

**MINUTES OF THE INFORMATIONAL MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
January 22, 2015**

The Informational Meeting of the Directors of The Water Works Board of the City of Birmingham was held on Thursday, January 22, 2015, at 12:30 p.m., at 3600 First Avenue North, Birmingham, Alabama.

The following Directors were present: A. Jackie Robinson, III, Sherry W. Lewis, David S. Herring and George Munchus. Ann D. Florie was present by teleconference.

Inasmuch as four Directors were present, a quorum was in attendance.

The meeting was also attended by: Mac Underwood, General Manager; Sonny Jones, Darryl Jones and Michael Johnson, Assistant General Managers; Grace E. Amison, Executive Assistant to the Board of Directors; Tammy Wilson, Administrative Assistant to Assistant General Managers Sonny Jones and Darryl Jones; Cortez Tolbert, Rick Jackson, Shirley Simmons, Geoff Goodwin, Ben Sorrell, George Anderson, Iris Fisher, Barry Williams, Glenn Terrell, Geoff Goodwin, Reginald Nall, Doug Stockham, Board Employees; Charlie Waldrep, Mark Parnell and Mary Thompson, Waldrep, Stewart & Kendrick, LLC; Peiffer Brandt and Joe Crea, Raftelis Financial Consultants; Matthew Arrington, Terminus Securities; Jerry Jones, ARCADIS; Kirk Mills, Volkert & Associates, Inc.; Dorian Kendrick and Brandon Wilson, The Lewis Group; Dan Meadows, S.S. Nesbitt and Company, Inc.; David Merrida, Birmingham Construction Industry Authority; Chandra Abesingha, C. E. & Associates, Inc.; Judy Rada, Michael Twardowski, Steven Flaig and Ann Vance, HomeServe; David Russell, City of Birmingham citizen.

General Manager Mac Underwood called the meeting to order at 12:37 p.m. and welcomed the meeting body. Darryl Jones opened the meeting with prayer. Mac Underwood announced that Director Florie was out ill, but was present by teleconference.

Following, General Manager Mac Underwood requested the Board elect officers of the Board for the 2015 calendar year, as set forth in agenda item 1. Director Herring recommended that the Board keep the same positions they each held last year. 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, on a motion duly made by Mr. David Herring and seconded by Mr. George Munchus, that the following persons are hereby selected to serve as officers of the Board of Directors of The Water Works Board of the City of Birmingham as indicated below for one year (calendar year 2015) or until the next election of officers:

A. Jackie Robinson, III	Chairman/President
Sherry W. Lewis	First Vice Chairman/First Vice President
Ann D. Florie	Second Vice Chairman/Second Vice President

David S. Herring
George Munchus

Secretary-Treasurer
Assistant Secretary-Treasurer

Resolution No. 6842 is hereby adopted by unanimous vote.”

Chairman Robinson thanked the Board members for their support and for re-electing him as Chairman of the Board stating that much was accomplished in 2014. The Chairman thanked Staff, management, consultants and employees for their hard work last year adding that he was expecting a productive year in 2015. Chairman Robinson commented that he recently had the chance to hear Ben Bernanke speak, formerly of the Federal Reserve Bank, about what is coming down the pike in 2015 and there should be some exciting things. There was no discussion under old business.

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Next, General Manager Mac Underwood requested the Board adopt a resolution expressing its condolences in the death of Board employee Mr. Donald Decker who passed away on Wednesday, January 21, 2015, as set forth in agenda item 3. Mr. Decker was a Senior Meter Reader in the Customer Support Service Department. Mr. Decker had been an employee for 25 years. Human Resources as well as Michael Parker have been in touch with the family. On a motion duly made and seconded, the following resolution was adopted:

“WHEREAS, Donald Decker, passed away on Wednesday, January 21, 2015, wherein The Water Works Board of the City of Birmingham, (“the Board”); mourns the death of Mr. Decker;

WHEREAS, Mr. Decker had been a dedicated and valued employee of the Board since August 13, 1996;

WHEREAS, The Board wishes to pause from its Board of Directors’ Meeting on Thursday, January 22, 2015, to convey its respect and deepest sympathy to the family, friends and co-workers of Mr. Decker;

WHEREAS, The human life is sacred to everyone, the Board especially desires to remember and honor those employees who have passed away; and

NOW, THEREFORE, BE IT RESOLVED, that The Water Works Board of the City of Birmingham does hereby perpetuate the memory of Donald Decker and hereby expresses its condolences to his family, friends, and co-workers.

BE IT FURTHER RESOLVED, that a copy of this resolution be spread upon the minutes of The Water Works Board of the City of Birmingham and a copy presented to Mr. Decker’s family.

ADOPTED this 22nd day of January 2015 by the Board of Directors of The Water Works Board of the City of Birmingham.

BE IT RESOLVED By the Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Ms. Sherry W. Lewis and seconded by Mr. George Munchus, that the Board hereby adopts a resolution expressing condolences in the death of Donald Decker who passed away on Wednesday, January 21, 2015. Resolution No. 6843 is hereby adopted by unanimous vote.”

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Following, Michael Twardowski, Vice-President of Account Management for HomeServe introduced his team; Steven Flaig, Senior Director of Account Management; Judy Rada, Account Manager and Ann Vance, Manager of Customer Care. Mr. Twardowski distributed a copy of his presentation, “Partnership Overview” (wherein a copy of the presentation is on file with the Board meeting book). Since the beginning of the HomeServe/Birmingham Water Works Board (BWWB) partnership in January 2014, over 16,000 BWWB customers have acquired water service line coverage, over 20,000 coverage policies have been acquired (water service line 16k, sewer line 4k), we have reached an 11% participation rate of eligible customers, deployed contractors to Birmingham customers’ homes an average of twice per day and performed over \$575,000.00 in value. Michael Johnson asked if this was a 5-day work week. Mr. Twardowski stated weekends are included, so 365 days a year they are working. The customer satisfaction rating is 93%. HomeServe uses multiple sources to obtain objective feedback from customers including Reevo, which is an independent, impartial and trustworthy online site that collects and reviews recommendations and answers consumer questions for more than 100 companies. There have been a total of 8 pro bono jobs completed through the HomeServe/BWWB relationship to date according to Mr. Twardowski, netting a total value of over \$25,000.00. Director Herring asked how the people are selected for the pro bono jobs. Mr. Twardowski stated BWWB employees; Shirley Simmons and Glenn Terrell have been instrumental in the selection process. Contractors in the area occasionally provide feedback for needy customers also. Mr. Twardowski talked about some new products HomeServe is offering including interior plumbing/drainage and water heater coverage. An average of 33% of U. S. residents have had an interior plumbing issue and more than 20,000 water heaters are repaired or replaced in the U. S. each day. The cost per month for various types of coverage was reviewed; water lines, \$4.99, sewer lines, \$7.99, interior plumbing, \$9.99 and water heater, \$6.99. Director Lewis asked about offering a discount for those customers desiring all four areas of coverage. Mr. Twardowski stated they could look into offering that, but right now it is a la carte. Mac Underwood mentioned a case he is currently involved in which the customer, an 83 year-old woman who does not have coverage, has charges of over \$15,000.00 in water line and plumbing work. Her plumbing beginning with the kitchen and continuing outside needs extensive work. Some discussion occurred concerning what would have been covered had this woman purchased insurance coverage. Glenn Terrell stated he would address the possibility of all 4 products being offered by HomeServe at a discounted rate in February when the Committee has their next follow-up discussion. Chairman Robinson reminded everyone that not all customers are sewer customers. Director Florie asked if all of the HomeServe mailings are reviewed by BWWB. Mac Underwood stated they are reviewed by the Committee but stated we could have the Board review the materials as well. Some discussion took place concerning the pro bono jobs with Mac Underwood stating they were based on need and low income situations. Joyce Jordan is working

with the woman who has more than \$15,000 in charges, is elderly and has no insurance coverage, to see if H2O assistance could be given in her case. Director Robinson stated this was a good report and that the first year partnership with HomeServe has been a successful one. Ann Vance, Manager of Customer Care was recognized and gave some examples of rewards received by BWWB Call Center Representatives for transferring calls and making sales and some ideas for increasing sales. Ann Vance stated beginning September through the end of December, there had been about 471 transferred calls. Out of that number there was a 4% sign up rate. Commission off those sales was around \$3,000.00. We would like to see that number grow Ann Vance stated. Getting agents to feel comfortable offering the products is important. We would like to see each agent transfer one call per day and possibly have BWWB conduct a contest among the Call Center Representatives. The amount of rewards which can potentially be earned from BWWB agents just transferring one call per day is \$64,000.00, according to Ann Vance.

Next, General Manager Mac Underwood stated the Finance and Administration Division would not have a presentation today due to the end of the year closing, adding they would have a presentation in February.

Following, Assistant General Manager Sonny Jones was recognized to present the Engineering and Maintenance Division Report for December 2014 in a PowerPoint presentation as set forth in agenda item 5. The Board was provided a copy of the presentation (wherein a copy of the presentation is on file with the Board meeting book). Assistant General Manager Sonny Jones reviewed and discussed the details as outlined in said report.

Under the CIP Metrics slide, Sonny Jones stated a lot of ground was made up during the month of December. The actual expenditures of \$49M was under the approved budget amount of \$54M with the difference being due to the Inland Lake Marina and SAP projects not getting off the ground. Capital Projects were highlighted with Sonny Jones stating Inland Dam Rehab investigation is ongoing and the 2015 budgeted amount is \$1.2M. The Lake Purdy Dam Stability Study is making good progress and the 2015 budgeted amount is \$1.8M. Carson Loop 6B is about 91% complete and the estimated completion date is February 2015 with about \$700,000.00 left to complete the project. Carson Loop 6C is getting ready to be bid and is estimated at about \$5.3M. Director Munchus asked what the completion percentage would be following 6C's completion. Sonny Jones stated the Carson Loop Project would be about 75% to 80% complete after 6C is completed. Darryl Jones concurred. Moving on to System Development Department's main replacement projects, Sonny Jones stated BWWB's scheduled 2014 projects totaled 16 miles. The amount of main replaced in 2014 was around 51,000 feet. The Cut and Cap Program was explained as follows by Sonny Jones. Water mains are replaced to increase flow and pressure to the customer, to increase fire flow, to eliminate water quality problems, to reduce maintenance calls for leaks and to reduce non-revenue water loss. The Cut and Cap Program will address most of these issues. Galvanized steel parallel mains (GSPM) are a big concern in that there are 380 miles of it in the BWWB system, 100 miles of it are in parallel mains (not including service lines), no service lines are moved when newer mains are installed to save money, the vast majority of GSPM's are two-inch and 70% of our water main repairs are on two-inch mains. The pilot project results of the Cut Cap and Move Services was reviewed. There were 14 previous projects with one crew on 7,400 feet in 3 months, production is 120 feet per day, the average cost is \$35.00 per foot, main replacement through System Development is

\$125.00 per foot and the majority of services were galvanized and leaking. The Cut and Cap Program is 257% more efficient at achieving our goals than main replacement according to Sonny Jones. Some of the strategies to achieve success in this area were highlighted; budget two-thirds of \$7.5M of 2015 CIP Budget to the Cut and Cap Program or \$5M of \$7.5M budget, this will fund 20 plus miles a year out of service and three crews working 48 weeks a year can remove 100 miles of GSPM's in 5 to 6 years in a Cut and Cap Program. The water flow has probably quadrupled because the half inch galvanized services are replaced with one-inch copper services Geoff Goodwin stated. The preliminary studies based on old reports show leakage of 9 or 10 gallons per minute on a mile of two-inch pipe with 2 leaks on it. If 1 out of 20 is leaking, the figure could be somewhere around \$2.5M per year loss on all 380 miles according to Geoff Goodwin. Sonny Jones added that some of this work may be covered by HomeServe, so we need to identify if a customer has coverage through HomeServe to coordinate with that effort in order to save money and manpower. Sonny Jones shared figures from the Distribution Department through December 2014; 6,735 leak orders were completed during 2014; outstanding leak orders through December 2014 totaled 23; the oldest leak in the system is January 6, 2015; and we have repaired or replaced over 2,000 hydrants during the year with them only being out of service 1 day.

Next, Assistant General Manager, Darryl Jones, was recognized to present the Operations and Technical Services Division report for December 2014 in a PowerPoint presentation as set forth in agenda item 5. The Board was provided a copy of the presentation (wherein a copy of the presentation is on file with the Board meeting book). Assistant General Manager Darryl Jones reviewed and discussed the details as outlined in said report.

Darryl Jones reported on the finished and raw water pumpage for December 2014. The cumulative finished water pumpage total YTD is 38.174 billion gallons. The cumulative raw water pumpage total YTD is 48.576 billion gallons. We put out less raw water and more treated water in 2014. There were about 58 inches of rainfall last year. Lake levels at both Inland Lake and Lake Purdy are at good levels. On the industrial side, we are down the last 4 or 5 years due to the conservation efforts of our customers. There is not much change at U. S. Steel. The power is slightly under budget by \$51,808.00 YTD and chemicals are under budget \$931,583.00 YTD. Alabama Power Company passed a rate increase after our 2015 budget was approved, so the power numbers will not look as promising as projected for this next year.

Following, General Manager Mac Underwood highlighted some items from the tentative agenda for the Regular Bimonthly Board of Directors' Meeting scheduled for January 29, 2015. Item 7 is a request for the Board to take bids for the maintenance and repair project to update the control equipment of the hydraulic freight elevator located in the main office building, at an out-of-pocket cost to the Board of \$65,862.00. Item 8 is a request for the Board to award a bid to American Suncraft, the lowest responsible and responsive bidder, for tank painting, repair and maintenance for the Bluff Park #1 Elevated Water Tank, at an out-of-pocket cost to the Board of \$518,000.00. Mac Underwood stated Staff will be asking for approval on these items next week.

Next, Michael Johnson stated there would be an Executive Committee Meeting scheduled and that the date being considered is January 27, 2015 at 12:30 p.m. Also, a joint Human Resources and Communications Committee Meeting will be scheduled and the dates being

considered are February 3, 2015 and February 2, 2015. Director Florie stated she would be out of town both February 2nd and 3rd. Mac Underwood distributed a Franchise Fee payment schedule (wherein a copy is on file with the Board meeting book) adding that the 2014 Franchise Fee payment checks would be hand delivered to every municipality from Pleasant Grove on up this week. If any Board member would like to make any of the deliveries, they may, if not Staff will make the deliveries before January 31, 2015. The rest will be mailed according to Mac Underwood.

As there was no further business before the Board, a motion was duly made and seconded, and the meeting was adjourned at 1:38 p.m.

/s/
A. Jackie Robinson, III
Chairman/President

Attest:

/s/
David S. Herring
Secretary-Treasurer