

**MINUTES OF A SPECIAL MEETING OF DIRECTORS  
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
April 19, 2018**

A special meeting of the directors of The Water Works Board of the City of Birmingham was held on Thursday, April 19, 2018 at 9:00 a.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama.

The following Directors were present: Tommy Joe Alexander, Deborah Clark, Butch Burbage, Sherry Lewis, Brenda Dickerson, Brett King and George Munchus. The following Directors were not present: Ronald A. Mims and William Muhammad.

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 of Directors; Anitra Hendrix, Executive Assistant to the General Manager; George Anderson, Michael Griffin, Ben Sorrell, Scott Starkey, Terrell Jones, Steve Franks, Chris Hill and Rick Jackson, Board Employees; K. Mark Parnell, Parnell Thompson, LLC; Kelvin Howard, Kelvin Howard, LLC; Dr. Lewis, Dorian Kendrick, and Tommy Palladino, Agency 54; Patrick Flannelly and Brian Ruggs, ARCADIS; Dana Nail, State of Alabama; Earl Hilliard, Jr., City of Birmingham; David Merrida, Birmingham Construction Industry Authority; Abra Barnes, Barnes & Associates; Nelda Thompkins and Isaac Ballard.

Inasmuch as seven of the directors were present; Chairman Alexander declared a quorum in attendance.

Chairman Alexander called the meeting to order at 9:00 a.m. and George Anderson opened with prayer.

Following, Director Munchus stated he did not feel there was a need for a special board meeting. He then asked Board Attorney Mark Parnell whether he was involved in changing this meeting from a committee meeting to a special board meeting. Mr. Parnell stated he was asked to provide legal advice regarding the meeting. Director Munchus then asked the General Manager whether he was involved in the meeting being changed. The General Manager stated he received a call regarding the meeting. Director Brett King arrived at the meeting 9:04 a.m. Director Munchus stated he would have further comments later. The General Manager stated according to the by-laws, a special board meeting can be called by the Chairman or by two (2) directors. Director Munchus left the meeting at 9:05 a.m.

Following, the General Manager asked the Board to discuss and take action on additional counsel to represent the BWWB in the Startley lawsuit, as set forth in agenda item 1. Director Lewis requested this item be discussed in Executive Session. Board Attorney Mark Parnell stated under the open meeting's act the purpose of the meeting had to be certified to discuss a pending lawsuit and stated such certification. 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 Dr. Brenda Dickerson and seconded by Ms. Sherry Lewis, that the Board hereby approves an Executive Session to discuss a pending lawsuit. Resolution No. 7766 is hereby adopted by unanimous vote.”

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At 9:06 a.m. the Board and the Board's Attorneys entered into an Executive Session.

At 10:32 a.m. a motion was duly made and seconded to adjourn the Executive Session and the meeting reopened. Following, Director Dickerson made a motion for the Board to retain the law firm of Cory Watson to work with Parnell Thompson, LLC in the litigation associated with the lawsuit Startley General Contractors versus the Water Works Board of the City of Birmingham; and indicated Cory Watson's rates will be the same as Parnell Thompson, LLC; and Cory Watson will act as lead. The motion was seconded by Director Clark. 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 Dr. Brenda Dickerson and seconded by Ms. Deborah Clark, that the Board hereby retains the law firm of Cory Watson to work with Parnell Thompson, LLC in the litigation associated with the lawsuit Startley General Contractors versus the Water Works Board of the City of Birmingham; and Cory Watson's rates will be the same as Parnell Thompson, LLC; and Cory Watson will act as lead. Resolution No. 7767 is hereby adopted by unanimous vote."

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Director Dickerson left the meeting at 10:34 a.m.

Following, the General Manager asked the Board to hear a presentation relative to the Cost of Service Study to be completed during FY2018, as set forth in agenda item 2. Assistant General Manager Michael Johnson stated a Cost of Service Study is conducted every five years. He then recognized the representatives from Raftelis Financial Consultants. Peiffer Brandt, Raftelis Financial Consultants, stated the purpose of this presentation is to start the process of deciding how to structure the rates to recover the revenue needed. He indicated it will not be the directors last time to provide input on this process. He indicated Raftelis will work in the best interest of the Board. He then gave an overview of the study objectives and indicated Raftelis will recommend a rate structure. Director Dickerson returned to the meeting at 10:36 a.m. Mr. Brandt stated the Board needs to recover \$179 million. He then gave an overview of the current rate structure and pricing objectives. He stated residential customers consumption/usage fluctuates throughout the year. He stated the goal of a Cost of Service Study is to recover revenue that is sufficient to fund expenses that are incurred to provide water services to various classes of customers. He gave an example of the base charge being lowered, which would cause the volumetric rates to increase. He indicated \$179 million that needs to be recovered does not change with the pricing objectives. He indicated SAP will be key in implementing necessary changes, especially with new capabilities of the system. Director Clark left the meeting at 10:41 a.m. and returned to the meeting at 10:42 a.m.

Next, Mr. Brandt then asked the directors to participate in an exercise to rank the pricing objectives that are of importance to them. He stated the Board does not want to charge developers too much which would discourage new developments in the system. He then gave an overview of competing values. Mr. Brandt then discussed financial and reserve fund policies. He indicated BWB is well below the industry average of rate increases, it's good on paygo, and it has strong bond ratings. He stated next steps for preparation of the study would be to work on the allocations and discuss affordability. He indicated discussing affordability will be important in determining how it will affect rates. He also stated it is important to find the right balance in engaging the public.

Following, the General Manager asked the Board to hear a presentation on acquiring real estate to expand the Main Campus, as set forth in agenda item 3. The General Manager recognized

Ben Sorrell, Board Employee, to present maps regarding said real estate. Mr. Sorrell displayed maps showing real estate considered for purchase consisting of three (3) properties located at Messer Airport Highway, 35<sup>th</sup> Street North, 4<sup>th</sup> Terrace North and 37<sup>th</sup> Street North. He presented the directors with handouts of the values of the three properties and additional survey photos. Copies of the handouts are on file with the today's meeting book. He stated if the property is acquired, the street located on 4<sup>th</sup> Terrace North would be vacated of right-of-way. The General Manager stated there has been issues in the EnviroLab involving leaking roofs which has led to mold. He stated several years ago a campus plan was started to consolidate the EnviroLab and other office space in order to expand the area used for pipe storage. He indicated this would be an increase of 2.08 acres to the campus. Director King questioned whether vacation of these properties would be certain to happen. Mr. Parnell responded yes. The General Manager stated the property owners have been asking prices on the properties and the Board can request Abra Barnes, Barnes & Associates, to negotiate with the owners regarding the prices. Director King questioned whether a motion needed to be made to authorize Ms. Barnes to negotiate with the owners. The General Manager responded yes. Ms. Barnes stated she has spoken with the owners; however, there has not been any negotiation regarding these properties. She then gave an overview of the properties. She stated she has spoken to an appraiser regarding appraisal of all three properties and stated it would cost \$1,200.00. Director King then made a motion to authorize Abra Barnes to hire an appraiser for \$1,200.00. Mr. Parnell questioned whether Ms. Barnes was being authorized to hire the appraiser or whether the Board would be hiring the appraiser. Director King corrected his motion and stated the Board would hire the appraiser. 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. Brett King and seconded by Dr. Brenda Dickerson, that the Board hereby authorizes the hiring of an appraiser to conduct an appraisal of property located at 3627 Messer Airport Highway; 210 37th Street North; and 312 37th Street North for a total out-of-pocket cost to the Board of \$1,200.00. Resolution No. 7768 is hereby adopted by unanimous vote.”

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Subsequently, Ms. Barnes stated the appraisal would be done within two (2) weeks. Following, Assistant General Manager Sonny Jones presented the board with a handout regarding the roof replacement schedule of the Board's properties. A copy of the handout is on file with the today's meeting book.

As there was no further business before the Board, Chairman Alexander entertained a motion to adjourn the meeting and a motion was duly made and seconded, and the meeting adjourned at 11:10 a.m.

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Tommy Joe Alexander  
Chairman/President

Attest:

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William Burbage, Jr.  
Secretary-Treasurer