

**MINUTES OF THE REGULAR BI-MONTHLY MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
June 25, 2015**

The regular bi-monthly meeting of the directors of The Water Works Board of the City of Birmingham was held on Thursday, June 25, 2015 at 11:30 a.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama.

The following Directors were present: Sherry W. Lewis, Ann D. Florie, George Munchus and Kevin B. McKie. Director A. Jackie Robinson, III was not present.

The meeting was also attended by: Mac Underwood, General Manager; Sonny Jones and Michael Johnson, Assistant General Managers; Grace Amison, Executive Assistant to the Board of Directors; Anitra Hendrix, Executive Assistant to the General Manager; Rick Jackson, Paul Lloyd, Tina Webb, Jeremiah Polk, George Anderson, Doney Childrey, William Gunn, Willie Lee and Jerome Little, Board Employees; Mary Thompson, Kelvin Howard and K. Mark Parnell, Waldrep, Stewart & Kendrick; Dorian Kendrick, The Lewis Group; Brian Ruggs, ARCADIS; Theo Johnson, Volkert, Inc.; Rebecca DePalma, White Arnold & Dowd; Joseph Bryant, *The Birmingham News*; Ann C. Smith, Women Voters' League; and William Muhammad.

Inasmuch as much four of the five directors were present; First Vice Chairman Lewis declared a quorum in attendance.

First Vice Chairman Lewis called the meeting to order at 11:32 a.m. and General Manager Mac Underwood opened with prayer.

Following, the General Manager recognized the employees of the month for June 2015, as set forth in agenda item 1. Paul Lloyd, Human Resources Manager, stated Doney Childrey, William Gunn, Willie Lee and Jerome Little work in the Water Accountability Department. He stated these employees worked in three different communities to repair a loss of water pressure that residents were effected by. He stated they had to locate the source of the leak that was causing the low pressure. He indicated they were able to locate two main breaks and made the necessary repairs. He stated the correct pressure was returned to the affected areas. Following, First Vice Chairman Lewis expressed her gratitude to the employees for their hard work. 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 Mrs. Ann D. Florie and seconded by Mr. George Munchus, that the Board hereby recognizes and commends Doney Childrey (Water Accountability Tech I), William Gunn (Water Accountability Tech I), Willie Lee (Water Accountability Tech II) and Jerome Little (Water Accountability Tech I), as the Engineering and Maintenance Division’s Employees of the Month for June 2015, on having achieved outstanding job performance, attendance, and work above expected levels;

RESOLVED FURTHER, that the Board and the General Manager are hereby authorized to sign a formal resolution, the wording of which will carry out the intent herein, and an official resolution will be presented to the employees named above. Resolution No. 6937 is hereby adopted by unanimous vote.”

Following, the General Manager asked the board to approve minutes of the Board of Directors' meetings, as set forth in agenda item 3. Mr. Underwood stated staff had reviewed the minutes and recommended them for approval. 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 McKie, that the Board hereby approves minutes of the Regular Board of Directors’ Meeting held May 15, 2015; Informational Board of Directors’ Meeting held May 22, 2015; and Regular Board of Directors’ Meeting held May 28, 2015. Resolution No. 6938 is hereby adopted by unanimous vote.”

Following, the General Manager asked the board to reimburse the Operating Account for capital expenditures for the period ended May 31, 2015, from Schedule No. IV (Cash Basis) in the amount of \$5,092,247.12, as set forth in agenda item 4. Director Munchus questioned how often the money is transferred. The General Manager responded the money is transferred monthly for capital projects. On a motion duly made and seconded, the following resolution was adopted:

“WHEREAS, ARCADIS US, Incorporated, in a Certificate dated June 12, 2015, certified that during the period ending May 31, 2015 that there were expenditures for the cost of system improvements, which were paid out of the Operating Account and reimbursement of that account is now due in the preliminary amount of \$5,092,247.12 and;

WHEREAS, transfers to the Operating Account can be made from any, or a combination, of the following: the 2002 Construction Fund, the Improvement Fund, and/or the Revenue Account.

NOW, THEREFORE, BE IT RESOLVED By The Water Works Board of the City of Birmingham, on a motion duly made by Mr. George Munchus and seconded by Mr. Kevin McKie, that the Trustee be, and is hereby instructed to immediately transfer \$5,092,247.12 to the Operating Account from any, or a combination, of the following: The 2002 Construction Fund, the Improvement Fund, and/or the Revenue Account.

Resolution No. 6939 is hereby adopted by unanimous vote.”

Following, the General Manager asked the board to approve payments of invoices for professional services, as set forth in agenda items 5.1 through 5.8. The General Manager indicated staff had reviewed the invoices and recommended them for approval. Director Florie questioned what is the payment to Ed Steel on Waldrep Stewart & Kendrick’s invoice for. The General Manager stated Ed Steel is performing work regarding a proposed court case and indicated he was not sure what the details are. Director Florie stated she would abstain from

voting on the Waldrep, Stewart & Kendrick invoice until she receives an explanation regarding the work. Director McKie questioned whether the meeting could go into Executive Session to explain the invoice. Board Attorney Mark Parnell stated Board Attorney Charlie Waldrep could answer questions regarding the charge on the invoice; however, he was not present for the meeting. Subsequently, 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 payments to the following:

5.1	<u>Dominick Feld Hyde, P.C.</u> For professional services related to BWWB Cafeteria Plan performed for the period of May 28, 2015 through May 29, 2015	<u>\$ 1,740.15</u>
5.2	<u>Carl Dalton NeSmith, Jr.</u> For professional services rendered for June 2015	<u>\$ 2,700.00</u>
5.3	<u>Raftelis Financial Consultants, Inc.</u> For professional services rendered for May 2015	<u>\$ 2,766.25</u>
5.4	<u>The Jones Group, LLC.</u> For professional services rendered for June 2015	<u>\$ 5,000.00</u>
5.5	<u>Adams and Reese, LLP</u> For professional services rendered for June 2015	<u>\$ 7,500.00</u>
5.6	<u>Volkert, Inc.</u> For professional services rendered for May 2015	<u>\$ 22,312.50</u>
5.7	<u>Waldrep, Stewart & Kendrick, LLC</u> For professional services rendered for May 2015	<u>\$ 100,312.74</u>
5.8	<u>ARCADIS, U.S., Inc.</u> For professional services rendered for May 2015	<u>\$ 584,703.31</u>

Resolution No. 6940 is hereby adopted by Directors Lewis, Munchus, and McKie; Director Florie voted for items 5.1 – 5.6; and 5.8; and abstained from voting on Item 5.7.”

Following, the General Manager asked the board to take bids for the purchase and installation of a new 4 post heavy duty lift with a rolling jack for the Transportation Department, as set forth in agenda item 6. The General Manager stated there is an older lift that was installed in 1988 and it needs to be replaced. He 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 McKie, that the Board hereby authorizes staff to take bids for the purchase and installation of a new 4 post heavy duty lift with a rolling jack for the Transportation Department to lift heavy, medium sized trucks and other vehicles for the purpose of inspection, maintenance, servicing and cleaning; at an estimated out-of-pocket cost to the Board of \$100,000.00. Resolution No. 6941 is hereby adopted by unanimous vote.”

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Following, the General Manager asked the board to award bid to G & K Services for estimated quantities of uniforms for BWWB field employees, as set forth in agenda item 7. First Vice Chairman Lewis questioned whether the bid was for a year. The General Manager responded yes. He stated staff recommends approval of this item. On a motion duly made and seconded, the following resolutions were adopted:

“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. Kevin McKie and seconded by Mr. George Munchus, that the Board hereby awards bid to G & K Services, the lowest responsible and responsive bidder, for estimated quantities of uniforms for the Board's field employees, at an estimated out-of-pocket cost to the Board of \$54,917.40. Resolution No. 6942 is hereby adopted by unanimous vote.”

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Next, the General Manager gave an update regarding information requested from the June 19, 2015 Regular Board of Directors’ meeting. He presented the board with a handout regarding the SCADA system. A copy of the handout is on file with said meeting book. He stated the cost of the system and the savings cost on the maintenance agreement. He indicated the list price for the system is over \$1.5 million; however, BWWB will be able to purchase is for \$892,514.00. He stated this will result in a savings of \$627,894 for purchasing the system. The General Manager stated BWWB already has a maintenance agreement for three years in place. He indicated BWWB will receive a savings of \$79,765.00 for years two and three of the agreement. The General Manager stated the overall savings for the system is \$707,659.00. First Vice Chairman stated she spoke with Chairman Robinson and indicated he has concerns regarding discrepancies in the numbers. The General Manager responded staff was not asking the board to approve this item today but was providing this additional information. He indicated any concerns regarding this item can be addressed. First Vice Chairman Lewis questioned whether there is a warranty on the equipment. The General Manager stated there is a one year warranty on all equipment. Director McKie questioned whether the list price was a contracted price for BWWB or is it the same price for everyone. The General Manager responded BWWB is receiving a discount because it is upgrading its equipment. He stated staff would like to get this item approved at the next board meeting and requested any questions from the board regarding this item be presented to staff.

Following, the General Manager stated the he has reviewed the reports regarding the actuarial and audit reports. He stated BWWB has received good news over the last several weeks regarding BWWB operations. He stated BWWB has received an unqualified opinion on three

different audits from two different auditing firms. The General Manager stated the pension plan results were just as good. He stated the plan's investment returns exceed the investment rate of return that was forecasted. He stated the effective amortization period reduced from 16.4 years to 13.6 years which means the pension plan will be fully funded in 13.6 years. He indicated BWWB's amortization period is much lower than other companies. He stated investment returns are not fully recognized the same year when investment returns are good; however, they are smoothed over a five year period with twenty percent of the returns being recognized each year to prevent a big swing in funding. Director Munchus questioned why the "smoothing" technique is used. The General Manager responded after meeting with the actuarial, staff has found that is the best way to take out any anomalies in the plan. Assistant General Manager Michael Johnson stated it is not staff's decision to use the "smoothing" technique; however, it is used to apply gains in the pension plan. The General Manager stated there are about \$4 million of deferred gains that will be recognized in future years. He stated the OPEB plan is 68% funded.

Following, the General Manager gave an update regarding operation issues. He stated a pump went out at Cahaba Pump Station and work is being done to get it back online. He stated the pumpage at the reservoir is slightly reduced. He stated the Mulberry Intake is currently offline due to effects from thunder and lightning. Assistant General Manager Sonny Jones stated standard operational procedures are in place. He stated Cahaba Pumping Station should be back online in one day and the water at Mulberry Intake can be replaced by means of the Sipsey Pump Station. First Vice Chairman Lewis questioned whether there are any adverse effects to customers. Assistant General Manager Sonny Jones responded there are none.

As there was no further business before the Board, First Vice Chairman Lewis entertained a motion to adjourn the meeting and a motion was duly made and seconded, and the meeting adjourned at 11:57 a.m.

/s/

A. Jackie Robinson, III
Chairman/President

Attest:

/s/

George Munchus
Secretary-Treasurer