

**MINUTES OF THE FINANCE COMMITTEE MEETING
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
October 19, 2018**

A Finance Committee Meeting of The Water Works Board of the City of Birmingham was held on Friday, October 19, 2018, 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 William “Butch” Burbage, Jr., and Tommy J. Alexander. The following Non-Committee Members were also in attendance: Directors George Munchus and William R. Muhammad.

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

Also, the meeting was attended by: Mac Underwood, General Manager; Michael Johnson, T.M. “Sonny” Jones, and Darryl Jones, Assistant General Managers; Grace Amison, Executive Assistant to the Board of Directors; Vanessa Washington, Executive Assistant to Michael Johnson; Rick Jackson, George Anderson, Rosalind Jones, Shelia Patterson, Barry Williams, Paul Lloyd, Cherita King, Michael Parker, Shirley Russell, John Dansby, Alesia Price, Doug Stockham, Ben Sorrell, and BWWB Security, Board Employees; Mary Thompson, Parnell Thompson, LLC; Kelvin Howard, KWH, LLC.; Olivia Martin, AGO; Tommy Palladino and Dorian Kendrick, Agency 54; Jason Carter, ARCADIS; Derrick Murphy, AWPM; Ty Wallace, On Call HVAC; Chandra Abesingha, CE Associates.

GM Underwood called the meeting to order at 11:35 a.m. and asked George Anderson to begin with the invocation. Then, before agenda item one, Chairman Alexander indicated that he, GM Underwood, and Attorney Mark Parnell met with the Mayor Frank Brocato of Hoover and his staff. Mayor Brocato would like BWWB to participate in funding infrastructure cost to build a new hospital in Hoover. It would involve BWWB putting in \$325,000 of infrastructure; in addition, there would be a return on the investment in two years and anything afterwards would be a profit. Chairman Alexander indicated he was in favor. Munchus stated he was also in favor. Director Clark entered the meeting at 11:39 a.m. GM Underwood stated a developer usually installs the water main or pays BWWB to install the water main. A developer can also do a developer install where a contractor is hired to perform the work and then turn the water main over to BWWB. Director Lewis entered the meeting at 11:40 a.m. GM Underwood explained that Mayor Brocato and the City Council of Hoover is trying to get UAB Medical West Hospital, which is in Bessemer, to relocate to Hoover instead of McCalla. Director Lewis expressed concerns that it obligates BWWB to install water mains for everyone else. There was also discussion about whether there were guarantees if the investment failed. Chairman Alexander stated an Economic Development Meeting is needed to discuss the issue further. Then, GM Underwood distributed handouts entitled *Birmingham Water Works Board-UAB Hospital-Hoover Alabama Economic Development Proposal* (the Proposal) (a copy of which is on file with the Committee Meeting Book). There was much discussion about the pros and cons involving the Proposal, then, the discussion concluded. Director Mims entered the meeting at 12:05 p.m.

Next, GM Underwood requested the Committee to hold its second workshop on the Preliminary FY 2019 Operations and Maintenance (O&M) Budget, as set forth in agenda item one.

GM Underwood distributed handouts entitled *2% O&M Growth Scenarios*; as well as, handouts on *3% O&M Growth Scenarios (copies of which are on file in the Committee Meeting Book)*. GM Underwood reviewed the scenarios and the impact on PAYGO. There was also discussion on the RSE Model and Policy for reserves to determine water rate increases, in addition to explaining BWWB financial history that led to the reserve policy and revenue. Next, GM Underwood discussed the increase in expenses. Director Clark inquired as to which areas expenses decreased, increased and the contributing factors to plan for expense increases/decreases in the future. Per GM Underwood, one year the increase in expenses was related to a change in the Pension Plan; however, there has not been changes in departmental line items. Director Lewis expressed the need to review budget line items to reduce expenses. Then, GM Underwood distributed a handout entitled *O&M Budget by Department (a copy of which is on file in the Committee Meeting Book)*. Also, distributed and discussed was the following handouts entitled *Preliminary O&M Budget, Birmingham Water Works Board Requested Budget Reductions FY 2019, and Birmingham Water works Board FY 2019 Proposed Salary & Fringe Benefit Budget Summary by Division & Department (copies of which is on file in the Committee Meeting Book)*. GM Underwood explained that a cut was made to staffing to get closer to the requested 10% reduction in the previous proposed budget. There were also concern for the need to reduce and manage overtime. Other areas suggested to staff to review for budget reduction included longevity, consultants, etc. Per Director Clark, debt also needs to be addressed. Then, Director Mims stated the board needs to give management a number for the budget and present a budget fitting that number. However, overall it was determined management and leadership needs to revisit the proposed budget of \$106,650,202.37 and provide a better reduced budget to the board. Staff needs to trim another two million dollars. The Board is not interested in cutting staff and if the budget reduction is not satisfactory, BWWB would be operating on FY 2018 budget in FY 2019. Next, the discussion concluded. There was no new business nor any speakers present.

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 1:21 p.m.

_____/s/_____
Tommy J. Alexander
Chairman/President

_____/s/_____
William "Butch" Burbage, Jr., C.P.A.
Assistant Secretary-Treasurer

_____/s/_____
Sherry W. Lewis
Director

_____/s/_____
* Michael Johnson
General Manager

*Michael Johnson has signed these minutes as General Manager. Mr. Johnson became General Manager on March twenty-seventh two thousand nineteen after this meeting but before the minutes were finalized.