

**Minutes Of
Finance Committee Meeting
Of The Water Works Board
Of The City Of Birmingham
July 12, 2016**

A Finance Committee Meeting of The Water Works Board of the City of Birmingham was held on Tuesday, July 12, 2016, at 9:00 a.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama, 35222, to discuss finance issues.

The following Committee members were present: Ronald A. Mims, Kevin B. McKie and George Munchus.

Inasmuch as all Committee members were present, a quorum was in attendance.

The meeting was also attended by: Mac Underwood, General Manager; T. M. "Sonny" Jones, Assistant General Manager of Engineering and Maintenance; Darryl R. Jones, Assistant General Manager of Operations and Technical Services; Michael Johnson, Assistant General Manager of Finance and Administration; Grace Amison, Executive Assistant to the Board of Directors; Tammy Wilson, Executive Assistant to T. M. "Sonny" Jones and Darryl R. Jones; Ben Sorrell, Chief Engineer; Doug Stockham, Manager of System Development; Rhonda Lewis and David Nichols, Board employees; Courtney French, Fuston, Petway & French, LLP; Brian Ruggs, ARCADIS; Theo Johnson, Volkert & Associates, Inc.; Jesse Lewis, The Lewis Group; Matthew Arrington, Terminus Municipal Advisors, LLC; Greg Burchell, Morgan Stanley; Chandra Abesingha, CE & Associates, Inc.; John Ray, KHAFRA; Michael and Juanita Jones, Securities Capital; David Germany, Regions Bank; Matt Adams, Raymond James.

Chairman Mims called the meeting to order at 9:01 a.m.

There was no discussion under old business.

Following, General Manager Mac Underwood requested the Committee hear information on the top eight Birmingham Water Works Board's (BWVB) excess properties, as set forth in agenda item 2. A booklet containing a full summary of excess property along with detailed information on the top eight properties was provided to the Committee (a copy of which is on file with the Committee meeting book). Director Munchus stated he did not mind hearing the information without Director Lewis present; however, Director Lewis had a particular interest in BWVB excess property and real estate matters. Director Munchus wondered if a Real Estate Committee could be formed with Director Lewis heading the Committee. Chairman Mims stated he would like to hear the presentation today, but that no action would need to be taken. Director McKie asked why such inexpensive properties were on the list and not the more valuable properties. GM Underwood responded that one of the more valuable properties, Property 1, the old tank site at 2431 Crest Road, holds several antenna towers and utilities.

Assistant General Manager Darryl Jones concurred adding the property has strategic value as a communications site in the future. In the future if the BWWB decides to move forward with automated meter reading for instance, this would be a great location according to AGM Darryl Jones. GM Underwood added the city would have to relocate their communication equipment if the property was sold. Director McKie asked about Properties 17 and 19. AGM Darryl Jones stated from his perspective they would be good to sell off if the Board chooses. Land surveyor for the BWWB, David Nichols stated Property 17 was acquired from the Hoover School Board and it is a wetland. GM Underwood explained that run off settles in wetland areas and acts as a buffer and that the BWWB owns several pieces of property that would be considered wetlands. Chief Engineer, Ben Sorrell stated the value of Property 19 includes the entire site where the Shades Mountain Filter Plant sits. GM Underwood stated that Staff would provide a full written report to the Board on Properties 1, 17 and 19 in addition to what was prepared to present today. Assistant General Manager Sonny Jones stated he would like for Properties 24 and 25 to be presented as planned today. Director Munchus asked if the BWWB would have any control over what happens with a property once it is sold. GM Underwood stated there would need to be something in writing within the contract. Mr. Sorrell displayed a map pointing to the location of Properties 24 and 25, explaining that the property is on Sicard Hollow Road and Grants Mill Road. The property could be subdivided into lots at a value of \$1.5 million, according to Mr. Sorrell. Surveying and selling can be done internally by BWWB employees. Some discussion occurred regarding developing and a joint venture. GM Underwood stated he believed there was no sewer in this area. Mr. Nichols responded that the individual lots would need to have septic tanks. AGM Sonny Jones stated Staff would continue their surveying of Properties 24 and 25 and come back to the Board with a report. AGM Sonny Jones stated Property 26, the Moody property, used to house the sewer group before the sewer system was sold. The property is 20 acres and there are 2 buildings on the property. Mr. Sorrell stated it was very accessible and it has a large body of water. Leasing was discussed briefly. Chairman Mims suggested bringing the items before a Real Estate Committee and having Director Lewis involved. GM Underwood stated Staff has been in contact with Ava Barnes recently from Barnes & Associates to discuss bringing this company back to represent the Board on real estate matters. Director McKie stated Director Lewis had expressed in a past Board Meeting having no interest in serving on any Committees.

Next, GM Underwood asked the Committee to hear Board Room expansion options from KHAFRA, as set forth in agenda item 3. A handout was provided to the Committee (a copy of which is on file with the Committee meeting book). Director McKie stated he did not believe the Committee needed to hear the presentation a second time. The preferred plan option discussed was the expansion of the existing Board Room on the second floor rather than the ground floor option. Some discussion occurred regarding whether to go forward on the expansion to include enough space for the four incoming Board members in January or wait until after January considering the recent lawsuit filed by the Board to stop this legislation. Chairman Mims stated he believed Staff should move forward with the expansion. Both Director Munchus and McKie stated they were fine with moving forward. GM Underwood stated Staff would need to coordinate with the Training Department to set a fixed schedule for Board and

Committee meetings which would be temporarily held in the Training Room on the ground floor until the Board Room expansion is complete. Director McKie asked Board attorney Courtney French if Board attorneys would need a permanent position in the expanded Board Room. Attorney French responded they would be flexible. The Committee agreed to move the Board Room expansion plan to the full Board.

Following, GM Underwood asked the Committee to hear a presentation from ARCADIS and to recommend to the Board to take bids on the monitoring equipment at Inland Lake, as set forth in agenda item 4. Brian Ruggs with ARCADIS gave a Power Point Presentation. As background information, in 2010 there was a formal dam inspection and recommendations were made. In 2012 some recommendations were implemented and seepage was observed at the downstream toe of the dam. In 2013 a dam specialist panel met in Birmingham which led to further investigation of dam safety and the Inland Lake Dam Evaluation and Monitoring Program was executed to implement recommendations from the inspection report and technical panel. In 2014 Alabama introduced a House Bill to establish a State Dam Safety Program. Some discussion took place regarding the large number of dams in and around Birmingham. AGM Darryl Jones stated the crew at Inland Lake was manually conducting monitoring and that he would like to put some technology behind it and not tie up the crew with this all day long. Some discussion occurred regarding the town of Highland Lakes and their dam which is failing. GM Underwood stated BWWB Superintendent of Industrial Water Works employee, Johnnie Mayfield was approached by the town's mayor requesting help from the BWWB. AGM Darryl Jones stated he believed a separate discussion should take place apart from the item ARCADIS was presenting today regarding other dams and catastrophic events. The Dam Evaluation and Monitoring Program objective is to manage risk according to Mr. Ruggs. It was confirmed that this monitoring would tie into the existing BWWB SCADA System. Mr. Ruggs stated the historical review, weight-volume analysis, tracer study, dam break modeling and risk assessment & technical panel review were completed. The instrumentation, data management plan, emergency action plan and emergency response plan are in progress. The estimated construction cost is \$360,000.00. Future implementation will include the stability of rock cut slope and repair of cracked and spalled concrete in the primary spillway, replacement of the trash rack around the primary spillway and the clearing of rocks on the left side of the emergency spillway. The instrumentation goals are to collect real time data to measure performance and establish a trend line for data acquisition, storage, evaluation and reporting. The Committee agreed to move the Inland Dam Evaluation and Monitoring project to the full Board to take bids.

Next, GM Underwood asked the Committee to hear information on the triangle acquisition, as set forth in agenda item 5. A handout was provided to the Committee (a copy of which is on file with the Committee meeting book). Mr. Sorrell pointed out the triangular piece of property on a map, which is on Messer Airport Highway. This property was turned over to the state for failure to pay taxes for about the past 20 years according to Mr. Sorrell. The appraised value opinion came in at \$7,000.00 from Joseph & Company. The county has it assessed at \$27,000.00. Staff made an offer of \$1,500.00, which was accepted by the state. Mr. Sorrell stated Staff is waiting on the

deed. AGM Sonny Jones stated this acquisition of .13 acres could make our campus larger if needed in the future. A couple of property owners in the area may be interested in selling their properties which Staff can consider as well, according to AGM Sonny Jones. Mr. Sorrell stated these properties are all in the flood plain.

Following, GM Underwood requested the Committee recommend to the Board to approve Scopes of Services with three different engineering firms for water main replacement at three separate locations; one in the City of Fairfield and two in the City of Birmingham, as set forth in agenda item 6.1 through 6.3. AGM Sonny Jones stated Burke-Kleinpeter is partnering with A. G. Gaston which has 40% minority participation. Gresham, Smith & Partners has 33% minority participation and CE & Associates, Inc. has 100% minority participation. The work is budgeted under the Carson Loop project. AGM Sonny Jones explained that this this work would replace old 2" galvanized steel pipe dating back to 1925, 1940 and 1929. AGM Sonny Jones brought in a piece of old galvanized pipe as an example of the type of pipe which is to be replaced. The Committee agreed to move the Scopes of Services with CE & Associates, Inc., Gresham, Smith & Partners and Burk-Kleinpeter, Inc. to the full Board.

Next, GM Underwood requested the Committee to recommend to the Board to approve Morgan Stanley as the provider of Pension and OPEB Investment Consulting, as set forth in agenda item 7. A handout was provided to the Committee (a copy of which is on file with the Committee meeting book). This contract would replace Renasant Bank's contract GM Underwood stated. Director Munchus asked if Morgan Stanley had HUB participation. Greg Burchell confirmed that there would be two African Americans on the BWWB Investment Consulting team. Chairman Mims requested that this be included in the contract and that they be actively involved in the consulting work. Chairman Mims asked the Board's attorneys to look into the matter further and place a stipulation in the contracts. Greg Burchell stated Morgan Stanley is completely committed to the BWWB. The Committee tabled the item, not moving it to the full Board.

Following, GM Underwood requested the Committee to recommend to the Board to approve Regions Bank as the provider of Master Trustee and Custody Services, as set forth in agenda item 8 and to approve the 2016 Bond Issuance Team for the 2016 Refunding Bonds, as set forth in agenda item 9. Director McKie stated his only concern was all of the Board's money being in one place and one entity making all of the decisions regarding it. GM Underwood stated U. S. Bank has offices in other states, which makes various transactions a little more difficult and this weighed into the decision for Staff to recommend using Regions Bank which is actually local. Director Munchus asked if U. S. Bank had been notified of the cancelation. GM Underwood stated this would not be done until the Board actually passes the item. The Committee agreed to move approving Regions Bank as provider of the Master Trustee and Custody Services to the full Board.

GM Underwood stated that Chairman Mims' recommendation for Bond Counsel was in the handout provided (a copy of which is on file with the Committee meeting book). Director Munchus stated he was fine with the Chairman's recommendations if the

following year could be awarded to Piper Jaffray as the lead position. GM Underwood stated the following groups have been recommended to be included in the Underwriters Pool; Raymond James, Piper Jaffray, Citi Group, Stifel Nicolaus, Securities Capital and North West Financial. GM Underwood stated the Board needs to name a Bond Counsel from the list provided. The Co-Bond Counsel would be Yvonne Green-Davis and the Disclosure Counsel would be Sirote and Permut. Matthew Arrington stated there are two other groups in the pool also; PNC Bank and IFS Securities. Some of the firms are in the transaction and some of the firms are in the pool, according to Mr. Arrington. Director McKie recommended going with larger national firms stating he respected the Chairman's recommendation though. Director McKie recommended replacing Raymond James, Piper Jaffray and Stifel Nicolaus with The Frazier Lanier Company, Goldman Sachs and Morgan Stanley. Director Munchus voiced that he could not support that recommendation and asked Director McKie why he wanted to change the pool. Director McKie stated this was a large transaction and the Board needed a more national presence. Chairman Mims asked Matthew Arrington for his opinion of the underwriters in the pool. Mr. Arrington responded that he would not place a lot of groups in the pool but rather limit it to eight or nine groups. On this particular transaction, Mr. Arrington stated the top groups in his opinion, of which no more than three to four should be chosen would be; Citi Group, Morgan Stanley, Raymond James, Stifel Nicolas and Piper Jaffray. Mr. Arrington added that unless Goldman Sachs is in the lead position it would not be advisable as they typically underwrite much larger transactions. Mr. Arrington stated he was of a very strong opinion to use Raymond James as the lead in this transaction because there are a lot of moving parts and the Board is very familiar with them having worked closely with them in the past. Director McKie stated he was fine with Mr. Arrington's recommendation. Chairman Mims stated it sounded like the only issue in disagreement is the Underwriter Pool. Some discussion occurred among the Committee regarding naming the Underwriter Pool. Chairman McKie stated he could not support naming a group for a future lead though; further explaining that Board members would be new and the decision would have to be made at that time by the current Board. The Committee agreed to move the recommendation for the Master Trustee and Custody Services along with the 2016 Bond Issuance Team to the full Board.

As there was no further business to be brought before the Committee, a motion was duly made and seconded, and the meeting was adjourned at 10:28 a.m.

_____/s/
Ronald A. Mims
Chairman/President

/s/

Kevin B. McKie, Esq.
First Vice-Chairman/First Vice President

/s/

George Munchus, Ph.D.
Secretary-Treasurer

/s/

Mac Underwood
General Manager