over Derby week and everything functioned as planned.

Engineering and Production Operations Report Given

Mr. Kraus advised that 2024 capital program expenditures through April totaled \$27,670,851 which is \$469,979 or 1.73% lower than the same period last year. These expenditures equate to 18.76% of the 2024 total capital program of \$147,518,045.

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

Human Resources and Labor Relation 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).

- There are four active grievances filed by the union for review/resolution.
- Union and Company leadership conducted their monthly Labor Management meeting to review various on-going and future joint initiatives and status updates.
- The Executive Union Management Alliance Council (EUMAC) established 2024 strategic and operational goals.
- The Company posted three regular full-time and three temporary full-time classified union positions internally.

Employer of Choice

- Louisville Water's CORE Council hosted an on-site Neurodiversity Lunch-n-Learn session with a guest speaker from the Company's Employee Assistance Program Provider at Crescent Hill.
- The 2023 annual merit increases and compa-ratio analysis was completed.
- Louisville Water's Human Resources Department completed an internal compensation equity analysis with no identification of pay disparity in any of the Company job groups.
- Louisville Water's Employee Activities Committee (EAC) coordinated and hosted an Employee Appreciation Breakfast at each of the Company's facility locations.

Community Involvement

- Louisville Water employees participated in Jefferson County Public Schools final Flash Dads event at Klondike Elementary School.

Mr. Spence also noted that HR staff is reviewing proposals received in response to the Request for Proposals for employee health insurance coverage.

Information Technology Report Given

Jeff Knott advised that the Information Technology (IT) department is reviewing the responses from employees to its annual customer survey and will develop action plans to improve IT services provided to its internal customers.

Numerous tasks in the Digital Strategy Phase 2b project are in progress or completing, including resource reviews, plans and policies assessments, improving technology workflows, and system reviews. The scope of work for Phase 3a is being finalized which will begin the work of creating a digital strategy for Louisville Water.

Staff is developing plans for Phase 2 of the Cloud migration which will consist of enhancing Disaster Recovery capabilities, adding additional applications to the Cloud environment, evaluating other Cloud capabilities to further secure and enhance this solution, and looking for additional opportunities to reduce costs.

The PeopleSoft migration to the Human Capital Management (HCM) Oracle Cloud application plans have been finalized and a kickoff meeting will take place in May.

There being no further business, the meeting was adjourned at 1:14 p.m.

Respectfully submitted,



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