

**MINUTES OF THE REGULAR BI-MONTHLY MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
June 15, 2018**

The regular bi-monthly meeting of the directors of The Water Works Board of the City of Birmingham was held on Friday, June 15, 2018 at 9:00 a.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama.

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

The meeting was also attended by: Mac Underwood, General Manager; Michael Johnson and Sonny Jones, Assistant General Managers; Grace Amison, Executive Assistant to the Board of Directors; Anitra Hendrix, Executive Assistant to the General Manager; Jeremy Milwood, Ben Sorrell, Michael Griffin, Barry Williams, Scott Starkey, Paul Lloyd, Rick Jackson, Terrell Jones, Terrell Hendon, Quaneiceya Furlow and Rosalind Jones, Board Employees; Mary Thompson, K. Mark Parnell, Parnell Thompson, LLC; Jesse Lewis, Dorian Kendrick and Martha Bozeman, Agency 54; Patrick Flannelly and Brian Ruggs, ARCADIS; John Smith, Volkert, Inc.; Olivia Martin, State of Alabama; Connie Harris and Courtnei Harris; Sheppard-Harris & Associates; Jeanette Cooper and David Burger, Segal Advisors; Walter Lewis, Piper Jaffrey; Chandra Abesingha, CE Associates; Brian Senne and Guy Logan, Citigroup; Yvonne Green Davis; Peggy Gargis; Isaac Ballard; and Nelda Thompkins.

Inasmuch as five of the directors were present; Chairman Alexander declared a quorum in attendance.

Chairman Alexander called the meeting to order at 9:00 a.m. and Mr. Michael Johnson opened with prayer.

Following, the General Manager asked the board to approve minutes from Special Board of Directors' Meeting held April 19, 2018, as set forth in agenda item 1. 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. Sherry W. Lewis and seconded by Dr. Brenda Dickerson, that the Board hereby approves minutes of Special Board of Directors' Meeting held April 19, 2018. Resolution No. 7801 is hereby adopted by unanimous vote.”

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Following, the General Manager asked the board to approve Director King's mileage expense reimbursement for May 2018, as set forth in agenda item 2. On a motion duly made and seconded, the following resolutions were 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 Dr. George Munchus and seconded by Dr. Brenda Dickerson, that the following board member(s) be reimbursed for his mileage expense reimbursements as follows:

- Brett King for mileage expense reimbursement for May 2018 in the amount of \$67.58 (as listed on the attached Travel and Business Expense Reimbursement).

Resolution No. 7802 is hereby adopted by a roll call vote: Chairman Alexander, Yes; Director Dickerson, Yes; Director Burbage, Yes; Director Lewis, Yes; Director Munchus, Yes.”

Following, the General Manager asked the board to approve payments of invoices for professional services, as set forth in agenda items 3.1 through 3.4. The General Manager indicated staff had reviewed the invoices and recommended them for approval. After the motions had been made, Director Lewis questioned whether Dominick Feld Hyde normally performs this type of work for the Board. The General Manager responded yes. 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 payment to the following:

3.1	<u>Carl Dalton NeSmith, Jr., LLC</u> For retainer fee for June 2018	\$ <u>500.00</u>
3.2	<u>Dominick Feld Hyde, P.C.</u>	
3.2.1	BWVB Cafeteria Plan performed May 7 to May 31, 2018	\$ <u>176.40</u>
3.2.2	BWVB OPEB Plan performed May 7, 2018 through May 31, 2018	\$ <u>765.20</u>
3.2.3	BWVB Audit Letter performed May 7, 2018 through May 31, 2018	\$ <u>961.20</u>
3.2.4	BWVB Pension Plan performed May 7, 2018 through May 31, 2018	\$ <u>1,673.20</u>
3.3	<u>Terminus Municipal Advisors, LLC</u> For professional services rendered for May 2018	\$ <u>6,500.00</u>
3.4	<u>The Jones Group, LLC</u> For professional services rendered for June 2018	\$ <u>7,500.00</u>

Resolution No. 7803 is hereby adopted by unanimous vote.”

Following, the General Manager asked the Board to hear a review of the following reports

from Sheppard-Harris and Associates: Pension Plan Audit Report for the Year Ended December 31, 2017 and OPEB Plan Audit Report for the Year Ended December 31, 2017, as set forth in agenda items in 4.1 and 4.2. Connie Harris, Sheppard-Harris & Associates, stated the required communications regarding the Pension plan and stated there were no disagreements with staff and indicated management had signed necessary documentation stating they had supplied all information needed for the audit. Ms. Harris stated her firm issued a clean opinion regarding the audit. She then gave a financial overview and stated the Pension plan had a value of \$147 million for 2017 compared to \$129 million for 2016. She then gave an overview of the statement of changes in net assets available for benefits. Director Lewis stated there is a significant difference between 2016 and 2017 and stated it shows the work the Board is doing regarding this plan. Director Munchus questioned whether the retirees would get a bonus. The General Manager stated a bonus for retirees could be considered once the plan is fully funded and indicated the plan is 77.82 percent funded. Director Lewis indicated there is a difference between employer contributions versus employee contributions.

Subsequently, Ms. Harris stated the required communications regarding the OPEB plan and stated there were no disagreements with staff and indicated management had signed necessary documentation stating they had supplied all information needed for the audit. She indicated a clean opinion was issued regarding the plan. Ms. Harris then gave a financial overview and stated the plan had a value of \$30 million for 2017 compared to \$26 million for 2016. Director Lewis requested an explanation of other assets listed in the financial statements. Ms. Harris responded that was accrued interest on the investments. Director Lewis questioned the difference in the amount regarding other assets. Assistant General Manager Michael Johnson stated it was not significant and that it was an Accounting entry. Director Lewis requested more information regarding the difference between 2016 and 2017 other assets. The General Manager stated at the end of the year there is accrued interest and indicated staff would calculate that information. Ms. Harris then gave an overview of statement of changes. She stated the plan was established in 2008 with \$4 million and is 106 percent funded. Director Munchus questioned where the \$4 million came from. The General Manager responded it came from reserves and it was funded in accordance with GASB guidelines. Assistant General Manager Michael Johnson stated the OPEB plan was put in place to reduce liability. Ms. Harris stated the OPEB fund provides insurance to retirees.

Following, the General Manager asked the Board to hear a presentation regarding the Other Post Employment Benefits (OPEB) Actuarial Report as of January 1, 2018 from Segal Advisors, as set forth in agenda item 5. David Burger, Segal Advisors, stated it was a good year and indicated the plan made \$3.8 million in investment returns on assets. He indicated the Plan was fully funded within 10 years and stated Segal recommends using the trust to pay benefit payments. He indicated the Plan could be funded with accruals to stay at 100 percent. He stated the plan moved from the GASB45 guideline to GASB75. Director Lewis stated she would like a copy of the GASB75 guidelines and Director Dickerson indicated she would like a copy as well. Assistant General Manager Michael Johnson stated it would also be helpful to provide a summary of the differences between GASB45 and GASB75. He indicated in 2013 the Plan was funded in a way for it to be fully funded in a shorter time period while reducing stress on the operating budget. Mr. Burger then gave an overview of key OPEB Plan funding results. The General Manager stated the benefits can be paid out of the Plan rather than have to pay them out of the general fund. He indicated this will take away the need to pay a big contribution to cover these costs. He indicated this will be explained in more detail during the budget process and this will help the bond rating because the

rating agencies won't see this as a huge liability. Subsequently, Mr. Burger stated the benefit liability is \$30.7 million. The General Manager stated this is a long-term investment return used in the actuarial report to project what you will earn. He indicated Morgan Stanley reported they did not feel the Plan would receive 7.5 percent over the next few years; therefore, the percentage may have to be reduced, which would increase the liability and would result in the Plan not being fully funded. Jeanette Cooper, Segal Advisors, indicated the Pension Plan would also stay at 7 to 7.5 percent. Director Munchus questioned how does this equivocate to the IWB employees. The General Manager stated when IWB was bought IWB employees negotiated that benefits would not change for their employees. Director Munchus questioned whether the retirement benefits for IWB employees are better than BWWB retirees. The General Manager stated they are slightly better and indicated the benefits are different.

Next, the General Manager asked the Board if there was New Business, as set forth in agenda item 6. Director Munchus questioned staff where they are with the budget. Assistant General Manager stated there are meetings scheduled with the departments and the plan is to present the budget to the Board before the end of September. He stated budget workshops will be held with the Board. The General Manager stated staff uses information from the first six months of the year so they will have a trend for the current year in order to forecast the following year. Director Dickerson questioned how many workshops will be held. Assistant General Manager Michael Johnson stated typically three workshops are scheduled. He indicated it depends on how many workshops the Board would like to have. Director Munchus questioned whether there has been consideration to have two meetings for the public to voice their opinion. He indicated he did not like taking a vote directly after the public made their comments. The General Manager stated the Board can decide that while going through the budget process. Director Lewis recommended staff provide the Board with an update regarding the budget process in August. She questioned when the fiscal year ends. The General Manager responded December 31st. Director Lewis indicated the budget has to be approved in November. She indicated this will assist staff and the Board in finalizing the budget. Director Burbage stated the Finance Committee could have one meeting in August to kick off the budget process.

Next, the General Manager then stated the accomplishments of the teams that competed at the American Water Works Association's 2018 annual conference. He indicated teams won first place in Meter Madness, Men's Tapping and Top Ops. Director Dickerson recommended sending a letter to Governor Ivey to have employees recognized. Chairman Alexander stated he would send a letter to Governor Ivey.

Next, Board Attorney Mark Parnell asked the Board to enter into Executive Session and stated under the open meeting's act the purpose of the meeting had to be certified to discuss a lawsuit and stated such certification. He indicated there could be action taken after coming out of Executive Session. 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 approves an Executive Session to discuss a pending lawsuit. Resolution No. 7804 is hereby adopted by unanimous vote.”

At 10:00 a.m. the Board, Senior Management and the Board's Attorneys entered into an Executive Session.

At 10:23 a.m. Director Mims entered Executive Session. At 10:37 a.m. a motion was duly made and seconded to adjourn the Executive Session and the meeting reopened. Board Attorney Mark Parnell then made a recommendation that the Board make a settlement payment to Acculynk in the amount of \$200,000. On a motion made and seconded the following resolution was adopted:

'BE IT RESOLVED on motion made by Mr. Ronald Mims and seconded by Dr. Brenda Dickerson as follows:

The Board of Directors authorize and approve the General Manager to settle that certain lawsuit between the Water Works Board and Acculynk, Inc. for the sum of \$200,000.00. The General Manager and the Water Works Board's legal counsel are further authorized to execute such documents that are necessary effectuate this settlement. Resolution No. 7805 is hereby adopted by unanimous vote."

As there was no further business before the Board, Chairman Alexander entertained a motion to adjourn the meeting. A motion was duly made and seconded, and the meeting adjourned at 10:39 a.m.

/s/
Tommy Joe Alexander
Chairman/President

Attest:

/s/
William Burbage, Jr.
Secretary-Treasurer