

**MINUTES OF AN INFORMATIONAL MEETING OF DIRECTORS  
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
May 23, 2013**

An information meeting of the directors of The Water Works Board of the City of Birmingham was held on Thursday, May 23, 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, David S. Herring and Dr. George Munchus. Director Ann Florie 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; Barry Williams, George Anderson, Anton Jones, Drusilla Hudson, Floyd Stephens, Scott Starkey, Paul Lloyd, Kathy Davis, John Reymann and Joyce Dupree, Board Employees; Charlie Waldrep, Mary Thompson, K. Mark Parnell and Kelvin Howard, Waldrep, Stewart & Kendrick; Mark Dolan, Volkert & Associates; Dorian Kendrick, Elements; Jesse Lewis, Sr. and Noelle Pettres, The Lewis Group; Jerry Jones, Malcolm Pirnie; Chandra Abesingha, CE Associates; Chris Woods, Woods Construction Services; David Merrida, BCIA; Tamera Marlowe, HealthStat; Tina Lindsey and Barrow Kettig, Capital Strategies.

Chairman Robinson called the meeting to order at 12:03 p.m. and Mac Underwood opened with prayer.

Following, General Manager Mac Underwood asked the Board to hear Old Business, as set forth in agenda item 1. Mr. Underwood stated there was an update regarding a request for Cahaba Beach Road. Assistant General Manager Sonny Jones presented the board with an updated map of Cahaba Beach Road and gave an overview of the map. He stated there is a request for 8 acres of property from BWWB to construct a new bridge and a realigned Cahaba Beach Road to connect to the existing roadway in Jefferson County construction easement to build a new bridge adjacent to the old bridge. Director Munchus stated one request is to open Cahaba Beach Road and questioned whether an easement will be granted for the bridge or does this request cover the road and the bridge. Mr. Underwood stated the attorneys have revised the resolution. Board Attorney Mark Parnell stated Shelby County wants a fee simple right-of-way and the board can decide whether to grant that request or not. He stated Shelby County also will need construction easements. Mr. Parnell stated there are currently several different agreements regarding this property and stated it is best to require Shelby County to provide title insurance at their expense if they need the Board to grant a statutory warranty deed. Otherwise, the Board would grant Shelby County a quitclaim deed. Director Munchus questioned whether Shelby County is in agreement with that plan. Mr. Parnell stated he had not yet received a response from Shelby County. Director Munchus questioned whether the resolution is reflective of what management is asking of the board. Mr. Underwood answered yes. Mr. Parnell stated one of the changes to the resolution includes deleting any representation that the road still exists because Shelby County disputes that. He stated Shelby County, has in the past refuse to allow the Board to use its public right-of-ways to install water lines; therefore, there is a recommendation to have Shelby County enter into the same agreement BWWB has with other

municipalities. Director Lewis asked for clarification regarding the resolution and granting an easement. Mr. Parnell stated the resolution authorizes the granting of either a fee-simple right-of-way but the board could decide to authorize only an easement.

Subsequently, Director Herring stated he understands what Shelby County is trying to accomplish. He stated the board will give Shelby County certain rights to the land BWWB owns as they construct the road. Mr. Underwood stated Shelby County is requesting the board approve the resolution; they will design it and it will authorize the chairman and secretary to sign off on the resolution. Director Herring questioned what protection the board has if it signs off now and Shelby County changes their plan. Mr. Parnell stated Shelby County would have to remain in the guidelines of the resolution. Director Herring questioned whether Shelby County is responsible for any claims with the property owners. Mr. Parnell stated Shelby County would be responsible. Director Herring requested Mr. Parnell to include that protection clause in the resolution. Board Attorney Charlie Waldrep stated Shelby County cannot indemnify BWWB for any expenses that would incur regarding litigation. Director Herring stated since this is a potential liability for the board; he questioned what the benefit is. Mr. Waldrep stated this will improve relations with the City of Vestavia and Birmingham City Council member Kim Rafferty. He stated Councilwoman Rafferty is in support of this project because it is in her district. Mr. Underwood stated it will assist in improving service to the Highland Lakes neighborhood and the board would have the right to attach to the bridge to cross Little Cahaba River and service that area. Subsequently, Director Robinson requested clarification regarding the agreements we have with other municipalities. Mr. Parnell stated the board has franchise agreements with 26 municipalities and there is only one time the board has been refused to use a right-of-way and that was by Shelby County on Highway 41. He indicated they are proposing Shelby County agree to allow the board to use their right-of-ways. Assistant General Manager Darryl Jones stated there are plans to cross the location with pipeline by 2025 as continuation of the Carson Loop project; therefore, this agreement provides an opportunity to cross the river with some assistance from Shelby County. Mr. Underwood stated staff will work to revise the agreement.

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 April 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 due to a wet Spring. He also indicated U. S. Steel's production was shut down unexpectedly for 11 days. Next, Mr. Johnson reported on the number of active customers; the operating revenues for April 2013 and year-to-date wherein they are under budget; the operating and maintenance expenses for April 2013 was under budget; the large O&M variance; the operating net revenue available for debt service and PAYGO for April 2013 which is under budget; and the total operating net revenue available for debt service year-to-date which is under budget. Mr. Johnson reported the reserve fund balances as of April 30, 2013 is \$61,716,268 and the target balance is \$45,812,905 pointing out allocated balances as of April 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 April 2012 and 2013 and indicated the year-to-date amount is \$2.3 million and compared the number of regular employees for April 2012 and 2013. Mr. Johnson reviewed a graphical illustration of the April 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 13,608 customers have signed up for e-billing.

Following, Assistant General Manager Michael Johnson recognized Tamara Marlowe to make a presentation to the directors regarding an update on the BWWB Health and Wellness Center. A copy of the presentation is on file with said meeting book. Ms. Marlowe stated there have been changes made to the center and indicated Dr. Cassandra Comer is the new provider. Ms. Marlowe stated she had a meeting with the Employee Association to address any concerns they had. She indicated the center has been in service for ten (10) months and it was not normal to have three (3) providers in that length of time. Ms. Marlowe stated the center is constantly being monitored and the primary goal has not changed. She indicated there are 1,765 participants that are eligible to use the clinic; however, only 632 participants, or 36% of the population, have visited the clinic. She indicated there is a 50/50 male and female ratio. Ms. Marlowe then gave an overview of all the expenses related to the center which amounted to \$445,903 as of April 2013. She then gave an overview of the labs ordered and prescriptions written for patients and indicated the reference labs were higher than normal. Director Lewis questioned whether each employee needs a lab every time they visit the wellness center. Ms. Marlowe stated the labs are higher than normal. She stated the labs are necessary; however, the quantity is too high for each patient. Ms. Marlowe stated medicine dispensed onsite have increased and that is a good trend that results in cost savings. She then gave an overview of the top 10 labs ordered and top 10 prescriptions written for patients. Ms. Marlowe stated she would like to move non-compliant employees to compliant employees when it comes to diabetics. Director Munchus questioned what this proposed plan is for achieving that. Ms. Marlowe stated the provider will drive that and educating employees. Director Robinson question whether any information is mailed to the employees' homes. Ms. Marlowe stated HealthStat does not mail information; however, Blue Cross/Blue Shield should be handling that. She stated HealthStat does perform outreach via the phone. Director Robinson questioned whether the employees that have a prolonged condition like diabetes have the benefit of having a 90 day supply of medication. Ms. Marlowe answered yes and stated the inventory supplies have been adjusted. She stated the medicine is dispensed by the number of bottles rather than the number of pills.

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 April 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 \$18.4 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 then gave an update on System Development Department's main replacement projects wherein a total of 34,056 feet of mains was installed in April 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. Subsequently, Mr. Sonny Jones stated the Alabama Department of Transportation (ALDOT) has begun its Highway 280 widening project. He stated a preliminary and final set of drawings have been received. He stated the project is being rushed by Governor Bentley and indicated staff has been in contact with ALDOT to ensure they do not harm BWWB's infrastructure. Assistant General Manager Sonny Jones stated several BWWB engineers are onsite every day to oversee the work. Director Herring questioned whether this project will affect Shades Mountain Filter Plant. Assistant General Manager Sonny Jones stated that if ALDOT does the project incorrectly, it will; however, BWWB has had two meetings with ALDOT. He stated ALDOT has moved their improvements to the east to avoid

BWWB's existing pipelines. Director Munchus questioned how much notice was given to BWWB and are there any possible negative consequences. Assistant General Manager Sonny Jones stated a letter was received February 28, 2013 and the drawings were received a week later. He stated there are no major negative consequences at this time; however, everything BWWB does is 100 percent reimbursable. General Manager Mac Underwood stated ALDOT does not have detailed designs on the area and they are designing as they go.

Following, Assistant General Manager Darryl Jones presented the Operations and Technical Services Division's Report, as set forth in agenda item 2 for April 2013 in a PowerPoint presentation. A copy of the presentation is on file with said meeting book. 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 95.5 million gallons of finished and 129 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 stated there is no drought and reviewed a comparison of 2012 versus 2013 delivery for the last 30 days of finished water; and USX Corporation numbers relative to their conservation efforts, orders and production. 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. He indicated power costs are currently \$64,000.00 over budget and chemical costs are \$8,000 under budget.

Subsequently, Water Treatment Manager Floyd Stephens was recognized to make a presentation regarding his department. Mr. Stephens gave an overview of the water treatment process at Shades Mountain Filter Plant. He stated the water is treated by ferric sulfate and there are 46 filters in the plant. He indicated the goal of all BWWB filter plants is to be no more than 0.1 NTU turbidity reading. He stated state and federal regulations require the plants to be 0.3 NTU or less. He stated there are new liquid lime storage tanks that allow for pH adjustment throughout the plant. There are also two (2) new clear wells at the plant. Mr. Stephens indicated the plate and frame press was installed in 1980 with the purpose of dewatering alum sludge. Assistant General Manager Darryl Jones stated the plate and frame press is 33 years old and will need to be replaced soon. He stated the life expectancy of the press is 25 years. Director Munchus questioned how much it will cost to replace the press. Assistant General Manager Darryl Jones answered around \$800,000 to \$1 million. Mr. Stephens then gave an overview of the staff at Shades Mountain Filter Plant. Ms. Stephens stated in 2012 Shades Mountain Filter Plant delivered 44 million gallons of water daily. Director Herring questioned what the cost of investment is at Shades Mountain Filter Plant. Assistant General Manager Darryl Jones stated he will provide a summary of the past projects, including their amounts.

Next, General Manager Mac Underwood reviewed the tentative agenda for the scheduled May 30, 2013 Regular Board of Directors' Meeting. He called to the directors' attention to agenda item 1 and gave an overview of said item. Director Herring stated he had a question regarding item 8. He stated he recalled a few years ago Security Engineers averaged about \$2 million and questioned what additional costs are anticipated in association with the use of Security Engineers. Assistant General Manager Darryl Jones presented the board with a handout and stated there is about \$300,000 - \$400,000 left in costs; however, BWWB is also benefiting from a savings of \$1 million. Subsequently, Mr. Underwood then called item 6 to the directors' attention regarding replacing a motor on one of the pumps at Cahaba Pump station that has been in service since 1963. Mr. Underwood stated BWWB offices would be closed on May 27, 2013 to observe the Memorial Day holiday.

Next, Director Robinson stated the passage of the Water Resources Development Act (WRDA) bill in the Senate needs to be summarized for the directors explaining the benefit for BWWB and our strategy to take advantage of the funds allocated. He stated he would like for Birmingham Construction Industry Authority (BCIA) to be included in the request for proposals regarding home services warranty.

Board Attorney Mark Parnell stated an update needed to be given to the Board regarding Shepherd's Bend. Mr. Parnell then recommended the directors to go into Executive Session to discuss pending litigation and stated no action would need to be taken by the Board. On a motion duly made and seconded, the motion passed.

At 1:33 p.m. the directors, senior executive management, Board Attorneys Mark Parnell and Mary Thompson; and Arcadis engineer, Jerry Jones entered into an Executive Session. At 2:08 p.m. a motion was made and seconded to adjourn the Executive Session and the meeting reopened. As there was no further business before the Board, a motion was duly made and seconded, and the meeting was adjourned at 2:08 p.m.

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

1. Board Attorney Mark Parnell to include a protection clause in the resolution for Shelby County regarding Cahaba Beach Road.
2. Staff to revise resolution regarding Cahaba Beach Road.
3. Staff to provide a list of the past projects, including their amounts, at Shades Mountain Filter Plant.
4. Staff to provide a summary of the benefits and strategy related to WRDA.
5. Staff to include BCIA on RFPs for home warranty services.

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

Attest:

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/s/  
David S. Herring  
Secretary-Treasurer