

**MINUTES OF THE INFORMATIONAL MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
August 19, 2015**

An information meeting of the directors of The Water Works Board of the City of Birmingham was held on Wednesday, August 19, 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 and George Munchus. Director Lewis entered the meeting at 9:13 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, Iris Fisher and Johnnie Mayfield, Board Employees; K. Mark Parnell, Kelvin Howard, and Charlie Waldrep, Waldrep, Stewart & Kendrick; Dr. Jesse Lewis, The Lewis Group; Jerry Jones, ARCADIS; Theo Johnson, Kirk Mills and Norman Hill, Volkert & Associates; Dan Meadows, SS Nesbitt; John Ray, KHAFRA; Chandra Absingha, CE Associates; Walter Lewis; Jim Folsom and Walter Lewis, Piper Jaffray Company, and Mike Di'Tano and Monish Bahl, Acculynk.

Chairman Mims called the meeting to order at 9:07 a.m. as AGM Michael Johnson opened with prayer.

The General Manager was recognized to proceed with the business of the Board. Mr. Underwood informed the meeting body that former General Manager Mike Vann's father passed and services will be held on Friday, August 21, 2015.

Next, the General Manager proceeded with the agenda. As there was no old business to discuss, he asked the Board to hear Division Reports, as set forth in agenda item 2. AGM Michael Johnson presented the Finance and Administration Division's Operating & Statistical Report (O&S) for July 2015 in a PowerPoint presentation. A copy of the presentation is on file with said meeting book. Mr. Johnson reported on the following: no significant change in the number of active customers which is 194,618, finished water system delivery and consumption, which is 2 percent higher than July 2014. Next, Mr. Johnson reported on the operating revenues for July and year-to-date. Through July 2015, operating revenues are under budget by \$519,122; operating expenses are under budget by \$71,758; net operating revenue is under budget by \$447,364; operating revenues year-to-date are under budget by \$334,527; operating expenses year-to-date are under budget by \$3,196,410; net operating revenue year-to-date is over budget by \$2,861,883. Large O&M variances include employee health care expenses which are under budget year-to-date by \$93,649; contractor paving charges are under budget by \$30,905; paving charges are under budget by \$329,561; power expenses are over budget by \$119,187; chemical expenses are under budget by \$82,392, and labor expenses are under budget by \$1,300,290, including overtime which is under budget by \$219,783. Mr. Johnson reported that the reserve fund balance at July 31, 2015 is \$90.4 million, with approximately \$28.3 million available for the Capital Program.

Director Munchus asked if any of the \$28.3 million dollars in reserve could be moved to System Development without impacting bond ratings. Mr. Underwood responded that an increase in spending for the Capital Budget for this year would result in the Board having to go back to the Bond Market sooner than expected. Following, Mr. Johnson reviewed and compared the minority vendors'

expenditures for July 2015; the total minority participation percentage is 6.87 percent. The current number of employees for July 2015 is 652. Mr. Johnson reviewed a graphical illustration of the EasyPay stats relative to the number of users of the IVR vs. Website, e-Check vs. Credit/Debit cards, and the e-Bill sign-ups. He reported 25,890 customers have signed up for e-billing. The projected target was 25,500 customers. He reported on the number of customers that have signed up for Home Serve and indicated 28,586 have signed up for said service.

Director Lewis voiced concern relative to the Minority Participation Program. She asked if staff was tracking the effects of minority participation after the “How to Do Business with the BWWB” Workshop that was held in July 2015, to determine if there would be ways to increase minority participation. Mr. Underwood responded that staff has a list of approximately fifty five minority companies that do business in the Birmingham area. Said list would help to ensure that all vendors including the new minority vendors receive information on all bids. Mr. Underwood commented that after he received correspondence from Chairman Mims indicating that he would like for management to try improving minority participation, there was an initial meeting to discuss possible ways to improve participation. He added that in a couple of weeks, staff would be in a better position to update the board on findings and plans. Subsequently, Mr. Underwood stated that he would provide the Board with notes from the initial meeting as well as provide a more detailed report in a couple of weeks.

Director Munchus extended words of commendation to Chairman Mims on his leadership regarding the Minority Participation Program, particularly for making Dr. Jesse Lewis a part of the Committee. Some Directors asked questions such as: if plans prepared by staff would include all vendors? Who were the participants of the initial meeting relative to minority participation? Mr. Underwood responded that all vendors would be included in the BWWB’s plans. Meeting participants were Senior Executive Management, representatives from the Engineering, Purchasing and System Development Departments, the Board’s Attorneys, BCIA and Dr. Jesse Lewis.

Following, Assistant General Manager Sonny Jones presented the Engineering and Maintenance Division’s Report (E&M), as set forth in agenda item 2.2 for July 2015 in a PowerPoint presentation. A copy of the presentation is on file with said meeting book. Mr. Sonny Jones informed the meeting body that a few new slides were added to his report. He reported that through July 2015, the Capital Improvement Plan (CIP) expenditures are at \$28.6 million of the \$59.4 million capital budget. Mr. Sonny Jones reviewed and discussed the Capital Project highlights greater than \$1 million dollars, which includes Inland Lake Valve Replacements, Lake Purdy Dam Stabilization, Carson Loop Phase 6C, SAP Implementation (Phase II) and Shades Mountain Filter Plant Rehabilitation projects. Following, Mr. Sonny Jones gave an update on System Development Department’s main replacement projects. Mr. Sonny Jones gave highlights on the Distribution Departments leaks as he stated that as of July 2015, 412 leak orders have been completed; there are 26 outstanding leak orders with July 8, 2015 being the oldest leak in the system; as of July 2015, 153 hydrants have been repaired or replaced, with one outstanding order. AGM Sonny Jones gave an update on the status of BWWB and ARCADIS putting together a workshop for water utilities around the country. Said workshop would focus on transforming the water industry by sharing and developing practices for encouraging innovation in services, processes, technology and finance within utilities. Funding for the referenced project would be provided by the Water Research Foundation and the forty-two utility partners that submitted applications. Mr. Sonny Jones stated that the referenced utility partners would be asked to self-assess their existing innovation programs by asking executives, managers and some staff to participate in the self-assessment. Results would be available for review in mid-September 2015.

Director Lewis voiced concern of the paving process as she asked Mr. Sonny Jones to respond. Director Lewis stated that on last evening she attended a neighborhood meeting wherein the Mayor of Birmingham was in attendance also. Director Lewis stated that there was much concern from residents of the Germania Park Community regarding patch work performed by the BWWB. Director Lewis stated that said residents complained that the BWWB has placed temporary patching on previous temporary patching for approximately two years. Director Lewis commented that the Mayor informed said residents that there are rules and guidelines in place relative to patching that should be followed. Information pertaining to the areas of concern was submitted to the Mayor's office. Director Lewis stated that she would retrieve the information from a representative in the Mayor's office to share with staff at the BWWB. Mr. Sonny Jones assured Director Lewis that he would research the matter(s) as well as drive in the area to determine if the patching was performed by the BWWB or someone else. Afterwards, Mr. Sonny Jones would report back to Director Lewis of the findings.

Next, Assistant General Manager Darryl Jones was recognized to present the Operations and Technical Services Division's Report, as set forth in agenda item 2.3 for July 2015 in a PowerPoint presentation. A copy of the presentation is on file with said meeting book. He reported on comparisons of finished and raw water pumpage for 2015, indicating there was a yield of 110.2 million gallons per day of finished and 136.3 million gallons per day of raw water. Mr. Darryl Jones reported that raw water consumption is lower than it has been for the last four years during the same timeline. Mr. Darryl Jones then reported on rainfall in the area indicating that there has been 3 to 4 inches above normal rainfall. He reported on the lake levels' capacities, indicating Inland Lake and Lake Purdy are above their respective guide curve/safe yield levels. He reported on the lake levels' capacities, indicating that the lakes are in great shape as they have lots of water available. Mr. Darryl Jones reported that consumption in raw water picked up in June 2015 and fell off in July 2015, mainly due to USX Corporation. Mr. Johnnie Mayfield was recognized to give a brief update on the raw water customers, with emphasis on USX Corporation. Mr. Mayfield reported that he has been working closely with USX since January 2015 during which time the BWWB experienced a decrease in raw water consumption. At that time, the decision was made by the headquarters in Pittsburgh to idle the furnaces at USX in Fairfield, AL. Doing so resulted in less raw water consumption as well as less revenue for the BWWB. There was an increase in revenue for a few months once the furnaces were brought back online. Mr. Mayfield commented that over the last couple of weeks, a major decision was made to idle the blast furnaces, which has an impact on some of the other mills. Currently, USX projects to operate via electric ARC furnaces along with plans to build a Coupling Mill. Mr. Mayfield commented that staff has plans in place to continue providing services to USX. Staff has started replacing meters at USX with hi-tech mag-meters in order to capture all revenue.

Director Florie asked based on the new plan, what would the reduction be for the BWWB? Mr. Mayfield responded that projected consumption would be approximately 6 to 8 million gallons per day. He stated that the projected water usage for USX Corporation for the remainder of 2015 is approximately 10 million gallons per day.

In regards to Economic Development, Director Munchus asked if staff was working on contacting some of the heavy industrial water businesses out of California. Mr. Underwood responded that staff would be open for any discussion. Mr. Darryl Jones continued his presentation as he then reviewed a comparison of power and chemical costs, indicating power costs are \$17,674 under budget for the month of July; a net of \$119,187 over budget year-to-date; chemical costs are \$21,193 over budget for the month of July; a net of \$82,392 under budget year-to-date.

Next, General Manager Mac Underwood reviewed the tentative agenda for the scheduled August 26, 2015 Regular Board of Directors' Meeting as he stated that most items were routine. Mr. Underwood called attention to item 7 on the agenda. The General Manager indicated that item 7.1 would be a request to accept 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 the three (3) years ending December 31, 2015, December 2016, and December 2017. Item 7.2 would be a request to accept a proposal (Terms of Engagement) from Banks, Finley, White & Company to perform the Statement on Attestation Engagements No. 16 Audit Services at a fee of \$65,000.00. Mr. Underwood reviewed item 8, wherein the request would be 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.

Following, Mr. Underwood reminded the Board that Servis First Bank would like to purchase some of the Board's property located at the Rosedale Pump Station. A map of said site was distributed for review. Mr. Underwood stated that Servis First is currently located on Lakeshore Drive near First Commercial Bank. Servis First Bank has purchased much property surrounding the Rosedale Pump Station to build their new headquarters. Said bank is asking to purchase part of BWWB's Rosedale property that would be used as a parking lot. The plan is for Servis First Bank to purchase approximately a half-acre of BWWB's property. Mr. Underwood stated that all conditions required by the BWWB would be paid for by the referenced bank. Servis First Bank is in the process of preparing a revised agreement which will include all payment conditions. Once the agreement has been approved by staff and the Board's Attorneys, staff would come back to the Board requesting approval to proceed.

As there was no further business before the Board, a motion was duly made and seconded, and the meeting adjourned at 9:59 a.m.

/s/
Ronald A. Mims
Chairman/President

Attest:

/s/
George Munchus
Secretary-Treasurer