

**MINUTES OF THE INFORMATIONAL MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
December 16, 2015**

The informational meeting of the directors of The Water Works Board of the City of Birmingham was held on Wednesday, December 16, 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; Iris Fisher, Barry Williams, Paul Lloyd, Patty Barron, Ed Travis and George Anderson, Board Employees; K. Mark Parnell and Kelvin Howard, Waldrep, Stewart & Kendrick; Courtney French, Mike Petway and Sam Ford, Fuston, Pettway & French, LLP; Dorian Kendrick and Angela Miller, The Lewis Group; Dan Meadows, S. S. Nesbitt; Theo Johnson, Volkert, Inc.; Chandra Abesingha, CE Associates; HB Brantley, BRAVIS; William Muhammad; and Alice Gordon, Skye Connect.

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

Chairman Mims called the meeting to order at 9:04 a.m. and George Anderson, Board Employee, opened with prayer.

Following, the General Manager 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 2. Assistant General Manager Johnson presented the Finance and Administration Division's Operating & Statistical Reports (O&S) through November 2015 in a PowerPoint presentation, as set forth in agenda item 2.1. A copy of the presentation is on file with said meeting book. Assistant General Manager 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 1 percent compared to 2014. Next, Assistant General Manager Johnson reported on operating revenue for November which is \$393,000 under budget and under budget in expenses; operating and maintenance expenses which are \$561,000 under budget and \$1.9 million year to date. Assistant General Manager Johnson then reported on large O&M variances; noting that employee health care costs are over budget \$63,000. He indicated he is waiting on final numbers to come in regarding stop loss reimbursement. Director Munchus questioned whether it is possible for the \$63,000 overage to go away once the numbers have been verified. Assistant General Manager Johnson responded yes. He stated contractor charges and paving costs are under budget; power costs and chemicals were under budget; labor costs are \$2 million under budget. Mr. Johnson reported the reserve fund balance as of November 30, 2015 is \$94.8 million, therefore, the allocated balances as of November 2015 are significantly more than projected. He stated there is \$32.7 million remaining for the capital program and indicated bond money is being spent. Assistant General Manager Johnson stated the board spent \$948,000 in minority vendor participation for November 2015. Director Munchus questioned whether the

money spent with minority vendors is related to just construction. The General Manager stated the amount covers any contractor hired. Assistant General Manager Johnson reviewed a graphical illustration of the EasyPay stats relative to the number of users for the IVR vs. Website, e-Check vs. Credit/Debit cards, and e-Bill sign-ups. He reported 28,488 customers have signed up for e-billing. He reported on the number of customers that have signed up for HomeServe and indicated just under 29,421 have signed up for the service. Chairman Mims questioned the status of allowing HomeServe to increase their rates. Assistant General Manager Sonny Jones stated HomeServe has stated that they have tried to keep the rates at their current amount; however, they will need to increase the premiums. He stated HomeServe would like to increase the rate \$1 for 2016 and \$1 for 2017. He indicated they are allowed to do the increase based on their contract. He indicated the original contract stated they would hold their prices for 2 years and it has been 2 years. He stated the claims in Birmingham have increased. Chairman Mims questioned whether the rates will continue to increase after 2017. Assistant General Manager Sonny Jones stated there will be no more increases. Director Lewis questioned whether the HomeServe bill is separate from the bill customers receive for their water bill. Assistant General Manager Sonny Jones responded yes and encouraged the board to not get in that business. Director Florie questioned whether the contract that customers signed indicated that there would be an increase. Assistant General Manager Sonny Jones stated he could not answer that. The General Manager stated HomeServe would have to explain an increase to customers. Director Florie clarified that it would be HomeServe's responsibility to explain to the current customers that there would be a rate increase. The General Manager responded yes and stated they must provide a 30 day notice to their customers. Director Lewis questioned what the effective date would be. The General Manager stated February 1, 2016. Assistant General Manager Sonny Jones stated HomeServe would be offering additional products. A discussion then ensued. Following, Director Florie questioned once the rate increase has been explained to customers whether HomeServe would offer insurance for customers' water heater. Assistant General Manager Sonny Jones stated he would assume so. He indicated the money BWWB receives from HomeServe for providing this service goes towards keeping water rates down. Director McKie questioned how much money BWWB has received from HomeServe. Assistant General Manager Michael Johnson stated around \$400,000. Assistant General Manager Sonny Jones stated he encourage HomeServe to offer sprinkler system insurance. Director Lewis questioned what the limits are on water and sewer. Assistant General Manager Sonny Jones responded \$10,000. Director Lewis stated the board would need to know what the limits will be for the services. Director Munchus questioned how have the contractors that are performing this work for HomeServe responded. The General Manager stated there have almost been no complaints. He stated the complaints that have been received have been limited. Director Florie stated the only complaints she has heard about were in regards to communication and she stated she wished the board had more control over that. The General Manager stated HomeServe has submitted drafts of the flyers they want to send to customers. He indicated a Communications Committee should be held to review the submissions so the board's thoughts can be communicated to HomeServe. Subsequently, Assistant General Manager Sonny Jones stated HomeServe provides 15 pro bono jobs per year at BWWB's discretion. He stated the jobs are provided to low income demographic customers that cannot afford to get the repair done or who can afford HomeServe's service. Director Munchus questioned whether more pro bono jobs could be provided by HomeServe. Assistant General Manager Sonny Jones responded yes, stating this can be done in negotiations with HomeServe. Director Munchus questioned whether HomeServe has had success with any other utility in the state. Assistant General Manager Sonny Jones stated HomeServe has only had success with BWWB. The General Manager stated he has

six items that he will confirm with HomeServe in writing and that information will be reported back to the board. Chairman Mims stated he would like to see a list of the services HomeServe is proposing to provide including costs. He indicated he cannot foresee customers being able to afford an additional \$50 per month.

Following, Assistant General Manager Sonny Jones presented the Engineering and Maintenance Division's Report (E&M), as set forth in agenda item 2.2 for December 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 \$43 million of the capital budget of \$54 million. He gave an overview of the work being done at Carson Loop and the Inland marina. He stated the project at Shades Mountain Filter Plant is currently under design with 90 percent of the design being completed. He stated the project will be bid on in April 2016. Assistant General Manager Sonny Jones then gave an overview of capital project highlights; system development highlights indicating 57,000 feet of pipe has been installed; and stated the Distribution Department is close to reaching its goal for the year in repairing leaks.

Following, Assistant General Manager Darryl Jones was recognized to present the Operations and Technical Services Division's Report, as set forth in agenda item 2.3 for December 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 102 million gallons per day of finished and 109 million gallons per day of raw water. Assistant General Manager Darryl Jones then reported on rainfall in the area indicating it is 4 inches above normal year-to-date. He reported on the lake levels' capacities, indicating Inland Lake is down a little but should return to a good level soon and Lake Purdy's level is down slightly due to drilling work in the lake. He indicated the industrial customers and USX will continue to have low consumption until summer. Assistant General Manager Darryl Jones then reviewed a comparison of power and chemical costs, indicating power costs are \$45,000 under budget year-to-date and chemical costs are \$17,000 over budget; however, year-to-date the chemicals will come in on budget. Director Munchus questioned who BWWB's top five raw water customers are. Assistant General Manager Darryl Jones responded ACIPCO, U.S. Pipe, U. S. Steel Corporation and a few other chemical companies. He indicated he would provide the board with a list of the top five raw water customers.

Following, the General Manager asked the board to discuss scheduling two regular scheduled board meetings on the second and fourth Wednesday of each month, effective January 2016, as recommended by the Executive Committee, as set forth in agenda item 3. He stated the Executive Committee discussed changing the numbers of meetings held per month from three to two. He stated the board previously held two meetings per month and the informational reports were included in the last meeting of the month. Director Lewis questioned when the board would receive full reports if the meeting will be abbreviated. Director Munchus stated he feels the board can still receive full reports in the same time frame. The General Manager stated the information reports were presented at the last monthly meeting and indicated the meeting may have lasted a hour and a half. He stated the full report can be given at the last board meeting or an abbreviated report can be presented. Director Munchus stated the full reports are very helpful. Director McKie stated the reports could be included monthly in Diligent and a quarterly information meeting could be held. Director Lewis stated there could be vital information that needs to be presented and addressed sooner than a quarterly report. Director Florie stated it

would be staff's responsibility to make the board aware of any urgent matters. Director Munchus stated he would like to see staff present full reports. Board Attorney Mark Parnell stated if the board agrees to meeting twice per month there needs to be an amendment to the by-laws. A discussion then ensued. Following, the General Manager stated the item would be moved to the agenda for the December 21, 2015 board meeting for approval.

Following, the General Manager asked the board to review and discuss committee structure for 2016 and scheduling committee meetings as deemed necessary, as recommended by the Executive Committee, as set forth in agenda item 4. The General Manager stated the Executive Committee discussed reducing the committee to four. He stated the Engineering and Maintenance Committee and the Business and Economic Development Committee have been combined into the Executive Committee. Director Munchus questioned why the board is changing from six committees to four committees. He stated he feels the more voices you have in a meeting the better the outcome will be. The General Manager stated Clarus Consulting Group presented information showing other utilities having four committees and they recommended the board make that adjustment. Director Munchus questioned whether the directors should sign up for the committees they would like to participate on and do the directors have to be on a committee other than the executive committee. Chairman Mims stated the directors can let the General Manager know which committees they would like to participate on. He stated he will go through those recommendations with staff and make a final decision. The General Manager stated it would be the board's decision as to whether a director would be required to participate on a committee other than the Executive Committee. Chairman Mims stated it is imperative for a director to serve on the committee it is a member of. Director Munchus questioned whether there is a limit to the number of committees a director can serve on. Chairman Mims stated there is no limit and indicated the committees will be equally assigned. Director Munchus then questioned the number of members anticipated for each committee. Chairman Mims responded there must be at least two members and in some cases three. Board Attorney Parnell stated there should be at least three members. Director McKie stated he feels the committees need a structured meeting. The General Manager stated the goal is for committees to meet at least once a quarter. Director Lewis stated the Engineering and Maintenance Committee meetings have run an hour or more in the past and to add it to the Finance Committee will be at least a two hour meeting. Assistant General Manager Sonny Jones stated he would give an abbreviated report regarding the capital budget and the individual items that need to be presented would go before the Executive Committee. Director Lewis stated her concern is the combining of two major committees. Director Florie questioned whether there is an option for committees to meet more often. The General Manager responded yes and stated there can be five committees. Director Munchus stated the board can reach a consensus to have four committees and if necessary increase it. Chairman Mims left the meeting at 9:45 a.m. The General Manager requested the board to let him know of any changes it would like to make to the committee structure.

Following, the General Manager asked the board to discuss a 25-Year Water Purchase Contract with Pine Bluff Water and Fire Protection Authority from January 1, 2016 through 2041, as set forth in agenda item 5. The General Manager stated Pine Bluff would like to extend their water purchase contract which would include minimum amounts they would purchase from BWWB. Chairman Mims returned to the meeting at 9:47 a.m. The General Manager stated Pine Bluff purchases part of its water from Oneonta and BWWB. He indicated this water purchase would result in \$343,000 yearly from Pine Bluff. He stated long terms contracts aid in BWWB's

bond rating. Director Florie questioned whether Pine Bluff has seen the contract. The General Manager responded yes. He then gave an overview of BWWB's current water contracts. Director Munchus questioned what the prospect of purchasing these water systems is. The General Manager stated the mayors of these cities get paid from the water system and the city; therefore, they probably want to retain ownership of their systems. Subsequently, the General Manager stated staff recommends approval of this item. On a motion duly made and seconded, the following resolution was adopted:

“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. George Munchus and seconded by Mr. Kevin B. McKie, that the Board hereby approves a 25-Year Water Purchase Contract with Pine Bluff Water and Fire Protection Authority from January 1, 2016 through 2041. Resolution No. 7061 is hereby adopted by unanimous vote.”

* * * * *

Following, the General Manager asked the board to discuss entering into a one (1) year renewal agreement with The Jones Group, LLC to provide legislative support services, as set forth in agenda item 6. The General Manager stated The Jones Group's current contract expires this month. He stated staff recommends renewing the agreement at \$5,000 per month for 12 months. The General Manager then presented the board with a summary of agreements of its current consultants. A copy of the handout is on file with said meeting book. He stated contracts are being reviewed to ensure they are properly recorded. He then gave an overview of the contracts. Director Florie questioned whether the contracts are reviewed to determine whether the terms of the contract need to be renegotiated. The General Manager stated staff is currently doing that. Director McKie questioned whether there is a contract with Smith & NeSmith and Dominick, Feld Hyde. The General Manager stated there is a retainer with Smith & NeSmith. He stated he does not believe there is an agreement with Raftelis Financial Consultants and Dominick, Feld Hyde; however, there is a draft agreement with Raftelis. He indicated there is not an agreement with Dominick, Feld Hyde because their services are not used often. Director Florie questioned whether the list is complete. The General Manager stated the list is currently being updated; therefore, it is not complete. He indicated there are several contracts that are not included on the list because they are project specific. Assistant General Manager Sonny Jones stated the majority of those contracts are regarding right-of-ways and easements which do not have a financial impact on the board. Director McKie questioned whether the contract HealthStat has been automatically renewing. The General Manager stated the board had a 3 or 5 year agreement with HealthStat and in order to cancel it must be done in the spring. Assistant General Manager Michael Johnson stated the agreement with HealthStat automatically renews on the date that the BWWB Wellness Center opened. Director McKie stated he would like for the board to be notified 30 to 60 days prior to an agreement expiring. The General Manager stated once the list is complete it will be sorted by date to give the board at least a 90 day notice.

Following, the General Manager gave an overview of the agenda for the Regular Board of Directors' Meeting to be held December 21, 2015. He called the board's attention to item 8 on the agenda regarding travel to upcoming conference and annual meetings in 2016. Assistant General Manager Michael Johnson stated he needed to bring an item to the board's attention. He then called the board's attention to item 5 on the agenda regarding amending resolutions to reflect revised monthly retirement benefits from the Board's Retirement Trust Fund for retirees Joel Rhaly and Vickie Callins. He stated a mistake was made regarding the payment for Joel

Rhaly which included an automobile allowance and the group term life insurance benefit in his calculation. He indicated Mr. Rhaly received a benefit more than what he should have received; therefore, his calculation needs to be amended. He stated Mr. Rhaly has been contacted regarding the amendment. He indicated options will be presented to the board on how to remedy the situation. Assistant General Manager Michael Johnson stated the calculation for Vickie Callins did not include longevity pay; therefore, the board owes Ms. Callins \$25.68. He stated her benefit will change from \$3,275.50 to \$3,284.06. Director Florie questioned how the mistakes were discovered. Assistant General Manager Michael Johnson stated Human Resources Manager Paul Lloyd discovered the mistake with Vickie Callins' benefit. Director Lewis questioned since there are mistakes with benefit payments is there a process to double check the payments. Assistant General Manager Michael Johnson stated BWWB uses the Ultimate software program to manage payroll. He stated there are several custom calculations that are used for benefit payments. He indicated periodically Ultimate upgrades their system and staff has to ensure that BWWB's custom calculations have been retained after the upgrade. He indicated in this case there was a custom calculation that was not included due to not being checked after an Ultimate upgrade. He stated Ultimate is notifying BWWB of its upgrades and staff is doing a better job of checking the benefit calculations. He indicated Human Resources Manager Paul Lloyd and Accounting Manager Iris Fisher will be checking the benefit calculations.

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 10:05 a.m.

/s/
Ronald A. Mims
Chairman/President

Attest:

/s/
George Munchus
Secretary-Treasurer