

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
September 17, 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
Mr. Jacob Brown

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. Jordan Basham, Director, Infrastructure Planning and Records
Mr. Pete Goodmann, Director, Water Quality
Ms. Jenni Schelling, Director, Internal Audit
Mr. Chris Bobay, Manager, Water Quality and Compliance
Mr. Steve Berry, Microcomputer and Network Analyst
Ms. Beverly Soice, Paralegal

Visitors:

Mr. Erik Whitehead

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, September 17, 2024. Chair, Dr. Sunny Dronawat called the meeting to order at 11:04 p.m.

Minutes of the Previous Regular BOWW Meeting Approved

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

President/CEO Report Given

Spencer Bruce advised that Louisville Water was the host utility for this year’s KY/TN’s Water Professional Conference which was held in Louisville, KY September 8 – 11, 2024. Mr. Bruce provided a summary of the events:

- Mr. Bruce advised that Water Professional Leadership Academy Graduates were honored. Chelsey Whitfill, New Service Applications Supervisor was a graduate of the program this year.
- The People’s Choice Taste Test Winner was Louisville Pure Tap.
- Attendees were given a tour of Louisville Water facilities.
- Almost two dozen Louisville Water employees gave presentations during the Conference.
- A panel discussion was held concerning Women of Water: A Conversation on the Role and Value of Women in the Water Section.
- A tapping competition was held and our own “Lady Legends” will be heading to the national competition.
- The \$10,000 Dr. Rengao Song Water Research Scholarship was announced during the Conference. The scholarship was awarded to Daniel O’Malley who will be pursuing his doctoral degree in chemistry at the University of Memphis. His goal is to work in the water treatment industry with a focus on water analysis and purification.
- Louisville Water Manager of Advanced Metering Infrastructure Scott Clark received the Outstanding Service Award which honors an AWWA member who has gone above and beyond in service for the organization.
- Former Vice President and Chief Engineer, Tim Kraus, Scientist Roger Tucker and Senior Technical Engineer Andy Williams received the AWWA Silver Drop Award for 25 years of service.
- Louisville Water also facilitated a roundtable discussion on Lessons Learned on LCRR Implementation.

Mr. Bruce thanked the hard work of Louisville Water employees on the WPC 2024 Planning Committee: Autumn Gibson, Lauren Horton, Channa Newman, Tim Kraus, Chelsey Whitfill, Kelley Dearing Smith, Jordan Basham and Megan Talley.

Project Budget Increased for Westport Road Transfer Station Standby Generator Project 15638 and Contract Awarded

Larry Bryant requested Board approval to increase the project budget to \$12,218,476 and to award a contract greater than \$1,500,000 for the Westport Road Transfer Station Generator Project.

The Westport Road Transfer Station Generator Project will install a backup generator to power the station during electrical outages. The transfer station pumps water from the 660-pressure zone to the 770 and 860 pressure zones, providing redundant water supply to the distribution system. The project scope consists of installation of a new backup generator, a new climate controlled electrical building, new 480V MCC, new 4160V switchgear, and replacement of two large 16-inch ball valves in the existing station.

Louisville Water received competitive bids from three prequalified contractors. The apparent low bid for this project was from Pace Contracting for \$9,667,000.

The current budget for this project is \$5,000,000 which was established during the long-range planning stages of the project in 2009 prior to engineering and bidding. The requested budget increase of \$7,218,476 reflects the fair market value of the project and will bring the new total project budget to \$12,218,476.

Ms. Fust-Rutherford moved to increase the budget for this project to \$12,218,476 and to award the contract to Pace Contracting in the amount of \$9,667,000. Cathe Dykstra seconded and the motion unanimously carried.

Change Order Approved for Project 17038 – BE Payne 60” Valve Replacement and Inspection

Mr. Bryant requested the Board authorize contracting for installation of previously purchased long lead equipment as part of the B.E. Payne 60” Valve Replacement and Inspection Project.

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 in Prospect. To repair, the broken section of main 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, limiting the production capacity of the B.E. Payne Plant. A capital project has been established to replace four butterfly valves with three gate valves at strategic locations, and an initial contract has been established with Southern Pipeline Construction to complete preparatory work and to order the new 60” gate valves.

This request is to authorize a change order to the existing contract with Southern Pipeline Construction, Inc. for installation of three 60” gate valves previously ordered and planned for installation in early 2025.

Ms. Fust-Rutherford moved to approve the contract change order in the amount of \$1,402,415.24 bringing the total amount to \$2,828,610.08. Mr. Summers seconded, and the motion unanimously carried.

Project Budget Increased for Project 16397 – Private Lead Service Line Replacement

Mr. Bryant requested Board approval to increase the budget of an existing project by more than \$500,000.00. The Private Lead Service Line Replacement Project was initiated in 2023 to replace known lead service lines on private property within Louisville Water’s service area. To date, this project has replaced approximately 400 lead and galvanized steel service lines through contractor work and homeowner reimbursements. This project has also identified the material of several hundred services with previously unknown materials as well as validated components of Louisville Water’s initial lead service line inventory as part of a strategy to mitigate the potential cost of replacing service lines not made of lead or galvanized steel.

The scope of work for this project has grown as previously unknown lead and galvanized steel services are identified through fieldwork and as customer response to outreach efforts have increased.

Mr. Summers moved to increase the project budget for Project 16397 – Private Lead Service Line Replacement in the amount of \$1,500,000.00 and to establish a new total budget of \$6,000,000. Ms. Dykstra seconded, and the motion unanimously carried.

Third Quarter 2024 Dividend Declared

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 the fourth quarter of 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. Mr. Summers moved to declare the third quarterly 2024 dividend in the amount of \$6,275,383.50.

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 been completed which establishes the full dividend for 2023 as \$28,580,363 based on actual Adjusted Net Income of \$69,895,126, and the Board resolution of December 19, 2023 was amended on June 18, 2024 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 third quarter dividend of \$6,275,383.50; therefore, be it

RESOLVED, the regular third 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 September 30, 2024, this being the third quarterly dividend for 2024.

Ms. Dykstra seconded, and the motion unanimously carried.

Contract Awarded for Project 15619: CHWTP Residuals Conveyance System

Mr. Bryant requested Board approval of a contract greater than \$1,500,000 for the Crescent Hill Water Treatment Plant (CHWTP) Residuals Conveyance System – Clean and Line 36-inch Raw Water Main. This contract is one phase of the overall CHWTP Residuals Conveyance System Project.

The CHWTP Residuals Conveyance System – Clean and Line 36-inch Raw Water Main includes rehabilitating and repurposing an existing raw water main along Zorn Avenue. The pipeline will be cleaned and rehabilitated through cement mortar lining. This pipeline will be converted into a residuals pipeline and will be a portion of the overall new pipeline from Crescent Hill to the B.E.

Payne Lagoons. By repurposing this existing pipeline instead of installing a new pipeline in the same corridor, Louisville Water is greatly reducing impacts to residents and saving several mature trees along Zorn Avenue.

Two bids were received. The apparent low bid for this project was MAC Construction & Excavating, Inc. in the amount of \$3,964,000. The low bid is 12% higher than the engineer's estimate of \$3,292,000. Limited bidders for this specialty work contributed to this higher than estimated price, however staff did extend the bidding period and worked to prequalify additional bidders in an attempt to minimize this issue. The total approved project budget is \$77,000,000.

Ms. Kelley Dearing Smith stated her team is working closely with Engineering and will keep the various stakeholders informed.

Ms. Dykstra moved to award the contract to MAC Construction & Excavating, Inc, in the amount of \$3,964,000. Mr. Summers seconded, and the motion unanimously carried.

Contracts Awarded for Purchase of Water Treatment Chemicals

Mr. Bryant requested the Board authorize the purchase of two water treatment chemicals: liquid ferric sulfate and quicklime for the contract period of October 1, 2024 – September 30, 2025. The estimated annual cost of two treatment chemicals has surpassed \$1.5 million, requiring Board approval.

Water treatment chemicals are an essential component of the water treatment process ensuring that Louisville Water meets and exceeds all state and federal guidelines. Overall, twelve chemicals are required for the treatment process. The addition of liquid ferric sulfate aids in removing suspended solids and the addition of quicklime softens the water and controls pH. In 2025, it is estimated that 1,366,000 lbs. of liquid ferric sulfate and 13,126,000 lbs. of quicklime will be required for the treatment process. The bid price for Liquid Ferric Sulfate from Kemira Water Solutions is \$1,861,769.21 and Quicklime from Mississippi Lime Company is \$2,436,185.60.

Ms. Fust-Rutherford moved to award contracts to Sulfate Kemira Water Solutions for liquid ferric sulfate in the amount of \$1,861,769.21 and to Mississippi Lime Company for quicklime in the amount of \$2,436,185.60. Ms. Dykstra seconded, and the motion unanimously carried.

Lead and Copper Rule Revisions

Louisville Water's Manager of Water Quality and Compliance, Chris Bobay provided an update on compliance with Lead and Copper Rule Revisions (LCRR).

Customer Service and Distribution Operations Report Given

Dave Vogel distributed auto roadside emergency kits to the Board members and then referred them to his officer's report in the agenda book.

Financial Report Given

Ms. Pearson advised the August financial results are strong, with consumption and water revenue coming in above budget for the month. Other operating revenue, total operating expenses and non-operating expenses also performed favorably to budget and as a result, net income for the month exceeds budget by \$613,000. Ms. Person provided details of the Company's financial performance as compared to budget and prior year are as follows.

Consumption of 4.0 billion gallons for August is 91 million gallons higher than budget, and 634 million gallons higher than August 2023. The irrigation customer class is the primary contributor to this positive variance, with residential, industrial and wholesale contributing to a much lesser degree. Year-to-date consumption exceeds budget by 1.8% and is higher than prior year by 1.5%. Residential, irrigation, and wholesale are responsible for the year-to-date favorable budget variance.

Water Revenue for August 2024 is \$221,000 above budget and \$5.2 million higher than the prior year. The irrigation customer class is the primary contributor to the positive variance for the month, partially offset by an unfavorable variance in the commercial class. For the year-to-date period, water revenue is 0.5% higher than budget and 6.1% above prior year levels.

Other Operating Revenue for August is \$70,000 higher than budget and \$119,000 over year-ago levels. The variance to budget is mainly due to higher revenue from service activation/deactivation fees and service line protection, slightly offset by a shortfall in revenue from late charges. The increase from August 2023 is a result of higher revenue from service activation /deactivation fees, cross connection fees, sewer billing and service line protection. Year-to-date, other operating revenue is \$444,000 higher than budget and \$870,000 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 August of \$9.3 million are \$36,000 lower than budget and \$711,000 higher than August 2023. The August variance to budget is primarily a result of higher chemicals costs and insurance reserves. These overages are offset to a great extent by lower labor and labor-related, contractual services, materials and supplies and bad debt costs. Insurance reserves and chemical costs are the largest drivers of the increase compared to prior year, with contractual services, materials and supplies and labor and labor-related expenses offsetting that increase. August year-to-date operating and maintenance expenses are \$1.2 million lower than budget and \$4.2 million higher than year-ago levels. Labor and labor-related expenses, contractual services and bad debt all contribute to the positive budget variance through August, although these favorable variances are partially offset by higher chemicals, materials and supplies and insurance reserves. The variance to the previous year through August reflects increased labor and labor-related costs, chemicals and insurance reserves, along with higher materials and supplies, contractual services and utilities partially offset by lower system support and bad debt expense.

Total Operating Expenses for August of \$16.1 million are \$304,000 lower than budget and \$825,000 higher than the previous year. The budget variance is due to lower operating and maintenance expense, depreciation and water service in lieu of taxes. The variance to August 2023 is due to higher operating and maintenance expense and depreciation. Total operating expenses year-to-date are 1.8% lower than budget and 4.8% above prior year. The year-to-date budget variance is primarily the result of lower operating and maintenance costs.

Interest Income through August is \$4.7 million which is \$17,000 higher than budget due to slightly higher interest rates earned than expected. Year-to-date through August, interest income is \$437,000 less than the prior year due primarily to a lower dollar amount invested.

Interest Expense through August is \$5.0 million which is \$334,000 lower than budgeted due to higher amounts of interest capitalized than anticipated. Compared to prior year, interest expense through August is down \$580,000 due to lower bond interest incurred as a result of principal repayments made in 2023.

Net Income before Distributions and Contributions for August is \$11.5 million, which is \$613,000 more than budgeted. In comparison between years, net income for August is \$4.5 million higher than the prior year. August year-to-date net income of \$43.4 million is \$3.8 million or than budget and \$5.9 million above prior year.

Cash, Cash Equivalents and Short-term Investments totaled \$71.2 million at the end of August which is slightly lower than our target of 250 days of estimated Operating and Maintenance expense. This is a temporary shortfall due to timing of capital expenditures and we expect to be back above our target by the end of September.

Communication and Marketing Report Given

Ms. Dearing Smith advised Content Marketing Team worked closely with Customer Service as we launched new ways to pay your Louisville Water bill. A video segment called “Ginny on the Job” is popular and performed well as we launched the new digital options.

Louisville Water’s community outreach efforts had an overwhelming reach of 220,000 people in August, primarily due to our partnership with large community events like the St. Joe’s picnic, Bats Baseball, back-to-school events, and UofL move-in day.

The education team reached 4,800 people through 17 engagements in August through a variety of school, community group and church events.

Louisville Water has a long-standing partnership with the Kentucky Rural Water Association and during the Association’s annual conference in Lexington, our exhibit highlighted the value of water. Attendees were asked to identify the largest or most unique water user in their town. A large board displayed the responses: for example, pasta sauce is made in Owensboro, pop-tarts in eastern Kentucky, and salad dressing in Horse Cave. The answers will become part of Louisville Water’s initiative “Water Grows KY” that highlights water’s connection to the state’s economy.

Engineering and Production Operations Report Given

Mr. Bryant advised that the 2024 capital program expenditures through August totaled \$73,370,414, which is 16.92% higher than the same period last year. These YTD expenditures equate to 49.74% of the 2024 total capital program of \$147,518,045.

The amount of water produced and delivered to the system in August 2024 was 152.1 MGD, which was 3.4% higher than August 2023 and 8.6% higher than the August five-year average. For year-to-date, the amount of water delivered to the system was 2.2% higher than 2023, and 7.5% higher than the five-year average.

Due to a historic river taste and odor event in July and August 2024 caused by seasonal increases in algae and bacteria and resultant historic levels of the taste and odor compound Methylisoborneol (MIB), we were unable to meet our internal stretch goals for customer complaints. All other water quality goals for August 2024 were achieved. No water quality violations were incurred.

Water Quality personnel analyzed 1,136 water quality parameters; 976 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 51 main-break compliance samples for 25 repairs. Six local boil-water advisories (BWAs) were issued due to field conditions. One BWA was issued due to initial water-quality monitoring results.

Twelve chemical spills were reported upstream of the Zorn intake. An odor event in the river impacted treatment for 28 days. The combined Geosmin and MIB goal of 6 parts per trillion (ppt) in finished water was exceeded. The maximum combined concentration in finished water was 8.4 ppt. One water-quality customer complaint was received in August (the five-year average is four complaints). This complaint was related to the odor event.

Human Resources and Labor Relation Report Given

Terrence Spence advised there will be no Human Resources and Labor Relation Report provided this month.

Information Technology Report Given

Jeff Knott provided the Information Technology (IT) report.

IT staff scheduled a “scoping” call with our Info-Tech IT consultant for September 3 to discuss an on-site "Discover and Classify Your Data" workshop. The workshop aims to expedite the data classification process, which is contingent on the participation of all stakeholders. The deliverables produced at this workshop will be thorough and linked to the ultimate data classification policy. The organization can then utilize these documents as working documents and adjust them over time as needed.

The team is planning to migrate all servers, storage devices and network gear from the Corporate Office Datacenter to the Flexential Datacenter located on Barret Avenue here in Louisville. The migration of all devices to the Flexential datacenter should be completed by mid-October 2024.

Disaster Recovery and Phase 2 OCI. The teams are working on testing, configuring, and eventually moving the internal web application suite, BLOOP to Oracle Cloud Infrastructure (OCI). It will need to be completed prior to LCRR officially starting in October. The team is also looking into options to migrate database of cloud application for Lab information tracking portal (LIMS) to OCI by October. Staff is now building the required infrastructure for the Disaster Recovery project for the SOA, Automic, CCB and WAM servers in OCI.


Progress on Human Capital Management (HCM) has been steady and positive, with Conference Room Pilot #1 (CRP1) progressing. During this cycle, the team is focused on validating that the system’s initial setup aligns closely with Louisville Water’s operational requirements. CRP1 represents the first hands-on evaluation of the Oracle HCM solution tailored for Louisville Water, with a focus on validating the initial system configuration against the business requirements gathered during the discovery phase. This phase involves rigorous testing of pre-defined Oracle configurations by executing key business processes to ensure they meet the specific needs of Louisville Water.

As we prepare for Conference Room Pilot #2 (CRP2), the focus will shift to more complex scenarios, including detailed testing of business processes and comprehensive data validation.

The project remains on track, with continued emphasis on delivering a high-quality HCM solution that aligns with the strategic goals of Louisville Water, ensuring that the system will fully support the organization’s operational needs.

There being no further business, the meeting was adjourned at 1:45 p.m.

Respectfully submitted,



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