

**MINUTES OF THE FINANCE COMMITTEE MEETING
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
October 16, 2019**

A Finance Committee Meeting of The Water Works Board of the City of Birmingham was held on Wednesday, October 16, 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 Sherry W. Lewis and Tommy J. Alexander. The following Non-Committee Members were also in attendance: Directors Deborah Clark, Brenda J. Dickerson, and William R. Muhammad. Committee member Director Ronald A. Mims was absent.

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, Shelia Patterson, Joyce Komo, Carolyn White, and BWWB Security, Board Employees; K. Mark Parnell, Parnell Thompson, LLC; Kelvin Howard, KWH, LLC; Tommy Palladino and Zac Simon, Agency 54; Brian Ruggs and Trisha Brown, ARCADIS; Yvonne Green Davis, Yvonne Green Davis, P.C.; Jeff Drew, Alexander Insurance Agency; Phillip Moultrie, Kurt Close, and Linda Fetherolf, Valent Group.

Director Lewis called the meeting to order at 11:33 a.m. Following, GM Michael Johnson, opened the meeting with prayer.

Next, agenda item one requested the Committee to hear a presentation and to recommend to the full board approval of the Board's Property and Liability Insurance Plan (the Plan) for November 1, 2019 to October 31, 2020 in the amount not to exceed \$1,444,993.00 and payment of an Agency fee to Valent Group, LLC. in the amount of \$150,000.00 for broker of record services related to the Plan, for a total cost not to exceed \$1,594,993.00. Phillip Moultrie, Valent Group, distributed a handout entitled *Birmingham Water Works Board Property & Casualty Insurance Program Renewal Summary (a copy of which is on file with the Committee meeting book)* for the Board's reference. He compared the renewal premium changes to the expiring premiums. Mr. Moultrie explained that the property insurance cost still needed to be finalized. Regarding the Plan's estimated “*not to exceed \$1,594,993.00 cost*”, he indicated that market prices were going up and there was a loss in the insurance industry for water utilities. He stated the largest difference in cost was the property insurance coverage. Per Mr. Moultrie, the final Plan's cost would be available within a week from today, and the cost is expected to be lower than the not to exceed dollar amount. After answering questions from the Board, Mr. Moultrie concluded the presentation. 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 to be moved to the full board for consideration.

Following, agenda item two requested the Committee to recommend to the full board approval of a resolution authorizing the issuance of Senior Taxable Water Revenue Refunding Bonds, Series 2019 including (i) issuance of the Series 2019 Senior Taxable Water Revenue Refunding Bonds, (ii) the execution and delivery of the Financing Documents by the Board, and (iii) the consummation of all other transactions described in the recitals of the attached resolution and contemplated by the Financing Documents (the “Plan of Financing”) and to authorize the Board Chairman and Secretary/Treasurer to execute any necessary bond documents approving the bond issue. GM Johnson explained that said agenda item is giving the authority to proceed with the transaction and to execute the documents. Director Tommy J. Alexander made a motion to move said item to the full board. Director Sherry W. Lewis seconded the motion. The agenda item passed unanimously to be moved to the full board for consideration.

Following, agenda item three requested the Committee to hold its second workshop on the FY2020 Preliminary Operations & Maintenance (O&M) and FY2020 Preliminary Capital Budget. Director Lewis stated this item should be treated as a workshop. She went through various budget line items in the Proposed FY2020 Preliminary Budget Book, and asked board members to indicate where there are concerns regarding the budget line items. The BWWB employees’ compensation and benefits were a major topic. There was a discussion on Full Time Employees (FTE). The number of vacant positions and fringe benefits were addressed. Also, increased overtime was a concern to the group. GM Johnson indicated that managers have made adjustment in employees’ schedules and other changes to assist with the process of reducing overtime. Director Muhammad inquired about the on-call contractor program as an option to reduce overtime and asked Attorney Mark Parnell about its legal issue. Director Clark requested GM Johnson provide the specific numbers for on-call contractors and overtime. Some suggestions for the budget line items were as follows: *keep overtime at the same dollar amount from last year, 1.66% Cost of Living Adjustment (COLA), 2.1% Merit, and Longevity for employees at (5-15 years)*. Dr. Dickerson left meeting at 12:40 p.m. Several board members requested GM Johnson provide additional information regarding the benefits and number of employees receiving said benefits to assist with the determination of reducing the proposed budget amount. There was discussion on reviewing and changing the Policy for certain compensation and benefits available to employees. Following, consulting services were the next category. Per GM Johnson, the increase in consulting services resulted from the Historically Underutilized Businesses (HUB) Program and Strategic Planning. GM Johnson was asked to provide a comparison that shows the 2019 consulting budget vs. the 2020 consulting budget. Director Muhammad stated consultants were asked to take a pay cut by the previous General Manager. However, he suggested that the previous amount 10% pay cut should be restored. Some board members were not in agreement. GM Johnson distributed a handout entitled *The Water Works Board of the City of Birmingham 2020 Proposed Consulting Budget (a copy of which is on file with the Committee meeting book)*. Dr. Dickerson returned to meeting at 12:45 p.m. Director Clark expressed concerns that legal expenses needed to be reduced. Attorney Parnell stated they have reduced their rates for legal fees. He indicated that the legal budget is affected by an increase/decrease in litigation and other unexpected factors. However, his firm tries to minimize expenses whenever possible. Next, there was a discussion to research hiring in-house attorneys in comparison to have outside attorneys for budget savings. Also, Director Muhammad suggested a pay increase for the lobbyist, hire an additional lobbyist(s), and pay increase for BCIA services. Following, GM Johnson was asked to explain the category of Other

Expenses, which he answered. Director Muhammad stated he wanted a resolution on the next board agenda for an increase to the Board’s pay for a board meeting (two meetings minimum) to be \$500.00, and \$250.00 for Committee meetings, not to exceed \$1000.00. Afterwards, some members indicated the necessity to hear a presentation from the H2O Foundation relative to contributions. Per Director Lewis, all water systems should give a percentage towards the \$1.2 million that Jefferson County Commission has asked BWWB to match to assist low income customers with water bills and rising sewer costs. Following, bad debt expenses were discussed, which completed the review of the Proposed FY2020 Preliminary Operating and Maintenance Budget (O&M). GM Johnson announced November 14, 2019 as the scheduled public hearing date. Director Clark requested that GM Johnson provide all information requested relative to the budget to the board before the public hearing. Subsequently, the discussion ended with confirmation that the Proposed FY2020 Preliminary Capital Budget would be discussed at the next Finance Committee Meeting 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 1:17 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