

**MINUTES OF AN INFORMATIONAL MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
October 17, 2013**

An information meeting of the directors of The Water Works Board of the City of Birmingham was held on Thursday, October 17, 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, Ann D. Florie and Dr. George Munchus. Director David S. Herring was not present.

Inasmuch as four 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; George Anderson, Paul Lloyd, Floyd Stephens, Ben Sorrell and Barry Williams, Board Employees; Mary Thompson, K. Mark Parnell and Kelvin Howard, Waldrep, Stewart & Kendrick; Theo Johnson, Volkert & Associates; Jerry Jones, Arcadis; Chandra Abesingha, CE Associates; Dan Meadows, S. S. Nesbitt & Company; David Merrida, Birmingham Construction Industry Authority; Dr. Jesse J. Lewis, Noelle Pettres and Dorian Kendrick, The Lewis Group; and Chris Woods, C. W. Woods Construction.

General Manager Mac Underwood called the meeting to order at 12:04 p.m. and Human Resources Manager Paul Lloyd opened with prayer.

Following, the General Manager asked the Board to approve its property and liability insurance plan from November 1, 2013 to October 31, 2014 in the total amount of \$1,538,374.00, as set forth in agenda item 2. Mr. Underwood recognized Dan Meadows, S. S. Nesbitt & Company, to make a presentation. A copy of the presentation is on file with said meeting book. Mr. Meadows gave an overview of the coverage. He stated the property insurance coverage reflected an increase in asset values from \$515 million to \$519 million, a \$4 million increase. He stated BWWB will continue to be insured with Lloyd's. He stated the excess property has decreased. Mr. Meadows indicated last year's primary was \$2 million and umbrella coverage of \$18 million. He stated that will change for this year with a \$10 million primary and a \$10 million umbrella coverage. He stated Ironshore excess coverage will be \$10 million. Director Florie questioned whether the premium is less. Mr. Meadows responded yes. Mr. Meadows stated the pollution liability policy had a decrease. He stated the carrier will be Cyber because of the broader form for more coverage. He indicated overall the renewal is \$120,000 less than the previous year. Director Munchus questioned whether any claims are made on the insurance. Mr. Meadows responded yes, he stated some claims are ongoing. Mr. Underwood stated there are property claims, public official liability claims, etc. Assistant General Manager Michael Johnson stated claims have decreased. Mr. Meadows stated he is very pleased with the premiums for this year. 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 Sherry W. Lewis and seconded by George D. Munchus, that the Board approve its Property and Liability Insurance Plan (the “Plan”) effective November 1, 2013 through October 31, 2014, in the total amount of \$1,538,374.00; and a payment to S.S. Nesbitt & Company totaling \$150,000.00; and to authorize the General Manager

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and/or the Assistant General Manager to execute the necessary documents to effectuate said Plan. Resolution No. 6557 is hereby adopted by unanimous vote on October 17, 2013.”

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Following, the General Manager asked the Board authorize the General Manager and/or Assistant General Manager to enter into an amendment to extend the agreement with S. S. Nesbitt & Company as a broker of record for a one year period covering insurance renewal through October 31, 2015 for an annual fee of \$150,000, as set forth in agenda item 3. Mr. Underwood stated the Board has worked with Dan Meadows for quite some time. He stated the annual premiums have decreased over time from \$2.1 million to \$1.5 million. He indicated staff recommends approval of the item. 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 Sherry W. Lewis and seconded by George D. Munchus, that the Board hereby authorizes the General Manager and/or the Assistant General Manager to enter into an amendment to extend the agreement with S. S. Nesbitt & Company, as broker of record for BWWB’s operating insurance, for a one year period covering insurance renewal period ending October 31, 2015 for an annual fee of \$150,000.00. The agreement will be in a form satisfactory to the Board’s attorneys. Said amendment will include a provision for S. S. Nesbitt & Company to partner with Employer Benefits Consultants, a minority vendor. Resolution No. 6558 is hereby adopted by unanimous vote on October 17, 2013.”

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Following, the General Manager asked the Board to hear Division Reports, as set forth in agenda item 4, and Assistant General Manager Michael Johnson was recognized to present the Finance and Administration Division’s Operating & Statistical Report (O&S) for September 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 11 percent. Next, Mr. Johnson reported on the number of active customers; the operating revenues for September 2013 and year-to-date wherein they are under budget; the operating and maintenance expenses for September 2013 was under budget; the large O&M variance; the operating net revenue available for debt service and PAYGO for September 2013 which is under budget; and the total operating net revenue available for debt service year-to-date which is under budget. Next, Mr. Johnson reported the power and chemical costs are under budget; the reserve fund balances as of September 30, 2013 is \$74.6 million and the target balance is \$45 million pointing out allocated balances as of September 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 September 2012 and 2013 and compared the number of regular employees for September 2012 and 2013. Mr. Johnson reviewed a graphical illustration of the September 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 15,760 customers have signed up for e-billing. Director Lewis questioned whether the numbers are still on track to meet the goal set for e-billing. Mr. Johnson responded yes.

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 4 for September 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 \$37.3 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. Director Robinson questioned when the project will be completed. Assistant General Manager Darryl Jones stated the project will be complete by summer 2014. Mr. Mr. Sonny Jones gave an update on System Development Department's main replacement projects are on track to complete 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. He stated the pipe crew replaced 28,972 feet as of September 2013. Subsequently, Assistant General Manager Sonny Jones reviewed pictures of Western Filter Plant relative to construction being performed at said plant. Director Robinson questioned when the work will be completed at Western Filter Plant.

Following, Assistant General Manager Darryl Jones presented the Operations and Technical Services Division's Report, as set forth in agenda item 4 for September 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. He reported on comparisons of finished and raw water pumpage for 2012 and 2013, indicating there was an increase with a 2013 yield 106 million gallons per day of finished and 138 million gallons per day of raw water. Assistant General Manager Darryl Jones then reported on rainfall in the area, and the lake levels' capacities. He stated raw water customers are steady on production. Assistant General Manager Darryl Jones then reviewed a comparison of power and chemical costs, indicating these costs are under budget.

Subsequently, Water Treatment Manager Floyd Stephens was recognized to make a presentation regarding Western Filter Plant. A copy of the presentation is on file with said meeting book. Mr. Stephens stated Western Filter Plant is located in Jefferson County. He stated the plant has a capacity of 60 million gallons per day. He stated the plant serves downtown and western areas of Birmingham. He then gave an overview of recent improvements to the plant that includes clear wells, filter rehabilitation and security upgrades. He then gave an overview of the treatment process. Mr. Stephens stated there are 19 employees. He stated the plant has won several awards, some consecutively, from Alabama Department of Environmental Management (ADEM).

Next, General Manager Mac Underwood reviewed the tentative agenda for the scheduled October 24, 2013 Regular Board of Directors' Meeting. He called to the directors' attention to agenda items 5, 6, 7, 8 and 9 and he gave an overview of said items. He indicated a contract needs to be put in place for services to be performed for a single audit. He stated in the past a single audit was not required but when a company receives a certain amount of federal funds, a single audit must be performed. Director Munchus questioned the difference between a single audit and a regular audit. Assistant General Manager Michael Johnson stated a single audit is an audit of the board's compliance with terms and agreements and general requirements the federal government has.

Next, Assistant General Manager Michael Johnson stated twelve (12) call center agents were certified by AWWA for customer service. He then made a brief statement regarding his appreciation for being involved in the BWB shadowing program with high school students. Director Lewis stated she has received phone calls from parents stating their appreciation for the shadowing program. She stated call center agent Miyoshi Banks did an excellent job participating in the shadowing program.

Next, Assistant General Manager Darryl Jones stated Jonathan Harris was recognized for the Operator of the Year Award at the recently held AWWA Alabama/Mississippi Section Conference.

As there was no further business before the Board, a motion was duly made and seconded, and the meeting was adjourned at 12:46 p.m.

/s/

A. Jackie Robinson, III
Chairman/President

Attest:

/s/

David S. Herring
Secretary-Treasurer