

**MINUTES OF THE FINANCE COMMITTEE MEETING
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
January 25, 2023**

A Finance Committee meeting of the directors of The Water Works Board of the City of Birmingham was held on Wednesday, January 25, 2023, at 12:30 p.m., at 3600 First Avenue North, Birmingham, Alabama.

The following Committee members were present: Directors Ward (Committee Chairman), Burbage, and Huffman. Also present were Directors Mims, Henderson and Munchus, who are not Committee members.

Others present were: Michael Johnson, General Manager; Iris Fisher, Derrick Murphy and Jeffrey Thompson, Assistant General Managers; Cynthia Williams, Board Administrator; Anitra Clark, Corporate Governance Specialist; Vanessa Washington, Executive Assistant; Rosalind Jones, Jeff Wade, Charles McGee and David Walker, BWWB Employees; K. Mark Parnell, Parnell Thompson Law, LLC; Byron Perkins, Perkins Law, LLC; Kelvin Howard, Kelvin W. Howard, LLC; Tiffanie Agee, Agee Law, LLC.; Kessia Crenshaw, State of Alabama Attorney General's Office; Patrick Flannelly, ARCADIS; Matthew Arrington; Terminus Municipal Advisors, LLC.; Jamekia Bies, Help 2 Others Foundation; Kim Bivins, Birmingham Construction Authority; Theo Johnson, Jacobs Engineering; Peiffer Brandt, Raftelis Financial Consultants, Inc.; Robert Rasmussen, Municipal Government Investors Corp.

Inasmuch as all Committee members were present, a quorum was in attendance. Committee Chairman Ward called the meeting to order at 1:37 p.m.

Following, the Committee proceeded to approve the agenda. Director Burbage made a motion to approve the agenda and Committee Chairman Ward seconded the motion. The agenda was approved by unanimous vote.

Next, the Committee proceeded to the first item on the agenda, Request Committee to approve minutes of the Finance Committee Meeting held September 28, 2023, and October 12, 2022, respectively. Director Burbage made a motion to approve the minutes and Director Huffman seconded the motion. The minutes were approved by unanimous vote.

Following, the Committee proceeded to hear the reports of officers. General Manager Johnson asked the Committee to hear a presentation from Robert Rasmussen, Municipal Government Investors Corp, regarding Birmingham Water Works' outstanding investments and its opportunities to invest additional funds. Also, he asked the Committee to hear an update on Birmingham Water Works' application for the WIFIA Loan, afterwards. General Manager Johnson acknowledged Mr. Rasmussen to present. Mr. Rasmussen began his presentation by giving an overview of a handout entitled *Cash and Investments Review (a copy is on file in the Diligent Committee Book)*. He stated that the recent practice is to move funds from cash and checking accounts into higher yielding investments. In addition, an opportunity has been identified for the Board's debt service fund to use guaranteed investment contracts (GIC) to move the Board's debt service funds from a checking account mode into a higher yielding GIC mode. Mr.

Rasmussen stated that the Board's funds have been legally invested per Alabama State Law and collateralized. Per Mr. Rasmussen, the Board has enough funds to pay monthly operating expenses and at least one to two months in reserves. The Board generates approximately \$3,000,000.00 per month in Pay-Go. Assistant General Manager Fisher stated that two new items have been invested and added to the report since Mr. Rasmussen's September 2022 presentation. She stated that \$20,000,000.00 previously invested in a Certificate of Deposit (CD) was placed in a Guaranteed Investment Contract (GIC) with annual interest earnings of \$970,000.00. Also, \$50,000,000.00 previously invested in a GIC, was placed into a new GIC with annual interest earnings of \$1,015,000.00. General Manager Johnson stated that the investments are a significant gain in revenue.

Next, Assistant General Manager Murphy gave an update on the Water Infrastructure Finance & Innovation Act (WIFIA) Loan. He referenced the handout entitled *WIFIA Program* and his presentation entitled *US EPA WIFIA Presentation: Birmingham Water Works Board Infrastructure Repair and Rehabilitation Project (copies are on file in the Diligent Committee Book)*. Per General Manager Murphy, the Infrastructure Repair and Rehabilitation Program will consist of the following three projects: (1) Lake Purdy Dam Rehabilitation, (2) Water Main Replacement, and (3) Distribution Storage Tank Rehabilitation, which will improve water resiliency, quality, and supply dependability during a drought. He stated that Birmingham Water Works is the first to receive this level of funding in Alabama. Assistant General Manager Murphy summarized the Birmingham Water Works required information for the program. The information required included Birmingham Water Works' history, employees, management team, key assets, its governance, public engagement and outreach, and training. He stated that the challenge with receiving government funds is being able to spend/execute funds for said purpose. Assistant General Manager Murphy concluded the presentation with an overview of the three projects that are part of the WIFIA program. He commented that the one outstanding item needed for execution of the WIFIA loan is a concurrence letter from Fish and Wildlife stating that they agree with our environmental approach.

Following, Matthew Arrington, Terminus Municipal Advisors, gave an overview of the WIFIA loan benefits and its financial impact. He stated that the WIFIA funds are a loan and not a grant. However, one of its benefits is a low interest rate. The WIFIA loan rate is locked in at time of execution of the loan agreement and calculated at the United States Treasury rate. The WIFIA loan covers 49% of the projects' cost and the remaining 51% is covered by Birmingham Water Works PAY-GO. Also, WIFIA can count eligible costs in the sizing of the loan, which includes any non-federal interest or financing costs. He stated that the WIFIA loan has amortization flexibility. Interest payments can begin up to 5 years after substantial completion of the project. Benefits also include simplified reporting, capitalized interest period and draw flexibility. Per Mr. Arrington, a financial benefit of the WIFIA loan is that it reduces the Board's outstanding debt by reducing the cost of funding the Capital Improvement Program. Another financial benefit of the WIFIA loan includes mitigating interest rate risk. The Board will need to go to the bond market to borrow funds to continue capital improvements based on the anticipation that PAY-GO will be depleted by early 2024. Finally, as a result, the Board will be exposed to higher cost of funds since the Board will have to fund 100% of cost with either PAY-GO or bond funding instead of 51%

with the WIFIA loan. He concluded the presentation and commented that the board is saving approximately \$15,000,000.00 a year with the WIFIA loan. Afterwards, General Manager Johnson stated that the said item will go to the Finance Committee Meeting scheduled for February asking for approval of recommendation to the Board for the Board's approval, to close on the WIFIA loan.

Next, the Committee proceeded to the second item on the agenda, Request Committee to recommend to the Board to authorize a contribution to the H2O Foundation in the amount of \$100,000.00 on an annual basis; and to authorize the General Manager to make equal payments on a monthly basis in the amount of \$8,333.33. Director Burbage made a motion to recommend said item be moved to the full board for approval and Director Huffman seconded the motion. The agenda item was approved by unanimous vote.

Following, the Committee proceeded to the third item on the agenda, Request Committee to recommend to the Board to approve an agreement with Municipal Government Investors Corp., (mGIC) to bid the following: Uninvested Debt Service Fund ("DSF") monthly cash flows pertaining to debt issued subsequent to the closing of the Wells Fargo GIC and had an average balance of approximately \$12,000,000.00 on 12/31/2022; and to authorize the General Manager and/or the Assistant General Manager to execute the agreement and execute all documents necessary to complete the transaction. Director Burbage made a motion to recommend said item be moved to the full board for approval and Committee Chairman Ward seconded the motion. The agenda item was approved by unanimous vote.

Next, the Committee proceeded to the fourth item on the agenda, Request Committee to recommend to the Board to approve an agreement with American Municipal Tax-Exempt Compliance (AMTEC), in an amount not-to-exceed \$11,500.00 to provide verification agent services related to the bid of the following: Uninvested Debt Service Fund ("DSF") monthly cash flows pertaining to debt issued subsequent to the closing of the Wells Fargo GIC and had an average balance of approximately \$12,000,000.00 on 12/31/2022; and to authorize the General Manager and/or the Assistant General Manager to execute the agreement. Director Burbage made a motion to recommend said item be moved to the full board for approval and Director Huffman seconded the motion. The agenda item was approved by unanimous vote.

Following, the Committee proceeded to the fifth item on the agenda, Request Committee to recommend to the Board to approve an agreement with Butler Snow LLC., in an amount not-to-exceed \$15,000.00 to provide legal services related to the bid of the following: Uninvested Debt Service Fund ("DSF") monthly cash flows pertaining to debt issued subsequent to the closing of the Wells Fargo GIC and had an average balance of approximately \$12,000,000.00 on 12/31/2022; and to authorize the General Manager and/or the Assistant General Manager to execute the agreement. Director Burbage inquired about the process for choosing Butler Snow. General Manager Johnson stated that Birmingham Water Works has previously used their services and that there was not enough time to choose someone else. Director Burbage made a motion to recommend said item be moved to the full board for approval and Director Huffman seconded the motion. The agenda item was approved by unanimous vote.

Subsequently, the Committee proceeded to the sixth item on the agenda, Request Committee to recommend to the Board to approve the allocation of \$10,000.00 from funds budgeted for its Community Educational Program in support of the Afternoon Tea, promoting clean water awareness, environmental preservation, workforce development and social protocol education hosted by Representative Rolanda Hollis on behalf of Salute Selma that will have a beneficial impact on the Water Work’s Board’s service area, as it works to carry out its Corporate Purpose; and to authorize the General Manager to take such steps as is necessary to sponsor the Afternoon Tea. Director Huffman made a motion to recommend said item be moved to the full board for approval and Director Burbage seconded the motion. The agenda item was approved by unanimous vote.

As there was no further business before the Committee, Director Huffman made a motion to adjourn the meeting and Director Burbage seconded the motion. The meeting adjourned at 2:01 p.m.

_____/s/_____
Raymond “Larry” Ward
Committee Chairman

_____/s/_____
William “Butch” Burbage, Jr., Esq.
Director

_____/s/_____
Tereshia Q. Huffman
Director

_____/s/_____
Michael Johnson
General Manager