

**MINUTES OF AN INFORMATIONAL MEETING OF DIRECTORS  
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
June 20, 2013**

An information meeting of the directors of The Water Works Board of the City of Birmingham was held on Thursday, June 20, 2013 at 12:00 p.m., in the principal office of the Board, 3600 First Avenue North, Birmingham, Alabama.

The following Directors were present: A. Jackie Robinson, III, Sherry W. Lewis, and Dr. George Munchus. Directors David S. Herring and Ann Florie were not present.

Inasmuch as three of the directors were present, Chairman Robinson declared a quorum in attendance.

The meeting was also attended by: Mac Underwood, General Manager; Michael Johnson, Darryl Jones and Sonny Jones, Assistant General Managers; Grace Amison, Executive Assistant to the Board of Directors; Anitra Hendrix, Executive Assistant to the General Manager; Barry Williams, George Anderson, Paul Lloyd, Johnnie Mayfield, Ben Sorrell, Roger Hicks, Marcus McAfee, Geoff Goodwin and Binnie Myles, Board Employees; Charlie Waldrep, K. Mark Parnell, Mary Thompson and Kelvin Howard, Waldrep, Stewart & Kendrick; Mark Dolan, Volkert & Associates; Dorian Kendrick, Elements; Jesse Lewis, Sr., The Lewis Group; Jerry Jones, Arcadis; Chandra Abesingha, CE Associates; Chris Woods, Woods Construction Services; Elliott Susseles, The Segal Company; Winston Jennings, Board Customer.

Chairman Robinson called the meeting to order at 12:20 p.m. and Assistant General Manger Darryl Jones opened with prayer.

Following, the General Manager asked the Board to hear Division Reports, as set forth in agenda item 2, and Assistant General Manager Michael Johnson was recognized to present the Finance and Administration Division's Operating & Statistical Report (O&S) for May 2013 in a PowerPoint presentation. A copy of the presentation is on file with said meeting book. Mr. Johnson reported on the following: the finished water system delivery; consumption, which has declined 7 percent due to increased rainfall. Next, Mr. Johnson reported on the number of active customers; the operating revenues for May 2013 and year-to-date wherein they are under budget; the operating and maintenance expenses for May 2013 were under budget; the large O&M variance; the operating net revenue available for debt service and PAYGO for May 2013 which is under budget; and the total operating net revenue available for debt service year-to-date which is under budget. Director Munchus questioned why paving costs increased. Assistant General Manager Michael Johnson stated there are line items that need to be reconciled for operating expense or capital expense. He indicated these items will be reconciled before the next meeting. Mr. Johnson reported the reserve fund balances as of May 31, 2013 is \$59,016,645 and the target balance is \$45,812,905 pointing out allocated balances as of May 2013 is significantly more than projected. Following, Mr. Johnson reported the balance sheet reflects nearly one billion in assets. He reviewed and compared the minority vendors' total cost for May 2012 and 2013 and compared the number of regular employees for May 2012 and 2013. Mr. Johnson reviewed a graphical illustration of the May 2013 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 13,997 customers have signed up for e-billing.

Following, Assistant General Manager Michael Johnson recognized Elliott Susseles, The Segal Company, to make a presentation to the directors regarding an update on the

Compensation and Organizational Design Study. Mr. Susseles gave an overview of the objectives, completed steps, performance metrics and staffing levels for the assessment. He indicated there are three primary objectives that concentrate on organizational design of customer support services, distribution, electrical and mechanical, and water revenue. Mr. Susseles stated suggestions may be recommended to re-organize these areas to be more efficient and cost effective. He explained The Segal Company has worked with the executive team to determine there are eighty-two (82) benchmark (job titles) regarding functional areas, salary grade structure, occupational groups and supervisory relationships. Director Munchus questioned whether the 82 benchmarks represent a complete number. Mr. Susseles responded there are 82 benchmarks in the study; however, there are more job titles within the BWWB organization. Director Munchus questioned how many job titles there are. Paul Lloyd, Human Resources Manager, stated there are approximately 240 job titles. Mr. Susseles stated BWWB is being compared to other water systems that are the same size. He then gave an overview of the project timeline. He indicated the project would be complete by the end of September 2013. He stated surveys will be sent to other utilities requesting they share information to help the BWWB make a decision regarding its business practices. Director Munchus questioned whether The Segal Company felt they would receive good response from BWWB's peers. Mr. Susseles stated information will be shared on both sides; therefore, BWWB's peers would benefit from the survey as well. Mr. Underwood stated he would send an email to his peers encouraging them to complete the survey. Director Robinson questioned whether The Segal Company had access to industry data. Mr. Susseles stated the data is available through the American Water Works Association (AWWA).

Following, Assistant General Manager Sonny Jones was recognized to present the Engineering and Maintenance Division's Report (E&M), as set forth in agenda item 2 for May 2013 in a PowerPoint presentation. A copy of the presentation is on file with said meeting book. Assistant General Manager Sonny Jones reported the Capital Improvement Plan (CIP) expenditures are at \$22 million of the \$58.5 million capital budget. Mr. Sonny Jones reviewed and discussed the Capital Project highlights regarding the Western Filter Plant Security Improvements and Filter Rehab and stated construction is in its final stages. He indicated tests are currently being conducted to ensure proper operation. Mr. Sonny Jones then gave an update on System Development Department's main replacement projects wherein a total of 38,644 feet of mains was installed in May 2013 with 92,500 feet scheduled for 2013. Next, Mr. Sonny Jones gave the Distribution Department's operational highlights related to leak orders received, repaired, outstanding leak orders and hydrants. Assistant General Manager Sonny Jones reviewed some pictures of Western Filter Plant relative to construction being performed at said plant. Director Robinson questioned what the goal is for work being performed in-house for main replacement. Mr. Jones stated the goal is to replace 30,000 linear feet and stated he would provide an analysis. Subsequently, Director Lewis questioned the status regarding a fire hydrant. Assistant General Manager Darryl Jones stated a meeting would be scheduled soon. Subsequently, Assistant General Manager Sonny Jones stated Director Lewis had requested a report on Non-Revenue Water.

Subsequently, Mr. Jones recognized Geoff Goodwin, Revenue Water Manager, to make a presentation. Director Munchus questioned what Non-Revenue Water is. Mr. Goodwin stated this would be water that doesn't go through the meter, which results in no money for BWWB. Mr. Underwood gave examples of Non-Revenue Water such as theft, leakage or use by the City for fire hydrants. Mr. Goodwin stated on the water loss scale, ranking at an eight (8) is not good; however, BWWB has a ranking of 4.88 out of 8. Director Munchus questioned with the numbers for unrecovered unreal loss transfer to revenue dollars. Assistant General Manager Sonny Jones stated those dollars would relate to theft and theft only represents one quarter of one percent. Director Lewis questioned what the numbers for unrecovered real loss in the last report. Mr. Goodwin stated

the numbers for 2011 were 17 percent; therefore, there has been a decrease. Assistant General Manager Sonny Jones stated billed consumption has also had a decline. Director Lewis requested staff to send her a copy of the pie chart that was previously presented. Mr. Goodwin stated he would send a chart for 2011 and 2012. Mr. Goodwin stated the pipes with the most age on them cause the most problems. He indicated there are pipes in the ground from 1880 located in the city of Birmingham in the Downtown, Southside, and Roebuck areas and the city of Fairfield. Director Robinson questioned whether having non-revenue water at 60 percent a cause for concern. Mr. Goodwin stated only if it was a system wide problem. Director Lewis questioned what the non-revenue water numbers are for other utilities. Mr. Goodwin stated he would get that information from the American Water Works Association (AWWA). Assistant General Manager Michael Johnson stated the utilities that are participating in the survey being conducted by The Segal Company can be asked for this information. Mr. Goodwin stated his department is working very hard to drive the non-revenue water loss numbers down. He indicated there will be Unavoidable Annual Real Losses (UARL) every year due to the age of the pipe, type of pipe and the pressure used to operate. He stated the system will leak a certain amount of gallons regardless of what is done to try to prevent it.

Following, Assistant General Manager Darryl Jones presented the Operations and Technical Services Division's Report, as set forth in agenda item 2 for May 2013 in a PowerPoint presentation. A copy of the presentation is on file with said meeting book. He reviewed and discussed the details as outlined in said report. Assistant General Manager Darryl Jones stated the area has received a lot of rain since the beginning of the year. He reported on comparisons of finished and raw water pumpage for 2012 and 2013, indicating 2013 yield 101 million gallons of finished and 137 million gallons of raw water. Assistant General Manager Darryl Jones then reported on rainfall in the area, stating it is above average; the lake levels' capacities, and indicated Lake Purdy and Inland Lake are at 100% capacity. Following, Assistant General Manager Darryl Jones recognized Johnnie Mayfield to give a presentation regarding industrial customers. Mr. Mayfield stated he has been in communication with industrial customers to see how their businesses are running since the economy took a turn. He stated U. S. Steel indicated their numbers would be low. Mr. Mayfield stated he spoke with U. S. Steel prior to the meeting and they indicated their production will increase slightly due to one of their plants being on strike. He stated consumption is down for U. S. Steel by 10 percent. He stated there has been an increase of 4.1 percent and should continue to see an increase. Director Munchus questioned whether all large customers are analyzed. Mr. Mayfield stated all large industrial customers are analyzed. Director Robinson questioned where Regions Park and Westin Hotel get categorized. Assistant General Manager Darryl Jones stated they are in the commercial accounts category. Director Robinson requested staff pull account information regarding Regions Park, Hoover Met and Westin Hotel. He stated there is no drought and reviewed a comparison of 2012 versus 2013 delivery for the last 30 days of finished water. Assistant General Manager Darryl Jones then reviewed a comparison of power and chemical costs, indicating these costs have had the same annual budget as last year.

Subsequently, Water Resources Manager Roger Hicks was recognized to make a presentation regarding Inland Lake. Mr. Hicks stated Inland Lake and Inland Pump Station are located in Blount County and currently has 5 employees. He stated the dam was built in 1938, it holds 21 billion gallons of water, it is surrounded by 70 square miles of watershed area and at full capacity its elevation sits at 784 feet above sea level. He stated the intake structure was completed in 1996 to control the flow of water from the reservoir to a 60 inch water main. He indicated the pump station was built in 1942. Director Robinson left the meeting at 1:20 p.m. Director Munchus questioned whether the Blount County Commission has seen this presentation. Mr. Hicks stated he was not aware if they had seen the presentation. Director Munchus stated he felt it would be beneficial for them to see this presentation. Director Robinson returned to the meeting at 1:23 p.m. Assistant

General Manager Darryl Jones stated the equipment at Inland Lake has been maintained to exceed its expected life.

Subsequently, Director Lewis stated she had some concerns regarding the Alabama Department of Transportation's (ALDOT) Highway 280 project. She questioned the amount ALDOT will reimburse BWWB. Assistant General Manager Sonny Jones stated an estimated maximum of \$1.2 million and he expects it to total out at \$800,000. Director Munchus questioned whether staff has an agreement with ALDOT regarding this reimbursement. Assistant General Manager Sonny Jones stated yes, there is a contract to each main. He indicated BWWB does not move forward until they have a signed agreement between BWWB and ALDOT. Board Attorney Mark Parnell stated there was a concern about the construction work jeopardizing Shades Mountain Filter Plant. He stated as long as BWWB staff is saying the plant is safe; therefore, there aren't any concerns at this time. Director Lewis questioned whether the contract between BWWB and ALDOT needs to be reviewed. Mr. Parnell stated the contract is standard and it is up to staff to determine the time period to review. Assistant General Manager Sonny Jones stated there is a schedule that allows staff to track the project. Mr. Underwood stated ALDOT is designing and building the project as it goes along. He stated because the work is being done in several phases, there will be several contracts. Director Lewis clarified there is no cost to the Board for this work. Assistant General Manager Sonny Jones answered yes. Director Munchus questioned whether BWWB's independent engineer, Malcolm Pirnie, has been involved in this process. Mr. Underwood stated they have been involved with the construction work near Shades Mountain Filter Plant because staff made a request. He indicated typically they are not involved on pipe line relocation work. Director Lewis requested Malcolm Pirnie to give the Board a report on their work. Jerry Jones, Malcolm Pirnie, stated he would provide a report. Director Lewis stated she wants to protect the system and does not want to be rushed. She indicated she wants BWWB to be protected. Assistant General Manager Sonny Jones stated BWWB staff is monitoring the project 24 hours a day, 7 days a week. Director Robinson questioned what the \$1.25 million covers. Assistant General Manager Sonny Jones stated that amount covers moving the pipe, outside contractors, materials, designs and tapping sleeves. Mr. Parnell stated if BWWB engineers agree with the work being done, there is nothing the Board can do to stop the work. However, if a problem does arise a restraining order will be filed.

Next, General Manager Mac Underwood reviewed the tentative agenda for the scheduled June 27, 2013 Regular Board of Directors' Meeting. He called to the directors' attention to agenda items 7 through 9 and then recognized Assistant General Manager Michael Johnson to give an overview of said items. Mr. Johnson presented the Board with a handout. A copy is on file with the minutes. He stated staff has been working with the Board's financial advisor, Matthew Arrington (Terminus Securities), to look at vendors to invest idle cash. He gave an overview of recommendations. He indicated the Board does not want to invest money anywhere that it will not be insured.

Next, Mr. Underwood recognized BWWB customer Mr. Winston Jennings. Mr. Jennings stated he is a World War II veteran and has been customer of BWWB since 1992. He stated the base service charge is \$19.80 and he didn't understand the charge. Mr. Jennings stated General Manager Mac Underwood sent him a letter explaining what the base service charge is. He stated he is paying more for the base service charge than he is for water. He stated he went before the Public Service Commission regarding his complaints. Mr. Jennings stated he recommends the bill have one charge instead of two separate charges which is less confusing. Mr. Jennings questioned who owns the Birmingham Water Works Board. Director Robinson stated it is owned by the Birmingham Water Works Board. Mr. Jennings stated he has come before the Board in

hopes of being able to help another customer who may not be able to pay their water bill. Director Munchus stated the Board has a foundation, H2O Foundation, that assists the elderly with paying their water bill and repairs. Director Lewis thanked Mr. Jennings for appearing before the Board and stated a committee will review the current format of the water bill to revise it into simpler form. Director Lewis then requested staff to add the structure of the water bill to the next Communications Committee agenda.

Next, General Manager Mac Underwood stated he needs the Board to approve a document that is posted on the BWWB website regarding the basic facts of the Board's position related to pending legislation. On a motion duly made by Director Munchus and seconded by Director Lewis, the item was approved.

Next, Mark Parnell presented the Board with a handout regarding an agreement and resolution with Shelby County. A copy is on file with the board's minutes. Mr. Parnell stated there was a meeting with Shelby County to divide up the service area because the lines are intertwined and it was recommended to add paragraph 6. Mr. Parnell stated adding the wording does not change the franchise agreement and the Board would be granting a right-of-way to Shelby County. He states he believe the language in the agreement can be worked out. Director Munchus questioned whether a time limit should be named in the agreement. Mr. Parnell stated it could either harm or help BWWB by saying that.

Next, Binnie Myles, Communications Manager, was recognized to give an overview of the projects she is working on. She indicated she is working with the General Manager recognition for the BWWB Tapping and Top Ops teams. Director Robinson requested information regarding ordering rings for the Tapping team and a possible reception in both teams honor.

As there was no further business before the Board, a motion was duly made and seconded, and the meeting was adjourned at 2:15 p.m.

The following action items were requested of staff by the Board:

1. Assistant General Manager Michael Johnson to reconcile operating and capital expenses.
2. Assistant General Manager Sonny Jones to provide an analysis regarding main replacement.
3. Revenue Water Manager Geoff Goodwin to send a report to Director Lewis regarding the numbers for 2011 and 2012 unrecovered unreal loss.
4. Revenue Water Manager Geoff Goodwin to provide a report on the revenue water numbers for other utilities.
5. Staff to provide account information regarding Regions Park, Hoover Met and Westin Hotel.
6. Jerry Jones, Aracdis, to provide a report regarding the work they have done at Shades Mountain Filter Plant due to the construction on Highway 280.

7. Staff to add restructure of BWWB water bill to the agenda for the Communications Committee meeting for June 25, 2013.

\_\_\_\_\_/s/\_\_\_\_\_  
A. Jackie Robinson, III  
Chairman/President

Attest:

\_\_\_\_\_/s/\_\_\_\_\_  
David S. Herring  
Secretary-Treasurer