

**MINUTES OF THE REGULAR BI-MONTHLY MEETING OF DIRECTORS  
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
July 27, 2016**

The regular bi-monthly meeting of the directors of The Water Works Board of the City of Birmingham was held on Wednesday, July 27, 2016 at 9:00 a.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama.

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

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, Floyd Stephens, Joyce Agee, Hubert Shikle, Derrick Stephens, Christopher Gormley, Ronald Brock and Paul Lloyd, Board Employees; Paige Goldman and Mike Petway, Fuston, Petway & French, LLP; Dorian Kendrick, Rickey White and Dez Wilson, The Lewis Group; Jerry Jones, ARCADIS; Kirk Mills, Norm Hill and Theo Johnson, Volkert, Inc.; Dan Meadows, S. S. Nesbitt & Company; Greg Burchell, Daymeon Fishback and David Searcy, Morgan Stanley; Tommy Joe Alexander, City of Irondale; and Mr. and Mrs. Shikle.

Inasmuch as much as all of the directors were present; Chairman Mims declared a quorum in attendance.

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

Following, the General Manager asked the board to adopt resolutions commending the Employees of the Month for July 2016. Paul Lloyd, Human Resources Manager, introduced the Top Ops team and stated they were nominated for placing 3<sup>rd</sup> at the recent American Water Works Association (AWWA) Conference. He indicated it was the team's first time competing together. Chairman Mims offered his remarks for the team's hard work. Director Lewis stated the Top Ops team did a fantastic job at the conference.

Next, Mr. Lloyd introduced Joyce Agee, Board Employee, and stated Ms. Agee was nominated for her hard work with risk management. Mr. Lloyd stated Ms. Agee has recouped money for BWWB, provides excellent customer service, and manages worker's compensation to get better pricing. Assistant General Manager Michael Johnson stated Ms. Agee is enthusiastic about her job and she stepped in to help the Safety Department when it needed additional assistance. Director Munchus questioned Ms. Agee whether she has the resources she needs to carry out her job. Ms. Agee stated it would be great to have additional resources. Chairman Mims offered his remarks for the fine work Ms. Agee had done. 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. Kevin B. McKie and seconded by Mr. George Munchus, that the Board hereby recognizes and commends Hubert Shikle, Derrick Stephens, Christopher

Gormley and Ronald Brock as the Employees of the Month for July 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. 7239 is hereby adopted by unanimous vote.”

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

WHEREAS, Joyce Agee has been selected as the Finance and Administration Division’s Employee of the Month for July 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. Kevin B. McKie and seconded by Mr. George Munchus, that the Board hereby recognizes and commends Joyce Agee for having been selected as the Finance and Administration Division’s Employee of the Month for July 2016.

BE IT FURTHER RESOLVED, that in recognition of Joyce Agee, 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 Ms. Joyce Agee.

Resolution No. 7240 is hereby adopted by unanimous vote.”

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Following, the General Manager recognized Mayor Tommy Joe Alexander, City of Irondale. Mayor Alexander stated he has been appointed to the board by the Jefferson County Mayor’s Association and looks forward to serving in January 2017.

Following, the General Manager asked the Board to discuss Old Business, as set forth in agenda item 2. Thereupon there was a discussion about the bond counsel team and request from Director Lewis about receiving information regarding changes or additions to the team.

Following, the General Manager asked the Board to adopt a resolution authorizing surviving monthly retirement benefits, as set forth in agenda item 3. On a motion duly made and seconded, the following resolution was adopted:

“WHEREAS, Michael O. Vann, a retiree of The Water Works Board of the City of Birmingham ("the Board"), passed away on July 13, 2016, and

WHEREAS, Michael O. Vann was receiving, up until the time of his death, monthly retirement benefits from the Board’s Retirement Trust Fund in the amount of \$7,775.43, 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, Susan Vann will begin receiving her surviving spouse monthly benefit of \$3,887.72, effective August 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. Kevin B. McKie, that the Trustee be, and is hereby instructed to pay a pension of \$3,887.72 per month to Susan Vann from the Board's Retirement Trust Fund, in accordance with the terms of the Trustee Pension Plan, with the payment to be effective August 1, 2016

Resolution No. 7241 is hereby adopted by unanimous vote."

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Following, the General Manager asked the board to adopt resolutions authorizing monthly retirement disability benefits, as set forth in agenda item 4. The General Manager stated Mr. Carter has been on extended leave battling cancer. Director Munchus questioned the General Manager whether he has reached out to Mr. Carter to make him aware of the board's concern for him. The General Manager stated yes and stated employees have been donating vacation time to Mr. Carter. He indicated he saw Mrs. Carter a couple of weeks ago. On a motion duly made and seconded, the following resolutions were adopted:

"WHEREAS, Gregory Carter, an employee of The Water Works Board of the City of Birmingham, is retiring effective August 1, 2016, under the Board's Disability Retirement Plan; and

WHEREAS, Gregory Carter had 9 years and 5 months of continuous service with the Board at January 12, 2016 disability date, and in accordance with the terms of the Trusteed Pension Plan, is entitled to receive a monthly Disability Retirement payment from the Board's Retirement Trust Fund in the amount of \$677.65; and

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. Kevin B. McKie, that the Trustee be, and is hereby instructed to pay monthly benefit payments of \$677.65 per month to Gregory Carter beginning August 1, 2016.

Resolution No. 7242 is hereby adopted by unanimous vote."

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"WHEREAS, Gregory Carter, an employee of The Water Works Board of the City of Birmingham, is retiring effective August 1, 2016, under the Board's Disability provision of its Retirement plan; and

WHEREAS, management has informed the Board of Gregory Carter's efficiency, reliability and loyal service which contributed to the effective operation and growth of The Water Works Board of the City of Birmingham; and

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors expresses its best wishes to Gregory Carter for a satisfactory recovery and a return to work with the Board; and

BE IT FURTHER RESOLVED, that in recognition of Gregory Carter's services to the Board, 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. Carter.

Resolution No. 7243 is hereby adopted by unanimous vote."

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Following, the General Manager asked the board to reimburse the operating account for capital expenditures for the period ended June 30, 2016, as set forth in agenda item 5. The purpose of the contract extension is to reduce water treatment costs. Estimated savings for the remainder of 2016 is \$13,125.00, for 2017 the savings would be \$31,500.00, and for 2018 the savings would be \$31,500.00, a total 2-1/2 year savings of \$76,125.00. On a motion duly made and seconded, the following resolution was adopted:

"WHEREAS, ARCADIS US, Incorporated, in a Certificate dated July 25, 2016, certified that during the period ending June 30, 2016 that there were expenditures for the cost of system improvements, which were paid out of the Operating Account and reimbursement of that account is now due in the preliminary amount of \$4,482,644.53 and;

WHEREAS, transfers to the Operating Account can be made from any, or a combination, of the following: the 2002 Construction Fund, the Improvement Fund, and/or the Revenue Account.

NOW, THEREFORE, BE IT RESOLVED By The Water Works Board of the City of Birmingham, on a motion duly made by Mr. George Munchus and seconded by Mr. Kevin B. McKie, that the Trustee be, and is hereby instructed to immediately transfer \$4,482,644.53 to the Operating Account from any, or a combination, of the following: The 2002 Construction Fund, the Improvement Fund, and/or the Revenue Account.

Resolution No. 7244 is hereby adopted by unanimous vote."

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Following, the General Manager stated he would hold agenda item 6 until the end of the agenda to give board members time to review an invoice from Fleenor & Green that was added to the agenda.

Next, Director Munchus questioned who will be the attorney doing the work as the underwriter's counsel. Mr. Petway responded Nick Greenwood. Director Lewis then requested information regarding that attorney from Mr. Petway.

Following, the General Manager asked the board to award bids, as set forth in agenda items 7.1 through 7.2. The General Manager stated we will only purchase the amount needed to keep stock in the warehouse. Director Munchus questioned whether the companies are local suppliers. Assistant General Manager Sonny Jones stated the companies are located in Atwood, TN. 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. Kevin B. McKie and seconded by Mr. George Munchus, that the Board hereby awards bids on the following:

- 7.1 G & C Supply, the lowest responsible and responsive bidder, for estimated annual quantities of full circle repair clamps to replenish stock in the Warehouse, at an estimated out-of-pocket cost to the Board of \$79,057.43.
- 7.2 G & C Supply, the lowest responsible and responsive bidder, for estimated annual quantities of corporation stops to replenish stock in the Warehouse, at an estimated out-of-pocket cost to the Board of \$89,246.00

Resolution No. 7245 is hereby adopted by unanimous vote.”

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Following, the General Manager asked the Board exercise its bid option to extend a contract with GEO Specialty Chemicals, as set forth in agenda item 8. Assistant General Manager Darryl Jones stated when the item was originally bid staff had the opportunity to get lower pricing by extending the contract. He stated he does not believe there will be another vendor that could beat that price which will result in a savings of \$30,000 per year. Director Munchus questioned whether the vendor suggested this option or whether staff suggested it. Mr. Darryl Jones stated the vendor was aware of the upcoming fall bids and wanted to lock in a price; therefore, they offered a one year extension. He indicated staff requested a two year extension and the vendor agreed. 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 a contract for two additional years to GEO Specialty Chemicals, the lowest responsible and responsive bidder, per bid awarded December 11, 2015, as the provider of aluminum sulfate chemical at an estimated annual out-of-pocket cost to the Board of \$802,998.00; and to authorize the General Manager and/or the Assistant General Manager to execute the contract with said vendor.. Resolution No. 7246 is hereby adopted by unanimous vote.”

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Following, the General Manager asked the board to authorize the General Manager and/or the Assistant General Manager to terminate its agreement with Renasant Wealth Management as Investment Consultant, as set forth in agenda item 9. The General Manager

stated Regions Bank was hired to perform this work. He stated a termination notice needs to be sent Renasant to ensure the process is documented properly. He stated a conversion plan has been developed. 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. Kevin B. McKie and seconded by Mr. George Munchus, that the Board authorizes the General Manager and/or the Assistant General Manager to terminate its agreement with Renasant Wealth Management as Investment Consultant, Custodian for the Pension Plan and Pension Payment Administrator. Resolution No. 7247 is hereby adopted by unanimous vote.”

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Following, the General Manager asked the board to authorize the General Manager and/or the Assistant General Manager to terminate its agreement with U.S. Bank, N.A, as Bond Trustee and OPEB Custodian., as set forth in agenda item 10. 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. Kevin B. McKie and seconded by Mr. George Munchus, that the Board authorizes the General Manager and/or the Assistant General Manager to terminate its agreement with U.S. Bank, N.A, as Bond Trustee and OPEB Custodian. Resolution No. 7248 is hereby adopted by unanimous vote.”

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Following, the General Manager asked the board to approve an agreement with Morgan Stanley to provide Pension and OPEB Consulting Services, as set forth in agenda item 11. The General Manager stated Morgan Stanley would handle investment consulting work instead of Renasant Bank. Director Lewis stated she would like to see all agreements before they are executed. Director Munchus questioned whether Morgan Stanley will be replacing what Renasant Bank does. The General Manager stated Morgan Stanley would review each of the current money managers and decide to recommend whether they should be replaced. Director Munchus questioned whether there is HUB participation with Morgan Stanley. Mr. Greg Burchell, Morgan Stanley, stated as a part of the overall relationship, Morgan Stanley will seek the best in class asset managers. He stated there is not a company that will be working with Morgan Stanley at this time. Director Munchus questioned whether there is a particular reason as to why there is no HUB participation. Mr. Burchell stated there is not a particular reason other than they have a tremendous amount of resources internally. He stated Morgan Stanley is looking to partner with minority managers. Director Munchus stated he thinks Morgan Stanley would do well on that part; however, he indicated he will abstain from voting on this item due to his concerns. Director Lewis stated the item says it is subject to review by the board’s attorney and then questioned whether this item will come before the board and the board be allowed to see the agreement. The General Manager stated the agreement was sent to the board’s attorneys some time ago to review and he does not know whether they have reviewed it. Board Attorney Petway stated the attorneys would review the agreement; however, the final approval would be up to the board. Director Lewis then questioned when the item would come back to the board.

The General Manager stated the agreement can be brought back to the board for approval. Director Lewis stated she would like to make an addition to the item requesting the agreement be subject to board review before it is executed. She stated ultimately the board is responsible and not the attorneys. The General Manager stated management does not have a problem with that request. Director Munchus stated he's pretty sure it's a standard contract. Director Lewis then questioned when she could get a copy of the contract. Mr. Petway responded the contract could be sent by the close of business. Director Lewis then made a motion to table the item. 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 tables an agreement with Morgan Stanley to provide Pension and OPEB Consulting Services; and authorizing the General Manager and/or the Assistant General Manager to execute said agreement, subject to review by the Board’s Attorneys. Resolution No. 7249 is hereby adopted by unanimous vote.”

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Following, the General Manager asked the Board to approve payments of invoices for professional services, as set forth in agenda items 6.1 through 6.6. The General Manager indicated staff had reviewed the invoices and recommended them for approval. Director Lewis requested the invoices be voted on individually. Chairman Mims stated the invoices would be voted on individually. Director Lewis stated items 6.1 through 6.3 could be voted on together and items 6.4, 6.5 and 6.6 could be voted on individually. Director Lewis stated she would like a year to date summary of fees for Fuston, Petway & French compared to the previous year. The General Manager stated that information could be provided to Director Lewis by tomorrow. Director Lewis stated she has concerns regarding items 6.5 and 6.6. Thereupon there was a discussion about the contract of Attorney David Sullivan. 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. Kevin B. McKie and seconded by Mr. George Munchus, that the Board hereby authorizes staff to execute payments to the following:

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|-----|-------------------------------------------------------------------------------------------------|---------------------|
| 6.1 | <u>The Jones Group, LLC</u><br>For professional services rendered for July 2016                 | \$ <u>5,000.00</u>  |
| 6.2 | <u>Raftelis Financial Consultants, Inc.</u><br>For professional services rendered for June 2016 | \$ <u>23,294.29</u> |
| 6.3 | <u>The Lewis Group</u><br>For professional services rendered through June 2016                  | \$ <u>25,000.00</u> |

Resolution No. 7250 is hereby adopted by unanimous vote.”

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“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:

6.4 Fuston, Pettway & French, LLP  
For professional services rendered through June 2016 \$ 99,489.19

Resolution No. 7251 is hereby adopted by Directors Mims, McKie and Munchus; Director Lewis abstained.”

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“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:

6.5 David A. Sullivan  
For professional services rendered June 15, 2016 through  
July 15, 2016 \$ 10,000.00

Resolution No. 7252 is hereby adopted by Directors Mims, McKie and Munchus; Director Lewis voted no.”

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“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:

6.6 Fleenor & Green, LLP  
For professional services rendered June 15, 2016 through  
June 30, 2016 \$ 7,461.29

Resolution No. 7253 is hereby adopted by Directors Mims, McKie and Munchus; Director Lewis abstained.”

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Next, Director Lewis stated she would like to discuss the agreement the board signed with Russell Management Group (RMG). She stated she was not present at the meeting when this agreement was approved. She indicated she has major concerns regarding the agreement. She stated an addendum stated RMG would provide program management services.

Following, the General Manager asked the board to hear Division Reports, as set forth in agenda item 12. Assistant General Manager Michael Johnson presented the Finance & Administration Division Report for June 2016 in a PowerPoint presentation. A copy of the presentation is on file with said meeting book. Mr. Johnson reported on the following: there was a slight increase in the number of active customers, finished water system delivery; and



consumption. He stated consumption is down. Next, Mr. Johnson reported on the operating revenues for June and year-to-date under budget; the operating and maintenance expenses are under budget; and stated expenses are \$4.6 million under budget with \$3.4 million ahead of projection. Mr. Johnson then reported on large O&M variances; employee health care costs are slightly over budget and there was a stop loss reimbursement; contractor charges are under budget; paving costs are under budget; power costs were on target and chemicals were under budget; labor is under budget; however, we are over budget in overtime. Mr. Johnson reported the reserve fund balances as of June 30, 2016 is \$102 million, therefore, the allocated balances as of June 2016 are significantly more than projected for the fund. He stated there is \$34 million available for the capital program. The General Manager questioned when the remaining money for the capital program would be used. Mr. Johnson stated it may be towards the end of the year. He indicated the goal is to spend that money in the capital program so the board does not have to borrow as much. Director Munchus questioned whether all of that money would be spent by the last quarter. Mr. Johnson stated the money will begin to be used in the last quarter and it will be drawn down up until the board goes back to the bond market. Next, Mr. Johnson stated the board spent \$4 million in minority vendor participation year-to-date through June 2016. Mr. Johnson reviewed a graphical illustration of the EasyPay stats relative to the number of users for the IVR vs. Website, the e-Check vs. Credit/Debit cards, and the e-Bill sign-ups. He reported 33,746 customers have signed up for e-billing and he stated 21,631 customers have signed up for HomeServe.

Following, Assistant General Manager Sonny Jones presented the Engineering and Maintenance Division's Report (E&M) for July 2016 in a PowerPoint presentation. A copy of the presentation is on file with said meeting book. Mr. Sonny Jones reported the Capital Improvement Plan (CIP) expenditures are at \$22 million of the capital budget of \$60 million. He stated work is being done at Carson Loop and is making good progress. He then gave an overview of capital projects at Shades Mountain Filter Plant, Inland Lake and SAP 2.0. Director Munchus questioned whether work being done at Carson Loop is at a standstill. Mr. Sonny Jones responded yes, until the board can acquire the last 500 feet. The General Manager stated there is currently a condemnation in progress. Director Munchus questioned how long would the condemnation take. Mr. Sonny Jones stated it could take up to a year. Next, Mr. Sonny Jones stated staff is making good progress with Brasfield & Gorrie regarding Historically Underutilized Businesses (HUBs). Mr. Sonny Jones then gave an overview of system development highlights; and stated the Distribution department is handling leak orders and indicated there are 95 outstanding leaks. Director Munchus questioned whether the funds being set aside for Carson Loop can be used to replace galvanized pipe in the ground by using on call contractors. The General Manager stated the on call contractors are to be used for emergency purposes only and main replacements would not be considered an emergency. Director Munchus stated the Environment Protection Agency (EPA) is very dangerous. Mr. Sonny Jones stated health and safety to the public is critical; however, this is not considered an emergency. He stated the pipe is delivering safe water to our customers. Director Lewis stated there are some things coming from the EPA but there is nothing concrete. She stated she believes staff is working on this as best they can. Director Lewis then commended staff for responding to customers' requests and being professional and caring.

Following, Assistant General Manager Darryl Jones was recognized to present the Operations and Technical Services Division's Report for June in a PowerPoint presentation. A copy of the presentation is on file with said meeting book. Mr. Darryl Jones reported on finished

water and stated June had been the best month for delivery of water; indicating there was a yield of 113 million gallons per day of finished and 127 million gallons per day of raw water. He reported on the lake levels' capacities, indicating Inland Lake is at a very good level and Lake Purdy's level is at a good level. He indicated there are no restrictions on water use. Mr. Darryl Jones then reported on rainfall in the area indicating it is normal year-to-date. He indicated that raw water customer's consumption for June saw an increase. Director Munchus questioned the reason for the increase. Mr. Darryl Jones stated Coke suppliers are generating more products. He stated U.S. Steel also saw a slight increase. He then reviewed a comparison of power and chemical costs, indicating power costs are under budget year-to-date and chemical costs are under budget year-to-date.

Following, Director Lewis asked whether the Board has used underwriter's counsel in past bond deals.. The General Manager stated the last couple of bond deals used bond counsel and disclosure counsel, but he did not think underwriter's counsel was used. He stated there is an option to use underwriter's counsel but in the past he doesn't think the Board has used it. Assistant General Manager Michael Johnson stated underwriter's counsel has not been used in the past. Director Lewis requested staff to check its records to identify the last time underwriter's counsel was used. The General Manager stated it is an option to use underwriter's counsel; however, the Board has not used it in the past.

As there was no further business before the Board, Chairman Mims entertained a motion to adjourn the meeting and a motion was duly made and seconded, and the meeting adjourned at 10:29 a.m.

/s/  
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Ronald A. Mims  
Chairman/President

Attest:

/s/  
\_\_\_\_\_  
George Munchus  
Secretary-Treasurer