

**MINUTES OF THE REGULAR MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
August 10, 2016**

The regular meeting of the directors of The Water Works Board of the City of Birmingham was held on Wednesday, August 10, 2016 at 9:00 a.m., at 3600 First Avenue North, Birmingham, Alabama.

The following Directors were present: Kevin B. McKie, George Munchus, Sherry W. Lewis and William R. Muhammad. Chairman Mims was not in attendance.

Inasmuch as four Directors were present, a quorum was in attendance.

The meeting was also attended by: Mac Underwood, General Manager; Michael Johnson, Assistant General Manager of Finance and Administration; Sonny Jones, Assistant General Manager of Engineering and Maintenance; Tammy Wilson, Executive Assistant to Assistant General Managers, Sonny Jones and Darryl Jones; Grace Amison, Executive Assistant to the Board of Directors; Paul Lloyd, Ben Sorrell and George Anderson, Board Employees; Chris Ruffin, Rickey White and Dorian Kendrick, The Lewis Group; Kirk Mills, Volkert & Associates, Inc.; Jerry Jones and Brian Ruggs, ARCADIS; Courtney French, Mike Petway and Paige Goldman, Fuston, Petway and French, LLP; Peiffer Brandt, Raftelis Financial Consultants, Inc.; Chandra Abesingha, CE & Associates, Inc.; Yvonne Green Davis, Esq.; Yvonne Green Davis, P. C.; Daymeon Fishback and Greg Burchell, Morgan Stanley; Matthew Arrington, Terminus Municipal Advisors, LLC; Dan Meadows, S.S. Nesbitt and Company, Inc.; David Merrida, Birmingham Construction Industry Authority; Tommy Joe Alexander, Mayor of Irondale; Hal Humphrey, GS & P; Frank McPhillips and Randall Minor, Maynard Cooper Gale; Anthony Willoughby, Dominick Feld Hyde, P.C.; Jeff Sherrer, Blount County Commission; Nick Greenwood, Hand Arendall, LLC; Tameka Hinton, Studio 2H Design; Arthur Berry, Sarah Spear and Brian Miller, citizens of Birmingham.

Director McKie called the meeting to order at 9:02 a.m. and welcomed the meeting body. Human Resources Manager Paul Lloyd opened the meeting with prayer.

Following, Director McKie congratulated and welcomed new Board Member, William R. Muhammad. Director Muhammad said he was both thankful and nervous to be appointed to The Birmingham Water Works (BWWB) Board of Directors. Director Muhammad asked not to be congratulated yet, rather after he serves and does good work. Director Muhammad voiced his appreciation to Chairman Mims for his service over the many years to the BWWB, Director Lewis, for being a great champion for the people and Director Munchus, his good friend, for being like-minded in favor of diversity and equal opportunity. Director Muhammad stated he viewed the BWWB customers as partners. The Board applauded Director Muhammad. General Manager Mac Underwood asked the meeting body to keep Chairman Mims in their prayers during his hospitalization and to remember Assistant General Manager, Darryl Jones' mother as she was scheduled for surgery today. Director Muhammad added that he meant to thank General Manager Mac Underwood along with the BWWB Staff for doing such a good job of making the BWWB a top five water system in the nation.

Under old business, Director Lewis asked for a status on the information requested concerning Russell Management Group, LLC (RMG), for whom the Board approved a 3-year contract at the July 13th Board Meeting. GM Underwood stated Staff was reviewing all of the documents and that he sent Chief Engineer, Ben Sorrell some documents last night to be reviewed making sure State guidelines are being met and that all information requested of RMG was included. Director Lewis stated that she wanted to go on record that she still objects to the RMG contract and voiced concerns related to the contract.

Next, GM Underwood asked the Board to adopt resolutions authorizing monthly retirement benefits from the Board’s Trust Fund for Michael Youngblood, Supervisor – Backflow Enforcement, System Development Department, for 37 years of service, as stated on the respective calculation, effective September 1, 2016, and commending Mr. Youngblood for his years of service, as set forth in agenda item 2. GM Underwood stated Staff recommended approval of the item. On a motion duly made and seconded, the following resolution was adopted:

“WHEREAS, Michael Youngblood, an employee of The Water Works Board of the City of Birmingham (“the Board”), is retiring, effective September 1, 2016, at an age of 62; and

WHEREAS, Michael Youngblood has 37 years of continuous service with the Board at his retirement date, and, in accordance with the terms of the Trusteed Pension Plan, Mr. Youngblood is entitled to receive a monthly Retirement payment from the Board’s Retirement Trust Fund in the amount of \$6,149.50; and

NOW, THEREFORE, BE IT RESOLVED By the Board of Directors of The Water Works Board of the City of Birmingham, on motion duly made by Mr. George Munchus and seconded by Mr. William R. Muhammad, that the Trustee be, and is hereby instructed to pay monthly benefit payments of \$6,149.50 to Mr. Youngblood, beginning September 1, 2016, from the Board’s Retirement Trust Fund, in accordance with the terms of the Pension Plan.

Resolution No. 7254 is hereby adopted by unanimous vote on August 10, 2016.”

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“WHEREAS, Michael Youngblood, an employee of The Water Works Board of the City of Birmingham (“the Board”), is retiring, effective September 1, 2016, after 37 years of service with the Board; and

WHEREAS, management has informed the Board of Michael Youngblood’s efficiency, reliability, and loyal service which contributed to the effective operation and growth of The Water Works Board of the City of Birmingham; and

WHEREAS, Michael Youngblood, leaves behind a record which deserves a sincere word of gratitude for a job well done; and the Board does hereby express its best wishes for many happy years ahead.

NOW, THEREFORE, BE IT RESOLVED, By the Board of Directors of the Water Works Board of the City of Birmingham, Michael Youngblood is hereby commended for his efficiency, reliability, and loyal service to the Board.

BE IT FURTHER RESOLVED, that in recognition of Michael Youngblood's services to the Board, a copy of this resolution be spread upon the minutes of The Water Works Board of the City of Birmingham and an official resolution presented to Mr. Youngblood.

Resolution No. 7255 is hereby adopted by unanimous vote on August 10, 2016."

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Following, GM Underwood asked the Board to amend "The Water Works Board of the City of Birmingham Flexible Benefits Plan" Summary Plan Description (SPD) to clarify and simplify the language in the Summary Plan Description to allow for a better understanding of the primary terms of the Cafeteria Plan, as set forth in agenda item 3. Assistant General Manager Michael Johnson stated Human Resources is cleaning up the SPD and this item was discussed in the recent Human Resources Committee meeting. Anthony Willoughby with Dominick Feld Hyde, P.C. explained that the Affordable Care Act made some changes in the law that required amendments to the plan to reflect the law changes. The BWWB plan had to be revised changing the full time status from 32 hours to 30 hours per week. The additional changes just provide more clarity to the plan Mr. Willoughby stated. On a motion duly made and seconded, the following resolution was adopted:

"Whereas, the Board sponsors an Internal Revenue Code §125 cafeteria plan permitting employee contributions to purchase various benefits by way of salary reductions, which plan is known as "The Water Works Board of the City of Birmingham Flexible Benefits Plan" (the "Cafeteria Plan"); and

Whereas, the Board provides all employees access to a summary of the provisions of the Cafeteria Plan (the "Summary Plan Description" or "SPD"); and

Whereas, the Board desires to amend the SPD to clarify and simplify the language in the SPD to allow for a better understanding of the primary terms of the Cafeteria Plan.

NOW THEREFORE, BE IT RESOLVED by the Board of Directors, on motion duly made by Mr. George Munchus and seconded by Ms. Sherry W. Lewis, that the revised Summary Plan Description of The Water Works Board of the City of Birmingham Flexible Benefits Plan ("Revised SPD"), a copy of which was presented to this meeting, is hereby approved and adopted and that the duly authorized agents of the Board are hereby authorized and directed to execute and deliver to the Administrator an executed copy of said Revised SPD.

BE IT FURTHER RESOLVED by the Board of Directors that the General Manager or Assistant General Manager of the Board are hereby authorized and directed to (i) take such actions and execute such documents as are deemed necessary and proper in order to make the

For professional services rendered for July 29, 2016 \$ 4,487.20

Resolution No. 7258 is hereby adopted by unanimous vote on August 10, 2016.”

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Next, GM Underwood asked the Board to approve the Ragsdale LLC invoice for professional services rendered through August 4, 2016, as set forth in agenda item 4.3 in the amount of \$5,325.50. Director Lewis asked if a report was available from Ragsdale LLC. Director McKie stated he believed there would be a report in the fall. GM Underwood stated he would get a report at the end of the month. 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 Ms. Sherry W. Lewis, that the Board hereby authorizes staff to execute payment to the following:

4.3 Ragsdale LLC
For professional services rendered through August 4, 2016 \$ 5,325.50

Resolution No. 7259 is hereby adopted by unanimous vote on August 10, 2016.”

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Following, GM Underwood asked the Board to approve the Terminus Municipal Advisors, LLC invoice for professional services rendered for July 2016, as set forth in agenda item 4.4 in the amount of \$6,500.00. 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 Mr. George Munchus, that the Board hereby authorizes staff to execute payment to the following:

4.4 Terminus Municipal Advisors, LLC
For professional services rendered for July 2016 \$ 6,500.00

Resolution No. 7260 is hereby adopted by unanimous vote on August 10, 2016.”

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Next, GM Underwood asked the Board to approve Fine Geddie & Associates, LLC invoice for professional services rendered for August 2016, as set forth in agenda item 4.5 in the amount of \$10,000.00. Some discussion occurred regarding whether Fine Geddie & Associates, LLC was still performing work for the Board. Director Lewis asked the General Manager for the letter from Fine Geddie & Associates, LLC confirming termination of their contract and thanking the Board for the opportunity to work for them. Director Muhammad stated he has noticed as a community activist that there have been companies rendering their services to the Board for

years. As Big Jim Folsom said, “There have been a lot of people feeding at this trough”, and I am not in favor of this Director Muhammad stated. The letter was located and copied; a handout was provided to the Board (a copy of which is on file with the Board meeting book). Director Lewis read the letter aloud and stated it indicated they had completed their work. Director Lewis stated she would like it confirmed that Fine Geddie & Associates, LLC is still actually working until the end of the contract. Director Munchus stated he had spoken with someone other than Joe Fine recently and Fine Geddie & Associates, LLC was still working on the Board’s behalf. The initial termination letter sent to Fine Geddie & Associates, LLC from the General Manager was also located and copied; a handout was provided to the Board (a copy of which is on file with the Board meeting book). 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 Mr. George Munchus, that the Board hereby authorizes staff to execute payments to the following:

4.5 Fine Geddie & Associates, LLC
For professional services rendered for August 2016 \$ 10,000.00

Resolution No. 7261 is hereby adopted by unanimous vote on August 10, 2016.”

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Following, GM Underwood asked the Board to exercise its bid option to extend a one-year contract with G & K Services, the lowest responsible and responsive bidder, per bid awarded on June 25, 2015, for estimated quantities of uniforms for Board’s field employees, at an estimated out-of-pocket cost to the Board of \$54,917.40, as set forth in agenda item 5. 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. William R. Muhammad, that the Board hereby exercises its bid option to extend a one-year contract with G & K Services, the lowest responsible and responsive bidder, per bid awarded on June 25, 2015, for estimated quantities of Uniforms for Board's field employees, at an estimated out-of-pocket cost to the Board of \$54,917.40.

Resolution No. 7262 is hereby adopted by unanimous vote on August 10, 2016.”

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Next, GM Underwood asked the Board to award a bid to REV Construction, Inc., the lowest responsible and responsive bidder, for the replacement of approximately 5,980’ of 2” unlined cast iron pipe, 2” galvanized steel pipe and 2” cast iron cement lined pipe with approximately 3,435’ of 8” DICL pipe; 2,260’ of 6” DICL pipe; 720’ of 4” DICL pipe and related appurtenances; and 152 water services along 17th Street South; 19th Street South; 19th Place South; Crescent Avenue; 29th Court South; Overton Avenue; Roxbury Road; Lancaster Road; and Courtney Drive located in The City of Homewood, Alabama at a bid amount of

\$1,239,122.00; plus estimated cost of materials and Water Board labor in the amount of \$755,015.09; for an out-of-pocket cost to the Board of \$1,994,137.09, as set forth in agenda item 6. Director Munchus asked that the Board table the item. Director Munchus asked specifically for information about the current ownership of REV Construction, the past ownership of REV Construction and their relationship to Roland Pugh. Director Munchus asked David Merrida to spend a little more time getting the HUB participation numbers up. Director Munchus directed his attention to the Board’s attorneys assigning them to do research and report back to the Board. On a motion duly made and seconded, the following resolution was tabled:

“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. William R. Muhammad, that the Board hereby tables a bid to REV Construction, Inc., the lowest responsible and responsive bidder, for the replacement of approximately 5,980’ of 2” unlined cast iron pipe, 2” galvanized steel pipe and 2” cast iron cement lined pipe with approximately 3,435’ of 8” DICL pipe; 2,260’ of 6” DICL pipe; 720’ of 4” DICL pipe and related appurtenances; and 152 water services along 17th Street South; 19th Street South; 19th Place South; Crescent Avenue; 29th Court South; Overton Avenue; Roxbury Road; Lancaster Road; and Courtney Drive located in the City of Homewood, Alabama at a bid amount of \$1,239,122.00; plus estimated cost of materials and Water Board labor in the amount of \$755,015.09; for an out-of-pocket cost to the Board of \$1,994,137.09.

Resolution No. 7263 is hereby tabled by unanimous vote on August 10, 2016.”

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Following, GM Underwood asked the Board move on to item 8, as some of Staff needed to take a call right away from the rating agency. GM Underwood asked the Board to adopt a resolution approving the issuance of approximately \$150,000,000 aggregate principal amount of its Senior Water Revenue Refunding Bonds, Series 2016-A, \$272,000,000 of its Subordinate Water Revenue Refunding Bonds, Series 2016-B and \$33,910,000 of its Subordinate Water Revenue Refunding Bonds, Series 2016-C (Taxable) at an aggregate savings of not less than 3%. (Total principal amount shall not exceed \$580,000,000), as set forth in agenda item 8. A handout of the resolution was provided to the Board members (a copy of which is on file with the Board meeting book). In the essence of time Matthew Arrington, with Terminus Municipal Advisors, LLC, explained that the bond transaction had begun and they will be priced on August 23rd. The debt service savings resulting in ratepayer savings are going up and could get a little bit better as we get into pricing Mr. Arrington stated. Everyone has been working hard to complete the bond transaction on August 23rd rather than bumping up against Labor Day, Mr. Arrington added. Mr. Arrington gave accolades to senior Staff, attorneys, Maynard Cooper, Hand Arendall, LLC, Yvonne Green Davis and Goldman Sachs’ head underwriter. Some discussion occurred concerning passing the savings on to the customer which Director Muhammad suggested. Director McKie suggested moving on to pass the item and then continuing the side discussion so those involved with the rating agency call could exit the meeting. The resolution before the Board gives permission to continue, approve and execute these bond documents Mr. Arrington stated. The actual bond purchase agreement will come back to the Board for approval Mr. Arrington added. On a motion duly made and seconded, the following resolution was adopted:

“WHEREAS, The Water Works Board of the City of Birmingham, a public corporation organized under the laws of the State of Alabama (the “Board”), owns and operates an integrated water supply and distribution system (the “System”) within certain areas of Jefferson County, Alabama and surrounding counties;

WHEREAS, pursuant to that certain Trust Indenture dated as of December 1, 1998 between the Board (as successor to the City of Birmingham) and Regions Bank (as successor trustee) (the “Original Senior Indenture”), as amended and supplemented by, among others, that certain Seventh Supplemental Indenture dated as of May 1, 2009, the Board has heretofore issued its Water Revenue Bonds, Series 2009-A, which are outstanding in the aggregate principal amount of \$67,215,000 (the “Series 2009-A Bonds”);

WHEREAS, pursuant to the Original Senior Indenture, as amended and supplemented by, among others, that certain Ninth Supplemental Indenture dated as of June 1, 2011, the Board has heretofore issued its Water Revenue Bonds, Series 2011, which are outstanding in the aggregate principal amount of \$122,990,000 (the “Series 2011 Bonds”);

WHEREAS, the Board has determined that it would produce significant savings to advance refund all of the callable Series 2009-A Bonds (meaning those maturing in the years 2020 through 2039, which are outstanding in the aggregate principal amount of \$60,035,000) and all of the callable Series 2011 Bonds (meaning those maturing in the years 2022 through 2041, which are outstanding in the aggregate principal amount of \$108,510,000) (such callable Series 2009-A Bonds and callable Series 2011 Bonds being herein collectively referred to as the “2016-A Refunded Bonds”) and, for such purpose, the Board proposes to issue its Senior Water Revenue Refunding Bonds, Series 2016-A (the “Series 2016-A Bonds”) up to an aggregate principal amount specified herein;

WHEREAS, pursuant to that certain Trust Indenture dated as of March 1, 2007 (the “Original Subordinate Indenture”) between the Board and Regions Bank (as successor trustee), the Board has heretofore issued its Subordinate Water Revenue Bonds, Series 2007-A, which are outstanding in the aggregate principal amount of \$311,770,000 (the “Series 2007-A Bonds”);

WHEREAS, pursuant to the Original Subordinate Indenture, as amended and supplemented by that certain First Supplemental Indenture dated as of December 1, 2009, the Board has heretofore issued its Subordinate Water Revenue Bonds, Series 2009, which are outstanding in the aggregate principal amount of \$48,840,000 (the “Series 2009 Bonds”);

WHEREAS, the Board has determined that it would be advantageous to current refund all of the outstanding Series 2007-A Bonds and advance refund all of the Series 2009 Bonds that can be advance refunded on a tax-exempt basis (approximately \$17,275,000 aggregate principal amount, which are collectively referred to herein as the “2016-B Refunded Bonds”) and, for such purpose, the Board proposes to issue its Subordinate Water Revenue Refunding Bonds, Series 2016-B up to an aggregate principal amount specified herein; in addition, a portion of the Series 2016-B Bond proceeds in the approximate amount of \$26,728,136 will be used to pay the costs of capital improvements to the System;

WHEREAS, the Board has determined that it would be advantageous to advance refund those Series 2009 Bonds that cannot be advance refunded on a tax-exempt basis (approximately \$31,565,000 aggregate principal amount, which are hereinafter, the “2016-C Refunded Bonds”) and, for such purpose, the Board proposes to issue its Subordinate Water Revenue Refunding Bonds, Series 2016-C (the “Series 2016-C Bonds”) up to an aggregate principal amount specified herein; in addition, a portion of the Series 2106-C Bond proceeds in the approximate amount of \$1,089,040 will be used to pay the costs of capital improvements to the System;

WHEREAS, the Series 2016-A Bonds shall be issued as Additional Parity Securities pursuant to the Original Senior Indenture, as heretofore amended and supplemented, and further supplemented by that certain Thirteenth Supplemental Indenture dated as of October 1, 2016 (the “Thirteenth Supplemental Indenture”; the Original Senior Indenture as so amended and supplemented being hereinafter referred to as the “Senior Indenture”);

WHEREAS, the Series 2016-B Bonds and the Series 2016-C Bonds shall be issued as Additional Parity Securities pursuant to the Original Subordinate Indenture, as heretofore amended and supplemented, and further supplemented by that certain Sixth Supplemental Indenture dated as of October 1, 2016 (the “Sixth Supplemental Indenture”; the Original Subordinate Indenture, as so amended and supplemented, being hereinafter referred to as the “Subordinate Indenture”);

WHEREAS, a portion of the proceeds of the Series 2016-A Bonds will be deposited in an escrow fund established pursuant to that certain Escrow Trust Agreement dated as of October 1, 2016 (the “2016-A Escrow Agreement”) which, together with investment earnings thereon, will be sufficient to pay principal and interest requirements on the 2016-A Refunded Bonds until and including their respective redemption dates and the redemption prices thereof on their respective redemption dates;

WHEREAS, a portion of the proceeds of the Series 2016-B Bonds will be deposited in an escrow fund established pursuant to that certain Escrow Trust Agreement dated as of October 1, 2016 (the “2016-B Escrow Agreement”) which, together with investment earnings thereon, will be sufficient to pay principal and interest requirements on the 2016-B Refunded Bonds until and including their respective redemption dates and the redemption prices thereof on their respective redemption dates;

WHEREAS, a portion of the proceeds of the Series 2016-C Bonds will be deposited in an escrow fund established pursuant to that certain Escrow Trust Agreement dated as of October 1, 2016 (the “2016-C Escrow Agreement”) which, together with investment earnings thereon, will be sufficient to pay principal and interest requirements on the 2016-C Refunded Bonds until and including their redemption date and the redemption price thereof on their redemption date;

WHEREAS, following the issuance of the Series 2016-A Bonds and the refunding to be effected thereby, the only Parity Securities outstanding under the Senior Indenture will be the Series 2016-A Bonds and the following: (i) unrefunded Series 2009-A Bonds, (ii) the unrefunded Series 2011 Bonds, (iii) the Water Revenue Bonds, Series 2009-B (issued pursuant to a Seventh Supplemental Indenture); (iv) the Water Revenue Refunding Bonds, Series 2010-A and Taxable

Water Revenue Bonds, Series 2010-B (issued pursuant to an Eighth Supplemental Indenture); (v) the Water Revenue Bonds, Series 2012-A (issued pursuant to a Tenth Supplemental Indenture); (vi) the Water Revenue Refunding Bonds, Series 2013-A and Water Revenue Bonds, Series 2013-B (issued pursuant to an Eleventh Supplemental Indenture); and (vii) the Water Revenue Refunding Bonds, Series 2015-A and Water Revenue Bonds, Series 2015-B (issued pursuant to a Twelfth Supplemental Indenture); the foregoing being herein referred to as the “Outstanding Senior Securities”);

WHEREAS, following the issuance and delivery of the Series 2016-B Bonds and Series 2016-C Bonds, the only bonds outstanding under the Subordinate Indenture will be the Series 2016-B Bonds and Series 2016-C Bonds and the following: (i) the Subordinate Water Revenue Bonds, Series 2011-DWSRF-DL (issued pursuant to a Second Supplemental Indenture); (ii) the Subordinate Water Revenue Bond, Series 2012-DWSRF-DL (issued pursuant to a Third Supplemental Indenture); (iii) the Subordinate Water Revenue Bond, Series 2013-DWSRF-DL (issued pursuant to a Fourth Supplemental Indenture; and (iv) the Subordinate Water Revenue Bonds, Series 2014-DWSRF-DL (issued pursuant to a Fifth Supplemental Indenture); the foregoing being referred to as the “Outstanding Subordinate Securities”;

WHEREAS, the Series 2016-A Bonds shall be limited obligations of the Board payable from, and secured by a pledge of, the revenues from the System remaining after payment of the reasonable and necessary expenses of maintaining and operating the System (the “Pledged Revenues”), on an equal and proportionate basis and parity of lien with the Outstanding Senior Securities;

WHEREAS, the Series 2016-B Bonds and Series 2016-C Bonds shall be limited obligations of the Board payable from and secured by a pledge of, the Pledged Revenues on an equal and proportionate basis and parity of lien with the Outstanding Subordinate Securities;

WHEREAS, no Event of Default under either the Senior Indenture or the Subordinate Indenture has occurred and is continuing, nor has any event occurred under either the Senior Indenture or the Subordinate Indenture which, with the giving of notice or the passage of time or both, would constitute an Event of Default, has occurred and is continuing;

WHEREAS, the Series 2016-A Bonds, Series 2016-B Bonds and Series 2016-C Bonds (collectively, the “Series 2016 Bonds”) will be sold to Goldman Sachs & Co., on behalf of itself and an underwriting syndicate that includes Citigroup Global Markets Inc., Morgan Stanley, The Frazer Lanier Company, Securities Capital Corporation, and NW Capital Markets, Inc. (collectively, the “Original Purchasers”), pursuant to a bond purchase agreement (the “Bond Purchase Agreement”), subject to the terms and conditions set forth below;

WHEREAS, the Board has caused a Preliminary Official Statement dated August 10, 2016 (the “Preliminary Official Statement”) to be prepared for distribution to prospective purchasers in connection with the issuance and sale of the Series 2016 Bonds, which references an appropriate continuing disclosure agreement to be entered into by the Board in connection with the Series 2016 Bonds (the “Continuing Disclosure Agreement”); and

WHEREAS, a copy of the proposed Thirteenth Supplemental Indenture, the Sixth Supplemental Indenture, the 2016-A Escrow Agreement, the 2016-B Escrow Agreement, the 2016-C Escrow Agreement, the Bond Purchase Agreement, the Continuing Disclosure Agreement (collectively, the “Financing Documents”) and the Preliminary Official Statement have been presented to, considered and approved by the Board.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD, as follows:

1. The Board does hereby approve, authorize, ratify and confirm (i) the issuance of the Series 2016 Bonds, (ii) the execution and delivery of the Financing Documents by the Board, and (iii) the consummation of all other transactions described in the recitals of this resolution and contemplated by the Financing Documents (the “Plan of Financing”). The Chairman/President and First Vice-Chairman of the Board, or either of them, are hereby authorized and directed to execute and deliver the Financing Documents in substantially the form presented to the Board at this meeting, with such changes or additions thereto or deletions therefrom as the officer executing the same shall approve, which approval shall be conclusively evidenced by his execution of such instruments. The Secretary-Treasurer or any Assistant Secretary-Treasurer of the Board is hereby authorized and directed to affix the corporate seal of the Board to such instruments and to attest the same.

2. The Board does hereby approve the Preliminary Official Statement in substantially the form presented to the Board at this meeting, and the Board does hereby approve, authorize, ratify and confirm the distribution by the Original Purchasers of the Preliminary Official Statement to prospective purchasers of the Series 2016 Bonds. After sale of the Series 2016 Bonds in accordance with the parameters set forth herein, the Chairman/President and First Vice-Chairman of the Board, or either of them, are hereby authorized and directed to complete the Preliminary Official Statement (such Preliminary Official Statement as completed being herein referred to as the “Official Statement”) with (a) information relating to the terms of sale of and interest rates on the Series 2016 Bonds, (b) such information regarding reoffering prices or yields on the Series 2016 Bonds as shall be provided by the Original Purchasers of the Series 2016 Bonds and (c) such changes or additions thereto or deletions therefrom as the executing officers shall approve and shall be acceptable to the Original Purchasers of the Series 2016-A Bonds. The Chairman/President and First Vice-Chairman of the Board, or either of them, are hereby authorized and directed to date the Official Statement as of an appropriate date and to execute and deliver the Official Statement in the name and on behalf of the Board.

3. The Series 2016-A Bonds shall be issued under and secured by the Senior Indenture as therein provided. The Series 2016-A Bonds shall be in the form and shall contain the terms and provisions provided in the Senior Indenture. To the extent that the Senior Indenture provides alternative methods for execution of the Series 2016-A Bonds, the officers of the Board executing the Series 2016-A Bonds are hereby authorized to select the method of execution. The Chairman/President and First Vice-Chairman of the Board, or either of them, are hereby authorized and directed to execute the Series 2016-A Bonds on behalf of the Board, and the Secretary-Treasurer or any Assistant Secretary-Treasurer of the Board is hereby authorized and directed to affix the official corporate seal of the Board to the Series 2016-A Bonds and to attest the same. The officers executing the Series 2016-A Bonds are hereby authorized and

directed to deliver the Series 2016-A Bonds so executed to the Trustee for authentication and delivery to the Original Purchasers.

4. The Series 2016-B Bonds and Series 2016-C Bonds shall be issued under and secured by the Subordinate Indenture as therein provided. The Series 2016-B Bonds and Series 2016-C Bonds shall be in the form and shall contain the terms and provisions provided in the Subordinate Indenture. To the extent that the Subordinate Indenture provides alternative methods for execution of the Series 2016-B Bonds and Series 2016-C Bonds, the officers of the Board executing the same are hereby authorized to select the method of execution. The Chairman/President and First Vice-Chairman of the Board, or either of them, are hereby authorized and directed to execute the Series 2016-B Bonds and Series 2016-C Bonds on behalf of the Board, and the Secretary-Treasurer or any Assistant Secretary-Treasurer of the Board is hereby authorized and directed to affix the official corporate seal of the Board to the same and to attest the same. The officers executing the Series 2016-B Bonds and Series 2016-C Bonds are hereby authorized and directed to deliver the same so executed to the Trustee for authentication and delivery to the Original Purchasers.

5. The Series 2016-A Bonds shall be sold to the Original Purchasers pursuant to, and on the terms and conditions specified in, the Bond Purchase Agreement, provided the following pricing parameters are met: (1) the principal amount of the Series 2016-A Bonds shall not exceed \$190,000,000, (2) the final maturity date for the Series 2016-A Bonds shall not be later than 2043, (3) the weighted average maturity of the Series 2016-A Bonds shall not exceed 20 years, (4) the all-in total interest cost for the Series 2016-A Bonds (that is taking into account accrued interest, any original issue discount or original issue premium, the underwriter's discount, any premiums or fees for credit enhancement paid from proceeds of the Series 2016-A Bonds, and any other costs of issuance paid from proceeds of the Series 2016-A Bonds) shall not exceed 5.0%, (5) the aggregate purchase price of the Series 2016-A Bonds is not less than 95% or more than 125% of the par amount thereof, and (6) the underwriter's discount reflected in the Bond Purchase Agreement shall not exceed \$3.50 per thousand dollars of the principal amount of the Series 2016-A Bonds.

6. The Series 2016-B Bonds shall be sold to the Original Purchasers pursuant to, and on the terms and conditions specified in, the Bond Purchase Agreement, provided the following pricing parameters are met: (1) the principal amount of the Series 2016-B Bonds shall not exceed \$350,000,000, (2) the final maturity date for the Series 2016-B Bonds shall not be later than 2045, (3) the weighted average maturity of the Series 2016-B Bonds shall not exceed 23 years, (4) the all-in total interest cost for the Series 2016-B Bonds (that is taking into account accrued interest, any original issue discount or original issue premium, the underwriter's discount, any premiums or fees for credit enhancement paid from proceeds of the Series 2016-B Bonds, and any other costs of issuance paid from proceeds of the Series 2016-B Bonds) shall not exceed 5.0%, (5) the aggregate purchase price of the Series 2016-B Bonds is not less than 95% or more than 125% of the par amount thereof, and (6) the underwriter's discount reflected in the Bond Purchase Agreement shall not exceed \$3.50 per thousand dollars of the principal amount of the Series 2016-B Bonds.

7. The Series 2016-C Bonds shall be sold to the Original Purchasers pursuant to, and on the terms and conditions specified in, the Bond Purchase Agreement, provided the following pricing parameters are met: (1) the principal amount of the Series 2016-C Bonds shall not exceed \$40,000,000, (2) the final maturity date for the Series 2016-C Bonds shall not be later than 2045, (3) the weighted average maturity of the Series 2016-C Bonds shall not exceed 23 years, (4) the all-in total interest cost for the Series 2016-C Bonds (that is taking into account accrued interest, any original issue discount or original issue premium, the underwriter's discount, any premiums or fees for credit enhancement paid from proceeds of the Series 2016-C Bonds, and any other costs of issuance paid from proceeds of the Series 2016-C Bonds) shall not exceed 5.0%, (5) the aggregate purchase price of the Series 2016-C Bonds is not less than 95% or more than 125% of the par amount thereof, and (6) the underwriter's discount reflected in the Bond Purchase Agreement shall not exceed \$3.50 per thousand dollars of the principal amount of the Series 2016-C Bonds.

8. The Bond Purchase Agreement shall be in such form as is approved by the Chairman/President and First Vice-Chairman of the Board, or either of them, provided the foregoing pricing parameters are met, which approval (a) shall be conclusively evidenced by their execution of such instrument and (b) shall constitute the Board's approval of the final pricing terms of each subseries of the Series 2016 Bonds and their compliance with the pricing parameters specified herein.

9. The Board hereby calls the callable Series 2009-A Bonds for redemption and payment on January 1, 2019 at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption. The Board also calls the callable Series 2011 Bonds for redemption and payment on January 1, 2021 at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption. The Chairman/President and First Vice-Chairman of the Board, or either of them, are hereby authorized and directed to take or cause to be taken, in the name and on behalf of the Board, all of the actions required by the provisions of the Senior Indenture to be taken in order to effect the redemption of the 2016-A Refunded Bonds including, without limitation, the execution and delivery of the 2016-A Escrow Agreement. Final approval of the 2016-A Escrow Agreement by the Chairman/President and First Vice-Chairman of the Board, or either of them, shall be evidenced by their execution of the same. The Board hereby certifies that no default exists under the Senior Indenture and no such default is imminent.

10. The Board hereby calls the Series 2007-A Bonds for redemption and payment on January 1, 2017 at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption. The Board also calls the Series 2009 Bonds for redemption and payment on July 1, 2019 at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption. The Chairman/President and First Vice-Chairman of the Board, or either of them, are hereby authorized and directed to take or cause to be taken, in the name and on behalf of the Board, all of the actions required by the provisions of the Subordinate Indenture to be taken in order to effect the redemption of the Series 2007-A Bonds including, without limitation, the execution and delivery of the 2016-B Escrow Agreement and the 2016-C Escrow Agreement, final approval of which shall be evidenced by

their execution of the same. The Board hereby certifies that no default exists under the Subordinate Indenture and no such default is imminent.

11. The officers of the Board and any person or persons designated and authorized by any officer of the Board to act in the name and on behalf of the Board, or any one or more of them, are authorized to do and perform or cause to be done and performed in the name and on behalf of the Board such other acts, to pay or cause to be paid on behalf of the Board such related costs and expenses, and to execute and deliver or cause to be executed and delivered in the name and on behalf of the Board such other notices, requests, demands, directions, consents, approvals, orders, applications, certificates, agreements, further assurances, or other instruments or communications, under the corporate seal of the Board, or otherwise, as they or any of them may deem necessary, advisable, or appropriate in order to (i) complete the Plan of Financing, (ii) carry into effect the intent of the provisions of this resolution, the Thirteenth Supplemental Indenture and the Sixth Supplemental Indenture and (iv) demonstrate the validity of the Series 2016 Bonds and the absence of any pending or threatened litigation with respect to the Series 2016 Bonds, the Thirteenth Supplemental Indenture or the Sixth Supplemental Indenture, and (v) carry into effect the Plan of Financing and establish the exemption of interest on the Series 2016-A Bonds and Series 2016-B Bonds from federal and State of Alabama income taxation.

12. Each act of any officer or officers of the Board or any person or persons designated and authorized to act by any officer of the Board, which act would have been authorized by the foregoing provisions of this resolution except that such action was taken prior to the adoption of this resolution, is hereby ratified, confirmed, approved and adopted.

Resolution No. 7264 is hereby adopted by unanimous vote on August 10, 2016.

* * * * *

Next, the discussion regarding passing any savings on to customers continued. Ratepayers will possibly see a savings in the way of a smaller rate increase Mr. Arrington stated. Director Muhammad stated he was thinking in terms of a rebate for customers. GM Underwood stated every year our financial model tells what we can and cannot do in regards to rate increases. Director Muhammad asked if Staff would seriously look into this. GM Underwood assured Director Muhammad that Staff would take seriously passing savings on to the customer. Director McKie stated it is the Board's goal to pass the savings along to the customer. Director Munchus stated most of the time the savings come in the way of a smaller rate increase; however he appreciated the suggestion. Director Muhammad stated if not a check to the customer, possibly a deduction in their bill. Director Lewis stated the goal has been not to raise rates which are directly related to these expenses that keep accruing.

Following, GM Underwood asked the Board to table a thirty (30) year franchise agreement with the City of Birmingham (franchise period August 9, 2016 through August 9, 2046), as approved by the City of Birmingham on Tuesday, August 9, 2016, as set forth in agenda item 9. Director Munchus asked why there was a delay. GM Underwood responded that there was some discussion about the council members getting the information late and also questions were raised regarding why the city would enter into an agreement with itself to collect

a franchise agreement fee. GM Underwood stated he told them the Board is a separate legal entity. GM Underwood stated Staff needed the Board’s help to talk to council members to get the agreement on the next agenda to get it passed. Director Munchus voiced his agreement to assist. On a motion duly made and seconded, the following resolution was tabled:

“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. William R. Muhammad, that the Board hereby tables acceptance of a thirty (30) year franchise agreement with the City of Birmingham (franchise period August 9, 2016 through August 9, 2046.

Resolution No. 7265 is hereby tabled by unanimous vote on August 10, 2016.”

* * * * *

Next, GM Underwood asked the Board to approve an agreement with Morgan Stanley to provide Pension and OPEB Consulting Services; and to authorize the General Manager and/or the Assistant General Manager to execute the agreement, subject to review by the Board’s attorneys, as set forth in agenda item 7. GM Underwood stated the Board’s attorneys have reviewed the agreement and a few modifications have been made which were noted on the email handout provided (a copy of which is on file with the Board meeting book). 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 Ms. Sherry W. Lewis, that the Board hereby approves an agreement with Morgan Stanley to provide Pension and OPEB Consulting Services; and authorizes the General Manager and/or the Assistant General Manager to execute the agreement.

Resolution No. 7266 is hereby adopted by unanimous vote on August 10, 2016.”

* * * * *

Following, Director Lewis thanked senior Staff for their work upon her review of the Morgan Stanley agreement adding GM Underwood did everything she asked. Director Munchus added the Board should thank Mr. French as well. Director Lewis stated she did not include the attorneys because they did not review the contract for a while adding she believed when they got the contract it should have been reviewed right away.

As there was no further business before the Board, a motion was duly made and seconded, and the meeting was adjourned at 10:04 a.m.

/s/
Ronald A. Mims
Chairman/President

Attest:

_____/s/_____
George Munchus, Ph.D.
Secretary-Treasurer