

**MINUTES OF THE FINANCE COMMITTEE MEETING
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
October 4, 2017**

A Finance Committee Meeting of The Water Works Board of the City of Birmingham was held on Wednesday, October 4, 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., Sherry W. Lewis, and Tommy J. Alexander. The following Non-Committee Members were also in attendance: Directors Brenda J. Dickerson, William R. Muhammad, and Deborah Clark. Director George Munchus does not serve on the Committee and he arrived at 4:52 p.m. Director Muhammad exited the meeting at 5:00 p.m.

Inasmuch as all 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, Michael Griffin, George Anderson, Geoff Goodwin, Paul Lloyd, Ben Sorrell, Reginald Nall, John Reymann, Doug Stockham, Terrell Jones, Barry Williams, Rosalind Jones, and Shelia Patterson, Board Employees; K. Mark Parnell and Mary Thompson, Parnell Thompson, LLC; Kelvin Howard, KWH, LLC.; Destiny Bell and Je’Don Holloway-Talley, Agency 54; Townsend Collins, Raftelis; Jerry Jones, ARCADIS; David Merrida, BCIA; Derrick Murphy, Visitor.

Director Burbage stated that the previous work session introduced the 2018 Operating and Maintenance Budget and the Capital Budget, but this work session involves reviewing individual details. The meeting was turned over to GM Underwood and called to order at 3:30 p.m.

GM Underwood stated there would be a summary of the budget and AGM Michael Johnson would cover details regarding the Board questions. AGM Michael Johnson presented information for the first agenda item which requested the Committee to hear a presentation of the Preliminary FY2018 Operations and Maintenance (O&M) Draft Budget (a copy of which is on file with the Committee meeting book). In addition, he covered bill impacts, debt service coverage, and 2018 significant variances. The handout for *“Debt and Interest Expense: Continue to Increase”* is on file in the Committee meeting book. Then, AGM Michael Johnson presented information on the FTE Analysis by Cost Center (a copy of which is on file with the Committee meeting book). He discussed the decrease in net labor, which involves labor being classified from the O&M Budget to the Capital Budget, resulting in a decrease in net labor included in the FY2018 O&M Budget when compared to FY2017. Afterwards, AGM Michael Johnson gave a summary of the positions added to budget for this year (a copy of which is on file with the Committee meeting book). Chairwoman Lewis inquired about the purpose of having two Business Systems Transformation positions. Barry Williams explained that the SAP implementation originally relied upon thirty (30) external consultants to integrate the CR&B portion of SAP and that internal resources are needed as the BWWB decreases its reliance on external consultants. Therefore, the

Business Systems Transformation Department is having to build up the department to reduce the dependency on external consultants. Per GM Underwood, there will be a detailed presentation on SAP as requested by Director Clark. There was further discussion among the group about budget positions and SAP. GM Underwood suggested a separate meeting to discuss SAP. GM Underwood and AGM Michael Johnson reviewed the debt service costs and the components that make up the budget. Director Alexander stated he would like to have a study to install automatic meter readers. Chairwoman Lewis requested for GM Underwood to get the information the company already has on automatic meter reading to Director Alexander. The group agreed to look at the possibility of automatic meter reading later. Next there was discussion about SAP training and hiring employees internally and allowing them the opportunity to move up within the company. GM Underwood indicated that the company has a BWWB University Program. He also stated the company has a Supervisory Training Program and other training programs to assist employees to be prepared for certain jobs. Per GM Underwood, 70% of the Leadership Development Program participants received a promotion. Next, AGM Michael Johnson reviewed the BWWB Consulting Budget-2018 Proposal with the Board (a copy of which is on file with the Committee meeting book). Director Muhammad expressed concern about the consulting budget and money for legal being shown for Fuston, Pettway, & French LLP for 2017 during a time they were no longer working for the company. GM Underwood stated that the budget was done in November and the legal money is being shown under them, because they were listed as the attorneys for a portion of the 2017 year. GM Underwood clarified that the information provided was for budget not for displaying expenditures. Then, there was a round table discussion on net dollars. AGM Michael Johnson explained that net dollars represented what was being charged to the operating budget and concluded his presentation.

GM Underwood recapped the following from the Finance Committee Meeting: look at the SAP project in total; bring information on automated meter reading (*not before the budget*); BWWB University training information will be provided to Director Alexander; and the SAP budget and positions will be provided to the full Board. Then, Chairwoman Lewis indicated she wanted management to see if the water rate increase could be reduced lower than 3.9%. She inquired as to the cost to customers' water bill with the 3.9% rate. AGM Michael Johnson replied that the dollar amount would be a \$2.03 increase on the customer's bill. Next, Director Munchus stated questions he raised had not been addressed. He wanted to know: why the half million dollars was removed from the Economic Development Program, pay for performance status, longevity status, and bonuses status. In addition, he requested an organizational chart to show executive management positions such as General Manager, Assistant General Managers, and Managers.

Next, agenda item two requested the Committee to hear a presentation of the FY2018 Draft Capital Budget (a copy of which is on file with the Committee meeting book). AGM Sonny Jones gave a presentation of the Capital Budget. He addressed Director Munchus's concern about funding a half million dollars for the Economic Development Program. Per Director Munchus, there are other water systems available for acquisitions, however; a feasibility study needs to be done. Director Burbage said the Committee would take funding the Economic Development Program under advisement. AGM Sonny Jones continued the presentation and briefed the Committee on the Ten-Year Capital Improvement Budget. Director Burbage asked if anyone had questions and stated that a budget hearing was scheduled. He asked Board members to send questions to GM Underwood and they all would meet again within two weeks.

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