

**FMINUTES OF THE REGULAR BI-MONTHLY MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
February 10, 2015**

The regular bi-monthly meeting of the directors of The Water Works Board of the City of Birmingham was held on Tuesday, February 10, 2015 at 9:00 a.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 George Munchus. Director Ann D. Florie was not present.

The meeting was also attended by: Mac Underwood, General Manager; 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; Tom Helms, Jeremy Millsap, Rick Jackson, Barry Williams, Board Employees; Charlie Waldrep, Mary Thompson, K. Mark Parnell, Fred Simpler and Kelvin Howard, Waldrep, Stewart & Kendrick; Jesse Lewis and Dorian Kendrick, The Lewis Group; Chandra Abesingha, C.E. Associates; Jerry Jones, ARCADIS; Attorney David Sullivan; Kirk Mills, Volkert, Inc.; Jim Folsom, Piper Jaffray; Rebecca DePalma, White, Arnold & Dowd; Matt Arrington, Terminus Securities; Kent Faulk, *The Birmingham News*; Angela Avery, Charles Knox, Alex McKenzie, Nija Major and Eric Small, IFS Securities.

Inasmuch as four of the directors were present; Chairman Robinson declared a quorum in attendance.

Chairman Robinson called the meeting to order at 9:14 a.m. and General Manager Mac Underwood opened with prayer.

Following, the General Manager stated there was no old business under agenda item 1 and asked the board to approve minutes of the Board of Directors' meetings, as set forth in agenda item 2. Mr. Underwood stated staff had reviewed the minutes and recommended them for approval. 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. David S. Herring and seconded by Mr. George Munchus, that the Board hereby approves minutes of the Informational Board of Directors’ Meeting held December 19, 2014; and Regular Board of Directors’ Meeting held December 23, 2014. Resolution No. 6856 is hereby adopted by unanimous vote.”

* * * * *

Following, the General Manager asked the board to approve payments of invoices for professional services, as set forth in agenda items 3.1 through 3.4. The General Manager indicated staff had reviewed the invoices and recommended them for approval. 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. David S. Herring is and seconded by Mr. George Munchus, that the Board hereby authorizes staff to execute payments to the following:

3.1	<u>Terminus Municipal Advisors, LLC</u> For professional services rendered for January 2015	<u>\$ 6,500.00</u>
3.2	<u>Birmingham Construction Industry Authority</u>	
3.2.1	For professional services rendered for October 2014	<u>\$ 2,000.00</u>
3.2.2	For professional services rendered for November 2014	<u>\$ 2,000.00</u>
3.2.3	For professional services rendered for December 2014	<u>\$ 2,000.00</u>
3.2.4	For professional services rendered for January 2015	<u>\$ 2,000.00</u>
3.3	<u>Fine Geddie & Associates, LLC</u> For professional services rendered for February 2015	<u>\$ 10,000.00</u>
3.4	<u>The Lewis Group</u> For professional services rendered for December 2014	<u>\$ 25,000.00</u>

Resolution No. 6857 is hereby adopted by unanimous vote.”

Following, the General Manager asked the board to approve a franchise agreement with the City of Warrior, as set forth in agenda item 4. The General Manager indicated staff is in the process of updating franchise agreements with cities whose agreement has expired. He said the recommended time length of the agreements is thirty (30) years. Director Munchus requested a copy of all franchise agreements be sent to him once they are updated. 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. David S. Herring and seconded by Mr. George Munchus, that the Board hereby accepts a Water Franchise, an executed Ordinance dated January 22, 2015, from the City of Warrior, Alabama, granting a thirty (30) year water franchise with the Birmingham Water Works Board. Resolution No. 6858 is hereby adopted by unanimous vote.”

Following, the General Manager asked the board to approve an agreement with Message Point Media to provide TV monitors as part of BWWB’s employee and customer engagement strategy, as set forth in agenda item 5. The General Manager indicated the agreement is for \$33,293.80 which would be paid upfront to result in a savings for BWWB of \$3,000.00. He stated this item was presented to the joint Communication and Human Resources Committee. 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. David S. Herring is and seconded by Mr. George Munchus, that the Board hereby approves an agreement with Message Point Media, a sole source vendor, to provide HD signage platforms (TV monitors), communication services and support as part of the BWWB's employee and customer engagement strategy at an estimated

annual cost of \$33,193.80 and authorizes the General Manager and/or Assistant General Manager to execute said agreement, as recommended by a joint Communication and Human Resource Committee. Resolution No. 6859 is hereby adopted by unanimous vote.”

* * * * *

Next, the General Manager asked the board to authorize Terminus Municipal Advisors, LLC; Waldrep Stewart & Kendrick; and Sirote & Permutt to begin preparation of financing documents of several of its outstanding issues of Senior Lien Bonds; and to adopt a reimbursement resolution authorizing the reimbursement of capital expenditures incurred from operating funds in an approximate amount of \$50,000,000.00, as set forth in agenda items 6.1 and 6.2. The General Manager presented the board with a handout. A copy is on file with said meeting book. The General Manager stated there are \$156 million of bonds available to be refunded from the 2006A and 2008A which is an excess of 6% savings at this time. The 2009 bonds have a savings of 4.3%-4.5% savings. He indicated if the market holds those funds can be refunded along with a new money issue of \$80 million to cover capital improvement programs. Director Herring questioned what the savings would be. The General Manager stated \$16 million on the refinancing or 6.5% on the refunding. He indicated if the market changes, the 2009A bonds will not be available for refunding; however, the 2006A and 2008A will be available for refunding. Director Munchus questioned why the 2006 bonds were not refunded prior to now. Director Robinson stated those funds were not in the money. The General Manager stated some of those bonds barely meets our savings threshold. He stated market conditions have changed this year they have been monitored and we need to move forward while the market is holding. Matthew Arrington, Terminus Securities, LLC, stated by combining the bonds this helps to save on costs. Board Attorney Fred Simpler stated when new money is issued the board has the ability to spend money on its capital projects now. He indicated a resolution would need to be adopted for reimbursement. On a motion duly made and seconded, the following resolutions were adopted:

”BE IT RESOLVED AND ORDERED by the Board of Directors (herein called the “Directors”) of the Water Works Board of the City of Birmingham (herein called the “Board”) as follows:

Section 1. Findings and Determinations. The Board has several series of its Water and Sewer Revenue Bonds and Water Revenue Bonds outstanding (the “Outstanding Senior Lien Bonds”), which were issued pursuant to a Trust indenture dated as of October 1, 1988, as amended and supplemented (the “Indenture”). The Board and its financial advisor have analyzed the Senior Lien Bonds and have ascertained and determined that, in the current interest rate environment, several of the issues of the Senior Lien Bonds can be refunded, either in part or in whole, at substantial debt service savings to the Board.

The Board has found and determined that it is necessary and desirable to proceed with the refinancing of several of its outstanding issues of Senior Lien Bonds in order to achieve financial benefits associated with such refinancings and refundings and also to incorporate into such refundings and refinancings certain borrowings for planned capital improvements in a principal amount of approximately \$80,000,000; and

The Board has found and determined that it is in the best interests of the Board and its customers to authorize its Financial Advisor, Bond Counsel and Disclosure Counsel to begin the preparation of financing documents and a Preliminary Official Statement of the Board with a view to putting the Board in a position to take advantage of current interest rates.

Section 2. Authorization of Financing Team. The Board hereby authorizes Terminus Municipal Advisors, LLC, as financial advisor to the Board, Waldrep Stewart & Kendrick, LLC., as bond counsel, and Sirote & Permutt, P.C., as Disclosure Counsel to begin preparation of financing documents, including a Twelfth Supplemental Indenture and a Preliminary Official Statement to accomplish the financings referred to above.

Section 3 Effective Date. This Resolution shall become effective upon its approval as provided by law.

Resolution No. 6860 is hereby adopted by unanimous vote.”

“BE IT RESOLVED AND ORDERED by the Board of Directors (herein called the "Directors") of the Water Works Board of the City of Birmingham (herein called the "Board") as follows:

Section 1. Findings and Determinations.

(a) The Board has been and will be making certain capital expenditures for the purpose of constructing certain improvements and renovations to the Board's water supply and distribution system (the "Authorized Purpose"), and reasonably expects that additional capital expenditures for the Authorized Purpose will be necessary.

(b) The Board reasonably expects to be reimbursed for capital expenditures made for the Authorized Purpose in an approximate amount of \$50,000,000 from the proceeds of its Water Revenue Bonds to be issued in 2015 (the "Bonds") to be subsequently issued by the Board, which Bonds, when issued, shall be secured by a pledge of certain revenues from the water supply and distribution system of the Board (the "System") that remain after the payment of the expenses of operating and maintaining the System (the "Pledged Revenues"), and shall not be a general obligation of the Board, and the Board shall not be liable for debt service on the Bonds except from Pledged Revenues.

(c) The Board anticipates that there will be no funds from sources other than proceeds of the Bonds nor will any such funds be reserved, allocated on a long-term basis or otherwise set aside by the Board to finance such capital expenditures for the Authorized Purpose, other than moneys needed in addition to the proceeds of the Bonds.

Section 2. The Board is making this declaration of official intent pursuant to Section 1.103-8(a) (5) and Section 1.150-2 of the United States Treasury Regulations (collectively, the "Reimbursement Regulations").

Section 3. The Board hereby declares its intent to issue the Bonds and use the

proceeds from the sale of the Bonds for the Authorized Purpose.

Section 4. Capital expenditures for the Authorized Purpose made by the Board before the issuance of the Bonds from any legally available source of funds of the Board, including without limitation, certain operation and maintenance reserves of the Board, shall be reimbursed from the proceeds of the Bonds to the extent permitted by the Reimbursement Regulations.

Section 5. All resolutions in conflict with this resolution are hereby rescinded and repealed, but only to the extent of any such conflict. This resolution shall be effective immediately upon its adoption.

Resolution No. 6861 is hereby adopted by unanimous vote.”

* * * * *

Next, the General Manager recognized Barry Williams, Business Systems/Transformations Manager, to make a presentation regarding SAP Phase-2, as set forth in agenda item 7. Mr. Williams stated he would like to update the board regarding the progress of SAP. He stated the board approved the SAP Phase 2 CRMB Implementation. He stated ASAP methodology is the standard SAP implementation process and indicated that currently we are in the blueprinting phase of that methodology. He stated the program has moved from the project preparation which included designing the initial scope. He indicated the blueprinting phase is the most important because it involves management and employees deciding what they would like to get out of the process. He stated this would include device management, credit collections, billing, customer relationships, financial integration and general ledger. Mr. Williams then gave an overview of activities completed to date. He stated a statement of work has been given to the attorneys to review all the items needed to be completed in Phase 2. He stated 102 workshops will be conducted from February-May 2015 to provide training to employees regarding their participation in the implementation. Director Robinson left the meeting at 9:22 a.m. and returned at 9:23 a.m. Mr. Williams stated a monthly communication plan will be sent to all employees keeping them abreast of the implementation status. He stated the current version of SAP is being upgraded to ensure when the billing module is implemented it will be up to date. He stated employees were invited to assist in the branding of SAP Phase 2 by creating a motto and a kick-off will be held February 17, 2015. A winner will be announced at the kick-off. Mr. Williams then gave an overview of the proposed schedule. He stated Phase 2 should last 14-18 months. Director Lewis stated she likes the plan Mr. Williams has presented and indicated this project must be seamless and have a positive impact on BWB customers.

Chairman Robinson then recognized visitors attending the meeting. Eric Small, IFS Securities, introduced his colleagues and stated they have been tracking the refunding bond issue. He stated IFS Securities has submitted a proposal and would like to be a member of the team that is selected.

Subsequently, Director Munchus questioned what the total amount of the bond issue is. Mr. Simpler stated \$155 million will be refunded with \$80 million in new money being issued. Mr. Arrington stated at least \$110 million will be refunded. Director Munchus questioned what the expected completion is. Mr. Arrington stated either late March or early April 2015.

As there was no further business before the board, a motion was duly made and seconded, and the meeting was adjourned at 9:36 a.m.

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

1. Director Munchus requested a copy of all franchise agreements be sent to him.
2. Barry Williams, Business Systems/Transformation Manager, to re-send a copy of the SAP Update to all board members.

/s/

A. Jackie Robinson, III
Chairman/President

Attest:

/s/

David S. Herring
Secretary-Treasurer