

**MINUTES OF THE FINANCE COMMITTEE MEETING
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
July 17, 2019**

A Finance Committee Meeting of The Water Works Board of the City of Birmingham was held on Wednesday, July 17, 2019, at 11:30 a.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama.

The following Finance Committee Members were present: Directors Ronald A. Mims, Tommy J. Alexander, and Sherry W. Lewis. The following Non-Committee Members were also in attendance: Directors William “Butch” Burbage, Deborah Clark, and Brenda J. Dickerson.

Inasmuch as all of the Committee members were present, a quorum was in attendance.

Also, the meeting was attended by: Michael Johnson, General Manager; TM “Sonny” Jones and Derrick Murphy, Assistant General Managers; Grace Amison, Executive Assistant to the Board of Directors; Vanessa Washington, Executive Assistant; Rick Jackson, George Anderson, Rosalind Jones, Michael Griffin, Rhonda Lewis, Joyce Perry, Barry Williams and BWWB Security, Board Employees; K. Mark Parnell and Mary Thompson, Parnell Thompson, LLC; Andy Mitchell, Agency 54; Brian Ruggs and Patrick Flannelly, ARCADIS; Melissa Ausborn, AGO; Chandra Abesingha, CE Associates; Peiffer Brandt and Townsend Collins, Raftelis; Phillip Moultrie, Valent Group; Walter Lewis and Ryan Combs, Piper Jaffray.

Director Mims called the meeting to order at 11:30 a.m. Following, George Anderson, I.T. Manager, opened the meeting with prayer. Director Sherry W. Lewis arrived at 11:32 a.m.

Next, GM Johnson proceeded with agenda item one which requested the Committee to approve the minutes of April 23, 2019. Director Ronald A. Mims made a motion to approve said item. Director Tommy J. Alexander seconded the motion. The agenda item passed unanimously.

Following, agenda item two requested the Committee to hear a presentation on Debt Reduction, Impact Fees, and Cost of Service. Peiffer Brandt gave an introduction to said item and turned the presentation over to Townsend Collins. Mr. Collins presented information on debt reduction. He discussed the study recommendations and implementation for debt reduction. The study recommendations were to adopt financial targets for 2030 and assumptions for reduced O&M and CIP escalation, as well as 3.9% rate increases. Director Alexander asked how the extra cost for the dam affects water rate increases. GM Johnson explained that the dam project is currently budgeted in the capital budget. The RSE model is designed to incorporate the capital and operating budget. Therefore, the dam project is already included in the model to project BWWB’s rate increases. Director Clark expressed concerns on the cost. GM Johnson

clarified that the budgeted dam project cost is thirty-five million dollars. Next, Mr. Townsend discussed the system development charges key data and assumptions. Dr. Dickerson asked for the dollar amount of water loss, which Mr. Townsend stated the dollar amount is unknown but, there is a 40% water loss. Mr. Brandt explained that some water loss is for beneficial use. There was discussion about the high amount of water loss. Director Clark asked if the issue was being addressed. Per GM Johnson the issue is being addressed and the board will receive a report within the next sixty days during the budget cycle. Next, Director Lewis expressed concerns on not receiving requested reports from ARCADIS and AGM Sonny Jones on the ongoing water loss issue and its impact on the system. Mr. Flannelly stated it is a complicated problem, but they are going through lots of data and confirmed a report would be received within sixty days. Director Lewis suggested that the board receive updates on a regular basis for the high-water loss. Mr. Collins discussed the initial findings and recommendations for impact fees. The recommendation was to leave the current fees where they are and stated the board would be provided impact fees comparison information. Then, he turned the presentation over to Mr. Brandt to present a cost of service update. Mr. Brandt discussed the cost of service results for the various customer classes and provided recommendations to be implemented and phased in over a three-year time frame beginning January 1, 2020. Fire hydrant fee increases would be phase in over a three-year period, beginning October 1, 2020. He informed the board of the estimated base charges, estimated rates, and estimated customer impacts. Following, Mr. Brandt discussed affordability relative to BWWB's current programs (*H2O Foundation, Payment Plans, Bill Deferrals, and Fix a Leak Week*). The recommendation was to make no modifications to the programs and prepare a comprehensive overview of all affordability programs for outreach. Mr. Brandt stated that to proceed with the implementation, the board is being asked to pass the resolution, implement cost of service indicated changes beginning with the 2020 budget and RSE process, and phase-in cost of service results through 2022. Per GM Johnson, the resolution would include information to develop a communication plan for the customers.

Next, agenda item three requested the Committee to approve an update to BWWB's Internal Investment Policy. GM Johnson distributed a handout entitled *The Water Works Board of the City of Birmingham Investment Policy for Operating & Other Internally Managed Funds (a copy of which is on file with the Committee Meeting Book)* for reference. Dr. Dickerson left the meeting at 12:36 p.m. GM Johnson indicated that the significant changes consisted of the Guarantee Investment Contract (GIC) being separated out of the agreement into a separate item, language was added to the policy that stated a search would be done every year to qualify broker dealers and banks, and Historically Underutilized Business (HUB) language was added to put an emphasis on investing with HUBs. GM Johnson asked the Committee for a recommendation to move the agenda item to the full board. Director Sherry W. Lewis made a motion to move said item to the full board. Director Tommy J. Alexander seconded the motion. The agenda item passed unanimously.

Finally, agenda item four requested the Committee to hear an update on the selection process of a new third-party claims administrator (TPA) for automobile and general liability claims. Per GM Johnson, this is a firm that would serve as BWWB's claims adjuster.

As there was no further business to be brought before the Committee, a motion to adjourn the meeting was duly made and seconded, and the meeting adjourned at 12:40 p.m.

_____/s/_____
Ronald A. Mims
Secretary-Treasurer

_____/s/_____
Tommy J. Alexander
Assistant Secretary-Treasurer

_____/s/_____
Sherry W. Lewis
Director

_____/s/_____
Michael Johnson, C.P.A.
General Manager