

**MINUTES OF AN INFORMATIONAL MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
February 21, 2013**

An information meeting of the directors of The Water Works Board of the City of Birmingham was held on Thursday, February 21, 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; Darryl Jones, Michael Johnson and Sonny Jones, Assistant General Managers; Grace Amison, Executive Assistant to the Board of Directors; Anitra Hendrix, Executive Assistant to the General Manager; Binnie Myles, Barry Williams, Luther Austin and George Anderson, Board Employees; Charlie Waldrep and K. Mark Parnell, Waldrep, Stewart & Kendrick; Mark Dolan, Volkert & Associates; Chris Bazuaye and Dorian Kendrick, Elements; Dan Meadows, S. S. Nesbitt; Brenda Brantley, Malcolm Pirnie; David Merrida, BCIA; Chris Woods, C. W. Woods Construction; Matthew Arrington, Terminus Securities; Matt Adams, Raymond James; Yvonne Green Davis; Yvonne Green Davis, P.C.; Kem Marks Bryant and Randall Minor, Maynard, Cooper & Gale, P.C.; J. Mason Davis, Sirote and Permutt; Tom Nesbitt, County & Company, Inc.; Louis Baxley and Jonice Vanterpool, Sterne Agee; Walter Lewis, Benchmark Securities, LLC; Michael Jones and Juanita Jones, Securities Capital Corp.; Charles Dean, The Birmingham News; Jim Folsom, Piper Jaffray; Anthony Barnes, Abra Barnes, Rochelle Barnes, and Ava Averhart.

Chairman Robinson called the meeting to order at 12:07 p.m. and Brenda Brantley opened with prayer.

Following, the General Manager asked the Board to adopt resolutions, as set forth in agenda items 2.1 and 2.2. Chairman Robinson recognized Mr. Anthony L. Barnes and gave an overview of Mr. Barnes' tenure. Mr. Barnes expressed his thanks and appreciation to the board and staff for making BWB the company that it is. Subsequently, a motion was made and duly seconded and the below resolutions were adopted.

“WHEREAS, Anthony L. Barnes was appointed to serve as a Director on The Water Works Board of the City of Birmingham on March 5, 1991; and,

WHEREAS, during his tenure as a Director, the Water Works Board considered demolition of the Cahaba Pumping Station facility; however, through his leadership and foresight this historic facility was saved and renovated and the Cahaba Pumping Station Museum was established; and,

WHEREAS, the Water Works Board desires to show its appreciation and gratitude for the exceptional leadership Anthony L. Barnes has exhibited during his tenure as a Director of the Water Works Board.

NOW, THEREFORE, BE IT RESOLVED by The Water Works Board of the City of Birmingham, on motion made by Ms. Sherry W. Lewis and seconded by Dr. George Munchus as follows:

1. To commemorate Anthony L. Barnes's leadership and foresight in saving and renovating the historic Cahaba Pumping Station and establishing the Cahaba Pumping Station Museum, the Water Works Board hereby renames the Cahaba Pumping Station Museum to the:

**Birmingham Water Works Board
Anthony L. Barnes
Conference Center
Cahaba Pumping Station Museum**

2. The General Manager is hereby authorized and directed to take all such steps as may be needed and necessary to cause this designation to be put in place as quickly as is reasonably possible.”

Resolution No. 6401 is hereby adopted by unanimous vote.

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“WHEREAS, on March 5, 1991, Anthony L. Barnes was appointed by the City Council of the City of Birmingham to serve as a member of the board of directors of The Water Works Board of the City of Birmingham to complete the un-expired term of a former board member; and,

WHEREAS, in 1992, in a continuing effort to educate our community, Mr. Barnes spearheaded the creation of the Birmingham Water Works Board's Water Watchers Brigade Program (known as the “Young Water Ambassadors Program”) which began with 25 students and increased to 100 students to educate high school students in the Water Works Board's distribution system about the water industry. The program has been supported successfully for nearly 20 years; and,

WHEREAS, on October 18, 1994, Mr. Barnes was appointed by the City Council of the City of Birmingham to serve his first full term; on December 12, 2000, Mr. Barnes was reappointed to serve his second full term; and on November 21, 2006, he was reappointed to serve his third full term as a member of the board of directors of the Water Works Board, serving 21 years and 9 months; and,

WHEREAS, during Mr. Barnes' tenure on the board of directors of the Water Works Board, Mr. Barnes held the office of Secretary-Treasurer; Chairman of the Board from January 8, 1996 to January 14, 2010; and Second Vice Chairman/Second Vice President; and,

WHEREAS, in addition to holding the offices of Secretary-Treasurer, Chairman of the Board and Second Vice-Chairman, Mr. Barnes has dutifully and faithfully served on or chaired the following Water Works Board committees: Insurance Committee; Pension Committee; Five Year Business Plan Committee; Real Estate Committee; Executive Committee; Water Resources Committee; Finance and Administration Committee; and Consultants' Committee, and,

WHEREAS, in his capacity as a member of the board of directors, as well as in serving on the above committees and holding the above offices, Mr. Barnes has always been a strong and powerful advocate for improving the working conditions and benefits of all employees and retirees of the Water Works Board, and for assisting the Water Works Board in persevering as one of the preeminent water utilities in the nation; and,

WHEREAS, during Mr. Barnes' tenure, the Water Works Board considered demolition of the Cahaba Pumping Station facility; however, through his leadership and foresight, this

historic facility was saved and renovated and the Cahaba Pumping Station Museum was established; and,

WHEREAS, BE IT RESOLVED, the Board of Directors desires to honor Mr. Barnes for his long and valued services; and,

NOW, THEREFORE, BE IT FURTHER RESOLVED By the Board of Directors of The Water Works Board of the City of Birmingham, that the name designated to the Board pumping station facility located at 4601 Sicard Hollow Road in Birmingham, Alabama, be changed from the Cahaba Pumping Station Museum to the Birmingham Water Works Board Anthony L. Barnes Conference Center Cahaba Pumping Station Museum in commemoration of Mr. Barnes' services to the Water Works Board.

BE IT FURTHER RESOLVED, that in recognition of Mr. Barnes' services to the Board, a copy of this resolution be spread upon the minutes of The Water Works Board of the City of Birmingham and a copy be placed at the facility.

Adopted this 21st day of February 2013 by the board of directors of The Water Works Board of the City of Birmingham.”

Resolution No. 6402 is hereby adopted by unanimous vote.

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Following, the General Manager asked the Board to approve the Bond Issuance Team for the proposed funding of the 2006A Bonds in the approximate amount of \$70M and the issuance of the new money bonds in the approximate amount of \$75M, as set forth in agenda item 3. Mr. Underwood stated a detailed presentation was made earlier and a recommended team was sent to all board members. Director Lewis left the meeting at 12:21 p.m. and returned at 12:22 p.m. Chairman Robinson gave an overview of the process to recommend the core team. He stated the core team's performance and execution on the board's last few issuances and indicated those issuances have been some of the best bond deals in BWWB history and in the state. He then gave an overview of the rating upgrades. He stated the University of Alabama has consistently been a strong issuance of bonds in the state and BWWB is on par in reaching that benchmark. He stated a goal was set in 2010 to only borrow 80/20 percentage for operations, 80 percent through financing and 20 percent would be financed by BWWB. He indicated that is the case with the current bond issue. He stated BWWB began to participate in bond issues in the retail markets resulting in 27 percent of the bond being sold retail. He stated the success BWWB has had in the past is due to having a team in place in advance which allows them to be in the market at the right time. Director Lewis stated she thought Director Robinson mentioned good points; however, she indicated she was not ready to move forward with a team due to not having all the information she needs to make a decision. She stated she recognizes the selection of the team is time sensitive and recommended moving forward with a partial team. She indicated she needed more time to make a concerted and informed decision. However, Director Lewis indicated she would like to move forward with the lead underwriter and bond counsel. Director Florie stated she would like to see a better process put in place. She stated receiving information one week in advance to the vote is overwhelming and she has had to dig to get the information she needed to be comfortable with voting. She stated she was concerned that proposals were solicited, and in some cases were not solicited. Director Florie indicated she would like to put the vote on hold until the Board has had time to examine all the submitted information. Mr. Underwood stated there is a good local presence on the proposed bond team and their previous work for the Board has been good. He indicated the core team, bond counsel and lead underwriter, has been together for the past 4-5 years and has worked to get BWWB's bond rating upgraded. Michael

Johnson, Assistant General Manager, stated BWWB has a strong team of consultants working with them in the bond area. He stated the consultants on this team have helped BWWB to move timely in the market. He stated the team has been previously put in place in advance to be able to move while the interest rates are good. He indicated there is a short period of time in March to visit the rating agencies and it would be best to start with a complete team. Director Florie stated she was not happy with her involvement in the process. She stated ten companies were solicited regarding the underwriting RFQ; however, that did not happen with the legal RFQ. She stated she understood the time sensitivity of selecting a team. She indicated the team proposed is capable people; however, she was not happy with the selection process and her involvement in it. Mr. Underwood stated that the Board could proceed with a lead underwriter and bond counsel. Director Lewis suggested the Board meet again next week to make a final decision. Director Munchus questioned Director Lewis whether she had a question regarding the good name and character of the proposed team that needed to be addressed in an executive session. Director Lewis stated she does not feel comfortable with making a decision because she would like to know the team. Director Herring stated he was prepared to vote and communication is important among the Board. He stated he doesn't have a problem with the team. Mr. Underwood stated the recommended team was sent to board members on March 15, 2013 and included the names of the companies involved. Director Florie stated she has requested backup information and does not like the way the information was given to her. Mr. Underwood stated staff did not forward all of the proposals they received to the Board. He stated staff summarized the proposals and selected the underwriters that seemed to have the best approach to saving money on the refinancing. Director Herring questioned what changes were recommended by staff after the proposed team was sent to the Board. Mr. Underwood stated there was one change to the underwriter's counsel. Director Florie stated the process should be more inclusive. Director Robinson stated underwriters and legal firms know BWWB issues bonds every 12-18 months for the last 20 years. He indicated no board member has stated they have a problem with the quality or the execution of the team recommended. After discussion, Chairman Robinson called for a 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. A. Jackie Robinson, III and seconded by Dr. George Munchus, that the Board hereby adopts a resolution approving the Bond Team for issuance of the Water Revenue bonds, Series 2006-A. Resolution No. 6403 is hereby adopted by Directors Robinson, Herring and Munchus; Directors Lewis and Florie voted no."

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Director Lewis stated she felt it was unfair to put a team in place that has not met with all board members. Director Florie recommended a better process be discussed at the upcoming March 8, 2013 Executive Committee Meeting. Mr. Underwood stated staff did communicate information with the Board when it was made aware of the information they had not received. Matthew Arrington, Terminus Securities, stated once engagement notices are sent to the firms, a kick-off call is held. He stated board members can participate in that call.

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 December 2012 and January 2013 in a PowerPoint presentation. Mr. Johnson reported on the following for December 2012: the finished water system delivery; which has declined; and metered consumption. Director Munchus questioned what can be attributed to the 8 percent increase in raw water sales. Mr. Johnson

stated raw water has seen an increase due to U.S. Steel's increase in production. Next, Mr. Johnson reported on the number of active customers; the operating revenues for December 2012 and year-to-date wherein they are under budget; the operating and maintenance expenses for December 2012 were under budget \$39,896; the large O&M variances; the operating net revenue available for debt service and PAYGO for December 2012 which is under budget; and the total operating net revenue available for debt service year-to-date which is under budget. Mr. Johnson indicated Health Care cost is \$718,292 over budget. Mr. Johnson reported the reserve fund balance as of December 31, 2012 is \$66,103,961 and the target balance is \$43,718,178, pointing out allocated balances as of December 2012 are 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 December 2011 and 2012 and indicated the year-to-date amount is \$1.3 million and compared the number of regular employees for December 2011 and 2012.

Subsequently, Mr. Johnson reported on the following for January 2013: the finished water delivery; which had a slight increase compared to 2012; and metered consumption. Director Florie left the meeting at 12:55 p.m. Next, Mr. Johnson reported on the number of active customers; the operating revenues for January 2013 wherein they are under budget; operating and maintenance expenses for January 2013 was under budget \$420,357; the large O&M variance; the operating net revenue available for debt service and PAYGO for January 2013 which is under budget; and the total operating net revenue available for debt service year-to-date which is \$3,398 over budget. Mr. Johnson indicated Health Cost is \$110,334 over budget. Director Herring questioned whether the increase in the number reflects expenses related to the health clinic. Mr. Johnson stated this amount does not include the health clinic; however, they were related to two (2) employee's claims. He indicated costs associated with the health clinic would be reflected in the February 2013 division report. Director Lewis questioned when the board would hear an update on the health clinic. Mr. Johnson stated staff would schedule an update for the board at either an informational board or committee meeting in the month of March. Next, Mr. Johnson reported the reserve fund balance as of January 31, 2013 is \$58,257,017 and the target balance is \$45,812,905, pointing out allocated balances as of January 2013 are significantly more than projected. Mr. Johnson reported the balance sheet reflects nearly one billion in assets and stated a payment was made in the amount of \$35 million for debt service. Mr. Johnson reviewed a graphical illustration of the December 2012 and January 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 12,398 customers have signed up for e-billing. Mr. Johnson indicated the goal is to have 30,000 Water Works Board's customers sign-up over three (3) years to suppress their paper bill. He stated 20,000 customers will not switch to EasyPay; therefore, an adjustment will need to be made to the targeted goal of customer sign-ups.

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 January 2013 in a PowerPoint presentation. The Board was provided with a copy of the presentation wherein a copy is on file with the Board's minutes. He reviewed and discussed the details as outlined in said presentation.

Next, Assistant General Manager Sonny Jones was recognized to present the Engineering and Maintenance Division report and he reported the Capital Improvement Plan (CIP) expenditures are at \$3.8 million of the \$58.5 million capital budget. Director Herring requested separate slides be created for budget and expenditures. Mr. Sonny Jones reviewed and discussed the Capital Project highlights regarding the Western Filter Plant Security Improvements and Filter Rehab and expects the project to be closed out by April 2013. He gave an overview of the large capital projects for 2013. Mr. Sonny

Jones then gave an update on System Development Department's main replacements projects wherein a total of 10,226 feet of mains was installed in January 2013 with 92,500 feet scheduled for 2013. Next, Mr. Jones gave the Distribution Department's operational highlights related to leak orders received, repaired, outstanding leak orders and hydrants. Subsequently, Assistant General Manager Sonny Jones reviewed some pictures of Western Filter Plant relative to construction being performed at said plant. Mr. Sonny Jones then stated he attended a Birmingham Business Alliance (BBA) meeting regarding bottled water. He stated the BBA is aggressively recruiting the Niagara Drinking Water Company to open a new business in Birmingham. He stated the company bottles more water than Coca-Cola and Pepsi combined. He indicated they would need close to 1 million gallons of water per day from BWWB.

Next, Assistant General Manager Darryl Jones presented the Operations and Technical Services Division's Report, as set forth in agenda item 4 for January 2013 in a PowerPoint presentation. The Board was provided with a copy of the presentation wherein a copy is on file with the Board's minutes. He reviewed and discussed the details as outlined in said report. Assistant General Manager Darryl Jones reported on comparisons of finished and raw water pumpage for 2012 and 2013, indicating January 2013's average was 95.5 million gallons per day of finished and 134 million gallons per day of raw water. Mr. Darryl Jones then reported on rainfall in the area, stating it is above average; the lake levels' capacities, and indicated Lake Purdy is at 100% capacity. He indicated Inland Lake has had drainage to keep it from filling while repairs are being done on the face of the dam. Following, Assistant General Manager Darryl Jones reviewed a comparison of 2012 versus 2013 delivery for the last 30 days of finished water; reported that raw water sales are less for January 2013 and USX Corporation numbers relative to their conservation efforts, orders and production; and indicated the service area is not in a drought. He then reviewed a comparison of power and chemical costs, indicating power costs are \$23,000.00 over budget and chemical costs are \$21,000 over budget. He indicated this trend will increase and will try to bring the yearly total close to budget. Director Munchus questioned why the power and chemical costs are increasing. Mr. Darryl Jones stated the budget was kept flat for 3 years despite rate increases in power. He stated the chemical budget was cut by \$900,000.00.

Subsequently, Assistant General Manager Darryl Jones recognized Luther Austin, Supervisory Control and Data Acquisition (SCADA) Manager, to make the presentation. Mr. Austin gave an overview of the department's roles and responsibilities; indicating SCADA's primary responsibility is to ensure BWWB provides the highest quality of water to its customers. Mr. Austin stated there are no outside contractors on the system and its functions are strictly handled by BWWB staff. He stated SCADA provides wholesale customers, both raw and finished, with customer specific data; provides management with current SCADA data; and operates raw water system efficiently. Mr. Austin gave an overview of SCADA equipment and monitoring system. Mr. Darryl Jones stated SCADA communicates on a private wireless network with equipment that covers five counties in the BWWB service area. He stated the SCADA system is very strong and companies come from across the country to observe it.

Next, General Manager Mac Underwood reviewed the tentative agenda for the scheduled February 28, 2013 Regular Board of Directors' Meeting. He called to the directors' attention to agenda items 5 and 6 and gave an overview of said items.

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

1. Board to be presented with an update on the BWWB health clinic.

2. Board to be presented with separate slides from the Engineering & Maintenance Division regarding budget and expenses going forward for the monthly report.

As there was no further business before the Board, Chairman Robinson entertained a motion to adjourn the meeting. A motion was made and seconded, and the meeting adjourned at 1:27 p.m.

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

Attest:

/s/
David S. Herring
Secretary-Treasurer