

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
August 20, 2024
Louisville Water Tower**

Board Members Present:

Dr. Sundeep “Sunny” Dronawat, Chair
Ms. Jennifer Fust-Rutherford, Vice Chair
Ms. Cathe Dykstra
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
Mr. Larry Bryant, Vice President, Production Operations and Chief Engineer
Ms. Kelley Dearing Smith, Vice President, Communications and Marketing
Mr. Tim Kraus, Vice President, Production Operations and Chief Engineer – retiring
Ms. Lynn Pearson, Vice President and Treasurer
Mr. Michael Tigue, Vice President, Compliance, General Counsel and Corporate Secretary
Mr. Homer Barger, Vice President, Local 1683 of the AFSCME, AFL-CIO
Mr. Carlos Felix, Director, Information Technology
Ms. Jenni Schelling, Director, Internal Audit
Mr. Brian Sturgeon, Computer Network Administrator
Ms. Beverly Soice, Paralegal

Visitors:

Mr. Erik Whitehead
Ms. Donna Perry, Dinsmore

The meeting of the Board of Water Works (BOWW) was held at the Louisville Water Tower located at 3005 River Road, Louisville, KY on Tuesday, August 20, 2024. Chair, Dr. Sunny Dronawat called the meeting to order at 11:04 a.m.

Minutes of the Previous Regular BOWW Meeting Approved

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

President/CEO Report Given

Spencer Bruce reported that the Culture of Ownership, Respect, and Engagement (Core) Council is getting into a rhythm and gaining momentum with events aimed at fostering positive morale and teambuilding across the company.

Last month, the group proclaimed July - Union Proud Month. The initiative kicked off with designated banners displayed at each location and delivering cold drinks and popsicles to Local 1683

members, a welcome treat given the extreme heat we endured in July. Other activities included goodie bags filled with nutritious treats, a new pair of high-quality safety gloves for each union member, Chick-fil-A breakfast day, and gift card drawings.

We have all heard “actions speak louder than words” and the goal of these events was to show our sincere appreciation for the hard work Local 1683 members do every day that allow Louisville Water to deliver high-quality drinking water to nearly a million people in our area.

Oath of Office Administered to the new Vice President, Productions Operations and Chief Engineer

Michael Tigue administered the oath of office to Larry Bryant as Louisville Water’s new Vice President, Production Operations and Chief Engineer.

The Board congratulated Larry and welcomed him as an officer of Louisville Water.

Budget of Record and Contract Amount Increased for Water Treatment Chemicals–Powder Activated Carbon (PAC)

Mr. Bryant requested the Board authorize an increase of the budget of record and the contract amount for the Water Treatment Chemicals, Powder Activated Carbon (PAC) from \$471,960 to \$3,477,600.

Due to the recent river conditions (high heat and low rainfall), there has been a need for a significant increase in PAC dosage at the Crescent Hill Treatment Plant to maintain our water quality goals. Also, higher-than-average pumpage has exacerbated this situation.

On September 9, 2023, staff requested Bids & Awards/President approval to award the contract for PAC at an annual estimate of \$471,960.00 based on historical carbon usage. ARQ Purification is the current contract awardee for the period 10/2023 to 10/2024.

Ms. Dykstra moved to increase the projected carbon budget and contract amount by \$3,005,640 to \$3,477,600. Ms. Fust-Rutherford seconded, and the motion unanimously carried.

Budget Established for Unbudgeted Project 16259-Shepherdsville Pointe Community Water Main Replacement

Mr. Bryant requested the Board establish a budget of record for the Shepherdsville Pointe Community Water Main Replacement Project in the amount of \$1,100,000.

Shepherdsville Pointe Community is currently served by dual 6-inch and 3-inch mains and meters that were acquired by Louisville Water from Shepherdsville in 2003. This unique installation placed the mains and meters in the rear of the residence outside of the right-of-way or any easements. These mains have recently experienced multiple breaks and have multiple leaks flooding the rear of the property. This project will install 1,920 LF 6-inch PVC water main, hydrants, and meters in the road right-of-way and in easements in front of the residences. This will also bring the area up to current Louisville Water standards.

Ms. Dykstra moved to establish a budget of record for this project in the amount of \$1,100,000. William E. Summers, IV seconded, and the motion unanimously carried.

Reimbursement of Capital Expenditures with Proceeds of Tax Exempt Bonds Approved

Lynn Pearson advised that the Board of Water Works may adopt a resolution announcing its intention to reimburse itself with the proceeds from the issuance of tax-exempt obligations for the expenditure on certain projects identified in the 2024-2028 Capital Expenditures Program. By adopting this resolution, the Board of Water Works will be able to replenish funds to be expended during the period beginning 60 days prior to the date of the reimbursement resolution through the date of the bond issue. The Board of Water Works adopted similar reimbursement resolutions prior to previous issuances including the Series 2022 issuance. Ms. Pearson reviewed the resolution and requested its approval.

RESOLUTION OF THE BOARD OF WATER WORKS OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, AUTHORIZING A CAPITAL EXPENDITURES PROGRAM AND EXPRESSING ITS INTENT TO REIMBURSE CERTAIN CAPITAL EXPENDITURES BY APPLICATION OF THE PROCEEDS OF TAX-EXEMPT OBLIGATIONS TO BE ISSUED BY THE BOARD OF WATER WORKS OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY.

WHEREAS, the Board of Water Works of the Louisville/Jefferson County Metro Government, Kentucky (formerly the Board of Water Works of the City of Louisville, Kentucky, the Louisville/Jefferson County Metro Government being the governmental successor to such City as a result of operation of law), established and acting under the provisions of Section 96.230 through 96.315 of the Kentucky Revised Statutes (the "Board"), as the governing body of the Louisville Water Company (the "Company"), has received and reviewed the Company's 2024-2028 Capital Expenditures Program, more particularly described in detail in Exhibit No. 1, attached hereto (the "Capital Expenditures Program");

WHEREAS, pursuant thereto, the Board has determined to make capital expenditures of approximately \$111,369,063 for purposes of the 2024 Capital Expenditures Program (only expenditures incurred between June 22, 2024 and December 31, 2024 are eligible for reimbursement) and a total of \$573,362,060 for purposes of the 2025-2028 Capital Expenditures Programs, part of which is to be financed from the proceeds of tax-exempt obligations to be issued from time to time by the Board; and

WHEREAS, construction and installation of certain components of the Capital Expenditures Program are expected to commence prior to the date of receipt of the proceeds of tax-exempt obligations to be issued from time to time by the Company or the Board and it is therefore necessary for the Board or the Company to advance moneys from funds of the Company on hand and temporarily available therefor, including, inter alia, the Depreciation Fund, Infrastructure Replacement Fund and the Operation Fund, subject in the case of any such interim borrowing or advances to repayment or reimbursement from the proceeds of such tax-exempt obligations to be issued by the Board.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF WATER WORKS OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, AS FOLLOWS:

Section 1. The statements of fact set forth in the preambles to this Resolution are hereby incorporated by reference in this Resolution and are declared to be true and accurate in all respects.

Section 2. The Board shall fund the Capital Expenditures Program on an interim basis pending receipt of the proceeds of tax-exempt obligations of the Board by temporary advances from the Depreciation Fund, Infrastructure Replacement Fund and the Operation Fund of the Company. The Board shall hereafter issue its Water System Revenue Bonds for the purpose of funding all or part of the net costs of the Capital Expenditures Program and shall, to the extent such advances shall have been made, reimburse such advances.

Section 3. In accordance with the provisions of federal law, including Section 1.150-2 of the United States Treasury Regulations, the Board hereby determines and states that,

(a) The Company reasonably expects and intends to reimburse all or part of the 2024 Capital Expenditures Program expenditures incurred between June 22, 2024 and December 31, 2024 and all or part of the 2025-2028 Capital Expenditures Programs expenditures incurred with the proceeds of tax-exempt obligations of the Board.

(b) This declaration of official intent is being made under Section 1.150-2 of the United States Treasury Regulations.

(c) The reimbursements herein authorized are to be effected by application of the proceeds of Water System Revenue Bonds of the Board to be hereafter issued for reimbursing expenditures made in respect of the Capital Expenditures Program for the year 2024 (as more specifically described in 3 (a)) and the Capital Expenditures Program for the years 2025 to 2028, inclusive, as identified specifically in Exhibit No. 1 attached hereto.

(d) The maximum principal amount of bonds expected to be issued for the five-year Capital Expenditures Program is \$295,000,000. In addition, the upcoming bond issue may be used to refund outstanding bonds.

(e) Reimbursement from the proceeds of such tax-exempt Water System Revenue Bonds shall be made to the Company's Depreciation Fund, Infrastructure Replacement Fund and Operation Fund, which are required for other governmental purposes and are not available for such permanent financing.

Section 4. This Resolution shall be in full force and effect from and after its adoption.

Mr. Summers moved to approve the resolution, seconded by Dr. Sharon Kerrick, and the motion unanimously carried.

Donation to the Louisville Water Foundation Approved

Dave Vogal advised that each year Louisville Water makes a donation to the Louisville Water Foundation to use for water bill payment assistance and other water projects that serve to advance the Foundation's mission. The donation from Louisville Water has typically been funded by setting aside a portion of the HomeServe program revenue from the previous year. The largest percentage of the Foundation's annual contributions supports the Customer Assistance Program, "Drops of Kindness." MSD, HomeServe and employees also contribute funds for this effort. The budgeted donation for 2024 is \$250,000.

Dr. Kerrick inquired as to the total assets held by the Foundation. Ms. Pearson advised the Foundation assets total approximately \$1 million dollars.

Dr. Kerrick moved to donate \$250,000 to the Louisville Water Foundation to fund the 2024-2025 Customer Assistance Program and other water-related charitable activities. Ms. Dykstra seconded, and the motion unanimously carried.

Investment Report

Ms. Pearson provided an update on investments held in the Company's portfolio.

Financial Report Given

Ms. Pearson advised that July financial performance was strong, with consumption and water revenue coming in above budget for the month. Other operating revenue and non-operating income and expense also performed favorably to budget and as a result, net income for the month exceeded budget by \$477,000.

Consumption of 3.2 billion gallons for July is 211 million gallons higher than budget, and 10 million gallons higher than July 2023. The residential, irrigation, wholesale and Metro government customer classes are the main drivers of the budget overage for the month. Year-to-date consumption is over budget by 1.6% and is lower than prior year by 1.6%. Residential, wholesale, commercial and irrigation are responsible for the favorable budget variance.

Water Revenue for July 2024 is \$629,000 above budget and is \$186,000 higher than the prior year. The residential, irrigation, wholesale and Metro government customer classes all contribute to the budget overage for the month, with a slight offset by unfavorable variances in the commercial and industrial classes. For the year-to-date period, water revenue is 0.4% over budget and 2.8% higher than prior year levels.

Other Operating Revenue for July is \$34,000 higher than budget and \$70,000 over year-ago levels. The variance to budget is mainly due to higher revenue from service activation/deactivation fees, late charges and Water Tower rentals, offset by a shortfall in revenue from service line protection which is primarily timing. The increase from July 2023 is due to higher revenue from service activation/deactivation fees along with an increase in sewer billing revenue. Year-to-date, other operating revenue is \$374,000 higher than budget and \$750,000 higher than prior year. The year-to-date variance to budget is due to higher revenue from service activation/deactivation fees and service line protection, slightly offset by lower revenue from late charges.

Operating and Maintenance Expenses for July of \$10.0 million are \$290,000 higher than budget and \$1.7 million higher than July 2023. The July variance to budget is primarily driven by chemicals costs, with insurance reserves and materials and supplies costs contributing to a lesser degree. These overages are offset to a great extent by lower labor and labor-related, contractual services and bad debt expenses. Higher chemicals costs are also the largest driver of the increase compared to prior year, with labor and labor-related expenses, insurance reserves, utilities, and system support and maintenance costs also contributing. July year-to-date operating and maintenance expenses are \$1.2 million lower than budget and \$3.5 million higher than year-ago levels. Labor and labor-related expenses, contractual services and bad debt all contribute to the positive budget variance through July, although these favorable variances are partially offset by higher chemicals, materials and supplies and insurance reserves. The variance to the previous year through July reflects increased labor and labor-related costs, along with higher chemicals, materials and supplies, contractual services and insurance reserves offset by lower system support and bad debt expense.

Total Operating Expenses for July of \$16.8 million are \$261,000 higher than budget and \$2.1 million higher than the previous year. The budget variance is due to higher operating and maintenance expense, offset by lower depreciation and loss from disposition of property, the latter two mostly due to timing. The variance to July 2023 is due to higher operating and maintenance expense, depreciation and water service in lieu of taxes. Total operating expenses year-to-date are 1.8% lower than budget and 4.7% above prior year. The year-to-date budget variance is primarily the result of lower operating and maintenance costs.

Interest Income through July is \$4.1 million which is \$59,000 higher than budget due to slightly higher interest rates earned than expected. Year-to-date through July, interest income is \$347,000 lower than the prior year due primarily to a lower dollar amount invested.

Interest Expense through July is \$4.4 million which is \$275,000 less than budgeted due to higher amounts of interest capitalized than anticipated. Compared to prior year, interest expense through July is down \$461,000 due to lower bond interest incurred as a result of principal repayments made in 2023.

Net Income before Distributions and Contributions for July is \$5.1 million, which is \$477,000 more than budgeted. In comparison between years, net income for July is \$1.8 million lower than the prior year. July year-to-date net income of \$31.9 million is \$3.2 million more than budget and \$1.4 million above prior year.

Communication and Marketing Report Given

Kelley Dearing Smith advised that stories about infrastructure typically perform well for Louisville Water. An event to announce a large project along Oak Street to replace a 130-year-old water main attracted extensive media coverage plus a behind-the-scenes look at how we replaced enormous valves earned positive social media traction.

Louisville Water's community outreach efforts reached nearly 43,000 people with events and cooler rentals where Louisville Pure Tap® was served. The outreach team was at Alberta Jones Park Day, YUM Center youth basketball camps, Summer Beerfest at the Frazier Museum and the National Association of College & University Food Services Conference at UofL.

Louisville Water completed its independent bi-annual customer satisfaction survey in June with 1,092 customers taking part in the quantitative survey. A key performance indicator is the percentage of customers who say, "Louisville Water meets its goal of delivering high quality water and reliable service." In June, 79 percent of customers surveyed said Louisville Water met that goal, the largest percentage to date.

Although the survey showed that confidence in Louisville Water remains high, there are small declines in customers who are overall satisfied with customer service, customer communications and the perception of Louisville Water being "innovative." Staff works with our research partner to review the data and identify opportunities for improvements.

Ms. Dearing Smith then shared a video.

Customer Service and Distribution Operations Report Given

Dave Vogel advised we are currently managing another wave of staffing vacancies due to attrition (four retirements) and employees off on medical leave. Management is partnering with Human

Resources to fill permanent positions as well as onboarding temporary agency personnel. The next class will start the week of August 19.

The Integrated Virtual Assistant (IVA) design is progressing and will move into the development phase in the coming weeks. Recently, the “friends and family” version of Paymentus went live which will handle a portion of the payment processing.

The Distribution management team hosted an employee cookout in July for Allmond operation center employees to recognize them for their great work and to increase team cohesion. This event was well received, and an employee team has subsequently been formed to plan additional events going forward.

Engineering and Production Operations Report Given

Mr. Bryant advised that 2024 capital program expenditures through July totaled \$54,995,291, which is 6.36% higher than the same period last year. These YTD expenditures equate to 37.28% of the 2024 total capital program of \$147,518,045.

The amount of water produced and delivered to the system in July 2024 was 148.4 MGD, which was 4.0% higher than July 2023 and 6.6% higher than the July five-year average. For year-to-date, the amount of water delivered to the system was 2.0% higher than 2023, and 7.4% higher than the five-year average.

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

Water Quality personnel analyzed 1,146 water quality parameters; 986 of which were required pursuant to federal and state regulations. Personnel collected 280 routine distribution system (RTCR) compliance samples. Zero Total Coliform and zero E. coli detections were noted. Personnel also collected 62 main-break compliance samples for 31 repairs. Ten local boil-water advisories (BWAs) were issued due to field conditions. Zero BWAs were issued due to initial water-quality monitoring results.

Eight chemical spills were reported upstream of the Zorn intake. An odor event in the river impacted treatment for 31 days. The combined Geosmin and MIB goal of six parts per trillion (ppt) in finished water was exceeded. The maximum combined concentration in finished water was 10.7 ppt. Thirty-seven water-quality customer complaints were received in July (the five-year average is 13 complaints). Twenty-eight of these complaints were related to the odor event.

Human Resources and Labor Relation Report Given

Mr. Bruce advised there will be no Human Resources and Labor Relation Report provided this month.

Information Technology Report Given

In Jeff Knott’s absence, Carlos Felix provided the Information Technology (IT) report.

Phase 2b of IT’s digital strategy development should be completed by the start of the fourth quarter. Staff will likely start Phase 3a before Phase 2b ends. Phase 3a includes digital visioning, organizational evaluation and recommendation, then drafting a digital strategy for Louisville Water, based on everything that has been gathered and learned, internally and externally, throughout this extensive project.

Staff met with our Info-Tech IT consultant to understand their “Discover and Classify Your Data” blueprint. After the discussion, Info-Tech provided us with documentation and tools necessary for the classification process. Staff also discussed the advantages and disadvantages of an Info-Tech led workshop involving all Louisville Water stakeholders compared to the guided implementation we have been using. It was suggested that the workshop could speed up the process, provided that all stakeholders are able to participate.

The teams are working on testing, configuring, and eventually moving the internal web application suite, Bloop, to the Oracle Cloud Infrastructure (OCI). This will need to be completed prior to LCRR officially starting in October. Additionally, the teams are starting the work on the Disaster Recovery project for the SOA and Automic servers in OCI.

Currently, Conference Room Pilot #1 (CRP1) is progressing without issues. During this cycle, the team will validate that the system's initial setup aligns well with Louisville Water operational requirements. CRP1 is the first hands-on evaluation of Louisville Water's Oracle Human Capital Management (HCM) solution focusing on validating the initial system configuration based on business requirements gathered during the discovery phase. This phase involves testing pre-defined Oracle configurations by executing relevant business processes to ensure they meet Louisville Water's needs.

Closed Session Held

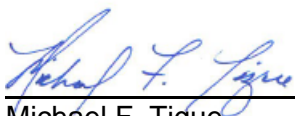
Ms. Fust-Rutherford moved to go into closed session to discuss proposed or pending litigation pursuant to KRS 61.810(c) at 12:04 a.m. Mr. Summers seconded, and the motion unanimously carried.

Open Session Resumed

Ms. Dykstra moved to return to open session at 1:15 p.m. Dr. Kerrick seconded, and the motion unanimously carried.

There being no further business, the meeting was adjourned at 1:15 p.m.

Respectfully submitted,



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