

**MINUTES OF THE REGULAR BI-MONTHLY MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
AND PUBLIC HEARING
November 14, 2019**

The regular bi-monthly meeting of the directors of The Water Works Board of the City of Birmingham and Public Hearing was held on Thursday, November 14, 2019, at 5:30 p.m., at 3600 First Avenue North, Birmingham, Alabama.

The following Directors were present: William “Butch” Burbage, Jr., Deborah Clark, Brenda J. Dickerson, Ronald A. Mims, Tommy J. Alexander, George Munchus, and William R. Muhammad. Director Brett A. King was absent.

The meeting was also attended by: Michael Johnson, General Manager; TM “Sonny” Jones and Derrick Murphy, Assistant General Managers; Grace E. Amison, Executive Assistant to the Board of Directors; Vanessa Washington, Executive Assistant; Mark Parnell and Mary Thompson, Parnell Thompson, LLC; Kelvin Howard, KWH, LLC.; Martha Bozeman, Tommy Palladino, Andy Mitchell and Zac Simon, Agency 54; Patrick Flannelly, ARCADIS; Kim Bivins, BCIA; Peiffer Brandt and Townsend Collins, Raftelis Financial Consultants; Commissioner Lashunda Scales, Jefferson County Commission; Malique Rankin, CBS42; Brea Douglass, WVTM13; Gene Coleman, Center Point Fire Department; John Whitmer, Birmingham Fire Department; James Parsons, Schoel Engineers; Ken Delap, Host Recreations; Susan Palmer, Neighborhood for Justice; Bob Cosby, Northeast Properties; Nicole Watkins, Disability Rights and Resources; William Harden, Jr., Echo Highlands; Roosevelt Hatcher, Hatcher’s Laundromat; Bill Thomaston, GBM Volunteer; George Anderson, Rick Jackson, Rosalind Jones, Geoff Goodwin, Doug Stockham, BWWB Security, Board Employees; Isaac Ballard, Retiree; Anthony I. Richardson, Robert Walker, Geraldine Jackson, Sharon F. Gidders, Harry A. Gidders, Patricia Webb, Nicole Watkins, Donald George; Patti Meg, Wanda Shelby, Janice Speights, Alvin Washington; Citizens.

Inasmuch as a majority of the Board members were present, a quorum was in attendance. Chairman Burbage called the meeting to order at 5:30 p.m. He announced that the primary purpose of the meeting was to have a public hearing on the proposed FY2020 budgets. Chairman Burbage stated the items on the agenda would be presented first and then the board would proceed with the public hearing at the end of the meeting to address their concerns. The meeting was turned over to GM Michael Johnson, and George Anderson, IT Manager, opened the meeting with prayer.

Following, GM Johnson asked the Board to adopt resolutions authorizing surviving monthly retirement benefits from the Board’s Retirement Trust Fund in accordance with the terms of the pension plan for Ms. Marie Crane, the surviving spouse of James Crane, effective December 1, 2019, and Ms. Carol Wiggins, the surviving spouse of Roy Wiggins, effective December 1, 2019. Ms. Wiggins will receive a retroactive payment for November 1, 2019, as set forth in agenda item 2.1 and 2.2, respectively. On a motion duly made and seconded, the following resolution was adopted:

“WHEREAS, James Crane, a retiree of The Water Works Board of the City of Birmingham (“The Board”), passed away on November 6, 2019; and

WHEREAS, James Crane was receiving, up until the time of his death, monthly retirement benefits from the Board’s Retirement Trust Fund in the amount of \$1,495.64, and under the terms of the Board’s Retirement Plan, his spouse is now entitled to receive 50% of that monthly benefit until such time as she either remarries or passes away; and

WHEREAS, the surviving spouse, Marie Crane will begin receiving her surviving spouse monthly benefit of \$747.82, effective December 1, 2019.

NOW, THEREFORE, BE IT RESOLVED By the Board of Directors of The Water Works Board of the City of Birmingham, on motion duly made by Dr. George Munchus and seconded by Mr. Tommy J. Alexander, that the Trustee be, and is hereby instructed to pay a pension of \$747.82 per month to Marie Crane from the Board’s Retirement Trust Fund, in accordance with the terms of the Trustee Pension Plan, with the payment to be effective December 1, 2019. Resolution No. 8196 is hereby adopted by unanimous vote.”

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“WHEREAS, Roy Wiggins, a retiree of The Water Works Board of the City of Birmingham (“The Board”), passed away on October 3, 2019; and

WHEREAS, Roy Wiggins was receiving, up until the time of his death, monthly retirement benefits from the Board’s Retirement Trust Fund in the amount of \$223.60, and under the terms of the Board’s Retirement Plan, his spouse is now entitled to receive 50% of that monthly benefit until such time as she either remarries or passes away; and

WHEREAS, the surviving spouse, Carol Wiggins will begin receiving her surviving spouse monthly benefit of \$111.80, effective December 1, 2019. Ms. Wiggins will receive a retroactive payment for November 1, 2019, since Mr. Wiggins passed away October 2019.

NOW, THEREFORE, BE IT RESOLVED By the Board of Directors of The Water Works Board of the City of Birmingham, on motion duly made by Dr. George Munchus and seconded by Mr. Tommy J. Alexander, that the Trustee be, and is hereby instructed to pay a pension of 111.80 per month to Carol Wiggins from the Board’s Retirement Trust Fund, in accordance with the terms of the Trustee Pension Plan, with the payment to be effective December 1, 2019 with a retroactive payment for November 1, 2019. Resolution No. 8197 is hereby adopted by unanimous vote.”

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Next, GM Johnson asked the Board to approve the Regular Board of Directors’ minutes for August 14, 2019, as set forth in agenda item 3. Dr. Dickerson inquired about the status of the board meetings minutes and whether any minutes had been approved by the board after said date. Executive Assistant to the Board Grace Amison replied minutes was approved on August 28, 2019. Then, Dr. Dickerson asked if the minutes were caught up. Ms. Amison stated the minutes

of September and October had not been approved. After no further discussion, on a motion duly made and seconded, the following resolution was adopted:

“BE IT RESOLVED BY The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. Ronald A. Mims and seconded by Dr. George Munchus, that the Board hereby approves minutes of a Regular Board of Directors’ Meeting held on August 14, 2019. Resolution No. 8198 is hereby adopted by unanimous vote.”

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Following, GM Johnson asked the Board to approve Director King’s mileage expense reimbursement for October 2019, and the following said directors’ actual travel expenses for the 2019 SAP for Utilities Conference held October 21-23, 2019, in San Diego, CA., as set forth in agenda item 4.1 through 4.4, respectively. [NOTE: A roll call vote is required.] On a motion duly made and seconded, a “roll call” vote of the directors was taken, and the following resolution was adopted:

“WHEREAS, the Board of Directors has adopted a Travel Expense Reimbursement Policy, as amended; and

WHEREAS, in accordance with Act No. 2015-164, approval is requested for the following mileage expense reimbursement.

NOW, THEREFORE, BE IT RESOLVED, on a motion made by Mr. Ronald A. Mims and seconded by Dr. George Munchus, that the following board member(s) be reimbursed for his and/or her mileage expense reimbursements as follows:

- Director King’s mileage expense reimbursement for attending to business of the Board for October 2019 in the amount of \$35.96 (as listed on the attached Travel and Business Expense Reimbursement).
- Director Muhammad's total actual expenses in the amount of \$4,225.62 for the 2019 SAP for Utilities Conference held October 21 - 23, 2019, in San Diego, CA.
- Director King's total actual expenses in the amount of \$4,352.16 for the 2019 SAP for Utilities Conference held October 21 - 23, 2019, in San Diego, CA.
- Director Dickerson's total actual expenses in the amount of \$5,015.16 for the 2019 SAP for Utilities Conference held October 21 - 23, 2019, in San Diego, CA.

Resolution No. 8199 is hereby adopted on November 14, 2019, by a roll call vote: Director Burbage, Yes; Director Clark, Yes; Director Dickerson, Yes; Director Mims, Yes; Director Alexander, Yes; Director Munchus, Yes; and Director Muhammad, Yes.”

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Next, GM Johnson asked the Board to approve payments of invoices for professional services, as set forth in agenda items 5.1 through 5.6, respectively. In reference to agenda item 5.6, Dr. Munchus inquired about the status of receiving invoices from ARCADIS for August 2019 through October 2019. On a motion duly made and seconded, the following resolution was adopted:

“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Dr. George Munchus and seconded by Dr. Brenda Dickerson, that the Board hereby authorizes staff to execute payments to the following:

5.1	<u>NeSmith, Lowe & NeSmith, LLC</u> For retainer fee for September 2019 For retainer fee for October 2019	<u>\$500.00</u> <u>\$500.00</u>
5.2	<u>Dominick Feld Hyde, PC</u> For BWWB Other Benefits Plans service performed For October 3, 2019 – October 30, 2019	<u>\$504.00</u>
5.3	<u>Terminus Municipal Advisors, LLC</u> For professional services rendered for October 2019	<u>\$6,500.00</u>
5.4	<u>The Jones Group, LLC</u> For professional services rendered for October 2019	<u>\$7,500.00</u>
5.5	<u>Raftelis Financial Consultants, Inc.</u> For professional services rendered for October 2019	<u>\$8,798.44</u>
5.6	<u>ARCADIS, U.S., Inc.</u> For professional services rendered for June 2019 For professional services rendered for July 2019	<u>\$292,539.31</u> <u>\$256,885.88</u>

Resolution No. 8200 is hereby adopted by unanimous vote.”

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Following, GM Johnson asked the Board to release, quitclaim, sell, grant and convey all it's right, title, interest and claim to all the Board's right-of-ways located within the bounds of Lot 1 of BJCC Resurvey of Blocks 619, 620, 634 and 635 as recorded in Map Book 249 Page 35 in the Office of the Judge of Probate, Jefferson County, Alabama necessary for the construction of the Birmingham-Jefferson Civic Center Authority stadium; and to authorize the General Manager and/or the Assistant General Manager to execute the Quitclaim Deed for said action, as recommended by Engineering and Maintenance Committee. Dr. Munchus asked whether money was being exchanged for said agenda item, which GM Johnson responded no. GM Johnson clarified that the transaction was routine. AGM Murphy explained that the BWWB does not have any functioning pipeline where the stadium is to be located. On a motion duly made and seconded, the following resolution was adopted:

“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. Ronald A. Mims and seconded by Ms. Deborah Clark, that the Board hereby approves to release, quitclaim, sell, grant and convey all it's right, title, interest and claim to all the Board's right-of-ways located within the bounds of Lot 1 of BJCC Resurvey of Blocks 619, 620, 634 and 635 as recorded in Map Book 249 Page 35 in the Office of the Judge of Probate, Jefferson County, Alabama necessary for the construction of the Birmingham-Jefferson Civic Center Authority stadium; and to authorize the General Manager and/or Assistant General Manager to execute the agreement, as recommended by Engineering and Maintenance Committee. Resolution No. 8201 is hereby adopted by unanimous vote.”

Next, Dr. Munchus expressed his wishes to have future public hearing meetings downstairs. Afterwards, GM Johnson proceeded with agenda item 7, which addressed new business. Chairman Burbage stated the Finance Committee has a vacancy and currently consists of two members; therefore, he is willing to serve on the Committee if there is no objection from the board. He indicated that would provide the Finance Committee with three members again. In addition, he also served on the said Committee the year before. Dr. Munchus stated he had no problem with the decision; however, he wanted to know who was on the Finance Committee and whether the decision had been discussed prior with the remainder of the Finance Committee Chair. Per Chairman Burbage, it would be for the year (November – December 2019). The board members indicated their agreement with the decision. On a motion duly made and seconded, the following resolution was adopted:

“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. Tommy J. Alexander and seconded by Mr. William R. Muhammad, that Mr. William “Butch” Burbage, Jr., is hereby appointed to serve as a member of the Finance Committee due to a vacancy on said Committee for November – December 2019 or until the next Committee Assignments. Resolution No. 8202 is hereby adopted by unanimous vote.”

Following, GM Johnson announced that pursuant to Act No. 2015-164, Section (4c), the BWWB is holding a Public Hearing to consider taking action consistent with Resolution No. 4166 which was adopted on December 22, 2003 as amended (i.e., adoption of the Rate Stabilization and Equalization Procedure [RSE Model]) that will result in a rate increase, as set forth in agenda item 1. GM Johnson began presenting the FY2020 Preliminary Budget presentation. He introduced the board members. Next, GM Johnson stated he would discuss the purpose of BWWB water system, why certain things are done, and the cost of delivering quality water to residential and commercial customers. He gave a system overview on the four treatment facilities (*Shades Mountain Filter Plant, Western Filter Plant, Putnam Filter Plant, Carson Filter Plant*) and their finished water capacity, in addition to the raw water capacity of *Cahaba, Mulberry, Inland, and Sipseyp Pump Stations*. Per GM Johnson, BWWB has approximately 600,000 customers and serves an area of approximately 700 square miles with a finished water capacity of 189 million gallons per day and raw water capacity of 289 million gallons per day. GM Johnson stated factors identified to determine rates are the Rate Stabilization and Equalization (RSE) Process, current financial

policies, and rate increase trends. He indicated that rates are increased because money is needed for BWWB's Capital Improvement Program, Operating Budget, and to ensure compliance with policies. GM Johnson explained that most of BWWB's debt is Senior Debt and discussed senior debt coverage. Director Alexander asked GM Johnson to explain BWWB's debt and what caused it? GM Johnson replied that BWWB's debt derived from acquiring the assets from the City of Birmingham and debt assumed from bonds issued to fund city related projects, which BWWB was required to pay, in addition to debt issued to fund capital projects. Following, GM Johnson gave an overview of the FY2020 Operations and Maintenance (O&M) Budget. He discussed the budget process and key budget assumptions. Also, he discussed budget highlights such as Cost of Service impact, increasing PAYGO to 70%, enhancing internal and external controls, improving the Historically Underutilized Business (HUB) Program, and updating BWWB's Strategic Plan. GM Johnson stated the proposed FY2020 O&M Budget is \$104,867,175.00. He reiterated that revenue requirements and customer demand drive water rates. Per GM Johnson, a 3.9% rate increase is proposed to fund operational expenditures needed to provide service, fund the capital program, improve and maintain system assets, ensure regulatory compliance, reduce debt and comply with financial policies to ensure system short- and long-term financial viability. Afterwards, AGM Derrick Murphy began presenting the FY2020 Capital Budget. He discussed BWWB's assets and the importance of the Capital Program for maintaining those assets. He indicated that portions of BWWB's infrastructure is over 100 years old and needs to be replaced. Per requested by a board member, AGM Murphy explained pressure gradients. Next, he talked about the capital planning strategy drivers, which consists of the surface water treatment rule, filter rehabilitation at water treatment plants, additional sources for the southern portion of the system, dam rehabilitation, and distribution piping replacement. Following, progress on the Capital Improvement Plan was explained. AGM Murphy stated the proposed FY2020 Capital Budget is \$81,484,428.00. He presented information on the pipeline replacement program. Per AGM Murphy, leakage is driven by galvanized steel and un-lined cast iron pipes, which accounts for 14% of the system. However, galvanized steel pipe and un-lined cast iron pipe accounts for 67% of BWWB's maintenance activity. Next, Dr. Dickerson inquired whether the Phase 3 (HR/PR Module), was the last phase for SAP. AGM Murphy answered yes. Director Alexander asked about the useful life of valves. Per AGM Murphy, BWWB's valves should be rotated every two years as part of a rotation plan. He highlighted the following top five budgeted projects for 2020: *Shades Mountain Filter Plant Improvement, Carson Loop Phase 6D, Lake Purdy Dam Rehabilitation and Spillway Capacity Upgrades, SAP Phase 3 Implementation (HR/PR Module), and the Pipeline Replacement Program*. There was some discussion on earmarking funds for the pipeline replacement and then the Capital Budget presentation was concluded. AGM Murphy stated he would provide the board with a quarterly update on performance and improving the program. Following, GM Johnson talked about BWWB's performance as a utility. BWWB's system recognition consists of multiple awards, a favorable Aa2 rating from Moody's Investors Service and a AA rating from S&P Global.

Next, Dr. Munchus distributed a handout entitled *Jefferson County Long-Term Debt Summary as of January 8, 2019 (a copy of which is on file with the Board meeting book)*. He stated *Jefferson County bond ratings seem to be approving*. After various comments on Jefferson County Sewer billing system/collections by BWWB, GM Johnson announced that several individuals signed up to speak. The policy dictates a three minutes time limit per person (*one speaker on behalf of a group*) to speak on his/her topic. The topic of concerns for speakers were as follows: the quality of repairs & maintenance performed at customer residences as a result of

burst pipes/water mains, relief for high water bills, long term solution to assist Woodside Condominium residents in maintaining water service, implementing cost saving methods to address employees overtime and pension, BWWB matching Jefferson County Commission's \$1.25 million for high rising sewer and water bills, concerns for having to pay a sewer base rate, 20% of Center Point operational cost would be allocated to pay for rental of fire hydrants, which directly affects services provided to surrounding districts, issues with receiving a water bill, mailing public hearing notice to customers, bringing business into the city as a means of revenue to take the burden off citizens, preference of a small rate increase gradually vs a large balloon rate, and opposition to a 3.9% rate increase. Following, Dr. Munchus made a motion to amend the budget to include the \$1.25 million match asked for by Jefferson County Commission. Director Clark expressed concerns that the total budget needs to be reviewed for items in the budget that can be reduced to prevent rate increase for all rate payers. Director Muhammad made a friendly substitute motion to match Jefferson County \$1.25 million by renegotiating BWWB's contract to no longer pay \$1.7 million to them for charge-offs. Also, there was some discussions on using the surplus funds from the H2O Foundation for customers that need assistance and re-evaluating the H2O Foundation's eligibility requirements. GM Johnson stated that Jefferson County is paid based on what is billed not collected, and he reiterated his understanding of the friendly substitute motion. Per GM Johnson, plans have been made based on the revenue from the Jefferson County Agreement; therefore, changing the agreement would affect BWWB's cash flow. He also advised the board that the agreement contains a cancellation provision. Attorney Parnell stated his understanding of the motion on the table is to renegotiate the agreement to do away with the \$1.7 million in charge-offs, then BWWB would match Jefferson County's \$1.25 million. Commissioner Scales stated that the charge-offs were made in good faith to help residents having difficulty paying the sewer portion of their water bill. She said it would be penalizing the County for attempting to help the public in the absence of BWWB's position. Per Commissioner Scales, BWWB would not be contributing anything with the proposed amendment. Then, Dr. Munchus withdrew his motion for the substitute motion. Chairman Burbage confirmed Director Mims agreement to return to the original motion. Chairman Burbage restated that the original motion is to include \$1.25 million in the O&M budget. Per Director Clark, responsible decisions need to be made and inquired whether this would cause the rate to increase. Mr. Brandt stated that if there was no other change, the rate would increase. He indicated to prevent the increase, BWWB's PAYGO targeted amount of 70% could be reduced lower to keep a 3.9% rate. However, this would cause more debt later. Per Mr. Brandt, the rate cannot be kept the same if \$1.25 million is added to the budget, as this would add an additional 1.7% rate. Taking money from PAYGO would increase rates. On a motion duly made and seconded, a "roll call" vote of the directors was taken, and the following resolution was adopted:

“BE IT RESOLVED By the Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Dr. George Munchus and seconded by Mr. Ronald A. Mims, that the Board hereby amends the proposed FY2020 Operating & Maintenance budget to include \$1.25 million to match Jefferson County in funding, to assist low income customers with high rising sewer and water bills cost. Resolution No. 8203 is hereby adopted on November 14, 2019, by a roll call vote: Director Burbage, No; Director Clark, No; Director Dickerson, Yes; Director Mims, Yes; Director Alexander, No; Director Munchus, Yes; and Director Muhammad, Yes.”

As there was no further business to be brought before the Board, a motion to adjourn the meeting and Public Hearing was duly made and seconded, and the meeting and Public Hearing adjourned at 8:47 p.m.

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

Attest:

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