

**MINUTES OF AN INFORMATIONAL MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
September 19, 2013**

An information meeting of the directors of The Water Works Board of the City of Birmingham was held on Thursday, September 19, 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, David S. Herring and Dr. George Munchus.

Inasmuch as all 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, Doug Stockham, Roger Hicks, Ben Sorrell, Barry Williams and Binnie Myles, Board Employees; Mary Thompson, K. Mark Parnell and Kelvin Howard, Waldrep, Stewart & Kendrick; Mark Dolan, Volkert & Associates; Dorian Kendrick, Elements; Jerry Jones, Arcadis; Chandra Abesingha, CE Associates; Dan Meadows, S. S. Nesbitt; David Merrida, Birmingham Construction Industry Authority; Dr. Jesse J. Lewis and Noelle Pettres, The Lewis Group; George Gould and Tina Lindsey, Capital Strategies; Susan Kessler, Crockett Dell, Charles Annoti and Jeff Britt, HealthStat.

Chairman Robinson called the meeting to order at 12:03 p.m. and Assistant General Manager Michael Johnson opened with prayer.

Following, the General Manager asked the Board to approve Amendment #2 to the Health Risk Management Agreement with HealthStat, as set forth in agenda item 2. He stated the purpose of the amendment is to authorize HealthStat to administer health risk assessments to BWWB employees. Mr. Underwood stated the health risk assessments are used to monitor employees' health and encourage those who are not in the best of health to visit the Health and Wellness Center. He stated the estimated cost is \$25,000.00 and all information will be sent to the doctor at the Health and Wellness Center. He stated the screenings will be held in October 2013. Director Robinson questioned what will happen if a problem shows up on an employee's results. Assistant General Manager Michael Johnson stated the issues can be quickly assessed and a plan will be put in place to help an employee become compliant quickly. Director Florie questioned why BWWB has to pay an out of pocket cost of \$25,000.00. Mr. Johnson stated health assessments will always have to be paid at an additional expense because they are not included in HealthStat's agreement. Mr. Underwood stated the health assessments need to be updated because the first assessments are out of date, indicating those assessments are 2 years old. Director Herring stated he thought every employee was to visit the Health and Wellness Center and assessments would be conducted at that time. Director Lewis questioned why there was a need to conduct another health risk assessment. Paul Lloyd, Human Resources Manager, stated the first assessments were conducted and employees were told to visit the Health and Wellness Center within 90 days. He stated the assessments should be done annually. Director Florie questioned what the cost is outside of the contract. Mr. Lloyd stated the first health assessment was included in the contract; however, the contract states any health risk assessment after the first one will be at set cost. Director Lewis questioned whether an employee is currently visiting the Health and Wellness Center, will they be required to have an HRA done. She

stated she thought the purpose of the clinic was to reduce costs and not add additional costs. George Gould, Capital Strategies, stated the purpose of the HRA is to capture the employees that have health risks and they are unaware of it. Susan Kessler, HealthStat, stated if an employee has had a blood draw 90 days prior to the HRAs, they will not need another blood draw. Director Lewis questioned whether HealthStat has the information of employees who have visited their private doctor. Ms. Kessler stated HealthStat has information regarding employees visiting their own doctor; however, we do not have the lab results from those doctor's visits. She stated personal health information cannot be attained without consent from the employee. Director Lewis stated she thought one of the benefits to having a Health and Wellness Center was to eliminate having a "pop up" clinic to house HRAs which would result in reducing costs. Director Florie questioned why the HRAs are an added cost and not included in the contract. Ms. Kessler stated the HRAs are included in the out years. Subsequently, HealthStat was recognized to make a presentation regarding their company. Crockett Dale, HealthStat CEO, stated HealthStat is headquartered in Charlotte, NC and have clinics in 32 states. Ms. Kessler gave an overview of a timeline showing events that have occurred since the Health and Wellness Center opened. She stated the concept of a center is to obtain information, inform the patients of their results, and get the patients to visit the healthcare provider to get the right care for them. She indicated this will result in BWWB paying less for health insurance. Ms. Kessler stated the center is not seeing enough unique patients which are patients who need health risk improvement. She stated there were changes that occurred in the center and they were able to obtain a permanent physician, Dr. Comer. She stated there is outreach occurring with employees to remind them of the value of the Health and Wellness Center. Ms. Kessler indicated the need for the amendment to the agreement is to ensure BWWB is not paying more for their service due to changes in demographics within the company. She stated the amendment is not required, but HealthStat wants to be a good partner to BWWB by keeping the lines of communication open. She stated HealthStat is committed to promoting the center and ensure the employees that their personal information is not being shared with the Board. Ms. Kessler stated patients will be asked to participate in an exit survey at the end of their office visit. She stated this information will be used to improve operations at the center. Director Herring stated BWWB may have to use a compulsory technique to get employees to participate in improving their health. Ms. Kessler stated she agreed with that statement and stated the options would be to incentivize and/or punish employees that don't participate in improving their health. Ms. Kessler then gave an overview of the performance of the Health and Wellness Center. She stated employees' health is improving and blood pressure issues have reduced. She then gave an overview of the top 25 diagnoses. She stated the potential savings for BWWB is \$191,000 per year. Ms. Kessler then shared success stories from actual patients at the center. Director Herring questioned whether there is a concern for low participation with the predominately male population due to the doctor being a female. Mr. Underwood stated he did not feel that was the reason for low participation. He stated he feels there were not enough appointments for patients due to the doctor taking a long time to visit with each patient. He stated there were also changes with the health provider that has contributed to low participation. Mr. Underwood then recommended approval of this item. The motion passed with in as much four of the directors voted yes and Director Lewis voted no. 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 David S. Herring and seconded by George D. Munchus, that the Board authorizes the General Manager and/or the Assistant General Manager to approve Amendment #2 to the Health Risk Management Agreement with HealthStat. This Amendment is for HealthStat to conduct onsite Health Risk Assessments (HRA's) during October 1, 2013 - October 4, 2013 for employees covered under our medical insurance plan. Resolution No. 6537 is hereby adopted by unanimous vote on September 19, 2013.”

Following, the General Manager asked the Board to amend and approve items related to Projected Plan Design Changes to the Medical Plan for 2014, as set forth in agenda item 3. Mr. Underwood stated much of the information had been discussed in the Human Resources Committee meeting. He then presented the directors with a handout. A copy of the handout is on file with said meeting book. He then gave an overview of the health plan summary. He stated the projected amount of cost to the plans, with no plan changes, would be \$9.9 million or an increase of \$664,000 over the 2013 medical plan. He stated the plan will have design changes that reflect going from a 90/10 plan to a 80/20 plan, which means any major medical expenses will be paid by the employee up to 20 percent. He indicated under the current health care plan, co-payments for doctor's visits and medicines do not count towards the maximum out-of-pocket costs. He stated the out-of-pocket maximum for "single" has changed from \$2,000 to \$2,500 and for "family" from \$4,000 to \$5,000 with all out-of-pocket expenses going towards the maximum. He stated this will result in a savings of \$423,000 for BWWB. He stated the emergency room co-payment has been reduced to \$100 from \$500. Director Herring questioned whether BWWB is trying to encourage employees not to visit the emergency room for minor health issues. Mr. Underwood stated employees are changing their behavior in this regard as well as from switching from brand named drugs to generics. However, he stated employees should not be afraid to visit the emergency room when they have a true emergency because they cannot afford the co-payment. Director Herring stated he would like to see the numbers of employees that visit the emergency room compared to the number of those that visit the Health and Wellness Center. He indicated employees need to be driven to the Health and Wellness Center to help in reducing costs. Mr. Underwood stated he agreed with Director Herring's comments. He stated Capital Strategies and Blue Cross Blue Shield has the numbers regarding the emergency room versus Health and Wellness Center visits. Mr. Underwood then gave an overview of the shared funding and premium changes. He stated under Option A, BWWB would pay \$62,600 and the employees would pay \$178,340 to share the expense of \$241,000 in healthcare costs. Mr. Underwood indicated under Option B, BWWB and the employee would split the \$241,000 cost 50/50. Director Munchus questioned whether management is recommending Option A. Mr. Underwood stated Option B is being provided due to concerns received from an Employees' Association meeting. The employees requested some relief on the funding which is Option B. Director Lewis requested the average numbers for the industry be mentioned. Mr. Underwood stated BWWB is at the industry average on all the co-pays and deductibles, with the exception of the emergency room co-pay which is \$150.00 versus BWWB \$100.00. He stated BWWB's premiums are at 75% percent of the industry average. Director Florie questioned what management's recommendation is. Mr. Underwood stated initially Option A was recommended; however, after meeting with the employees Option B is recommended. He indicated BWWB covering an additional 10 percent of the cost does not appear to have an high increase on health insurance cost. Director Lewis questioned management for their personal recommendation. Assistant General Manager Michael Johnson stated his recommendation is Option A. Assistant General Manager Darryl Jones stated his recommendation is Option B. Assistant General Manager Sonny Jones stated his recommendation is Option B. General Manager Mac Underwood stated his recommendation is Option B. Director Lewis questioned when deciding to implement Option B, was the annual budget taken into consideration. Mr. Underwood stated the employees would accept the plan; however, they were unsure of any upcoming raises. Director Lewis requested information be stated regarding the State of Alabama's plan regarding their employees. Mr. Underwood stated the State of Alabama had \$36 million shortfall on insurance. They took \$11 million out of their reserves and funded a portion of that and they slightly increased their premiums. Director Lewis indicated she wanted to be clear on management's recommendation for the Board. Mr. Underwood stated it is reasonable for BWWB to pay a portion of the \$664,000 increase in health insurance premiums. Director Lewis stated she felt the options should have been presented to employees first before being brought to the Board for final approval. Director Munchus questioned

where management is on the budget. Assistant General Manager Michael Johnson stated staff would like to schedule the first budget meeting on September 30, 2013. Director Munchus questioned whether the health care options have been factored into the budget but it hasn't been finalized. Mr. Johnson stated that is correct and they will use an estimate. Director Florie stated the employees costs are increasing regardless of the option that is chosen. She questioned whether there is a deadline for making a decision. Mr. Underwood stated there has to be plan design changes through Blue Cross/Blue Shield before open enrollment and open sessions can be held. Director Herring stated he would like to see the total budget in advance so that good decision could be made. Paul Lloyd, Human Resources Manager, asked Capital Strategies if Blue Cross/Blue Shield could create the necessary documents if the plan design changes were voted on. He also questioned whether the decision regarding the funding could be decided at a later date. Capital Strategies stated that the documents could be created for the plan design changes and the funding decision could be decided later. Subsequently, Director Florie made a motion to proceed with Option B for the plan design change. Director Robinson stated he would like to see the numbers regarding emergency room care for 2012 and 2013. 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 Ann D. Florie and seconded by George D. Munchus, that the Board authorizes the following:

- 3.1 To amend the Projected Plan Design Changes to the Medical Plan for 2014, adopted September 30, 2010, and to approve the revised Projected Plan Design Changes to the Medical Plan for 2014, effective January 1, 2014, attached hereto the resolution.
- 3.2 To approve the Blue Cross & Blue Shield healthcare premium rates for 2014, effective January 1, 2014, attached hereto the resolution.
- 3.3 To approve the COBRA rates for 2014, effective January 1, 2014, attached hereto the resolution. The COBRA rates are to be paid on a monthly basis.
- 3.4 The above changes do not affect current or post-employment healthcare benefits for former Industrial Water Works Board employees.

Resolution No. 6538 is hereby adopted by unanimous vote on September 19, 2013.”

Following, Director Herring left the meeting at 1:19 p.m.

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 August 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 due to increased rainfall. He indicated as a result of increased rainfall, revenue is down \$1.3 million. Director Robinson left the meeting at 1:20 p.m. Director Herring returned to the meeting at 1:20 p.m. Next, Mr. Johnson reported on the number of active customers; the operating revenues for August 2013 and year-to-date wherein they are under budget; the operating and maintenance expenses for August 2013 was under budget; the large O&M variance; the operating net revenue available for debt service and PAYGO for August 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 August 31, 2013 is \$75 million and the target balance is \$45 million pointing out allocated balances as of August 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 August 2012 and 2013 and compared the number of regular employees for August 2012 and 2013. Mr. Johnson reviewed a graphical illustration of the August 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 15,365 customers have signed up for e-billing.

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 for August 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 \$32 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. 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 24,000 feet as of August 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 August 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 2013 yield 100 million gallons per day of finished and 145 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 industrial sales have fallen flat due to the reduction in raw water usage. 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 Sipsey and Sims Cane Creek Booster Station. A copy of the presentation is on file with said meeting book. Mr. Hicks stated the Sipsey intake station is located in Cullman County on the Sipsey Fork of the Mulberry Black Warrior River and Cane Creek is located in Jefferson County. He stated the two systems can serve either Western, Putnam or Carson Filter Plants. He then gave an overview of the departmental functions and stated there are 5 employees. He indicated the water level in the Sipsey River is controlled by the Lewis Smith Dam. He stated the booster station can deliver up to 74 million gallons per day to the system. Mr. Hicks then gave an overview of the long range plans for the booster station. Director Florie left the meeting at 1:34 p.m. Director Herring questioned what the operators do in their 24/7 operations. Mr. Hicks stated maintenance is done during the day and there are checks done every hour to ensure proper operations.

Next, General Manager Mac Underwood reviewed the tentative agenda for the scheduled September 26, 2013 Regular Board of Directors' Meeting. He called to the directors' attention to agenda item 6 and gave an overview of said item.

As there was no further business before the Board, a motion was duly made and seconded, and the meeting was adjourned at 1:37 p.m.

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

1. Director Herring stated he would like to see the numbers of employees that visit the emergency room compared to the number of those that visit the Health and Wellness Center.
2. Director Robinson stated he would like to see the numbers regarding emergency room care for 2012 and 2013.

/s/

A. Jackie Robinson, III
Chairman/President

Attest:

/s/

David S. Herring
Secretary-Treasurer