

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
May 20, 2025
Louisville Water Company**

Board Members Present:

Dr. Sundeep “Sunny” Dronawat, Chair
Ms. Jennifer Fust-Rutherford, Vice Chair
Mr. Jacob Brown
Ms. Cathe Dykstra
Mr. Ken Marshall
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 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, Finance and Treasurer (*retiring*)
Ms. Jennifer Crough, Vice President, Finance
Mr. Terrence Spence, Vice President, Human Resources and Labor Relations
Mr. Michael Tighe, Vice President, Compliance, General Counsel and Corporate Secretary
Mr. Adam Purvis, Vice President, Local 1683 of the AFSCME, AFL-CIO
Ms. Jenni Schelling, Director, Internal Audit
Ms. Sue Purdy, Director, Finance
Ms. Alice Dawson, Manager, Accounting
Mr. Andrew Winslow, Manager, Finance
Mr. Obe Everett, Program Manager, Customer Information Systems
Mr. Willie Buckner, Manager, IT Infrastructure Support
Mr. Karambir Yadav, Manager, Business Systems Support
Mr. Brian Sturgeon, Computer Network Administrator
Ms. Beverly Soice, Senior Paralegal

Visitors:

Mr. Scott Nickerson, Partner, Crowe LLP
Mr. Phillip Piesz, Crowe LLP

The meeting of the Board of Water Works (BOWW/Board) was held at the Louisville Water Tower located at 3005 River Road, Louisville, KY on Tuesday, May 20, 2025. Chair, Dr. Sunny Dronawat called the meeting to order at 11:02 a.m.

Spencer Bruce introduced Jennifer Crough, who has been hired as the next Vice President and Treasurer. Lynn Pearson will be retiring after completion of the bond issuance this fall. Ms. Crough provided a brief summary of her professional background.

Ms. Bruce then introduced the new Board of Water Works director, Ken Marshall. Mr. Marshall provided a brief summary of his professional background.

Michael Tigue administered the Oath of Office to Mr. Marshall. The Board and the Executive Leadership Team welcomed Mr. Marshall to the Board.

Minutes of the Previous Regular BOWW Meeting Approved

William E Summers, IV moved to approve the regular monthly meeting minutes of March 18, 2025. Cathe Dykstra seconded, and the motion unanimously carried.

President/CEO Report Given

Mr. Bruce advised that Louisville Water released the 2024 Annual Water Quality Report in late April. All Environmental Protection Agency (EPA) standards were met and for 18 consecutive years, there were no water quality violations.

The report provides the results of the 2024 testing required by the EPA as well as an overview of water treatment processes. We also shared information on our comprehensive efforts to reduce the risk of lead in drinking water and a look at how our investment in infrastructure is critical to keep high-quality Louisville Pure Tap® flowing into the next century.

Contract and Budget Increase Approved for Project 16447: HRMS System Continuation

Terrence Spence advised that Louisville Water's Human Capital Management (HCM) project, approved in November 2022 with a \$5,417,759 budget, aimed at modernizing the current Human Resources and Payroll systems by implementing Oracle's cloud solution. However, Highstreet IT's implementation faced significant challenges in the areas of project management, staffing, technical acumen, and knowledge transfer. These issues posed substantial risks to the project timeline, budget, and critical HR functions.

After Terrence's opening remarks, Obe Everett provided an overview of the issues with the current implementer, Highstreet IT and the justification for a new implementor TMG/ACSE. In addition, he shared that the project timeline had to be moved to the end of the year due to the complexities of the payroll system.

Following a thorough discussion, Ms. Dykstra moved to enter into a contract with TMG/ACSE Consulting in the amount of \$2,317,696 and approval to increase the project budget from \$5,417,759 to \$7,320,460, an increase of \$1,902,701. This includes the TMG/ACSE contract, HCM subscription costs during installation, and contingency, offset by the remaining HSIT budget. Mr. Summers seconded and the motion unanimously carried.

Special Payment Assistance Funding to the Louisville Water Foundation Approved

The Louisville Water Foundation provides customer assistance funding to several local agencies including the Association of Community Ministries. These organizations assist low income customers with water and wastewater payments in the Louisville Metro area. Staff is requesting Board approval of a special donation from Louisville Water to the Louisville Water Foundation that will be used specifically for customer payment assistance.

Mr. Summers moved to donate \$2,000,000 to the Louisville Water Foundation for this special customer assistance funding. Jennifer Fust-Rutherford seconded, and the motion unanimously carried.

Approve Microsoft License Renewal

Jeff Knott advised that Louisville Water utilizes Microsoft applications for all of its back-end office tools. These tools include Microsoft 365, Intune MDM, Email, Copilot "AI Chatbot", Teams audio conference, Enterprise Mobility + Security features, Windows Server, Desktop OS, Microsoft SQL, Microsoft Configuration Manager "SCCM", Visio, Project, and Conference Rooms Teams License.

This request is for the renewal of the Microsoft Enterprise Agreement Licenses which includes all the applications listed above. The new contract will cover three years of use and support for the Microsoft Office Cloud suite and on-premises operating systems. The annual cost is \$612,171.50 with a total of \$1,836,514.50 over the three-year period starting October 1, 2024 through September 30, 2027.

The license and support costs were reviewed for the year October 1, 2024 through September 30, 2025 and we are requesting the Board of Water Works approve the total three-year contract of \$1,836,514.50.

Ms. Fust-Rutherford moved to approve a three-year contract for Microsoft Office products in the amount of \$1,836,514.50. Jacob Brown seconded, and the motion unanimously carried.

Approve Retirement of Asset for English Staton Road Standpipe

Larry Bryant requested the Board's authorization to retire the English Station 10MG Standpipe and declare it a surplus asset. The standpipe no longer serves any operational purpose and can be declared as surplus property. The standpipe is scheduled to be demolished later this year as part of Project 17156.

Hazen and Sawyer, the Company's Engineer of Record, evaluated this asset and issued a Retirement of Asset letter, concurring with the position that the asset can be retired and declared surplus.

Ms. Fust-Rutherford moved to retire the asset and declare it surplus property to allow for its demolition. Mr. Summers seconded, and the motion unanimously carried.

The BOWW took a short break at 12:00 p.m. for lunch. The Board resumed the meeting at 12 16 p.m.

2024 Financial Audit Report

Ms. Pearson advised that the independent auditing firm Crowe LLP (Crowe) has completed the 2024 audit. She then introduced Scott Nickerson who will provide a summary of the audit report.

Ms. Pearson first took a moment to thank her staff for their work with the audit. She also stated that Sue Purdy, Director of Finance and Accounting will be retiring soon and that Andrew Winslow, currently Manager of Finance has been awarded the position of Director.

Mr. Nickerson advised that Crowe conducted an audit of Louisville Water's financial statements for the year ended December 31, 2024 and has issued an unqualified opinion. He briefly reviewed the financial highlights in the Management Discussion & Analysis (MD&A), the Statements of Net Position, Changes in Net Position and Cash Flow, and discussed key performance indicators.

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

Mr. Nickerson answered questions of the Board members.

Ms. Dykstra moved to accept the 2024 audited financial statements. Mr. Marshall seconded, and the motion unanimously carried.

Compensation and Benefits Committee (for records purposes only)

Mr. Bruce advised that the Compensation and Benefits Committee minutes are included for records purposed only. Ms. Fust-Rutherford provided a verbal report at the April meeting.

Financial Report Given

Ms. Pearson advised that other operating revenue, total operating expenses and non-operating income and expenses are all favorable compared to budget for the month of April. These favorable variances are only partially offset by a shortfall in water revenue. As a result, net income for the month is over budget by \$447,000. Details of the Company's financial performance as compared to budget and prior year are as follows.

Consumption of 2.7 billion gallons for April is 12 million gallons more than budget, and 234 million gallons higher than April 2024. The industrial, commercial and wholesale classes are all above budget for the month, but these overages are almost completely offset by an unfavorable variance in residential. Year-to-date consumption exceeds budget and prior year by 2.4% and 4.5%, respectively. Commercial and wholesale are the primary drivers of the budget variance through April.

Water Revenue for April is \$432,000 less than budget and \$2.0 million higher than the prior year. Residential is the primary driver of the unfavorable variance with commercial, irrigation and private fire services contributing to a lesser degree. These negative variances are partially offset by positive variances in industrial and wholesale. For the year-to-date period, water revenue is 0.1% lower than budget and 8.1% higher than prior year levels.

Other Operating Revenue for April is \$97,000 higher than budget and \$205,000 above year-ago levels. The variance to budget is driven by revenue from service line protection and customer fees. The increase over April 2024 is mainly due to higher revenue from service line protection, cross connection and late fees. Year-to-date, other operating revenue is \$243,000 above budget and \$498,000 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 April of \$9.5 million are \$588,000 lower than budget and \$769,000 higher than April 2024. The April variance to budget is primarily due to lower labor and labor-related expenses, contractual services, bad debt and utilities costs, partially offset by higher chemicals and insurance reserves. The increase from April 2024 is mainly due to higher labor and labor-related expenses, insurance reserves and systems support and maintenance, slightly offset by lower chemicals and materials and supplies. April year-to-date operating and maintenance expenses are \$236,000 lower than budget and \$2.4 million higher than year-ago levels. Contractual services, labor and labor-related expenses, bad debt, utilities and miscellaneous expense are the main drivers of the favorable budget variance, although these variances are offset to a significant extent by higher chemical costs and insurance reserves. The variance to prior year through April reflects increased contractual services, insurance reserves, chemicals, utilities, systems support and maintenance, and labor and labor-related costs.

Total Operating Expenses for April of \$16.3 million are \$715,000 lower than budget and \$1.1 million more than prior year. The budget variance is due to lower operating and maintenance expense and depreciation. The variance to prior year is due to higher operating and maintenance expense, water service in lieu of taxes, and loss from disposition of property. Total operating expenses year-to-date are \$793,000 lower than budget and \$3.1 million over year-ago levels. The year-to-date budget variance is primarily the result of lower depreciation and operating and maintenance expense.

Interest Income through April is \$1.4 million, which is \$36,000 lower than budget due to a lower level of funds invested than anticipated. Year-to-date through April, non-operating income is \$1.0 million less than prior year due to a lower dollar amount invested than this time last year and to a lesser extent, lower interest rates.

Interest Expense through April is \$2.3 million which is \$165,000 less than budgeted due to higher amounts of interest capitalized than anticipated. Year-to-date through April, non-operating expense is \$242,000 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 April is \$6.6 million, which is \$447,000 above budget. In comparison between years, net income for April is \$2.0 million more than 2024. April year-to-date net income of \$16.1 million is \$1.1 million higher than budget and \$3.4 million above prior year.

Communication and Marketing Report Given

Kelley Dearing Smith advised that a company-wide effort helped to hydrate thousands of runners in the Kentucky Derby Festival's mini and marathon races. Staff coordinates 17 water stops on the route and host stops at our corporate offices and at the finish line. We also have a presence at the Festival's Block Party in the west end, the Tour de Lou bike event, and at Wine Fest. Louisville Water's presence in the Festival as well as our work to ensure reliable service at Churchill Downs created dozens of positive content opportunities.

Louisville Water is also a partner with Harbor House and the Facebook post to highlight the "duck drop" into the Ohio River quickly went viral reaching more than 250,000 people.

Staff produced a series of videos to highlight the Ohio River flooding and local and national media including the images in their news coverage. Additionally, a media event and a digital content effort for the River Road Residual Line Project attracted mostly positive coverage. Communications staff continue to work closely with engineering and our contractor for personalized messages with this project. A weekly email with project updates receives a 60% open rate.

Louisville Water's community and school-based education reached more than 8,000 people in April through 50 engagements at libraries, schools, community groups, and at the Louisville Water Tower.

We reached more than 52,000 people through events and outreach where we served Louisville Pure Tap®. This included our involvement in the Kentucky Derby Festival events, Bernheim Arboretum, and the Wine Whiskey Ale Fest in Shepherdsville.

Customer Service and Distribution Operations Report Given

Dave Vogel reported that Call Center operations received 22,533 calls in April with an abandonment rate of 2.7% which is lower than last year (10.5%) and the five-year average (7.0%). The average speed to answer (ASA) was 54 seconds, which is also favorable to past periods. Full staffing levels

and the implementation of the new Integrated Virtual Assistant (IVA) have driven this strong performance. The IVA continues to be tuned to provide the best experience for our customers.

The Collections team is using a new dashboard to help them more quickly identify commercial customers who are late with their payments so we can proactively reach out to them prior to disconnection.

Monthly billing conversions continue and we are now down to four remaining cycles which will be completed by the end of September.

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

Engineering and Production Operations Report Given

Mr. Bryant advised that 2025 capital program expenditures through April totaled \$46,389,345 which is \$18,718,495 or 67.65% higher than the same period last year. These expenditures equate to 21.11% of the 2025 total capital program of \$219,793,657.

The amount of water produced and delivered to the system in April was 126.6 MGD, which was 4.6% higher than April 2024 and 10.3% higher than the April five-year average. For year-to-date, the amount of water delivered to the system was 5.7% higher than 2024, and 11.4% higher than the five-year average.

All water quality goals for April 2025 were achieved. No water-quality violations were incurred. A total of three water-quality customer complaints were received in April (the five-year average is 10 complaints).

Water Quality personnel completed 5,231 analyses on 2,064 samples. Personnel collected 280 routine distribution-system compliance samples. Zero Total Coliform and zero E. coli detections were noted. Personnel also collected 38 main-break compliance samples associated with 19 repairs. Four local boil-water advisories were issued due to field conditions, and zero due to initial water-quality monitoring results.

Eleven chemical spills were reported upstream of the Zorn intake, but there was no resulting impact on water treatment. Powder-activated carbon (PAC) was not applied during April 2025. The April flooding event had no impact on water-quality outcomes.

Information Technology Report Given

Mr. Knott reported that the Data Classification workshop produced significant insights. After the workshop, we broadened the scope to encompass additional functional groups for further data gathering. We engaged with these extra functional areas and successfully acquired the necessary information. We scrutinized these findings and developed a detailed presentation for the Executive Leadership Team (ELT) with our recommendations. This presentation was prepared and will be shared with the ELT in June to move this initiative forward.

The Digital Strategy project team has successfully created the initial components of a digital strategy for Louisville Water through a series of in-depth workshops. They have developed the vision statement, goal areas, and the initial draft of the goals' objectives. This progress was presented to ELT in April for their review.

There being no further business, the meeting was adjourned at 12:56 p.m.

Respectfully submitted,



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