

**MINUTES OF EXECUTIVE COMMITTEE MEETING
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
January 4, 2018**

An Executive Committee meeting of the directors of The Water Works Board of the City of Birmingham was held on Thursday, January 4, 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: Sherry Lewis, Deborah Clark, William Muhammad, Tommy Joe Alexander, Brenda Dickerson, Ronald Mims, George Munchus, and William Burbage, Jr. Director Brett King was not present.

Also attending were: Mac Underwood, General Manager; Michael Johnson, Assistant General Manager; Grace Amison, Executive Assistant to the Board of Directors; Anitra Hendrix, Executive Assistant to the General Manager; K. Mark Parnell, Parnell Thompson, LLC; Rick Jackson, George Anderson, Michael Griffin and Scott Starkey, Board Employees; Dr. Jesse J. Lewis and Dorian Kendrick, Agency 54; Greg Jones, The Jones Group, LLC.

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

The General Manager stated there were three (3) items on the agenda to be reviewed and discussed.

Following, the Committee moved to the first item on the agenda, Request Committee to discuss proposed legislation to be introduced in the 2018 Legislative Session. A video was played featuring State Representative Jack Williams in a FOX 6 news story that aired December 19, 2017. Chairwoman Lewis stated this meeting was being held due to the directors' requesting that this meeting be held. The General Manager stated the Board was made aware of this issue at the December 21, 2017 Regular Board of Directors' Meeting. He provided the directors with an excerpt from the 2016 bond documents which states the Board agreed to be regulated by the Public Service Commission in 2001 and voluntarily waved its statutory exemption from that regulation. He indicated since that time the Board developed its Rate Stabilization and Equalization (RSE) model and on November 1, 2005, the Public Service Commission voted to decline regulating BWWB. The General Manager stated he met with State Representative Jack Williams who mentioned a consent decree that required BWWB to be regulated by the Public Service Commission; however, the General Manager stated he was unaware of such decree. He indicated State Representative Jack Williams stated he was drafting a bill. Director Dickerson questioned where the consent decree is. The General Manager responded he knew nothing of a consent decree. He indicated the RSE model says the Board has to maintain a minimum debt service coverage ratio, if not, it has to raise rates. The Public Service Commission stated if the Board operates under its RSE model, there is no reason for it to be regulated. Director Dickerson stated she was confused regarding the consent decree. Board Attorney Mark Parnell stated there is no consent decree. The General Manager stated the Board needs to decide what its position is regarding this matter so its lobbyist can have clear direction. Mr. Greg Jones, Jones Group, LLC, stated he spoke with State Senator Rodger Smitherman who indicated he would not allow this bill to pass. He also indicated State Senator Jabbo Waggoner did not give a commitment regarding this issue; however, he did

state that he was “finished” with BWWB. Chairwoman Lewis clarified that the Public Service Commission rejected regulating BWWB and should that change, there will be an additional rate increase for BWWB customers. She indicated now is the time for discussion regarding the Board’s position. Director Mims questioned whether the Public Service Commission has changed its view. The General Manager responded no. Mr. Parnell stated the State Attorney General filed a suit stating BWWB could waive its exemption. Director Burbage arrived at the meeting at 3:46 p.m. Mr. Parnell stated the Board did everything they were committed to do and the State Attorney General’s lawsuit did not prevail. Chairwoman Lewis stated she once read that if the Board was to come under the Public Service Commission the rates would increase and to expect higher rates.

Subsequently, Chairwoman Lewis asked the Board what their position is on this matter. The General Manager stated the Board has three options regarding their position: oppose, agree or not respond. Director Munchus stated he thinks the Board needs to vigorously oppose this legislation. Director Dickerson stated the General Manager has made a sound argument about the operations and management of BWWB and indicated she opposes the legislation. She then made a motion for the Board to oppose coming under the regulation of the Public Service Commission and Director Munchus seconded the motion. Director Muhammad questioned Mr. Greg Jones whether he knew how State Representative Jack Williams plans on introducing the bill. Mr. Greg Jones stated it would be a statewide bill. Director Muhammad questioned whether State Representative Jack Williams could use the same terminology as State Senator Jabbo Waggoner used in his bill. Mr. Greg Jones responded yes. Directors Burbage, Clark and Alexander indicated they were opposed to the legislation. Director Clark questioned whether the Board is giving a reason as to why they are opposed to the legislation. She indicated the Board needs to state why they are opposed and create their own narrative. The General Manager indicated a letter had been drafted to send to the State legislature. Director Muhammad stated the Board has enough oversight. Chairwoman Lewis then asked the Committee to vote to send this item to the full board for approval and the Committee unanimously agreed. The General Manager stated once the written bill is received the Board would be informed.

Following, the Committee moved to the second item on the agenda, Request Committee to review the proposed terms and conditions of Jefferson County Sewer Collection Agreement. Chairwoman Lewis stated she along with Director Alexander, Management, Board Attorneys and Staff have been meeting for months with Jefferson County. She indicated they did not report back to the Board regarding these meetings because it would have caused confusion regarding the negotiations. She indicated she wanted to present the Board with a concrete, written agreement. She stated all directors received an email with a term sheet and contract for their review. Chairwoman Lewis stated she understood in the past Chairman Mims and Director Muhammad met with the County regarding an agreement; however, the County stated there was no agreement from those meetings. She stated the agreement before the Board now is the agreement the County would recommend approving. Director Munchus stated he is still in favor of terminating the current agreement with Jefferson County. The General Manager then gave an overview of the agreement. He stated the County agreed in the hiring and paying of Raftelis Financial Consultants to conduct a Cost of Service Study. Raftelis cost analysis shows that it costs the Board 5.77 percent of the total amount it is billing and collecting for Jefferson County. He stated the Board is receiving approximately 2.69 percent of what it collects for the County. Chairwoman Lewis added it is costing the Board more and it is collecting less. The General Manager stated under the new agreement the term would be 5 years and charge 7.77 percent. He indicated another study would

be conducted in 4 years and a new rate established based on the new study. Director Muhammad questioned why the Board would be negotiating with the County when the law is on its side. Chairwoman Lewis stated the Board and the County are concerned about rate payers. She indicated a mandatory rate of 7.5 percent would go into effect if no agreement could be reached; however, this would negatively impact the rate payers immediately. She stated this process allows for the customer to have time to adjust to the increase and to no longer have liens placed on their house. She stressed that the customer was placed first throughout the negotiation process. Mr. Parnell stated BWWB would be buying the County's accounts receivable. The General Manager stated the existing liens and bad debt will remain with the County and BWWB will accept bad debt once the new agreement goes into effect. Director Muhammad questioned whether BWWB would forgive sewer debt. Chairwoman Lewis responded no. The General Manager stated BWWB collects 99 percent of what it bills. Chairwoman Lewis stated there would be no liens for 5 years. Mr. Parnell indicated this agreement would only apply to customers of both BWWB and Jefferson County. Director Dickerson stated her opinion is to let the sewer deal with itself and the Board not get involved. Director Munchus stated he agreed with Director Dickerson. Chairwoman Lewis stated if the Board tries to separate from the County there will be a lawsuit and customers would end up paying for it by means of a rate increase. Director Munchus responded "let the County sue us". Director Muhammad responded the County cannot make BWWB collect. Mr. Parnell stated there is a law in place and the County can pass a resolution that requires the Board to bill and collect for them. A discussion then ensued. Director Alexander stated the Board would get more money with this agreement. Director Dickerson questioned how much more money would BWWB receive. The General Manager responded from \$4 million to \$13 million. Director Dickerson stated she thinks there should be a public hearing.

Subsequently, Chairwoman Lewis stated if the Board chose to separate from the County, the County would have to create a new billing department, including new hires, which would result in higher sewer rates for its customers. Director Mims questioned how much could BWWB charge the County for sharing billing information. The General Manager stated staff did not ask Raftelis to determine that amount in his analysis; therefore, that information isn't available. Director Munchus stated BWWB should consider purchasing the sewer system from the County. Director Burbage stated Shelby County sold their sewer system because it did not fit into their model. Director Munchus stated the debt of the County is not all "real". Director Burbage disagreed and stated BWWB would have to assume the debt. Director Muhammad stated he needs a copy of the law that says BWWB must collect for Jefferson County. The General Manager stated he would forward a copy of said law. Chairwoman Lewis expressed her appreciation for everyone's hard work on this agreement, including the Jefferson County Commission.

Next, the General Manager explained how the billing process would work. Director Dickerson left the meeting at 4:37 p.m. Director Muhammad stated he couldn't agree with paying on what BWWB collects. The General Manager stated based on the new agreement BWWB will pay the County 93 percent of what it collect 20 days later. Director Dickerson returned to the meeting at 4:39 p.m. Director Clark stated currently BWWB is paying the County based on what is collected; however, with the new agreement BWWB will pay the County what is billed. She then questioned what is the dollar amount difference. Assistant General Manager Michael Johnson responded the projection is a \$4 million difference. Director Muhammad continued to express his dislike for creating a new agreement with the County. Chairwoman Lewis questioned the Board's attorney if the Board voted to separate from Jefferson County would the legislative body still have

a right to put other legislation in place. Mr. Parnell responded yes. Chairwoman Lewis clarified the Board will not have the final say regarding this issue because the legislative body are the ones who joined BWWB and Jefferson County. She stated this information is being shared with the Board for their review. Director Clark stated she wants to make sure BWWB is not losing any money. Director Muhammad left the meeting at 5:08 p.m.

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.

_____/s/
Mac Underwood
General Manager

_____/s/
Sherry W. Lewis
Chairwoman/President

_____/s/
Tommy Joe Alexander
First Vice Chairman/First Vice President

_____/s/
Deborah Clark
Second Vice Chairwoman/Second Vice
President

_____/s/
William Burbage, Jr.
Assistant Secretary/Assistant Treasurer

_____/s/
Dr. Brenda Dickerson
Director

_____/s/
Dr. George Munchus
Director

_____/s/
William Muhammad
Director

_____/s/
Ronald A. Mims
Director