

**MINUTES OF THE REGULAR MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
February 23, 2016**

The regular meeting of the directors of The Water Works Board of the City of Birmingham was held on Tuesday, February 23, 2016 at 9:00 a.m., at 3600 First Avenue North, Birmingham, Alabama.

The following Directors were present: Ronald A. Mims, Kevin B. McKie, Ann D. Florie, George Munchus, and Sherry W. Lewis.

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

The meeting was also attended by: Mac Underwood, General Manager; Darryl Jones, Assistant General Manager of Operations and Technical Services; Sonny Jones, Assistant General Manager of Engineering and Maintenance; Tammy Wilson, Executive Assistant to Assistant General Managers, Sonny Jones and Darryl Jones; Grace Amison, Executive Assistant to the Board of Directors; Ben Sorrell, George Anderson and Ed Travis, Board Employees; Jesse Lewis and Dorian Kendrick, The Lewis Group; Kirk Mills, Volkert & Associates, Inc.; Jerry Jones, ARCADIS; Chandra Abesingha, CE & Associates, Inc.; Courtney French, Mike Petway Ryan Wilson and Sam Ford, Fuston, Petway and French, LLP; Rodney Givens, Jackson and Tull; William Muhammad, Knowledge is Power; Alice Gordon, Skye Connect, Inc.; Dan Meadows, S.S, Nesbitt & Company, Inc.; David Merrida, Birmingham Construction Industry Authority; John Ray, KHAFRA; Matt Adams, Raymond James; Yvonne Davis, Yvonne Green Davis, P.C.

Chairman Mims called the meeting to order at 9:03 a.m. and welcomed the meeting body. General Manager Mac Underwood opened the meeting with prayer.

Next, General Manager Mac Underwood asked the Board to adopt a resolution commending the Employees of the Month for February 2016. General Manager Mac Underwood asked the Board to approve and sign the resolutions adding that the employee, Brent Zeanah would be recognized at the next Board Meeting due to him being sick today. As set forth in agenda item 1.1, Brent Zeanah, Machinist in the Engineering and Maintenance Division was commended. On a motion duly made and seconded, the following resolution was adopted:

“WHEREAS, the Board has established an Employee of the Month Program; and

WHEREAS, Brent Zeanah has been selected as the Engineering and Maintenance Division’s Employee of the Month for February 2016; and

WHEREAS, the Board desires to recognize and commend the employee who has been selected as Employee of the Month; and

NOW, THEREFORE, BE IT RESOLVED, on a motion duly made by Mr. George Munchus and seconded by Mr. Kevin B. McKie, that the Board hereby recognizes and

commends Brent Zeanah for having been selected as the Engineering and Maintenance Division's Employee of the Month for February 2016.

BE IT FURTHER RESOLVED, that in recognition of Brent Zeanah, 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. Brent Zeanah.

Resolution No. 7134 is hereby adopted by unanimous vote."

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Following, as set forth in agenda item 1.2, General Manager Mac Underwood asked the Board to adopt a resolution commending the BWWB Training and Organizational Development Team for ranking #10 in Training Magazine's 2016 Top 125 Companies further explaining that the Training Team would be recognized at the next Board Meeting due to Rhonda Lewis, Training and Organizational Development Officer being out sick. The Training and Organizational Development Team was commended. 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. George Munchus and seconded by Mr. Kevin B. McKie, that the Board hereby recognizes and commends members of the Training and Organizational Development Team: Rhonda Lewis, Marilyn Vertison, Cortez Tolbert, Derrick Gooden and Meridith Hollins, as the Finance and Administration Division's Employees of the Month for February 2016, for their outstanding efforts towards helping the Birmingham Water Works Board (BWWB) achieve the ranking of 10 out of 125 in Training Magazine's Annual Top 125 of employer-sponsored workforce training and development programs. This was a 14 spot improvement for the BWWB as they ranked 24 out of 125 in 2015. "The 2016 Training Top winners set the bar high on employee training and development," notes Lori Frefield, editor-in-chief of Training Magazine. "They consistently design and implement effective programs that engage their employees and yield demonstrable business outcomes. These organizations are a testament to the power of strategic training and development. We salute their passion, commitment, and dedication to their employees and the training industry overall." The BWWB beat out some well recognized companies such as AT&T, BB&T, Best Buy, CVS/Caremark and Quicken Loans. The award was accepted on February 15, 2016, at the 2016 Training Conference and Expo in Orlando, Florida.

RESOLVED FURTHER, that the Board and the General Manager are hereby authorized to sign a formal resolution, the wording of which will carry out the intent herein, and an official resolution will be presented to the employees named above.

Resolution No. 7135 is hereby adopted by unanimous vote."

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Next, General Manager Mac Underwood stated the Birmingham Water Works Board (BWWB) has been moving up since its first year of applying. This is the fourth time the Board

has submitted its application according to General Manager Mac Underwood. Each year the BWWB Team has improved their ranking. General Manager Mac Underwood added that Assistant General Manager Michael Johnson was not in attendance today due Mr. Michael Johnson traveling to the Utility Management Conference.

There was no discussion under old business.

Next, General Manager Mac Underwood asked the Board to approve minutes from an Informational Board of Directors' Meeting held, December 16, 2015, as set forth in agenda item 3. 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. George Munchus and seconded by Mr. Kevin B. McKie, that the Board hereby approves minutes of the Informational Board of Directors' Meeting held on December 16, 2015.

Resolution No. 7136 is hereby adopted by unanimous vote.”

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Next, General Manager Mac Underwood asked the Board to approve payments of invoices, as set forth in agenda items 4.1 through 4.5. General Manager Mac Underwood indicated management has reviewed the referenced invoices and recommends them for approval. 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. George Munchus and seconded by Mr. Kevin B. McKie, that the Board hereby authorizes staff to execute payments to the following:

- 4.1 The Jones Group, LLC
For professional services rendered through February 2016 \$ 5,000.00
- 4.2 Volkert, Inc.
For professional services rendered through January 2016 \$ 8,268.60
- 4.3 Raftelis Financial Consultants, Inc.
For professional services rendered through January 2016 \$ 8,532.82
- 4.4 The Lewis Group
For professional services rendered through January 2016 \$ 25,000.00
- 4.5 Fuston, Petway & French, LLC
For professional services rendered through January 2016 \$133,727.50

Resolution No. 7137 is hereby adopted by unanimous vote.”

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Following, General Manager Mac Underwood asked the Board to exercise its bid option to extend 12-month contracts with Consolidated Pipe, the lowest responsible and responsive bidder, for estimated annual quantities of Copper Setters/Resettlers, per bid awarded March 16, 2015, at an estimated out-of-pocket cost to the Board of \$727,161.80; and American Cast Iron Pipe, the lowest responsible and responsive bidder, for estimated annual quantities of Pipe (Slip Joints, Pressure Class Pipe and M. J. Fittings), per bid awarded March 16, 2015, at an estimated out-of-pocket cost to the Board of \$2,606,685.80, as set forth in agenda item 5.1 and 5.2. Director Munchus asked for confirmation that the total cost is not to exceed these bid amounts. General Manager Mac Underwood stated yes that is correct, adding that this is just a bid and the amount actually spent will depend on the number of projects during the year. Director Lewis stated we are spending almost a million dollars more and asked what the driving factors are. Assistant General Manager Sonny Jones responded that the cost could be related the Carson Loop Project and if this is the case, materials would be purchased off this contract which was not started last year. Assistant General Manager Sonny Jones stated he would investigate and put a report together for the Board. Director Munchus asked where Staff is on the Carson Loop Project. Assistant General Manager Sonny Jones responded that there is one piece of property left to get an easement on and the Board is working through that with Irondale.

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. George Munchus and seconded by Mr. Kevin B. McKie, that the Board hereby exercises its bid option to extend 12-month contracts and to authorize the General Manager and/or Assistant General Manager to execute contracts with the following:

- 5.1 Consolidated Pipe, the lowest responsible and responsive bidder, for estimated annual quantities of Copper Setters/Resettlers, per bid awarded March 16, 2015, at an estimated out-of-pocket cost to the Board of \$727,161.80.
- 5.2 American Cast Iron Pipe, the lowest responsible and responsive bidder, for estimated annual quantities of Pipe (Slip Joints, Pressure Class Pipe and M.J. Fittings), per bid awarded March 16, 2015, at an estimated out-of-pocket cost to the Board of \$2,606,685.80.

Resolution No. 7138 is hereby adopted by unanimous vote.”

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Next, General Manager Mac Underwood asked the Board to approve a proposal from Swatek, Azbell, Howe & Ross, LLC to provide governmental relations and lobbying services at a cost of \$5,500.00 per month from February 25, 2016 to February 28, 2017; and to authorize the General Manager and/or the Assistant General Manager to execute said proposal, as set forth in agenda item 6. Director Lewis stated this item has not been discussed by the Board and she did not understand why there would be an item to hire a lobbyist when three lobbyist contracts were just cancelled. Director Lewis asked what the procedure is for putting something on a Board agenda and who knows the firm. Director McKie stated he knew of the firm and asked Director

Lewis where this conversation was last year when the other lobbyists were hired. Director Munchus stated he would like the item to go before the next Finance Committee Meeting, March 3, 2016.

On a motion duly made and seconded, the following resolution was tabled:

“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. George Munchus and seconded by Ms. Sherry W. Lewis, that the Board hereby tables approving a proposal from Swatek, Azbell, Howe & Ross, LLC to provide governmental relations and lobbying services at a cost of \$5,500.00 per month from February 25, 2016 to February 28, 2017. Resolution No. 7139 is hereby tabled by Directors Munchus, Lewis and Mims on February 23, 2016. Directors Florie and McKie voted no.”

Following, Director Mims explained the reason he would adhere to this motion is because the item has not been to a Committee first and he wants to be fair about it. Director Florie stated the Board has actually not sent a lot of these types of items through a Committee in the past. Director McKie stated last year three lobbyists were hired and none of them were discussed in a Committee first. Director Lewis asked Director McKie if he felt this was wrong last year why he would present the item prior to going before a Committee. Director McKie stated he did not say it was wrong. Director Florie stated she thought this was the acceptable process considering it was used with the hiring of the other lobbyists last year. Director Lewis stated Director Florie and Director McKie were trying to pull something.

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Next, General Manager Mac Underwood presented the December 2015 Finance and Administration Division Report, as set forth in agenda item 7.1 for Assistant General Manager, Michael Johnson in his absence. The Number of Active Customers shows a slight increase of 0.2%. The Customer Metered Consumption Year to Date (YTD) is down a total of 3%. Director Munchus asked if anyone is working with the industrial customers considering their declining rate of consumption. General Manager Mac Underwood stated their production is down so they need less cooling water. Some discussion occurred regarding newer buildings and the move toward efficiency which impacts consumption as well. General Manager Mac Underwood stated all contractors and customers are looking at ways to be more efficient energy and water wise. Director McKie stated the Board is looking into a rate structure plan that encourages efficiency and that Mr. Peiffer Brandt, with Raftelis Financial Consultants, Inc., would be a good person to ask questions of. Mac Underwood stated Mr. Peiffer Brandt would be present at the Finance Committee Meeting scheduled for March 3, 2016. Total Operating Net Revenue Available for Debt Service – YTD, we added money to the reserve funds and the Net Operating Revenue was over budget by \$3,876,827.00. Under Large O & M Variances, Employee Health cost is \$184,358.00 over budget. Contractor and paving charges, power and chemical costs, labor and overtime costs are under budget for the year. Director Munchus asked if we would be over budget this year on healthcare costs. General Manager Mac Underwood stated it would depend on the two serious medical situations and if they resolve themselves. Allocated Reserve Fund Balances as of December 31, 2015 was \$97,929,308.00. Historically Underutilized Business (HUB) Participation Summary 2015 YTD, consultants was 4.87%, suppliers and services was at

9.50% and total vendors was at 8.57%. Mac Underwood stated 7 to 10 new vendors could possibly drive the number up this year. The number of regular employees was up slightly to 655. IVR and Website Usage number are up. E-Check vs. Credit/Debit Card Usage is increasing. Monthly Homeserve Total Active Policies continue to increase with 29,524 total policies. Director Munchus asked if Staff is doing anything to increase participation. Assistant General Manager Sonny Jones stated he is speaking at various civic groups to get the word out. Director Munchus asked if there are any other water systems partnering with Homeserve yet. General Manager Mac Underwood stated Homeserve is in discussions with Mobile, Alabama right now and BWWB will benefit per its contract if other Alabama water systems partner with Homeserve. General Manager Mac Underwood stated the January 2016 Finance and Administration Division Report would be presented next month after final edits are complete.

Following, Assistant General Manager Sonny Jones presented the January 2016 Engineering and Maintenance Division Report, as set forth in agenda item 7.2. The 2015 Capital Budget should come in at about 95% when the final edits are in according to Assistant General Manager Sonny Jones. This year we budgeted \$60,357,889.00 and through January 2016 we have expended \$2,638,730.00. Under Capital Project Highlights, Shades Mountain Filter Plant design improvements are still underway. The Inland Lake Marina is being rebid making additional information available to all bidders and the work should be performed in August. Director Munchus asked how long the marina would be out of commission during the work. Chief Engineer for the Board, Ben Sorrell responded a couple of months. Assistant General Manager Sonny Jones stated he believed Barry Williams is doing a spectacular job with SAP. Western Filter Plant Electrical Upgrades, Phase 1 is complete and Phase 2 was submitted to the Finance Committee. The estimated budget is \$1.5 million and the estimated completion date is the last quarter of 2016. Other notable projects in 2016 include Lake Purdy Dam Rehab, Western Filter Plant Upgrades and Putnam Filter Plant Sodium Hypochlorite. The System Development Department's 2016 total scheduled main replacement is 40,000 feet. The number of feet replaced so far in 2016 is 1,340. The projects that are currently under construction total 640 feet. The cut and cap parallel mains total is 4,143 feet. The total of projects ready to be installed or bids received is 11,390 feet. Under Distribution Department Highlights January 2016, the total leak orders completed was 445, the outstanding leak orders totaled only 12 and the oldest leak in the system is January 11, 2016. The number of hydrants repaired or replaced is 81. The average out-of-service time on hydrants is 1 day and there are no outstanding hydrant repair orders. The number of lines repaired or replaced is 99. Customers own their service line from the main to the meter and we accept the responsibility to keep non-revenue water down by repairing these according to Assistant General Manager Sonny Jones.

Next, Assistant General Manager Darryl Jones presented the January 2016 Operations and Technical Services Division Report, as set forth in agenda item 7.3. Finished Water Pumpage shows little difference at the same time last year. The Total Finished Water YTD Pumpage is 3,031 million gallons. Under Raw Water Pumpage, the Total YTD Pumpage is 3,147 million gallons. The low Pumpage is mostly due to U.S. Steel's usage decline. The Average Cumulative Rainfall is average. Inland Lake is full and running over about 4 or 5 inches. Lake Purdy is also full and running over about 2 inches. There is rainfall predicted tonight, so there will be some more discharges at the lakes. January pumpage is a little lower than it was last year and that will translate in some of the revenue changes. All Other Raw Water

Customers not including U. S. Steel have lower January consumption amounts than they have had in six years. Power Accounts actual amount is \$87,819.00 below the budgeted amount. The Chemical Accounts actual amount is \$37,178.00 below the budgeted amount.

As there was no further business before the Board, a motion was duly made and seconded, and the meeting was adjourned at 9:49 a.m.

_____/s/
Ronald A. Mims
Chairman/President

Attest:

_____/s/
George Munchus
Secretary-Treasurer