

**MINUTES OF EXECUTIVE COMMITTEE MEETING
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
November 13, 2018**

An Executive Committee meeting of the directors of The Water Works Board of the City of Birmingham was held on Tuesday, November 13, 2018 at 3:30 p.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama.

The following Committee Members were present: Tommy Joe Alexander, Deborah Clark, Sherry Lewis, Ronald Mims, William Burbage, Jr., William Muhammad, and Brenda Dickerson. Directors Brett King and George Munchus were not present.

Also attending were: Mac Underwood, General Manager; Michael Johnson and Darryl Jones, Assistant General Managers; Grace Amison, Executive Assistant to the Board of Directors; Anitra Hendrix, Executive Assistant to the General Manager; Rick Jackson, George Anderson, John Dansby, Ike Square, Derrick Maye, Paul Lloyd, Raymond Childs, Rhonda Brooks, Chris Hill, Herman Jones, Cherita King, Eddie Gray, Ben Sorrell, Sam Stewart, Nick Norman and Terrell Jones, Board Employees; K. Mark Parnell, Mary Thompson, Parnell Thompson, LLC; Kelvin Howard, Kelvin W. Howard, LLC; Dorian Kendrick and Dr. Jesse Lewis, Agency 54; Patrick Flannelly and Brian Ruggs, ARCADIS, U.S., Inc.; Townsend Collins, Raftelis Financial Consultants; and Kayla Currie, State of Alabama Attorney General's Office.

Inasmuch as eight of the committee members were present; Chairman Alexander declared a quorum in attendance. The meeting was called to order at 3:30 p.m. and Mr. George Anderson opened the meeting with prayer.

The General Manager stated there were four (4) items on the agenda to be reviewed and discussed.

Following, the Committee moved to the first item on the agenda, Request Committee to Approve Minutes of Executive Committee Meetings held June 26, 2018; August 14, 2018; and September 12, 2018. On a motion duly made and seconded, minutes of Executive Committee Meetings held June 26, 2018; August 14, 2018; and September 12, 2018 were approved by unanimous vote.

Following, the Committee moved to the second item on the agenda, Request Committee to discuss its budgets for calendar 2019: The Operating and Maintenance Budget totaling \$104,000,000.00; and the Capital Budget totaling \$65,893,797.00. The General Manager asked the Board whether they had any concerns regarding the budget. Director Lewis arrived at the meeting at 3:32 p.m. Director Burbage stated the Finance Committee made a recommendation to be considered by the full Board. He stated there were some directors who wanted to have more discussions regarding the budget; therefore, it was sent to the Executive Committee. Director Dickerson stated she wanted to discuss the reduction in the Cost of Living Adjustment (COLA) and indicated she was not in favor of reducing it and stated it should remain at 2.9 percent. Chairman Alexander stated he agreed with Director Dickerson. Director Munchus arrived at the meeting at 3:33 p.m. Director Burbage stated the 2.9 percent COLA would stay in the \$104 million budget. The General Manager stated they would find another line item to cut to allow the 2.9

percent COLA. Director Mims stated there are 51 additional employees and reduce some of those jobs should be deleted. He indicated he could not agree with a \$104 million budget. He stated the concern should be the debt that is being put on rate payers. Director Munchus questioned Director Mims what his bottom line number is. Director Mims stated some of the positions haven't been filled in two years. The General Manager gave an overview of the positions that should be filled. He indicated there were some positions that became vacant this year and would have been filled in August through October. Director Mims stated the number of crews may have to be changed. Director Clark stated staff had the opportunity to look at every department and address shortages and overages. She stated the Board is not responsible for cutting positions. The General Manager stated if positions are not filled, they will have to be covered by overtime. Director Lewis questioned the General Manager why the Board was not informed of the shortages. The General Manager stated staff was not asking for more people to be hired but were asking for positions to be filled that were approved by the Board in a previous budget. Director Lewis stated \$3.7 million was spent the previous year on overtime and stated that is a staffing issue. The General Manager stated the Distribution Department had on-call crews that worked full time. Director Clark stated on-call crews were for emergency only. The General Manager stated the on-call crews filled in when there were a lot of breaks and indicated staff was requested to rotate on-call contractors and ensure each contractor got three jobs a week. Director Munchus stated he didn't vote to end on-call contractors. Director Clark stated she recommends there be an organizational audit because there may be other departments that may have staffing issues. Director Dickerson stated she was unclear as to why positions were not filled if they were already in the budget. Chairman Alexander stated there was a misunderstanding about the hiring that could be done in September. The General Manager gave an overview of seven positions and their vacancy dates. He stated if certain positions are eliminated, we won't have the people we need to run the department. Director Clark stated staff should be able to communicate with management. A discussion then ensued. Director Muhammad questioned how much the .9 percent increase in COLA is. The General Manager responded it costs \$370,000. Director Lewis stated she requested the budget be cut by 10 percent and she didn't say where or how to cut it. She stated the General Manager recommended cutting the COLA by .9 percent. She stated the Board could agree to add the .9 percent back in the budget. Chairman Alexander stated the .9 percent would be added back to the budget. Director Lewis requested that any other changes that needed to be made to the budget be made at one time and voted on at one time. A discussion then ensued. Subsequently, Chairman Alexander made a motion to add the .9 percent COLA back to the \$104 million budget and Director Dickerson seconded the motion. The item was by approved unanimous vote.

Following, Director Mims stated his thought is the budget can be cut to \$103 million. He stated overtime needed to be reduced. The General Manager stated overtime was reduced in the 2019 back to the 2018 budget amount of \$2.469 million. Chairman Alexander stated you cannot ~~can't~~ predict what overtime will be each year and he is not for a commitment on overtime. Director Clark stated she felt overtime needed to be addressed and present the Board with realistic options. Director Dickerson questioned how could overtime be projected. The General Manager responded overtime is projected based on the previous year. Chairman Alexander left the meeting at 4:18 p.m. Director Lewis questioned whether legally an employee could be held in a position to keep a department from being short. She stated she thinks there is a need for cross training because employees retire, and they can prepare for the vacancy. Chairman Alexander returned to the meeting at 4:20 p.m. The General Manager stated the budget was \$3.3 million for overtime, by taking it back to \$2.4 million overtime was reduced. Director Mims questioned the cost associated

with summer workers. Paul Lloyd, Board Employee, responded roughly \$300,000. A discussion then ensued. Following, Director Mims made a motion to have a budget of \$103 million and Director Munchus seconded the motion. Directors Mims, Munchus, Lewis, Dickerson, Burbage and Muhammad voted yes; and Directors Alexander and Clark abstained from voting. The item was approved.

Following, Director Lewis questioned whether the understanding is the cap for overtime is \$2.4 million company wide. The General Manager responded yes and stated they will have to reduce some of the work done after hours. Director Clark requested the overtime for each department and a plan to reduce their overtime. Director Dickerson stated the consequences of not working overtime should also be included in that report. Director Lewis stated the belt has to be tightened in 2019 for this one year. She stated staff needs to find solutions to make it work. She indicated the Board has not suggested to take away from or do employees wrong, but rate payers must be considered. She stated the Board has entirely too much debt and it has to look for ways to cut. She stated no one has suggested longevity be cut more than 2 percent. She stated consultants need to be cut back as well. Director Muhammad stated he felt Operating & Maintenance should be held at 2 percent and increasing revenue 4 percent. He indicated if revenues increase 4 percent or above, then there would not be a need to go to the bond market in 15 years. He stated he would like to cut the Capital budget by \$2 million. Director Dickerson left the meeting at 4:40 p.m. Director Muhammad stated he would like to cut the budget because he was informed by the independent engineers that the \$1 million allocated for Lake Purdy probably won't be used and there was \$1 million reduced for vehicles. Director Munchus questioned how long the dam project can be deferred. Patrick Flannelly, Board Independent Engineer, stated when the Capital budget is cut you're not cost avoiding but just deferring costs; however, the final design for Lake Purdy was to be done in October 2018. Director Dickerson returned to the meeting at 4:41 p.m. Mr. Flannelly stated they want to ensure the Board is pleased with the technical solutions on the path forward, so they are taking November and December 2018 to make sure that happens. He indicated the design will begin in January or February 2019. He stated the project would be bid late 2019. Director Munchus stated he's not in favor of cutting the Capital budget because when you start deferring maintenance it's not good business practice. He then seconded Director Muhammad's motion. A discussion then ensued. Director Dickerson questioned the consequences of cutting the Capital budget. Mr. Flannelly stated he feels the \$2 million reduction will simply be pushed to the next year's budget. Director Muhammad stated he's only seen one Capital budget, out of reviewing five years' worth, with all of the money allocated being spent and he then questioned why that was the case. Mr. Flannelly responded projects come in late or a delayed. He then gave the example of Carson Loop being delayed due to a right-of-way issue. He stated the history is the Capital budget does get deferred. He indicated the budget this year may finish at \$57 million due to Carson Loop; however, that project would be deferred to the next year. Director Muhammad clarified the Capital budget is not being cut but it is being deferred. He then made a motion to defer \$2 million out of the Capital budget and approve it at \$63.893 million and Director Munchus seconded the motion. The item was approved by unanimous vote.

Following, the Committee moved to the third item on the agenda, Request Committee to discuss allowing employees to sell up to four weeks of accrued or unused vacation of each employee's vacation balance as of November 30, 2018. The General Manager stated last year \$500,000 was allocated to buy back vacation from employees. He stated currently the budget \$3.5 million under budget on expenses. Chairman Alexander questioned whether buying vacation will

assist in overtime savings. The General Manager responded it probably would. A discussion then ensued. Director Muhammad stated he recalled being told by employees that they were not able to participate in this program. The General Manager stated there was a cap at \$500,000 and if employees try to sell more than that they were either cut back or they couldn't participate. He stated some employees did not have four weeks of accrued vacation. Grace Amison, Board Employee, stated employees are also required to have a balance of 80 hours to participate. Director Mims stated employees should be encouraged to take their vacation. Director Clark questioned whether senior staff would be included in the vacation buyback. The General Manager responded everyone is included in the buyback. Director Clark responded that will cost a lot and senior staff needs to be eliminated from the vacation buyback. A discussion then ensued. Director Clark stated the Board may have to institute a "use or lose" policy. The General Manager responded the Board would have to make a change to its policy to do that. Director Muhammad questioned Mr. Lloyd what his suggestion would be. Mr. Lloyd responded not to sell below two weeks. Director Munchus questioned how long the vacation buyback program has been in place. The General Manager responded 2 years. Chairman Alexander stated he thinks employees should get first shot over managers at the vacation buyback. Director Clark stated this item should be tabled until more information is received. A discussion then ensued. Director Dickerson questioned whether it was illegal to exclude certain employees from the vacation buyback. Mark Parnell, Board Attorney, responded he thinks the Board could exclude certain employees. Mary Thompson, Board Attorney, stated the Board could draft a policy that only applies to non-managerial employees. Director Dickerson questioned whether this could apply to longevity. Director Clark responded it could apply to longevity. Director Mims stated he feels it is unfair to exclude managers from longevity and the vacation buyback. Director Clark stated the General Manager is a contract employee and questioned whether he should receive longevity and participate in the vacation buyback if it is not specifically stated in his contract. Director Mims stated the Board has contracted with the General Manager for his time and he is technically an employee and he is entitled to benefits as any other employee gets. Mr. Parnell stated the same benefits for employees applies to the General Manager. Director Lewis requested the percentage of management and employees that have participated in the vacation buyback be sent to all directors. Director Lewis then made a motion to table this item and Director Mims seconded the motion. Directors Alexander, Clark Mims, Lewis, Dickerson, Burbage and Muhammad voted yes; and Director Munchus voted no. The item was tabled.

Following, the General Manager asked the Committee to discuss New Business. Director Muhammad stated he received a letter from Board Employees Derrick Maye and John Dansby. He stated employees feel they are not represented. Chairman Alexander stated he feels he does represent the employees and the company. Director Muhammad stated the Board and employees need to work together. Chairman Alexander then recognized Derrick Maye. Derrick Maye, Board Employee – Chairman, Employee Association, stated he sent two letters to the Board. He stated the letters included information regarding longevity being reduced. He indicated employees are working to save the company money, yet they are losing compensation. He stated employees work hard to receive their benefits, but it seems the Board will take that way if they deem it necessary. Chairman Alexander stated a company's most valuable asset is its employees. Director Muhammad stated he didn't ask for employees' money to be cut but said the General Manager decided to cut it. He stated he is in favor of employees receiving whatever they deserve. He then made a motion if revenues are above 4 percent and O&M is at 2 percent, employees receive an increase in benefits. Director Mims stated as a former BWB employee, he feels the Board's first

obligation is to rate payers. He stated he doesn't think employees should be promised to receive more. Chairman Alexander then made a motion to put 2 percent back on longevity. A discussion then ensued. Director Clark stated she wants employees to get everything they deserve, but she also wants rate payers to get everything they deserve. She stated contractors should be asked to come down 10 percent. Director Mims questioned whether longevity has been cut in the past. Assistant General Manager Darryl Jones responded no. Director Muhammad stated he is in favor of employees getting everything they want as long as it is within the \$103 million budget. Director Clark indicated employees are still getting 2.9 percent COLA, 4 percent longevity and 2 percent Merit. She stated employees have to take some cuts and rate payers need to have cuts as well.

Following, as there was no further business before the Committee a motion was made to adjourn, and the meeting adjourned at 5:30 p.m.

Mac Underwood
General Manager

Tommy Joe Alexander
Chairman/President

Deborah Clark
First Vice Chairwoman/First Vice President

Dr. Brenda Dickerson
Second Vice Chairwoman/Second Vice President

William Burbage, Jr.
Secretary/Treasurer

Ronald A. Mims
Assistant Secretary/Assistant Treasurer

Sherry W. Lewis
Director

William Muhammad
Director