

**MINUTES OF THE REGULAR BI-MONTHLY MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
OCTOBER 13, 2016**

The regular bi-monthly meeting of the directors of The Water Works Board of the City of Birmingham was held on Thursday, October 13, 2016, at 9:00 a.m., at 3600 First Avenue North, Birmingham, Alabama.

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

The meeting was also attended by: Mac Underwood, General Manager; Michael Johnson, Sonny Jones and Darryl Jones, Assistant General Managers; Grace E. Amison, Executive Assistant to the Board of Directors; Barry Williams, Board employee; G. Courtney French, Sam Ford and C. Paige Goldman, Fuston, Petway & French, LLP; Theo Johnson and Kirk Mills, Volkert, Inc.; David Merrida, Birmingham Construction Industry Authority, Inc.; Brian Ruggs and Jerry Jones, ARCADIS US, Inc.; Jeff Elliott, Branch Banking & Trust Company; Jeff Sherrer, Blount County Commission; Daymeon Fishback and David Searcy, Morgan Stanley; Chandra Abesingha, CEAssociates; Tony Petelos and David Carrington, Jefferson County Commission; Jon Paepcke, WVTM 13; Dan Meadows, S. S. Nesbitt & Company; The Honorable Tommy Joe Alexander, City of Irondale; Dr. Jesse J. Lewis, Sr. and Dorian Kendrick, The Lewis Group; and Matthew Arrington, Terminus Municipal Advisors, LLC.

As there was a quorum, the meeting was called to order at 9:05 a.m., and Assistant General Manager Michael Johnson opened the meeting with prayer.

Next, the General Manager proceeded with the agenda and he asked the Board to adopt resolutions authorizing monthly retirement benefits for Kenneth Watkins (Dump Truck Utility Worker, Distribution Department) from the Board's Retirement Trust Fund, as set forth in agenda item 1, and as stated on the respective retirement calculation, effective November 1, 2016, and commending Mr. Watkins for his years of service at the Water Works Board. On a motion duly made and seconded, the following resolutions were adopted:

"WHEREAS, Mr. Kenneth Watkins, an employee of The Water Works Board of the City of Birmingham ("the Board"), is retiring, effective November 1, 2016, at an age of 62; and

WHEREAS, Mr. Watkins has 24 years and 5 months of continuous service with the Board at his retirement date, and in accordance with the terms of the Trusteed Pension Plan, is entitled to receive a monthly Retirement payment from the Board's Retirement Trust Fund in the amount of \$2,616.00; 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. Kevin B. McKie and seconded by Mr. George Munchus, that the Trustee be, and is hereby instructed to pay monthly benefit payments of \$2,616.00 to Mr. Watkins from the Board's Retirement Trust Fund, in accordance with the terms of the Pension Plan, with the first payment to be made November 1, 2016. Resolution No. 7305 is hereby adopted by unanimous vote."

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“WHEREAS, Kenneth Watkins, an employee of The Water Works Board of the City of Birmingham, is retiring, effective November 1, 2016, after 24 years and 5 months of service with the Board; and

WHEREAS, management has informed the Board of Kenneth Watkins’ efficiency, reliability, and loyal service which contributed to the effective operation and growth of The Water Works Board of the City of Birmingham; and

WHEREAS, Kenneth Watkins, leaves behind a record which deserves a sincere word of gratitude for a job well done; and the Board does hereby express its best wishes for many happy years ahead.

NOW, THEREFORE, BE IT RESOLVED, By the Board of Directors of The Water Works Board of the City of Birmingham, Kenneth Watkins is hereby commended for his efficiency, reliability, and loyal service to the Board.

BE IT FURTHER RESOLVED, that in recognition of Kenneth Watkins’ 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 an official resolution presented to Mr. Watkins. Resolution No. 7306 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 2.1 through 2.7, and he indicated staff recommends the referenced invoices for approval. Director Lewis requested that said invoices be approved individually. Following, the General Manager asked the Board to approve a payment of invoice, as set forth in agenda item 2.1. 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 payment to the following:

2.1	<u>Carl Dalton NeSmith, Jr., LLC</u>	
	For professional services rendered for May 10, 2016 and	
	Retainer fee for September 2016	<u>\$ 1,700.00</u>

Resolution No. 7307 is hereby adopted by unanimous vote.”

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Next, Director McKie asked Director Lewis if she had a question relative to a particular invoice wherein Director Lewis stated she had a concern with agenda item 2.5. Director McKie then asked if items 2.2 through 2.4 and 2.6 and 2.7 could be approved at the same time and the directors agreed unanimously. 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:

2.2	<u>Birmingham Construction Industry Authority, Inc.</u>	
	For professional services rendered for July 2016	<u>\$ 2,000.00</u>

2.3	<u>Ragsdale, LLC</u>	
	For professional services rendered from September 7, 2016	
	through October 3, 2016	<u>\$ 2,060.50</u>
2.4	<u>Terminus Municipal Advisors, LLC</u>	
	For professional services rendered for September 2016	<u>\$ 6,500.00</u>
2.5	<u>Fine Geddie & Associates, LLC</u>	
	For professional services rendered for October 2016	<u>\$ 10,000.00</u>
2.6	<u>Volkert, Inc.</u>	
	For professional services rendered for August 2016	<u>\$ 16,516.26</u>

Resolution No. 7308 is hereby adopted by unanimous vote.”

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Following, Chairman Mims asked if there was any discussion on agenda item 2.5. There being none, a motion was duly made and seconded, and 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 authorizes staff to execute payment to the following:

2.5	<u>Fleenor & Green LLP</u>	
	For professional services rendered for September 2016	<u>\$ 9,800.00</u>

Resolution No. 7309 is hereby adopted by Directors Mims, McKie, Munchus and Muhammad; Director Lewis opposed.”

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Next, the Board was asked to approve a payment of invoice from David A. Sullivan, as set forth in agenda item 3. After the motion was duly made and seconded, Director Lewis pointed out the Board’s monthly contract with Attorney Sullivan is for \$10,000.00 and she asked why the Board was paying said attorney more than double the monthly contract amount. Subsequently, Director Lewis said the Board should adhere to the legal contract it signed with Attorney Sullivan. Following, some discussion ensued relative to the equality of pay for the three attorneys who are working on that certain case; the provisional terms of Attorney Sullivan’s contract; and the contractual obligation of the Board’s attorneys to pay those attorneys they hire to assist them. After discussion of the contractual terms of Attorney Sullivan’s contract, Chairman Mims called for the vote, and 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 Muhammad, that the Board hereby authorizes staff to execute payment to the following:

■	<u>David A. Sullivan</u>	
	For professional services rendered for September 2016	<u>\$ 22,850.00</u>

Resolution No. 7310 is hereby adopted by Directors Mims, McKie, Munchus and Muhammad; Director Lewis opposed.”

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Following, the General Manager asked the Board to award bids to the respective lowest responsible and responsive bidders, as set forth in agenda items 4.1 and 4.2. After reviewing item 4.1, Assistant General Manager Sonny Jones responded to various questions from Director Munchus relative to the location of said company, the Historically Underutilized Business (HUB) designation, previous work done by said company for the Board. After the motions were made, Purchasing Manager Ed Travis responded to Director Muhammad as to whether said company had an HUB certification and its classification; if the Board has ever used said equipment and the purpose of such equipment. Subsequently, Assistant General Manager Sonny Jones reviewed item 4.2. Following, the General Manager indicated staff recommends approval of the referenced items. Chairman Mims called for a vote and 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 award bids to the lowest responsible and responsive bidders, and to authorize the General Manager and/or the Assistant General Manager to execute purchase orders and/or contracts for procurement of materials, services and supplies needed for the operation, construction, and maintenance of the water system to the following:

- 4.1 Navigation Equipment, the lowest responsible and responsive bidder, for the purchase of Trimble Robotic Survey Equipment to acquire profile data for BWWB reservoir bottoms and basins which will be used to calculate true water volumes and utilized in water system management at an out-of-pocket cost to the Board of \$97,385.00. [NOTE: Said company was the only bidder to respond.]
- 4.2 USCI Locating Services, Inc., the lowest responsible and responsive bidder, for an annual estimated quantity of line locating services to provide underground utility line locating services throughout the Water Works Board’s distribution system at an annual estimated out-of-pocket cost to the Board of \$867,000.00; and to authorize the General Manager and/or the Assistant General Manager to execute a contract per bid specifications dated August 11, 2016.

Resolution No. 7311 is hereby adopted by unanimous vote.”

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Next, the Board was asked to authorize management to rotate use of on-call contractors with equal number of repair work orders among three (3) separate contractors, as set forth in agenda item 5, to provide on-call water utility repair services throughout the limits of the Board’s distribution system. After the General Manager reviewed the referenced item, a motion was made and seconded. Following, Director Lewis commented that the Board has been using on-call contractors for a number of years wherein its process has been to assign the work to the lowest responsible bidder, pointing out the Board is now proposing to equally rotate the work. Director Lewis indicated that Startley General Contracting and Rast Construction, Inc. would cost the Board additional money and she asked why the Board wants to change from its procedure of spending less of the ratepayers’ money. Director Lewis said when this was last discussed it was said the Chairman of the Board has the right to make these changes. Following, Director Lewis said according to the Board’s By-Laws on general power relative to what a regular CEO’s power does, she indicated a regular CEO’s power does not apply to the Birmingham Water Works Board. Director Lewis indicated she does not understand why the Board wants to pay Rast Construction, Inc. and Startley General Contracting more money and commented she would continue to speak out about the Board’s spending money unnecessarily.

Following, Director Lewis pointed out the contract amounts for the referenced on-call contractors and she added the directors should do what is in the best interest of the Birmingham Water Works Board relative to rotating on-call contractors. Following, Director Lewis suggested that the Board delay taking action on said item because the current contracts would expire soon. She then inquired about the Board's urgency to award bids to Startley General Contracting and Rast Construction. Subsequently, Director Lewis stated, in her opinion, said items should be removed from today's agenda and she suggested to the Board to allow the current contracts to expire in January 2017 and later look at how it wants to handle said bid in the future. A handout entitled "On-Call Water Utility Repair Contractor Contract" dated September 15, 2016 was distributed to the directors. A copy of said document is on file in today's Board Meeting book. Following, some additional discussion ensued on said items wherein Assistant General Manager Sonny Jones responded to series of questions from Director McKie relative to Startley General Contracting's lack of taking a part of the on-call rotation and if they had been informed said item would be on today's agenda. Assistant General Manager Sonny Jones said he has not received a response from Startley General Contracting. He stated when he met with said company two (2) months ago he was told there was not enough work to keep one (1) crew busy but they would contact BWWB if things changed. Assistant General Manager Sonny Jones responded that Startley had not been informed said item would be on today's agenda. Following, Director McKie said at the last Board meeting he mentioned that he wanted to see some statistics because on-call bids would fluctuate depending on the number of on-call jobs and whether jobs are heavy labor, or heavy equipment, etc. He then said he assumes the referenced numbers are more of an estimate given the nature of the work. Following, a discussion ensued on what the actual cost estimates may be for two or three contractors and the "On-Call Water Utility Repair Contractor" Contract handout that had been distributed to them for their review. A copy of said document is on file in today's Board Meeting book. After the discussion, Chairman Mims called for a second, and the following resolution was adopted:

"WHEREAS, on January 27, 2016, the Water Works Board of the City of Birmingham ("the Board") passed a resolution approving three (3) separate contractors, Jones Utility & Contracting, Startley General Contracting and Rast Construction to provide on-call water utility repair services.

WHEREAS, the Board desires to equally rotate assignments for on-call water utility repair services among the 3 contractors, or between the two (2) remaining contractors should Startley General Contracting become unavailable to perform requested on-call services.

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, as follows:

1. That, effective immediately the Board shall rotate on-call water repair services equally among the 2 or 3 available and approved contractors.

Resolution No. 7312 is hereby adopted by Directors Mims, Munchus and Muhammad; Director McKie abstained and Director Lewis opposed."

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After adoption of the above referenced item, some additional dialogue continued among the General Manager the directors relative to the distribution and rotation of on-call contractors during previous years.

Following, the General Manager asked the Board to approve a Custodian Agreement with Branch Banking & Trust Company (BB&T) to provide Master Trust and Custody Services, as set forth in

agenda item 6. The General Manager called to the directors' attention a letter dated October 7, 2016 regarding BB&T Bank - Corporate Trustee which had been given to the directors for their review, summarizing senior executive management's current status. A copy of said document is on file in today's Board Meeting book. The General Manager said the OPEB plan would be transferred to BB&T on November 1, 2016 and the bond trust work would transfer to BB&T no later than November 7, 2016, pointing out the referenced transfers are the only two (2) changes. Following, Director Munchus asked if all the work would be handled by said company in Birmingham, if some of it would be done from said company's in Huntsville, Alabama and Tampa, Florida locations, or if this had been resolved and everything would now be handled in Birmingham. Following, Mr. Jeff Elliott of BB&T said he is in Birmingham and is supported by teams in North Carolina and Florida. After discussion, a motion was 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 approves an agreement with BB&T to provide Master Trust and Custody Services; and to authorize the General Manager and/or the Assistant General Manager to execute said agreement, subject to final review by the Board's Attorneys. Resolution No. 7314 is hereby adopted by unanimous vote."

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Next, the Board was asked to adopt a resolution authorizing and instructing the General Manager to provide Jefferson County with written notification of the Water Works Board's intent to terminate that certain agreement between the Water Works Board and Jefferson County, as set forth in agenda item 7, for the collection of Jefferson County's sewer charges. After the motions were made, Director Lewis pointed out the Board had not had any discussion on said item and it had not been through committee. Director Lewis added that the General Manager had sent a text to the directors stating that if they proceeded with said item, it would possibly have to further increase water rates. Director Lewis commented that this causes her great concern. Director Lewis indicated she wants to know how said item would impact the Board's employees and if the Board would need fewer employees in certain areas. Following, Director Lewis asked why the Board did not have a conversation with Jefferson County and the commissioners in lieu of putting this information forward. Director Lewis stated, in her opinion, the Board needs a full discussion before terminating said agreement. Director Lewis pointed out when she was first appointed to the Board, the directors had several discussions about this issue and she indicated they also recently had a conversation prior to the Board change, wherein the previous Board decided not to terminate said agreement because it was not in the best interest of the customers. Following, Director Lewis pointed out said item would impact the poorest people the most because the Water Works Board would be losing revenue, which would result in further rate increases. Director Lewis added that Jefferson County has the option of putting liens on customers' property.

Director Lewis commented that the Board should sit down and have a full discussion before acting on said major item. In addition, Director Lewis asked how said item would legally impact the Water Works, pointing out the Board has not discussed said item with its attorneys wherein she has not been contacted by the Board's attorneys concerning said item. Director Lewis added there has been no discussion with the community, pointing out a workshop would be needed regarding this matter. Director Lewis said she is interested in the impact this would have on the least of the Board's customers. Director Lewis recommended that representatives from the Board meet with the County Commissioners to determine if a resolution could be reached before making a sudden decision relative to said item. Director Lewis indicated that only winners regarding this matter would be attorneys wherein the Board would incur additional legal fees.

Director McKie disagreed with Director Lewis' comments relative to the winners would be attorneys. Following, Director McKie indicated he has not had any conversations with the county and he pointed out representatives from the county are at today's meeting. He asked if anyone had talked to the county's representatives about the Board's contact. The General Manager replied he had not spoken with anyone at the county and indicated he had received a telephone call from Jefferson County Commissioner David Carrington who asked if said item would be on the last Board meeting's agenda wherein he informed him that it would not be on the agenda for that meeting. The General Manager indicated Commissioner Carrington requested a copy of the agenda wherein a copy was sent to him. Subsequently, the General Manager added that they had not discussed the agreement. Following, Director McKie said he had additional questions but he would like to recognize representatives from Jefferson County.

Following, Jefferson County Manager Tony Petelos thanked the Board for the opportunity to speak and indicated Jefferson County would like the Water Works Board to postpone termination of said agreement. Mr. Petelos thanked Director Lewis for her comments. Subsequently, Mr. Petelos said he had not had any discussion with anyone from the Water Works Board. He said this is a very complicated matter, commenting on various issues that are involved regarding said item. Mr. Petelos said they would like for the county's operations and legal teams to meet with the Board to determine what is in the best interest of the ratepayers. Following, Director McKie indicated he agrees with Director Lewis relative to meeting with Jefferson County. He stated he had no facts or figures but believes the Board should do additional investigation to see if this is something it wants to pursue. Subsequently, Director McKie stated although a motion had been made, he suggested tabling item 7, and indicated the Board could continue with the motion if this is what it wants. Director McKie asked Mr. Petelos if he knew whether said item would impact the bankruptcy claim, noting the county would be adding a department to the county to handle the sewer billing that does not currently exist. Mr. Petelos said he did not know and commented that it is very complicated and indicated he highly recommended that the legal teams and operations personnel from the county and the Board meet and look at what is in the best interest of the ratepayers.

Following, Director Muhammad indicated the county filed bankruptcy when it did not have to, pointing out the net reserves or net amount was the only thing that the bond people could have gotten but in bankruptcy the county gave that up and went in owing \$2.2 billion. The amount was decreased to \$1.8 billion because there were some disparities as to how the bonds were handled. Director Muhammad pointed out when the county's bankruptcy was reduced to \$1.8 billion, Jefferson County borrowed additional money wherein it has now increased its bankruptcy to nearly \$14 billion. Subsequently, Director Muhammad commented he has never heard of anyone going into bankruptcy owing a certain amount and coming out of bankruptcy owing more money. Director Muhammad said Mr. Petelos indicated how terminating said agreement would affect the ratepayers. Director Muhammad added it appears as though the county commissioners gave no consideration as to how it would affect Districts one (1) and two (2), the poorest districts in the county.

Following, Director Muhummad continued addressing the effect Jefferson County's bankruptcy would have on the citizens of Birmingham's water bills for the next 40 years. Director Lewis asked to see some additional numbers relative to water rates and the employees' impact prior to a decision being made to terminate said agreement. In addition, Director Lewis pointed out that SAP implementation would be impacted relative to the Board collecting for Jefferson County's sewer bills.

Following, Director McKie commented the Board cannot forget its responsibility relative to operating the Birmingham Water Works for the best interest of all of its ratepayers across the whole spectrum. He said the Board is also interested in its employees and everything that makes the Water Works operates. In addition, Director McKie pointed out there are no available numbers to discuss regarding said item and indicated he does not know how he could vote for said item. Director McKie

asked the Board to remember its responsibility. Subsequently, Chairman Mims called for a vote, and the following resolution was adopted:

"WHEREAS, on September 15, 1953, the Alabama Legislature passed and approved Act. No. 616 authorizing The Water Works Board of the City of Birmingham ("the Board") to enter into an agreement with Jefferson County ("the County) for the collection of sewer fees.

WHEREAS, on or about August 22, 1961, The Water Works Board of the City of Birmingham ("the Board") entered into an agreement with Jefferson County ("the County) for the collection of sewer fees ("the Agreement"); and

WHEREAS, pursuant to the Agreement, it was the desire of the County that the Board would act as the County's agent in the matter of sending out bills and making collections of sewer service charges.

WHEREAS, on September 18, 1961, House Bill 1082 was passed by the Alabama Legislature requiring that the County adopt a resolution compelling the Board to collect sewer service charges.

WHEREAS, on May 8, 1962, the Board and the County amended the Agreement by providing that the Agreement would remain in full force and effect despite the passing of House Bill 1082 and that the County would not proceed with adopting a resolution compelling the Board to collect sewer service charges.

WHEREAS, on February 25, 1974 and June 19, 1979, the Board and the County made other amendments to the Agreement pertaining to the manner of applying partial payments made by customers and the handling of customer security deposits.

WHEREAS, on November 29, 1994, the Board and the County amended the Agreement to provide that the Agreement shall be subject to termination by either party with or without cause by giving to the other party not less than one year's notice in writing unless such other party waives the one year requirement.

WHEREAS, it is the intention of the Board of Directors to terminate the Agreement with Jefferson County.

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 Muhammad, as follows:

1. That, effective immediately and pursuant to the amendment to the Agreement dated November 29, 1994, the Board of Directors shall provide one year's notice to the County to terminate the Agreement for the collection of sewer fees.

Resolution No. 7313 is hereby adopted by Directors Mims, Munchus and Muhammad; Directors McKie and Lewis voted no."

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After adoption of the above resolution, Chairman Mims said item 7 would be given to staff to handle the negotiations and to see what the Board needs to do. There was a discussion on some negotiations available between the Board and the County regarding the notice of intent to terminate said agreement. Subsequently, Directors Lewis and McKie thanked Mr. Petelos for attending today's Board meeting and Chairman Mims called for the next item.

Following, the Board was asked to approve and authorize the General Manager and/or the Assistant General Manager to accept the Carson Loop 6C Supplemental Agreement No. 1 between the Water Works Board and Volkert, Inc., as set forth in agenda item 8. Following, Assistant General Manager Sonny Jones reviewed a map on the Carson Loop Project wherein the pipeline from the Carson Filter Plant behind Liberty Park would move potable water from the north to the south. There was a discussion on the design work for said item, details on a new suitable route is being worked out and the \$6 million budget for said item. In addition, some dialogue was exchanged by the directors relative to money being saved from capital projects for the past five (5) years. Following, the General Manager explained that if said budget is \$60 million and only \$50 million is spent, he indicated the following year, the remaining \$10 million would be spent first. There was a discussion relative to next year's Capital Budget; the bond money which is used to cover the capital budget wherein the majority of capital money is borrowed with the exception of PAYGO, and it was pointed out in 2017 PAYGO would be about \$35 million. In addition, the General Manager pointed out that the Board does not want staff to borrow more money than what is needed. Responding to Director Muhammad's questions as to how much the Board's annual revenue is and how much of said amount is used for operating and maintenance, Assistant General Manager Michael Johnson said annual revenue is \$177 million and operating and maintenance expenses total slightly more than 50% of revenues. 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 the General Manager and/or the Assistant General Manager to accept the Carson Loop 6C Supplemental Agreement No. 1 between the Water Works Board and Volkert, Inc., to contract for professional services associated with the Carson Loop Water Main Extension at an out-of-pocket cost to the Board not to exceed \$391,000.00. Resolution No. 7315 is hereby adopted by unanimous vote."

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Next, the General Manager asked the Board to discuss and/or approve items 9.1 through 9.4, as set forth in said items. Following, the General Manager recognized Mr. David Searcy from Morgan Stanley wherein he pointed out that the Policy statements for the Pension and OPEB Plans did not mirror each other. Director Munchus asked what the difference was between said plans and Mr. Searcy stated the biggest difference was allowance. He reported Morgan Stanley mirrored the OPEB Plan with the Pension Plan. Director Munchus then asked if Morgan Stanley is treating the investment manager similar to the money manager. Mr. Searcy said they had added some due diligences for protection; specifically, the investment manager they added to monitor investments to ensure compliance. In response to Director Munchus' inquiry if Morgan Stanley had broadened the public's definition of an investment manager, Mr. Searcy said he does not believe said company widened the meaning but rather they defined it. Following, the General Manager said he believes emerging markets and foreign investments increased from 10% to 20% of the Investment Policy Statement, pointing out the major difference is more foreign investments are allocated. Subsequently, the General Manager said staff recommends approval of said items with the addition of "subject to review and approval by the Board's attorneys". 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 takes bids on the following:

- 9.1 The Water Works Board's Pension Plan Investment Policy Statement; and to authorize the General Manager and/or the Assistant General Manager to accept said statement.

- 9.2 The Water Works Board's Pension Plan Asset Allocation.
- 9.3 The Water Works Board's OPEB Plan Investment Policy Statement; and to authorize the General Manager and/or the Assistant General Manager to accept said statement.
- 9.4 The Water Works Board's OPEB Plan Asset Allocation.

Resolution No. 7316 is hereby adopted by unanimous vote.”

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Next, the Board was asked to discuss and/or approve the Water Works Board's Pension Plan and OPEB Plan Investment Managers, as set forth in agenda items 10.1 through 10.8. Director Munchus asked if staff could provide him a list of the Board's current money managers and whether said managers are the ones that Renasant Wealth Management selected wherein the General Manager responded yes. Following, there was some dialogue between Director Munchus and Mr. Searcy relative to Brentwood wherein Mr. Searcy indicated that they are still in communication with said firm. Director Munchus expressed his disappointment when the Board uses firms that are not local, noting that a better job has to be done in working with local firms to increase the capacity so they can become solid money managers. Director Munchus commented that he believes Birmingham has some very capable entities but they do not get the opportunity because of other long and well-endowed money managers. After discussion, a motion was made and seconded and 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 Ms. Sherry W. Lewis, that the Board hereby approves the Water Works Board's Pension Plan and OPEB Plan Investment Managers; and authorizes the General Manager and/or the Assistant General Manager to accept/execute the following agreements relative to money managers:

- 10.1 Investment Adviser Agreements with Cooke & Bieler to manage a Large Cap Value Equity Portfolio for the Water Works Board's Pension Plan.
- 10.2 Investment Adviser Agreement with Cooke & Bieler to manage a Large Cap Value Equity Portfolio for the Water Works Board's OPEB Trust.
- 10.3 Investment Management Agreement with Earnest Partners, LLC.
- 10.4 Pioneer Investments - Fundamental Growth Fund.
- 10.6 Metropolitan West Asset Management, LLC - MetWest Funds.
- 10.7 Principal Funds, Inc. - Preferred Securities Fund.
- 10.8 Investment Manager Agreement and the Adoption Agreement (Equal-Weighted Large Pooled Index Trust) with Rhumbline Advisers Limited Partnership.

Resolution No. 7317 is hereby adopted by Directors Mims, McKie, Lewis and Muhammad; Director Munchus abstained from voting.”

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Following, the General Manager recognized Assistant General Manager Darryl Jones to update the Board on the condition of the drought. Assistant General Manager Darryl Jones reminded the Board

that the drought situation is real and the water system is experiencing high demands. He said Stage-2, the warning phase, was implemented earlier this week wherein customers are asked to voluntarily reduce their water usage. Assistant General Manager Darryl Jones said while said stage is voluntary, there are odd and even day watering requirements for customers. He said staff's goal is to decrease the delivery rate, pointing out delivery for the past three (3) days were 120 million of gallons per day (mgd) wherein staff's goal is to decrease said number to about 105 mgd. Following, Assistant General Manager Darryl Jones said the October 5, 2016 press release stated it would take customers a few days to follow the recommended guidelines that include no outdoor watering on Wednesday, Saturday and Sunday; individuals with addresses ending in an even number should water established lawns and landscaping on Mondays and Thursdays; those with addresses ending in odd numbers should water established lawns and landscaping on Tuesdays and Fridays; and no outdoor watering on Wednesday, Saturdays and Sundays. Subsequently, Assistant General Manager Darryl Jones said staff may ask for the Board's support in implementing the mandatory Stage-3 drought plan wherein surcharges would be imposed for excessive water usage. Following, he said they are asking the news media to continue getting the message out to the Board's customer base. Assistant General Manager Darryl Jones said staff has done all of the operational things it can do to reduce the impact and would request to move to Stage-3 by next week. Following, Director Muhammad asked if this year's October is warmer than the usual and Assistant General Manager Darryl Jones said temperatures have been about 10 to 15 degrees warmer than normal. Director Muhammad said he supports the Carson Loop project and adding additional money to Assistant General Manager Sonny Jones' leak program if this can be done without raising rates.

Following, Assistant General Manager Sonny Jones displayed the award received by the Distribution Department and the E&M Shop for best operated distribution system in the State of Alabama presented by the Alabama-Mississippi Section of the American Water Works Association (AWWA) at its Annual Conference held October 9 – 12, 2016 in Montgomery, Alabama. He stated said award was first won in 2014 wherein he is very proud of the employees. Assistant General Manager Darryl Jones announced that the Western Filter Plant received the award for Best Operated Treatment Plant and Michael Walton, Senior Operator of said plant received the "Operator of the Year Award" at said conference. Subsequently, the meeting body applauded. Following, Assistant General Manager Darryl Jones said the Board has a very good water system that is maintained and operated by very talented and gifted employees, and he thanked the employees and the Board for their support.

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

Ronald A. Mims
Chairman/President

Attest

George Munchus
Secretary-Treasurer