

**MINUTES OF THE REGULAR BI-MONTHLY MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
August 28, 2024**

A regular bi-monthly meeting of the directors of The Water Works Board of the City of Birmingham was held on Wednesday, August 28, 2024, at 11:30 a.m., at 3600 First Avenue North, Birmingham, Alabama.

The following Directors were present: Lucien B. Blankenship, William “Butch” Burbage, Jr., Thomas E. Henderson, Tereshia Q. Huffman, George Munchus, Carl Dalton NeSmith, Mashonda S. Taylor and Larry Ward.

Others present were: Darryl Jones, Interim General Manager; Philip King and Derrick Murphy, Assistant General Managers; Cynthia Williams, Board Administrator; Anitra Clark, Corporate Governance Specialist; Vanessa Washington, Executive Assistant; Colandus Mason, Rick Jackson, Joi Dulaney, Rosalind Jones, Cassandra Bell, Paul Lloyd, Platon Crowell, Jeff Wade, Charles McGee, Derrick Maye, Anthony Hazel, and David Walker, BWWB Employees; General Ronald L. Burgess and Barry Williams, BWW Consultants; Mac Underwood, Underwood Financial Consultants, LLC; K. Mark Parnell, Parnell Thompson Law, LLC; Bobby L. Davis, the Law Office of Bobby L. Davis; Cynthiather May, May Law Group. LLC; Olivia Martin, State of Alabama Attorney General’s Office; Peiffer Brandt and Ben Heaton, Raftelis Financial Consultants, Inc; Matthew Arrington, Terminus Municipal Advisors, LLC; Matt Adams and Brad Green, Raymond James & Associates; Patrick Flannelly, ARCADIS, US, Inc; Theo Johnson, Jacobs Engineering Group, Inc; Donald Simpson, KPS Group; Rusty Igi, Itron, Inc; Neal Posey and Amy Hybels, CBS 42; and Jamekia Bies, Help 2 Others Foundation.

Chairwoman Huffman called the meeting to order at 11:30 a.m., and Interim General Manager Jones opened the meeting with prayer.

Inasmuch as all directors were present, Chairwoman Huffman declared a quorum in attendance.

Following, Interim General Manager Jones asked the Board to approve the agenda. On a motion duly made and seconded, 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 Ms. Tereshia Q. Huffman and seconded by Mr. William “Butch” Burbage, Jr., that the Board of Directors hereby approves the Regular Board of Directors’ meeting agenda for August 28, 2024. Resolution No. 9619 is hereby adopted by unanimous vote.”

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Next, Interim General Manager Jones proceeded to the Reports of Committees. He indicated the following scheduled meetings:

- Human Resources Committee Meeting – Wednesday, August 28, 2024, immediately after the Regular Board of Directors’ Meeting.

Following, Interim General Manager Jones asked the Board to hear Reports of Officers. Chairwoman Huffman thanked Interim General Manager Jones and his leadership team for the work they are doing. Director Ward commented that Mac Underwood, BWW Consultant, has been involved in the collections process, and he asked Mr. Underwood to provide a summary to the Board. Mr. Underwood began presenting the update to the Board. He stated that Michael Parker, BWW Consultant, has been reviewing the recommended processes and procedures from the October 2022 report, that they presented to the Board on last year for the Customer Support Services department. Mr. Underwood indicated that the distributed handout entitled "*Birmingham Water Works Board Meter Reading and Billing Improvements-July to August 2024*" is a summary of improvements made since their return to the company. A copy is on file in Diligent. He highlighted the monthly statistic reductions as follows: Bill Batch or meters not read was 8,522 in July 2024 and 2,029 in August 2024; meter rereads were 2,488 in July 2024 and 1,259 in August 2024; implausibles were 25,230 in July 2024 and 7,360 in August 2024, estimated bill issues were 8,430 in July 2024 and 3,631 in August 2024; and the total possible bill issues was 44,670 in July and 14,279 in August 2024. Mr. Underwood stated, he and Mr. Parker worked through many of the issues from the October 2022 report. Per Mr. Underwood, changes were made to operations, such as, staffing reassignments, existing reports, etc. In conclusion, he said the Systems Applications and Products (SAP) software and the Alexander Meter Reading System is reducing the possibility for the number of rereads. Director Ward commented that the improvements were great. Afterwards, Director Munchus stated it was a good report. He asked if the Help 2 Others (H2O) Foundation could give a report at the next Board meeting. Chairwoman Huffman responded that she would make sure they are on the next agenda.

Next, Interim General Manager Jones proceeded to the next report, Request Board to hear an update on the 2024 Bond Anticipation Note (BAN) from Terminus Municipal Advisors. He stated Matthew Arrington, Terminus Municipal Advisors and Matt Adams, Raymond James and Associates would present on said topic. Afterwards, Mr. Arrington began his update to the Board. He stated that bids had been accepted on the BAN for the Board’s construction fund and improvement fund. He stated that the Board approved them to get a bid amount not-to-exceed \$70,000,000.00. Per Mr. Arrington, they were able to get it at \$62.7 million. He stated that due to the Board’s good credit, a lot of interest was received and split to fill the Board’s needs. Mr. Arrington said the interest rate was better than expected. He stated \$50,000,000.00 of the \$62.7 million will go towards the capital improvements fund and \$6,000,000.00 will go towards paying off all the Board’s state revolving funds/loans. Mr. Arrington said the Board was running out of money in the capital improvement fund. The amount needed for September 2024 was \$8,000,000.00; therefore, an additional \$6,000,000.00 was borrowed to supplement the company’s needs. Next, Matt Adams gave an overview of the handout entitled "*Revenue Anticipation Bond (RAB)*". A copy is on file in Diligent. He stated that his team went through the RAB pricing process. Per Mr. Adams, the RAB is debt that will be paid off by the Water Infrastructure Finance and Innovation Act (WIFIA) loan. He stated a dual track process was conducted to solicit bids from over 40 commercial banks, which had good interest and interest from capital markets. Mr. Adams indicated that the strongest bid came from capital markets. He said the debt was placed with six capital market investors, and that the final interest rate of the RAB is 3.75%. Mr. Adams

stated that there are six investors participating in the RAB placement; however, it may be reduced to five participants. He stated the main reason for the RAB is that the company can borrow on a short-term basis, invest at a higher yield, and keep the difference. Mr. Adams said the difference between the government investment contract (GIC) 4.50% investment rate and the 3.75% RAB interest rate is 0.75% in earnings. Afterwards, Mr. Adams concluded the update with highlights of the Arbitrage and Rebate. Director Ward commented that this was a good deal for Birmingham Water Works.

Following, Interim General Manager Jones proceeded to the next report, Request Board to hear a presentation on the Capitalized Operating & Maintenance (O&M) Study from Raftelis Financial Consultants, Inc. A copy is on file in Diligent. Peiffer Brandt, Raftelis Financial Consultant, began discussing the capitalized O&M background. He stated that a portion of O&M expenses are allocated every month through direct or indirect allocations. Mr. Brandt said direct capitalized costs are spent directly on capital projects and indirect capitalized costs are those necessary to complete the capital projects. He stated it is important to capitalize O&M costs, because the more capitalized the higher the debt service coverage. Mr. Brandt said there are rules that provide guidelines on what can be capitalized such as Government Finance Officers Association (GFOA) and Governmental Accounting Standards Board (GASB) 34. Mr. Brandt indicated that the current process involves Birmingham Water Works capitalizing both direct and indirect O&M costs; however, the challenge is that the current process has been in place over 20 years and has not been updated. He said Birmingham Water Works auditor's raised concerns about the capitalization approach, which led to Raftelis performing a comprehensive review of the allocation process. Afterwards, he highlighted the types of Allocations and recommendations. The Direct Capital Allocation is direct time/labor charged to capital projects and the Indirect Capital Allocations, such as benefits, Assistant General Manager's time, consultant costs, and other costs. Per Mr. Brandt, Direct Capital Allocations labor should be directly charged to specific capital projects and capital project numbers to track labor, which was budgeted to be \$6,582,229.00 for 2024. Next, he highlighted the indirect capital costs summary, which had a total indirect cost of \$7,110,560.00. Mr. Brandt stated the effect on the 2024 Net Budget would be \$5,127,521.00 higher than the approved net budget based on the revised capitalization approach. He said the proposed updated allocation approach does not impact the Board's true cash flow. The most significant impact relates to the debt service coverage. A change in the net budget reduces the senior debt coverage; however, the reduction would not reduce coverage below the RSE minimum and above the bond covenant. Mr. Brant stated it is important that the rating agencies are aware of the change. He said Raftelis will work with Birmingham Water Works and Terminus Municipal Advisors to determine the message to be provided to the rating agencies. He stated the changes to the capitalization approach will be challenging for the BWW Accounting team to get information into SAP due to the various percentages already programmed into SAP. Director Munchus asked whether this was the first-time auditors questioned the direct and indirect costs process or whether there was a formula or standard practice for the referenced process. Mr. Brandt responded that the GASB guidelines are utilized and that the auditors are aware of the process. He stated he does not anticipate any issue with the auditors.

Next, Interim General Manager Jones proceeded to the next report, Request Board to hear a presentation on the Cost-of-Service Study from Raftelis Financial Consultants, Inc. A copy is on file in Diligent. Mr. Brandt began the presentation with an overview of the Cost-of-Service

Process. He indicated that it consists of the following five steps: identify financial and pricing objectives, identify revenue requirements, project demand and allocated costs, design rate structure, and assess effectiveness in addressing pricing objectives. Afterwards, he highlighted the Water Cost Allocation Process slide and discussed a slide on the Preliminary Cost Allocations vs Current Revenues. Next, Mr. Brandt distributed a handout entitled “*Context on Pricing Objectives*”. A copy is on file in Diligent. He asked the Board and BWW management team for their feedback by completing the prioritization exercise on the handout. Next, discussed the potential rate structure modifications, which consists of the base charge and volumetric charge for residential customers. Per Mr. Brandt, as it relates to base charge, reduce the base charge to cover 100% or less of the debt service and shift from a traditional peak charge to a peak usage base charge. He said regarding the volumetric charge, one option is to change block cutoffs and shift to individual cutoffs based on average winter consumption. Also, Mr. Brandt stated that lowering the base charge will reduce revenue stability but will lower bills for low volume users; however, volumetric rates will have to increase to make up for the base charge reduction. The peak usage base charge would have strong affordability benefits because low-income customers rarely have high peaks. Mr. Brandt said the peak usage base charge may be difficult for customers to understand; therefore, he recommends waiting until 2026 to fully implement the modification if the Board chooses this approach. He stated this is a very progressive rate structure that requires certain policies, and he is not sure that any utilities currently use it. Another approach discussed was the individualized block cutoffs. Mr. Brandt stated this approach is like the peak usage base charge, but on the volumetric side. He said several utilities have this type of rate structure, which was originally for conservation purposes. In conclusion, Mr. Brandt discussed the next steps and the potential upcoming schedule. He stated the next steps is to calculate the preliminary rates under the preferred rate structure and present customer impacts and demand projections on September 18, 2024. Director Munchus commented that there is significant level of low-income customers. He asked Mr. Brandt if he could make suggestions regarding the sewer. Mr. Brandt responded that he could not offer suggestions on that topic.

Following, the Board proceeded to the first item on the agenda, Request Board to approve payment of invoices. On a motion duly made and seconded, 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. William “Butch” Burbage and seconded by Ms. Tereshia Q. Huffman, that the Board hereby authorizes staff to execute payments to the following:

- 1.1 Barry A. Williams for professional services rendered July 29, 2024, through August 16, 2024 in the amount of \$21,710.00.
- 1.2 May Law Group, LLC, for professional services rendered July 2024 in the amount of \$25,080.00.
- 1.3 CBG Strategies, LLC, for professional services rendered July 2024 in the amount of \$25,350.00.
- 1.4 The Law Office of Bobby L. Davis, LLC, for professional services rendered July 2024 in the amount of \$26,220.00.

- 1.5 Kelvin W. Howard, LLC, for professional services rendered July 2024 in the amount of \$29,340.00.
- 1.6 Direct Communications for professional services rendered July 2024 in the amount of \$33,000.00.
- 1.7 Underwood Financial Consulting, LLC, for professional services rendered July 2024 in the amount of \$39,875.00.
- 1.8 Raftelis Financial Consultants, Inc., for the following:
 - 1.8.1 Professional services rendered July 2024 related to the Moody Analysis in the amount of \$12,488.75.
 - 1.8.2 Professional services rendered July 2024 related to Consolidated Invoices in the amount of \$34,788.82.
- 1.9 Parnell Thompson, LLC, for professional services rendered July 2024 in the amount of \$62,960.00.

Resolution No. 9620 is hereby adopted by Directors Burbage, Huffman, Henderson, Nesmith, Taylor, and Ward; Director Blankenship voted no, and Director Munchus abstained on agenda items 1.2, 1.4, 1.5, and 1.9.”

Subsequently, the Board proceeded to the second item on the agenda, Request Board to approve the items recommended by the Engineering and Maintenance Committee. Interim General Manager Jones read items 2.1 through 2.6 into the record. He stated that agenda item 2.2.7 had a typo on its Historically Underutilized Business (HUB) percentage. The correct amount of HUB participation is 36.6%. Afterwards, Chairwoman Huffman asked for an update on hiring someone for the two HUB positions. Chairwoman Huffman stated she is looking at the HUB percentage on each item and would like to see an increase in those numbers. Interim General Manager Jones responded that some candidates have been identified; however, the award was placed on hold because staff is in the process of getting a Purchasing Manager. He stated the Purchasing Manager position will be resolved within less than twenty-four hours. Per Interim General Manager Jones, once the Purchasing Manager is in place, he will move forward with the candidates for the HUB positions. He said there has been discussion on modifying the scope of those positions regarding the duties; however, candidates have been identified for the positions. Director Munchus asked where the two positions would reside, their department, and reporting division. Interim General Manager Jones responded that the two positions would report to the Purchasing Manager of the Purchasing department, which is under the Finance and Administration Division. Afterwards, Director Munchus commented that he would be voting to oppose agenda item 2.1.3 Pencco, because they appear to be price gauging. On a motion duly made and seconded, the following resolutions were adopted:

“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. Carl Dalton NeSmith and seconded by Mr. Larry Ward, that the

Board hereby exercises its bid option (second of two) to extend one-year agreements, as recommended by the Engineering and Maintenance Committee to the following:

- 2.1.1 Chemrite, Inc., the lowest responsible and responsive bidder, effective January 1, 2025 through December 31, 2025, for Orthophosphoric Acid, at a per pound cost of \$1.36, at an estimated out-of-pocket cost to the Board of \$81,600.00; and to authorize the Interim General Manager and/or Assistant General Manager to execute the agreement.
- 2.1.2 Norit Americas, Inc., the lowest responsible and responsive bidder, effective January 1, 2025 through December 31, 2025, for estimated annual quantities of Activated Powdered Carbon Chemical, at a per pound cost of \$1.17, at an estimated out-of-pocket cost to the Board of \$87,750.00; and to authorize the Interim General Manager and/or Assistant General Manager to execute the agreement.
- 2.1.3 Pencco, Inc., the lowest responsible and responsive bidder, effective January 1, 2025 through December 31, 2025, for estimated annual quantities of Ferric Sulfate, at a per pound cost of \$1.45, at an estimated out-of-pocket cost to the Board of \$5,147,500.00; and to authorize the Interim General Manager and/or Assistant General Manager to execute the agreement

Resolution No. 9621.2.1 is hereby adopted by Directors Blankenship, Burbage, Huffman, Henderson, Nesmith, Taylor, and Ward; Director Munchus voted no on agenda item 2.1.3.”

“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. Carl Dalton NeSmith and seconded by Mr. Larry Ward, that the Board hereby authorizes staff to execute purchase orders and/or contracts for procurement of materials, services and supplies needed for the operation, construction, and maintenance of the water system, as recommended by the Engineering and Maintenance Committee to the following:

- 2.2.1 Ferguson Waterworks, the lowest responsible and responsive bidder, for estimated annual quantities of PEXa Piping, at an estimated out-of-pocket cost to the Board of \$143,360.00; and to authorize the Interim General Manager and/or Assistant General Manager to execute the agreement.
- 2.2.2 Ferguson Waterworks, the lowest responsible and responsive bidder, for estimated annual quantities of Curb Boxes, Curb Box Lids, Valve Boxes, Valve Box Lids, and Pavadjusters, at an estimated out-of-pocket cost to the Board of \$158,965.30; and to authorize the Interim General Manager and/or Assistant General Manager to execute the agreement.
- 2.2.3 Core & Main, LP, the sole bidder, for estimated quantities of Precast Concrete Vaults, at an estimated out-of-pocket cost to the Board of \$410,875.00, and to

authorize the Interim General Manager and/or Assistant General Manager to execute the agreement.

- 2.2.4 Consolidated Pipe & Supply Company, Inc., the lowest responsible and responsive bidder, for estimated annual quantities of NON-AIS certified Tapping Sleeves, at an estimated out-of-pocket cost of \$843,943.00, and to Ferguson Water Works, the lowest responsible and responsive bidder, for estimated annual quantities of AIS certified Tapping Sleeves, at an estimated out-of-pocket cost to the Board of \$1,079,666.05; and to authorize the Interim General Manager and/or Assistant General Manager to execute the agreements.
- 2.2.5 Two Oaks Construction, LLC, the lowest responsible and responsive bidder, for estimated annual quantities of Longitudinal Transverse - Milling and Resurfacing Paving, effective January 1, 2025 through December 31, 2025, at an estimated out-of-pocket cost to the Board of \$1,569,750.00; and to authorize the Interim General Manager and/or Assistant General Manager to execute the agreement.
- 2.2.6 Consolidated Pipe & Supply Company, Inc., the lowest responsible and responsive bidder, for estimated annual quantities of Meter Loops and Resetters, at an estimated out-of-pocket cost to the Board of \$2,149,056.70; and to authorize the Interim General Manager and/or Assistant General Manager to execute the agreement.
- 2.2.7 Tren-Tay, Inc., the lowest responsible and responsive bidder, for the replacement of approximately 4,720 feet of 2-inch galvanized steel pipe / 2-inch unlined cast iron pipe with approximately 1,720 feet of 8-inch DICL pipe; 2,430 feet of 6-inch DICL pipe; 2,860 feet of 4-inch DICL pipe and related appurtenances; and 155 water services along 49th Street Fairfield (FF); 52nd Street FF; Avenue "C" FF; Overlook Place FF; 53rd Street FF; Court "B" FF; Avenue "D" FF; and 54th Street FF located in the City of Fairfield, at a bid amount of \$1,459,216.00; plus estimated cost of materials and Water Board labor in the amount of \$851,817.38; at an estimated out-of-pocket cost to the Board of \$2,311,033.38; and to authorize the Interim General Manager and/or Assistant General Manager to execute the agreement.
- 2.2.8 Tren-Tay, Inc., the lowest responsible and responsive bidder for the replacement of approximately 4,890 feet of 2-inch galvanized steel pipe / 2-inch unlined cast iron pipe and 460 feet of 2-inch cast iron cement lined (CICL) pipe with approximately 4,990 feet of 8-inch DICL pipe; 1,500 feet of 4-inch DICL pipe and related appurtenances; and 178 water services along 14th Place SW; 15th Street SW; 15th Way SW; Cleburn Avenue SW; and Alameda Avenue SW located in the City of Birmingham, at a bid amount of \$1,441,098.35; plus estimated cost of materials and Water Board labor in the amount of \$881,453.38; at an estimated out-of-pocket cost to the Board of \$2,322,551.73; and to authorize the Interim General Manager and/or Assistant General Manager to execute the agreement.

Resolution No. 9621.2.2 is hereby adopted by unanimous vote."

“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. Carl Dalton NeSmith and seconded by Mr. Larry Ward, that the Board hereby approves a scope of services, as recommended by the Engineering and Maintenance Committee to the following:

- 2.3.1 Jacobs Engineering Group, Inc., an increased scope of services fee and to enter into a Utility-Consultant Agreement for the pipeline relocation design and inspection to be performed in conjunction with ALDOT Project No. CMAQ-3715(266) within the cities of Birmingham and Mountain Brook with Mountain Brook as the primary sponsor, in the amount of \$77,966.33, less ALDOT reimbursement totaling \$77,966.33, at an out-of-pocket cost to the Board of \$0.00; and to authorize the Interim General Manager and/or Assistant General Manager to execute the agreements.
- 2.3.2 KPS Group, for Design and Bid Phase Services, for the 100 Lucerne Lane EnviroLab Renovation Project, at an out-of-pocket cost to the Board of \$1,009,691.00; and to authorize the Interim General Manager and/or Assistant General Manager to execute the agreement.

Resolution No. 9621.2.3 is hereby adopted by unanimous vote.”

“BE IT RESOLVED By the Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. Carl Dalton NeSmith and seconded by Mr. Larry Ward, that the Board hereby approves agreements, as recommended by the Engineering and Maintenance Committee to the following:

- 2.4.1 U.S. Geological Survey (USGS), a Joint-Funding agreement, effective December 1, 2024 through September 30, 2025, for the operation and maintenance of four (4) real-time streamflow gauges, within the BWW watershed, at an out-of-pocket cost to the Board of \$50,480.00; and to authorize the Interim General Manager and/or Assistant General Manager to execute the agreement.
- 2.4.2 Centrisys, a sole source provider, for repairs of the solids dewatering Centrisys centrifuge #1 at the Shades Mountain Filter Plant, at an out-of-pocket cost to the Board of \$214,800.00; and to authorize the Interim General Manager and/or Assistant General Manager to execute the agreement.
- 2.4.3 Jefferson County Roads and Transportation, a reimbursable agreement and a Utility-Consultant Agreement with Neel-Schaffer, Inc., for the relocation of Birmingham Water Works Board facilities in conflict with ALDOT Project No. STPBH-5939(200), Widening Camp Horner Road (CR-1277) / Caldwell Mill Road

(CR-29) from Heatherwood Drive (CR-370) to Acton Road (CR-2311) and the Cahaba River bridge replacement in Jefferson and Shelby counties, at an estimated out-of-pocket cost of \$4,971,470.13, less ALDOT reimbursement totaling \$4,971,470.13, at an estimated out-of-pocket cost to the Board of \$0.00; and to authorize the Interim General Manager and/or Assistant General Manager to execute the agreement.

Resolution No. 9621.2.4 is hereby adopted by unanimous vote.”

“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. Carl Dalton NeSmith and seconded by Mr. Larry Ward, that the Board hereby approves expenditures with Knapheide Truck Equipment, for the purchase of twelve (12) service bodies for new F250 trucks; ten (10) service bodies and ten (10) cranes for new F550 trucks, at an estimated out-of-pocket cost to the Board of \$639,900.10; and to authorize the Interim General Manager and/or Assistant General Manager to execute applicable purchase orders, as recommended by the Engineering and Maintenance Committee. Resolution No. 9621.2.5 is hereby adopted by unanimous vote.”

“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. Carl Dalton NeSmith and seconded by Mr. Larry Ward, that the Board hereby ratify and approve emergency work awarded to ATLAS SSI, Inc., for repairs to the traveling screen at Cahaba Pump Station, at an estimated out-of-pocket cost to the Board of \$93,000.00; and to authorize the Interim General Manager and/or Assistant General Manager to execute applicable documentation, as recommended by the Engineering and Maintenance Committee. Resolution No. 9621.2.6 is hereby adopted by unanimous vote.”

As there was no further business before the Board, Director Henderson made a motion to adjourn the meeting and Director Ward seconded the motion. On a motion duly made and seconded, the motion was approved, and the meeting adjourned at 12:30 p.m.

_____/s/_____
Tereshia Q. Huffman
Chairwoman

Attest:

_____/s/_____
Larry Ward
Secretary-Treasurer