

**MINUTES OF THE REGULAR BI-MONTHLY MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
February 10, 2016**

The regular bi-monthly meeting of the directors of The Water Works Board of the City of Birmingham was held on Wednesday, February 10, 2016, at 9:00 a.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama.

The following Directors were present: Ronald A. Mims, Kevin B. McKie, Ann D. Florie, George Munchus and Sherry W. Lewis.

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

The meeting was also attended by: Mac Underwood, General Manager, Michael Johnson, and Darryl Jones, Assistant General Managers; Grace Amison, Executive Assistant to the Board of Directors; Cynthia Williams and George Anderson, Board Employees; G. Courtney French, Ryan Wilson and Paige Goldman, Fuston, Petway & French, LLP; Jerry Jones, ARCADIS; Dan Meadows, S.S. Nesbitt & Company, Dr. Jesse Lewis, Dorian Kendrick and Brandon Wilson, The Lewis Group; Theo Johnson and Kirk Mills, Volkert, Inc.; David Merrida, BCIA; Matthew Arrington, Terminus Municipal Advisors, LLC; Bryon Gilliom, Message Point Media; Yvonne-Green-Davis, Yvonne Green-Davis, P.C.; Bryce Holcomb, Citi; Matt Adams, Raymond James; Angela Avery and Alex McKenzie, IFS Securities; Frank McPhillips and Randall Minor, Maynard Cooper & Gale, P.C.; and John Ray; KHAFRA.

Chairman Mims called the meeting to order at 9:05 a.m. and prayer was offered by Mr. George Anderson.

General Manager Underwood proceeded with the business of the Board. As there was no old business to discuss, he asked for a motion to table item 3. Director Munchus questioned the reason to table the referenced item. Director McKie commented that he suggested that item 3 be tabled. 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 tables agenda item 3 to adopt a resolution amending the pay structure for the directors’ meeting expense allowance. Said resolution supersedes Resolution Nos. 2540 and 2819. Resolution No. 7120 is hereby adopted by unanimous vote.”

Next, General Manager Underwood asked the Board to approve minutes of the Regular Board of Directors’ Meeting held December 11, 2015, as set forth in agenda item 2. Mr. Underwood commented that staff recommends approval of said item. 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 McKie that the Board hereby approves minutes of the Regular Board of Directors’ Meeting held December 11, 2015. Resolution No. 7121 is hereby adopted by unanimous vote.”

Following, General Manager Underwood asked the Board to approve reimbursement to the Operating Account, as set forth in agenda item 4. He indicated that management recommends

approval of said item. Subsequently, a motion was duly made and seconded and the following resolution was adopted:

“WHEREAS, ARCADIS US, Incorporated, in a Certificate dated February 4, 2016, certified that during the period ending December 31, 2015 that there were expenditures for the cost of system improvements, which were paid out of the Operating Account and reimbursement of that account is now due in the preliminary amount of \$11,408,559.05 and;

WHEREAS, transfers to the Operating Account can be made from any, or a combination, of the following: the 2002 Construction Fund, the Improvement Fund, and/or the Revenue Account.

NOW, THEREFORE, BE IT RESOLVED By The Water Works Board of the City of Birmingham, on a motion duly made by Mr. George Munchus and seconded by Mr. Kevin B. McKie, that the Trustee be, and is hereby instructed to immediately transfer \$11,408,559.05 to the Operating Account from any, or a combination, of the following: The 2002 Construction Fund, the Improvement Fund, and/or the Revenue Account.

Resolution No. 7122 is hereby adopted by unanimous vote.”

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Next, General Manager Underwood asked the Board to approve payments of invoices for professional services, as set forth in agenda items 5.1 through 5.3. Mr. Underwood indicated that management has reviewed said invoices and recommends approval. 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 execute payments to the following:

- 5.1 Carl Dalton NeSmith Jr., LLC
For retainer for February 2016 \$ 500.00
- 5.2 Terminus Municipal Advisors, LLC
For professional services rendered for January 2016 \$ 6,500.00
- 5.3 Fine Geddie & Associates, LLC
For professional services rendered for February 2016 \$ 10,000.00

Resolution No.7123 is hereby adopted by unanimous vote.”

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Following, the Board was asked to amend and ratify payment amount to ARCADIS U.S., Inc., as set forth in agenda item 6. Chairman Mims questioned how the error occurred. General Manager Underwood responded that ARCADIS invoice lists totals for capital expenses and the operating expenses separately; operating expenses were not included in the total submitted on January 27, 2016. He indicated that staff recommends approval of said item. 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 amend and ratify ARCADIS, U.S., payment amount to \$695,611.33. (Incorrect invoice amount of \$466,992.08 was submitted and approved at January 27, 2016 Board Meeting.)

Resolution No. 7124 is hereby adopted by unanimous vote.”

Following, the Board was asked to adopt resolutions authorizing monthly retirement benefits and commending those employees for their years of services as set forth in agenda items 7.1 and 7.2. The General Manager commented that staff recommends approval of said items. On a motion duly made and seconded the following resolutions were adopted:

“WHEREAS, Jesse Inman, an employee of The Water Works Board of the City of Birmingham ("the Board"), is retiring, effective March 1, 2016, at an age of 52; and

WHEREAS, Jesse Inman has 32 years and 7 months of continuous service with the Board at his retirement date, and, in accordance with the terms of the Trusteed Pension Plan, Mr. Inman is entitled to receive a monthly Retirement payment from the Board’s Retirement Trust Fund in the amount of \$6,661.80; and

NOW, THEREFORE, BE IT RESOLVED By the Board of Directors of The Water Works Board of the City of Birmingham, on motion duly made by Mr. George Munchus and seconded by Mr. Kevin B. McKie, that the Trustee be, and is hereby instructed to pay monthly benefit payments of \$6,661.80 to Mr. Inman, beginning March 1, 2016, from the Board’s Retirement Trust Fund, in accordance with the terms of the Pension Plan.

Resolution No. 7125 is hereby adopted by unanimous vote.”

WHEREAS, Jesse Inman, an employee of The Water Works Board of the City of Birmingham, is retiring, effective March 1, 2016, after 32 years and 7 months of service with the Board; and

WHEREAS, management has informed the Board of Jesse Inman’s efficiency, reliability, and loyal service which contributed to the effective operation and growth of The Water Works Board of the City of Birmingham; and

WHEREAS, Jesse Inman, leaves behind a record which deserves a sincere word of gratitude for a job well done; and the Board does hereby express its best wishes for many happy years ahead.

NOW, THEREFORE, BE IT RESOLVED, By the Board of Directors of the Water Works Board of the City of Birmingham, Jesse Inman is hereby commended for his efficiency, reliability, and loyal service to the Board.

BE IT FURTHER RESOLVED, that in recognition of Jesse Inman’s services to the Board, a copy of this resolution be spread upon the minutes of The Water Works Board of the City of Birmingham and an official resolution presented to Mr. Inman.

Resolution No. 7126 is hereby adopted by unanimous vote on February 10, 2016.

“WHEREAS, Billy Rhodes, an employee of The Water Works Board of the City of Birmingham ("the Board"), is retiring, effective March 1, 2016, at an age of 56; and

WHEREAS, Billy Rhodes has 30 years of continuous service with the Board at his retirement date, and, in accordance with the terms of the Trusteed Pension Plan, Mr. Rhodes is entitled to receive a monthly Retirement payment from the Board’s Retirement Trust Fund in the amount of \$3,926.13; and

NOW, THEREFORE, BE IT RESOLVED By the Board of Directors of The Water Works Board of the City of Birmingham, on motion duly made by Mr. George Munchus and seconded by Mr. Kevin B. McKie, that the Trustee be, and is hereby instructed to pay monthly benefit payments of \$3,926.13 to Mr. Rhodes, beginning March 1, 2016, from the Board’s Retirement Trust Fund, in accordance with the terms of the Pension Plan.

Resolution No. 7127 is hereby adopted by unanimous vote.”

“WHEREAS, Billy Rhodes, an employee of The Water Works Board of the City of Birmingham, is retiring, effective March 1, 2016, after 30 years of service with the Board; and

WHEREAS, management has informed the Board of Billy Rhodes’ efficiency, reliability, and loyal service which contributed to the effective operation and growth of The Water Works Board of the City of Birmingham; and

WHEREAS, Billy Rhodes, leaves behind a record which deserves a sincere word of gratitude for a job well done; and the Board does hereby express its best wishes for many happy years ahead.

NOW, THEREFORE, BE IT RESOLVED, By the Board of Directors of the Water Works Board of the City of Birmingham, Billy Rhodes is hereby commended for his efficiency, reliability, and loyal service to the Board.

BE IT FURTHER RESOLVED, that in recognition of Billy Rhodes’ services to the Board, a copy of this resolution be spread upon the minutes of The Water Works Board of the City of Birmingham and an official resolution presented to Mr. Rhodes.

Resolution No. 7128 is hereby adopted by unanimous vote.”

Next, General Manager Underwood asked the Board to approve expenditures with MARS Company, a sole source provider, as set forth in agenda item 8. General Manager Underwood pointed out that relative to item 8, all new meters along with some meters in the field are tested for accuracy. The current Meter Test Bench is over 20 years old and needs to be replaced. AGM Darryl Jones added that replacement would result in an upgrade to a more sophisticated model.

Director Munchus asked if MARS Company was local. Mr. Geoff Goodwin, Water Revenue Manager was asked to enter the meeting to respond and he stated that said company is located in Ocala, Florida. He added that MARS Company is one of two providers that manufacturers and maintains Meter Test Benches. 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 approves expenditures with MARS Company, a sole source provider, for the MARS Company Meter Shop/Test Bench Upgrade and Relocation which is located in the Meter Shop/Distribution Building, at an out-of-pocket cost to the Board of \$225,342.04; and authorizes the General Manager and/or the Assistant

General Manager to accept a proposal from said corporation. [NOTE: This expenditure is exempt from bidding under the Alabama Competitive Bid Law because it is a sole source provider.]

Resolution No. 7129 is hereby adopted by unanimous vote.”

Following, General Manager Underwood asked the Board to approve and authorize the General Manager and/or the Assistant General Manager to accept a Master Services Agreement with AliComp, as set forth in agenda item 9. George Anderson, Information Technology Manager was recognized for comments. He informed the meeting body that the referenced contract is still under review by the Board’s Attorneys. Mr. Anderson explained that said services are needed due to an employee retiring in December 2015 and another scheduled to retire March 1, 2016. Mr. Anderson stated that the BWWB runs a program called ZSBE which is declining technology with IBM. The referenced employees are very knowledgeable of the Board’s system being they wrote and maintained the needed programs. Mr. Anderson indicated that staff searched for companies that could provide the needed support services until the billing system process is moved to SAP. He stated that AliComp was selected being they can provide top-tier programming support to the BWWB.

Discussion ensued as there were questions from various directors such as: How long management knew of the scheduled retirements; the projected timeline to move the process to SAP; if travel expenses are included in the monthly amount not to exceed \$14,400.00; along with concern regarding an unknown company having access to customers’ information. Mr. Anderson gave the following responses: staff was informed of the retirements in December 2015; the SAP target date is September or October 2016; travel was not included in the monthly amount being AliComp staff would work onsite for the initial transfer and work remotely thereafter. General Manager Underwood commented that both Mr. Gregory Singleton and Mr. Jesse Inman have been with the Board for 30-plus years; therefore, they are very knowledgeable of the billing system used by the BWWB. He stated that Mr. Singleton was forced to retire due to personal matters. However, he was willing to return to the BWWB as a contractor. General Manager Underwood stated that management was under the assumption that Mr. Singleton would be rehired on a temporary basis, but was unsuccessful in doing so due to the ethics law. There was additional concern from various directors as to staff being proactive with issues such as this one, wherein said employees have great institutional knowledge; and too often where the Board is put in a position during crises such as item 9 and a quick decision is needed. Subsequently, staff was asked to provide the Board with references relative to AliComp, to keep the Board informed of the progress of said project on a regular basis, and to include travel costs along with all associated costs in the agreement with AliComp. Out of necessity, 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. Kevin B. McKie and seconded by Ms. Sherry W. Lewis, that the Board hereby approves and authorizes the General Manager and/or the Assistant General Manager to enter into a 12-month agreement with AliComp for a Statement of Work, to provide staff augmentation contractor services for mainframe application programming and maintenance related tasks, in the IT Department, at an amount not to exceed \$14,400.00 per month, until customer information system processing is moved to the SAP system (pending review by the Board’s Attorneys.) Resolution No. 7130 is hereby adopted by Directors Mims, McKie, Florie and Lewis. Director Munchus abstained from voting.”

Next, General Manager Underwood asked the Board to approve and authorize the General Manager and/or the Assistant General Manager to accept a 12-month renewal agreement with Message Point Media (MPM), as set forth in agenda item 10 and as recommended by the Communications Committee.

Director Florie voiced concern as to the additional cost referenced in said contract. She asked for an example of what would be included in planned professional services and why the additional cost was listed separately in the agreement. General Manager Underwood stated an example would be how leak repairs are categorized and prioritized. Another example would be an animated process of a water main issue, location of the service line and meter, along with the area the BWWB would be responsible for. These are some examples of what would be displayed on the BWWB TV monitors as well as the website. Mr. Brian Gilliom was recognized for comments and he indicated that for 2015 MPM was only engaged to provide the digital screens. Later, MPM received requests to provide some additional services to the BWWB. Mr. Gilliom stated that due to the BWWB's PR changes, MPM added and provided some additional services as requested. Being management was pleased with the additional services, a special services budget was added for 2016. One of the new services would be the ability to report a leak on mobile devices.

Director Florie questioned why said services are not provided by the Board's PR consultants. General Manager Underwood responded that the consultants initiate ideas/ways of doing things wherein, MPM would provide the services to the public via mobile devices, the TV monitors and the BWWB's Website. Mr. Gilliom stated that MPM and The Lewis Group would work together to provide the referenced services. 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 approves and authorizes the General Manager and/or the Assistant General Manager to renew the agreement with Message Point Media, a sole source provider, for the HD signage platform (TV monitors), communication services and support as part of the BWWB's employee and customer engagement strategy, at an out-of-pocket cost to the Board of \$38,720.80; and an additional cost not to exceed \$25,000.00 in non-recurring optional content and planning professional services on an as required basis; and authorizes the General Manager and/or the Assistant General Manager to execute said agreement, as recommended by the Communications Committee. [NOTE: This expenditure is exempt from bidding under the Alabama Competitive Bid Law because it is a sole source provider.]

Resolution No. 7131 is hereby adopted by unanimous vote."

Following, General Manager Underwood asked the Board to approve a Speaker's Policy regarding guidelines and requirements for public comments during Board Meetings, as set forth in agenda item 11 and as recommended by the Communications Committee.

Director Munchus commented that he would abstain from voting for said policy being he is pleased with the manner in which the Chairman and the General Manager handle speaker practices. He added that he still has some concern relative to the First Amendment Rights.

Director McKie concurred with comments made by Director Munchus relative to speaker practices handled by Chairman Mims and the General Manager, and he stated that they both do a great job. He added that said policy is also provided to inform the speaker of the parameters. A motion was made and seconded to adopt the policy that was distributed versus the policy currently located in Diligent Boardbooks. Subsequently, the following resolution was adopted:

"BE IT RESOLVED By The Water Works Board of the City of Birmingham ("the Board"), on a motion duly made by Mr. Kevin B. McKie and seconded by Ms. Ann D. Florie, that the Board hereby approves its Speaker's Policy, as recommended by the Communications Committee. Resolution No.

7132 is hereby adopted by Directors Mims, McKie and Florie. Director Lewis voted no and Director Munchus abstained from voting.”

Next, General Manager Underwood asked the Board to approve a Non-Discrimination Policy, as set forth in agenda item 12 and as recommended by the Communications Committee. Prior to voting, Director Munchus asked if Mr. Paul Lloyd, Human Resources Manager was present. Mr. Lloyd entered the meeting room. Director Munchus informed Mr. Lloyd that he changed his opinion and is now offering support to comments made by Mr. Lloyd regarding the proposed Non-Discrimination Policy during the Communications Committee Meeting held February 3, 2016. Director Munchus stated that being he is pleased with the current policy and would not vote in favor of the proposed policy. 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. Kevin B. McKie and seconded by Ms. Ann D. Florie, that the Board hereby approves its Non-Discrimination Policy and to amend any related policies. (Related policies include: ❶Employee Handbook, ❷HR Management Guide and ❸Historically Underutilized Business (HUB) documents), as recommended by the Communications Committee. Resolution No. 7133 is hereby adopted by Directors Mims, McKie and Florie. Directors Munchus and Lewis voted no.”

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Next, General Manager Underwood asked the Board to hear a presentation from Terminus Municipal Advisors, LLC as set forth in agenda item 13. Mr. Matthew Arrington was recognized for the presentation. Mr. Arrington informed Director Florie that he is before the Board today to discuss saving money versus spending. He presented a capital structure overview of the Board’s outstanding debt along with some refinancing opportunities. Mr. Arrington indicated that the Board has approximately \$982,330,000.00 of senior lien debt obligations. Repayment of existing senior lien bonds are covenanted by a net pledge of all system revenues with additional requirements including the following:

- Rate Covenant 1.25x
- DSRF Minimum Maximum Annual Debt Service
- Additional Parity Bonds 1.00x
- Minimum Improvement Funds Balance \$1,200,000.00

Mr. Arrington reported on all outstanding issues, including the original issued amounts, borrowing purposes, lien position, tax status, maturity dates, average interest rates and the Board’s call option dates. He stated that there is no longer any debt associated with the City of Birmingham, no variable rate debt agreements, nor any debt related to Jefferson County. As of March 2015, the Board was rated Aa2 by Moody’s and AA by Standard & Poor’s. Mr. Arrington addressed the current market opportunities regarding refinancing for the BWWB. Analysis and review of the system’s outstanding debt portfolio indicates that there are several potential opportunities for the BWWB to reduce system debt service requirements by refinancing certain senior and subordinate bonds. Assuming the interest rates as of February 5, 2016, refunding certain portions of Series 2009A, 2011, 2009 and 2007A would produce positive present value savings that would exceed the Board’s 3 percent savings threshold. Mr. Arrington reported that a potential combined refunding of certain portions of the aforementioned Bonds, primarily Series 2007A, 2009 and 2009A, would produce approximately \$34.187 million dollars in gross savings. The recommendation would be to consider the following: to potentially refinance Series 2011 Bonds, definitely Series 2007 and 2009 (Junior) Bonds, and Series 2009 (Senior) Bonds. Bond analyses proposals have been received from Raymond James, Citi, Piper Jaffray and IFS Securities. Mr. Arrington stated that refunding the aforementioned bonds would result in a present savings of approximately 8.2 percent, 6.02 percent and 6.2 percent, respectively. The total

dollar savings would be approximately \$13 million dollars. Mr. Arrington explained the difference between current refunding and advanced refunding. He pointed out that current refunding means the transaction could take place today wherein advanced refunding is when money is escrowed until the call date. The rule states that relative to advanced refunding, transactions could take place 90 days prior to the call date; however only one advanced refunding is allowed. Mr. Arrington stated that recommendation would be to close the refinancing process in October 2016. Next, Mr. Arrington pointed out that the Board has 3 reserve funds that will mature June and July of 2016. He stated that the Board had a 2006 Debt Reserve Insurance Policy in the amount of \$6,560,868.00 that was transferred to cover its 2015 bond issue; however, said policy is no longer in effect. According to bond documents, the Board must fund this reserve in annual installments over a 5-year period. Mr. Arrington reported that rating agencies and investors have started to eliminate the debt service reserve fund requirements on highly rated credits such as the Board's. This could likely give the Board some flexibility moving forward.

Director Munchus indicated that he would like an opinion from the Bond Counsel relative to the Board's debt reserve funds. Mr. Arrington stated that acquiring a legal opinion would be fine, but it is more of a financial issue. He added that bond counsel opinion would be needed as bond issues are continued to be refinanced, such as Series 2013. Mr. Arrington summarized the process in selecting underwriters. He stated that since 2008 recommendations came from the Board and Executive Management. As Terminus was tasked to provide a process for selecting underwriters, suggestion would be to send out Request for Qualifications (RFQ). Upon receipt of the RFQ's they would be evaluated based on criteria set by the Board and/or Terminus. A pool of pre-qualified professionals would give the Board selection options; and the selected pool could be set for a pre-determined time period that can be utilized for a number of years. The RFQ process could be duplicated for banking and investment services; plus said process is underway for Pension, OPEB and trustee related functions.

Director Lewis voiced concern regarding a cutoff date/time relative to investing and/or refinancing. She stated that she would not like to see Senior Management boxed in and not allowed to take advantage of deals at the opportune time.

Following, Mr. Arrington reviewed proposed timeline options, which are as follows:

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| • Issuance of RFQ | March 2016 |
| • Responses Due | April 2016 |
| • Evaluation/Selection of Pool | May 2016 |
| • Selection of Issuance Team | June 2016 |
| • Begin Work on 2016 Bonds | June/July 2016 |
| • Price 2016 Bonds | Week of September 7, 2016 |
| • Close Series 2016 Bonds | Week of October 4, 2016 |

Various directors agreed that a bond pool would be beneficial to the BWWB. The Board would set the policy for the pool. Mr. Arrington stated that the last part of the pool process would relate to the Independent Registered Municipal Advisor (IRMA) Exemption. He pointed out that since he is said advisor for the BWWB, it would loosen the practice of having underwriters contact the Management and the Board. Mr. Arrington commented that the Board's IRMA exemption states that underwriters can have general conversation with staff or Board members. However, they are not allowed to give specific ideas unless discussed with the Board's municipal advisor or at the same time. Mr. Arrington concluded his presentation and he turned the meeting over to Maynard, Cooper & Gale, P.C. Mr. Randall Minor was recognized to lead the discussion and he stated that today's presentation would summarize relevant aspects of the Municipal Advisor Rules specifically as they relate to the IRMA Exemption. Mr. Minor addressed the concept of a municipal advisor. He defined municipal advisor as

a person who is not an employee of a municipal entity that provides advice to or on behalf of a municipal entity with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues, or undertakes a solicitation of a municipal entity. Mr. Minor pointed out that under the final rules, a person is generally viewed as providing advice to a municipal entity based on all of the relevant facts and circumstances, including whether such advice involves a recommendation, is particularized to the specific needs, objectives or circumstances of a municipal entity; and whether it relates to municipal financial products or the issuance of municipal securities, including with respect to the structure, timing, terms and other similar matters concerning such financial products or issues. Mr. Minor stated that advice does not include the provision of general information. He stated that unless a statutory exclusion or exemption applies, any person that either provides advice or undertakes a solicitation, both within the meaning of those terms set forth in the definition of municipal advisor must be registered as a municipal advisor with the Commission and the MSRB. Brokers, dealers and municipal securities dealers serving as underwriters of a particular issue do not have to register as municipal advisors if their advisory activities involve the structure, timing and terms of a particular issue of municipal securities that are within the scope of their engagement. Mr. Minor pointed out that the referenced exemption applies to underwriters that have been contractually engaged. Said exemption does not apply to advice on investments of proceeds of municipal securities or municipal derivatives. Some others that would be exempt from registration include public officials and employees, registered investment advisors, attorneys, engineers, banks, and accountants. Mr. Minor stated that historically, many market participants have advised municipal entities about the issuance of municipal securities. According to the Municipal Securities Rulemaking Board (MSRB) approximately 70% of the municipal debt issued in 2008 was issued with the participation of municipal advisors or financial advisors. Prior to 2008, the advice given by market participants was largely unregulated. Some states with exception of Alabama had rules relating to the conduct of some municipal advisors. Mr. Minor stated that for the most part, municipal issuers were at the mercy of market participants whose advice was often impacted by the participant's own self-interest. A financial crisis occurred; Congress observed that a number of municipal issuers (e.g., Jefferson County) suffered losses from complex derivatives products market by unregulated market participants and acted. The Dodd-Frank Act amended the Securities Exchange Act of 1934 (the Exchange Act) to add a requirement that the Securities and Exchange Commission establish a registration regime for municipal advisors. Said requirement went into effect on October 1, 2010. On September 20, 2013, the Commission adopted final rules for municipal advisor registration which went into effect on July 1, 2014.

Director Munchus voiced concerns as he asked if the SEC had been involved in any court cases, and if anyone has challenged the amendments to the Exchange Act. Mr. Minor responded that there had been some enforcement actions as well as some type of settlements; however he was not aware of anyone challenging implementation of the amendments. Mr. Arrington stated that the SEC has started their annual audit process, as his firm was recently visited and they requested to view a copy of the contract with the BWWB along with information he presents to the Board. Mr. Minor continued presenting and he pointed out that additionally, the Exchange Act was amended to grant the MSRB regulatory authority over municipal advisors and to impose a fiduciary duty on such advisors when advising municipal entities. Mr. Minor pointed out that the Exchange Act, as amended by the Dodd-Frank Act, makes it unlawful for a municipal advisor to provide advice on or behalf of a municipal entity with respect to municipal financial products or the issuance of municipal securities, or to undertake a solicitation of a municipal entity, unless, in either case, the municipal advisor is registered with the Commission. In closing, Mr. Minor commented that the Board is doing exactly what is required. The Board has an engaged municipal advisor and has provided a written representation to all market participants seeking to make use of the IRMA Exemption. In order to comply with the IRMA Exemption, any market participant who wishes to provide advice or solicitations must give written notice to the Board and its IRMA stating that such participant is not a municipal advisor and has no fiduciary duty to the Board. Mr. Minor pointed out that since the line

between advice and not advice is unclear sometimes, the prudent course for both the Board and market participants is to steer clear of receiving proposals from market participants unless the IRMA is included.

Director Florie asked if it would be acceptable for Board members to speak with parties interested in performing work with the BWWB such as bond deals. Mr. Minor responded that it would be ok to have a general conversation with such persons; if addressing specific issues it would be appropriate to refer them to the Board's IRMA. Mr. Frank McPhillips emphasized that the MSRB has jurisdiction over municipal advisor rules and broker dealers, but not over the Board. He pointed out that if there would be any violation of the rule, fines would be imposed upon the broker dealer(s). Mr. McPhillips added that attorneys always have a fiduciary duty in effect to their clients through the Code of Professional Conduct. Mr. McPhillips stated that the Dodd-Frank and Municipal Advisor Rules are intended to give issuers an advisor who is not giving legal advice, but giving financial advice. He stated that the IRMA Exemption enables the Board to have conversations under certain circumstances with broker dealers.

Following, General Manager Underwood proceeded with the agenda and he asked the Board to hear a presentation from the Lewis Group. (Director Florie left the meeting at 10:25 a.m.) Ms. Dorian Kendrick and Mr. Brandon Wilson were recognized to lead the discussion. (Director Florie returned to the meeting at 10: 28 a.m.) Mr. Wilson commented that there is an ongoing need to empower customers and inform constituents. Currently, customers and constituents are empowered and informed via tactics such as bill inserts, CCR reports and print advertisements. Mr. Wilson stated that although said practices are effective, there are shifts happening within the customer base that should be addressed as well. He stated that said shifts would be addressed during today's presentation, and recommendations would be made to initiate a year-long campaign which is included in the Communications budget for 2016. Mr. Wilson pointed out although there is a need to increase digital engagement and presence, the traditional communication practices would not be eliminated. The strategy would be to integrate digital engagement with the BWWB current means of traditional communications so that the water system is able to directly engage and communicate with individuals in its service area on a continuous basis. The objective is to increase the BWWB's digital presence among customers and constituents by utilizing social media engagement, website optimization and mobile ads. Ms. Kendrick stated that currently, BWWB customers receive information through more traditional avenues, such as print advertisements, mail-outs and radio advertisements. Additionally, channels that have been created, such as BWWB TV, communicate messages internally, limiting outside exposure to walk-ins in the Payment Center. The goal of non-traditional advertising is to create striking experiences that capture the interest of our audience. Ms. Kendrick stated that consumers tend to view non-traditional ads as more authentic and relevant. Said ads also tend to be targeted and speak directly to specific demographics on their own territory. As examples, Ms. Kendrick pointed out that the BWWB could partner with local restaurants to provide water to customers in a cup/glass with the BWWB's logo, or have postings throughout communities in the service areas showcasing benefits of the Board's services. Non-traditional ads tend to be cheaper and if managed well, such ads can deliver huge returns or investments. Mr. Wilson pointed out the need for empowerment. He stated that the Lewis group researched the customer make-up in the BWWB's service areas. After analyzing the demographics of Jefferson, Shelby, St. Clair, Blount and Walker counties, the following was found: Jefferson County households consist of 52 percent of 38 year-old females, 52 percent is Caucasian and 43 percent is African-American, with an average household income of approximately \$66,455.00; Shelby County households consist of 51 percent of 38 year-old females, 81 percent is Caucasian, with an average household income of approximately \$96,530.00; St. Clair County households consist of 50 percent of 40 year-old males, 87 percent Caucasian, with an average household income of approximately \$63,028.00; Blount County households consist of 50 percent of 40 year-old females, 91 percent Caucasian, with an average household income of approximately \$55,580.00; and Walker County households consist of 51 percent of 43 year-old females, 90 percent Caucasian, with an average household income of approximately \$49,144.00. Mr.

Wilson stated that according to statistics, the most customer growth and diversity is seen in the heart of Jefferson County. He pointed out that in communicating to women, Generation X, educated individuals and an overall diverse group, specific avenues should be used, such as digital and social media platforms. Mr. Wilson stated that with the introduction of the new millennium, the way in which information is dispersed and received has drastically changed. The digital revolution has opened multiple doors for the exchange of information from tablets to laptops and interactive displays. Ms. Kendrick stated that through utilizing digital tactics, the BWWB would have the ability to directly engage with customers by educating individuals on reporting leaks, showcasing quality tips and spotlighting the new BWWB app. Said tactic can be used for public outreach efforts such as Fix-a-Leak Week and on a continuous basis to enhance brand relevance. Ms. Kendrick addressed video pre-roll and social media targeting. She stated that social media would be used to feature web banners, videos and content that would empower customers. Ms. Kendrick pointed out that Facebook is the largest used social media outlet with 71 percent of online American adults using said media platform and, approximately 25 percent of users (ages 30-49) using Twitter. Ms. Kendrick pointed out that the average amount of time a person spends with social media is 37 minutes per day, and approximately 55 minutes per day utilizing online videos. Ms. Kendrick pointed out that utilizing an informed constituent base would provide the ability to create a supportive alliance of individuals who assist in spreading key BWWB messages. Informed citizens would benefit both the BWWB and the public at large. Ms. Kendrick commented that via the new communications paradigm, interactions between all audiences could occur at once. She stated that in order to manage via the new communications paradigm, the BWWB would need to adapt its thinking and practices. This would present a challenge to traditional ways of communicating and it would open the doors to directly engage with individuals via non-traditional means. Ms. Kendrick stated that in order to position the BWWB as a resource, the proposal would be to enhance the current news site so that it functions as a multifaceted media and news center. Doing so would provide the ability to curate news and information that educates constituents in an insightful and intriguing manner. Ms. Kendrick stated that the goal is to have the BWWB's Website become a central hub including all things related to water (become the Wall Street Journal of Water). Ms. Kendrick addressed some of the cost for online engagement such as the following: video pre-roll could be as low as \$35.00 per 1,000 views; suggestion would be 150,000 impressions monthly, which would cost approximately \$5,250.00 per month; social media targeting could be as low as \$8.00 per 1,000 views, suggestion is 400,000 impressions monthly, which would cost approximately \$3,200.00 per month; retargeting and managing the BWWB's Networks could cost as low as \$12.00 to \$15.00 per 1,000 views, suggestion is 190,000 impressions monthly, which would cost approximately \$2,850.00 per month. The cost for recreating the BWWB's Website would vary depending upon the type of upgrade chosen. Subsequently, Ms. Kendrick and Mr. Wilson stated that the overall goal is to empower customers and inform constituents as they carry out day-to-day actions on their smartphones, laptops, tablets and other digital platforms. Next, Mr. Wilson reviewed a calendar of current events/programs that are currently underway such as the Value of Water Social Media/Online Engagement, HomeServe Highlight, the BWWB Water Quality Guide and Fix-a-Leak-Week. Mr. Wilson pointed out that the next steps would be to conduct a 90-day communications assessment, which has been authorized by General Manager Underwood. Mr. Wilson stated that said assessment would apply to all departments within the company that have face-to-face interaction with customers. The referenced assessment would identify who is responsible for the management and development of content shared with customers, what audiences/customers staff communicates with along with what information/materials are provided to said audiences, and the overall messages that are comprehensively communicated to said audiences. Mr. Wilson stated that upon conclusion of the assessment, a detailed report would be provided to Senior Management, the Communications Committee and the entire Board.

Following, General Manager Underwood thanked the Lewis Group for their presentation. He pointed out that a CCR Meeting is scheduled for March 10, 2016, wherein the Board will be invited to attend said event. General Manager Underwood informed the meeting body that management received some calls from concerned customers indicating that persons visited their homes requesting

samples of water for testing. General Manager Underwood stated that the calls were received from persons in the Oxmoor Valley and Mountain Brook communities; however, such visits occurred sporadically throughout different neighborhoods in the BWWB's service area. General Manager Underwood commented that management felt as though this was related to the water issues in Flint, Michigan. General Manager Underwood informed the Board a Media Advisory was sent out on February 9, 2016 stating that water is tested daily by the BWWB, and informing the public that the BWWB has a defined protocol of how water samples are collected for testing. General Manager Underwood stated that a copy of the Media Advisory would be sent to each Board Member. General Manager Underwood added that the American Water Works Association is running ads nationwide, regarding the value of water. General Manager Underwood indicated that he has requested a copy of said ad and upon receipt, he will provide forward to all Board Members.

Director Munchus commented that some department stores such as Home Depot provide water testing kits.

Next, Chairman Mims informed the meeting body of an event scheduled later tonight, February 10, 2016, to honor Dr. Jesse Lewis. Chairman Mims extended congratulatory words to Dr. Lewis on his many accomplishments.

As there was no further business to come before the Board, at 10:50 a motion was duly made and seconded, and the meeting was adjourned.

/s/

Ronald A. Mims
Chairman/President

Attest:

/s/

George Munchus, Ph.D.
Secretary-Treasurer