

**MINUTES OF THE INFORMATIONAL MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
May 22, 2015**

An information meeting of the directors of The Water Works Board of the City of Birmingham was held on Friday, May 22, 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, Sherry W. Lewis, George Munchus and Kevin B. McKie.

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, Rick Jackson, Scott Starkey and Robert Long Board Employees; K. Mark Parnell and Kelvin Howard, Waldrep, Stewart & Kendrick; Jerry Jones, ARCADIS; Kirk Mills and Theo Johnson, Volkert & Associates; Brandon Wilson, The Lewis Group; Chandra Abesingha, CE Associates; Dan Meadows, SS Nesbitt; and William R. Muhammad.

Chairman Robinson called the meeting to order at 11:39 a.m. as Mr. Barry Williams opened with prayer.

Under Old business, Director Munchus indicated that he had an item to revisit. Director Munchus stated that during the last Board Meeting held Friday, May 15, 2015, agenda item 4 was awarded to George Kountoupes Painting Company. Director Munchus asked if he could legally change his vote regarding said item. Attorney K. Mark Parnell responded that a motion would have to be made to reconsider; if the vote to reconsider passed, a motion would need to be made to place the referenced item back on the table. 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 Mrs. Sherry W. Lewis and seconded by Mr. George Munchus, that the Board hereby agreed to reconsider the motion to award bid to George Kountoupes Painting Company, as noted on the Regular Board of Directors’ Meeting Agenda dated May 15, 2015, item 4. Resolution No. 6920 is hereby adopted by unanimous vote.”

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A discussion ensued under old business as Director Munchus voiced his concern regarding the bid award and use of the Historical Underutilized Business (HUB) Program. Director Munchus stated that after receiving and reviewing a document with additional information from the General Manger regarding the bid award, he would like to vote no for the referenced agenda item. (a copy of said document is on file in Diligent Boardbooks). The goal for HUB participation is 30% and the bid awarded to George Kountoupes Painting Company came in around 3% for HUB Participation. Director Munchus asked various questions such as if the notice to proceed had been sent out; if the contract had been signed and if the referenced painting company had provided services to BWWB in the past. Staff responded that the contract had not been signed yet, nor has the notice to proceed been sent out. Mr. Sonny Jones added that the referenced painting company has been providing services to the BWWB for quite some time. Director Munchus stated that once the contractors are on site, he

would like to have some quality time with them in order to get a better understanding of the painting process. The General Manager stated that staff would schedule a site visit.

Director Lewis asked the General Manager to re-read item 4 from the agenda dated May 15, 2015. Said item read as follows: Request the Board to award bid to George Kountoupes Painting Company, the lowest responsible and responsive bidder, to make maintenance repairs and paint the inside and outside of the four (4) 5,000,000 gallon raw water tanks located at the Mulberry Site #4, at an out-of-pocket cost to the Board of \$3,008,000.00. AGM Darryl Jones was recognized for comments as he stated that staff estimated approximately \$2,700,000.00 for maintenance repairs and painting of the referenced tanks. Although the bid came in a little higher, the referenced company has painted multiple tanks for BWWB. AGM Darryl Jones added that said contractors are specialized, they perform quality work and they mobilize their crews to come from out of town.

Director Munchus stated that going forward, he would do a better job of monitoring bid documents closely. The HUB Participation goal of 30% may never be reached, but he felt that it could be more than 3 or 4%. 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, that the Board hereby authorizes staff to award bid to George Kountoupes Painting Company, the lowest responsible and responsive bidder, to make maintenance repairs and paint the inside and outside of the four (4) 5,000,000 gallon raw water tanks located at the Mulberry Site #4, at an out-of-pocket cost to the Board of \$3,008,000.00. Resolution No. 6921 is hereby adopted by Directors Robinson, Lewis and McKie; Director Munchus voted no.”

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After much discussion, Director Lewis asked if it would be beneficial for Board members to receive a bid document which lists the make-up of each bidder, the bid amount, and the HUB participation percentage. Mr. Underwood stated that going forward, said document would be provided to Directors via Diligent Boardbooks.

The next item was to request the Board to hear a presentation and proposal from mGIC (Rob Rasmussen) regarding results of investment of bond proceeds for Series 2015- A and B along with the opportunity to reinvest un-invested Debt Service Funds, as noted on agenda item 2. Mr. Rasmussen was recognized for discussion. Mr. Rasmussen gave a summary of the bid process and results of the referenced bond proceeds. On April 30, 2015, mGIC conducted a formal bid process to invest the proceeds of the Board’s Series 2015-A and B proceeds which consisted of the following:

- Project Fund – Series 2015- B in the amount of \$70,000,000 for one and a half (1 ½) years
- DSRF – Series 2015- A in the amount of \$815,537 for seven (7) years
- DSRF – Series 2015– B in the amount of \$3,279,136 for seven (7) years

Mr. Rasmussen indicated that prior to the bid, mGIC prepared and distributed Bid Specifications to prospective bidders. The Bid Specifications directed bidders to submit an interest rate for each fund to be paid on a form of GIC known as a Repurchase Agreement collateralized by 103% Treasury and Government Guaranteed Securities. The results indicated that the winner of all three (3) funds was Bayerische Landesbank (BLB), a bank headquartered in Germany. Said bank is

rated A3/A+ (Moody's/Fitch) with a fully guaranteed and federally regulated U.S. Branch. The results were as follows:

- Project Fund – 0.34 percent rate; annual alternative earnings of \$3,150.00; annual GICC earnings of \$178,500.00 and an annual gain of \$178,500.00.00.
- DSRF – Series 2015-A 1.91% rate; annual alternative savings of \$50.00; annual GIC earnings of \$15,570.00 and an annual gain of \$15,520.00.
- DSRF – Series 2015-B 1.96 percent rate; annual alternate savings of \$200.00; annual GIC earnings of \$64,270.00 and an annual gain of \$54,070.00.

Next, Mr. Rasmussen addressed proposals / current opportunities for BWWB regarding the current outstanding bonds with Debt Service Reserve Funds (GIC vs. Non-GIC). At this time, a little under half of the Board's Debt Service Funds are currently invested in GICs. By default, proceeds of any Non-GIC Debt Service Fund are now automatically swept into the Trustee's money market account. The rate of return is .006 percent. For a dramatic pickup in income, the Board can explore pursuing GICs for the Debt Service Funds that are currently Non-GIC. Mr. Rasmussen indicated that if approved by the Board, mGIC would conduct a formal bid process to invest the Board's Non-GIC Debt Service Funds. The Board is required to deposit revenues into the Debt Service Fund every month according to a fixed schedule for use by the Trustee to pay semi-annual interest and annual principal to bond holders. The average annual balance for said fund is approximately \$10,500,000.00. Mr. Rasmussen reviewed the following proposals for the Debt Service Fund:

- Annual earnings from Trustees Money Market Account with a current rate indication of .006 percent would yield annual earnings of \$630.00.
- 5 year maturity with a rate indication of 1.000 percent would result in annual GIC earnings of \$105,000.00 and an additional annual gain would be \$104,370.00.
- 7 year maturity with a rate indication of 1.300 percent would result in annual GIC earnings of \$136,500.00 and an additional annual gain of \$135,870.00.
- 10 year maturity with a rate indication of 1.575 percent would result in annual GIC earnings of \$165,375.00 and an additional annual gain of \$164,745.00.

Mr. Rasmussen indicated that his recommendation for the Debt Service Fund would be the seven (7) year maturity proposal. Mr. Underwood commented that Mr. Matthew Arrington sent an email to staff indicating that he was in agreement with the recommended proposal. After much discussion,

Mr. Underwood stated that staff would give the Board the opportunity to further review the referenced item being they were not ready to vote. Said item would be placed on the upcoming agenda scheduled for May 28, 2015 requesting approval. Mr. Rasmussen thanked the Board for the opportunity and he left the meeting at 12:26 p.m.

Following, the General Manager proceeded with the business of the board. The next item on the agenda was a request to authorize staff to take bids to upgrade the BWWB's customer notification system (also known as Outbound Dialer), which notifies customers of delinquent accounts; and to take bids for two (2) contracted programming services to create an internally managed customized system to provide electronic billing and payment processing via phone calls (also known as IVR), as noted on agenda item 2. The General Manager indicated that Mr. George Anderson believes the process could be completed in approximately thirty (30) days. The preliminary estimated cost for the first year would be approximately \$23,710.00 and approximately \$1,350.00 thereafter on an annual basis for maintenance. Mr. Underwood commented that staff recommends approval of said item.

Director Munchus asked if there was a contract in place with another firm. Mr. Underwood responded that Paymentus is the current provider and the request is to have the services performed in-house. Subsequently, a motion was made 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 Ms. Sherry W. Lewis, that the Board hereby authorizes staff to take bids to upgrade the BWWB’s Customer Notification System (aka Outbound Dialer), which notifies customers of delinquents accounts; and to take bids for two (2) contracted programming services to create an internally managed customized system to provide electronic billing and payment processing via phone calls (aka IVR). [NOTE: The bid will be structured for bidders to respond to one (1) or both components of the bid. The lowest responsible bidder for each individual component will be selected.] Resolution No. 6922 is hereby adopted by unanimous vote.”

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Next, the General Manager asked the Board to hear Division Reports, as set forth in agenda item 3. Assistant General Manager Michael Johnson was recognized to present the Finance and Administration Division’s Operating & Statistical Report (O&S) for April 2015 in a PowerPoint presentation. A copy of the presentation is on file with said meeting book. Mr. Johnson reported on the following: the number of active customers which is 195,390, finished water system delivery; and consumption. Next, Mr. Johnson reported on the operating revenues for April and year-to-date; through April 2015, the operating revenues are under budget by \$789,530; the operating expenses are under budget by \$1,122,781; the net operating revenue is over budget by \$333,251; operating revenues year-to-date are under budget by 124,233; operating expenses year-to-date are under budget by \$2,570,657; net operating revenue year-to-date is over budget by \$2,446,424. Mr. Johnson indicated that the labor costs associated with employees working on the SAP Project is charged to the project itself. Large O&M variances include employee health care expenses which are under budget year-to-date by \$112,128 (received reimbursement from stop loss); contractor paving charges are under budget by \$66,452; paving charges are under budget by \$267,760; power expenses are over budget by \$177,312; chemical expenses are under budget by \$160,237, and labor expenses are under budget by \$961,168, including overtime which is under budget by \$203,752. Mr. Johnson reported that the reserve fund balance as of April 2015 is \$89.1 million. Following, Mr. Johnson reviewed and compared the minority vendors’ expenditures for April 2015. The current number of employees for April 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 e-bill sign-ups. He reported 24,201 customers have signed up for e-billing. He reported on the number of customers that have signed up for Home Serve and indicated 26,137 warranties have been executed 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 April 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 \$15.2 million of the \$59.4 million capital budget. 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; the Carson Loop 6B project is 100% complete; a Right-of-way acquisition is being discussed for Carson Loop 6C; Request for Proposal is being drafted for the Inland Marina project. 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 today

393 leak orders have been completed; there are 10 outstanding leak orders with April 13, 2015 being the oldest leak in the system.

Next, Assistant General Manager Darryl Jones was recognized to present the Operations and Technical Services Division's Report, as set forth in agenda item 3.3.1 for April 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 96.7 million gallons per day of finished and 114.3 million gallons per day of raw water. Mr. Darryl Jones then reported on rainfall in the area indicating that April was a good month for rain. Memorial Day is normally the weekend for water demand to increase. He reported on the lake levels' capacities, indicating Inland Lake experienced a slight drop, water is gravity flowing out of Inland Lake versus being pumped; Lake Purdy is full. June is the target date for keeping Lake Purdy full; doing so, would result in no concern for water restrictions. Mr. Darryl Jones indicated that for the last thirty (30) days, there has been some dry spells in finished water delivery. Consumption for May 2015 is expected to be higher than April 2015. He stated that for the month of April, raw water sales are lower than they have been in the last five (5) years, mainly due to USX. Mr. Darryl Jones stated that based on information received, consumption for USX is expected to increase starting around June 2015. Mr. Darryl Jones then reviewed a comparison of power and chemical costs, indicating power costs are \$11,396 over budget and chemical costs are \$36,194 below budget for the month of April. The goal is to recover by using a different operating strategy beginning June 1, 2015. Next, Mr. Darryl Jones reviewed item 6.2 on the upcoming agenda, dated May 28, 2015 as he distributed a 2015 Tank Painting Project document. A copy of the document is on file with said meeting book. The referenced item was a request to take bids for painting and modification of three (3) additional tanks at various board locations. Mr. Darryl Jones indicated that the Bluff Park Tank Project is a couple of weeks away from being completed. The Mulberry Water Tanks Project was discussed earlier today; said project is related to the bid awarded to George Kountoupes Painting Company. The Homewood Surge Tank Project is estimated to start in October 2015; the Strozier Lake Tank Project is expected to start in October 2015; and the Sipsey Lake Tanks Project is expected to start in July 2015. The estimated budgeted cost for the referenced projects including the Mulberry project is approximately \$6,436,000.00.

Following, General Manager Mac Underwood reviewed the tentative agenda for the scheduled May 28, 2015 Regular Board of Directors' Meeting calling attention to item 6.1 on the agenda. The General Manager indicated that request to take bids for replacement of all safety climb bars with safety climb cables would be placed on the upcoming agenda for approval. Mr. Darryl Jones was recognized for comments as he stated that each time a tank is painted, it is updated to meet the latest safety codes. Mr. Darryl Jones indicated that ladders are used by staff to climb the tanks. From a safety standpoint, the safety climb bars need to be replaced with safety climb cables.

A discussion ensued as Directors asked various questions such as: Being the product was recalled by the manufacturer, how much of the \$100,000.00 would be recovered by BWWB or would the manufacturer replace the recalled parts with new parts. Mr. Robert Long was recognized to respond as he stated that the safety sleeve was redesigned. During Mr. Long's response, it was determined that there was not a recall, but a safety warning.

Subsequently, Director McKie suggested that staff modify the language on the agenda to clarify that there was not a recall from the manufacturer regarding the sleeves, but a safety warning for BWWB.

Next, the General Manager continued review of the tentative agenda as he called attention to agenda items 7.1 through 7.3. He indicated that the request was to award bids to replenish stock in the Warehouse and to purchase 60-inch steel pipe connections. The General Manager reviewed the last item on the tentative agenda. The General Manager indicated that the request was to enter into a one-year renewal contract with Security Engineers, Inc., for security guard services. Mr. Darryl Jones was recognized for comments as a proposal document was distributed. A copy of the document is on file with said meeting book. Mr. Darryl Jones briefly reviewed the document. Currently, Security Engineers, Inc. provides guard services at several of BWWB's facilities. The proposed costs for the guard services for 2015-2016 would be approximately \$386,361.12. This would be a reduction of \$22,424.16 for the services provided in 2014-2015. The decrease is a result of no longer needing additional services at Western Filter Plant, being the construction is complete. However, the contract with Security Engineers would increase by \$29,576 due to a proposed 2% cost of living raise along with cost associated to hire guard(s) to replace a contracted deputy that retired last year. Mr. Darryl Jones indicated that staff is pleased with services provided by Security Engineers, Inc.

Following, Director Lewis asked that items 7.2 and 7.3 be revisited relative to purchases to replenish stock in the Warehouse. Director Lewis asked if staff was utilizing new technology and purchasing updated equipment when replenishing stock in the Warehouse and she inquired about the status of testing new fire hydrants. Mr. Darryl Jones responded that staff has always used the highest quality products found in the water market. Mr. Darryl Jones indicated that the only time there may have been a stock of unusable parts in the Warehouse was when EPA changed regulations for lead and copper limit, which was January 2014. Mr. Sonny Jones responded that the new fire hydrants are great and very expensive. Mr. Sonny Jones indicated that the new hydrants would require a special tool to unlock and operate. Staff received concern from some of the fire chiefs regarding said hydrants. In the event of a fire, fire departments would like to find the hydrants unlocked rather than having to be concerned about the location of a key. Mr. Sonny Jones indicated that the fire hydrants currently used by BWWB are very good hydrants. Fire hydrants currently used can be unlocked by using a universal tool.

Director McKie asked if there was a problem with unauthorized people opening fire hydrants. Mr. Sonny Jones responded yes as he stated that during August of every year fire hydrants are tampered with as small children place items inside the hydrants.

Following, on behalf of the Board, Chairman Robinson welcomed Mr. Sonny Jones back to the office after being out on medical leave. Chairman Robinson expressed words of encouragement to Mr. Sonny Jones as he informed him that he had the opportunity to hear a speaker share that she was on her fourth hip replacement. Said speaker is a world class athlete; she was a tri-athlete and now has plans to become a rower. Chairman Robinson commented that said speaker holds the Guinness Book of World Records as being the only female rower to row farther than any other female within a 72- hour period.

In closing, Mr. Underwood informed the meeting body that Mr. Sonny Jones' son and Attorney Mary Thompson's son graduated on last evening, May 21, 2015 from Mountain Brook High School.

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