

Board Of Water Works
REGULAR CALLED MEETING MINUTES
June 18, 2024
Virtual

Board Members Present:

Dr. Sundeep “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
Ms. Jenni Schelling, Director, Internal Audit
Mr. Brian Sturgeon, Computer Network Administrator
Ms. Beverly Soice, Paralegal

Visitors:

The meeting of the Board of Water Works (BOWW) was held virtually via Microsoft Teams on Tuesday, June 18, 2024. Chair, Dr. Sunny Dronawat called the meeting to order at 11:01 a.m.

Minutes of the Previous Regular BOWW Meeting Approved

William E. Summers, IV moved to approve the annual and regular monthly meeting minutes of May 21, 2024. Dr. Sharon Kerrick seconded, and the motion unanimously carried.

President/CEO Report Given

Spencer Bruce advised he recently returned from the American Water Works Association’s Annual Conference and Expo (ACE). ACE is one of the largest international events for water professionals with over 11,000 attendees at this year’s event in Anaheim, California. Attendees included water professionals, manufacturers, academia, and government agencies. ACE is a great event where other water utilities can dive into regulatory matters, discuss issues we face collectively, explore new communication strategies, and network to share best practices.

Mr. Bruce advised he attended several technical sessions targeting contaminants of emerging concern. Some of you are familiar with PFAS, manufactured chemicals that are found in many

things such as fabrics, food packaging, and pesticides. We shared our different approaches to managing PFAS and the impact of the EPA regulations.

Another major issue discussed at the conference was the approaching 2024 deadline for the Lead and Copper Rule. Louisville Water is at the forefront of protecting the community from the risks of lead in drinking water. We have replaced the known lead service lines installed by Louisville Water decades ago. Occasionally, we still find lead lines and when we do, we replace them immediately. Over the past year, we have been working to help customers replace lead service lines on the private side while many cities have not even started to replace the lead lines the utility installed. We are ahead of the game and on track to meet the regulatory requirements in October of this year.

Louisville Water is well-respected at water conferences like ACE. Other utilities recognize how we invest in infrastructure, manage water quality, and connect with our community through communication, education, and outreach. I was honored to represent Louisville Water along with many of my friends and coworkers at these conferences.

Declare Second Quarter 2024 Dividend

Lynn Pearson advised 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 adjustments is to be paid with or deducted from the regular quarterly dividend payments in 2024.

The annual audit has been completed. Net income of \$71,395,127 requires a total 2023 dividend to Louisville / Jefferson County Metro Government, Kentucky of \$28,580,363. The total dividends paid during 2023 were \$22,230,512. The difference between the dividend paid for 2023 and the actual dividend computed and declared for 2023 is \$6,349,851. The difference will be added to the dividend payment in a future quarter in 2024 as directed by Louisville Metro Office of Management and Budget.

The 2024 Annual Budget provides for a budgeted annual dividend of \$25,101,534. Dr. Kerrick moved to declare the second 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 has now been completed which establishes the full dividend for 2023 as \$28,580,363 based on actual Adjusted Net Income of \$69,895,126, it would be in order at this time to amend the Board resolution of December 19, 2023 to increase the 2023 annual dividend by \$6,349,851 from \$22,230,512 to \$28,580,363, the

difference to be added to a future quarterly 2024 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 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 second quarter dividend of \$6,275,383.50; therefore, be it

RESOLVED, the 2023 annual payment is increased from \$22,230,512 to \$28,580,363 and the difference of \$6,275,383.50 will be added to a future quarterly 2024 dividend payment and

RESOLVED, the regular second 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 June 28, 2024, this being the second quarterly dividend for 2024.

Contract Awarded for Project No. 16361 0 2023: MRRP Clayborne Road Area

Tim Kraus requested BOWW authorization to award a contract greater than \$1,500,000 for 2023 MRRP Clayborne Road Area to MAC Construction & Excavation, Inc.

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 5,675 +/- linear feet of 6-inch, 8-inch, and 12-inch PC350 ductile iron and C900 PVC water mains along Clayborne Road from Third Street Road to Justan Avenue, Third Street Road from New Cut Road to Cristland Road, and Cartledge Court from Third Street Road to 5511 Cartledge Court.

Louisville Water received competitive bids from six prequalified contractors for construction of this project. The Project Manager's estimate for the project was \$3,001,913.25. The lowest bidder was MAC Construction & Excavation, Inc. with a bid of \$2,273,000.00.

Mr. Summers moved to award the contract to MAC Construction and Excavation, Inc. Dr. Kerrick seconded, and the motion unanimously carried.

Budget of Record Established for the Unbudgeted Project No. 322-24-0002: B.E. Payne 60" Valve Replacement

Mr. Kraus requested that the BOWW establish a budget of record for the BEP 60" Valve Replacement and Inspection Project in the amount of \$5,954,000.

On March 25, a main break occurred on the B.E. Payne 60" transmission main near the intersection of Breakwater Place and Olde Creek Way. To repair the broken section of transmission main, it had to be isolated and drained. During this process it was discovered that several butterfly valves would not fully seal, which required a greater portion of the main to be isolated and limited the production capacity of the B.E. Payne Water Treatment Plant.

This project proposes to replace four existing butterfly valves with three gate valves at strategic locations to maximize operational resiliency and redundancy of the transmission system, minimize disruptions during outages, and expedite repairs. Additionally, while the main is out of service to install the valves, it will be inspected for conditions similar to the one that lead to the break this spring.

Mr. Summers moved to establish a budget of record for this project in the amount of \$5,954,000. Jennifer Fust-Rutherford seconded, and the motion unanimously carried.

Ms. Bruce took a moment to announce that Tim Kraus will be retiring later this year. The position of Vice President and Chief Engineer has been posted, interviewed and the position has been filled. Larry Bryant accepted the position. Larry is currently the Director of Production Operations at the Plant.

Financial Report Given

Ms. Pearson reported that May's financial performance was exceptionally strong, with total consumption and water revenue coming in higher than budget. Other operating revenue, total operating expense and non-operating revenue also performed favorably to budget. As a result, net income for the month is \$1.9 million in excess of budget. Details of the Company's financial performance as compared to budget and prior year are as follows.

Consumption of 2.5 billion gallons for May is 24 million gallons more than budget, and 74 million gallons lower than May 2023. The residential customer class is the main driver of the positive budget variance. Year-to-date consumption is over budget by 1.2% and is lower than prior year by 2.4%, with residential, industrial and wholesale driving the favorable budget variance.

Water Revenue for May is \$490,000 more than budget and \$526,000 higher than the prior year. The residential and commercial customer classes are the main drivers of the positive budget variance for the month, accounting for more than half of the overage. For the year-to-date period, water revenue is within 0.1% of budget and is 2.1% higher than prior year levels.

Other Operating Revenue for May is \$177,000 above budget and \$240,000 higher than year-ago levels. The variance to budget is mainly due to higher revenue from service line protection, profit from sale of materials, and to a lesser extent, service activation/deactivation fees and late charges. The positive variance in service line protection revenue is the result of \$25,000 performance bonus received from HomeServe that was not budgeted and more robust sales growth than anticipated. The increase from May 2023 is also due to higher revenue from service line protection and sale of materials, along with higher sewer billing revenue. Year-to-date, other operating revenue is \$285,000 higher than budget and \$519,000 higher than prior year. The year-to-date variance to budget is due to higher revenue from service activation/deactivation fees, service line protection and sale of materials, partially offset by lower revenue from late charges.

Operating and Maintenance Expenses for May of \$8.1 million are \$1.1 million lower than budget and \$943,000 lower than May 2023. The May variance to budget is driven by labor and labor-related, contractual services, insurance and bad debt expense, partially offset by higher chemicals and materials and supplies costs. The favorable variance to May 2023 is primarily due to lower contractual services, insurance, system support and maintenance, bad debt and labor and labor-related costs. May year-to-date operating and maintenance expenses are \$631,000 lower than budget and \$1.9 million higher than year-ago levels. Contractual services, utilities, and bad debt expense all contribute to the positive budget variance through May, although these favorable variances are somewhat offset by higher materials and supplies and chemical costs and insurance reserves. The variance to the previous year through May reflects increased labor and labor-related costs, along with higher chemicals, materials and supplies, contractual services and insurance reserves.

Total Operating Expenses for May of \$14.5 million are \$1.2 million lower than budget and \$691,000 less than the previous year. The budget variance is due to lower operating and

maintenance expense. The variance to May 2023 is due to lower operating and maintenance expense partially offset by higher depreciation. Total operating expenses year-to-date are 1.2% lower than budget and 3.9% above prior year, respectively. The year-to-date budget variance is primarily the result of lower operating and maintenance costs.

Non-Operating Income through May is \$3.0 million which is \$57,000 higher than budget due to slightly higher interest rates earned than expected. Year-to-date through May, non-operating income is \$156,000 lower than the prior year due primarily to a lower dollar amount invested.

Non-Operating Expense through May is \$3.2 million which is \$165,000 less than budgeted due to higher amounts of interest capitalized than anticipated. Compared to prior year, non-operating expense through May is \$256,000 lower due to lower interest on bonds as a result of principal repayments made in 2023.

Net Income before Distributions and Contributions for May is \$4.8 million, which is \$1.9 million more than budget. In comparison between years, net income for May is \$1.4 million higher than May 2023. May year-to-date net income of \$17.5 million is \$1.3 million more than budget and \$485,000 below prior year.

Communication and Marketing Report Given

Kelley Dearing Smith advised the annual water quality report was released in May and she will have copies of the report to hand out at the next BOWW meeting.

The month of May is one of the busiest for outreach in the community. The education team reached a record number of people, 14,543 through 30 different engagements at schools and community events. Highlights included a Tapper appearance at a Bats' baseball game, participation in multiple school field days and outside with the La Casita community organization.

We continue to see a steady return of events and tours at Louisville Water Tower. Staff managed six rentals, six field trips and four internal events. The WaterWorks Museum had a special promotion for Mother's Day which brought a nice crowd.

Seasonal staff served Louisville Pure Tap® at seven events in May including a new opportunity in Fairdale where a collaboration with the local school systems earned two schools a "Field Day" sponsorship with Louisville Water.

Many schools take advantage of our cooler rental program for end-of-the-year activities and in May, there were 29 individual cooler rentals. For May, outreach with Louisville Pure Tap reached 37,000 people.

Customer Service and Distribution Operations Report Given

Dave Vogel advised that employees have designed the new safety coin. Mr. Vogel passed out the new safety coins to the Board members.

Louisville Water employees have experienced only one OSHA recordable injury so far this year. This performance matches our best year on record. Safety teams at Allmond and Crescent Hill are up and running and we are staying on top of our overall corporate training requirements for the year.

Distribution Operations has retained all eight of its recent new hires. Five have completed their CDL training and three are scheduled to start next week.

Engineering and Production Operations Report Given

Tim Kraus advised the 2024 capital program expenditures through May totaled \$34,507,369 which is \$437,398 lower than the same period last year. These YTD expenditures equate to 23.39% of the 2024 total capital program of \$147,518,045.

The amount of water produced and delivered to the system in May 2024 was 127.4 MGD, which was 3.8% lower than May 2023 and 3.3% higher than the May five-year average. For year-to-date, the amount of water delivered to the system was 0.9% higher than 2023, and 6.7% higher than the five-year average.

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

Twelve chemical spills were reported upstream of the Zorn intake. Herbicide run-off in the river impacted treatment for 12 days. All treatment goals were achieved. Five water-quality customer complaints were received in May, the five-year average is five complaints.

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) met and reviewed the 2024 strategic and operational goals.
- The Company posted three regular full-time and one temporary full-time classified union positions internally.

Human Resources Initiatives

- Louisville Water conducted an Oracle HCM Cloud Implementation Kick Off session with third-party implementor Highstreet I.T. Solutions.
- Human Resources (HR) initiated negotiations through third-party benefits broker Aon with local/national insurance carriers regarding proposed premium rates and plan designs for the 2024-2025 benefit year.

Employer of Choice

- Louisville Water's CORE Council will host an on-site Lunch-n-Learn session on June 18 celebrating Juneteenth with a guest speaker Lamont Collins from Roots 101 African American Museum. The Council also hosted a Men's Mental Health Breakfast Event with a speaker from the Company's Employee Assistance Provider.
- The Company's Employee Activities Committee (EAC) hosted Louisville Water Employee Night at the Louisville Bats' baseball game.

Community Involvement

- Louisville Water's HR department participated in the Louisville Urban League's heavy construction Kentuckiana Cohorts Training Program graduation ceremonies as presenting sponsors.

Diversity Equity Inclusion & Belonging

- Louisville Water management participated in an on-site CARS In Motion (Commitment, Actions, Results & Stories), educational session facilitated by the Company's Diversity Director and Integrity Development Corporation.
- The Company hosted a Union Diversity Symposium for all Louisville Water's Local 1683 Union elected employee officials.
- Louisville Water hosted and co-facilitated an on-site company-wide employee Diversity, Equity, Inclusion and Belonging training.

Information Technology Report Given

Jeff Knott advised that numerous tasks in the Digital Strategy Phase 2b project are in progress or completing, including resource reviews, plans and policy assessments, improving technology workflows, and system reviews. Phase 2 will be complete by the end of the second quarter and Phase 3 will begin immediately thereafter.

Phase 2 of the Oracle Cloud Migration (OCI) has begun with a focus on migrating our BLOOP application to OCI, enhancing our Disaster Recovery options, and the addition of a Data Analytics platform in our Cloud environment. Once those efforts are complete, we will discuss and propose other solutions for migration to the Cloud.

The Human Capital Management (HCM) project is underway and a kickoff meeting was held with the project team and our systems integration partner, Highstreet, the last week of May.

There being no further business, the meeting was adjourned at 1:37 p.m.

Respectfully submitted,



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