

**MINUTES OF THE FINANCE COMMITTEE MEETING  
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
November 5, 2019**

A Finance Committee Meeting of The Water Works Board of the City of Birmingham was held on Tuesday, November 5, 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 and Tommy J. Alexander. The following Non-Committee Members were also in attendance: Directors William “Butch” Burbage, Deborah Clark, Brenda J. Dickerson, and William R. Muhammad.

Inasmuch as two 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, Paul Lloyd, Barry Williams, Doug Stockham, Shelia Patterson, Joyce Komo, Carolyn White, and BWWB Security, Board Employees; K. Mark Parnell and Mary Thompson, Parnell Thompson, LLC; Kelvin Howard, KWH, LLC; Tommy Palladino, Agency 54; Brian Ruggs ARCADIS; Peiffer Brandt, Raftelis; Chandra Abesingha, CE Associates; and Commissioner Lashunda Scales, Jefferson County Commission.

Director Mims called the meeting to order at 11:30 a.m. Following, George Anderson, IT Manager, opened the meeting with prayer.

Next, agenda item one requested the Committee to recommend to the board to amend the PAYGO policy to increase the PAYGO percentage to 70% by 2025. GM Johnson stated that in preparing to refund the bonds, BWWB’s debt service would decrease by approximately \$2,000,000.00 per year, which would free up more cash. Peiffer Brandt presented information on said topic. He reiterated that the factor impacting PAYGO is two million dollars in savings due to bond refinancing. Per Mr. Brandt, BWWB has two options: *(1) leave current PAYGO Policy in place with a 2.0% rate increase and \$797 million in outstanding debt by 2030 or (2) Modify the PAYGO Policy (70% target), which would be consistent with the debt reduction objective with a 3.9% rate increase and \$754 million in outstanding debt by 2030.* Mr. Brandt concluded his presentation. Chairman Burbage commented that reducing debt is instrumental in achieving good financial planning and stability for the future. Afterwards, Director Tommy J. Alexander made a motion to move said item to the full board. Director Ronald A. Mims seconded the motion. The agenda item passed unanimously to be moved to the full board for consideration.

Following, agenda item two requested the Committee to hold its third workshop on the FY2020 Preliminary Operations & Maintenance (O&M) and FY2020 Preliminary Capital Budget. GM Johnson asked AGM Murphy to provide an overview of the proposed capital budget for the board. AGM Murphy stated that most of the capital budget consists of maintenance and

replacement projects. He informed the board of various system processes/programs being implemented to ensure quality and increased performance. Per AGM Murphy, ten-year look ahead projects are evaluated and prioritized with a risk assessment number based on maintenance, safety, and regulatory issues. Dr. Dickerson inquired about the amount of additional funds for infrastructure to repair pipes. GM Johnson stated the amount is \$15 million. Director Muhammad suggested to the board to consider earmarking the funds for galvanized pipe and prioritized. Dr. Munchus entered meeting. There was some discussion on the allocation of unspent funds for projects. Dr. Munchus commented that an aggressive on-call contractors' program could be beneficial in installing more pipes in the system and should be brought back. In response to some concerns, GM Johnson indicated that a resolution could be drafted stating that any unspent budgeted amounts set aside for the replacement of distribution mains or services will remain in budget items 1D and 1E, placed in the subsequent years budget and not be used for any other projects. Next, Dr. Munchus asked whether the \$1.25 million match with Jefferson County Commission (*the County*) to assist low income customers with high rising water and sewer bills had been included in the proposed budget. GM Johnson indicated the amount was currently not included in the budget. Dr. Munchus stated he wanted the \$1.25 million to be pulled from reserves and added to the budget. Then, there was some discussion on the funds being contributed from the H2O Foundation and whether the H2O Foundation was adequately meeting the need of customers. Commissioner Lashunda Scales was asked if the County would be willing to work with the H2O Foundation. She stated that the County could not legally partner with the H2O Foundation. The County must partner with a non-profit organization that already pays utilities per legal boundaries. Commissioner Scales emphasized that the County is trying to provide sewer relief with their \$1.25 million and wants BWWB to administer their \$1.25 million for water relief for the customers. Then, Director Alexander asked Attorney Mark Parnell for an opinion. Attorney Mark Parnell stated the H2O Foundation is a 501(c) (3) non-profit and fits the profile for the County to partner with the H2O Foundation and BWWB. Following, Commissioner Scales expressed concerns about certain agencies allocating funds unfairly. She indicated there were allegations brought to her attention that some customers/constituents were treated unfair. Next, Director Clark indicated that the board needs to review how the H2O Foundation administers funds, because a lot of people stated the need for assistance and the H2O Foundation had an excess of \$800,000.00 in funds not administered. There was some discussion on BWWB doing the program inhouse. Attorney Parnell advised that doing so could possibly expose the board to liabilities, but it would depend on the structure of the program. Director Alexander stated that these programs need more advertisement to the public. GM Johnson agreed to facilitate a meeting with the H2O Foundation and BWWB Board Members to address some of the concerns. Following, Commissioner Scales concluded her request for the \$1.25 million ask and concerns, by stating that the biggest complaint is that even if funding is in place, but if the access to the funding is too difficult for people to obtain, they are not going to go get it although the help is needed. In addition, many are seniors who need someone to advocate for them or they may not be as informed about the way the process works.

Subsequently, there was discussion that the vote for the Proposed FY2020 Preliminary O&M and Capital Budget should not be held at the November 14, 2019 public hearing in order to fairly hear from the public. Per GM Johnson, the vote would need to take place at the November 26, 2019 Board Meeting, because a potential rate increase is involved and should be in place by December 1, 2019. Next, Director Muhammad proposed a new Envirolab due to concerns of the repairs needed and to increase revenue by servicing agencies that do not have the ability to do lab

work. Next, GM Johnson confirmed that the revisions to the capital budget for the Distribution Department budget item lines 1D and 1E would be increased by \$17,500,000.00 to total \$30,000,000.00, and the Preliminary O&M budget of \$104,800,000.00 would be presented at the public hearing. Director Muhammad wants the Committee to increase/re-address the budget for legal counsel, and Agency 54/Consultants. Per Director Mims, the item needs to be presented to the Executive Committee for the entire board to consider. Director Ronald A. Mims made a motion to move said item to the Executive Committee to be held November 7, 2019 for consideration. Director Tommy J. Alexander seconded the motion. GM Johnson distributed a handout entitled *List of Items Requested During FY2020 Budget Work Shop (a copy of which is on file with the Committee Meeting Book)* that was requested from the board at the last budget workshop.

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 12:43 p.m.

\_\_\_\_\_/s/\_\_\_\_\_  
William "Butch" Burbage, Jr., C.P.A.  
Chairman/President

\_\_\_\_\_/s/\_\_\_\_\_  
Ronald A. Mims  
Secretary-Treasurer

\_\_\_\_\_/s/\_\_\_\_\_  
Tommy J. Alexander  
Assistant Secretary-Treasurer

\_\_\_\_\_/s/\_\_\_\_\_  
Michael Johnson, C.P.A.  
General Manager