

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
March 18, 2025
Louisville Water Tower**

Board Members Present:

Dr. Sundee "Sunny" Dronawat, Chair
Ms. Jennifer Fust-Rutherford, Vice Chair
Mr. Jacob Brown
Ms. Cathe Dykstra
Mr. William "Bill" E. Summers, IV

Not Present:

Mayor Craig Greenberg
Dr. Sharon Kerrick

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, Strategic Communications and Marketing
Mr. Jeff Knott, Vice President, Information Technology
Ms. Lynn Pearson, Vice President and Treasurer
Mr. Terrence Spence, Vice President, Human Resources and Labor Relations
Mr. Michael Tigue, Vice President, Compliance, General Counsel and Corporate Secretary
Mr. Homer Barger, President, Local 1683 of the AFSCME, AFL-CIO
Mr. Andrew Winslow, Manager, Finance
Mr. Brian Sturgeon, Computer Network Administrator
Ms. Beverly Soice, Senior Paralegal

Visitors:

The meeting of the Board of Water Works (BOWW/Board) was held at the Louisville Water Tower, 3005 River Road, Louisville, KY on Tuesday, March 18, 2025. Chair, Dr. Sunny Dronawat called the meeting to order at 11:03 a.m.

Minutes of the Previous Regular BOWW Meeting Approved

William E. Summers moved to approve the regular monthly meeting minutes of February 18, 2025. Jennifer Fust-Rutherford seconded, and the motion unanimously carried.

Budget Increased for Project No. 16245 – 2022 Railroad Crossings – Dumesnil Street Area

Larry Bryant advised that 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 2022 Capital Improvement Plan (CIP) planning process, Louisville Water changed the planning approach for this program to package crossings in close proximity and with the same railroad company to streamline project management and leverage economies of scale.

The Dumesnil Street Area Project was created for five Norfolk Southern Railway crossings consisting of 410 feet of 6-inch and 8-inch main, 360 feet of 12-inch and 16-inch steel casing and 10 gate valves.

Following survey and design, the scope has been revised to fit within the existing rights-of-way and meet Norfolk Southern's crossing requirements.

Following completion of design and submitting permit requests, a final cost estimate was prepared prior to request for bid. The scope of the project has doubled, and material and construction pricing have increased by 14.35%, per the Consumer Price Index, since its creation and initial estimation in September 2021.

Cathe Dykstra moved to increase the budget of record by \$1,193,700 for a total revised budget of \$1,861,400. Mr. Summers seconded, and the motion unanimously carried.

First Quarter Dividend Declared

Lynn Pearson advised that Section 508 of the Series 2009 Water System Revenue Bond Resolution provides that the Louisville Water Company will pay to the Louisville / Jefferson County Revenue Commission an annual dividend on the Louisville Water Company stock owned by Louisville / Jefferson County Metro Government, Kentucky. The dividend declared for 2024, based upon estimated net income, is required to be adjusted after completion of the annual audit to reflect any difference between estimated and actual net income. The amount of such adjustment is to be paid with or deducted from the regular quarterly dividend payments in 2025.

The annual audit has not been completed, and as a result, there will be no adjustment to the first quarter 2025 dividend. The adjustments will occur in subsequent quarters of Louisville Water's 2025 calendar year as directed by Louisville Metro Office of Management and Budget.

The 2025 Annual Budget provides for a budgeted annual dividend of \$30,039,324. Ms. Fust-Rutherford moved to declare the first quarterly 2025 dividend in the amount of \$7,509,831. Ms. Dykstra 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 \$25,101,534 was paid in 2024 based on estimated Adjusted Net Income of 49,009,992 and
WHEREAS, the annual audit for 2024 is not yet completed, no adjustment will be made to the first quarter 2025 dividend and adjustments will occur in subsequent quarters of Louisville Water's 2025 calendar year as directed by Louisville Metro, and
WHEREAS, the 2009 Bond Resolution requires that the Board of Water Works pay a quarterly dividend based on the formula contained therein, such quarterly payments to be as nearly equal in amount as possible, and
WHEREAS, the 2025 Louisville Water Company Annual Budget reflects the 2025 annual dividend to be \$30,039,324 it would be in order at this time to declare a regular first quarter dividend of \$7,509,831; therefore, be it
RESOLVED, the regular first quarter 2025 dividend of \$7,509,831 is hereby declared, and further

RESOLVED, that the President of the Company hereby is authorized and directed to pay \$7,509,831 to the Louisville / Jefferson County Revenue Commission on March 31, 2025, this being the first quarterly dividend for 2025.

Property Protection and Security Contract Renewal Authorized

Michael Tighe advised that armed security officers are responsible for ensuring compliance with the Company's security policies and procedures, as well as protecting employees and infrastructure from external threats. By employing and retaining skilled security officers, we can better ensure that Louisville Water employees and assets are consistently safeguarded in an ever-evolving threat landscape.

Currently, Louisville Water employs 25 Armed Security Officers under the Property Protection and Security Services contract with Inter-Con Security Systems, Inc. This team includes three full-time supervisors, two part-time supervisors, and one account manager. Additionally, three officers are stationed at key facilities—3rd Street, Crescent Hill, Allmond Avenue, and B.E. Payne. These officers are assigned to monitor main entry points and conduct periodic patrols within their respective facilities, with the officer at Crescent Hill also patrolling the Zorn properties.

The existing security services contract was awarded on April 1, 2022, with an option to extend for up to four additional years. The current contract is set to expire on March 31, 2025. With the cost increase based on the CPI at 3%, the new annual cost of the contract will be \$1,806,891.22, compared to the project manager's cost estimate of \$1,850,000 for the upcoming renewal year.

Ms. Fust-Rutherford moved to renew the contract with Inter-Con Security Systems, Inc. in the amount of \$1,806,891.22. Ms. Dykstra seconded, and the motion unanimously carried.

Compensation and Benefits Committee Given

Ms. Fust-Rutherford provided a summary of the discussions that took place during the Compensation and Benefits Committee meeting held on March 5, 2025, which included a review of the results of the Company's 2024 goals and discussion of the 2025 merit budget for non-union wages.

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

1. Approve the proposed merit increases recommended by Mercer for all non-union employees at a 3.5% average. Merit increases are performance based. This amount was budgeted for 2025, and
2. Approve all performance incentive program results and corresponding payouts for the Management Incentive Goals and Corporate Performance Award. Incentives and awards require that Louisville Water must meet or exceed the budgeted dividend, which was met in 2024 and only those employees who achieve an annual individual performance rating of "successful performance" or better are eligible for incentive and award payouts.

Mr. Summers seconded, and the motion unanimously carried.

Executive Session Held

Ms. Fust-Rutherford moved to go into executive session at 11:48 a.m. Ms. Dykstra seconded, and the motion unanimously carried.

Open Session Resumed

Ms. Summers moved to return to open session at 1:05 p.m., seconded by Jake Brown, and unanimously carried.

Ms. Fust-Rutherford moved to authorize Spencer Bruce to provide merit increases per Company guidelines for all the officers at a 3.5% average. Mr. Summers seconded, and the motion unanimously carried.

Financial Report Given

Ms. Pearson reported that the preliminary close of the books for 2024 is complete and the audit of the 2024 financial statements is progressing well. Draft numbers from the Kentucky Public Pensions Authority (KPPA) have recently been released. Calculations to determine the year-end entries related to pension and other post-employment benefits based on these draft numbers have been completed by Finance staff and are currently under review by our external auditors.

Following is an overview of financial results for February. Results must be considered preliminary until the audit of the 2024 financial statements is complete.

Total consumption and water revenue are higher than budget in February. Other operating revenue, along with operating and non-operating expense are also favorable to budget. Non-operating income is under budget for February but only offsets the positive variances to a small extent. As a result, net income for the month exceeds budget by \$472,000. Details of the Company's financial performance as compared to budget and prior year are as follows.

Consumption of 2.8 billion gallons for February is 118 million gallons more than budget, and 178 million gallons higher than February 2024. The budget overage is primarily in the commercial class with residential and wholesale classes contributing to a lesser degree. Year-to-date consumption is over budget by 4.3% and higher than prior year by 2.5%, with commercial, residential and wholesale being the primary drivers of the budget variance.

Water Revenue for February is \$363,000 more than budget and \$2.1 million higher than the prior year. Commercial, residential and wholesale customer classes exceed budget, but these favorable variances are partially offset by negative variances in the industrial, irrigation and private fire services classes. For the year-to-date period, water revenue is 1.8% and 6.8% above budget and prior year levels, respectively.

Other Operating Revenue for February is \$122,000 higher than budget and \$137,000 above year-ago levels. The variance to budget is mainly due to higher revenue from service line protection and to a lesser extent, customer fees. The increase over prior year is mainly driven by revenue from service line protection, cross connection fees and sewer billing. Year-to-date, other operating revenue is \$165,000 higher than budget and \$199,000 higher than prior year. The year-to-date variance to budget is primarily due to higher revenue from service line protection and late charges.

Operating and Maintenance Expenses for February of \$8.8 million are \$13,000 lower than budget and \$556,000 higher than February 2024. The February variance to budget is primarily due to lower contractual services, utilities and miscellaneous expenses, offset to a great extent by higher insurance reserves and chemicals costs. The unfavorable variance to February 2024 is mainly due to higher chemicals, insurance reserves, contractual services, and bad debt costs. February year-to-date operating and maintenance expenses are \$332,000 higher than budget and \$1.5 million higher than year-ago levels. Chemicals and insurance reserves are the largest drivers of the budget overage,

although these unfavorable variances are partially offset by lower contractual services, materials and supplies, miscellaneous expenses and bad debt costs. The variance to prior year through February reflects increased chemicals, contractual services, utilities, insurance reserves and labor and labor-related costs.

Total Operating Expenses for February of \$15.3 million are \$12,000 lower than budget and \$773,000 more than prior year. The budget variance is due to lower operating and maintenance expense, depreciation and loss from disposition of assets. The variance to prior year is due to higher operating and maintenance, depreciation expense and water service in lieu of taxes. Total operating expenses year-to-date are \$59,000 over budget and \$1.8 million over year ago levels. The year-to-date budget variance is primarily the result of higher operating and maintenance costs offset by lower depreciation expense.

Non-Operating Income through February is \$682,000 which is \$63,000 lower than budget due to a lower level of funds invested than anticipated. Year-to-date through February, non-operating income is \$462,000 lower than prior year due to a lower dollar amount invested than this time last year and to a lesser extent, lower interest rates.

Non-Operating Expense through February is \$1.1 million which is \$70,000 less than budgeted due to higher amounts of interest capitalized than anticipated. Year-to-date through February, non-operating expense is \$113,000 lower than year-ago levels. This favorable variance is mainly due to lower interest on bonds as a result of principal repayments made in 2024, offset by slightly lower capitalized interest.

Net Income before Distributions and Contributions for February is \$6.6 million, which is \$472,000 more than budgeted. In comparison between years, net income for February is \$1.5 million more than prior year. February year-to-date net income of \$8.9 million is \$762,000 higher than budget and \$606,000 above prior year.

Communication and Marketing Report Given

Kelley Dearing Smith advised that in preparation for the launch of the first work zone for the River Road Residual Project, staff visited individually with elected leaders, business owners and residents and held two community meetings. Additionally, staff coordinated media coverage with all local media and provided content and infographics to neighborhoods and a list of key stakeholders. Because of the complexity of this project, staff is providing a weekly email to hundreds of people who live in the River Road corridor. Extra signage has also been added to highlight that businesses are open and accessible.

The Kentucky legislature's debate of a proposed bill to make community water fluoridation optional also garnered lots of media questions. Louisville Water joined health and dental groups in opposing the bill.

On social media, pictures of a water main break that flooded a street in south Louisville reached nearly 200,000 people. We used this situation as an opportunity to highlight the crew response in an emergency.

Finally, Louisville Water received positive attention as we profiled the winner of the 2025 Thomas Family Scholarship, a Central High School senior who receives a \$15,000 scholarship. The scholarship is named for the first documented Black employees who worked at Louisville Water.

Customer Service and Distribution Operations Report Given

Mr. Vogel reported that operations returned to normal following a very busy January. He advised that three seasoned employees retired in February and staff is working with Human Resources to hire replacements.

The Call Center operations received 24,942 calls in February, which was slightly lower than last year and 10% higher than the five-year average. Call volume is generally running higher due to the transition to monthly billing, however some of this is being offset by the new technologies being implemented. Year to date, the abandonment rate is running at 12.0% which is lower than last year (17.3%) and in line with the five-year average (12.7%). A training day was held on February 17, 2025, and provided a good opportunity for employees to learn from experts in other areas of the company and network with other Customer Service Representatives. An AI tool is being implemented that will transcribe, analyze, and summarize calls. Functionality related to this will be released in the coming months.

Through February, 284,710 endpoints have been installed, and 231,128 Jefferson County customers have been converted to monthly billing. We are now in the process of adding AMI equipment to MSD's subtraction meters which will eliminate the need for manually reading these on a monthly basis. AMI was also added to Louisville Water's first wholesale customer (North Nelson) and we will add others as the year progresses.

Engineering and Production Operations Report Given

Mr. Bryant advised that the 2025 capital program expenditures through February totaled \$10,720,963 which is \$2,337,761 or 27.89% higher than the same period last year. These expenditures equate to 4.88% of the 2025 total capital program of \$219,793,657.

The amount of water produced and delivered to the system in February was 129.3 MGD, which was 7.2% higher than February 2024 and 11.4% higher than the February five-year average. For year-to-date, the amount of water delivered to the system was 6.2% higher than 2024, and 12.4% higher than the five-year average.

All water quality goals for February 2025 were achieved. No water-quality violations were incurred. A total of four water-quality customer complaints were received in February (the five-year average is six complaints).

Water Quality personnel completed 4,969 analyses on 2,004 samples. Personnel collected 283 routine distribution system compliance samples. One Total Coliform and zero E. coli detections were noted. Personnel also collected 98 main-break compliance samples associated with 50 repairs. Seven local boil water advisories were issued due to field conditions and zero due to initial water-quality monitoring results.

Twelve chemical spills were reported upstream of the Zorn intake, but there was no resulting impact on water treatment.

Human Resources and Labor Relations Report

Terrence Spence provided a summary of recent and current activity between Louisville Water's Labor Management and Local Union 1683 of the American Federation of State, County and Municipal Employees, AFL-CIO (the Union).

- Union and Company leadership held their monthly Labor Management meeting to review ongoing and future initiatives and status updates.
- The Executive Union Management Alliance Council (EUMAC) met and reviewed progress on their jointly established 2025 strategic and operational goals.
- The Company posted eight regular full-time and five temporary full-time internal union jobs.

Human Resources Initiatives

- Louisville Water initiated the transition of the third-party Oracle Cloud-based Human Capital Management (HCM) System implementor from Highstreet to ACSE prior to commencing to the CRP-3 phase.
- Year-to-date Human Resources recruited and filled 15 vacancies.

Employer of Choice

- The Human Resources Department facilitated the first of three Annual Spring Employee Wellness Fairs to promote health awareness by providing on-site activities that include bio-metric screening, blood pressure checks, vaccinations, relaxation massages, and other services.

Inclusion & Belonging

- Louisville Water's CORE Council hosted Company events in celebration of National Women's History Month which included a panel discussion featuring the Women of Local Union 1683 and a celebration of women leaders with former BOWW member Marita Willis serving as the keynote speaker.

Information Technology Report Given

Jeff Knott reported that the Data Classification workshop yielded valuable results. Consequently, , we expanded the scope to include additional functional groups for further data collection. We have now met with these additional functional areas and successfully collected the necessary data. Currently, we are analyzing these results and plan to brief the Executive Leadership Team (ELT) with our findings next month to advance this initiative.

The Digital Strategy Phase 3a project had its team kickoff meeting in January. Regular meetings started early this month. Over the next five months the team will meet to discuss the current needs of the Company ultimately leading to the creation of a digital strategy.

Staff initiated the license procurement process with Insight Software for both UAT and PROD environments, similar to the current setup with Intoollect. The contract has been presented to the Bids and Awards team and the procurement buyer is coordinating with Insight Software for contract review. This will replace Intoollect reporting for the CCB, KG, WAM, and EBS systems, with reporting running from OCI.

Louisville Water has successfully completed the Conference Room Pilot 2 (CRP2) phase of the Human Capital Management (HCM) implementation project. This comprehensive evaluation period provided valuable insights into system functionality and workflow integration across the organization. After careful assessment of our implementation progress, we have made the strategic decision to engage a new system implementation partner to guide the remainder of the HCM project.

The new implementations partner will conduct a comprehensive assessment of work completed to date. To assist with this effort, the project team developed a detailed transition plan to ensure knowledge transfer and continuity.

There being no further business, the meeting was adjourned at 1:54 p.m.

Respectfully submitted,



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