

**MINUTES OF THE REGULAR BI-MONTHLY MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
August 26, 2015**

The regular bi-monthly meeting of the directors of The Water Works Board of the City of Birmingham was held on Wednesday, August 26, 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, Sonny Jones and Darryl Jones, Assistant General Managers; Grace Amison, Executive Assistant to the Board of Directors; Anitra Hendrix, Executive Assistant to the General Manager; Paul Lloyd, George Anderson, Ben Sorrell, Iris Fisher, Edward Davis, Barry Williams, Jonathan Harris, Casey Rogers, Floyd Stephens, John Reymann, Randy Goodwin, Rusty Jennings, Joshua Cornelius, Randy Harmon, John Dansby, Michael Parker, Shirley Simmons, Geraldine Davis and Reginald Nall, Board Employees; Charlie Waldrep, J. J. Johnson, Kelvin Howard, Mary Thompson and K. Mark Parnell, Waldrep, Stewart & Kendrick; Dorian Kendrick, The Lewis Group; Jerry Jones, Trisha Brown and Brian Ruggs, ARCADIS; Kirk Mills, Theo Johnson and Norman Hill, Volkert, Inc.; Chandra Abesingha, CE Associates; David Merrida, Birmingham Construction Industry Authority; Juanita Jones, Securities Capital Corporation; Brian Jones, Utegration.

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

Chairman Mims called the meeting to order at 9:06 a.m. and George Anderson, Information Technology Manager, opened with prayer.

Following, the General Manager recognized the employee of the month for August 2015, as set forth in agenda item 1. Paul Lloyd, Human Resources Manager, stated Edward Davis works in the E & M Shop. He stated Mr. Davis was nominated for his work to design and fabricate a piston removal tool which has contributed to improvements in safety. He stated the pistons are located in potable water pump check valves which can be difficult to fix due to the location of the piston. Following, Chairman Mims expressed his gratitude to the employee for his 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 Mr. George Munchus and seconded by Mrs. Ann D. Florie, that the Board hereby recognizes and commends Edward Davis, as the Engineering and Maintenance Division’s Employee of the Month for August 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 employee named above.

Resolution No. 6971 is hereby adopted by unanimous vote.”

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Following, the General Manager asked the board to adopt resolutions commending Purification Manager Floyd Stephens, Plant Superintendents and their operations and maintenance staff, and the Electrical and Maintenance Manager John Reymann, Superintendents Casey Rogers and Rusty Jennings and Supervisor Joshua Cornelius for receiving the below referenced awards presented by the Alabama Water and Pollution Control Association (AWPCA) at its Annual Conference held on August 5, 2015, in Huntsville, Alabama, as set forth in agenda item 2. Assistant General Manager Darryl Jones stated the receiving of these awards could not be accomplished without a team effort. He stated these employees work consistently at a high level. 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 recognizes and commends Purification Manager, Floyd Stephens; Superintendents, Jonathan Harris and Randy Goodwin; the operations and maintenance staff of the treatment plants; Electrical and Mechanical Manager, John Reymann; Superintendents; Casey Rogers and Rusty Jennings; Supervisor, Joshua Cornelius; and the Electrical and Mechanical Department for the outstanding manner in which they operate these facilities and department with professionalism and excellence and for receiving “Best Operated Plant” and “Excellence in Operations” awards presented by the Alabama Water and Pollution Control Association (AWPCA) at the annual Conference held in Huntsville, Alabama, on August 5, 2015, as follows:

- Western Filter Plant – “Best Operated Plant” between 50 and 60 MGD
- Carson Filter Plant – “Award of Excellence” between 20 and 30 MGD
- Electrical and Maintenance Department – “Award of Excellence” for operations of the distribution system for water companies with greater than 100,000 active water meters

RESOLVED, the Board is proud and desires to commend Purification Manager, Floyd Stephens; Superintendents, Jonathan Harris and Randy Goodwin; the operations and maintenance staff of the treatment plants; Electrical and Mechanical Manager, John Reymann; Superintendents; Casey Rogers and Rusty Jennings; Supervisor, Joshua Cornelius; and the Electrical and Mechanical Department for receiving recognition from the AWPCA for the outstanding manner in which they operate these facilities with professionalism and excellence.

RESOLVED FURTHER, that the Board and the General Manager are hereby authorized to sign a formal resolution wherein the wording of which will carry out the intent herein, and a formal resolution will be presented to each plant and department named above. Resolution No. 6972 is hereby adopted by unanimous vote.”

Following, as there was no old business to discuss the General Manager asked the board to approve minutes of the Regular Board of Directors' meeting held July 10, 2015, as set forth in agenda item 4. 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. Kevin B. McKie and seconded by Mr. George Munchus, that the Board hereby approves minutes of the Regular Board of Directors’ Meeting held July 10, 2015. Resolution No. 6973 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 July 31, 2015, from Schedule No. IV (Cash Basis) in the amount of \$4,329,058.00, as set forth in agenda item 5. On a motion duly made and seconded, the following resolution was adopted:

“WHEREAS, ARCADIS US, Incorporated, in a Certificate dated August 18, 2015, certified that during the period ending July 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 \$4,329,058.00 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. Kevin B. McKie and seconded by Mr. George Munchus, that the Trustee be, and is hereby instructed to immediately transfer \$4,329,058.00 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. 6974 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 6.1 through 6.4. The General Manager indicated staff had reviewed the invoices 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 B. McKie, that the Board hereby authorizes staff to execute payments to the following:

- 6.1 Carl Dalton NeSmith, Jr.
For retainer fee for August 2015

\$ 500.00

6.2	<u>The Jones Group, LLC.</u> For professional services rendered for August 2015	<u>\$ 5,000.00</u>
6.3	<u>Waldrep, Stewart & Kendrick, LLC</u> For professional services rendered for July 2015	<u>\$ 95,514.69</u>
6.4	<u>ARCADIS, U.S., Inc.</u> For professional services rendered per July's 2015 Progress Report (July 2015)	<u>\$ 466,516.18</u>

Resolution No. 6975 is hereby adopted by unanimous vote.”

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Following, the General Manager requested the Board to approve an agreement and a proposal with Banks, Finley, White & Company, as set forth in agenda items 7.1 and 7.2. 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 authorizes staff to execute the following:

- 7.1 An agreement from Banks, Finley, White & Company to audit the financial statements of the Water Works Board at a fee of \$145,000.00, for three years ending December 31, 2015, December 31, 2016 and December 31, 2017, as recommended by the Finance Committee.
- 7.2 A proposal (Terms of Engagement) from Banks, Finley, White & Company to perform the Statement on Attestation Engagements No. 16 (SSAE #16) Audit Services wherein the auditors will examine the processing of sewer charges on behalf of Jefferson County, Alabama, for the period March 1, 2014 to September 30, 2015, at a fee of \$65,000.00, as recommended by the Finance Committee.

Resolution No. 6976 is hereby adopted by unanimous vote.”

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Following, the General Manager asked the board to approve a joint funding agreement with the U. S. Geological Survey that continues the operation and maintenance of daily discharge stream flow gauging stations on the Little Cahaba River above Lake Purdy, the Little Warrior River above Inland Lake, and the Mulberry River above the Mulberry Pump Station, for the period October 1, 2015 to September 30, 2016, at an out-of-pocket cost to the Board of \$27,700.00, as set forth in agenda item 8. 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 approvea joint funding agreement with the U. S. Geological Survey that continues the operation and maintenance of daily discharge stream flow gauging stations on the Little Cahaba River above Lake Purdy, the Little Warrior River above Inland Lake, and the Mulberry River above the Mulberry Pump Station, for the period October 1, 2015 to September 30, 2016, at an out-of-pocket cost to the Board of \$27,700.00. Resolution No. 6977 is hereby adopted by unanimous vote.”

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Following, the General Manager asked the board to adopt a resolution regarding a Uniform Mileage Reimbursement Policy for employees’ use of their personal vehicle while performing business on behalf of the Board, effective January 1, 2016, as recommended by the Finance Committee, as set forth in agenda item 9. Director Munchus stated he would like to know the additional benefits associated with this item. He indicated he would abstain on this item because he feels this is a benefit that goes to these positions and at the executive level he feels it is a benefit senior management has earned. He stated he does not feel reimbursement for travel is a benefit. Director McKie stated he didn’t recall the word “benefit” being used. He stated the policy states it should be a reimbursement for actual business miles driven and using artificial numbers to create a reimbursement could be described as a benefit. Director Munchus questioned whether the reimbursement would be considered taxable income. The General Manager stated if it is reimbursable then it is not taxable income. Director Florie stated this policy does not impact employees who have a company car and that this only affects employees that use their personal vehicle. Director McKie stated an employee who may have had to use their personal vehicle for company business could now get reimbursed for their mileage or use a fleet vehicle. The General Manager stated most of the company vehicles are either signed out or assigned to departments. He stated there are not a lot of additional vehicles available for use; therefore, additional vehicles would need to be purchased for fleet vehicles. Director Munchus questioned whether the General Manager thought additional vehicles would have to be purchased if this item goes into effect. The General Manager stated if vehicles are needed for employees to use on a daily basis, then additional vehicles would need to be purchased. Director McKie stated once the policy goes into effect and an analysis can be done to see whether additional vehicles would be needed. Director Munchus questioned whether putting the policy into place now is premature. Director McKie responded no because he feels that is the only way to get the data needed to analyze the use of personal vehicles. Director Lewis questioned if an employee already has a company car and the policy goes in effect, would the board have to immediately purchase a vehicle for them to use. The General Manager responded yes. Director Lewis stated she feels senior management should continue to have a car allowance. She stated senior management should not have to track their mileage because they are 24/7 employees. Director Munchus questioned whether there could be a compromise or an amendment regarding senior management. Director McKie stated a separate policy would need to be written regarding senior management and it would be an actual allowance and not based on mileage reimbursement. He indicated this policy could be implemented and the policy regarding senior management could be written within three months. Director Munchus questioned whether the monthly allowance would differ from the mileage reimbursement amount. Director McKie stated the board would come up with a number. He indicated employees who drive equal to or more than the artificial mileage number used to calculate their current payment would get the same or more money each

month. Director Munchus questioned where the mileage rates originate. Director McKie stated the numbers are based on rates from the Internal Revenue Service (IRS). Board Attorney Mark Parnell stated the rate was based on the IRS's guidelines. He stated the current policy is a set number of miles and any overage could be reimbursed. The General Manager stated no employee has requested reimbursement for mileage over the vehicle allowance since 2001. The General Manager stated he would like the authorization to purchase a few vehicles because there are some managers that are out constantly going to the different plants. He indicated there are seven to eight employees that would exceed the mileage. Director Munchus questioned are the restrictions with using a company car, such as items allowed in the car. The General Manager stated a child cannot ride in the car. Assistant General Manager Sonny Jones stated those vehicles are tracked and they are only used for business purposes. Director McKie indicated the board would not be tracking the employee's every move. The General Manager stated there are some managers that keep equipment in their personal cars to be equipped to handle issues. He stated these employees would probably prefer to have a company vehicle once this policy goes into effect. Director Lewis questioned whether this policy would place additional work on the Accounting Department. Assistant General Manager Michael Johnson stated the Accounting Department is already handling this function. Director McKie stated the General Manager can create a policy for a timeline for employees to turn in their mileage. Director Munchus questioned whether senior management would be excluded from this policy. Director McKie stated he believes a separate policy could be created for senior management after a discussion is held with them regarding their needs. The General Manager stated before his contract was approved Director McKie asked him whether he would like to negotiate for the board to lease him a car. He stated he said that if the Assistant General Managers received the same benefit he would want it; however, if they did not receive it he did not want it. Director Florie stated the mileage could be tracked for all employees to compare the usage of mileage. Director Lewis stated the mileage will fluctuate during the year. Director McKie stated the mileage could be tracked for six months. He stated employees would be reimbursed for any overages according to the current policy. Subsequently, Director Lewis stated she would like to be fair to all employees. She stated at one time employees were given the option and now their usage is being tracked to determine whether a vehicle would be purchased for them. The General Manager stated senior management would decide whether an employee needs a company vehicle or not. He stated at one time every employee had a vehicle. He indicated issues arose and the policy changed to the current policy. Board Attorney Charlie Waldrep stated in the late 1980's only the General Manager had a vehicle. He stated the Industrial Water Board's General Manager received a new vehicle every year. He stated eventually the board decided to add the vehicle allowance policy. Director Munchus reiterated that he would abstain on the item because he feels it is a benefit being taken away from senior manager. On a motion duly made and seconded, the following resolution was adopted:

“WHEREAS, the Water Works Board of the City of Birmingham (“Board”) has reevaluated its current policy that provides monthly, flat-fee vehicle allowances for certain employees; and

WHEREAS, the Board has determined that a uniform policy applicable to all employees who drive their personal car while performing duties for the Board is fair and equitable; and

WHEREAS, the current IRS Standard Mileage Rate provides employees with adequate compensation for mileage and use of the employee's vehicle; and

WHEREAS, the Board desires to provide a transition period through December 31, 2015 for employees to adjust to the practice of reimbursement based on mileage; and

WHEREAS, the Board has determined that the new policy shall take effect on January 1, 2016.

NOW, THEREFORE, BE IT RESOLVED, on a motion duly made by Mr. Kevin B. McKie and seconded by Mrs. Ann D. Florie, that the following hereby becomes:

1. Effective January 1, 2016, the Board will pay all employees, including all of its managers, the IRS Standard Mileage Rate for business miles driven in non-Board owned vehicles.
2. To the extent that this policy conflicts with any other existing Board policy, such prior conflicting provision(s) will be repealed.

Resolution No. 6978 is hereby adopted by Directors Mims, McKie, and Florie; Director Lewis voted no; and Director Munchus abstained from voting.”

Following, the General Manager asked the Board to approve and authorize the General Manager and/or Assistant General Manager to enter into a Master Services Agreement with Paymentus to provide online payment processing services for BWWB customers using credit cards, debit cards and other forms of electronic payments, as set forth in agenda item 10. The General Manager stated staff has been working to get the agreement with Paymentus in final form. He stated Paymentus will provide enhanced services to the existing system and have it up and running in twenty one (21) days. He said the agreement is for three (3) years with a sixth (6th) month termination notice. If the agreement is not terminated it would extend for another three (3) years. He indicated if the agreement is terminated, Paymentus would have to continue to provide services for one hundred and twenty (120) days. The General Manager stated Paymentus has reduced their fee to \$1.95 per transaction. He then gave an overview of enhancements that Paymentus offers. He stated some of the enhancements include providing a mobile application, ten (10) credit card swipe devices, and i-Pad kiosks in the Payment Center. Director Munchus questioned whether there is urgency regarding this item. He stated there is a company located in Birmingham that can provide similar services to Paymentus. He stated he would recommend tabling this item for thirty (30) days. He indicated it would be nice if we could support local businesses. Director Florie questioned whether a new company would have to build a system. Director Munchus said he didn't think that would have to happen. Director Lewis stated she would like the opportunity to review the agreement. She stated she felt it would be ill advised to ask the board to vote on this item at this time. She stated in the past consultants made presentations to the board; however, that is being bypassed this time. She indicated she would not be able to vote for a contract she has not read. The General Manager stated the reason for presenting the agreement because it is the same agreement that is currently in place with a few new enhancements. Director Lewis stated she would need a copy of the previous Paymentus

agreement to compare with what they are currently offering. Director McKie stated he doesn't like receiving information the morning of a meeting; however, he commended staff for working on the agreement. He indicated Paymentus has been doing work with the board for several months without a contract and delay of a couple of weeks won't hurt to evaluate the agreement. Chairman Mims recommended tabling this item for two weeks. Directors McKie and Florie stated they have an issue with the automatic renewal in the agreement. The General Manager then questioned the board what would they like the terms of the agreement to be. Director Florie stated after three years she would like there to be an option to renew instead of an automatic renewal. The General Manager stated the agreement covers more than the payment process but includes the website and better communication/notification with customers. Director Munchus questioned whether SAP could assist with communicating with customers. Board Employee Barry Williams stated SAP is capable of providing some of these services; however, there is a PCI compliance issue that the board does not want to be liable for. He stated PCI compliance deals with credit card transactions with the customer's data being housed on the BWB server. Director Florie requested staff to clarify whether the enterprise communication manager contributes to an increase in the fees. The General Manager stated the enhancements do not incur additional costs. 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 Ms. Sherry W. Lewis and seconded by Mr. George Munchus, that the Board hereby tables item 10 to approve and authorize the General Manager and/or Assistant General Manager to enter into a Master Services Agreement with Paymentus to provide online payment processing services for BWB customers using credit cards, debit cards and other forms of electronic payments. Services will be provided by charging customers \$1.95 convenience fee, with no out-of-pocket cost to the board. Resolution No. 6979 is hereby tabled by unanimous vote.”

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Following, the General Manager asked the Board to hear a presentation on the status of SAP Phase 2 – Customer Relationship & Billing, and to approve scope of services agreements with Utegration and ARCADIS, U.S., Inc., as set forth in agenda items 11.1 through 11.3. Board Employee Barry Williams presented an update of the status of SAP. He stated the purpose of SAP is to get all of the financial and operating systems on one platform. He indicated there are certain systems that will be independent due to the nature of the work. He stated these systems will be able to interface with SAP; however, they will not be a part of the SAP structure. Mr. Williams stated the maintenance management, financial managements and customer relation systems up and running on one platform. Director Munchus questioned when that would take place. Mr. Williams responded the recommendation is to start that work immediately. Director Munchus questioned why some of the systems are stand alone. The General Manager stated there is not a program on the market that can combine all of the systems BWB uses. Jerry Jones, ARCADIS, U.S., stated it is not necessary to combine all BWB systems. Mr. Williams then gave a brief overview of SAP from its inception in 2010. He stated BWB partnered with ARCADIS, U.S. and Utegration to design every process. He stated they are prepared to handle possible issues. He stated there is a change management plan that has been drafted and will be forward to senior management. He stated change management means some of the processes that have been in place for a while will need to be changed. He stated the SAP environment has been upgraded to version 7. Mr. Williams stated the I.T. systems are in place and as well as all of the

infrastructure support. He indicated several reports were developed to assist in the locating of leaks on the GIS application. He states it will be easier to update those leaks.

Subsequently, Mr. Williams stated the next phase is CRMB and the goal is for the system to go live in the third quarter of 2016. Director Munchus questioned whether that aggressive goal could be met. Mr. Williams responded yes, that goal can be met. He stated the system will be configured which includes completion of programming and testing. Mr. Williams stated the cost could not deviate from 5% of the original cost. He stated in Phase 1 they were issues that had been overlooked; however, in Phase 2 there was a blueprint to prevent that from happening again. He stated the original cost of this project in 2013 was \$8.6 million; however, the final cost today is \$11 million. Mr. Williams stated the increase is attributed to mobility, additional training, and an increase in RICEFW (Reports, Interfaces, Conversions, Enhancements, Forms and Workflows) from 116 reports to 363 reports. He indicated those reports may be reduced. Director Munchus questioned what the percentage for reduction is. Mr. Williams responded at least 20 percent. Mr. Williams stated there will also be additional testing and training to ensure the product is ready to roll out on time. He then gave an overview of the proposed schedule. Director Munchus stated he would prefer staff is slow and methodical to ensure the project runs smoothly. Mr. Williams stated staff will be slow and methodical; however, if an implementation is delayed this will result in additional costs. Director Florie stated the board needs to take proper time to review this item before voting on it. The General Manager stated this item is a continuation of the process that was started in 2010. He indicated this is management and staff continuing to work to install this system. Director Munchus questioned whether the money allocated for this project has been budgeted in the capital budget. The General Manager responded yes, the money would be allocated properly. Director Lewis questioned the purpose of a mobile application for SAP. Mr. Williams stated that application would be related to BWWB workforce. Board Employee Randy Harmon stated the mobile application will reduce paperwork and increase in production. Director Lewis questioned whether this would require the purchase of new devices. Mr. Harmon responded yes. Brian Jones, Utegration, stated a customer can view and pay their bill, they can check the status of their service order by means of SAP. He stated SAP will stop just before the actual payment is made by customers. Director Florie questioned whether SAP will assist in resolving leak orders more quickly. Mr. Williams responded yes. 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. Kevin B. McKie and seconded by Mrs. Ann D. Florie, that the Board hereby tables items 11.2 and 11.3 to approve and authorize the General Manager and/or the Assistant General Manager to accept scopes of services agreements from:

- 11.2 Utegration to perform SAP Phase 2 – Customer Relationship & Billing realization and implementation services to configure the system and assist in overall project planning, development and delivery of related functional and technical deliverables and activities to support system implementation at an out-of-pocket cost to the Board of \$9,596,554.00.
- 11.3 Arcadis U.S. to provide services related to the installation of SAP Phase 2 – Customer Relationship & Billing services including: program management, data conversion, software testing support, basis management and other implementation assistance services at a total out of pocket cost to the Board of \$1,460,474.00.

Resolution No. 6980 is hereby tabled by unanimous vote.”

Next, the General Manager presented the board with a handout regarding services provided by Burk-Kleinpeter, Inc. A copy of the handout is on file with said meeting book.

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 10:32 a.m.

/s/
Ronald A. Mims
Chairman/President

Attest:

/s/
George Munchus
Secretary-Treasurer