

**MINUTES OF THE FINANCE COMMITTEE MEETING
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
October 19, 2017**

A Finance Committee Meeting of The Water Works Board of the City of Birmingham was held on Thursday, October 19, 2017, at 3:30 p.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., Tommy J. Alexander, and Sherry W. Lewis. The following Non-Committee Members were also in attendance: Directors Deborah Clark, Brenda J. Dickerson, and William R. Muhammad. Directors George Munchus and Ronald A. Mims does not serve on the Committee and both arrived at 3:33 p.m. Director Sherry W. Lewis serves on the Committee and arrive at 3:36 p.m.

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

The meeting was also 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, Paul Lloyd, George Anderson, Drusilla Hudson, Terrell Jones, Joyce Komo, Rosalind Jones, and Shelia Patterson, Board Employees; K. Mark Parnell and Mary Thompson, Parnell Thompson, LLC; Kelvin Howard, KWH, LLC.; Dorian Kendrick, Agency 54; Townsend Collins, Raftelis; Jerry Jones, ARCADIS.

Director Burbage called the meeting to order at 3:39 p.m. Then, the meeting was turned over to GM Underwood. GM Underwood acknowledged Darryl Jones to make an announcement and he stated the budget workshop would begin afterwards.

Next, AGM Darryl Jones recognized two employees from BWWB’s management team. Per AGM Darryl Jones, history was made at the Alabama-Mississippi section where the first African American woman, Drusilla Hudson, was elected as chair. He stated that the Alabama-Mississippi section started around 1947; therefore, she will be the 71st Chair of the section, first African American woman and second woman to hold that position. AGM Darryl Jones asked the Board to recognize the historical achievement with a resolution that is being prepared for the Board for a future Board meeting. Afterwards, AGM Darryl Jones recognized General Manager Mac Underwood as the new president of the Association of Metropolitan Water Agencies (AMWA), which represents large water utilities that has memberships of 100,000 customers plus. Per AGM Darryl Jones, these two BWWB employees are using their skills, knowledge, and ability to represent leadership on a regional and national level. A resolution is being prepared for GM Underwood, also.

Following, AGM Michael Johnson gave an overview of information to be presented to the group for the budget workshop and stated that Townsend Collins, Raftelis Financial Consultants, Inc., would present information on revenue (a handout of the *Preliminary Budget Presentation* is

on file with the Committee meeting book). Director Alexander thanked AGM Johnson and Townsend Collins for the wonderful job they did speaking at the Alabama-Mississippi Section. Then, Mr. Collins discussed revenue and consumption. Dr. Munchus inquired as to why the 3.9% 2016-2017 rate increase was backed out of consumption. Per Mr. Collins, the reason was revenue was used to estimate the numbers instead of actual consumption data. The presentation was continued by Mr. Collins, after answering the question. Then, Dr. Munchus asked if BWWB could charge more for commercial accounts such as colleges and universities. GM Underwood stated that BWWB does have the authority to charge more; however, a different rate class would have to be set to do so. Per GM Underwood, BWWB has several rate classes: residential, commercial, and raw water. Another rate class could be setup as colleges and universities if the Board desired to do so. As Mr. Townsend continued the discussion, Dr. Dickerson asked for clarification on block 1, block 2, and block 3 rate tiers. After Mr. Collins explained rate tiers, GM Underwood stated that those using more water pay higher rates once they enter the higher tiers. Per GM Underwood, commercial and raw water have flat rates regardless of the usage. Next, Dr. Dickerson asked about the pros and cons of a block structure. Then, GM Underwood stated that once the cost of service study is done, there will be more information on commercial, residential, and non-residential rate structures. The cost of service study is budgeted for next year and should be completed before August. The goal is to have a cost of service study every five years to re-calibrate the rates and adjust rates where needed. Chairman Alexander stated he attended a class that discussed tap fees. GM Underwood indicated that BWWB has a tap fee and an impact fee. Then, he concluded discussion on cost of service.

Subsequently, AGM Johnson discussed projected consumption. Dr. Munchus had a question about term being referred as projected consumption as oppose to projected revenue. Per AGM Johnson, projected revenue is projected consumption multiplied by the price. To answer Dr. Munchus question, AGM Michael Johnson stated revenue is based on the consumption. AGM Johnson also discussed BWWB's reserve requirements. He stated that based on the cash reserves on hand that are restricted and designated for capital purposes, BWWB will not have to go to bond market as early. This frees up approximately \$1.7 million dollars for bond payments. AGM Johnson stated that the rate increase for 2018 will be 2.9% instead of the previous 3.9%. Director Lewis indicated she had asked the staff to review ways to reduce the 3.9% rate increase. Director Muhammad stated he is in favor of a 0% rate increase. GM Underwood stated that based on the RSE model, revenue, the operating budget, and debt service generate the rate increase. There was further discussion about the reduction of rate of increase and cutting expenses.

Following, AGM Johnson reviewed the schedule that reflects the *Draw Down of Designated PayGo Cash Reserves to Fund Capital Program* (a copy of which is on file with the Committee meeting book). After much discussion on this issue, Dr. Dickerson asked about the 2018 significant variances. Per Dr. Dickerson, she attended a session on energy efficiency and water supply. She asked questions about the total amount spent on power and cost of power at remote sites. Then, she asked if BWWB had energy audits. AGM Darryl Jones explained to the Board about the sites in the BWWB system. He explained that BWWB implemented an energy program based on Ingenuity recommendation and by changing BWWB's rate structure with Alabama Power, BWWB saved approximately one and a half million dollars a year for about four years. Next, Dr. Dickerson asked questions about legal fees and amounts paid out for settlements. GM Underwood explained the decrease in attorney fees. He stated, he will provide a summary

with the information. Afterwards, Dr. Dickerson also asked about internships for four operators. AGM Darryl Jones explained the request for four operators' internship and distributed a handout on *Additional Employee/Staff Requests* (a copy of which is on file with the Committee meeting book). Dr. Munchus stated he had requested an organizational chart. GM Underwood provided to the Board the *Executive-Management Level Organizational Chart* (a copy of which is on file with the Committee meeting book) as requested by Dr. Munchus for review.

Next issue discussed was a handout entitled *Birmingham Water Works Board Consulting Budget -2018 Proposal* (a copy of which is on file with the Committee meeting book). The Board members addressed concerns and suggestions on various line items. Per Director Clark, reducing spending will reduce rates. GM Underwood distributed a handout to the Board Members regarding BWWB insurance coverage with S.S. Nesbitt entitled *Birmingham Water Works Board Renewal Summary 2017-2018* (a copy of which is on file with the Committee meeting book).

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 5:12 p.m.

_____/s/_____
Sherry W. Lewis
Chairwoman/President

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

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

_____/s/_____
Mac Underwood
General Manager