

**MINUTES OF EXECUTIVE COMMITTEE MEETING  
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
January 22, 2018**

An Executive Committee meeting of the directors of The Water Works Board of the City of Birmingham was held on Monday, January 22, 2018, at 3:30 p.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama.

The following Committee Members were present: Brett King, Deborah Clark, William Muhammad, Tommy Joe Alexander, Brenda Dickerson, Ronald Mims, George Munchus, and William Burbage, Jr. Director Sherry Lewis was not present but participated in said meeting via telephone.

Also attending were: Mac Underwood, General Manager; Michael Johnson, Darryl Jones, and Sonny Jones, Assistant General Managers; Grace Amison, Executive Assistant to the Board of Directors; Anitra Hendrix, Executive Assistant to the General Manager; K. Mark Parnell, Parnell Thompson, LLC; Kelvin Howard, Kelvin Howard, LLC; Rick Jackson, George Anderson, and Michael Griffin, Board Employees; Dr. Jesse J. Lewis and Dorian Kendrick, Agency 54; Greg Jones, The Jones Group, LLC; Brian Ruggs, ARCADIS, US; and Olivia Martin, Alabama Attorney General's Office.

Inasmuch as eight of the committee members were present; Chairman Alexander declared a quorum in attendance. The meeting was called to order at 3:35 p.m.

The General Manager stated there were two (2) items on the agenda to be reviewed and discussed.

Following, the Committee moved to the first item on the agenda, Request Committee to review the proposed terms and conditions of Jefferson County Sewer Collection Agreement. The General Manager presented the Committee with a handout wherein a copy is on file in Diligent. He indicated it is the same agreement that was discussed in the January 4, 2018 Executive Committee meeting. Director Munchus asked why is the Board doing this. The General Manager responded over the last year, the former Chairwoman and the current Chairman negotiated this agreement with Jefferson County. Chairman Alexander stated BWWB currently receives \$4 million from the County and it is not receiving all that it needs; he indicated BWWB is losing money and this new agreement would alleviate that problem. Director Munchus responded this is just about the money. Chairman Alexander stated the additional money could be used for the Help 2 Others Foundation and it could result in no rate increase in 2019. Director Clark stated the most important thing is not to have a rate increase. Director Dickerson stated she would like a copy of the current agreement. The General Manager stated he would forward a copy to all directors. He then gave an overview of the proposed agreement. Director Munchus questioned whether the County should handle their own collections. The General Manager responded no, and stated the proposal is to accept 2.69 percent for 90 days, then 5.69 percent effective April 1, 2018, and then 7.77 percent effective October 1, 2018 which would result in \$9.3 million for BWWB in 2018. He stated BWWB will collect \$13.5 million each year once the 7.77 percent goes into effect, which is roughly \$9.5 million more per year for 2019-2022. Director King questioned whether the board can agree that if they don't do a deal with Jefferson County, the State of Alabama can compel them

to collect. Chairman Alexander responded yes. Director Munchus responded they cannot compel the Board to collect. He indicated the County may sue the Board but the Board can sue them back. The General Manager referred to the handout which stated the laws regarding BWWB collecting for Jefferson County. Director King asked Director Muhammad what does he not like about the draft of the agreement. Director Muhammad responded he does not like the upfront payment and he felt BWWB would be taking a loss. Chairman Alexander responded BWWB collects 99 percent of its debt and the County does not do that. The General Manager added once BWWB collects and shuts off a customer's water, the County takes over their own collection. He then gave an overview of the collection process. He stated this agreement would put BWWB in a good position but more importantly it will not result in a lien being placed on a customer's home.

Subsequently, Director Muhammad questioned how much would BWWB write off. Chairman Alexander responded 1 percent. Director Muhammad stated BWWB would get \$12 million without this new agreement and it would get more money under the law. The General Manager then gave an overview of the benefits of the new agreement. Director King questioned how far back will BWWB go on receivables. Board Attorney Mark Parnell stated it goes back to the debt that is actively being collected for the County. The General Manager added it would include 2018 billings and accounts receivable and a portion of 2017. It will not include any accounts over 12 months old. Director King questioned whether it's a big number. A discussion then ensued. Mr. Parnell then gave an overview of the collection breakdown. Director Dickerson questioned if the County increased sewer rates would it be more difficult for customers to pay them. The General Manager responded possibly. Director Dickerson stated BWWB could possibly end up with less percentage on collection. The General Manager stated since 2001 water rates have increased and it has maintained a 99 percent collection rate. He indicated the key to that is to turn accounts off quickly and not let customers get behind on their bills. Mr. Parnell stated the safeguard is the 5.77 percent average over 5 years for collection. He indicated the Board can still invoke a 1-year termination at any time, including within the 5 years. Director Munchus stated the County has a bond indenture over the next 30 years with the sewer rates continuing to escalate. Director Dickerson stated she doesn't think its correct to say the water customers are subsidizing the sewer because it's the same person. The General Manager responded no and stated the money goes to various places. Mr. Parnell then gave an example of a BWWB customer that is not on Jefferson County sewer and indicated when that person pays their bill they are paying to collect the sewer. Director Dickerson indicated she is a BWWB customer and is on Jefferson County sewer and she thinks it isn't fair for her to subsidize because of what happened with the County. Mr. Parnell indicated the Board has fiduciary responsibility to all rate payers. The General Manager indicated BWWB needs to collect the right amount to cover its costs.

Subsequently, Mr. Parnell stated if the Board chooses to terminate the agreement it will receive 5.77 percent; however, if the Board approves the new agreement it will receive 7.77 percent and sewer customers will be subsidizing BWWB customers. The General Manager stated management recommends approval of the agreement under these terms and conditions. Chairman Alexander stated the Committee needed to decide whether to send this item to the full board for approval. Director Dickerson stated she has not had enough time to review the information and she disagreed with sending it to the board for approval on January 25, 2018. Chairman Alexander stated this item is not on the agenda for January 25, 2018 for approval. Mr. Parnell stated if the Board delays in approving the agreement, the phase in times would be delayed. Director Muhammad stated he is flexible with Board implementing an agreement that results in equality;

however, he does not agree with paying the County upfront. The General Manager stated if the County is not paid upfront, customers will continue to receive liens on their property. Mr. Parnell added this agreement will benefit customers by getting their adjustments for leaks sooner and they will not receive a lien on their property. Director Munchus stated he feels the Board should wait to look at this agreement until after Jefferson County elections. He indicated he would like to separate from the County completely. Director King stated he thinks it makes sense for the water and sewer to be connected. A discussion then ensued. Chairman Alexander stated the item had been discussed enough. The General Manager stated the Committee needs to decide whether it will move forward with this item. He indicated management can respond to any questions the directors may have.

Next, Director Clark made a motion to forward this item to the first meeting in February of the Regular Board of Directors' for approval and Director Dickerson seconded the motion. The motion passed by a vote of 5 to 3, with Directors Alexander, Clark, Dickerson, King and Burbage voting for the motion and Directors Munchus, Muhammad, and Mims voting against the motion.

Following, Director Dickerson stated she would like to retract her previous vote in favor of moving this item forward to the full board. She then made a motion to reconsider the item and Director Munchus seconded the motion. The motion passed by a vote of 5 to 3, with Directors Dickerson, King, Munchus, Muhammad, and Mims voting for the motion and Directors Alexander, Clark, and Burbage voting against the motion.

Following, Director Clark made a motion to forward this item to the first meeting in February of the Regular Board of Directors' for approval and Director Burbage seconded the motion. The motion failed by a vote of 4 to 4, with Directors Alexander, Clark, King and Burbage voting for the motion and Directors Munchus, Dickerson, Muhammad, and Mims voting against the motion. The General Manager stated this item could still be placed on the agenda for board approval; however, there will be no recommendation from the Committee.

Following, the General Manager stated the Board needs to redraft its By-Laws because it currently operates under a 5-member board. Chairman Alexander stated the Board is operating under old rules and they do need to be updated. Director Muhammad stated he has reviewed the By-Laws and he did not see any mention of the 5-member Board.

As there was no further business before the Committee, a motion to adjourn the meeting was duly made and seconded, and the meeting adjourned at 5:10 p.m.

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/s/  
Mac Underwood  
General Manager

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/s/  
Tommy Joe Alexander  
Chairman/President

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/s/  
Deborah Clark  
First Vice Chairwoman/First Vice President

/s/

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Dr. Brenda Dickerson  
Second Vice Chairwoman/Second Vice  
President

/s/

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William Burbage, Jr.  
Secretary/Treasurer

/s/

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Ronald A. Mims  
Assistant Secretary/Assistant Treasurer

/s/

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Sherry W. Lewis  
Director

/s/

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Dr. George Munchus  
Director

/s/

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William Muhammad  
Director

/s/

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Brett King, Esq.  
Director