

**MINUTES OF THE INFORMATIONAL MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
April 20, 2015**

An information meeting of the directors of The Water Works Board of the City of Birmingham was held on Monday, April 20, 2015, at 11:30 a.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama.

The following Directors were present: A. Jackie Robinson, III, Ann D. Florie, George Munchus and Kevin B. McKie. Director Sherry W. Lewis entered the meeting at 11:48 a.m.

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; Cynthia Williams, George Anderson, Ben Sorrell, Barry Williams, Paul Lloyd; Douglas Stockham, Rick Jackson and Cary Prather Board Employees; Charlie Waldrep, K. Mark Parnell, Mary Thompson and Kelvin Howard, Waldrep, Stewart & Kendrick; Rebecca DePalma, White, Arnold & Dowd, P.C.; Jerry Jones, ARCADIS; Kirk Mills and Theo Johnson, Volkert & Associates; Dorian Kendrick, The Lewis Group; Chandra Abesingha, CE Associates; Dan Meadows, SS Nesbitt; Victor M. Brown, Birmingham Business Alliance; Joseph Bryant, *The Birmingham News* and William R. Muhammad.

General Manager Mac Underwood called the meeting to order at 11:42 a.m. as he asked Mr. Barry Williams to offer prayer. The General Manager extended appreciation to the Board, management and employees for their thoughts and prayers shown during his time of bereavement.

Following, the General Manager introduced Mr. Victor Brown, from the Birmingham Business Alliance to inform the meeting body of an upcoming Supplier Summit that BWWB will participate in.

Prior to recognizing Mr. Brown, Director Munchus indicated that there were some real sensitive legal issues being dealt with by the Board. Director Munchus stated that he did not want to address details of the issues during an open meeting. Director Munchus indicated that he would like to bring this firm on board with BWWB. Director Munchus added that he would be available to discuss details with anyone offline. Director Munchus informed the General Manager that the referenced issues did not involve him or any staff members; it only involved the Board. Following, Director Munchus asked Chairman Robinson if it would be ok to make a motion to bring Adams Reese on board. An Adams and Reese LLP document was distributed during the discussion. (A copy of the document is on file with said meeting book).

Chairman Robinson agreed to the motion. A motion was made by Director Munchus and seconded by Director McKie. Director Florie voiced concern as she asked that the referenced issue be addressed in Executive Session. Director Munchus responded that it would be discussed, but not yet. Director Munchus indicated that he would be willing to meet and discuss the issue privately with Director Florie. Director Munchus added that he was aware that it was a matter of trust; however, he did not want to say a whole lot during the public meeting. Director Munchus informed Director Florie that she was aware of some of the pending legal issues as there may be others unknown to her. Director Florie then questioned the cost that would be incurred. Director Munchus responded as he indicated that the cost would be determined. Subsequently, a motion was made and seconded and 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, to hire Adams and Reese. Resolution No. 6903 is hereby adopted by Chairman Robinson and Directors Munchus and McKie. Director Florie voted no.”

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Next, Mr. Victor Brown was recognized as he stated that he was with the Birmingham Business Alliance, where he serves as Vice-President of the Minority and Small Businesses. Mr. Brown informed the meeting body that the BWWB along with several other sponsors would participate in a Supplier Summit on April 28, 2015 at the Harbert Center at 1:00 p.m. The goal is to improve minority participation and businesses owned by women in getting large dollar contracts. Mr. Brown indicated that Mr. Norm Davis with Tru-Fund would be working closely with Mr. Underwood and Mr. Ed Travis to help design some financing for said businesses. Financing options would help strengthen or fill the gap for companies that may need assistance from a financial prospective. Mr. Underwood commented that Mr. Davis has funds available to fund receivables as well as some bonding requirements. Mr. Underwood commented that Mr. Davis is in the process of preparing financial packages for the summit. (Director Lewis entered the meeting at 11:48 a.m.)

Chairman Robinson asked if Mr. Davis’ package would apply to local businesses only. Mr. Underwood responded that Mr. Davis’ package would be locally based. Mr. Brown added that Tru-Fund does have a presence outside of Birmingham. In closing, Mr. Brown shared his contact information with the meeting body.

Following, the General Manager asked the Board to hear Division Reports, as set forth in agenda item 1; Assistant General Manager Michael Johnson was recognized to present the Finance and Administration Division’s Operating & Statistical Report (O&S) for March 2015 in a PowerPoint presentation. A copy of the presentation is on file with said meeting book. At 11:55 a.m. Director Munchus departed the meeting. Mr. Johnson reported on the following: the number of active customers which is 196,000, finished water system delivery; and consumption. Next, Mr. Johnson reported on the operating revenues for March and year-to-date; through March 2015, the operating revenues are over budget by \$590,503; the operating expenses are under budget by \$193,106; the net operating revenue is \$783,610; large O&M variances include employee health care expenses which are over budget by \$227,515 due to two (2) claimants; contractor paving charges are under budget by \$26,942; paving charges are under budget by \$246,172; power expenses are over budget by \$165,916; chemical expenses are under budget by \$124,043 and the labor expenses are under budget by \$693,698, which includes overtime which is under budget by \$152,013; operating net revenue available for debt service and PAYGO is over budget by \$783,610; and total operating net revenue available for debt service year-to-date is over budget by \$2,113,173. Mr. Johnson reported that the reserve fund balance as of March 2015 is \$86.9 million. The current number of employees for March 2015 is 653. Following, Mr. Johnson reviewed and compared the minority vendors’ expenditures for March 2015. Mr. Johnson reviewed a graphical illustration of the EasyPay stats relative to the number of users of the IVR vs. Website, the e-Check vs. Credit/Debit cards, and the e-Bill sign-ups. At 12:04 p.m. Director Munchus returned to the meeting. He reported 23,758 customers have signed up for e-billing. He reported on the number of customers that have signed up for Home Serve and indicated 25,412 have signed up for said service.

Following, Assistant General Manager Sonny Jones presented the Engineering and Maintenance Division’s Report (E&M), as set forth in agenda item 2.2.1 for March 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 \$10.3 million of the \$59.4 million capital budget. He stated he believes the expenditures will be at \$59.3 million this year. Mr. Sonny Jones reviewed and discussed the Capital Project highlights that are currently under construction regarding the Inland Dam Rehab Investigation; Lake Purdy Dam Stability Dam, Carson Loop 6B and 6C and Inland Marina. Mr. Sonny Jones gave an update on System Development Department's main replacement projects that will be on the next board agenda requesting approval to take bids. Mr. Sonny Jones indicated that the specifications include language regarding minority participation. The projects include the Dolomite Community; Killough Springs Road and Woodlawn Phase 4.

Director Lewis asked how staff would advise residents in advance that BWWB would be working in their areas. Mr. Sonny Jones responded that staff would provide detailed communication to residents via neighborhood meetings as well as placing door hangers at each resident prior to beginning the projects. Following, Mr. Sonny Jones gave the Distribution Department's operational highlights related to leak orders received, repaired, outstanding leak orders and hydrant repairs.

Following, Assistant General Manager Darryl Jones was recognized to present the Operations and Technical Services Division's Report, as set forth in agenda item 2.3.1 for March 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 2014 yield of 96.9 million gallons per day of finished and 119.2 million gallons per day of raw water. Mr. Darryl Jones then reported on rainfall in the area indicating there has been much rain year-to-date, which is well above normal. He reported on the lake levels' capacities, indicating Inland Lake and Lake Purdy are above their respective guide curve/safe yield levels. He stated there was a slight increase in raw water sales compared to February 2015, with the exception of USX. Mr. Darryl Jones reiterated that consumption for USX is expected to decline later in the year. Mr. Darryl Jones then reviewed a comparison of power and chemical costs, indicating power costs are \$20,859 over budget and chemical costs are \$52,699 below budget for the month of March.

Next, General Manager Mac Underwood reviewed the tentative agenda for the scheduled April 30, 2015 Regular Board of Directors' Meeting calling attention to item 5.3 on the agenda. The General Manager indicated that request to take bids for the Dolomite Project would be placed on the upcoming agenda for approval. He stated that said project would be completed in three (3) phases. Phase one (1) is expected to be completed this year in less than 180 days. Following, the General Manager reviewed agenda item 6.1. He indicated that the request would be to award bids to two (2) contractors, Dunn Construction and Advance Asphalt to provide Asphalt Cold Mix for temporary and permanent patching requirements.

Directors asked various questions regarding the contractors for the referenced item, which contractor was preferred by staff; whether the referenced contractors have been used in the past and who the other bidders were. Mr. Sonny Jones responded that staff prefers Dunn Construction and he stated that BWWB has used them in the past. It would be cheaper to pick up the Cold Mix from Dunn Construction whereas Advance Asphalt would deliver said mix to BWWB. Mr. Sonny Jones indicated that he did not recall who the other bidders were, but he would provide the Board with the names. Following, the General Manager continued review of the tentative agenda as he addressed item 7 as noted on the agenda. The request would be to extend a five-year Cooperative Service Agreement with the U.S. Department of Agriculture (USDA) as it relates to the feral hog population at Lake Purdy.

Director Munchus questioned what the USDA had to do with the feral hog population at Lake Purdy. Mr. Darryl Jones commented that BWWB approached the USDA in 2009 to help deal with the hog population at Lake Purdy. Currently, no hunting is allowed on the Board's property. Staff works with USDA to setup traps/pins to catch the hogs. Once the hogs are caught, USDA is called in to administer blood tests and to dispose of the hogs. Mr. Darryl Jones indicated that since beginning the program in 2009, the hogs are multiplying much faster. The contract can be terminated at any time with a 120-day notice.

After a brief discussion, Director Munchus suggested that the hunting policy on Board's property be revisited.

Next, the General Manager asked Mr. Paul Lloyd and Mr. Rick Jackson to share comments of BWWB's TV kickoff. Mr. Rick Jackson stated that on the morning of April 17, 2015, launch of the BWWB TV was a success. Rather than try to find a space to reserve, the launch was delivered to employees in different areas. The video began as the General Manager welcomed everyone to the kickoff as he commented on BWWBs initiatives and its purpose. Mr. Rick Jackson invited the meeting body to visit Customer Service to view the large video wall. Mr. Jackson added that he has received positive feedback since the kickoff. Mr. Paul Lloyd stated that the theme for said launch is T.E.A.M.: (Together Everyone Achieves More). A copy of the BWWB TV correspondent was distributed during the meeting, as all employees received a copy during the launch party. A copy of the referenced document is on file with said meeting book. Mr. Lloyd indicated that other initiatives would include Town Hall Meetings and an employee engagement survey. During the town hall meetings, executive management would meet with employees to address their questions and/or concerns. Mr. Rick Jackson gave additional comments as he informed the meeting body that the Wonderful Works of Water School Program would held on Friday, May 15, 2015 at the Boutwell Auditorium at 10:30. Invitations for said event would be forthcoming.

Next, Director Lewis commended Mr. Jackson for the good news and his hard work. She indicated that while attending Brown Elementary School, she witnessed the engagement of the third graders, which was fantastic. Director Lewis stated that the referenced school program began with fifth graders and moved to third graders this year. Director Lewis emphasized the importance of BWWB's presence in the school systems to educate students. Some of the schools have science labs that are looking for volunteers to speak to the students from time to time. Director Lewis suggested that Mr. Jackson look into the matter so BWWB can become engaged in the science labs as well.

Following, the General Manager informed the Board that staff is in the initial phase of working with a local bank as it relates to some of the Board's property located at the Rosedale Pump Station. A local bank is looking to move its headquarters adjacent to the referenced pump station. The bank is expected to spend between \$25,000,000 and \$30,000,000 to re-locate. BWWB owns approximately a half-acre of land in the referenced area and the local bank would like an easement from BWWB to use some of the Board's property on the back side for parking.

Next, Director Florie requested an update on where staff is with the Acculynk contract. AGM Michael Johnson was recognized to respond as he stated that staff has met with Acculynk on several occasions. Staff is still in the process of working with Acculynk regarding the term of the contract, their IVR capabilities and their Call Center hours of operation. No final agreement has been reached on the items referenced. Once the agreement is met, staff will provide the results to the Board.

Chairman Robinson asked if there was a time frame to have the agreement finalized. The General Manager responded that the initial plan was to discuss during a Communications Committee

Meeting. If such meeting is not required, staff would move forward and discuss at the last Board Meeting in April.

Following, the General Manager informed the Board that several weeks ago, Hughes Capital Management (HCM) was asked to come before the Board with an update of the sell/buyout of HCM. Mr. Matthew Foster with Renasant Bank was recognized for comments and to introduce the current owners of HCM. Mr. Foster gave a brief summary as he stated that Renasant Bank handles the Pension Plan for BWWB with regards to trustee, advisory and administration services. For a long period of time, Renasant has worked closely with HCM being they are the primary fixed income managers of the pension plan. Mr. Foster stated that as discussed with the Board in January of this year, Ms. Frankie Hughes sold and left HCM. Since that time, a transaction was made to change the name from HCM to Atlantic Asset Management. Mr. Foster introduced the new owners as Ms. Michelle Morton, Chairperson (not in attendance); Mr. Richard Deary, President; Michael Allen, Chief Investment Officer and Mr. Ken Glover, Senior Vice-President. A brief discussion ensued as the team was told by staff and board members that they had big shoes to fill, due to the great relationship with Ms. Frankie Hughes, who was always on top of everything. Mr. Glover was recognized for comments as a presentation of the organization was distributed. Mr. Glover indicated that his working relationship with Ms. Hughes exceeds twenty years. He echoed Ms. Hughes' big shoes as he stated that she took big steps by setting up HCM to be acquired. Since the buyout, HCM purchased a larger firm, Atlantic Asset Management, which moved the company from slightly under \$1 billion dollars to \$12.5 billion dollars. The acquisition added additional capacity, more research capabilities along with moving from 2 investment professionals to eleven. Mr. Glover commented that he BWWB would see much of him being he specializes in Customer Service and Business Development. Mr. Deary was recognized for comments as he indicated that he and Ms. Morton were co-owners of Atlantic Asset Management. Ms. Morton owns 51% of the company as he owns 49%. The acquisition was confirmed earlier this month (April 2015). Discussion ensued as the team was told by staff and board members that they had big shoes to fill, being Ms. Frankie Hughes was one of the best. Mr. Deary indicated that it would be a pleasure to work with the Board as they appreciate the opportunity to continue the great working relationship established by Ms. Frankie Hughes. Mr. Michael Allen was recognized for comments as he indicated that he would be the Lead Portfolio manager of the investment team at Atlantic Asset Management. He has twenty plus years of experience in managing fixed income portfolios. Mr. Allen stated that he was part of the succession planning as he was hired by Ms. Frankie Hughes in spring of 2014. Mr. Allen indicated that one of Ms. Hughes' goals was to build the investment teams and to provide more resources to her clients whom she values much. With that in mind, Mr. Allen stated that he recommended HCM take a look at Atlantic Asset Management in the New York City area. Subsequently, HCM was successfully sold and the transaction was consummated. Mr. Allen stated that there was a fairly aggressive strategy as the new owners brought quite a bit of resources and capital into the equation. Mr. Allen commented that from a regulatory standpoint, HCM Advisory is the registration's successor. Atlantic Asset Management will be merged into the investment advisor, with the name changing to Atlantic Asset Management. Concern was voiced as to Ms. Morton's background. Mr. Glover stated that Ms. Morton was in the financial services industry for thirty plus years; she is a banker by training while asset management is her leading role. Prior to adjournment, Director Munchus departed the meeting.

Subsequently, Chairman Robinson thanked Atlantic Asset Management for their presence and their introductory presentation.

As there was no further business before the Board, a motion was duly made and seconded, and the meeting adjourned at 12:55 p.m.

/s/

A. Jackie Robinson, III
Chairman/President

Attest:

/s/

George Munchus
Secretary-Treasurer