

**MINUTES OF THE REGULAR BI-MONTHLY MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
August 25, 2016**

The regular bi-monthly meeting of the directors of The Water Works Board of the City of Birmingham was held on Wednesday, August 25, 2016 at 9:00 a.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama.

The following Directors were present: Kevin B. McKie, George Munchus, Sherry Lewis and William Muhammad. Director Ronald Mims participated in said meeting via telephone.

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, Ben Sorrell, Cherita King, John Reymann, Patty Barron and Paul Lloyd, Board Employees; Paige Goldman and Mike Petway, Fuston, Petway & French, LLP; Jesse J. Lewis, Dorian Kendrick, Rickey White, Chris Ruffin and Dez Wilson, The Lewis Group; Jerry Jones and Brian Ruggs, ARCADIS; Theo Johnson, Volkert, Inc.; David Merrida, Birmingham Construction Industry Authority; Randall Minor, Maynard Cooper & Gale; Mayor Tommy Joe Alexander and James Stewart, City of Irondale; Matthew Arrington, Terminus Municipal Advisors; Yvonne Green Davis, Yvonne Green Davis, P.C.; Hal Humphrey, Gresham Smith Partners; Jeff Sherrer, Blount County Commission; Wilson Green, Green & Green, LLC; Kyle Whitemire, The Birmingham News; Ben Harris, Ebony Lyons, Rachel Harvey, Brasfield & Gorrie; Ophelia Cox, Cox Commercial Interiors; Melissa Hargrove, Honeywell; L'Tryce Slade, Slade, LLC; David Sullivan, Attorney; Chandra Abesingha, CE Associates; and Christopher Woods, CW Woods Contracting Services, Inc.; and William Cook and Nicole Perry, Creative Benefits Solutions.

Inasmuch as much as four of the directors were present; Vice Chairman McKie declared a quorum in attendance.

Vice Chairman McKie called the meeting to order at 9:03 a.m. and Assistant General Manager Darryl Jones opened with prayer.

Following, Vice Chairman McKie expressed his condolences to Board Attorney Courtney French and his family for the recent death of his father.

Following, the General Manager asked the board to adopt resolutions commending the Employees of the Month for August 2016. Paul Lloyd, Human Resources Manager, introduced the Men's Tapping team and stated they were nominated for placing 3rd at the recent American Water Works Association (AWWA) Conference in Chicago, IL. First-Vice Chairman McKie offered his remarks for the team's hard work. Director Lewis stated the Tapping team did a fantastic job at the conference. She stated they are hard workers and deserve the recognition.

Next, Mr. Lloyd introduced LyTonja Levert, Board Employee, and stated Mrs. Levert was nominated for making the trucks for the Field Services Department's Meter Readers ergonomically compatible to their work. Mr. Lloyd stated Mrs. Levert recognized the height of the trucks sat too high for the meter readers to get in and out of. First Vice Chairman McKie offered his remarks for the valued work Mrs. Levert performs. Assistant General Manager

Michael Johnson stated Mrs. Levert is enthusiastic about her job and she is a valued employee. On a motion duly made and seconded, the following resolutions were 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. William R. Muhammad, that the Board hereby recognizes and commends Johnny Bittles, Todd Stewart, Jerry Storey and Kenneth Finch as the Employees of the Month for August 2016, on having achieved outstanding job performance, attendance, and work above expected levels.

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 a copy of which will be presented to the employees named above.

Resolution No. 7267 is hereby adopted by unanimous vote.”

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

WHEREAS, LyTonja Levert has been selected as the Finance and Administration Division’s Employee of the Month for August 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. William R. Muhammad, that the Board hereby recognizes and commends LyTonja Levert for having been selected as the Finance and Administration Division’s Employee of the Month for August 2016.

BE IT FURTHER RESOLVED, that in recognition of LyTonja Levert, 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 Mrs. LyTonja Levert.

Resolution No. 7268 is hereby adopted by unanimous vote.”

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Following, the General Manager asked the Board to discuss Old Business, as set forth in agenda item 2. The General Manager requested the Board to approve a resolution ratifying final pricing of 2016 bonds and approving official statement; and to authorize the First Vice-Chairman to execute said documents. Matthew Arrington, Terminus Municipal Advisors, stated the bond issue is half way through the process. He stated the bonds have been priced which locks in the rate. He indicated the bond closing will be held October 4, 2016 and stated there will need to be terminations of monies coming back to the Board. Director Munchus questioned whether mGIC is involved in this process. Mr. Arrington responded yes. He stated there will be a full report after the closing. He stated \$469 million worth of bonds were issued on August 23, 2016 and the pricing went very well. He indicated it took 2 hours for all the bonds to be sold. Mr. Arrington stated \$27 million would be coming back to the Board which will be used to fund the capital improvement program which will result in less money being borrowed next year. He stated \$469

million was issued and the rate on the old bonds was 4.6 percent and the new rate will be 3.56 percent. He indicated there was an overall savings of 13.5 percent. Director Munchus questioned what the savings for the total bond issue were. Mr. Arrington stated the debt service has decreased by \$4.1 million per year with a gross savings of \$105 million. He indicated the schedule was not extended and it is on the same 26-year period. He stated when this information was presented to the Board on August 10, 2016 there was a projected savings of \$64 million; however, the savings ended up being \$71 million. He indicated costs for the bond issuance should be at 1 percent or less; however, this bond issue was at .7 percent. Mr. Arrington stated the underwriting fee for the previous bond issuance was \$4.25 per bond; however, this bond issuance was negotiated at \$3.41 per bond including attorney fees. Director Munchus questioned whether the percentage breakdown of the underwriters would be included in the report. Mr. Arrington responded yes. Director Muhammad stated Mr. Arrington likened the bond deal to a mortgage. He then questioned whether it is proper to have a house worth \$100,000 and continue to owe \$100,000 on it. Mr. Arrington responded no but stated the biggest challenge with this utility is that it has \$300 million worth of debt that it can't show for. He explained money that is borrowed goes into pipes, plants, etc. He stated in 1998 the utility borrowed \$300 million and gave it to the City of Birmingham; therefore, there was no credit for it. Director Munchus stated the debt really belongs to the City of Birmingham but the Board has it. Director Muhammad questioned what the proper amount of debt for a utility is. Mr. Arrington stated there is not a direct answer for the question. He stated this utility has cash on hand and high reserves to offset the debt. The General Manager stated there are AAA rated water systems with no debt or heavily leveraged in debt. He stated there is no true answer to that question because it depends on how rates are set, reserves and policies. He indicated the rating agencies have informed staff that the policies in place offset the magnitude of debt we have. Mr. Johnson stated certain systems are more difficult to maintain and require that you borrow more. He indicated that our system is older and it takes more to maintain it. Director Muhammad questioned whether it is possible to reduce debt. Mr. Arrington stated one way of reducing debt is by issuing bonds. He stated receiving a high bond rating results in lower rates when the board decides to borrow. Director Lewis stated the board has always looked at additional ways to generate revenue. She stated by issuing bonds it helps the board save money. She stated the board has come a long way in improving its financial situation. Mr. Arrington stated in the late 1990's the board would borrow 100 percent of the money it needed whereas today it is only borrowing 75 percent. He indicated the board is borrowing 25 percent less than it did 10 years ago. Director Muhammad questioned whether there is a plan to eliminate the debt. Mr. Johnson stated staff is always thinking of ways to eliminate debt and indicated staff can meet with Director Muhammad. Randall Minor, Maynard, Cooper & Gale, stated the board set its parameters to not extend its debt. Mr. Minor stated a deal of this size has adopted parameters and the bond purchase agreement is executed in order for trade orders to be executed. He stated the final pricing information must be confirmed due to having an advanced refunding. He indicated the board would need to approve a resolution ratifying the pricing and the execution of the bond purchase agreement. On a motion duly made and seconded, the following resolution was adopted:

“WHEREAS, The Water Works Board of the City of Birmingham, a public corporation organized under the laws of the State of Alabama (the “Board”), including particularly Section 11-50-230 et seq. of the Code of Alabama (1975) (the “Enabling Law”), owns and operates an integrated water supply and distribution system (the “System”) within certain areas of Jefferson County, Alabama and surrounding counties;

WHEREAS, pursuant to that certain Trust Indenture dated as of December 1, 1998 between the Board (as successor to the City of Birmingham) and Regions Bank (as successor trustee) (the “Original Senior Indenture”), as amended and supplemented by, among others, that certain Seventh Supplemental Indenture dated as of May 1, 2009, the Board has heretofore issued its Water Revenue Bonds, Series 2009-A, which are outstanding in the aggregate principal amount of \$67,215,000 (the “Series 2009-A Bonds”);

WHEREAS, pursuant to the Original Senior Indenture, as amended and supplemented by, among others, that certain Ninth Supplemental Indenture dated as of June 1, 2011, the Board has heretofore issued its Water Revenue Bonds, Series 2011, which are outstanding in the aggregate principal amount of \$122,990,000 (the “Series 2011 Bonds”);

WHEREAS, the Board previously determined that it would produce significant savings to advance refund all of the callable Series 2009-A Bonds (meaning those maturing in the years 2020 through 2039, which are outstanding in the aggregate principal amount of \$60,035,000) and all of the callable Series 2011 Bonds (meaning those maturing in the years 2022 through 2041, which are outstanding in the aggregate principal amount of \$108,510,000) (such callable Series 2009-A Bonds and callable Series 2011 Bonds being herein collectively referred to as the “2016-A Refunded Bonds”) and, for such purpose, the Board proposes to issue its Senior Water Revenue Refunding Bonds, Series 2016-A (the “Series 2016-A Bonds”) up to an aggregate principal amount specified herein;

WHEREAS, pursuant to that certain Trust Indenture dated as of March 1, 2007, (the “Original Subordinate Indenture”) between the Board and Regions Bank (as successor trustee), the Board has heretofore issued its Subordinate Water Revenue Bonds, Series 2007-A, which are outstanding in the aggregate principal amount of \$311,770,000 (the “Series 2007-A Bonds”);

WHEREAS, pursuant to the Original Subordinate Indenture, as amended and supplemented by that certain First Supplemental Indenture dated as of December 1, 2009, the Board has heretofore issued its Subordinate Water Revenue Bonds, Series 2009, which are outstanding in the aggregate principal amount of \$48,840,000 (the “Series 2009 Bonds”);

WHEREAS, the Board previously determined that it would be advantageous to current refund all of the outstanding Series 2007-A Bonds and advance refund all of the Series 2009 Bonds that can be advance refunded on a tax-exempt basis (approximately \$17,275,000 aggregate principal amount, which are collectively referred to herein as the “2016-B Refunded Bonds”) and, for such purpose, the Board proposes to issue its Subordinate Water Revenue Refunding Bonds, Series 2016-B up to an aggregate principal amount specified herein; in addition, a portion of the Series 2016-B Bond proceeds in the approximate amount of \$26,728,136 will be used to pay the costs of capital improvements to the System;

WHEREAS, the Board previously determined that it would be advantageous to advance refund those Series 2009 Bonds that cannot be advance refunded on a tax-exempt basis (approximately \$31,565,000 aggregate principal amount, which are hereinafter, the “2016-C Refunded Bonds”) and, for such purpose, the Board proposes to issue its Subordinate Water Revenue Refunding Bonds, Series 2016-C (the “Series 2016-C Bonds”) up to an aggregate principal amount specified herein; in addition, a portion of the Series 2106-C Bond proceeds in the approximate amount of \$1,089,040 will be used to pay the costs of capital improvements to the System;

WHEREAS, the Series 2016-A Bonds shall be issued as Additional Parity Securities pursuant to the Original Senior Indenture, as heretofore amended and supplemented, and further supplemented by that certain Thirteenth Supplemental Indenture dated as of October 1, 2016 (the “Thirteenth Supplemental Indenture”; the Original Senior Indenture as so amended and supplemented being hereinafter referred to as the “Senior Indenture”);

WHEREAS, the Board previously has authorized the issuance and sale of the Series 2016-A Bonds, Series 2016-B Bonds and Series 2016-C Bonds (collectively, the “Series 2016 Bonds”) pursuant to a resolution duly adopted by the Board on August 10, 2016 (the “Original Authorizing Resolution”);

WHEREAS, the Board expects to close on the issuance and sale of the Series 2016 Bonds on October 4, 2016;

WHEREAS, the Series 2016 Bonds will be sold to Goldman Sachs & Co., on behalf of itself and an underwriting syndicate that includes Citigroup Global Markets Inc., Morgan Stanley, The Frazer Lanier Company, Securities Capital Corporation, and NW Capital Markets, Inc. (collectively, the “Original Purchasers”), pursuant to a bond purchase agreement (the “Bond Purchase Agreement”);

WHEREAS, in connection with the issuance of the Series 2016 Bonds, the Board’s administrative staff has assisted in the preparation of a Preliminary Official Statement dated August 10, 2016 (the “Preliminary Official Statement”), which has been distributed to prospective investors and purchasers in connection with the issuance and sale of the Series 2016 Bonds;

WHEREAS, the Series 2016 Bonds will have such terms and provisions as are reflected in the Bond Purchase Agreement, which was executed by the First Vice-President of the Board on August 23, 2016;

WHEREAS, the Board has determined that the terms and provisions of the Series 2016 Bonds are not inconsistent with the Enabling Law and the sale of such bonds in accordance with the terms and provisions of the Bond Purchase Agreement is most advantageous to the System; and

WHEREAS, a copy of the Bond Purchase Agreement and the Preliminary Official Statement have been presented to, considered and approved by the Board.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD, as follows:

1. The Board does hereby approve, authorize, ratify and confirm the final pricing terms of the Series 2016 Bonds as reflected in the Bond Purchase Agreement. This approval supersedes the terms and conditions set forth in the Original Authorizing Resolution.

2. The Board does hereby approve, authorize, ratify and confirm the delivery of the Preliminary Official Statement to prospective investors and purchasers of the Series 2016 Bonds and the delivery of the Official Statement (as defined below) to investors and purchasers of the Series 2016 Bonds in the name and on behalf of the Board. The Chairman/President and First

Vice-Chairman of the Board, or either of them, are hereby authorized and directed to complete the Preliminary Official Statement (such Preliminary Official Statement as completed being herein referred to as the "Official Statement") with (a) information relating to the terms of sale of and interest rates on the Series 2016 Bonds as reflected in the Bond Purchase Agreement, (b) such information regarding reoffering prices or yields on the Series 2016 Bonds as shall be provided by the Original Purchasers of the Series 2016 Bonds and (c) such changes or additions thereto or deletions therefrom as the executing officers shall approve and shall be acceptable to the Original Purchasers of the Series 2016-A Bonds. The Chairman/President and First Vice-Chairman of the Board, or either of them, are hereby authorized and directed to date the Official Statement as of an appropriate date and to execute and deliver the Official Statement in the name and on behalf of the Board.

3. The officers of the Board and any person or persons designated and authorized by any officer of the Board to act in the name and on behalf of the Board, or any one or more of them, are authorized to do and perform or cause to be done and performed in the name and on behalf of the Board such other acts, to pay or cause to be paid on behalf of the Board such related costs and expenses, and to execute and deliver or cause to be executed and delivered in the name and on behalf of the Board such other notices, requests, demands, directions, consents, approvals, orders, applications, certificates, agreements, further assurances, or other instruments or communications, under the corporate seal of the Board, or otherwise, as they or any of them may deem necessary, advisable, or appropriate in order to carry into effect the intent of the provisions of this resolution and demonstrate the validity of the Series 2016 Bonds and the absence of any pending or threatened litigation with respect to the Series 2016 Bonds.

4. Each act of any officer or officers of the Board or any person or persons designated and authorized to act by any officer of the Board, which act would have been authorized by the foregoing provisions of this resolution except that such action was taken prior to the adoption of this resolution, is hereby ratified, confirmed, approved and adopted.

Resolution No. 7269 is hereby adopted by unanimous vote.”

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Following, Director Lewis stated she wanted to bring back up the contract regarding Russell Management Group (RMG). Thereupon a discussion ensued between Director Lewis, Director Muhammad, Vice Chairman McKie and the General Manager about the RMG contract. Subsequently, Director Lewis then made a motion to rescind the contract for RMG. Director Muhammad seconded the motion. 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 Ms. Sherry W. Lewis and seconded by Mr. William R. Muhammad, to rescind an agreement with Russell Management Group, LLC (RMG), approved July 13, 2016, to provide program management services for a three-year period, effective July 13, 2016 to July 13, 2019. The motion for Resolution No. 7270 was voted on as follows: Directors McKie and Muhammad voted nay; Director Lewis voted aye; and Director Munchus abstained from voting. The motion failed to carry.”

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4.4.2	For professional services related to Telecommunication Optimization Project Services for December 2015, January and February 2016	<u>\$ 6,700.25</u>
4.5	<u>The Lewis Group</u> For professional services rendered through July 2016	<u>\$ 25,000.00</u>
4.6	<u>ARCADIS U.S., Inc.</u> For professional services rendered per June's 2016 Progress Report (June 2016)	<u>\$ 531,999.79</u>
4.7	<u>Fuston, Petway and French, LLP.</u> For professional services rendered through July 31, 2016	<u>\$ 90,290.65</u>

Resolution No. 7272 is hereby adopted by unanimous vote.”

Following, the General Manager asked the board to award bids, as set forth in agenda items 5.1 through 5.2. The General Manager stated agenda item 9 is related to agenda item 5.1. He stated a contract was approved with ARCADIS which brings the minority participation to 30.6 percent. He stated agenda item 5.2 is recommended by the Finance Committee and stated staff recommends items 5.1 and 5.2 for approval. Director Munchus stated his vote will not change regarding agenda item 5.1. Director Lewis questioned whether a separate vote would need to be taken for both items. Vice Chairman McKie questioned whether there were any updates regarding agenda item 5.1. Director Munchus stated he would also request agenda item 9 be tabled because he understands Birmingham Engineering and Construction Consultants, Inc. (BECC) is in conversation to work out a joint venture arrangement with another local HUB firm. He commended Assistant General Manager Sonny Jones for bringing two businesses together in order to form a joint partnership. Vice Chairman McKie questioned whether there would be an expense increase if agenda item 5.1 must be re-bid. The General Manager responded more than likely. Director Munchus stated he would hope not and he would be watching this item closely. The General Manager stated when a \$1 million contract is issued; \$500,000 will be in materials. He clarified 30 percent of the contract for minority participation would apply to the \$500,000. Vice Chairman McKie stated there is not a minority owned contractor. Director Munchus stated he disagreed and stated management knew about this project 2 years ago. He stated ARCADIS has some ideas on how we can accomplish these goals. He stated ARCADIS does need to step up. He stated these contractors keep changing their contracts. Vice Chairman McKie questioned Director Munchus whether he would like to see Brasfield & Gorrie have a joint venture. Director Munchus responded yes. Director Lewis clarified that if item 5.1 was not approved then there would be no need for item 9. The General Manager then requested a motion for item 5.1. Vice Chairman McKie questioned when the item would have to be re-bid. Mr. Sonny Jones stated the bid expires August 30, 2016 and the entire process would have to be restarted. The General Manager stated another contract would have to be done with ARCADIS to re-do the bid specifications. He stated there is a difference of \$5 million between bidder 1 and bidder 2. He stated the board has a fiduciary responsibility to look at what's in front of it and consider that contract as it is. He stated staff could ask the two bidders whether they could extend the bid. Vice Chairman McKie questioned whether both bidders would have to agree to extend their bids.

Mr. Sonny Jones responded yes, we would ask them if they would have an interest in extending their bid for 30 days. David Merrida, Birmingham Construction Industry Authority, stated it is going to cost a lot of money to re-do this bid. He stated it is difficult at times to get minority participation on projects; however, this project has 30 percent participation. He stated BCIA has worked hard with Brasfield & Gorrie to make this project happen. He then asked the board to please pass this contract. Director Lewis questioned whether there is a risk of losing minority participation if this project is re-bid. Vice Chairman McKie stated the minority participation can be reduced. Director Lewis then made a motion to pass the item. Vice Chairman McKie seconded the motion and stated he agreed with everything that was presented. He stated he feels 30 percent is a good number for minority participation. Director Muhammad stated on the information he has seen it states the minority participation is 9.2 percent. Vice Chairman McKie explained the 9.2 percent is for the entire project. The General Manager then explained the cost for materials regarding the project which contributes to the cost. Director Muhammad stated it doesn't add up. He stated minority participation will only be 30 percent based on what the contractor can sub-contract. He stated if he voted for this item he feels he would be complicit in maintaining barriers. He stated when he was in college he read a book that stated "since we are all influenced by organizations, it is important to realize that institutional practices, policies, programs and structures may be oppressive to certain groups...especially if they are mono-cultural. If organizational policies and practices did not give equal access an opportunity for different groups or if the practices oppressed certain groups, then the practices should become the target for change." Mr. Merrida stated 12.7 percent is 30 percent of the sub-contract. He stated BCIA is trying to make the playing field level. He stated this project shows progress. He stated there were only two companies that bided on this item from the State of Alabama. He indicated the price will increase. Director Munchus stated that is not necessarily true and stated he wanted to vote regarding this item. Vice Chairman McKie questioned whether it is a true statement that the materials and supplies do not come from any minority vendors. Director Munchus stated that is not true. Mr. Merrida stated there are some minority vendors for materials and supplies; however, they are not on this project. He stated they appeared to not be interested. Director Muhammad stated he and Director Munchus are fighting for the HUB program but Mr. Merrida is against what they are doing. Mr. Merrida stated he disagreed with Director Muhammad 100 percent. He stated he is trying to increase minority participation. He stated these contractors will walk away. Director Munchus stated that is not true and they won't go anywhere. Director Muhammad stated he asked Chairman Mims, before he was a director on the board, what was the minority participation rate for BWWB. He stated Chairman Mims told him about 9 percent. He stated 9 percent is not acceptable. Vice Chairman McKie questioned whether the bid could get extended since it appears this item will not pass. Director Lewis recommended tabling the item. Ben Harris, Brasfield & Gorrie, stated extending the bid would require them to contact all the sub-contractors to see if they would extend their bid. He stated he couldn't commit to do that before speaking to all parties involved. 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"), a motion was duly made by Ms. Sherry W. Lewis and seconded by Mr. Kevin B. McKie, to award bid on the following:

- 5.1 Brasfield and Gorrie, the lowest responsible and responsive bidder, to build new filters, improve the recycle pump station, add generators as an alternative source of power, and improve two pipelines located at Shades Mountain Filter Plant at an estimated out-of-

pocket cost to the Board of \$39,611,200.00. NOTE: HUB Contractor Participation % = 9.2% (Based on Total Contract Amount) /28.4% (Based on Subcontractor Portion).

The motion for Resolution No. 7273 was voted on as follows: Directors McKie and Lewis voted aye; Directors Munchus and Muhammad voted no. The motion failed to carry on August 25, 2016.”

“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made Mr. George Munchus and seconded by Mr. William Muhammad, that the Board hereby awards bid on the following:

5.2 Sayers Technology, the lowest responsible and responsive bidder, for providing a web application firewall solution (hardware, software, licensing), at an estimated out-of-pocket cost to the Board of \$106,690.40, as recommended by the Finance Committee.

Resolution No. 7274 is hereby adopted by unanimous vote.”

Following, the General Manager asked the board to approve and authorize to utilize the State of Alabama Contract for AT&T, as set forth in agenda items 6.1 through 6.2. The General Manager stated these items will save the board money. Director Lewis wants the minutes to reflect that she abstained from voting and she had no discussion regarding items 6.1 and 6.2. 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 Mr. George Munchus and seconded by Mr. William R. Muhammad, that the Board hereby approves and authorizes the General Manager and/or the Assistant General Manager:

- 6.1 To utilize the State of Alabama Contract T416 for AT&T SIP Trunking Services (internet, voice and data services) at an annual out-of-pocket cost to the Board of Approximately \$36,000.00, as recommended by the Finance Committee.
- 6.2 To utilize the State of Alabama Bid Contract T413 for AT&T Layer 2 Ethernet Services at an annual out-of-pocket cost to the Board of approximately \$102,000.00; effective September 1, 2016 to the end of the initial 3-year term of the state’s contract which is October 27, 2017, as recommended by the Finance Committee.

Resolution No. 7275 is hereby adopted by Directors McKie, Munchus and Muhammad; Director Lewis abstained from voting on August 25, 2016.”

Following, the General Manager asked the board to approve expenditures, as set forth in agenda item 7.1 through 7.2. Director Munchus questioned whether these are local companies. Assistant General Manager Darryl Jones stated the companies are not local; however, they have done previous work for the board. John Reymann, E&M Manager, stated the equipment is from Pentair Flow Technologies is located in Kansas City, MO; however, their distributor is a local

company and WEG Electric Corporation is located in Minneapolis, MN. 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 Mr. George Munchus and seconded by Mr. William R. Muhammad, that the Board hereby approves expenditures with the following:

- 7.1 Pentair Flow Technologies, LLC, c/o Dowdy & Associates, a sole source provider, to repair a Cahaba Pump Station river pump at a total out-of-pocket cost to the Board of \$145,595.00. [Note: This expenditure is exempt from the bidding under Alabama Competitive Bid Law because it is a sole source provider.]
- 7.2 WEG Electric Corporation/Electric Machinery Company, Inc., a sole source provider, to purchase one (1) 2000HP at 900 RPM Synchronous Electric Motor located at Cahaba Pump Station, at an out-of-pocket cost to the Board of \$595,600.00. [NOTE: This expenditure is exempt from the bidding under Alabama Competitive Bid Law because it is a sole source provider.]

Resolution No. 7276 is hereby adopted by unanimous vote.”

Following, the General Manager asked the board to authorize the General Manager to enter into agreement with Barnes & Associates, Realtors, as set forth in agenda item 8. The General Manager stated the contract will need to be reviewed by the attorneys and indicated there is real estate in Moody and Sicard Hollow Road that will be sub-divided. Director Munchus questioned Director Lewis whether she would consider providing input regarding real estate items since she has more history and expertise than he has. Director Lewis stated she plans to be very involved. She stated before the contract is signed she would like all board members to be made aware of and review the contract. She stated she is concerned about the land the board owns and she wants the board to understand why it owns it. She stated the board should not sell land it does not need to sell because it is there to protect the board’s water sources. Vice Chairman McKie stated the board needs to be careful about the land it sells. Director Munchus stated he trusts Director Lewis’ judgment on this matter. 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 Mr. George Munchus and seconded by Ms. Sherry W. Lewis, that the Board hereby authorizes the Board’s General Manager to enter into an agreement with Barnes & Associates, Realtors, to appoint Barnes & Associates, Realtors for a 36-month period to serve as realtor of record for the Board regarding all real estate sells and acquisitions. Said agreement to be in a form as approved by the Board’s legal counsel, Fuston, Petway & French, LLP, and to contain such terms and conditions as is customary for realtors in the Birmingham metropolitan area. Resolution No. 7277 is hereby adopted by unanimous vote.”

Following, the General Manager asked the board to table an agreement with Birmingham Engineering and Construction Consultants, Inc., as set forth in agenda item 9. 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. William R. Muhammad, that the Board hereby tables an agreement with Birmingham Engineering and Construction Consultants, Inc. (BECC), to provide professional services in Construction Materials Testing and Special Inspection Service for Shades Mountain Filter Plant Filter Improvements Project in the amount of \$736,116.81. Resolution No. 7278 is hereby adopted by unanimous vote.”

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Following, the General Manager asked the board to approve and authorize agreements with three temporary staffing companies, as set forth in agenda item 10. The General Manager stated staffing companies are utilized from time to time when staff is short due to sickness or if there is a need on crews in the Distribution Department. Director Munchus questioned whether this item came before a committee. The General Manager responded no. Director Munchus questioned why the item didn’t come before a committee. The General Manager stated staff has been working on the final provisions within the contracts. Director Munchus questioned whether any of the staffing agencies are HUB. Assistant General Manager Michael Johnson stated both companies are HUB and they are local. Director Munchus questioned whether they’ve done work for the board before and whether staff was pleased with their work. Mr. Johnson stated they have done work before and they are pleased with their work. Director Lewis stated these companies have a track record with the board. On a motion duly made and seconded, the following resolutions were adopted:

“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made Mr. George Munchus and seconded by Ms. Sherry W. Lewis, that the Board hereby approves and authorizes the General Manager and/or the Assistant General Manager to execute agreements with two temporary staffing companies: ❶ E-Staff/ Accustaff and ❷ InTime Staffing to provide temporary and/or immediate staffing needs, effective September 1, 2016, at the rates and fees for services as set forth in the referenced “Attachment A” per contract for a term of one year with an automatic annual renewal, wherein said contracts can be terminated at any time by either party with a 30-day notice. Resolution No. 7279 is hereby adopted by unanimous vote.”

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Following, the General Manager asked the Board to adopt resolutions authorizing surviving monthly benefits, as set forth in agenda items 11.1 through 11.2. On a motion made and duly seconded, the following resolutions were adopted:

“WHEREAS, Gregory Carter, a retiree of The Water Works Board of the City of Birmingham (“the Board”), passed away on August 23, 2016, and

WHEREAS, Gregory Carter was receiving, up until the time of his death, monthly retirement benefits from the Board’s Retirement Trust Fund in the amount of \$677.65, and under the terms of the Board’s Retirement Plan, his spouse is now entitled to receive 50% of that monthly benefit until such time as she either remarries or passes away; and

WHEREAS, the surviving spouse, Delphia Drake will begin receiving her surviving spouse monthly benefit of \$338.83, effective September 1, 2016.

NOW, THEREFORE, BE IT RESOLVED By the Board of Directors of The Water Works Board of the City of Birmingham, on motion duly made by Mr. George Munchus and seconded by Mr. William R. Muhammad, that the Trustee be, and is hereby instructed to pay a pension of \$338.83 per month to Delphia Drake from the Board's Retirement Trust Fund, in accordance with the terms of the Trustee Pension Plan, with the payment to be effective September 1, 2016

Resolution No. 7280 is hereby adopted by unanimous vote.”

WHEREAS, George French, Jr., a retiree of The Water Works Board of the City of Birmingham ("the Board"), passed away on August 23, 2016, and

WHEREAS, George French, Jr. was receiving, up until the time of his death, monthly retirement benefits from the Board's Retirement Trust Fund in the amount of \$2,056.08, and under the terms of the Board's Retirement Plan, his spouse is now entitled to receive 50% of that monthly benefit until such time as she either remarries or passes away; and

WHEREAS, the surviving spouse, Ernestine French will begin receiving her surviving spouse monthly benefit of \$1,028.04, effective September 1, 2016.

NOW, THEREFORE, BE IT RESOLVED By the Board of Directors of The Water Works Board of the City of Birmingham, on motion duly made by Mr. George Munchus and seconded by Mr. William R. Muhammad, that the Trustee be, and is hereby instructed to pay a pension of \$1,028.04 per month to Ernestine French from the Board's Retirement Trust Fund, in accordance with the terms of the Trustee Pension Plan, with the payment to be effective September 1, 2016

Resolution No. 7281 is hereby adopted by unanimous vote.”

Following, the General Manager asked the Board to approve expenditures with Audimation Services, Inc., as set forth in agenda items 12.1 through 12.3. Carolyn White, Internal Audit, stated this software will analyze date based on queries inputted by staff. Director Munchus questioned how this function currently is being done. Ms. White stated the function is being handled manually. Director Munchus questioned whether the vendor is located. Ms. White responded Canada. Director Munchus questioned whether there was a local company that could provide this software. Ms. White responded no. Director Munchus questioned Ms. White whether she was positive. Ms. White responded yes. Director Munchus questioned whether she spoke with any companies located at Innovation Depot. Ms. White stated no because this software is on another level. 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 Ms. Sherry W. Lewis and seconded by Mr. George Munchus, that the Board hereby approves expenditure with Audimation Services, Inc. (distributor of CaseWare IDEA), a sole source provider, for expanding use of the CaseWare IDEA software solution relative to internal audit monitoring to provide the following services; and authorizes the General Manager and/or the Assistant General Manager to accept and execute proposals regarding the below referenced items.

- 12.1 To purchase software, licensing, maintenance support, implementation services and training (continuous Monitor and Smart Exporter Desktop) at a cost of \$49,762.50; and pay recurring software maintenance cost of \$13,590.00.
- 12.2 For implementation of Smart Exporter Server Deployment and Monitoring Training at a cost of \$41,500.00 which includes a three-year period price protection on all professional services and training fees, effective August 25, 2016 to August 25, 2019, on software, licensing, maintenance support, implementation services and training for expanding use of the CaseWare IDEA software solution currently utilized for monitoring end-user transaction activity within company business systems.
- 12.3 For configuration and professional monitoring services at a cost of \$18,500.00. Software and professional services will be provided at an estimated total out-of-pocket cost to the Board of \$109,762.50; and recurring software maintenance cost of \$13,590.00 annually.

Resolution No. 7282 is hereby adopted by unanimous vote.”

Following, the General Manager asked the Board to approve and authorize an agreement with Abacus Health Solutions, LLC., as set forth in agenda item 13. 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 Ms. Sherry W. Lewis, that the Board hereby approves and authorizes the General Manager and/or Assistant General Manager to enter into an agreement with Abacus Health Solutions, LLC., to provide a Diabetes Care Rewards Program for the BWWB for an initial period of 24 months with an automatic renewal for successive one year periods at an estimated annual cost of \$39,000 in fees for the first year. Either party may terminate the agreement by providing a 90 day written notice prior to the expiration of the then current term. Resolution No. 7283 is hereby adopted by unanimous vote.”

Following, the General Manager asked the Board to review and approve the 2017 Health Insurance Cost, Plan Design, Premium Options and COBRA rates, as set forth in agenda item 14. Director Muhammad left the meeting at 10:50 a.m. William Cook, Creative Benefits Solutions, stated healthcare expenditures are projected to increase by 6 percent from the current

plan design. He stated there are three possibilities for plan design changes: do nothing, changing the out-of-pocket maximums and changing the out-of-pocket maximums along with changes to co-pays. Director Munchus questioned whether management recommended one of the options. The General Manager stated management does not recommend one; however, they know what they would like to recommend. Mr. Cook stated there is a high prevalence of disease states within your population. Chairman Mims questioned whether the Employee Association has stated which option they would prefer. The General Manager stated representatives from the Employee Association were present and they have met with management. Mr. Cook stated one of the options is a comprehensive wellness and disease management strategy that offers rewards to employees to help pay for health expenses. He stated medical costs are flat in the State of Alabama and prescription drugs are expected to increase. He stated drivers that have caused the insurance to increase which include a premature child receiving care for 12 months in NICU, diabetic population is 150 members which results in a cost of \$12,000 per year per employee, and a hypertensive population which results in a cost of \$8,000 per year per employee. He indicated they are working to prevent these employees from entering renal failure which would result in costs amounting to \$150,000 per year. He stated the population needs to understand that follow up visits are important because there has been an increase in re-admission rates. Mr. Cook stated the Wellness Center was closed due to 98 percent of the population had a relationship with a primary care physician. Director Muhammad returned to the meeting at 10:54 a.m. Director Munchus questioned whether Blue Cross Blue Shield is still the insurance provider for BWWB. Mr. Cook responded yes. Mr. Cook then gave an overview of the options for the plan design. He stated the out-of-pocket changes are currently \$3,000/\$7,000 for individual and family, respectively. He stated that could be increased to \$5,000/\$10,000 for individual and family, respectively. He stated 18 members of the plan are projected to pay more than \$5,000, which is a low amount of people in the population. He stated the other possible change could be the out-of-pocket maximum at \$5,000/\$10,000, plus changes to primary care physicians and specialists. He stated this would require a co-pay, also there would be a co-pay for the first three days of an in-patient hospitalization. He stated physician administered drugs would require a co-pay of \$50. Director Munchus questioned whether those drugs are considered “designer” drugs. Mr. Cook stated those drugs are not considered specialty. He stated a specialty drug would be an infusion medication, such as for the treatment of hepatitis C. Director Munchus questioned why the physicians don’t get reimbursed for administering the medication. Mr. Cook stated typically the physician does get reimbursed; however, the physician marks up the price. Director Munchus questioned whether they will be conversation with drug manufacturers. Mr. Cook stated there has been conversation with Blue Cross Blue Shield and there is a request for them to implement a physician review program. He indicated the largest change for the population would be to have the primary care physicians conduct the biometric screening. He stated the biometric screenings could still be conducted on site. Director Lewis stated there were issues with the biometric screenings in the past. She indicated there should be careful consideration as to how the screenings are administered; it needs to be private. Mr. Cook stated the members that participate in the biometric screenings will receive a 25 percent discount on their premium. He stated members are not required to participate in the biometric screenings; however, there is an incentive for those that participate. He stated they will also conduct risk assessments. Director Lewis clarified the Board nor does senior staff receive reports regarding employee biometric screenings results. Director Munchus questioned whether employees have seen this presentation. The General Manager stated the Employee Association has seen the presentation; however, not all employees. Vice Chairman McKie questioned whether the biometric screenings would have to be completed each year in order to receive the 25 percent discount towards the premium. Mr.

Cook responded yes. Mr. Cook stated members would also need to complete a tobacco affidavit stating they do not smoke, dip, chew, vape or snuff and receive an additional 25 percent discount towards the premium. Director Munchus questioned what the penalty for lying is. Mr. Cook stated members that are not 100 percent honest will be removed from the plan. Vice Chairman McKie questioned whether members could receive up to a 50 percent discount by completing the biometric screening and signing the tobacco affidavit. Mr. Cook responded yes. Mr. Cook stated members who are removed from the plan due to false statements will be eligible the following year. Director Munchus questioned whether treatment will be offered to help ones that use tobacco. Mr. Cook stated there are two options: 1) ObamaCare allows for 100 percent of 8 counseling sessions and drugs to be paid for; 2) BWWB's voluntary program, Quit for Life, is covered by BWWB for 100 percent of care.

Subsequently, Mr. Cook gave an overview of the disease management program. He stated GO365 is a health and wellness program that integrates with the medical plan that provides health coaching, status tracking, and exercise tracking. He stated the program's goal is to engage the population to exercise and get healthy; and it has a healthy food program. He stated there is a partnership with Wal-Mart which allows a minimum of 5 percent discount toward groceries (i.e. fruits, vegetables, etc.). He stated there will be opportunities for employees to win as much as 50 percent off their grocery bill. Mr. Cook stated they would like to create a health reimbursement account that has tiers which would allow the employee to receive dollars into the account. He stated the account would be used for the reimbursement of co-pays, deductibles, etc. For example, if an employee was to reach Silver status by June 30, 2017, there will be a \$50 deposit to the reimbursement account. He stated if an employee reaches Platinum status by June 30, 2017, there will be a \$150 deposit to the reimbursement account, with another possible deposit of \$150 by December 31, 2017. He stated the money can be rolled over. Mr. Cook stated the health reimbursement funds are not taxable and can be used for any qualified medical expenses. Next, Mr. Cook gave an overview of Abacus. He stated it is a voluntary diabetic management program that assists employers manage costs and increasing awareness for diabetic care. He stated Abacus assists employees in managing their diabetes including checking their blood sugar, regular doctor's visit, and receiving free diabetic supplies. He stated the goal of the program is to reduce hospital re-admission rates which come directly from diabetics. He stated this program can get employees on a healthier path by helping them to manage their disease. Mr. Cook stated Creative Benefits would like to get a decision from the board by August 30, 2016 regarding this program. Director Munchus questioned why the deadline is August 30, 2016. Mr. Cook stated 2-3 weeks will be needed to communicate to employees regarding the biometrics screening. Director Munchus questioned would that be enough time to communicate to the employees. Assistant General Manager Michael Johnson stated it would be enough time for staff to communicate with employees and ensure they understand the benefits. Director Lewis questioned what the costs are. Mr. Cook stated if there are no changes made to the plan the cost would be \$12.9 million. He stated if there are changes made to out-of-pocket costs the plan would cost \$12.6 million. He stated the rates will be different for employees based on whether they choose to participate in the biometrics screening and/or tobacco affidavit. He then gave an overview of the rates. Vice Chairman McKie questioned whether spouses and dependents of employees must complete a biometrics screening. Mr. Cook stated the spouses will need to participate but not the dependents. The General Manager then asked the representative from the Employees' Association whether he had any questions. Derrick Maye, Board Employee, stated the Employee Association saw the presentation on Monday, August 22, 2016, and they asked department representatives to discuss the presentation with their departments. He stated the program looks good. He stated employees'

main concern is the increase in out-of-pocket costs. He indicated in the past employees were told if costs were low for the company, that would reflect employees' cost being lower the following year. Director Munchus questioned Mr. Maye who told the employees that. Mr. Maye responded management. Mr. Johnson stated as of July 2016, the board is \$1 million under budget but \$700,000 is related to stop loss. He stated in actuality the board is \$200,000 under budget. Director Munchus requested that information be conveyed to the employees because they believe their rates won't increase if there is less usage in 2016. A discussion then ensued. Director Munchus stated stop loss can't be controlled by management. Director Munchus questioned whether the costs will hold. The General Manager stated trends are showing it will increase. Director Muhammad questioned whether the health program offers a counseling component. Mr. Cook responded yes, there is a certified wellness coach with Go365 and a dedicated certified nurse with Abacus. Director Muhammad questioned what kind of certification they have. Mr. Cook stated they are either certified for wellness and nutrition. Director Lewis stated she agreed with Director Muhammad that they should have proper certification. The General Manager stated Behavioral Health Systems is also used to provide counseling.

Subsequently, Mr. Johnson then gave an overview of costs for the insurance plan. He indicated the costs associated with the option to increase the out-of-pocket will be split between the board and employees. Director Munchus questioned whether management would like to recommend an option. Mr. Johnson stated management would go with the option that will cost \$12.9 million. Director Munchus questioned how that option will impact employees. Mr. Johnson stated there are higher premiums with that option; however, the benefits remain the same. He indicated co-pays will not change. Director Lewis stated the board must do something because healthcare costs are skyrocketing. She stated employees have great health benefits and they must be encouraged to get better care. A discussion then ensued regarding the insurance options. Director Munchus questioned Mr. Maye for his thoughts on the insurance options. Mr. Maye questioned what the comparison of the wellness center being in operation as opposed to the insurance options is. Mr. Cook stated there is about \$200,000 in savings. Mr. Maye questioned where the \$200,000 would be used. Mr. Cook stated the \$200,000 goes toward CPI inflation. Director Muhammad questioned whether Mr. Maye wanted to give the clinic another try. Mr. Maye responded no. Director Muhammad questioned why the clinic was not being used. Mr. Maye stated the incentives weren't good enough and employees chose not to use it. The General Manager stated the issue with the wellness center involved trust. He stated employees thought management and the board was getting their health information and used that information against them; however, that was not the case. Mr. Johnson added employees started seeing their primary care physician. Director Lewis indicated there is no extra money due to the wellness center closing because healthcare costs keep rising. Mr. Maye stated he agreed that the third option is too high for employees; therefore, he recommends going with the second option. Mr. Johnson stated management is fine with the second option for the insurance plan. Mr. Johnson stated there is an agreement with Go365 that is being finalized. 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 Ms. Sherry W. Lewis and seconded by Mr. George Munchus, that the Board hereby authorizes the following:

- The 2017 Health insurance plan design - Option Two (OOP [5K/10k]), healthcare premiums, and COBRA rates, effective January 1, 2017, attached

hereto the resolution. The COBRA rates are to be paid monthly. (Attachment 1-1 and Attachment 1-2)

- The above changes do not affect current or post-employment healthcare benefits for former Industrial Water Works Board employees.

Resolution No. 7284 is hereby adopted by unanimous vote.”

Following, Board Attorney Mike Petway asked the Board to enter into an Executive Session to discuss matters regarding potential litigation. 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 Mr. George Munchus and seconded by Mr. William Muhammad, that the Board hereby enters into Executive Session to discuss matters of potential litigation. Resolution No. 7285 is hereby adopted by unanimous vote.”

At 11:32 a.m., the Board, Senior Management, Board Attorneys entered into an Executive Session. At 12:39 p.m. a motion was duly made and seconded to adjourn the Executive Session and the meeting reopened.

As there was no further business before the Board, Vice Chairman McKie entertained a motion to adjourn the meeting and a motion was duly made and seconded, and the meeting adjourned at 12:39 a.m.

/s/

Kevin B. McKie
Vice-Chairman/First Vice President

Attest:

/s/

George Munchus
Secretary-Treasurer