

**MINUTES OF THE REGULAR BI-MONTHLY MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
October 26, 2022**

A regular meeting of the directors of The Water Works Board of the City of Birmingham was held on Wednesday, October 26, 2022 at 11:30 a.m.

The following directors were present: Tom Henderson, Lucien Blankenship, Larry Ward, Tereshia Huffman, George Munchus, William “Butch” Burbage, Jr., Ronald A. Mims, and Dalton NeSmith.

Others present were: Michael Johnson, General Manager; Iris Fisher and Derrick Murphy, Assistant General Managers; Cynthia Williams, Board Administrator; Anitra Clark, Corporate Governance Specialist; Rick Jackson, Jeff Wade, Charles McGee, Rosalind Jones, Paul Lloyd, Colandus Mason, Geraldine Davis, Chris Lambert, Barry Williams, and David Walker, BWWB Employees; K. Mark Parnell, Parnell Thompson, LLC; Byron Perkins, Perkins Law, LLC; Kelvin Howard, Kelvin W. Howard, LLC; Tiffanie Agee, Agee Law, LLC; Michael Bell, Birmingham Construction Industry Authority; Kessia Crenshaw, State of Alabama Attorney General’s Office; Theo Johnson, Jacobs; Peiffer Brandt, Raftelis Financial Consultants; Hal Humphrey, Gresham Smith; Phillip Moultrie and Sheri Washburn, Valent Group; Matthew Arrington, Terminus Municipal Advisors, LLC; Mac Underwood and Michael Parker, Underwood Financial Consultants, LLC; Terri Reynolds, Levitate Legal; Kamilah Lewis, City of Birmingham; Bill Todd, Angela Riley, and Shekeydah Robinson, O2 Ideas; Jonathan Hardison and Vincent Parker, WBRC; Heather Gann, and Roy Johnson, AL.com; Joel Morris, SOI; William Muhammad, Citizens to Save Jefferson County; Ryan Michaels, The Birmingham Times; Cynthia Gould, ABC 33/40; Jon Paepcke and James Bryan, WVTM 13; and Neal Posey, WIAT CBS 42.

Vice Chairman Burbage declared a quorum in attendance.

Vice Chairman Burbage called the meeting to order at 11:31 a.m. and Board Employee Rick Jackson opened with prayer.

Following, Vice Chairman Burbage asked the Board to approve the agenda. 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. Dalton NeSmith and seconded by Mr. Lucien Blankenship, that the Board hereby approves the agenda for the October 26, 2022 Regular Board of Directors’ Meeting. Resolution No. 9149 is hereby adopted by unanimous vote.”

* * * * *

Following, Vice Chairman Burbage asked to hear Reports of Committee. As there were no reports, the General Manager stated the upcoming Engineering & Maintenance Committee meeting would be held directly following the board meeting. The General Manager indicated a Regular Board of Directors’ Meeting and Public Hearing would be held on November 9, 2022.

Following, Vice Chairman Burbage asked to hear Reports of Officers. Director Munchus questioned Director Ward whether he would support the \$800,000.00 from the guaranteed investment contract be put in economic development. Director Ward responded no and indicated this would result in a rate increase. He stated those funds go into the general fund. Director Munchus questioned where the funds would go. The General Manager stated the funds would be used towards the Operating and Maintenance Budget. Director

Munchus questioned whether that could be amended, and the General Manager responded yes. Next, the General Manager recognized Terri Sharpley, Levitate Legal, to present an update regarding Governmental Affairs and Grant Research Activities. Ms. Sharpley stated Levitate Legal has been meeting with the Board's lobbyist and senior staff since April 2022 to explore opportunities to get private and federal funds for BWWB. She indicated the goal is to present the Board with a legislative agenda plan by November 1, 2022. She stated the purpose for the plan is to establish goals for the Governmental Affairs Team to achieve at the local, state, and federal levels. She indicated it will also measure the performance of the team. She then gave an overview of partnership opportunities. Director Blankenship commended Ms. Sharpley for the work she is doing. He then questioned the role each member of the team will play and what resources have been identified by the vendor that we engage for the local municipalities. Ms. Sharpley stated The Jones Group and Pat Lynch handle the Local level, with Pat Lynch focused on the County side and The Jones Group on the City side; The Jones Group primarily handles the State level with Pat Lynch assisting; and Earl Hilliard handles the Federal level with The Jones Group assisting. Director Blankenship questioned the role the Executive team plays. Ms. Sharpley stated the Executive team collaborates with the lobbyists. She indicated the General Manager is engaged in the conversations and she recommended the Board question the engagement of the Team in six months. Director Munchus requested the Help To Others (H2O) Foundation be added to the Governmental Affairs Team's collaboration list. He indicated the foundation could do more work if it had more resources. Ms. Sharpley stated she has met with the Executive Director of the H2O Foundation. Director Ward questioned the Team's plan for bringing back funding to Birmingham for pipe replacement work when the legislature go back in session. Ms. Sharpley stated the American Rescue Plan is going to a lot of rural areas; however, utilities like BWWB have been advised to look at the Clean and Drinking Water State Revolving Loan Funds. Director NeSmith questioned whether the State Revolving Loan Funds have principal forgiveness. Ms. Sharpley indicated the chances of a utility like BWWB receiving a 100 percent loan forgiveness are very small due to two factors; how dire are the problems the utility is facing and the financial security of the utility. She stated the BWWB could potentially receive 30 percent loan forgiveness. Assistant General Manager Derrick Murphy stated BWWB has been approved for a State Revolving Loan Fund for \$41 million with \$12 million in forgiveness. He stated there is a five-year period before the loan must be paid back and the project must be completed within 10 years. Ms. Sharpley then gave an overview of the State priority legislation. She indicated a resolution will be presented in support of a Dam Safety Program for the State of Alabama. She emphasized the State is the only state without a Dam Safety Program which results in the State not having access to federal funds. Ms. Sharpley then gave an overview of next steps.

Following, the Board moved to the first item on the agenda, Request Board to adopt a resolution expressing its condolences in the death of employee William Kenneth Gunn, Water Accountability Technician II - Revenue Water Department, who passed away on October 19, 2022. 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 Mims and seconded by Mr. Lucien Blankenship, that the Board hereby adopts a resolution expressing its condolences in the death of employee William Kenneth Gunn; and

WHEREAS, William Kenneth Gunn passed away on Wednesday, October 19, 2022, wherein The Water Works Board of the City of Birmingham (hereinafter known as the “Board”) mourns the death of William Kenneth Gunn; and

WHEREAS, William Kenneth Gunn had been a dedicated and valued employee of the Board since March 21, 2005; and

WHEREAS, This Board wishes to pause from its Board of Directors' Meeting on Wednesday, October 26, 2022, to convey its respect and deepest sympathy to the family, friends and co-workers of William Kenneth Gunn; and

NOW, THEREFORE, BE IT RESOLVED, That The Water Works Board of the City of Birmingham does hereby perpetuate the memory of William Kenneth Gunn, who was a Revenue Water Department Water Accountability Technician II member, in the Engineering and Maintenance Division, and hereby expresses its condolences to his family, friends, and co-workers.

BE IT FURTHER RESOLVED, That a copy of this Resolution be spread upon the minutes of The Water Works Board of the City of Birmingham, and that a copy be presented to the Gunn family.

Resolution No. 9150 is hereby adopted by unanimous vote.”

Following, the Board moved to the second item on the agenda, Request Board to approve payment of the following invoices. Director Blankenship requested in the future invoices be voted on separately. 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. Dalton NeSmith, and seconded by Mr. Tom Henderson, that the Board hereby authorizes staff to execute payment to the following:

- 2.1 Kelvin W. Howard, LLC for professional services rendered September 2022 in the amount of \$19,830.00.
- 2.2 Raftelis Financial Consultants, Inc., for the following:
 - 2.2.1 For professional services rendered August 2022 related to the WIFIA Loan in the amount of \$485.00.
 - 2.2.2 For professional services rendered August 2022 related to Jefferson County Cost Allocation Update in the amount of \$3,377.50.
 - 2.2.3 For professional services rendered August 2022 related to Consolidated Invoices in the amount of \$45,879.64.
- 2.3 Parnell Thompson, LLC for professional services rendered September 2022 in the amount of \$55,745.00.

Resolution No. 9151 is hereby adopted by Directors Burbage, Huffman, Munchus, Ward, Henderson, NeSmith and Mims; Director Blankenship voted No.”

Following, the Board moved to the third item on the agenda, Request Board to ratify payment to Valent Group, LLC for the Board's Property and Liability Insurance Plan for November 1, 2022 to October 31, 2023, at an out-of-pocket cost to the Board of \$3,183,462.60. 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 Mims, and seconded by Ms. Tereshia Huffman, that the Board ratifies payment to

Valent Group, LLC for the Board's Property and Liability Insurance Plan for November 1, 2022 to October 31, 2023, at an out-of-pocket cost to the Board of \$3,183,462.60. Resolution No. 9152 is hereby adopted by unanimous vote.”

Following, the Board moved to the fourth item on the agenda, Request Board to approve an agreement with Valent Group, LLC, effective October 19, 2022 through March 31, 2023, to serve as the Broker of Record for the Board's Stop Loss and Employee Group insurance policies; and to authorize the General Manager and/or Assistant General Manager to execute said agreement. Director Blankenship questioned the effective date of the agreement. The General Manager stated the effective date could be changed. On a motion duly made and seconded, the following resolutions were adopted:

“BE IT RESOLVED BY The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. Ronald Mims and seconded by Mr. George Munchus, that the Board hereby approves an agreement with Valent Group, LLC, effective October 19, 2022 through March 31, 2023, to serve as the Broker of Record for the Board's Stop Loss and Employee Group insurance policies; and authorizes the General Manager and/or Assistant General Manager to execute said agreement. Resolution No. 9153 is hereby adopted by unanimous vote.”

Following, the Board moved to the fifth item on the agenda, Request Board to authorize K. Mark Parnell, Parnell Thompson, LLC, to seek an Attorney General opinion pursuant to Ala. Code 36-15-1 (1975) regarding the applicability of Ala. Code §36-25A-5.1 (1975) and Ala. Code §36-25A-5.2 (1975) to the Water Works Board, as recommended by the Communications Committee. Director Blankenship stated he supports getting an opinion from the Attorney General’s Office. He indicated that he would like for the Board to be clear on the question presented to the Attorney General’s Office and he has shared his thoughts with Board Attorney Mark Parnell. He stated Ala. Code §36-25A-5.1 specifically applies to BWWB. Mr. Parnell stated the question Director Blankenship presented could either be submitted together or separately. He indicated he had drafted a letter to the Attorney General. Director Munchus stated he would like for Director Blankenship and Attorney Parnell to agree on the question to be given to the Attorney General. Mr. Parnell stated he believes Director Blankenship’s question is covered in the letter. Director Blankenship indicated the question has to be specific in the letter and he would like to separate the questions in the letter. He then gave an overview of State of Alabama Code Section. Director Huffman stated the item came out of the Communications Committee and she stated one part of the motion that was passed stated other Board members could submit their questions. She stated the Board should follow the Committee’s recommendation. Director Huffman stated she feels by following that action it will cover the current discussion. Director Blankenship stated he agreed with Director Huffman and he indicated he presented Mr. Parnell with his question just before today’s meeting. Mr. Parnell stated he wants to be clear on what the Board wants to be sent to the Attorney General. He stated he will recirculate the drafted letter and include any questions the Board members have. Director Munchus questioned whether both questions should be submitted to the Attorney General. Director Huffman stated one opinion should be submitted to the Attorney General that includes questions from the Board members. 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 Ms. Tereshia Huffman and seconded by Mr. Tom Henderson, that the Board hereby authorizes K. Mark Parnell, Parnell Thompson, LLC, to seek an Attorney General opinion pursuant to Ala. Code 36-15-1 (1975) regarding the applicability of Ala. Code §36-25A-5.1 (1975) and Ala. Code §36-25A-5.2 (1975) to the

Water Works Board, as recommended by the Communications Committee. Resolution No. 9154 is hereby adopted by unanimous vote.”

Following, the Board moved to the sixth item on the agenda, Request Board to review and determine to purchase or forego purchase of structures and improvements on Lot 81 located at Inland Lake, held by Leon Hamrick, per the Recreational Site Agreement at a price of \$385,000.00. The Board must exercise its right of first refusal within 90 days of receipt of the sales contract, which was July 25, 2022; as recommended by the Engineering and Maintenance Committee. Director Munchus questioned Director NeSmith and Mr. Parnell whether they were comfortable with this purchase. Mr. Parnell responded yes. Director Mims stated the sales contract is dated July 25, 2022 and questioned whether October 25, 2022 would be considered the 90-day deadline for the Board to decide on this item. Vice Chairman Burbage stated he believes that is correct. Director Mims questioned why the Board was receiving this item so late. The General Manager stated this was the first opportunity to present this item. 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. Dalton NeSmith and seconded by Ms. Tereshia Huffman, that the Board hereby approves to purchase structures and improvements on Lot 81 located at Inland Lake, held by Leon Hamrick, per the Recreational Site Agreement at a price of \$385,000.00. The Board must exercise its right of first refusal within 90 days of receipt of the sales contract, which was July 25, 2022; as recommended by the Engineering and Maintenance Committee. Resolution No. 9155 is hereby adopted by Directors Burbage, Huffman, Henderson, NeSmith, Munchus, Blankenship, and Ward; and Director Mims voted No.”

Following, the Board moved to the seventh item on the agenda, Pursuant to Ala. Code § 11-50-303(c) (1975), request Board to hear a presentation and to recommend the 2023 Operations and Maintenance (O & M) Budget and 2023 Capital Budget to be presented at a Public Hearing on November 9, 2022, at which time the Board will consider taking action to approve said budgets, either at that meeting following the public hearing or at a subsequent board of directors meeting, 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 determines whether a rate increase may be required. The General Manager stated updates had been made to the presentation that was presented to the Board previously. He indicated a rate increase is set after considering three (3) drivers: revenue requirements to meet O&M and Capital budget’s needs, water demand, and financial policies. He stated there will need to be amendments made to the Paygo policy and Senior Debt Service Coverage requirements. He then gave an overview of the RSE Model and Targets. He stated the Senior Debt Service Coverage target is 1.5 and the maximum is 2.0. The General Manager indicated the recommendation is to use the previous RSE targets of a minimum 1.35 with a maximum is 1.65 due to financing \$430 million of subordinate debt being moved to senior lien debt, and significant amount of cash on hand. He stated rate increases have been within the industry average and he indicated there was no rate increase for 2021. Director Blankenship questioned whether staff is asking the Board to amend the Paygo policy. The General Manager responded yes and stated if the budget is passed the Board will be asked to amend that policy as well as the Senior Debt Service Coverage requirements. Director Blankenship questioned how the adjustments will affect the targets. The General Manager stated currently there is a 70 percent target by 2028 and if amended it would be 48 percent. Next, the General Manager recognized Assistant General Manager Iris Fisher to give a summary of the O & M budget. Assistant General Manager Fisher stated the budget had been adjusted to \$125,343,575 or an 8.12 percent increase. She stated the budget had been reviewed to see where adjustments could be made. She then gave an overview of the adjustments stating the O & M expenses were decreased by \$1,911,212. She stated the budget for chemicals decreased \$1,671,192 after reviewing bids and reviewing operations at the filter plants. She indicated \$1,500,000.00 in additional costs were in the budget that was not

needed. Director Munchus questioned whether the numbers presented were real deductions and not dollars being moved to other areas. The General Manager responded the deductions were actual decreases. Director Blankenship questioned whether there are funding resources available to BWWB for infrastructure. The General Manager responded management and Levitate Legal will discuss any available grant opportunities for BWWB. Director Blankenship stated staff needs to be able to explore opportunities for BWWB as well, especially when they attend professional conferences. The General Manager stated BWWB does not have the internal resources to explore these opportunities which is why Levitate Legal was hired. Director Munchus stated he would supply staff with a contact at the U. S. Department of Energy that may be of assistance with BWWB's chemical costs. Director Mims questioned staff whether they considered drought and other unexpected situations that may occur during the year. The General Manager responded yes. A discussion then ensued. Subsequently, Assistant General Manager Fisher stated the second adjustment to the O&M budget related to the Board's Lobbyists' costs decreasing by \$164,357.00. She stated Pat Lynch & Associates and Hilliard, Smith & Hunt's contracts will expire on April 15, 2023; therefore, the lobbyists' cost included in the budget are not for a full year. Director Mims questioned whether the plan is to terminate those two agreements on April 15, 2023. The General Manager responded the agreements terminate on April 15, 2023 and staff is trying to find ways to reduce the budget. Director Blankenship stated the presentation the Board heard earlier in the meeting from Levitate Legal indicated the lobbyists resources would be needed. Director Henderson questioned whether the contracts can be revisited before they expire, including policy reporting. The General Manager responded yes. Director Munchus stated there is a 30-day termination clause in the contracts. He indicated he was not pleased with the work in 2021 or 2022 and he has not seen any results. Director Ward stated the Finance Committee and staff had to eliminate \$2 million from the budget to get a workable budget. He stated he thinks the lobbyists have time to produce results. Assistant General Manager Fisher stated the last adjustment to the budget is related to grant consulting with a reduction of \$75,663.00. She stated there is a retainer for \$10,000.00 per month and it has been included in the budget for three months. Director Munchus questioned whether legal and engineering costs were reviewed. Assistant General Manager Fisher stated engineering costs decreased by \$600,000.00 in the Capital budget. Director Blankenship requested a redline copy of the budget.

Next, Assistant General Manager Fisher recognized Peiffer Brandt, Raftelis Financial Consultants. Mr. Brandt stated he would provide updated scenarios for a rate increase. He then gave an overview of the possible rate increases. He stated a rate increase of 3.9 percent would get the Debt Service Coverage at 1.45. He stated the RSE model does have 4.9 percent rate increases in the coming years. He indicated the RSE model generates rates for 1 year and future years will be addressed. He indicated if inflation holds off future reductions could be made. He stated the 3.9 rate increase would mean Paygo would be at 48.8 percent by 2028. He indicated demand has not changed. Director Blankenship stated the impact on Paygo gives him heartburn. Mr. Brandt stated the 3.9 percent rate increase is good for the industry and it is the best balance at this time. Director Ward stated the goal was to keep the Debt Service Coverage where it needs to be. A discussion then ensued. The General Manager stated there is a high net debt to total assets ratio. He stated the Board has an Aa2 bond rating with Moody's and an AA bond rating with Standard and Poors. He indicated in order to work towards receiving a AAA rating with both agencies BWWB must reduce the net debt to total assets ratio. The General Manager then gave an overview of next steps. He indicated staff is asking the Board to amend the Senior Debt Service Coverage requirement, and to amend the Paygo policy to 48.8 percent. He indicated staff recommends presenting the O & M and Capital budgets at the November 9, 2022 Public Hearing. Director NeSmith requested the General Manager explain the importance of the debt to total asset ratio. The General Manager stated the debt is high because the Board issued debt to fund the approximately \$400 million Capital program for projects that did not benefit BWWB. Director Ward stated the \$400 million debt must be paid. Assistant General Manager Derrick Murphy stated the Capital budget was reduced. He indicated material costs are escalating. He stated plastic materials are cheaper than metal; therefore, if plastic materials meet compliance they will be used. He indicated for projects to be completed on time there cannot be any supply chain issues. Director Mims questioned whether any of the capital funds are included for federal and state reimbursement.

Assistant General Manager Murphy responded yes, and stated these funds are included with the WIFIA and State Revolving Fund loans. Vice Chairman Burbage then asked for a motion to approve recommending this item to be presented at the November 9, 2022 Public Hearing. Director NeSmith stated the motion should specifically state which scenario will be presented. Director Munchus questioned whether the Board will vote on the budget at the public hearing. Vice Chairman Burbage stated the budget could be voted on November 9, 2022 or at another board meeting. 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. Larry Ward and seconded by Mr. George Munchus, that the Board hereby recommends the 2023 Operations and Maintenance Budget and 2023 Capital Budget, Pursuant to Ala. Code § 11-50-303(c) (1975), to be presented at a Public Hearing on November 9, 2022 with presentation of a 3.9 percent rate increase, at which time the Board will consider taking action to approve said budgets, either at that meeting following the public hearing or at a subsequent board of directors meeting, 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 determines whether a rate increase may be required. Resolution No. 9156 is hereby adopted by Directors Burbage, Huffman, Ward, Munchus, Henderson, Blankenship, and NeSmith; Director Mims voted No.”

* * * * *

Following, the Board moved to the eighth item on the agenda, Request Board to approve the allocation of \$10,000.00 from funds budgeted for its Community Educational Program in support of the Classic in Pink Affair Luncheon highlighting Breast Cancer Awareness hosted by the Urban League, that will have a beneficial impact on the Water Works Board’s service area as it works to carry out its Corporate Purpose; and to authorize the General Manager to take such steps as is necessary to sponsor the Classic in Pink Affair Luncheon. On a motion duly made and seconded, the following resolution was adopted:

“WHEREAS, pursuant to Resolution No. 8908, The Water Works Board of the City of Birmingham has established its Community Educational Program (the “Program”); and,

WHEREAS, pursuant to the Program, the Water Works Board may participate in events and functions if the Water Works Board’s participation: protects its water sources and its consuming public; obtains optimum utility management, improves water quality and system reliability; improves reliability of high-quality water; provides educational, scientific and technological information about the Water Works Board to its consuming public; ensures access to and the wise use of water resources and the protection of the environment; and, engages in such activities that are beneficial to the entire water system and that are otherwise necessary, appropriate and consistent with the Water Works Board’s corporate powers (all of which is hereinafter referred to as “Corporate Purposes”); and,

WHEREAS, under the Program, the Water Works Board has identified non-ratepayer funding that may be used for funding the Program (the “Funds”); and,

WHEREAS, on October 28, 2022, the Urban League will host the Classic in Pink Affair Luncheon to highlight Breast Cancer Awareness that will have a beneficial impact on the Water Works Board’s service area; and,

WHEREAS, the Classic in Pink Affair Luncheon presents the Water Works Board with an opportunity to accomplish its Corporate Purposes; and,

WHEREAS, the Water Works Board desires, subject to the below, to sponsor the Classic in Pink Affair Luncheon in a way that will accomplish the Water Works Board's Corporate Purposes.

NOW THEREFORE, BE IT RESOLVED on a motion made by Mr. Ronald Mims and seconded by Mr. George Munchus as follows:

1. It is hereby found and declared that the Water Works Board's participation in the Classic in Pink Affair Luncheon will accomplish its Corporate Purposes. Specifically, the Water Works Board's participation in the Classic in Pink Affair Luncheon will allow it to: provide educational information about the Water Works Board to its consuming public; help ensure access to and the wise use of water resources; have signage and distribute educational materials about the positive role that drinking water has on a person's health; and, otherwise engage in activities that are beneficial to the entire water system and is appropriate and consistent with the Water Works Board's corporate powers.
2. That the General Manager is authorized and instructed to take such steps as is necessary to sponsor the Classic in Pink Affair Luncheon. Such sponsorship shall include the Water Works Board accomplishing the Corporate purposes set forth above.
3. The sponsorship shall not exceed \$10,000 and shall be paid from the Funds. Furthermore, any and all expenses incurred by the Water Works Board such as employee time and educational materials shall also only be paid from the Funds.

Resolution No. 9157 is hereby adopted by unanimous vote."

* * * * *

Following, the Board moved to the ninth item on the agenda, Request Board to hear a presentation from Underwood Financial Consultants, LLC regarding the Detailed Billing and Analysis Report. Director Ward left the meeting at 1:13 p.m. Director Blankenship requested the Board take a short recess. Vice Chairman Burbage stated the Board would take a five-minute recess. The Board went into recess at 1:14 p.m. The Board came out of recess at 1:23 p.m.

Subsequently, Vice Chairman Burbage then recognized Mac Underwood, Underwood Financial Consultants (UFC). Director Huffman questioned whether the report was shared prior to being presented to the Board. Mr. Underwood responded no, the report was only shared internally with Vice Chairman Burbage, Board Attorney Parnell, Michael Johnson, and employees working on the project. He indicated his staff did not share the report with anyone else. He then gave an overview of the issues BWWB faced in 2017 with the implementation of the SAP system. He stated much of the team that worked on that implementation still work for BWWB. He indicated UFC's audit determined SAP functions as it was designed to be. He indicated the system is designed to stop a bill from being sent out if it is too high and it is reviewed to make a correction. He stated the policy for meter reading states the readings should occur between 24-37 days, and a short-read period is any meter that is read less than 24 days. He indicated there were 85,000 short read meters between January 2022 through July 2022. He stated the long-read period is any meter read after 37 days which could negatively impact a customer because it could push them into a high tier rate structure. He stated there were 10,556 long-read meters. Mr. Underwood then gave an overview of billing. He stated six out of twelve months BWWB sent out less than 200,000 bills, which indicated billing was behind. He then gave an overview of mass estimation. He stated mass estimation in December 2021 was 56,000 and in January 2022 it was 79,000. He indicated at no time during August 2021 through July 2022 billing was caught up; therefore, there was a year of delinquent

meter reading and billing. Mr. Underwood then gave an overview of implausible/exceptions. He indicated between January 2022 through July 2022 implausible/exceptions exceeded 2,000 each month and that number is increasing instead of decreasing. He indicated these types of issues must be reviewed by an employee and those bills will sit until they are released, which also contributes to slowing down the billing process. He then gave an overview of the Alexander Meter Reading System. He stated some of the reports related to the system were unavailable because the readings are not saved in a file in report form. He stated files are saved in a format that makes it difficult for the superintendent, supervisor, and meter readers to make decisions during the month regarding the readings. He indicated the reporting information could be improved. He stated due to the reports not being easily available, in some cases they had to be downloaded by the Information Technology Department in a format that could be used. He indicated meter reading and customer billing issues have been behind since August 2021. Mr. Underwood recommended implausible be reduced along with manual entries, corrections, and adjustments. He indicated due to the implausible there were over 100,000 manual entries to correct accounts. He also stated if the billing issues were being corrected the number would have decreased; however, there were still 100,000 accounts that needed to be corrected in August 2022. He then gave an overview of employees working on the system. Director Blankenship stated he did a ride along with a meter reader and these employees have a difficult job. He stated the issues that have occurred currently also occurred in 2017. He indicated the department has always had issues. He stated there was a lawsuit that dealt with these issues as well. He stated he would like to resolve the issues. Mr. Underwood then gave an overview of the reports used for billing. He stated the SQ01 report is an all-inclusive report that shows all unbilled accounts. He indicated this report has not been in use between November 2021 through July 2022. He stated that report is the best source to review all accounts. He stated executive management indicated the report was now in use. He indicated the reporting process must be improved to include all accounts. He recommended BWWB manage meter reads, run the SQ01 report daily, fill the route smart position, hire additional staff, reduce/eliminate mass estimation, external training for the entire team, and improve the billing process.

Subsequently, the General Manager stated staff's focus is on customers and the importance of billing accurately. He indicated billing was behind due to COVID and they notified the Board in January 2022. He stated staff has made significant efforts to catchup on the billing and they have done that. He stated BWWB hosted a job fair to deal with the employee shortage. He stated 200,000 customers are billed every month and 10,000 meters are read per day. He stated staff is using the SQ01 report and is working with 2,713 accounts which means 98 percent of customers are receiving bills. He indicated billing is caught up, and staff never stated they were caught up in June 2022. He indicated 50 to 60 percent of the meter reading staff are new. He stated employees from other departments were shifted to help catch up the backlog of accounts. He stated staff will continue to work to stay ahead. He stated 2,000 phone calls have been made to customers who have received multiple bills. The General Manager indicated customers are not being disconnected at this time; however, they are requesting customers pay their bills. He stated staff would like to respond to the Board following the report from Underwood Financial Consultants. He stated there is room for improvements. He then apologized to BWWB customers for the issues; however, a lot of it was beyond BWWB's control. Vice Chairman Burbage stated introspective is good whether it is internal or external. He stated the attitude should not be to disregard information because we may not agree with it, but everything should be taken under advisement. He stated his hope is take the information received from UFC to better the organization for the future. Director Munchus questioned Mr. Underwood what happened with Automated Meter Infrastructure (AMI). Mr. Underwood responded BWWB was in talks with Alabama Power for them to handle meter reading for BWWB; however, Alabama Power did not want to do it and the project was abandoned.

Following, Vice Chairman Burbage asked for a motion to move Speakers before agenda item 10. 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. George Munchus and seconded by Mr. Ronald Mims, that the Board hereby moves Speakers

Minutes of Regular Board of Directors' Meeting

October 26, 2022

Page 9 of 10

before agenda item 10 for the October 26, 2022 Regular Board of Directors' Meeting. Resolution No. 9158 is hereby adopted by a roll call vote: Director Burbage, Yes; Director Huffman, Yes; Director NeSmith, Yes; Director Munchus, Yes; Director Mims, Yes; Director Henderson, Yes; Director Blankenship, Yes; and Director Ward, No.”

Following, the Board moved to Speakers. Mr. William Muhammad spoke regarding the color of money.

Following, the Board moved to the tenth item on the agenda, Request Board to enter Executive Session to discuss with legal counsel legal matters that are appropriate under Ala. Code Section 35-25A-7(a)(3) as well as under Ala. Code Section 35-25A-7(a)(6). Board Attorney Parnell certified the Executive Session. He stated the session should last 30 minutes and there may be action taken afterwards. 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. Lucien Blankenship, and seconded by Mr. Tom Henderson, that the Board hereby enters Executive Session to discuss with legal counsel legal matters that are appropriate under Ala. Code Section 35-25A-7(a)(3) as well as under Ala. Code Section 35-25A-7(a)(6). Resolution No. 9159 is hereby adopted by unanimous vote.”

Following, the Board entered Executive Session at 2:07 p.m.

Next, Director Blankenship made a motion to come out of Executive Session and Director Mims seconded the motion. The Board voted unanimously to come out executive Session. The Board came out of Executive Session at 2:48 p.m.

Next, Director Blankenship then made a motion to adjourn the meeting and Director Mims seconded the motion. On a motion duly made and seconded, the motion was approved, and the meeting was adjourned at 2:48 p.m.

/s/
William Burbage
Vice Chairman/First Vice President

Attest:

/s/
Raymond L. Ward
Secretary-Treasurer