

**MINUTES OF THE INFORMATIONAL MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
November 18, 2015**

The informational meeting of the directors of The Water Works Board of the City of Birmingham was held on Wednesday, November 18, 2015 at 9:00 a.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama.

The following Directors were present: Ronald A. Mims, Kevin B. McKie, Ann D. Florie, George Munchus and Sherry W. Lewis.

The meeting was also attended by: Mac Underwood, General Manager; Michael Johnson, Darryl Jones and Sonny Jones, Assistant General Managers; Grace Amison, Executive Assistant to the Board of Directors; Anitra Hendrix, Executive Assistant to the General Manager; Ben Sorrell, Iris Fisher, Barry Williams and George Anderson, Board Employees; Mary Thompson, K. Mark Parnell and Kelvin Howard, Waldrep, Stewart & Kendrick; Courtney French, Fuston, Pettway & French, LLP; Jesse Lewis, The Lewis Group; Jerry Jones, ARCADIS, U.S.; Dan Meadows, S. S. Nesbitt; Theo Johnson, Volkert, Inc.; David Merrida, Birmingham Construction Industry Authority; and Alice Gordon, Skye Connect.

Inasmuch as all of the directors were present; Chairman Mims declared a quorum in attendance.

General Manager Mac Underwood called the meeting to order at 9:05 a.m. and Chairman Mims opened with prayer.

Following, the General Manager asked the board to consider approving its budgets for calendar 2016: the Operating and Maintenance Budget totaling \$96,390,994.00; and the Capital Budget totaling \$60,357,889.00, as set forth in agenda item 1. He stated management has reviewed the item and recommend it for approval. Director McKie made a motion to approve the budgets and it was seconded by Director Florie. Director Munchus questioned whether the Capital and Operating and Maintenance budgets could be voted on separately. The General Manager responded yes. Board Attorney Mark Parnell stated the current motion on the table would need to be amended. Director Munchus then made a motion to amend the previous motion to allow for separate voting on the Capital and Operating and Maintenance budgets. Director Lewis seconded the motion. 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 amends item 1 to separate the motion to consider approval of its budgets for calendar 2016: the Operating and Maintenance Budget totaling \$96,390,994.00; and the Capital Budget totaling \$60,357,889.00. Resolution No. 7034 is hereby adopted by unanimous vote.”

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Following, Mr. Parnell clarified that the resolution will need to be modified because it had been drafted specifically to comply with the new law. Director Munchus then made a motion to

approve the Capital budget as is. Director Lewis seconded the motion. On a motion duly made and seconded, the following resolution was adopted:

“WHEREAS, The Water Works Board of the City of Birmingham (the “Board”) properly noticed and conducted a public hearing on Thursday, November 12, 2015, at 5:30 p.m, pursuant to Act No. 2015-164, Section 4(c); and,

WHEREAS, the Board has prepared its 2016 Capital Budget totaling \$60,357,889.00.

NOW, THEREFORE, BE IT RESOLVED By the Board, on a motion duly made by Mr. George Munchus and seconded by Ms. Sherry W. Lewis as follows:

1. The Board hereby approves its Capital Budget totaling \$60,357,889.00 for 2016, and,
2. In accordance with Act No. 2015-164 and Resolution No. 4166, which was adopted on December 22, 2003, as amended, (adoption of the Rate Stabilization and Equalization Procedure (RSE Model)), notice is hereby given that approval of the Capital Budget along with the contemporaneous approval of the O & M Budget for the Board for 2016 in the amount of \$96,390,944.00, will result in a rate adjustment of 4.9% and said rate adjustment will be effective January 1, 2016.

Resolution No. 7035 is hereby adopted by unanimous vote.”

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Following, Director Munchus questioned whether a separate item could be voted on regarding the Young Water Ambassadors Program in the Operating and Maintenance budget. The General Manager responded he was not sure that could be done. Director Munchus stated he missed a meeting where the Young Water Ambassadors Program was discussed. He questioned why the program was reduced from 100 participants to 50 participants. Chairman Mims stated the entire Operating and Maintenance budget was reduced for 2016. He stated other areas within the budget were also reduced besides the Young Water Ambassadors Program. Director Munchus stated he would see if the State of Alabama Department of Education could assist with funding the Young Water Ambassadors Program. He stated he feels the program is very important and he is aware of the State wanting to partner with businesses regarding programs such as this one. He stated he feels the amount being reduced from the budget for this program is a small amount. Chairman Mims responded that it is a small amount being reduced from the budget. Director Munchus questioned whether the budget can be amended once it is passed. The General Manager stated the board can amend the budget whenever it wants during the year. Director Lewis stated she doesn't feel it is an issue with cost regarding the Young Water Ambassadors Program. She stated there was money allocated for BWWB employees to be with the participants of the program. She indicated BWWB employees are not with the participants most of the time; however, there are certified teachers that work with the participants for the majority of the time. She stated the participants benefit from the program through different activities and share what they learn with others. She indicated the participants are BWWB customers. She stated the board has a responsibility to the community. She indicated a statement was made that there was an overall cut in various areas to the budget; however, that is not a true statement. She stated she suggested the board reduce one consultant's contract by \$500,000. She stated that reduction alone should have saved the Young Water Ambassador's

Program. She stated other utilities are hiring students for summer jobs and paying more than the BWWB. She stated cutting this funding is not helping the budget or the rate increase. She indicated it is wrong to cut the funding for this program for children while the board wants to hold a retreat at a cost of \$20,000. She stated these 50 students should be allowed to have these jobs. She stated the board is cutting the funding simply because it wants to and to possibly send her a message. She indicated she will not bow. She stated these students are being productive and we owe the community to assist the students. Director Lewis indicated she hopes the issue is not because the students are mostly African-American. She indicated she is asking the board to do what is right concerning these students. She stated BWWB employees will receive a 4 percent raise plus a bonus. She stated she is disturbed by cutting 50 students from the program.

Following, Chairman Mims stated there was a motion on the floor. Director McKie stated there was a motion made to approve the Operating and Maintenance budget for 2016. Director Florie then seconded the motion. Director Munchus questioned Director Lewis whether she was going to make a motion to amend the budget. Director Lewis indicated she wanted to include funding for 100 students in lieu of 50 students for the Young Water Ambassadors program. Director Lewis then made a motion to amend the previous motion to include 100 students for the Young Water Ambassadors program in the Operating and Maintenance budget for 2016. Director Munchus then seconded the motion. 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, requesting the Board to amend its 2016 Operating and Maintenance (O&M) Budget to increase the Young Water Ambassadors students from 50 to 100 in said budget totaling \$96,390,994.00, wherein the motion did not carry. Resolution No. 7036 is hereby adopted, showing Directors Munchus and Lewis voted yes and Directors Mims, McKie and Florie voted no on November 18, 2015.”

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Following, the General Manager then stated the board would need to vote on the previous motion to proceed with the Operating and Maintenance budget for 2016 as is for \$96.39 million. On a motion duly made and seconded, the following resolution was adopted:

“WHEREAS, The Water Works Board of the City of Birmingham (the “Board”) properly noticed and conducted a public hearing on Thursday, November 12, 2015, at 5:30 p.m, pursuant to Act No. 2015-164, Section 4(c); and,

WHEREAS, the Board has prepared its 2016 Operating and Maintenance (O&M) Budget with expenditures totaling \$96,390,994.00; and,

WHEREAS, the Board desires to approve as part of its O&M Budget a combined 4 percent compensation adjustment, comprised of a Merit Raise of no more than 2 percent of the gross labor budget not to exceed \$729,209.00 and a cost of living adjustment of no more than 2 percent of the gross labor budget not to exceed \$864,082.00.

NOW, THEREFORE, BE IT RESOLVED By the Board, on a motion duly made by Mr. Kevin B. McKie and seconded by Mrs. Ann D. Florie as follows:

1. The Board hereby approves its O & M Budget totaling \$96,390,994.00 for 2016; and,

2. As part of the of O & M Budget, the Board hereby approves a combined 4 percent compensation adjustment comprised of a merit of no more than 2 percent of the gross labor budget not to exceed \$729,209.00 and a cost of living adjustment of no more than 2 percent of the gross labor budget not to exceed \$864,082.00; and

3. In accordance with Act No. 2015-164 and Resolution No. 4166, which was adopted on December 22, 2003, as amended, (adoption of the Rate Stabilization and Equalization Procedure (RSE Model)), notice is hereby given that approval of the O & M Budget along with the contemporaneous approval of a Capital Budget for the Board for 2016 in the amount of \$60,357,889.00, will result in a rate adjustment of 4.9% and said rate adjustment will be effective January 1, 2016.

Resolution No. 7037 is hereby adopted by Directors Mims, McKie and Florie; and Directors Munchus and Lewis voted no on November 18, 2015.

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Following, Director Munchus then questioned what the rate increases scheduled for 2016, 2017 and 2018 are. The General Manager stated the rate increase for 2016 is 4.9 percent, 2017 is 4.2 percent and 2018-2020 is 3.9 percent. Mr. Parnell added the percentages are projected rate increases. The General Manager then thanked the board for approving the budget. He stated Assistant General Manager Michael Johnson would continue to lead the meeting due to a deposition he must attend along with two of the board's attorneys.

Following, Assistant General Manager Michael Johnson asked the Board to discuss old business and hearing none he then asked the board to hear Division Reports, as set forth in agenda item 3. Mr. Johnson presented the Finance and Administration Division's Operating & Statistical Reports (O&S) for November 2015 in a PowerPoint presentation, as set forth in agenda item 3.1. A copy of the presentation is on file with said meeting book. Mr. Johnson reported on the following: there was no significant change in the number of active customers, finished water system delivery; and consumption. He stated consumption is down about 3 percent. Next, Mr. Johnson reported on the operating revenues for October and year-to-date is \$1.6 million under budget; the operating and maintenance expenses are under budget and he indicated they are \$2.7 million ahead of the projection. Director Munchus questioned Mr. Johnson as to whether he thought that trend would continue for the remainder of the year. Mr. Johnson stated the year will end well. Mr. Johnson then reported on large O&M variances; employee health care costs are under budget \$150,000; contractor charges are under budget; paving costs are under budget by \$390,000; power costs were on target and chemicals were under budget. Director Florie left the meeting at 9:26 a.m. Mr. Johnson reported the reserve fund balances as of October 31, 2015 is \$95 million, therefore, the allocated balances as of October 2015 are significantly more than projected for the fund. He stated there is \$32 million remaining for the capital program. Director Munchus questioned whether the \$32 million is the remaining budget for 2015. Mr. Johnson stated the board does not borrow all of the money it needs for its capital program, instead it uses paygo. He stated the \$32 million is paygo that can be used towards the capital program. Following, Mr. Johnson stated the board spent \$4.3 million in minority vendor participation year-to-date through October 2015. Mr. Johnson reviewed a graphical illustration of the EasyPay stats relative to the number of users for the IVR vs. Website, the e-Check

vs. Credit/Debit cards, and the e-Bill sign-ups. He reported 27,565 customers have signed up for e-billing. He reported on the number of customers that have signed up for HomeServe and indicated just under 29,000 have signed up for the service. Director Munchus stated he did not attend the presentation regarding HomeServe and questioned whether HomeServe wants to increase its fees. Board Attorney Courtney French stated currently there are negotiations with HomeServe and a formal presentation will be made to the board soon. He stated HomeServe has indicated they are operating at a loss. Chairman Mims stated HomeServe compared their service to what they were providing in other cities which is a different service than what they provide the board. Director Lewis left the meeting at 9:30 a.m. and returned at 9:31 a.m.

Following, Assistant General Manager Sonny Jones presented the Engineering and Maintenance Division's Report (E&M), as set forth in agenda item 3.2 for November 2015 in a PowerPoint presentation. A copy of the presentation is on file with said meeting book. Mr. Sonny Jones reported the Capital Improvement Plan (CIP) expenditures are at \$37 million of the capital budget. He stated work is still being done to get the Carson Loop 6C project started. Director Munchus questioned what is holding up the project. Mr. Sonny Jones stated there are three parcels owned by two people; therefore, there is a right-of-way issue. He then gave an overview of the Shades Mountain Filter Plant improvements and stated the expected bid date is May 2016 with construction beginning in September 2016. He then gave an overview of the Carson Loop project and stated the design has been finished. Director Munchus questioned if there is another phase of Carson Loop. Assistant General Manager Darryl Jones stated there are phases 7, 8 and 9 yet to be completed. He stated Carson Loop allows the system to feed areas from more than one plant. Next, Mr. Sonny Jones stated the project at Inland Lake will not begin this year. He stated the project was delayed to analyze a proposal from the manufacturer of the dock facility that could result in savings. Director Munchus questioned whether the quality would be compromised. Mr. Sonny Jones responded no. Director Florie returned to the meeting at 9:36 a.m. Mr. Sonny Jones then gave an overview of capital project highlights; system development highlights indicating 53,000 feet of pipe has been installed; and stated the Distribution department handled 530 leak orders and indicated leak surges will increase soon.

Following, Assistant General Manager Darryl Jones was recognized to present the Operations and Technical Services Division's Report, as set forth in agenda item 3.3 for November 2015 in a PowerPoint presentation. A copy of the presentation is on file with said meeting book. He reviewed and discussed the details as outlined in said report. He reported on comparisons of finished and raw water pumpage for 2014 and 2015, indicating there was a 2015 yield of 106 million gallons per day of finished and 116 million gallons per day of raw water. He stated USX has cut back quite a bit and indicated there is a reduction in raw water usage for the year. Mr. Darryl Jones then reported on rainfall in the area indicating it is 3 to 4 inches above normal year-to-date. He reported on the lake levels' capacities, indicating Inland Lake is at a very good level and Lake Purdy's level is down slightly due to drilling work in the lake. He indicated there will not be an issue to fill the lake. He stated the finished water averaged 104 million gallons per day year-to-date. He indicated that raw customer's consumption for 2015 is lower than it has been in the previous five years. He then gave an overview of U.S. Steel's usage and indicated they average 3 to 5 million gallons per day. Director Munchus then questioned who the number one raw water customer for BWWB is. Mr. Darryl Jones responded probably the University of Alabama at Birmingham. Mr. Darryl Jones then reviewed a comparison of power and chemical costs, indicating power costs are under budget year-to-date and chemical costs are over budget; however, year-to-date the chemicals will come in under budget.

Following, Assistant General Manager Michael Johnson gave an overview of the agenda for the Regular Board of Directors' Meeting to be held November 23, 2015. He called the board's attention to item 1 on the agenda regarding the employees of the month for November 2015.

As there was no further business before the Board, Chairman Mims entertained a motion to adjourn the meeting and a motion was duly made and seconded, and the meeting adjourned at 9:46 a.m.

_____/s/
Ronald A. Mims
Chairman/President

Attest:

_____/s/
George Munchus
Secretary-Treasurer