MINUTES OF A FINANCE COMMITTEE MEETING
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
March 3, 2016

A Finance Committee Meeting of The Water Works Board of the City of Birmingham was held on Thursday, March 3, 2016, at 9:00 a.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama.

The following Committee Members were present: Ronald A. Mims, Kevin B. McKie, and George Munchus. Director Sherry W. Lewis, a Non-Committee Member entered the meeting at 9:05 a.m.

Inasmuch as all of the Committee Members were present, Chairman Mims declared a quorum in attendance.

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; Cynthia Williams, George Anderson, Ben Sorrell, and Doug Stockham, Board Employees; G. Courtney French, Mike Petway and Paige Goldman, Fuston, Petway & French, LLP; Attorney Samuel Ford entered the meeting at 9:08 a.m.; Peiffer Brandt, Raftelis Financial Consultants; Matthew Arrington, Terminus Financial Advisors; Jerry Jones, ARCADIS; Dr. Jesse Lewis and Dorian Kendrick, The Lewis Group; Theo Johnson, Volkert, Inc.; David Merrida, BCIA; Chandra Abesingh, CE Associates; Matt Adams, Raymond James; Todd Golden and Matthew Foster, Renasant Wealth Management; Kurt Lofters, Gray & Company; Yvonne Green-Davis, Yvonne Green Davis, P.C.; and Warren Daniels, Jr., PNC Capital Markets.

General Manager Underwood called the meeting to order at 9:02 a.m. and he turned the meeting over to AGM's Michael Johnson and Sonny Jones.

AGM Michael Johnson asked the Committee to hear a presentation from Renasant Wealth Management, as noted in agenda item 2. Renasant gave a report on the 4th quarter investment performance for the BWWB's Pension Plan. (a copy of said report is on file in Diligent Boardbooks). Mr. Matthew Foster was the first to speak on behalf of the group. He reported that the beginning market value for the referenced plan at December 31, 2015 was $129,122,267.58 and the ending balance was $127,302,062.87. Mr. Foster stated that the employer contribution to the Plan for 2015 was $4,709,350.38 and the employee contribution to the Plan was $2,740,312.93. The earned income collected for 2015 was $2,957,105.04. The gain/loss and change in unrealized gain loss resulted in a net loss of approximately $2.7 million dollars, exclusive of earned income of the full portfolio. Mr. Foster stated that $8.5 million dollars was paid to beneficiaries from the Pension Plan in 2015. Miscellaneous charges of $18,356.14 were paid along with fees of $904,303.23.

Director Munchus asked what entity received payment from said Plan for foreign taxes. Mr. Foster responded and clarified that said taxes are not actually paid, but are withheld by the custody agent. He added that some of the portfolio is in foreign issues of stock. Mr. Foster stated that as of January 1, 2016, Renasant's name replaced Hughes Capital Management (HCM) and Atlantic Asset Management.

There was concern from various directors as they asked questions such as, what would be Renasant's role, and if Renasant would continue to act as the Board's fixed income manager. AGM Michael Johnson responded that Renasant would manage the fixed income portion of the Pension Plan portfolio. He also stated that RFQ's have been issued for master custodian and trustee for both the Pension and OPEB Plans. Once the consultant is chosen, they would perform a search for fixed income manager. Director Munchus asked if Renasant would respond to the RFQ and Mr. Foster responded that they would. Mr. Foster pointed out that the Board's fixed income dollars that were managed by HCM then Atlantic Asset Management had a fee structure which averaged approximately 27 and ½ basis points. He informed the Board that Renasant is managing said dollars at no cost to the Board. Mr. Foster reported on year-to-date returns for 2015 which are as follows: gross of fees was a negative 51 basis points, net of fees was a negative 86 basis points, and the total weighted index was a negative 23 basis points. Results were negative mainly due to the volatility in the equity markets last year. Director McKie questioned the negative 0.028 number noted on page 1 of the report. Mr. Foster responded that said number was the under performance relative to weighted referenced benchmark. Mr. Foster reported on the actual asset allocation of the Plan compared to the policy allocation. As of December 31, 2015, actual equity allocation was at 60.7 percent wherein policy allocation was 55.0 percent; actual fixed income allocation was 32.7 percent wherein policy allocation was 33.0 percent, and actual alternatives allocation was 4.5 percent wherein policy allocation was 10.0 percent.

Director Lewis voiced concern regarding the actual fixed income percentage. She commented that she could not recall actual allocation being as low. Mr. Foster responded that since December 31, 2015, said allocation has drifted below 32.7 percent. He commented that Renasant informed Senior Management of plans to add $7 or possibly $8 million dollars of equity holdings back to fixed income. Mr. Foster reported on investment manager performances for December 31, 2015. He stated that the total return for the Pension Plan averaged 6.8 percent for the last 3-years and 6.3 percent return for the last 5-years. He reported on components of the Plan for 2015 as it relates to market capitalization. US Large Cap dollars weighted a positive 2.1 percent, US Mid Cap weighted a positive 1.3%, US Small Cap weighted a negative (2.1) percent and International Equity weighted a negative (3.7) percent. Mr. Foster stated that approximately $4.8 million dollars is allocated to international stock. He pointed out that performance for taxable bonds was negative (20) percent basis points.

Director Munchus asked Mr. Foster to revisit page 3 of the report and he asked various questions such as: if Renasant was recommending removing alternative assets from the portfolio and he inquired about some of the holdings relative to alternatives and if there was any real estate exposure. Mr. Foster responded that a recommendation is to make a reduction in said equity allocation. He stated that the Plan has a long-short fund and a global macro fund, wherein investments could be in stock, international bonds or commodities. Mr. Foster pointed out that there is some real estate exposure in the macro fund, but no single real estate fund in the referenced portfolio. Director Lewis asked what percentage was invested in alternatives. Mr. Foster responded that 4.5 percent or approximately $4.5 million dollars is invested in alternatives. Next, Mr. Todd Golden was recognized to report on the legacy holdings of Atlantic Asset's portfolio. He reported that markets for fixed income and equity prepared for a series of interest rate increases for 2016. However, the surprising route in stocks resulted in the worst start to equities. Currently, expectations are that the Federal Government will hold off on any further interest rate increases. Mr. Golden pointed out that the portfolio inherited from Atlantic Asset was positioned to be very defensive and away from the mainstream in order to have only needed exposure to interest risks. He stated that since January 1, 2016, the market has been different than what was expected. He pointed out that Renasant turned approximately $15 million of the $37 million dollars of the bond portfolio into something that is competitive and performing in a positive manner. Mr. Golden stated that Renasant does not purchase BBB securities, wherein Atlantic Asset chose to do so. Renasant has an internal policy of only buying bonds that are rated "A" or higher, wherein Atlantic Asset allowed more latitude as they made bond purchases that were rated "BBB." Mr. Golden stated that the inherited portfolio was cleaned up which has a better credit rating and it is performing quite well. Renasant plans to reduce the securities in the referenced portfolio from 120 to approximately 75. Mr. Golden reported that since January 1, 2016, Renasant sold one and a half dozen stock of securities that was purchased by Atlantic Asset. Next, Mr. Foster was re-recognized to report on year-to-date activity regarding the Pension Plan from December 31, 2015 through February 25, 2016. He reported that the large cap fund is a negative (6.6) and the alternative investment is a negative (4.2). This is considered an under performance of approximately 150 to 200 basis points compared to the large stock cap. Mr. Foster reminded the Board of the request for them to consider using Milliman as a risk overlay strategy. He stated that if appropriate, Renasant would revisit the request at a later date. Mr. Foster commented that there had been many conversations in regards to the legacy holdings of Atlantic Asset. One of the main holdings in question is Wakpamni Lake Community, located in South Dakota. Said bond paid interest of approximately $122,000.00 on March 2, 2016, which has been posted to the account. General Manager Underwood informed the Board that Senior Management recently participated in a conference call with the receiver for Atlantic Asset. Said receiver is in the process of establishing a communications group. Director Munchus asked if the receiver was knowledgeable of who purchased the annuity relative to Atlantic Asset. General Manager Underwood responded that some of the information requested by staff, such as who purchased the annuity has not been provided to the receiver yet. Mr. Foster added that they were informed that prior to releasing some of the requested information, Atlantic Asset stated that they would discuss with their council. Upon receipt, the receiver will share information with the investors. General Manager Underwood informed the Board that interest payments for August 2015 and September 2015 have been received. Mr. Foster and Mr. Golden concluded their presentation and left the meeting at 9:35 a.m.

Next, General Manager Underwood asked the Committee to hear a presentation from Gray & Company, as noted in agenda item 3. Mr. Kurt Lofters was recognized to report on the 4th quarter investment performance for the Board's OPEB Plan (a copy of said report is on file in Diligent Boardbooks). Mr. Lofters reported that the value of the OPEB Trust at the beginning of the 4th quarter in 2015 was $24.2 million dollars. During the referenced quarter, the fund increased by $921,200.00 relative to capital gains and income, which resulted in an ending balance for the Trust of $25.1 million dollars. Mr. Lofters reported that the return for the 4th quarter was 3.80 percent. He pointed out that the referenced quarter was the best performing quarter for 2015 relative to returns. Mr. Lofters stated that returns for the first three quarters were all flat to negative, mainly the 3rd quarter. Mr. Lofters stated that even with the good returns in the 4th quarter, they were not enough to restore the Trust back to a positive for the 2015 calendar year. The year-to-date return was a negative a (0.55) percent, which was in line with the target policy. Mr. Lofters reminded the Board that in 2012, changes were made to the Plan relative to U.S. Bank along with some overall changes to the portfolio. During that time, there was a large gap between the policy index and the returns of the Trust. Since then, the gap has been closed and the policy index is slightly ahead. Mr. Lofters reported that at December 31, 2015, all funds within the Plan were positive with the exception of the Global Fixed Income Fund. He stated that a separate account under WEDGE Management was flat and it resulted in a negative return of (0.50) percent. Mr. Lofters reported that from an active management standpoint, half of the assets are actively managed funds, wherein, the goal is to beat a prescribed index. The other half of the assets are passively managed, which was changed over the last 3-years. Mr. Lofters brought attention to the Morgan-Stanley Midcap Growth Fund. The Board was not happy with the performance of said fund at the end of the 3rd quarter for 2015. Mr. Lofters commented that since there has been no improvement with the Morgan-Stanley Midcap Growth, suggestion is to replace the funds with an active manager. Mr. added that he will work with Senior Management while in the process of searching for said manager.

Director Munchus asked General Manager Underwood and AGM Michael Johnson if they were in agreement with the referenced suggestion. Both concurred that they are in agreement with the suggestion from Gray & Company. Mr. Lofters referred back to the performance of the Trust for the period ending December 31, 2012. He reported that prior to making changes the Trust had returns of 5.6 and 5.7 percent relative a 9.8 percent return to the policy index. Mr. Lofters stated that over the 2012 calendar year returns were 9.4 percent relative to 11.4 percent. He reported that as of December 31, 2015, the Trust performed fairly well relative to the policy index and the respective on returns. Mr. Lofters pointed out that all changes that were made to the Plan added value with the exception of exposure to Global Fixed Income. He stated that Gray & Company currently monitors and accesses the performance of the Global Fixed Income Fund on a continuous basis. Director Lewis asked how soon the suggested changes would be made to the Trust. Mr. Lofters responded that changes could be confirmed within a matter of weeks, once he has the opportunity to draft a letter instructing U.S. Bank to make changes and to purchase shares in the replacement fund. As there were no additional questions or concerns, Mr. Lofters concluded his presentation and left the meeting at 9:45 a.m.

Following, AGM Michael Johnson asked the Committee to review and discuss an agreement with Raftelis Financial Consultants (RFC), as noted in agenda item 4. He pointed out that RFC has been the Board's rate consultants for many years. He also stated that the cost for an agreement with RFC is included in the budget for 2016. AGM Michael Johnson commented that currently invoices are submitted by RFC for payment of services as provided.

Director Lewis voiced concern such as: why put an agreement in place, since the relationship with RFC and Board has always been great; if RFC asked for an agreement; she stated that putting an agreement in place would result in more cost to the Board; an agreement would mean the Board would be obligated to pay said consultant versus continuing to approve payment of invoices to RFC for services provided as invoices are submitted.

Director McKie voiced concern such as: how would an agreement be of more cost to the Board; whether or not the Board would be obligated to pay the referenced consultant for services provided with or without an agreement in place. As discussion continued, Chairman Mims intervened and he asked management for their opinion regarding the referenced item. General Manager Underwood pointed out that staff was asked by the Board to revise/update all contracts with the Board's consultants during the fall of 2015. He stated that he felt an agreement in place would be a formal contract with RFC, plus, it is part of the requested contract process. He added that an agreement with RFC would not be of more cost to the Board. General Manager Underwood responded that said consultant did not request an agreement with the Board. AGM Michael Johnson commented that both parties have a better understanding and working relationship when an agreement is in place. Mr. Peiffer Brandt was recognized for comments and he agreed with Director Lewis that RFC does have a great working relationship with the Board. He stated that said relationship dates back to the 90's and on a continuous basis since 2002. Mr. Brandt stated that relative to an agreement, RFC is ok with the pleasure of the Board. Subsequently, recommendation was made to move the item to the full Board requesting approval.

Next, AGM Michael Johnson asked the Committee to hear a presentation from Raftelis Financial Consultants (RFC) regarding a Cost of Service Study, as noted in agenda item 5. Mr. Peiffer Brandt was recognized to lead the discussion. Prior to said discussion, Director Munchus asked AGM Michael Johnson to send him a copy of the last Cost of Service Study (COS). Director Munchus also inquired as to the driver(s) for a Cost of Service Study. AGM Michael Johnson responded that said studies are deemed normal within the water industry and should be performed every 4 to 5 years as they would help to identify if the rate structure goal is being accomplished. Mr. Brandt commented that the last Cost of Service Study was performed in 2011. Director Munchus asked if said study would allow the Board to charge a difference in water service based on a customers' location. General Manager Underwood responded that separate charges are allowed; however, doing so is not recommended by management. He added that the various counties within the Board's service area receive water from the Board's nearest filter plant. General Manager Underwood pointed out that it is best to have a uniform rate across the system which would serve customers by class. Mr. Brandt reviewed the financial objectives/policies for 2016. He stated that historically, the reserves have been fully funded. The 2016 reserve target is $63.3 million dollars and as of November 30, 2015, actual reserves were $97.8 million dollars. Mr. Brandt pointed out that the Board is in a very good financial position which allows flexibility and also places the Board in good position with bond rating upgrades. AGM Michael Johnson commented that approximately $30 million dollars of the reserves would move to the Capital Program for PAYGO. He stated that Senior Management made a strategic decision to not borrow as much relative to bonds. Mr. Brandt reported that over the last 5-years, Operating & Maintenance (O&M) expenses increased 1.21 percent annually and said expenses increased 4.4 percent for 2016. He reported that the PAYGO target for 2016 is $15.1 million dollars and the actual amount is $13.6 million dollars. Mr. Brandt reported that within the financial model regarding the Capital Improvement Plan (CIP), a 3 percent increase is assumed relative to O&M growth. The model currently assumes 1.5 percent inflation rate and assumption is to reach the PAYGO target of 25 percent by 2020. He reported that assumption for growth in new accounts is 0.50 percent; assumption for growth in demand is a negative (0.50) percent, which is due to declining per capita usage. Mr. Brandt stated that since there is still concern regarding per capita usage, the Board may want to consider testing a higher level of negative growth. Director Munchus suggested moving the growth in negative demand as low as possible and monitor the results. Mr. Brandt stated that the last assumption would be to go to the bond market every other year. Next, Mr. Brandt reviewed the RSE Model forecast rate increases which are as follows: 4.90 percent for 2016, 4.20 percent for 2017 and 3.90 percent for 2018 through 2020. All rates noted are below national average rates, below CPI rates for water utilities and lower than CPI rates for Water, Wastewater and Solid Waste Collection. Mr. Brandt pointed out some objectives for a COS study which include: to align charges with the cost providing service; and provide an opportunity to re-evaluate pricing objectives (potentially modify the rate structure). He pointed out various reasons why the referenced study is needed now, such as: said study is performed every 4 to 5 years; the last study was completed 5 years ago; raw water usage is significantly low; there are three (3) new directors on board since the last study; directors input on pricing objectives are very important; plus a defined frequency of said study would be positive when going to the bond market. Mr. Brandt addressed the Scope of Services which is made up of three (3) phases:

- Project Initiation and Evaluation of Financial Policies
- Develop Financial Plan and Cost of Service Rate Design
- Communicate Results

Phase 1 of the study would include a kick-off workshop which will provide a collaborative environment for the Board and Management to engage with RFC and discuss the elements of said study. The workshop will also be a venue for RFC to begin to identify the collective objectives of the study. Mr. Brandt pointed out that Phase 2 of the study would relate to the development of the financial plan as well as the determination of cost of service/design of cost of service-based rates. The results of the cost of service analysis would then be used to design rates that are consistent with the pricing objectives identified in Phase 1. Phase 3 would be to communicate results; communication would be provided via reports, presentations and through public outreach. Director Munchus asked if there would be a place for public input. Mr. Brandt responded that prior to communicating results to the public there would be a public aspect process which has not been defined yet. Said process would require input from the Directors, Senior Management and the Lewis Group. Director Munchus asked if it would be good for General Manager Underwood to appear on some local radio stations. AGM Michael Johnson responded that Dr. Jesse Lewis and the Lewis Group would advise the best approach regarding public outreach.
Mr. Brandt reviewed the draft timeline schedule which is as follows: initiate the referenced study in March 2016; schedule Board workshops in April and May 2016; provide an initial draft presentation in June 2016; present final draft results regarding said study in August 2016; complete the COS study around the end of October 2016; hold a public hearing in November 2016; and rates would be effective January 1, 2017. Mr. Brandt concluded his presentation.

Director McKie commented that the COS study is exactly what is needed to help alter the rate structure to ensure that rates are evenly distributed; and to help make up the continued loss in Industrial Raw Water usage. Subsequently, recommendation was made to move item 5 to the Board requesting approval.

Following, AGM Sonny Jones asked the Committee to discuss and recommend approval to enter into a ‘standard’ Reimbursable Agreement with the Alabama Department of Transportation (ALDOT) and to authorize the General Manager and/or the Assistant General Manager to execute said agreement; and to take bids for the relocation of Water Board facilities in conflict with the Sidewalk and Drainage Improvements Project along portions of Brookwood Road, Crosshill Road, Woodvale Road and Oakdale

Road located in the City of Mountain Brook, Alabama, at no out-of-pocket cost to the Board, as noted in item 6. AGM Sonny Jones pointed out that the total cost for the referenced project is approximately $19,000.00 dollars which will be reimbursed to the Board by ALDOT. Director Munchus asked if the idea of installing sidewalks in the noted areas came from ALDOT or the City of Mountain Brook. AGM Sonny Jones responded that the City of Mountain Brook applied to the State of Alabama for funds to place the sidewalks. Director Munchus asked if said programs for funds available to other cities. AGM Sonny Jones responded yes and he stated that other cities such as Vestavia, Homewood and City of Birmingham submitted applications for said funds. Subsequently, recommendation was made to move item 6 to the Board requesting approval.

Next, AGM Sonny Jones asked the Committee to discuss and recommend approval to award bid to Global Construction & Engineering, Inc., the lowest responsible and responsive bidder, for replacement of approximately 5,875 feet of 2-inch unlined cat iron pipe and 2-inch galvanized steel pipe and 630 feet of 6-inch unlined cast iron pipe with 300 feet of 8-inch DICL pipe; 4,700 feet of 6-inch DICL pipe; 1,190 feet of 4-inch DICL pipe and related appurtenances; and 104 water services located at 60th Street North; 61st Street North; 2nd Court North; 2nd Avenue North; 59th Street South; 59th Place South; 59th Way South; 60th Street South; 61st Street South; and 3rd Avenue South located in the Woodlawn Community in the City of Birmingham, Alabama, at a bid amount of $647,242.00, plus estimated cost of materials and Water Board labor of $356,566.39, at an estimated out-of-pocket cost to the Board of $1,003,808.39, as noted in item 7. AGM Sonny Jones pointed out that Global Construction is a HUB vendor and they committed to use another HUB vendor as part of their contract, which would result in an additional 30 percent HUB participation for said project. Director Lewis asked if the referenced project referred to the new developed area in the Woodlawn Community. Doug Stockham, Manager System Development responded that project is near the revitalization area in Woodlawn. Subsequently, recommendation was made to move item 7 to the Board requesting approval.

Following, AGM Sonny Jones asked the Committee to review and recommend approval to take bids for items 8.1 through 8.3. Item 8.1 is a request to take bids for replacement of approximately 3,380 feet of 2-inch unlined cast iron pipe and 2-inch galvanized steel pipe and 2,755 feet of 2-inch cast iron cement lined pipe with approximately 3,525 feet of 8-inch DICL pipe; 2,285 feet of 6-inch DICL pipe; 730 feet of 4-inch DICL pipe and related appurtenances; and 152 water services located at 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 an estimated out-of-pocket cost to the Board of $1,280,000.00, as noted in item 8.1. AGM Sonny Jones pointed that the referenced item was accepted and approved by the Drinking Water State Revolving Loan Fund for low-cost funding. He stated that as the program develops usually around year-end, principal forgiveness is expected to be offered at that time. Director Munchus asked what state agency administers the low-cost loan program. AGM Sonny Jones responded that said program consists of federal dollars that are administered by Alabama Department of Environmental Management (ADEM). Director McKie asked if the projects noted in item 8 were included in the presentation regarding the top sixty (60) leaks. AGM Sonny Jones responded that said items are included in the top sixty leak report. Subsequently, recommendation was made to move item 8.1 to the Board requesting approval.

AGM Sonny Jones stated that next request is to take bids for replacement of approximately 4,920 feet of 2-inch unlined cast iron pipe and 2-inch galvanized steel pipe and 5,405 feet of cast iron cement lined pipe with approximately 2,300 feet of 8-inch DICL pipe; 4,550 feet of 6-inch DICL pipe; 3,475 feet of 4-inch DICL pipe and related appurtenances; and 260 water services located at Fulton Avenue SW; St. Charles Court SW; 18th Place SW; Princeton Court SW; Princeton Avenue SW; Lee Terrace SW; 20th Street SW; Lee Court SW; and 22nd Street SW located in the West End Community in the City of Birmingham, Alabama, at an estimated out-of-pocket cost to the Board of $2,250,000.00, as noted in item 8.2. AGM Sonny Jones pointed out that most existing pipe in the noted areas was placed in the 1920' and 1930's. He stated that the referenced project also qualified for funding through ADEM's Drinking Water

State Revolving Loan Fund. Mr. Stockham informed the Board that $407,000.00 dollars of principal forgiveness was received. Director Munchus asked if the work for item 8.2 would consist of one project and he asked if the contractors would be able to interface well within the community. AGM Sonny Jones responded that the referenced project would consist of 2 phases. The phases would consist of 5,000 feet per project which would take approximately 9 months to complete. He stated that staff would communicate effectively with the residents of the affected areas as well as comply with all requirements from the City of Birmingham. AGM Darryl Jones pointed out that currently Jefferson County is performing paving work in the West End Community wherein the affected communities are torn up. He commented that BWWB staff would do a better job than the County while they are working in the noted areas. Director Lewis asked when would work on the West End Project start. AGM Sonny Jones responded that the expected start time is the summer of 2016. He informed the Board that staff purchased lime green cones to distinguish work performed by the BWWB whereas; most utilities currently use orange cones or steel plates. Subsequently, recommendation was made to move item 8.2 to the Board requesting approval.

AGM Sonny Jones proceeded with the agenda and he stated that the next request is to authorize interested parties to purchase approximately 12.2 acreage of timber, via bids, located at the Putnam Filter Plant Tract wherein the cleared acreage of timber will be used by BWWB as an engineered spoil fill and sodium hypochlorite facility. The property was cruised by an Alabama A&M University registered forester with a derived timber value of approximately $11,200.00; there is no cost to the Board for having this tract cleared if the timber is purchased through the highest bid, as noted in item 8.3. Ben Sorrell, Manager Engineering Department was recognized to address said item. Mr. Sorrell stated that said item consists of three (3) parts as follows: to take bids to remove some timber from noted area; once tract is cleared, staff would like approval to use the cleared tract as an engineered spoil fill. He stated that currently spoil remains on site at BWWB until contractors with dumping areas are located to come and load materials and haul them away for a fee. There was concern from various directors as they asked questions such as: what type of materials are dumped; if the spoiled materials have any market value; could the Board use Five-Mile Creek or Fair Park East as dumping sites; and would the proposed spoil fill be used as a mini landfill for the BWWB. AGM Sonny Jones and Mr. Sorrell responded that when mains are repaired or installed, the virgin materials such as soiled concrete, asphalt and uncontaminated materials are not placed back in the ground. Said products are referred to as spoiled materials. AGM Sonny Jones commented that in the past, said materials were taken to a free landfill located in the City of Tarrant, Alabama, which is now closed. There is a Birmingham landfill wherein the Board is required to pay tipping fees to load and dump spoil. Said landfill will not accept the spoiled materials without removal of logs, wood, chunks of asphalt because the spoil is only used as a covering. General Manager Underwood responded that the property at Five-Mile Creek is no longer owned by the Board. Said property was sold/transferred to the City of Tarrant for linear park purposes. Mr. Sorrell responded that according to ADEM regulations the proposed property could not be used as a mini landfill. AGM Sonny Jones pointed out that developing an engineering spoil fill facility would be useful to the BWWB for a number of years.

Director McKie voiced concern relative to precautions taken regarding any potential liability in the surrounding areas. Mr. Sorrell responded that staff has NPDES permit for the actual plant site; staff will adhere to all corrosion control BMP's; staff will examine the drainage section; plus, there will be a detention area in place to catch materials that may leak from the soil rock. He pointed out that staff will monitor the site on a continuous basis and samples will be taken for testing on a regular basis. Director McKie instructed the Board's Attorneys to follow through and watch for potential liability to the Board. He stated that he understands that the Board would be covered by ADEM; however, staff and the Board's Attorneys need to ensure that the Board is on top of everything from an environmental aspect and not create any liability in the surrounding areas. AGM Sonny Jones commented that staff would take every necessary precaution and follow up with the Board's Attorneys. Subsequently, recommendation was made to move item 8.3 to the Board requesting approval.

Next, General Manager Underwood commented that the next item to address was to review the summary of results – investment of certain reserve funds at its leisure. This is for informational purposes, as noted in item 12. Mr. Matthew Arrington was recognized to provide updated information to the Board. He stated that on February 10, 2016, the Board approved staff to reinvest some of its reserve funds. Mr. Arrington pointed out that on March 1, 2016, mGIC conducted a formal bid process to invest four (4) of the Board's reserve funds and an improvement fund. Bid specifications were sent to six (6) prospective bidders; five (5) responses were received. Mr. Arrington informed the Board that the winner of all five funds was Bayerische Landesbank (BLK), a bank headquartered in Germany, which operates through a fully-guaranteed and federally-regulated U.S. Branch. Mr. Arrington reviewed the following results:

Fund	Rate	Annual Alternative Earnings *	Annual GIC Earnings	Annual Gain
Series 2007-A Reserve Fund:	1.02 %	$ 2,900	$ 49,100	$ 46,200
Series 2009 Reserve Fund:	1.02 %	$ 7,400	$ 126,300	$118,600
Series 2012-A Reserve Fund:	1.14%	$ 2,500	$ 47,600	$ 45,100
Series 2015-A Reserve Fund:	1.00%	$ 40	$ 650	$ 610
Series 2015-A Improv. Fund:	0.85%	$ 700	$ 10,200	$ 9,500
TOTAL:	1.04% avg .	$13,540	$ 233,850	$220,300

Mr. Arrington stated that no action was required by the Board at this time. Next step would be for Maynard Cooper & Gale to proceed with documents for closing which is scheduled for March 14, 2016.

Following, General Manager Underwood proceeded with the agenda and he asked the Committee to table item 9; to discuss and recommend a proposal from Swatek, Azbell, Howe & Ross, LLC., to provide governmental relations and lobbying services, at an out-of-pocket cost to the Board of $$5,500.00 per month; and to authorize the General Manager and/or the Assistant General Manager to execute said documents, as noted in item 9. Recommendation was made to table item 9.

Next, General Manager Underwood asked the Committee to review, discuss and recommend approval of the BWWB's Internal Investment Policy, as noted in item 10. General Manager Underwood stated that some time ago, said policy was presented to the Board requesting approval. The referenced policy is re-submitted for discussion as instructed by Director Munchus. He stated that the proposed policy would help invest some of the Boards internal cash as well as allow management to make the best decision at the opportune time. General Manager Underwood stated out that in the past, some Board members had issues with the timing of having to make the final investment decisions once quotes are received. Mr. Arrington pointed out that as some of Board's treasury/U.S. Bonds mature, it would be best to re-invest them as quickly as possible. Director Munchus asked Mr. Arrington if he professionally agreed with the Internal Investment Policy recommended by staff. Mr. Arrington responded that he is in absolute agreement with said policy. Director Lewis pointed out some concerns that were discussed by Board members in the past such as: how soon the Board would be advised of the final investment transactions; investors that were chosen for investing and how they were chosen. Director Munchus commented that he felt that senior management should be allowed to make the decision versus the Board. General Manager Underwood stated that staff would present the referenced policy to the full Board along with Board minutes regarding previous discussion of said matter. Recommendation was made to move item 10 to the Board requesting approval.

Following, General Manager Underwood asked the Committee to discuss and recommend approval of an agreement from Yvonne Green-Davis to serve as co-bond counsel on future bond issues. (This agreement only relates to future bond issues and refunding bond issues), as noted in item 11. He pointed out that Maynard Cooper & Gale was hired to provide services relative to the Guaranteed Investment Contract. General Manager Underwood stated that one of the directors requested the referenced item be placed on the agenda. He also stated that a bond team would consist of underwriters, bond counsel and underwriters counsel. He reiterated that the referenced agreement would not relate to mGIC or any interim work up to the bond issue. Director McKie referred said item to the Executive Committee; and Director Munchus recommended said item to the full Board. Subsequently, Chairman Mims agreed to move said item to the Executive Committee. There was further discussion relative to hiring co-bond counsel when the bond counsel has not yet been hired. Also, it was pointed out that Maynard Cooper & Gale was not discussed at an Executive Committee. Director McKie noted that Maynard Cooper & Gale was discussed and recommended to the full Board at a previous Finance Committee Meeting because of a timing issue. General Manager Underwood pointed out that two recommendations had been made by the committee. Following, Chairman Mims withdrew his recommendation to move item 11 to the Executive Committee. Subsequently, Chairman Mims agreed to the recommendation to move item 11 to the full Board for approval.

General Manager Underwood stated that the next item to address, which is not listed on the agenda relates to the Lead and Copper Rule (LCR). He commented that since the issue with water in Flint, Michigan, management has been involved in many discussions with some agencies such as AMWAR and AWWA and they have participated in conference calls with some national companies regarding lead and copper issues. AGM Darryl Jones was recognized to inform the Board of the requirements received from ADEM. He referred to a memo that was distributed. AGM Darryl Jones pointed out that said memo was received late in the afternoon of March 2, 2016. He stated that LCR directs how water should be treated to prevent corrosion to the pipe materials used. ADEM required that all affected PWS's provide written certification that their lead and copper sampling was performed in compliance with the LCR. AGM Darryl Jones stated that a system with over 100,000 customers such as the Board's is required to catch 100 samples every 3-years. Proof of sample results that are not above the 90^{th} percentile of the action limit reduces the required sample catch. AGM Darryl Jones stated that for the last 9 to 12 years, the BWWB's sample catch was reduced to 50 samples every 3-years. He stated that in the early 1990's, s as required by the LCR, all PWSs should have completed a materials inventory as part of the lead and copper sampling plan. He pointed out that the Board complied and submitted the required information. In response to the memo from ADEM, staff is in the process of trying to locate the information that was provided in the 1990's. Per ADEM, if the requested information needs to be updated, it should be done prior to submitting to ADEM or posting on one's website. If the requested information is not located, then it must be generated. AGM Darryl Jones explained that everything about the BWWB's water system relative to lead and copper should be reflected in the inventory. In lieu of requiring submittal of the referenced information, ADEM has required all affected PWS's to provide written certification that their lead and copper sampling was performed and is in compliance the LCR. He stated that this is a historical process wherein the Board has always complied with. Another requirement by ADEM is that once the requested information has been submitted to ADEM, it must be posted on the BWWB's website and/or the state's website, indicating the amount of lead and copper in the Board's system. AGM Darryl stated that a meeting with Senior Management and some staff members will take place later today for further discussion. Director Munchus asked that the independent engineers be included in said meeting. AGM Darryl Jones informed the Board that BWWB is in compliance with the LCR, however, there will be some extreme challenges. He stated that the Board has a very old system and some required components could possibly be needed. General Manager Underwood added that when the lead and copper rule became effective in the 1990's, there was a large focus on removing lead services from the Board's system. Concern relates to the maintenance of records at that time compared to the current level.

Director Lewis commented that she feels that due to the sensitivity of what happened with the water system in Flint, Michigan, the Board must comply with what needs to be done. She stated that since the BWWB is rated one of the highest water systems in the country, the Board will certainly adhere to whatever is necessary to continue the delivery of safe drinking water.

Next, General Manager Underwood informed the Board of another issue relative to lead and copper. He pointed out that a group called "The Guardian" wrote a number of articles regarding the Flint, Michigan water problem. The Guardian sent a request to the BWWB requesting information relative to the system; other large water systems received the said request also. General Manager Underwood commented that before responding, management will seek advice and direction from the Board's Attorneys.

Following, Chairman Mims recognized David Merrida, BCIA to inform the meeting body of an upcoming program. Mr. Merrida stated that a city-wide Minority Training Program would be held on Thursday, March 24, 2016 from 5:00 p.m. – 7:00 p.m. at the Birmingham Crossplex. Said program would educate contractors as well as inform them of projects that are going on in the Birmingham area. Some of the participants would include utilities such as Alagasco, Birmingham Waters Works Board, Jefferson County, various contractors and others. Mr. Merrida added that the referenced program is open to the public. He stated that details regarding the meeting would be provided to all. Chairman Mims asked Mr. Merrida to include The Lewis Group as they can assist with communication of the upcoming event.

As there was no further business to come before the Board, at 11:03 a motion was duly made and seconded, and the meeting was adjourned.

__________/s/_________________
Mac Underwood
General Manager

/s/
Ronald A. Mims
Chairman/President

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Kevin B. McKie
First Vice-Chairman/First Vice President

___________/s/________________________
George Munchus, Ph.D.
Secretary-Treasurer