

**MINUTES OF AN INFORMATIONAL MEETING OF DIRECTORS  
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
August 15, 2013**

An information meeting of the directors of The Water Works Board of the City of Birmingham was held on Thursday, August 15, 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, Ann D. Florie, David S. Herring and Dr. George Munchus. Director Sherry W. Lewis was not present at start of meeting.

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, Floyd Stephens, Ben Sorrell, and Binnie Myles, Board Employees; Charlie Waldrep, Mary Thompson, K. Mark Parnell and Kelvin Howard, Waldrep, Stewart & Kendrick; Mark Dolan, Volkert & Associates; Dorian Kendrick, Elements; Jerry Jones, Malcolm Pirnie; Chandra Abesingha, CE Associates; Charles Raine, KHAFRA; Peiffer Brandt and Doug Bean, Raftelis; and Ginny DeBardeleben, Matthew Foster, and Todd Golden, Renasant Bank.

Chairman Robinson called the meeting to order at 12:06 p.m. and General Manger Mac Underwood opened with prayer.

Following, the General Manager asked the Board to hear an Update on the Board's Pension Plan, as set forth in agenda item 1 – Old Business, and he recognized Ginny DeBardeleben, Renasant Bank. Ms. DeBardeleben presented the Board with a handout. A copy of the handout is on file with said meeting book. She stated Renasant Bank has been working on the Pension Plan investment manager search and stated they were requested to examine two (2) manager platforms, Morgan Stanley and LPL. She gave an overview of each company and stated each manager are similar in performance. She indicated Morgan Stanley fees are higher than LPL. Director Munchus questioned how each company is calculating their costs and are their fees coming out of the profits. Ms. DeBardeleben stated the overall fee is what they charge for asset management. She stated they will submit an invoice and the plan pays them directly. Matthew Foster, Renasant Bank, stated the managers are not making additional money off of this platform. He indicated the managers chosen will get a layer fee. Ms. DeBardeleben then presented the Board with a handout explaining the breakdown of fees for Morgan Stanley and LPL. A copy of the handout is on file with said meeting book. Director Munchus questioned who LPL is. Mr. Foster stated LPL is the fourth largest broker firm in the U. S. and are headquartered in Boston, MA. Ms. DeBardeleben presented the Board with a handout explaining the company background for LPL. A copy of the handout is on file with said meeting book. Director Sherry W. Lewis arrived at the meeting at 12:18 p.m. Mr. Foster stated Renasant Bank has met with BWWB management and determined there was an added layer of fees from Morgan Stanley to access their platform than LPL. Mr. Underwood stated there is not a large enough variance in the performance of both companies to pay the higher fees of Morgan Stanley. He stated the recommendation is to use LPL. Director Munchus questioned the length of the contract. Mr. Underwood stated the contract can be terminated at any time with thirty (30) days' notice. Director Florie questioned how often their performance would be reviewed. Mr. Underwood stated

the performance would be reviewed quarterly. Director Munchus questioned will a benchmark be used. Mr. Foster stated the equity allocation and the money managers will have benchmarks to meet.

Subsequently, Ms. DeBardeleben stated there is a recommendation for the plan to utilize investment alternatives going forward. Director Munchus questioned what the alternatives are. Mr. Foster stated there are not any alternative investments at this time; however, this will continue to be monitored for the plan. Mr. Underwood stated the recommendation is to add the alternative investments to the policy statement. Mr. Johnson stated there is a minimum and maximum allocation; therefore, before any changes would be made to the plan, staff would be notified. Mr. Underwood stated staff recommends approval of the changes to the investment policy and states the information has been reviewed several times. Director Lewis questioned whether Merrill Lynch was being replaced. Mr. Underwood stated Merrill Lynch was investing the money and now Renasant Bank is managing the portfolio on a limited basis. On a motion duly made by George Munchus and seconded by Sherry Lewis, to hire LPL as the manager for the equity portion, in the amount of \$65 million, of BWWB's portfolio and to approve the revised investment policy statement. The motion passed and Director Herring abstained from the vote.

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 July 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 10 percent due to increased rainfall. He indicated as a result of increased rainfall, revenue is down \$1.3 million. Director Munchus questioned whether operating expenses increased. Mr. Johnson stated expenses are \$298,000 over for the month and indicated some of the expenses are related to medical costs. Director Munchus questioned whether some of the expenses related to medical expenses are preventable. Mr. Johnson stated some of the expenses maybe preventable by adhering to an individual wellness regimen. Next, Mr. Johnson reported on the number of active customers; the operating revenues for July 2013 and year-to-date wherein they are under budget; the operating and maintenance expenses for July 2013 was under budget; the large O&M variance; the operating net revenue available for debt service and PAYGO for July 2013 which is under budget; and the total operating net revenue available for debt service year-to-date which is under budget. Mr. Johnson stated paving costs are over budget \$650,000. Director Robinson questioned whether the stop loss has kicked in. Mr. Johnson stated he would verify whether stop loss has kicked in. Next, Mr. Johnson reported the power and chemical costs are under budget; the reserve fund balances as of July 31, 2013 is \$74,996,467 and the target balance is \$45,812,905 pointing out allocated balances as of July 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 July 2012 and 2013 and compared the number of regular employees for July 2012 and 2013. Mr. Johnson reviewed a graphical illustration of the July 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 16,150 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 2 for July 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 \$29.5 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 stated the increased rainfall created

delays for the work being done at Western Filter Plant. He stated the work should be completed very soon. Mr. Sonny Jones then gave an update on System Development Department's main replacement projects wherein a total of 52,718 feet of mains was installed as of July 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. He stated the pipe crew replaced 18,709 feet as of July 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. Mr. Sonny Jones stated the filter project will take approximately 18 months or summer 2014; however, the security improvements will be completed in September 2013.

Following, Assistant General Manager Darryl Jones presented the Operations and Technical Services Division's Report, as set forth in agenda item 2 for July 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 less water has been sold in July due to the increased rainfall. He reported on comparisons of finished and raw water pumpage for 2012 and 2013, indicating 2013 yield 100 million gallons of finished and 145 million gallons of raw water. Assistant General Manager Darryl Jones then reported on rainfall in the area, stating the area has received 55 inches as opposed to the average rainfall of 30 inches, the lake levels' capacities, and indicated Lake Purdy and Inland Lake are at 100% capacity. 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 Treatment Manager Floyd Stephens was recognized to make a presentation regarding Putnam Filter Plant. A copy of the presentation is on file with said meeting book. Mr. Stephens stated the plant is located near the Birmingham-Shuttlesworth airport. He stated the plant's capacity is 24 million gallons. He indicated conventional treatment methods are used and the staff ensures the water meet and exceed all state and federal regulations. He indicated the average daily delivery for 2012 was over 14 million gallons and it serves the downtown Birmingham and the North/Northwest area of Jefferson County. Next, Mr. Stephens gave an overview of the treatment process and improvements made to the plant that includes: clearwell installation, backwash pump upgrade, back-up generator installation, recycle facility upgrades and filters rehabilitation. Mr. Stephens then reviewed pictures of Carson Filter Plant, gave an overview of the numerous awards the plant has won, and stated there are 11 employees at the plant. Director Munchus questioned if there is a market for disposal of sludge. Assistant General Manager Darryl Jones stated the sludge is taken to a landfill. He indicated the sludge contains ferric sulfate; therefore, the sludge is not fit to be used because it would take a lot of energy to pull the sediments out of the soil.

Next, General Manager Mac Underwood reviewed the tentative agenda for the scheduled August 22, 2013 Regular Board of Directors' Meeting. He called to the directors' attention to agenda items 1, 5, and 6 and gave an overview of said items. Director Lewis questioned the purpose of agenda item 5. Assistant General Manager Darryl Jones stated the request is for gate valves which are used to turn water off and on while installing pipe.

Next, General Manager Mac Underwood stated he sent the board information regarding the total compensation statement. He stated this information was sent to employees to communicate the Board's investment in its employees.

Next, Public Communications Manager Binnie Myles stated staff attended a neighborhood meeting at Brown Elementary School. She indicated the meeting went well and the neighbors asked very good questions.

As there was no further business before the Board, a motion was duly made and seconded, and the meeting was adjourned at 1:07 p.m.

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

1. Assistant General Manager Michael Johnson to send out information on aggregate and individual.

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/s/

A. Jackie Robinson, III  
Chairman/President

Attest:

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/s/

David S. Herring  
Secretary-Treasurer