

**MINUTES OF THE REGULAR MEETING OF DIRECTORS
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
March 24, 2016**

The regular meeting of the directors of The Water Works Board of the City of Birmingham was held on Thursday, March 24, 2016 at 9:00 a.m., at 3600 First Avenue North, Birmingham, Alabama.

The following Directors were present: Ronald A. Mims, Kevin B. McKie, Ann D. Florie, George Munchus, and Sherry W. Lewis.

Inasmuch as all Directors were present, a quorum was in attendance.

The meeting was also attended by: Mac Underwood, General Manager; Michael Johnson, Assistant General Manager of Finance and Administration; Darryl Jones, Assistant General Manager of Operations and Technical Services; Sonny Jones, Assistant General Manager of Engineering and Maintenance; Tammy Wilson, Executive Assistant to Assistant General Managers, Sonny Jones and Darryl Jones; Grace Amison, Executive Assistant to the Board of Directors; Edward Travis, Perry Crabtree, Paul Lloyd and Michael Parker, Board Employees; Jesse Lewis, The Lewis Group; Kirk Mills, Volkert & Associates, Inc.; Jerry Jones, ARCADIS; Chandra Abesingha, CE & Associates, Inc.; Courtney French, Mike Petway Ryan Wilson and Sam Ford and Paige Goldman, Fuston, Petway and French, LLP; Rodney Givens, Jackson and Tull; Dan Meadows, S.S, Nesbitt & Company, Inc.; David Merrida, Birmingham Construction Industry Authority; John Ray, KHAFRA; Matt Adams, Raymond James; Aleia Shipman, 3G Chemicals; Geniece Dancy and Bernard Scott, Global Construction; David Russell, citizen.

Chairman Mims called the meeting to order at 9:05 a.m. and welcomed the meeting body. Assistant General Manager Michael Johnson opened the meeting with prayer.

Next, General Manager Mac Underwood asked the Board to adopt a resolution commending the Employees of the Month for March 2016, as set forth in agenda item 1. General Manager Mac Underwood asked the Board to adopt resolutions commending Jeremiah Polk, Doney Childrey, Willie Lee and Jerome Little, Jr. in the Engineering and Maintenance Division's Water Accountability department. The employees introduced themselves, giving their titles and their number of years of service. Human Resources Manager, Paul Lloyd explained that these employees were called in to work during the Thanksgiving and Christmas holidays, leaving their families because the Birmingham Water Works Board (BWVB) system was losing tanks and customers were out of water. The employees worked throughout the day and night to restore water to customers. The employees demonstrated commitment and teamwork Paul Lloyd stated. Chairman Mims presented the employees with checks and posed for a photograph with them. Assistant General Manager Sonny Jones added these men report to Manager, Geoff Goodwin and that they are a hard-working and non-complaining group that he is very proud of. 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. Kevin B. McKie and seconded by Ms. Sherry W. Lewis, that the Board hereby recognizes and commends Jeremiah Polk, Doney Childrey, Willie Lee and Jerome Little, Jr. as the Engineering and Maintenance Division’s Employees of the Month for March 2016, on having achieved outstanding job performance, attendance, and work above expected levels.

RESOLVED FURTHER, that the Board and the General Manager are hereby authorized to sign a formal resolution, the wording of which will carry out the intent herein, and a copy of which will be presented to the employees named above.

Resolution No. 7152 is hereby adopted by unanimous vote.”

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There was no discussion under old business.

Next, General Manager Mac Underwood asked the Board to approve minutes from a Regular Board of Directors’ Meeting held, January 13, 2016, as set forth in agenda item 3. 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. George Munchus and seconded by Mr. Kevin B. McKie, that the Board hereby approves minutes of the Regular Board of Directors’ Meeting held on January 13, 2016.

Resolution No. 7153 is hereby adopted by unanimous vote.”

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Next, General Manager Mac Underwood asked the Board to approve payments of invoices, as set forth in agenda items 4.1 through 4.6. General Manager Mac Underwood indicated management has reviewed the referenced invoices and recommends 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. George Munchus and seconded by Mr. Kevin B. McKie, that the Board hereby authorizes staff to execute payments to the following:

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| 4.1 | <u>The Jones Group, LLC</u>
For professional services rendered for March 2016 | <u>\$ 5,000.00</u> |
| 4.2 | <u>Raftelis Financial Consultants, Inc.</u>
For professional services rendered for February 2016 | <u>\$ 5,747.50</u> |
| 4.3 | <u>Volkert, Inc.</u>
For professional services rendered for February 2016 | <u>\$ 11,687.31</u> |

- 4.4 Maynard, Cooper & Gale, P.C.
For professional services rendered for February 2016 \$ 15,414.90
- 4.5 The Lewis Group, Inc.
For professional services rendered for February 2016 \$ 25,000.00
- 4.6 Fuston, Petway & French, LLP
For professional services rendered for February 2016 \$131,597.06

Resolution No. 7154 is hereby adopted by unanimous vote.”

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Following, General Manager Mac Underwood asked the Board to take bids for the hand held water meter reading system upgrade project at an estimated out-of-pocket cost to the Board of \$295,000.00, as set forth in agenda item 5. Assistant General Manager Michael Johnson stated that the last upgrade was seven years ago and the money was in the Capital Budget. Director Florie asked if staff had made the determination that this type of equipment is what the Board needs technology-wise for the upgrade. Director Florie asked if there were other options. Some discussion occurred surrounding automated meter reading and it was determined that the Board has not reached that point yet. General Manager Mac Underwood further explained that the upgrade is needed due to failing equipment and that this upgrade may have additional functions. The upgrade will also integrate with SAP, which is key the General Manager stated. Director Lewis asked if the Board would be leasing or buying the equipment. General Manager Mac Underwood responded that the Board would be buying the equipment. Superintendent of meter reading, Michael Parker was recognized and explained that currently data is being lost out in the field which affects billing. This upgrade will provide real-time updates according to Michael Parker. Director Munchus asked if this item went to a Committee first and if there is a local company who can provide the equipment. General Manager Mac Underwood responded it did not go through a Committee and added this technology is not available through local companies. The company who provided the equipment to be replaced was Radix Systems and they are out of Kansas. Chairman Mims stated he wants to make sure the employees have the proper equipment to perform their jobs. Following the issuance of the bids, Assistant General Manager Michael Johnson stated he hoped to be able to issue the bid in about two weeks. Director McKie asked if the upgrade offers more precise monitoring. Monitoring and efficiency were discussed and Assistant General Manager Darryl Jones stated that there is currently a system in place for that already. Mac Underwood explained that Staff will know more in the next two weeks what the companies are offering. Assistant General Manager Michael Johnson confirmed that Staff is expecting a bid from Radix Systems. 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. Kevin B. McKie and seconded by Mr. George Munchus, that the Board hereby authorizes staff to take bids for the Hand Held Water Meter Reading System Upgrade Project at an estimated out-of-pocket cost to the Board of \$295,000.00

Resolution No. 7155 is hereby adopted by unanimous vote.”

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Next, General Manager Mac Underwood asked the Board to award bids to Motley Construction, the lowest responsible and responsive bidder, for estimated quantities of pressure washing hosing, at an estimated annual out-of-pocket cost to the Board of \$216,000.00. Also Mac Underwood requested the Board to award bids to provide standard patch paving replacement throughout the limits of the Board’s Distribution System awarding the contract to two separate companies, Tate Contracting & Excavating, Inc., the lowest responsible and responsive bidder, for estimated quantities of standard patch paving replacement, at an annual estimated out-of-pocket cost to the Board of \$1,324,575.00 and Global Construction, the lowest responsible and responsive bidder, for estimated quantities of standard patch paving replacement, at an annual estimated out-of-pocket cost to the Board of \$1,986,700.00, as set forth in agenda item 6. Director Florie expressed concern that historically the pressure washing bid goes over budget and that it has been a problem. Assistant General Manager Sonny Jones stated he would provide a report every month detailing the pressure washing expenses and alert the Board should Staff realize the contract could exceed the budget, similar to what Staff is doing with the paving report. Director Munchus expressed concern with the bid award to Tate Contracting & Excavating, Inc. because he thought the Board may be in litigation with Tate Contracting & Excavating, Inc. Attorney Courtney French stated the Board is not currently in litigation with Tate; however Jefferson County may be limiting work with them. Assistant General Manager Sonny Jones stated three years ago the Board awarded Tate a second project which was much larger and different than the patch paving we are talking about today. The project was on South Shades Crest Road and they did not do a good job. The county inspectors stopped the project mid-way through. Assistant General Manager Sonny Jones stated the case settled very much in the Board’s favor. Sonny Jones stated it was his intent to use Global Construction on county roads. Director Lewis stated she questioned estimated costs. Assistant General Manager Sonny Jones stated he used his best estimate and stated the Board would be notified if this amount is exceeded. On a motion duly made and seconded item 6 was amended as follows:

“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. George Munchus and seconded by Mr. Kevin B. McKie, that the Board hereby amends item 6 to separate the motions for consideration of approval for item 6.2.1 from items 6.1 and 6.2.2, as shown on the agenda.

Resolution No. 7156 is hereby adopted by unanimous vote.”

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“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. Kevin B. McKie and seconded by Ms. Sherry W. Lewis, that the Board hereby authorizes staff to award bids on the following:

6.1 Motley Construction, the lowest responsible and responsive bidder, for estimated quantities of pressure washing hosing, at an estimated annual out-of-pocket cost to the Board of \$216,000.00.

6.2.2 Global Construction, the lowest responsible and responsive bidder, for estimated quantities of standard patch paving replacement, at an annual estimated out-of-pocket cost to the Board of \$1,986,700.00.

Resolution No. 7157 is hereby adopted by unanimous vote.”

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“BE IT RESOLVED By The Water Works Board of the City of Birmingham (“the Board”), on a motion duly made by Mr. Kevin B. McKie and seconded by Ms. Sherry W. Lewis, that the Board hereby authorizes staff to award bid on the following:

6.2.1 Tate Contracting & Excavating, Inc., the lowest responsible and responsive bidder, for estimated quantities of standard patch paving replacement, at an annual estimated out-of-pocket cost to the Board of \$1,324,575.00.

Resolution No. 7158 is hereby adopted by Directors Mims, Florie, McKie and Lewis. Director Munchus voted no.”

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Following, General Manager Mac Underwood asked the Board to approve Board of Directors’ actual travel expenses for the 2016 Utility Management Conference: Director Mims in the amount of \$2,041.90; and Director McKie in the amount of \$2,872.10, noting that a roll call vote would be required, as set forth in agenda item 7. On a motion duly made and seconded, the following resolution was adopted:

“WHEREAS, the Board of Directors has adopted a Travel Expense Reimbursement Policy, as amended; and

WHEREAS, pursuant to Resolution No. 7082 adopted by the Board of Directors on December 21, 2015, approval was given to attend the 2016 Utility Management Conference, scheduled February 24 - 27, 2016, in San Diego, California; and

WHEREAS, in accordance with Act No. 2015-164, approval is requested for the following actual expenses relative to the above-referenced conference.

NOW, THEREFORE, BE IT RESOLVED, on a motion duly made by Mr. George Munchus and seconded by Mr. Kevin B. McKie, that the following board member(s) be reimbursed for his/her actual expenses pertaining to said conference as follows:

- Ronald A. Mims for total expenses including conference registration, airline ticket, lodging (room and tax only), other incidental expenses, and business meals in the

amount of \$2,041.90 (as itemized on the attached Travel and Business Expense Reimbursement form).

- Kevin B. McKie for total expenses including conference registration, airline ticket, lodging (room and tax only), other incidental expenses, and business meals in the amount of \$2,872.10 (as itemized on the attached Travel and Business Expense Reimbursement form).

Resolution No. 7159 is hereby adopted by a roll call vote: Chairman Mims, aye; Director McKie, aye; Director Florie, aye; Director Munchus, aye; and Director Lewis, aye.”

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Next, General Manager Mac Underwood asked the Board to reimburse the Operating Account for capital expenditures for the period ended February 29, 2016, from Schedule No. IV (Cash Basis), in the amount of \$3,650,354.38, as set forth in agenda item 8. On a motion duly made and seconded the following resolution was adopted:

“WHEREAS, ARCADIS US, Incorporated, in a Certificate dated March 23, 2016, certified that during the period ending February 29, 2016 that there were expenditures for the cost of system improvements, which were paid out of the Operating Account and reimbursement of that account is now due in the preliminary amount of \$3,650,354.38 and;

WHEREAS, transfers to the Operating Account can be made from any, or a combination, of the following: the 2002 Construction Fund, the Improvement Fund, and/or the Revenue Account.

NOW, THEREFORE, BE IT RESOLVED By The Water Works Board of the City of Birmingham, on a motion duly made by Mr. George Munchus and seconded by Mr. Kevin B. McKie, that the Trustee be, and is hereby instructed to immediately transfer \$3,650,354.38 to the Operating Account from any, or a combination, of the following: The 2002 Construction Fund, the Improvement Fund, and/or the Revenue Account.

Resolution No. 7160 is hereby adopted by unanimous vote.”

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Following, Assistant General Manager Michael Johnson presented the January and February 2016 Finance and Administration Division Reports, as set forth in agenda item 9.1. Assistant General Manager Michael Johnson distributed a handout (a copy of which is on file with the Board meeting book) of the projected consumption of raw water for Fiscal Year 2016. For the January 2016 Report, the Number of Active Customers did not change significantly. Raw Water is down which was projected, but it is down more than expected Michael Johnson stated and this will be discussed later in the presentation. The Customer Metered Consumption Year to Date (YTD) is down a total of 26%. Paygo numbers for Net Operating Revenue were under budget \$373,574.00. Under Large O & M Variances, Employee Health costs are \$249,398.00 under budget. Paving, Power and Chemical costs are under budget. Allocated

Reserve Fund Balances as of January 31, 2016 were at \$88,779,154.00. Historically Underutilized Business (HUB) Participation Summary figures show Consultants at 3.36%, Suppliers and Services at 18.56% and total Vendors at 12.00%. The number of Regular Employees was at 655. IVR and Website Usage show little change. E-Check vs. Credit/Debit Card Usage shows little change. E-Billing Stats are steadily increasing. Monthly Homeserve Total Active Policies continue to increase with 29,566 total policies. The new Homeserve agreement adding plumbing and draining shows 10 customers as of January 31st. Moving on to the February 2016 Report, Assistant General Manager Michael Johnson stated the Number of Active Customers revealed we had more new customers than we had turn-ons and turn-offs. Director Lewis asked if it was possible to determine the location of the new customers. Michael Johnson responded that it could be tracked. Customer Metered Consumption is under budget overall by 23%. Paygo numbers for Net Operating Revenue were over budget overall by \$2,421,432.00. Under Large O & M Variances, Employee Health costs are \$1,040,993.00 under budget. There was a significant Stop Loss reimbursement contributing to the healthcare cost number being under budget. Contractor charges were over budget. Paving charges were under budget. Power costs and Chemical costs were under budget, which Assistant General Manager Darryl Jones will talk about later in his presentation. The Reserve Fund Summary as of February 29, 2016 was \$96,401,386.00. HUB Participation Summary figures show Consultants at 3.96%, Suppliers and Services at 11.37% and total Vendors at 9.56%. The number of Regular Employees shows no change. IVR and E-Billing Usage numbers are climbing. Monthly Homeserve Total Active Policies as of February 29, 2016 shows 29,716 total active policies. The feedback and customer satisfaction we are getting from Homeserve is very good Michael Johnson stated. Director Lewis asked if Homeserve could do another campaign. Assistant General Manager Michael Johnson stated he would talk to Homeserve about sending out something. Michael Johnson stated there was the possibility of a revenue adjustment based on the handout distributed of the Projection of Raw Water Consumption for Fiscal Year 2016. Assistant General Manager Michael Johnson explained that the steel industry outlook will most likely impact revenue regarding raw water consumption. The dollar amount associated with the revenue adjustment amount is \$1,879,757.00. The Steel Industry is expected to struggle in 2016 and a great article to read regarding the outlook for the Steel Industry in 2016 is, "*Steel Industry's 2016 Outlook after a Dismal 2015*" Michael Johnson stated. General Manager Mac Underwood told the Board if a revenue adjustment is necessary in the future, Staff will put an item on an the agenda.

Following, Assistant General Manager Sonny Jones presented the February 2016 Engineering and Maintenance Division Report, as set forth in agenda item 9.2. This year we budgeted \$60,357,890.00 and through February 2016 we have expended \$6,612,160.00 according to Sonny Jones. Under Capital Project Highlights, Shades Mountain Filter Plant design improvements are still underway. The Inland Lake Marina design is complete. Western Filter Plant Electrical Upgrades, Phase 1 is complete and Phase 2 is to be advertised and bids taken in April 2016. The Putnam Filter Plant Sodium Hypochlorite project estimated at \$600,000.00 will help eliminate the risk of a chlorine leak. The System Development Department's 2016 total scheduled main replacement is 40,000 feet. The number of feet replaced so far in 2016 is 2,634. The projects that are currently under construction total 4,355 feet. The cut and cap parallel mains total is 4,706 feet. The total of projects ready to be installed or bids received is 11,195 feet. Under Distribution Department Highlights February 2016, the

total leak orders completed was 405, the outstanding leak orders totaled only 3 and the oldest leak in the system is March 9, 2016. The number of hydrants repaired or replaced is 125. The average out-of-service time on hydrants is 1 day and there are no outstanding hydrant repair orders. The number of lines repaired or replaced is 88. Sonny Jones stated additional lines would be added to the Distribution Department Highlights slide reporting the pressure washing and paving status each month.

Next, Assistant General Manager Darryl Jones presented the February 2016 Operations and Technical Services Division Report, as set forth in agenda item 9.3. The Finished Water Pumpage is average for this time of year. The Total Finished Water YTD Pumpage is 5,839 million gallons. Under Raw Water Pumpage, the Total YTD Pumpage is 6,003 million gallons. The Average Cumulative Rainfall is above average. Inland Lake and Lake Purdy are full, which is normal for this time of year. All Other Raw Water Customers and USX show a decline. The Power Accounts actual amount is \$178,739.00 below the budgeted amount. The Chemical Accounts actual amount is \$89,003.00 below the budgeted amount.

Next, Director Munchus asked if anyone had heard from Evonik, the German pharmaceutical company expanding to the Birmingham area. Mac Underwood stated these new water taps come out of the System Development Department so Staff will check with them relating to a new water tap request from the pharmaceutical company.

Following, David Merrida with Birmingham Construction Industry Authority (BCIA) was recognized. A handout (a copy of which is on file with the Board meeting book) was distributed detailing BCIA's 2016 Construction Business Meeting which was scheduled for tonight at 5:00 p.m. at the Birmingham Crossplex. David Merrida introduced a visitor with him, Aleia Shipman with 3G Chemicals, a local company. Minority vendor, 3G Chemicals distributes deodorizing chemicals and solvents and she is looking into doing business in chemical solutions with the wastewater industry. The Board referred her to Jefferson County. Assistant General Manager Darryl Jones stated he would provide her with a list of the chemicals the Board uses at its plants.

Next, Director Lewis made an appeal to the Board to reconsider adding the 50 children back to the Young Water Ambassador Program which were eliminated from the 2016 budget. Director Munchus thanked Director Lewis for her concern and interest.

Following, Assistant General Manager Michael Johnson recognized Technical Support Analyst, Perry Crabtree from the IT Department. Today was Perry Crabtree's last day and Michael Johnson thanked him for his dedication to the BWWB wishing him well with his new opportunity. Perry Crabtree stated he was moving toward the security area of IT and was offered a position with HealthSouth.

As there was no further business before the Board, a motion was duly made and seconded, and the meeting was adjourned at 10:28 a.m.

_____/s/
Ronald A. Mims
Chairman/President

Attest:

_____/s/
George Munchus
Secretary-Treasurer