

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
November 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. 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. Jennifer Crough, Vice President, Finance and Treasurer
Ms. Kelley Dearing Smith, Vice President, Communication and Marketing
Mr. Carlos Felix, Vice President, Information Technology
Mr. Terrence Spence, Vice President, Human Resources and Labor Relations
Mr. Michael Tigue, Vice President, Compliance, General Counsel and Corporate Secretary
Mr. Adam Purvis, Vice President, Local 1683 of AFSCME, AFL-CIO
Mr. Jordan Basham, Director, Infrastructure Planning and Records
Mr. Pete Goodman, Director, Water Quality and Research
Mr. Brad Hart, Director, Safety, Security & Risk
Ms. Channa Newman, Director, Communications
Mr. Jeremy Raney, Director, Engineering
Mr. Joe Schmitt, Director, Distribution Operations
Ms. Shannon Tivitt, Director, One Water
Mr. Andrew Winslow, Director, Finance
Ms. Jenni Schelling, Internal Audit
Mr. Matthew Griffith, Manager, Strategic Business
Mr. Tim McKenna, Manager, Finance
Mr. David Mulloy, Manager, Infrastructure Planning
Ms. Meghan Starnes, Budget and Cash Analyst
Ms. Elizabeth Davis, Financial Analyst
Mr. Steve Berry, Microcomputer and Network Analyst
Ms. Beverly Soice, Senior Paralegal

Visitors:

Ms. Catherine Carter, Raftelis

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, November 18, 2025. Chair Sunny Dronawat called the meeting to order at 11:01 a.m.

Minutes of the Previous Regular BOWW Meeting Approved

Jennifer Fust-Rutherford moved to approve the regular monthly meeting minutes of October 21, 2025. Cathe Dykstra seconded, and the motion unanimously carried.

President/CEO Report Given

Spencer Bruce stated that November 4th is a day our community will never forget. It was the afternoon of the crash of UPS Flight 2976.

Louisville Water's collective response was commendable. Our team quickly answered the call from Louisville Fire & Rescue to boost the water supply while continuing to meet the demands of our customers who rely on Louisville Pure Tap®.

UPS Worldport is in close proximity to Louisville Water's distribution facility on Allmond Avenue; with a shelter-in-place order in effect, keeping our crews safe was a top priority.

In the days following the crash, teams across the company performed water quality sampling and testing, inspected water mains and valves, and checked fire hydrants. Amazingly, every fire hydrant was intact, and the infrastructure was mostly unscathed.

A combination of jet fuel, oil, and unknown chemicals covering the ground in the crash zone prompted us to work with the Kentucky Division of Water to issue a Consumer Advisory Notice out of precaution for approximately 50 customers in the largely commercial area. We notified the affected customers about the advisory and next steps. The communications team worked to assure all other customers that the drinking water remained safe for them to use.

Mr. Bruce stated Louisville Water shares in the grief our community is feeling. We support the UPS family, Louisville Water employees, the heroic efforts of all the emergency responders, and everyone touched by this tragedy.

Mr. Bruce advised that several of the response team from the Water Quality, Distribution, Communication and Engineering departments are at today's meeting. The Board thanked the employees for this work in response to the UPS crash.

2026 Operating and Capital Budget Approved

Jennifer Crough stated that the 2009 Master Bond Resolution requires that on or before the first day of the next fiscal year the Board will adopt the annual Budget for the ensuing fiscal year. She advised that the organization worked collectively to prepare the proposed budget for the next fiscal year. Upon approval of the budget, finance staff will prepare the cost of service study for the 2026 water rates to be presented at the December meeting.

Ms. Crough provided an overview of the proposed 2026 Annual Operating Budget which included a presentation on budget trends for water consumption and sales, other operating revenue, operating expense, and non-operating income and expense.

Ms. Crough reviewed highlights of the proposed Operating Budget for 2026 with the Board. The budgeted water consumption for 2026 is 35.0 billion gallons.

Ms. Crough noted that wholesale water sales have increased in recent years and we anticipate continued growth in 2026. Wholesale water revenue is budgeted at \$11.78 million for 2026, an increase from the 2025 forecast of \$10.3 million. Hardin County Water District #2 leads with 27% of total budgeted wholesale consumption in 2026, followed by the City of Taylorsville (19%) and Mount Washington (17%). Historically, wholesale water consumption has been led by Mount Washington followed by the City of Taylorsville. In 2026, Hardin County Water District #2 has the highest budgeted consumption as a result of an increase in their required minimum purchase.

Other operating revenue budgeted in 2026 is up slightly from the current year. Other operating revenue includes sewer billing charges, customer fees and charges, home service line protection revenue, cross connection, and contract operations revenue.

Ms. Crough also reviewed operating and maintenance (O & M) expense, pension expense and depreciation. The O & M budget for 2026 includes an increase of approximately \$7.0 million as compared to 2025 forecasted expense. The O & M budgeted expense is split approximately evenly between labor and non-labor expense. Non-labor expenses with the most significant cost increases are chemicals, contractual services and insurance.

Pension expense is expected to increase slightly in 2026 compared to the 2025 forecast.

Budgeted depreciation and amortization expense will increase to \$59.34 million for 2026, as a result of continued investment in infrastructure and technology.

Ms. Crough advised that non-operating income and expense will be impacted in 2026. Interest income is budgeted to increase to \$7.1 million as a result of the recent bond issuance. Interest expense is budgeted to significantly increase to \$14.4 million also due to the issuance of bonds in 2025.

Ms. Crough provided a history of water rate increases along with the recommendation for the 2026 water rate increase. She then presented a summary of the proposed full 2026 operating budget incorporating the recommended increase. Budgeted net income is \$71 million for 2026 and Adjusted Net Income (which reflects a \$1.0 million investment in the Infrastructure Replacement Reserve and \$6.9 million in Grant Revenue Offset) is \$62.8 million. Using the dividend formula from the Master Bond Resolution, this proposed budgeted Adjusted Net Income results in a budgeted dividend of approximately \$32.8 million to Louisville Metro Government, a slight increase over 2025 budget.

Ms. Crough reported Louisville Water anticipates receiving approximately \$6.9 million in grant funding in 2026 for infrastructure projects. This is approximately one-half of the grant funding received in 2025. These grants are considered revenue under governmental accounting rules and have been budgeted accordingly. The amount budgeted to fund the Infrastructure Replacement Reserve (IRR) is \$1.0 million.

Ms. Crough stated management is recommending an average rate increase effective January 1, 2026 of 4.25%. For a typical residential customer using 4,000 gallons, the increase is \$1.25 per month. Ms. Crough presented data that shows the resulting average monthly residential water bill of \$29.37 compares very favorably to other regional water utilities.

Ms. Crough reviewed statistics on the typical cost of residential household monthly utility bills. Streaming Services and Internet topped the list at 28.5%, followed by Electric (25.5%), Cell Phones (19%), Sewer (13%), Gasoline (10.1%) and lastly water (4.1%).

Larry Bryant provided an overview of the proposed 2025 Capital Budget.

The total proposed Capital Budget for 2026 is \$197.4 million (net of \$7 million in grants and \$8.7 in cash reimbursements).

Mr. Bryant also reviewed the amount of funding and the major areas of the Capital Budget. Infrastructure Renewal makes up the largest portion of capital projects at \$130.5 million (66.1%), followed by Growth-Related Improvements at \$52.3 million (26.4%), New Technology and Facilities at \$13.3 million (6.8%), Intangible Assets at \$0.7 million (0.3%), Self-Financing Improvements at \$0.3 million (0.2%), and Major Asset Demolition Program at \$0.3 (0.2%).

Mr. Bryant provided a summary of key projects planned under the top four above-mentioned categories.

Mr. Bryant advised the 2026 anticipated grant funding totals approximately \$6.9 million.

Following a brief discussion, Ms. Dykstra moved to adopt the following resolution for approval of the 2026 Capital and Operating Budget. Bill Summers seconded, and the motion unanimously carried.

RESOLVED, that the Draft 2026 Operating Budget submitted by staff on November 18, 2025, be adopted as the approved 2026 Operating Budget, and
RESOLVED, that the Draft 2026 Capital Budget submitted by staff on November 18, 2025, be adopted as the approved 2026 Capital Budget, and
RESOLVED, that the 2026-2035 Financial Plan submitted by staff on November 18, 2025, be filed as the approved Financial Plan, and
RESOLVED, that the rate schedules be developed and presented by staff based upon a cost-of-service rate study with an average rate increase of 4.25%, effective for water service beginning January 1, 2026, and thereafter.

Ms. Crough recognized her staff Andrew Winslow, Tim McKennan, Meghan Starnes, and Elizabeth Davis for their hard work in preparing the proposed budget.

Ms. Crough stated that she and Mr. Bryant will be presenting the Five-Year Capital Improvement Plan and Long-Range Financial Plan at the December meeting.

2026-2030 Strategic Business Plan Approved

Matthew Griffith advised that the purpose of a strategic plan is to set a vision for the organization. Louisville Water has had a strategic plan for many years and updates it every five to seven years.

Mr. Griffith provided the agenda for today's discussion which included (1) Strategic Planning Process, (2) Louisville Water Operating Context, (3) Vision, Mission, Values, (4) Priorities, Strategies, Projects, and (4) Discussion.

Mr. Griffith introduced Catherine Carter with Raftelis who provided a summary of the Strategic Plan Process which began with a Project Kick-off Workshop at which the steering team developed a project charter, identified the organization's successes and setbacks since the previous strategic plan, and reviewed the impact of key industry trends.

Strategic Planning workshops were held with Louisville Water subject matter experts, including executive leadership, management, and front line employees. Sub-teams were established to identify and propose strategies, metrics, and projects for each of the seven strategic priority areas.

The Steering Team reconvened regularly during the project to review the collective work and ensure alignment.

The Steering Team also reviewed nine industry wide trends to determine the extent to which each of the trends impact the utility's operating environment and support or inhibits Louisville Water's continued success. Summaries of the nine trends were provided along with expectations for the future and potential Louisville Water responses. The nine trends include Population and Demographics, Financial and Economic Considerations, Environmental and Regulatory Requirements, Technology, Workforce, Risk Profile, Political Environment, and Community Expectations.

Mr. Bruce advised that Louisville Water was able to successfully execute the targets and initiatives in the 2019-2025 Strategic Business Plan. A full presentation of the Plan's accomplishments will be shared during the December Board meeting.

Spencer Bruce presented Louisville Water's Vision, Mission, Values:

- Vision: Louisville Water will lead the industry with superior quality, service, innovation, and value.
- Mission: Provide the highest quality water, fire protection, and related services through dedicated employees who deliver exceptional value to our customers, shareholder, and the communities we serve.
- Values: Louisville Water is committed to doing the right thing. We value: Safety – Above all; Trust – Earning the trust of our customers every day; Partnership – Internally with employees and externally with communities; and, Quality – In what we do and what we produce; Diversity – Respect and value differences.

Louisville Water's Priorities are Water Quality, Infrastructure Investment, Financial Viability, Customers and Stakeholders, Employer of Choice, Business Development and Partnerships, and Safety, Security, and Risk Mitigation.

Each Vice President provided an overview of the priorities of each of their departments.

Larry Bryant reported that the goal of Water Quality is to produce and deliver high-quality water that meets or surpasses regulatory standards and maintains public trust. Mr. Bryant provided a list of key water projects that are underway to meet with this goal.

Mr. Bryant advised that he is proud to say that Louisville Water has received no Notice of Violations from the Department of Water in over 17 years.

Mr. Bryant advised that the goal of Infrastructure Investment is to manage and invest in Louisville Water's assets to assure a reliable and sustainable infrastructure. Mr. Bryant provided a list of key infrastructure investment projects that are underway to meet this goal.

Jennifer Crough advised that the goal of Financial Viability is to protect the long-term financial health of Louisville Water. Ms. Crough provided a list of key Financial Viability projects that will allow us to meet this goal.

Dave Vogel advised that both he and Kelley Dearing Smith will be covering this goal.

Mr. Vogel advised that the goal of Customers and Stakeholders is to continue to grow the trust, value, and respect from our community. Ms. Dearing Smith provided a list of key Customers and Stakeholders projects that will allow us to meet this goal.

Terrence Spence advised that to be an Employer of Choice we must cultivate an inclusive and safe environment where people desire to work and develop fulfilling careers. Mr. Spence provided a list of key Employer of Choice projects to meet this goal.

Mr. Bruce advised that the goal of Business Development and Partnership is to create transformational value for our Company, owner, and the communities we serve. Mr. Bruce provided a list of key Business Development and Partnership projects that will allow Louisville Water to accomplish this goal.

Michael Tigie advised that both he and Carlos Felix will cover this goal.

Mr. Tigie advised that the goal of Safety, Security and Risk Mitigation will be created by managing an environment that safeguards employees, assets, and the community. Mr. Tigie and Mr. Felix provided a list of key Safety, Security, and Risk Mitigation projects that will lead to the achievement of this goal.

Mr. Griffith stated, if approved by the Board, the next steps will be to publish the final adopted version of this Strategic Business Plan, provide a debrief of the 2019-2025 plan at the Board's next meeting, develop a communications plan to roll out the plan, and develop an Implementation Plan to integrate it into the organization.

Ms. Dykstra moved to approve the 2026-2030 Strategic Business Plan. Mr. Summers seconded, and the motion unanimously carried.

Audit Committee Report Given

Ms. Dykstra provided a summary of the items presented and discussed by the Audit Committee at its meeting held on November 13, 2025.

Ms. Dykstra presented David Mulloy who presented a summary of his presentation concerning leak detection strategies.

Financial Report Given

Ms. Crough advised that although October's rainfall was almost four inches above average, it was compressed to just nine days during the month and consequently, October financial results were strong. This continued the trend of the last few months with consumption and water revenue coming in above budget. Total operating expenses and non-operating income and expenses were also all favorable to budget and as a result, net income for the month exceeded budget by \$1.1 million. Details of the Company's financial performance as compared to budget and prior year follows.

Consumption of 3.3 billion gallons for October was 96 million gallons higher than budget, but 538 million gallons lower than October 2024 due to an unusually dry month last year. All classes except residential and industrial were over budget for the month, with commercial and wholesale being the primary contributors to the positive budget variance. Year-to-date consumption exceeded budget by 1.0% but remained flat to prior year. Commercial and wholesale were the primary drivers of the year-to-date favorable budget variance with irrigation contributing to a lesser degree.

Water Revenue for October 2025 of \$21.9 million was \$0.5 million above budget and \$3.2 million lower than the prior year. The commercial, irrigation, and wholesale customer classes were

primarily responsible for the positive budget variance for the month. For the year-to-date period, water revenue was 0.7% lower than budget, but 3.8% above prior year levels.

Other Operating Revenue for October of \$2.0 million was 4.5% higher than budget and 5.3% over the prior year. The variances were primarily driven by higher revenue from customer fees and the home warranty program with an additional change from prior year due to the contractual increase of sewer billing. On a year-to-date basis, other operating revenue was \$0.5 million above budget and \$0.9 million higher than prior year driven by growth with the home warranty program.

Operating and Maintenance Expenses for October of \$9.9 million were \$0.2 million below budget and \$0.8 million higher than October 2024. The variances to budget were driven by favorability in labor and labor-related expenses, insurance reserves, bad debt, and contractual services, partially offset by unfavorable variances in chemicals, system support and maintenance, and materials and supplies. The increase from October 2024 was primarily due to chemicals, labor and labor-related expenses, and contractual services. October year-to-date operating and maintenance expenses were overall essentially flat to budget and \$7.6 million higher than the prior year. Chemicals, insurance reserves, and materials and supplies were all higher than budget through October, offset by favorable variances in numerous categories including contractual services, labor and labor-related expenses, utilities, and bad debt. The variance to prior year through October was driven by increased contractual services, labor and labor-related costs, insurance reserves, chemicals, and systems support and maintenance.

Total Operating Expenses for October of \$17.1 million were \$0.3 million lower than budget, but \$1.0 million higher than prior year. The budget variance was primarily due to lower operating and maintenance expenses, as well as a gain on the disposition of property. The variance to prior year was driven by higher operating and maintenance expenses and depreciation, partially offset by a gain on the disposition of property. Total operating expenses year-to-date were \$2.3 million lower than budget and \$9.5 million higher than prior year. The year-to-date budget favorability was driven by lower depreciation expense primarily due to the timing of closing projects.

Interest Income through October of \$4.3 million was \$0.3 million favorable to budget due to a higher effective interest rate earned than anticipated. Year-to-date through October, interest income was \$1.5 million less than the prior year due to a lower average dollar amount invested than in 2024 and to a lesser extent, lower interest rates.

Interest Expense through October of \$6.3 million was \$1.1 million less than budgeted due to higher amounts of interest capitalized than anticipated. Compared to prior year, interest expense through October was up 1.1% due to the interest from the 2025 bond issuance offset by lower interest on prior year bonds from principal repayments made in 2024 in addition to slightly higher capitalized interest.

Net Income before Distributions and Contributions for October of \$6.7 million was \$1.1 million more than budgeted, but \$5.2 million lower than the prior year. October year-to-date net income of \$59.2 million was \$2.9 million over budget, but \$8.6 million below prior year.

Communication and Marketing Report Given

Kelley Dearing Smith advised that most of Louisville Water's content mentions in October were from the River Road construction project. As crews made a critical tie-in at River Road and Zorn Avenue (and closed this intersection for several days), staff worked with local media and stakeholders, produced multiple social media posts, and delivered regular email updates.

Overall media sentiment for October was 93% positive or neutral and 7% negative.

October 16 marked 165 years of service for Louisville Water, and we celebrated the milestone with a robust social media and partner strategy. History features, employee events, and more than a dozen endorsements from key stakeholders brought positive attention to the pride in Louisville's water quality and our connection to the community.

In October, more than 5,600 children and adults were part of our school and community education efforts, representing more than 50 engagements. Much of community programming was at health fairs with Louisville Metro government, Papa Johns and Smoketown Wellness Center. Finally, more than 1,200 people visited the WaterWorks Museum in October through field trips, tours, and events.

Louisville Water joined a group of Kentucky business professionals at the Women in Economic Development Forum in Chicago. This event from Area Development (a business development association) brings together more than 200 women who support economic development in either site selection or community work. Along with Michigan, Kentucky had the largest group at this event and once again Louisville Water was the only water provider represented. Utility needs for manufacturing, food and beverage companies along with data centers dominated the conversation.

Customer Service and Distribution Operations Report Given

Mr. Vogel reported that the Call Center operations received 25,891 calls in October and finished the month with an abandonment rate of 8.1%. The Customer Service area also responded to 1,185 email inquiries, and the New Service Applications team completed 165 applications for the month. The new portal has 82,013 registered users since launch and 60% of the traffic is from mobile devices. The new portal has also resulted in over 13,000 new paperless enrollments and over 5,000 auto pay sign-ups. The team also celebrated Customer Service Week, which began on October 6 and held a training day at the Allmond Operations Center on October 13.

The percentage of estimated bills in October came in at 0.23%, which is lower than last year and the five-year average. Year to date estimates are at 0.28%. Staff completed 1,562 Disconnect for Non-Payment (DNP) orders in October and daily backlogs have increased, possibly due to benefit reductions as part of the government shutdown. There were over 1,500 automated move-in/out orders completed in the month which were enabled by the AMI technology. Turn-offs for irrigation meters also increased in October as customers began to winterize their systems. AMI endpoint installation work has continued in cleanup mode, and we have a new contractor on board who is assisting with the effort. The Bill Print RFP evaluation has narrowed the field to three vendors. In person interviews and demonstrations are scheduled for the week of November 17, 2025.

Engineering and Production Operations Report Given

Larry Bryant advised that 2025 capital program expenditures through October totaled \$148,810,256 which is \$42,698,509 or 40.22% higher than the same period last year. These expenditures equate to 67.70% of the 2025 total capital program of \$219,793,657.

The amount of water produced and delivered to the system in October was 142.0 MGD, which was 5.4% higher than October 2024 and 11.1% higher than the October five-year average. For year-to-date, the amount of water delivered to the system was 3.7% higher than 2024, and 9.1% higher than the five-year average.

All water quality goals for October 2025 were achieved. No water-quality violations were incurred. A total of four distribution system water-quality customer complaints were received in October (the five-year average is six complaints). A total of two treatment-related taste & odor complaints were reported in October.

Water Quality personnel completed 6,108 analyses on 2,525 samples. Personnel collected 280 routine distribution-system compliance samples and zero repeat samples. Zero Total Coliform and zero E. coli detections were noted. Personnel also collected 58 main-break compliance samples associated with 26 repairs. Nine local boil-water advisories were issued due to field conditions and one due to initial water-quality monitoring results.

Five chemical spills were reported upstream of the Zorn intake but had no impact on water treatment. Powdered-activated carbon (PAC) was applied for 26 days during October 2025 in response to odor-causing compound detections in the Ohio River at our intake. This was primarily due to low river flows, low turbidity, and lack of precipitation. The seven-day rolling average of combined MIB and Geosmin taste-and-odor measurements in Crescent Hill Filter Plant's finished water exceeded the maximum goal of six ppt for seven days in October 2025.

Information Technology Report Given

Mr. Felix reported that the IT Infrastructure and Enterprise Application Development teams have made significant progress toward completing the Disaster Recovery (DR) goal by year-end.

- Automic UAT DR: Build is complete, and agent setup on applications is in progress.
- SOA UAT DR: More than half of the composites have been deployed, with remaining complex components (Service Hub Sync and customer contact loaders) scheduled for completion in the coming days. Testing readiness is expected shortly thereafter.
- CCB UAT DR: Database configuration is underway; failover testing will follow once the build stabilizes.
- Production DR: Automic servers are already built at the Phoenix site, and SOA DR readiness depends on final database work.

The team remains focused on executing UAT failover and testing before December 31, 2025, while balancing other year-end priorities such as HCM go-live and holiday schedules.

Louisville Water's Oracle HCM Cloud implementation continues to advance toward its December 21, 2025 go-live date.

- Completion Status: The project stands at 84% actual vs. 85% planned, reflecting strong alignment with milestones.
- UAT Execution: Currently at 40% overall, with a 34% pass rate across modules. Absence and Time & Labor show strong performance (>80% execution), while Benefits testing is slower due to resource constraints during the 2026 renewal period.
- Defect Management: Critical defects have been reduced from 15 to 7, and overall backlog decreased from 105 to 90.
- Payroll Parallel Testing: First run achieved an 80.71% match, with refinements underway.
- Risk Mitigation: Active strategies remain in place for CERS report testing and ADP contract finalization. Change management and Oracle Guided Learning development continue to support end-user readiness.

The project team maintains high confidence in delivering a successful transformation that modernizes Louisville Water's human capital management capabilities while ensuring operational continuity and enhanced user experience.

There being no further business, the meeting was adjourned at 1:04 p.m.

Respectfully submitted,



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