

**MINUTES OF THE REGULAR BI-MONTHLY MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
January 13, 2016**

The regular bi-monthly meeting of the directors of The Water Works Board of the City of Birmingham was held on Wednesday, January 13, 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.

The meeting was also attended by: Mac Underwood, General Manager, Michael Johnson, Sonny Jones and Darryl Jones, Assistant General Managers, Grace Amison, Executive Assistant to the Board; Cynthia Williams, John Reymann, Paul Lloyd, Iris Fisher, George Anderson, Ben Sorrell, Johnnie Mayfield, Barry Williams, Ed Travis, Board employees; G. Courtney French, Mike Petway, Ryan Wilson, Samuel Ford and C. Paige Goldman, Fuston, Petway & French, LLP; Theo Johnson, Norman Hill and Kirk Mills, Volkert, Inc.; Dan Meadows, S.S. Nesbitt & Company; Dr. Jesse Lewis and Dorian Kendrick, The Lewis Group; David Merrida, BCIA; Frank McPhillips and Randall Minor, Maynard, Cooper & Gale, P.C.; Bryon Gilliom, Message Point Media; Ricky Jones and Keith Day, Jones Utility & Contracting; John Ray, KHAFFRA; Eddie Perry, Contractor and Barnett Wright.

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

Chairman Mims called the meeting to order at 9:08 a.m. and prayer was offered by AGM Darryl Jones.

The first item on the agenda was to request the Board to elect Officers of the Corporation for the 2016 calendar year, as noted on agenda item 1. General Manager Underwood stated that in the past, the floor was open for nomination of officers. He declared all positions open and he stated that the first office to fill was that of Chairman/President. Following, Mr. Ronald A. Mims was nominated to serve as Chairman/President of the Board for 2016. On a motion duly made and seconded, the following resolution was adopted:

“BE IT RESOLVED, By The Water Works Board of Birmingham (“the Board”), on a motion made by Mr. Kevin B. McKie and seconded by Mrs. Ann D. Florie, that Mr. Ronald A. Mims is hereby appointed Chairman/President to serve as an Officer of the Corporation during the pleasure of the Board or until the next election of Officers. Resolution No. 7088 is hereby adopted by unanimous vote.”

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Next, the office of First Vice-Chairman/First Vice President was addressed. Mr. Kevin B. McKie was nominated to serve as First Vice-Chairman/First Vice President. On a motion duly made and seconded, the following resolution was adopted:

“BE IT RESOLVED, By The Water Works Board of Birmingham (“the Board”), on a motion made by Mrs. Ann D. Florie and seconded by Mr. Ronald A. Mims, that Mr. Kevin B. McKie is hereby appointed First Vice-Chairman/First Vice President to serve as an Officer of the Corporation during the pleasure of the Board or until the next election of Officers. Resolution No. 7089 is hereby adopted by unanimous vote.”

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Following, the next office open was that of Second Vice-Chairman/Second Vice President. Ms. Ann D, Florie was nominated to serve as Second Vice-Chairman/Second Vice President of the Board for 2016. On a motion duly made and seconded, the following resolution was adopted:

“BE IT RESOLVED, By The Water Works Board of Birmingham (“the Board”), on a motion made by Mr. Kevin B. McKie and seconded by Mr. Ronald A. Mims, that Mrs. Ann D. Florie is hereby appointed Second Vice-Chairman/Second Vice President to serve as an Officer of the Corporation during the pleasure of the Board or until the next election of Officers. Resolution No. 7090 is hereby adopted by unanimous vote.”

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Next, General Manager Underwood pointed out that the next office to fill was that of Secretary-Treasurer. Mr. George Munchus was nominated to serve as Secretary-Treasurer of the Board for 2016. On a motion duly made and seconded, the following resolution was adopted:

“BE IT RESOLVED, By The Water Works Board of Birmingham (“the Board”), on a motion made by Mr. Kevin B. McKie and seconded by Mr. George Munchus, that Mr. George Munchus is hereby appointed Secretary-Treasurer to serve as an Officer of the Corporation during the pleasure of the Board or until the next election of Officers. Resolution No. 7091 is hereby adopted by unanimous vote.”

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Following, General Manager Underwood commented that the last office to fill was that of Assistant Secretary-Treasurer. Ms. Sherry W. Lewis was nominated to serve as Assistant Secretary-Treasurer of the Board for 2016. On a motion duly made and seconded, the following resolution was adopted:

“BE IT RESOLVED, By The Water Works Board of Birmingham (“the Board”), on a motion made by Mr. George Munchus and seconded by Mrs. Ann D. Florie, that Ms. Sherry W. Lewis is hereby appointed Assistant Secretary-Treasurer to serve as an Officer of the Corporation during the pleasure of the Board or until the next election of Officers. Resolution No. 7092 is hereby adopted by unanimous vote.”

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Next, as there was no old business for discussion, General Manager Underwood asked the Board to approve minutes of the Regular Board of Directors’ Meetings held November 12, 2015 and November 23, 2015, as noted on agenda item 3. General Manager Underwood commented that staff recommends approval of said item. Subsequently, a motion was duly 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 Mr. George Munchus, that the Board hereby approves minutes of the following: Regular Board of Directors’ Meetings held November 12, 2015 and November 23, 2015. Resolution No. 7093 is hereby adopted by unanimous vote.”

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Following, General Manager Underwood asked the Board to adopt a resolution establishing its committees for the calendar year 2016 along with appointed staff and consultants to serve on these committees, as noted on item 4. Revised copies of the proposed Committees for 2016 were distributed. (A copy of said document is on file in Diligent Boardbooks) General Manager Underwood pointed out that the number of committees for 2016 would be reduced to 4. The proposed committees for 2016 are

Executive, Communications, Human Resources and Finance Committees. General Manager Underwood stated that each committee would have 3 presiding committee members. He reviewed the committees along with the presiding committee members as noted on the referenced document.

Subsequently, Director Lewis voiced concern regarding the structure of the Executive Committee. Director Lewis stated that she felt all five Board members should be listed as presiding members for said committee. She stated that having only three presiding members for the Executive Committee is out-of-order. She stated that she would be voting against the item due to the fact that there had been no discussion and/or communication with her relative to the changes.

Chairman Mims commented that he took it upon himself and made the suggestions relative to the structure of the committees. He stated that in doing so, there was no discussion with anyone. Chairman Mims added that Committees needed to be consolidated due to the issue of not being able to schedule meetings in the past because of conflict with presiding members. Director Lewis asked that her name be removed from the Human Resources Committee as a presiding committee member. Director Munchus was asked to serve on the Human Resources Committee and he accepted. Director Munchus commented that although the proposal for the Executive Committee consists of three presiding members, said meetings would be open to all five Board Members. Director Lewis stated that her objection related to the makeup of the Executive Committee. Director Munchus stated that he was ok with the structure of all 2016 committee proposals with exception of the Executive Committee. He asked if establishment of the 2016 Executive Committee be voted on separately from the remaining referenced committees. Subsequently, the Board agreed to amend the presiding Human Resources Committee members by removing Director Lewis' name and inserting Director Munchus' name and to separate the Executive Committee from the remaining committees referenced for voting purposes. A motion was duly 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 amends item 4 to separate the motion to consider approval of its committees for 2016 as reflected on the list of Board Committees attached hereto. Resolution No. 7094 is hereby adopted by unanimous vote.”

Following, a motion was made and seconded to approve establishment of the Executive Committee for 2016 along with presiding members, staff and consultants. Subsequently, the following resolution was adopted:

“WHEREAS, The Water Works Board of the City of Birmingham (“The Water Works Board”) has established committees for the purpose of working with staff in certain areas in helping the Board to establish overall policies.

WHEREAS, on January 13, 2016, on a motion duly made by Mr. Kevin B. McKie and seconded by Mrs. Ann D. Florie, that The Water Works Board hereby approves and establishes its Executive Committee for calendar year 2016 along with appointed memberships, staff and consultants to serve on said committee.

NOW, THEREFORE, BE IT RESOLVED that The Water Works Board’s Executive Committee and respective membership shall be as reflected on the list of Board Committees. Resolution No. 7095 is hereby adopted by Directors Mims, McKie and Florie; Directors Munchus and Lewis voted no.”

Next, a motion was duly made and seconded to approve establishment of the Communications Committee, Human Resources Committee (with changes) and the Finance Committee for 2016, along with the presiding members, staff and consultants. Subsequently, the following resolution was adopted:

“WHEREAS, The Water Works Board of the City of Birmingham (“The Water Works Board”) has established its committees for the purpose of working with staff in certain areas in helping the Board to establish overall policies.

WHEREAS, on January 13, 2016, on a motion duly made by Mr. George Munchus and seconded by Mr. Kevin B. McKie, that The Water Works Board hereby approves and establishes the following committees: Communications, Human Resources and Finance for calendar year 2016 along with appointed memberships, staff and consultants to serve on said committees, substituting Mr. George Munchus in place of Ms. Sherry W. Lewis relative to the Human Resources Committee.

NOW, THEREFORE, BE IT RESOLVED that the above-referenced committees and respective memberships shall be as reflected on the list of Board Committees and to include the name substitution for the Human Resources Committee. Resolution No. 7096 is hereby adopted by unanimous vote.”

Following, General Manager Underwood proceeded with the agenda and he asked the Board to approve payments of invoices as noted in agenda items 5.1 through 5.6. He commented that management has reviewed said invoices and recommends them for approval. Subsequently, a motion was duly made and seconded and the following 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. Ann D. Florie, that the Board hereby authorizes staff to execute payments to the following:

5.1	<u>Carl Dalton NeSmith Jr., LLC</u> For retainer for January 2016	\$ <u>500.00</u>
5.2	<u>The Jones Group, LLC</u> For professional services rendered for December 2015	\$ <u>1,096.20</u>
5.3	<u>Terminus Municipal Advisors, LLC</u> For professional services rendered for December 2015	\$ <u>6,500.00</u>
5.4	<u>Fine Geddie & Associates, LLC</u> For professional services rendered for December 2015	\$ <u>10,000.00</u>
5.5	<u>Ingenuity</u>	
5.5.1	For professional services related to Telecommunication Optimization Project Services for March, April and May 2015	\$ <u>10,231.46</u>
5.5.2	For professional services related to Telecommunication Optimization Project Services for June, July and August 2015	\$ <u>6,770.62</u>
5.6	<u>ARCADIS U.S., Inc.</u> For professional services rendered per November’s Progress Report (November 2015)	\$ <u>691,318.36</u>

Resolution No. 7097 is hereby adopted by unanimous vote.”

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The next item was to request the Board to approve expenditures with Eaton Corporation, a sole source provider, as noted in agenda item 6.

Director Munchus asked if the vendor listed was a local corporation. Mr. John Reymann, E&M Manager was recognized to respond; and he stated that the global company/headquarters was not located in Alabama. He pointed out that Eaton Corporation is the engineering field services unit that would contract with the BWWB, and he stated that said unit has a location in Pelham, Alabama. Subsequently, a motion was duly 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 Eaton Corporation, a sole source provider, for supply and installation of goods and services to upgrade the electrical system under a turn-key contract at the Dolomite Pumping Station, at an out-of-pocket cost to the Board of \$272,450.00; 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. 7098 is hereby adopted by unanimous vote.”

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The next item was to request the Board to approve and authorize the General Manager and/or Assistant General Manager to enter into a 30-year Water Purchase Contract with the City of Graysville, as noted in agenda item 7. General Manager Underwood pointed out that the contract with the City of Graysville is a wholesale contract, wherein the BWWB will provide water to said city. General Manager Underwood added that rates would be adjusted based on approval of the current years’ rates. He informed the Board that Mr. Johnnie Mayfield continues to do a great job in working with the Board’s wholesale water customers. Subsequently, Mr. Underwood stated that management recommends approval of said item. A motion was duly 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 a 30-year Water Purchase contract with The City of Graysville, effective January 13, 2016 to December 31, 2045; and authorizes the General Manager and/or Assistant General Manager to execute said contract. Resolution No. 7099 is hereby adopted by unanimous vote.”

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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, a sole source provider, as noted in agenda item 8. General Manager Underwood stated that management recommends approval of said item. There was some concern from various directors regarding the referenced agreement. There were questions such as reasoning for the additional cost, if said cost was included in the last agreement, and; if so, how much money was used for optional content and services; and if the optional content and services would apply to engagement for internal and external customers. AGM Michael Johnson responded and he stated that the overall goal is to continue employee and customer engagement by providing effective ways of communication. He stated that TV monitors are currently located in the Payment Center along with 19 other monitors that are strategically located throughout campuses of the BWWB. Said monitors currently run with information pertaining to the BWWB that are deemed important to employees and customers. General Manager Underwood pointed out that Message Point Media created the BWWB’s Award Booklet in a digital format. This allows the

awards to be played on the digital board in the Payment Center as well as the other TV monitors on a continuous basis, wherein customers can view the Board's awards as they visit the Payment Center and other locations. General Manager Underwood commented that management is aware of the need to digitize various other processes as there are plans to provide more digital documents for employees and external customers to view. These are some areas where some of the additional money would be used. Mr. Paul Lloyd, Human Resources Manager responded that the additional \$25,000.00 requested for 2016 was not a part of the 2015 agreement. After discussion, Directors Mims, McKie, Florie and Munchus agreed to table item 8 and referred it to the Communications Committee for further discussion. Director Lewis abstained from voting. Subsequently, a motion was duly 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 8 to accept a 12-month renewal agreement with Message Point Media, a sole source provider, 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. Said item was referred to the Communications Committee to review and discuss. Resolution No. 7100 is hereby adopted by Directors Mims, McKie, Florie and Munchus. Director Lewis abstained from voting.”

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Following, General Manager Underwood asked the Board to authorize and approve the General Manager and/or the Assistant General Manager to accept a 12-month agreement with the Segal Company, as noted in agenda item 9.

Director Munchus asked if the cost for said agreement was the same as the agreement for 2015. AGM Michael Johnson responded that for the last 3-years, the annual out-of-pocket cost for the Board has been \$50,000.00. Subsequently, a motion was duly 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 a 12-month agreement with the Segal Company to conduct annual actuarial valuations regarding the Pension and Other-Post Employment Benefit (OPEB) Plans, at an out-of-pocket cost to the Board of \$57,700.00; and to authorize the General Manager and/or the Assistant General Manager to execute said agreement. Resolution No. 7101 is hereby adopted by unanimous vote.”

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Next, General Manager Underwood asked the Board to hear a presentation regarding the opportunity to reinvest \$25 million dollars in Debt Service Funds, as noted on agenda item 10. An executive summary of uninvested reserve funds and excess cash document was distributed. (A copy of said document is on file in Diligent Boardbooks) AGM Michael Johnson reminded the Board that in the Spring of 2015, while visiting the bond market, the Board entered into a Guaranteed Investment Contract (GIC) to invest some funds. Currently, the Board has the opportunity to reinvest some funds. Mr. Matthew Arrington was recognized to present the opportunities. He addressed the top portion of the distributed document and he pointed out that all bond issues are required to have on deposit approximately \$43 million dollars. Mr. Arrington stated that currently the Board has the required amount set aside, wherein \$22.5 million dollars of the reserve funds has matured. Said funds are in money market accounts that are generating less than 1% interest. Recommendation is to bid out a GIC contract for the \$22.5 million dollars. Mr. Arrington stated that based on current rates, he believes a GIC contract could increase the Board's annual interest earnings by \$300,000.00 to \$400,000.00 over seven years. He pointed out that current indications are around 1.91% and he stated that all fees associated with the referenced

contract would be paid by the GIC provider. Next, Mr. Arrington addressed the second portion of the graph on the distributed document. He pointed out that approximately \$20 million dollars of investment funds will mature during the summer of 2016 and another \$43 million dollars will become available during the first part of 2017. Subsequently, General Manager Underwood asked the Board for authorization to bid out a GIC contract relative to the \$22.5 million dollars referenced in the top portion of the referenced document. Director Munchus commented that he had no problem moving forward with the top portion of the referenced executive summary. Subsequently, a motion was duly 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 the General Manager and/or Assistant General Manager to reinvest \$22,651,947.01 of Debt Service Funds in Guaranteed Investment Contracts (GIC). The below chart summarizes the aforementioned funds:

Maturity	Issue	Amount	Current Interest Earnings w/ Money Market	Estimated Earnings w/ GIC	Potential Increase
Current	Sub 2009	\$17,203,613	\$6,900	\$328,000	\$321,100
Current	2012-A	\$4,177,331.66	\$1,670	\$79,800	\$78,130
Current	2013-B	\$1,208,739.20	\$500	\$23,000	\$22,500
Current	2015-A and B	\$62,263.15	\$25	\$1,200	\$1,175

Resolution No. 7102 is hereby adopted by unanimous vote.”

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Following, General Manager Underwood reminded the Board that Mr. Rob Rasmussen normally handles the GIC contracts for the BWWB. He stated that regarding the second portion of the referenced handout, management would bring the Internal Investment Policy back to the Finance Committee at a later date for discussion. The request would be for the Board to revisit said Policy and consider giving senior management authority to purchase investments during the best opportune time, wherein the Board could receive return of maximum interest income.

As the final agenda item, General Manager Underwood asked the Board to approve Maynard Cooper & Gale, P.C., as bond counsel, as noted on agenda item 11. There was concern from Director Lewis relative to the process of choosing a bond counsel firm. She stated that discussion of a bond counsel was not brought before a committee nor discussed with the Board. Director Lewis stated that she may have a law firm to suggest as bond counsel.

Director McKie pointed out that he took the liberty to contact the referenced firm being he was under the impression that time was of the essence in needing counsel. Another reason for bond counsel is because Waldrep, Stewart & Kendrick’s name is still listed as counsel for the BWWB. Director McKie stated that the referenced firm would handle bond issues on a temporary basis. There was concern from other directors relative to bond counsel such as whether there was urgency to approve said counsel today and, how this would relate to agenda item 10, wherein, management received approval to reinvest \$22,651,947.01 in debt service funds. General Manager Underwood responded that approval of bond counsel could be extended until the next Board meeting, January 27, 2016, being bid specifications would have to be prepared. He stated that bond counsel would be required upon acceptance of the investment terms and when investment agreement documents are drawn. Ms. Grace Amison informed the General Manger that

a Committee Meeting has been requested for the week of January 18 - 22, 2016. Subsequently, the Board agreed to schedule a Finance Committee Meeting for Thursday, January 21, 2016 at 9:00 a.m. A motion was duly made and seconded to table item 10 and refer it to the Finance Committee for further discussion. 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 11 to approve Maynard Cooper & Gale, P.C., as bond counsel on any bond issues or bond related items that may come up prior to the next official bond issue and to accept a proposal relative to said matters. Resolution No. 7103 is hereby adopted by unanimous vote.”

Following, Board Attorney Courtney French requested a motion to enter into Executive Session. He properly certified that the purpose of the Executive Session would be to discuss threatened litigation. On a motion duly made and seconded, 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 an Executive Session to discuss threatened litigation. Resolution No. 7104 is hereby adopted by unanimous vote.”

Prior to entering into Executive Session, Director Lewis made a request to the Board’s Attorney’s relative to the Attorneys transition process. She requested a list of all outstanding cases, inclusive of who is handling what cases; and, she would like to know if any cases would be contracted out to other Attorneys, and if so, to whom.

At 9:57 a.m. Senior Management, the Board’s Attorneys and Mr. Dan Meadows entered into an Executive Session. During the course of the Executive Session, representatives from Renasant Bank (Todd Golden, Matthew Foster, Rocky Miskelly and Jackie Brown) were requested to join the meeting to provide information relative to Pension Plan Investments. At 10:43 a.m. a motion was duly made and seconded to adjourn the Executive Session and the meeting reopened

Following, Attorney French introduced Attorney Paige Goldman as new counsel with Fuston, Petway & French, LLP. He stated that Attorney Goldman received her law degree from Georgetown Law School; she was formerly employed with Alagasco for almost twenty years wherein, she primarily handled matters pertaining to Compliance Employment, Benefits and Risk Management. Ms. Goldman was recognized for comments, she stated that she has prior board experience, and she is happy for the opportunity to work with the BWWB.

On behalf of the Board, Chairman Mims extended welcoming words to Ms. Goldman and he stated that the Board looks forward to the working relationship.

Next, at the request of Director Lewis, Attorneys Sam Ford and Ryan Wilson were recognized to introduce themselves.

As there was no further business to come before the Board, at 10:45 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