

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

The regular bi-monthly meeting of the directors of The Water Works Board of the City of Birmingham was held on Tuesday, October 25, 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; George Anderson, Jr., Shelia Patterson, and Geoff Goodwin, Board employees; Courtney French, Paige Goldman, and Sam Ford, Fuston, Petway and French, LLP; Matthew Arrington, Terminus Municipal Advisors; Justin Goldstein, Goldman Sachs; Brian T. Ruggs and Jerry Jones, ARCADIS US, Inc.; Jeff Sherrer, Blount County Commission; Christopher Woods, C. W. Woods Contracting Services, Inc.; Annie Allen, I Seek Solutions, Inc.; The Honorable Tommy Joe Alexander and James Stewart, City of Irondale; Hal Humphrey, Gresham, Smith and Partners; and Chandra Abesingha, CE Associates.

As there was a quorum, the meeting was called to order at 9:04 a.m., and IT Manager George Anderson opened the meeting with prayer.

Next, the General Manager proceeded with the agenda and he asked the Board to adopt a resolution commending Accountant II Roseline Ngumba, as employee of the Month for October 2016 from the Finance & Administration Division, as set forth in agenda item 1. On a motion duly made and seconded, the following resolution was adopted:

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

WHEREAS, Roseline Ngumba has been selected as the Finance and Administration Division’s Employee of the Month for October 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 Roseline Ngumba for having been selected as the Finance and Administration Division’s Employee of the Month for October 2016.

BE IT FURTHER RESOLVED, that in recognition of Roseline Ngumba, 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. Roseline Ngumba. Resolution No. 7318 is hereby adopted by unanimous vote.”

Following, Senior Human Resources Business Partner Cherita King recognized Ms. Ngumba and said she was nominated by her co-worker Cassandra Bell. Ms. King said Ms. Ngumba has made a tremendous impact on her department and the Water Works during the short time she has been employed.

Following, Ms. King read the letter of commendation from Ms. Bell, and Ms. Ngumbia was applauded for her positive attitude, commitment and dedication and for working with others within the organization. Subsequently, Ms. King congratulated Ms. Ngumba and Chairman Mims expressed appreciation on behalf of the Board and senior executive management and presented her with a commendation resolution along with a \$250.00 check.

Following, the General Manager asked the Board to table item 2 relative to hearing a presentation on the H2O Foundation until the next Board meeting. 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 tables item 2 relative to hearing a presentation on the H2O Foundation. Resolution No. 7319 is hereby adopted by unanimous vote.”

Next, the General Manager asked the Board to hear a Final Pricing Report regarding the issuance of its 2016-A, B, and C Water Revenue Refunding Bonds, as set forth in agenda item 3. Following, he recognized Mr. Matthew Arrington of Terminus Municipal Advisors, LLC., and subsequently he distributed a copy of said report to the directors for their review. A copy is on file in today’s Board Meeting Book. He reminded the Board that the bond transactions were closed Tuesday, October 4, 2016. Following, Mr. Arrington noted the referenced transaction is the largest the Board has done wherein it resulted in savings of over \$105 million to the Board and its ratepayers. He reviewed the transaction overview and noted the Birmingham Water Works received ratings of Aa2 and AA from Moody’s Investors Services and Standards & Poors, respectively for the senior bonds. Mr. Arrington gave an update on the refunded bond issue as shown in the Final Pricing Book, Series 2016-A, 2016-B and 2016-C. A copy is on file in today’s Board Meeting Book. Subsequently, Mr. Arrington pointed out the key point is the Board’s debt service would have been \$4 million more if the refunding had not been done. Subsequently, Mr. Arrington recognized Mr. Justine Goldstein of Goldman Sachs, and he pointed out that the bond issuance accomplished a couple of specific goals for the Board and noted that the Board received outstanding reviews. In response to Director Munchus, Mr. Arrington discussed the Series 2016-C Water Revenue Refunding Bonds relative to subordinate bonds. Following, Mr. Goldstein reviewed market conditions at the transaction kickoff, pointing out the stage when rates started to increase and when they were at a record low. He also pointed out the changes that had taken place in 30-year rates over the past five (5) years. Subsequently, he reviewed the economic calendar of events around the time issuance of the aforementioned bonds, the transaction timetable and additional transactions that were priced about the same time as the Board’s.

Next, the Board was asked to approve actual travel expenses as set forth in agenda items 4.1 and 4.2, respectively. Subsequently, the General Manager said staff recommends approval. After a motion was duly made and seconded, a “roll call” vote of the directors was taken and the following resolution was adopted:

“WHEREAS, the Board of Directors has adopted a Travel Expense Reimbursement Policy, as amended; and

WHEREAS, pursuant to Resolution No. 7082 adopted by the Board of Directors on December 21, 2015, approval was given to attend the 2016 Alabama-Mississippi Section of AWWA Annual Conference, scheduled October 9 - 12, 2016, in Montgomery, Alabama; and the 2016 SAP for Utilities Conference, scheduled October 9 - 11, 2016, in Huntington Beach, California; and

WHEREAS, in accordance with Act No. 2015-164, approval is requested for the following actual expenses relative to the above-referenced conference.

NOW, THEREFORE, BE IT RESOLVED, on a motion made by Mr. George Munchus and seconded by Mr. William Muhammad, that the following board member(s) be reimbursed for their actual expenses pertaining to said conferences as follows:

- Ronald Mims for total expenses, including conference registration, mileage, lodging (room and tax only), other incidental expenses, and business meals, in the amount of \$1,189.57 (as itemized on the attached Travel and Business Expense Reimbursement form).
- Kevin McKie for total expenses, airline ticket fare, lodging (room and tax only), other incidental expenses, and business meals, in the amount of \$1,991.80 (as itemized on the attached Travel and Business Expense Reimbursement form).

Resolution No. 7320 is hereby adopted on October 25, 2016, by a roll call vote: Chairman Mims, aye; Director McKie, aye; Director Munchus, aye; Director Lewis, aye; and Director Muhammad, aye.”

Following, the General Manager asked the Board to authorize reimbursement of the operating account for capital expenditures for the period ended September 30, 2016, as set forth in agenda item 5. He indicated staff recommends approval of the referenced item. On a motion duly made and seconded, the following resolution was adopted:

“WHEREAS, ARCADIS US, Incorporated, in a Certificate dated October 14, 2016, certified that during the period ending September 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 \$2,648,904.02 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 \$2,648,904.02 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. 7321 is hereby adopted by unanimous vote.”

Next, the General Manager asked the Board to approve payments of invoices for professional services, as set forth in agenda items 6.1 through 6.5, and he indicated staff recommends the referenced invoices for approval. On a motion duly made and seconded, the following resolution was adopted:

“BE IT RESOLVED By The Water Works and Sewer 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:

- 6.1 The Jones Group
For professional services rendered for October 2016 \$ 5,000.00

6.2	<u>The Lewis Group</u> For professional services rendered for September 2016	<u>\$ 25,000.00</u>
6.3	<u>Raftelis Financial Consultants, Inc.</u> For professional services rendered for September 2016	<u>\$ 55,149.26</u>
6.4	<u>Fuston, Petway & French, LLP</u> For professional services rendered for September 2016	<u>\$ 97,862.27</u>
6.5	<u>ARCADIS U.S., Inc.</u> For professional services rendered per August 2016's Progress Report (August 2016)	<u>\$386,192.24</u>

Resolution No. 7322 is hereby adopted by unanimous vote.”

Following, the General Manager asked the Board to take bids for replacement of various pipes and water services along various streets in the City of Fairfield, Alabama, as set forth in agenda item 7 and he indicated staff recommends approval of the referenced items. In response to Director Munchus’ inquiry as to whether said item would be bid as a lump sum or if it would be divided into the different service areas, Assistant General Manager Darryl Jones stated said item would be bid as a lump sum. 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 McKie, that the Board hereby authorizes staff to take bids for replacement of approximately 5,680 feet of 2-inch unlined cast iron pipe and 2-inch galvanized steel pipe with approximately 430 feet of 4-inch DICL pipe; 2,000 feet of 6-inch DICL pipe; 3,230 feet of 8-inch DICL pipe and related appurtenances; and 169 water services along 60th Street, 63rd Street, and Avenue “D” located in the City of Fairfield, Alabama, at an estimated out-of-pocket cost to the Board of \$1,140,000.00. Resolution No. 7323 is hereby adopted by unanimous vote.”

Next, the Board was asked to award bids to the respective lowest responsible and responsive bidders, as set forth in agenda items 8.1 through 8.3. Following, Director Munchus asked if senior executive management was involved in getting the 31.9 percent of Historically Underutilized Business (HUB) participation relative to item 8.3 wherein Assistant General Manager Sonny Jones confirmed that the referenced percentage was received with the bid in said item. After a motion was made and seconded, a detailed discussion ensued regarding item 8.1 relative to the manufacture’s location of the meters, the comparison of cost to last year’s meters; the increased in quantities of meters, and the HUB participation. Following, Director Muhammad inquired whether said percentage in item 8.3 includes everything with the exception of the materials. Assistant General Manager Sonny Jones replied that Rast Construction provides some of the materials in small amounts and staff supplies the pipe, which is excluded. Assistant General Manager Sonny Jones said he would get an itemization of what is included in the bid. Following, Director Muhammad asked how the Board would know if companies adhere to submitted HUB’s bid percentages after the projects have been completed? Assistant General Manager Sonny Jones replied companies are required to submit paid invoices showing the names of HUB participants and the amounts they are paid. Following, Assistant General Manager Darryl Jones reminded the directors of senior executive management’s intent to lay pipe across Lake Purdy regarding item 8.3. He said approval of item 8.3 would allow said management to put all permits and governmental requirements in place and move forward. Director Munchus asked if there is a reason senior executive management did not secure permits

earlier and if the bid has to be awarded before permits are issued. Assistant General Manager Darryl Jones stated said lake had significantly more water at one time. He said senior executive management does not want to rush and acquire the permits and not have the ability to get into the lake bed. In response to inquiries from Director Munchus as to who the permitting entities are and if senior executive management is confident the permitting method would be quick, Assistant General Manager Darryl Jones stated said entities are the Corps of Engineers and the Alabama Department of Environmental Management (ADEM). He said permitting involves a timed process and noted said entities tend to have a slow method while they are working with senior executive management to try and speed up the process. After discussion, Chairman Mims called for the 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:

- 8.1 Fortline Waterworks, the lowest responsible and responsive bidder, for estimated quantities of Meter Boxes and Lids to replenish stock in the Warehouse at an estimated out-of-pocket cost to the Board of \$144,056.50.
- 8.2 UniFirst Uniforms, the lowest responsible and responsive bidder, for rental and laundry service for a three-year period relative to estimated units of flame retardant clothing to provide safety for employees and to meet the National Fire Protection Association (NFPA) - Standard 70E and the OSHA compliant protective requirements at an estimated annual cost of \$83,228.60 and at a total estimated out-of-pocket cost to the Board of \$249,685.80; and to authorize the General Manager and/or the Assistant General Manager to execute a contract per Bid Specifications and Conditions.
- 8.3 Rast Construction, the lowest responsible and responsive bidder, for installation of 1,100 feet of 36-inch ductile iron pipe across Lake Purdy at an out-of-pocket cost to the Board of \$479,666.00. [NOTE¹: This bid award is contingent on obtaining the construction permits needed to perform said work before the lake level returns to full pool.] [NOTE²: The Historically Underutilized Business (HUB)’s participation is 31.9 percentage.]

Resolution No. 7324 is hereby adopted by unanimous vote.”

Following, the General Manager asked the Board to approve its Property and Liability Insurance Plan from November 1, 2016 to October 31, 2017 in the total amount of \$1,391,285.00, as set forth in agenda item 9. The General Manager called to the directors’ attention the comparison of 2016 to 2017 Renewal Summary from S. S. Nesbitt & Company, Inc., broker of record services, which had been distributed for their review. A copy is on file in today’s Board Meeting Book. He pointed out that said insurance is \$4,801.00 more than the previous year due to the Pollution Liability coverage policy that is done every three (3) years wherein such would be due in 2017. The General Manager stated even with said policy the 2017 plan is only slightly above the current rate and staff recommends approval of the referenced 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 Mr. George Munchus and seconded by Mr. Kevin McKie, that the Board hereby

approves its Property and Liability Insurance Plan (the “Plan”), effective November 1, 2016 through October 31, 2017, in the total amount of \$1,391,285.00 which includes \$1,241,285.00 for insurance premiums; and a payment to S.S. Nesbitt & Company totaling \$150,000.00 for broker of record services; and to authorize the General Manager and/or the Assistant General Manager to execute the necessary documents to effectuate said Plan. Resolution No. 7325 is hereby adopted by unanimous vote.”

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Next, the Board was asked to review three (3) scenarios for the Operating and Maintenance (O&M) Budget and two (2) scenarios for the Capital Budget in preparation for the Public Hearing, as set forth in agenda item 10. The General Manager explained that senior executive management is not asking the Board to approve said budgets and indicated an approved scenario would allow staff to begin preparing for said hearing which is scheduled November 10, 2016. Following, he recognized Assistant General Manager Michael Johnson to discuss said scenarios and Assistant General Manager Michael Johnson called to the directors’ attention a handout of said scenarios that had been distributed to them for their review. A copy is on file in today’s Board Meeting Book. Following, Director Munchus asked if senior executive management was recommending scenario one (1) and the General Manager stated said scenario was submitted as part of the 2017 budget wherein a decision is needed relative to which scenario the Board wants to present so that the final budget could be prepared. In response to Director Munchus’ inquiry as to why two (2) additional scenarios were included, Assistant General Manager Michael Johnson said senior executive management was asked to submit scenarios two (2) and three (3) to the Board. Following, a discussion ensued relative to a position for an Overstaff Executive Assistant to the Board and the salary allocated for said position. Following, Director Lewis expressed concern with paying a trainee \$150,000.00. Director McKie pointed out an assistant would be needed to learn from Ms. Amison for perhaps six (6) to eight (8) months before she retires wherein the trainee’s salary could be paid at a lower level and changed once the person assumes the Executive Assistant to the Board position full-time. Following, Assistant General Manager Michael Johnson reminded the directors that said amount is an estimate and that an approximation of the base salary for the grade could be included in scenario one (1) to reflect six (6) months if this is the Board’s pleasure. Director McKie asked if the trainee could be paid a lower salary while training and receives an increase when Ms. Amison retires. The General Manager said the Water Works has several trainee positions. Subsequently, Chairman Mims asked senior executive management to make the adjustment to the budget, and he indicated the Board would revisit it. Assistant General Manager Michael Johnson stated said position is under scenario one (1). He explained said scenario for the 2017 budget includes additional items that are not included in the 2016 budget, pointing out the full merit is also included. In response to Director Lewis’ inquiry of the percentage for said merit, Assistant General Manager Michael Johnson said the full merit is about 2.1% of the total salary.

Following, Director McKie reported the judge has indicated he should have a ruling on the pending lawsuit by the end of this year. He said Attorneys David A. Sullivan and Fleenor & Green, LLP might have to do some appellate work for the Board, and he pointed out this would not last a year and would not cost \$10,000.00 per month. He also said the Board’s contract with Attorney Clay Ragsdale would likely change after moving forward in the current process.

Subsequently, a lengthy and detailed discussion ensued relative to comparison of scenario one and scenario two that would be presented at the November 10, 2016 at the Regular Board of Directors’ Meeting. Subsequently, the General Manager asked the Board to review items at the bottom of scenario one (1) and advise senior executive management of items they want to remain and those they want removed. Subsequently, Director Muhammad began a discussion on creating a line item for water watchers and the economic development funds. The General Manager stated economic development funds are available in the reserve fund wherein it totals \$8.6 million. He pointed out projects have to be

presented for something that one feels deserve the use of said funds and present it to the Board and senior executive management wherein it would be reviewed for approval. Director Muhammad asked when projects could be submitted and the General Manager said projects could be submitted at any time during the year. The General Manager said the reserve funds contain \$110 million wherein \$8.6 million is included for economic development. He said for an economic development project, a capital project that you feel can qualify for whatever you think the Board needs to spend on said development. Chairman Mims said he believes Director Muhammad is asking if a line item for economic development could be added to the budget today wherein Director Lewis inquired what it would be used for. Following, Director Muhammad asked if the Board could take money out of said fund and put it into a line item and use it for a contract compliance program. Director Muhammad indicated the program would deal with how the Board handles its contracts. Director Lewis replied that she thought the Board's attorneys were already reviewing contracts and Director Muhammad indicated that it would involve more than reviewing contracts. The General Manager mentioned that said program should be funded from current revenue not from the reserves or the capital budget, and he pointed out that an annual contract compliance program is part of the Board's current operations. Director Muhammad commented that he is requesting that said funds come from the Economic Development budget because the Board does not want to further increase rates. Director McKie asked for further clarity relative to the purpose of said program, what it would do differently than what the Board is currently doing, and what would said program accomplish. Director Muhammad responded that under the contract compliance program, the BWWB's bidding process would be reviewed, how contracts are handled; how BWWB has done in terms of disparities with the HUB's goals; review general contractors; review the HUB's subcontractors and certification; monitor guidelines and compliance. Director Muhammad stated that, in his opinion, the Board could do its own certification. Following, there was a lengthy discussion on the advantages and disadvantages of Board handling its own certification. Director McKie asked to review the details and numbers regarding the certification and indicated that he was open to a program that would increase the Board's HUB participation and the development of a detailed plan. Following, Chairman Mims asked Director Muhammad to get with the General Manager relative to the contract compliance program. After the discussion, the Board agreed to scenario one for the Operating and Maintenance Budget with discussed modifications to be presented at the November 10, 2016 Regular Board of Directors' Meeting and Public Hearing. Director Munchus asked if at the Public Hearing senior executive management would recommend one (1) scenario with a fixed budget and the General Manager responded yes. Director Lewis asked that a copy of scenario one with the changes be sent to the directors and she indicated that she still wanted to see Scenario Two.

Next, Assistant General Manager Sonny Jones was recognized to discuss the 2017 proposed Capital Budget wherein he presented budget options A and B to the Board. He noted that totals for said options are the same and explained \$4 million was moved from the Shades Mountain Filter Plant Improvements and \$1 million was transferred from the Carson Loop Phase 6C project to said items in budget option B, respectively. Subsequently, Assistant General Manager Sonny Jones recommended budget option B to the Board for approval. In response to Director Munchus' inquiries relative to the timeline the Carson Loop project would be ready for bid and if Volkert, Inc. is actively involved in the HUB community. There was some discussion on preparing for the pre-bid stage. Director Munchus then asked when said bid would be finalized wherein Assistant General Manager Sonny Jones said staff has not reached this stage but noted he is pushing said company to provide him with the design documents so that the bid could hopefully go out the first of November. Subsequently, the General Manager asked the directors for their preference wherein they unanimously agreed on budget option B. Following, the General Manager indicated the Board's attorneys would be scheduling a Purchasing Guidelines Meeting. He said during pre-bid meetings everyone is given the same information but sometimes senior executive management is asked to call people after the bids have been presented. Following, the General Manager said management cannot get involved because the same information must be given to everyone simultaneously. They have been instructed that after the pre-bid meeting is completed; all vendors must receive the same information. Subsequently, the General Manager said the bid process meeting needs to

be held as soon as possible to clarify what senior executive management can and cannot do wherein said management would adjust accordingly.

Following, the Board was asked to hear an update concerning the status of the current drought conditions, as set forth in agenda item 11. Assistant General Manager Darryl Jones was recognized and he called to the directors' attention a handout that had been distributed for their review. A copy is on file in today's Board Meeting Book. He reported this area's region is 8-1/2 inches behind on rainfall. He reviewed the U. S. Drought Monitor wherein it showed the watershed areas in Lake Purdy and the Cahaba River in the southern and eastern parts of Jefferson and St. Clair Counties as being in an extreme drought. Said monitor reveals the watershed areas are impacted by the drought. He reported yesterday's delivery was 108 million of gallons (mgd) wherein the system wide delivery to customers was 104 mgd on October 22nd and 23rd. Following, Assistant General Manager Darryl Jones said yesterday's delivery slightly increased and pointed out weekday and weekends demands are different. Following, he reported there were a few leaks on yesterday which caused additional pumping and indicated that senior executive management has been implementing the drought stages that have been approved. Assistant General Manager Darryl Jones said the Shades Mountain Filter Plant is the treatment plant that draws on Lake Purdy and the Cahaba River. Following, Assistant General Manager Darryl Jones said staff is pushing approximately 30 to 35 million gallons of water per day from other sources into areas normally supplied by the Shades Mountain Filter Plant, which has reduced demands. He said water is also being pumped from three (3) locations in Shelby County and senior executive management would be meeting with representatives later today relative to permission to pump from a possible fourth location.

Following, Assistant General Manager Darryl Jones reviewed the 2016 lake level graph of Lake Purdy and noted the slope of the line is slowly changing wherein senior executive management wants to flatten the slope of the line. He reviewed the drought advisory for September 27th, the Stage Two (2) Drought Watch and Stage Three (3) Drought Warning were issued on October 5th and October 19th, respectively. He stated said management and other team members are looking at alternatives to get water from additional sources, pointing out nothing has been finalized but a meeting has been held with representatives in the City of Irondale.

Next, Assistant General Manager Darryl Jones responded to a series of questions from Director Munchus relative to utilizing ARCADIS U.S., Inc.'s resources, the Inland Lake Storage's full pool, the Board's long-term drought policy, the lowering of the lake's level in January 2016; the lake's safe yield line which is used as a guide curve for operations. It was pointed out that the lake was full until about - May 4th or 5th. Following, Assistant General Manager Darryl Jones pointed out when the rain stopped in August, the watershed received no rain for 60 days. Assistant General Manager Darryl Jones said a lot of strategy has already been implemented to shift the load off the southern part of the system.

Following, the General Manager said an abundant supply of water goes down the Cahaba River from January – May. Assistant General Manager Darryl Jones responded to Director Munchus' inquiries relative to operational strategies during the summer months, the low water levels impacting revenues, and the start of the drought measures. Subsequently, there was a discussion on the Carson Loop project wherein the pipeline is about 85% completed and the impact of funding strategy for the Carson Loop Project. Director McKie asked senior executive management to ensure the Board's public relations team is working with all local affiliates and news agencies to get the message out relative to the importance of conserving water. Following, a discussion ensued on the effect of storing water when there is an abundant amount of water and the Board's long-term water resources planning. Mr. Jerry Jones of ARCADIS reported that in 2007 the Board prepared a long-term water resources plan relative to going to the Coosa or Black Warrior Rivers and he requested to meet with the Board to review said plan.

Next, the General Manager asked the Board to adopt a resolution approving the Drought Surcharge recommendations, as set forth in agenda item 12. He explained that when a drought reaches Stage Three (3), surcharges are imposed and they go into effect 30 days after said stage is announced. Following, the General Manager stated said phase was announced on October 19, 2016 and the resolution is asking the Board to approve imposing surcharges for any meter reads after November 19, 2016 wherein surcharges would be implemented after usage exceeds 9,000 gallons per month. The General Manager said households exceeding 12 ccf per month would be charged 300% of their normal water rate. Director Munchus said he thought the average usage was about 10,000 gallons per month and Assistant General Manager Darryl Jones stated the 9,000 gallon usage was established in 2007 so that homeowners who did not do a lot of outdoor watering and only used the normal amount of water did not incur any surcharges. He said over 85% of the Board's customers did not incur a surcharge. Following, Director McKie asked what percentage of customers normally use up to 12 ccf and Assistant General Manager Darryl Jones said the percentage is small and pointed out the majority of the people that paid surcharges in 2007 were industrial customers. In response to Director Munchus' inquiry concerning athletic fields and the amount of water some of them use, Assistant General Manager Darryl Jones stated the drought plan allows said fields to water no less than two (2) days per week. He stated said fields have some exemptions but surcharges would be imposed if the allowed water usage is exceeded. Following, Mr. Peiffer Brandt said winter usage is lower than summer usage. Mr. Brandt indicated that less than 10% of the Board's customers would go above 12 ccf. Following, Mr. Brandt said when surcharges are above 12 ccf, it would give the Board an idea of the additional type of surcharge revenue that would be generated. Director Munchus asked after the resolution is adopted, what date the surcharges would end or if said charges would last until the drought is declared over. Mr. Brandt said the Board would go back to Stage Two (2) when it falls below the Stage Three (3) level wherein Assistant General Manager Darryl Jones said when the drought returns to Stage Two (2), the surcharges are dropped. Following, the General Manager said the Board's drought plan requires senior executive management to send a letter to all municipalities asking them to approve a drought ordinance. Director Munchus asked what happens if a municipality refuses to draft and enforce an ordinance and if enforcement would have to come from each city's police department. Following, the General Manager said all municipalities that receive a letter have an approved ordinance. Assistant General Manager Darryl Jones indicated those customers who do not adhere to the ordinance usually receive a ticket, pointing out each municipality sets its own penalty amount and keeps the revenue. Subsequently, the General Manager said staff recommends approval of the referenced item. On a motion duly made and seconded, the following recommendation was adopted:

“WHEREAS, The Water Works Board of the City of Birmingham (the “Water Works Board”) has adopted a policy for addressing drought conditions referred to as its Drought Management Plan; and

WHEREAS, Stage Three, Stage Four and Stage 5 of said Plan calls for the implementation of surcharges to financially reinforce water conservation measures; and

WHEREAS, the Water Works Board's rate consultant, Raftelis Financial Consultants, Inc., in conjunction with the Water Works Board's staff, has reviewed and analyzed the factors and considerations for implementing a surcharge, and have determined such surcharges as are necessary in accordance with the goals of said Plan.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of The Water Works Board of the City of Birmingham, on a motion duly made by Mr. William R. Muhammad and seconded by Mr. George Munchus, as follows:

1. Based upon the above, as well as the recommendation of the Board's rate consultant Raftelis Financial Consultants, Inc., in conjunction with the Board's staff, the surcharge rate for Stage Three of said Drought Management Plan shall be as follows:

a. Residential customers shall be surcharged for all water usage above 12 ccf at a rate of 200% of the Board’s residential block rate(s), as established by the Board.

b. Non-residential and raw water customers shall be surcharged for all water usage above 110% of such customers monthly average usage over the past year at a rate of 200% of the Board’s non-residential or raw water uniform rate(s), as established by the Board.

2. Based upon the above, as well as the recommendation of the Board’s rate consultant Raftelis Financial Consultants, Inc., in conjunction with the Board’s staff, the surcharge rate for Stage Four of said Drought Management Plan shall be as follows:

a. Residential customers shall be surcharged for all water usage above 12 ccf at a rate of 400% of the Board’s residential block rate(s), as established by the Board.

b. Non-residential and raw water customers shall be surcharged for all water usage above 110% of such customers annual average usage at a rate of 400% of the Board’s non-residential or raw water uniform rate(s), as established by the Board.

3. Based upon the above, as well as the recommendation of the Board’s rate consultant Raftelis Financial Consultants, Inc., in conjunction with the Board’s staff, the surcharge rate for Stage Five of said Drought Management Plan shall be as the same as Stage Four.

4. Based on the announcement of Stage 3, on October 19, 2016, all usage from this point forward may be surcharged. Therefore, this resolution will affect all bills generated and mailed after November 19, 2016 until the Board is in Stage 2 or lower.

Resolution No. 7326 is hereby adopted by unanimous vote.”

Following, the General Manager asked the Board to approve an emergency water purchase agreement with the City of Irondale Water Department to purchase water during emergency situations, as set forth in agenda item 13. He said the Board currently has a two-way agreement in place with Shelby County that allows it to purchase water from said county in emergency conditions. The General Manager said if some of Shelby County’s pumps become inoperable the Board’s staff would make the connections wherein water would be pumped back to said county. Following, the General Manager said the City of Irondale indicated it has a well that produces about 3 million gallons per day wherein the Board could purchase this water and put it into its system. The General Manager reported he met with said city’s mayor on yesterday wherein a special meeting has been called for tomorrow night. In addition, he reported senior executive management has also talked with two (2) private sources. Subsequently, the General Manager indicated staff recommends approval. On a motion duly made and seconded, the following resolution was adopted:

“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. William Muhammad and seconded by Mr. George Munchus that the Board hereby approves and authorizes the General Manager and/or the Assistant General Manager to execute an emergency water purchase agreement with the City of Irondale Water Department to purchase water during emergency situations. Resolution No. 7327 is hereby adopted by unanimous vote.”

Following, there was some additional discussion on purchasing water from other entities; price gouging by some private entities; the request to purchase water from other entities would be brought back to the board for approval; and the increase of well storage

Following, the Board was asked to authorize the General Manager and/or the Assistant General Manager to accept a proposal from Graco Resources, Inc., as set forth in agenda item 14, to assist with the Lake Purdy Drought Assistance Project at standard hourly rates. The General Manager stated Graco Resources, Inc., drilled the aforementioned wells for the Board. He said staff is getting some water from two (2) locations it discovered and would like for said company to examine these sites and determine if they are suitable for wells. Following, the General Manager asked Revenue Water Manager Geoff Goodwin if he knew said company's standard hourly rates. Mr. Goodwin stated said rates are \$200.00, \$100.00 and \$60.00. In response to Director Munchus' questions as to who regulates the rates the Board would pay, if the Board determines what it pays for water, and if senior executive management believes entities would agree to said rate, the General Manager said the Board would pay to have the wells drilled and indicated a standard agreement is used to purchase water. Following, he said senior executive management would be asking entities to sell the Board water at the raw water rate that the Board charges its raw water customers such as USX and U.S. Pipe. There was some discussion relative to the Board purchasing some of the wells. The General Manager stated one (1) of the well owners is not interested in selling wherein Director Munchus asked if the other well owner wants to sell. After discussion, 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 Ms. Sherry W. Lewis that the Board hereby authorizes the General Manager and/or the Assistant General Manager to accept a proposal from Graco Resources, Inc., to assist with the Lake Purdy Drought Assistance Project at standard hourly rates. Resolution No. 7328 is hereby adopted by unanimous vote.”

Following, the Board was asked to hear Division Reports wherein Director Munchus stated the full reports could be omitted since they are in Diligent. Assistant General Manager Michael Johnson reported that a Cost of Service Study is being worked on and at some point senior executive management would bring this information back to the Board for review. Following, he reported operating revenues year-to-date are under budget by \$1.6 million, pointing out revenue increased in August and September because of an increase in usage; operating expenses year-to-date are under budget by \$5.9 million; and net operating revenue year-to-date is \$4.3 million ahead of budget. Following, Director Muhammad asked Assistant General Manager Michael Johnson if he had a projection for year-end whereafter Assistant General Manager Michael Johnson indicated revenues would probably be under budget about \$2 million, pointing out October through December are usually break-even months. In addition, he indicated expenses would probably be \$500,000.00 - \$700,000.00 under budget. Subsequently, Assistant General Manager Michael Johnson indicated that the year-end net operating revenue would probably be near what it is now because expenses are currently under budget.

Next, the General Manager informed the Board that if senior executive management is able to work out the specifics relative to other pending water sources, a Special Board of Directors Meeting would probably be called next week so that the directors could approve the aforementioned water purchase agreements. Following, Director Munchus asked if all details relative to cost would be included in said agreements and the General Manager said yes.

As there was no further business before the Board, a motion was duly made and seconded, and the meeting adjourned at 11:30 a.m.

_____/s/_____
Ronald A. Mims
Chairman/President

Attest

_____/s/_____
George Munchus
Secretary-Treasurer