

**MINUTES OF THE FINANCE COMMITTEE MEETING
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
September 13, 2023**

A Finance Committee meeting of the directors of The Water Works Board of the City of Birmingham was held on Wednesday, September 13, 2023, at 10:00 a.m., at 3600 First Avenue North, Birmingham, Alabama.

The following Committee members were present: Directors Ward (Committee Chairman) and Burbage. Also present were Directors Henderson, and Munchus who are not committee members. Director Huffman, who is a committee member was not present.

Others present were: Michael Johnson, General Manager; Derrick Murphy, Assistant General Manager; Cynthia Williams, Board Administrator; Anitra Clark, Corporate Governance Specialist; Vanessa Washington, Executive Assistant; Colandus Mason, Rick Jackson, Rosalind Jones, Jacqueline Hill, Derrick Maye, Akhi King, Willie Myers, Jeff Wade, Charles McGee, Anthony Hazel, and David Walker, BWWB Employees; K. Mark Parnell, Parnell Thompson Law, LLC; Byron Perkins, Perkins Law, LLC; Olivia Martin, State of Alabama Attorney General's Office; Robert Rasmussen, Municipal Government Investors Corp; Matthew Arrington, Terminus Municipal Advisors, LLC; Caitlyn Burchfield, Butler Snow, LLP; Denzel Okinedo, Burr Forman LLP; and Matt Adams and Brad Green, Raymond James and Associates, Inc.

Inasmuch as two of the Committee members were present, a quorum was in attendance. Committee Chairman Ward called the meeting to order at 10:00 a.m., General Manager Johnson opened the meeting with prayer.

Next, the Committee proceeded to the approval of the agenda. General Manager Johnson asked the Committee to add the SOC-1 Audit to the agenda, and he read said item into the record. The Committee amended the agenda to include the SOC-1 Audit as agenda item 7. Director Burbage made a motion to approve the amended agenda and Committee Chairman Ward seconded the motion. On a motion duly made and seconded, the motion was approved by unanimous vote.

Following, the Committee proceeded to the first item on the agenda, Request Committee to approve minutes of April 26, 2023, and May 10, 2023. Director Burbage made a motion to approve the minutes and Committee Chairman Ward seconded the motion. On a motion duly made and seconded, the motion was approved by unanimous vote.

Next, the Committee proceeded to the Reports of Officers, Request Committee to hear a presentation on the semi-annual Advisor's Report from Municipal Government Investors Corp (mGIC). General Manager Johnson introduced Robert Rasmussen, Municipal Government Investors Corp., to present the semi-annual Advisor's Report. Mr. Rasmussen stated the semi-annual Advisor's Report lists Birmingham Water Works' investments related to bond proceeds or revenues set aside to pay the bonds. He referenced the highlighted items on page two of the presentation and identified them as Birmingham Water Works recent investments, which were executed several months ago. Mr. Rasmussen said the investment funds were related to revenue accumulated to pay the company's debt

service. He indicated that the referenced guaranteed investment contracts (GIC) matured and once the income was restored, \$350,000.00 was added to the Birmingham Water Works' bottom line, (2023 grand total earnings of \$3,064,000.00 annualized), after investing. Next, Mr. Rasmussen referenced the highlighted items on page one of the presentation and identified them as Birmingham Water Works' forthcoming investments, which consists of small reserve funds and capital improvement funds. He indicated the Toronto Dominion GIC has annual interest earning of \$459,552.00. Mr. Rasmussen stated the investment will become due soon. He indicated that the investments income will need to be reinvested/restored, which will increase by approximately one-half of a million dollars annually. Per Mr. Rasmussen, the remaining forthcoming investments are aggregate and consists of money accumulated through the PAYGO program (*except for the small reserve fund*). The funds will be invested for the first time, bringing the investment income from zero to approximately one-half of a million dollars. He stated the forthcoming investments will increase Birmingham Water Works bottom line income from approximately three million dollars to three and a half million dollars. Mr. Rasmussen stated approximately two years ago, Birmingham Water Works' investment income was zero; however, due to his partnership with the Board and the impact from the market, his firm has been on the leading edge with rate performance. He indicated that his firm has invested the Board's funds at the highest rates possible, mainly through GICs, which allows investment flexibility. Mr. Rasmussen stated his firm will look at banks' certificate of deposits (CDs) as a form of investment; however, CDs are a percentage point below GIC investments. Director Ward sought clarification on Citizen Trust's CD having a current rate of 0.10%. Mr. Rasmussen responded that the rate was locked in over a year ago when investments were low; however, the Citizen's Trust CD investment will be coming due again, with approximately a three percent rate. Mr. Rasmussen stated that once the Citizen's Trust CD becomes due, those funds will be withdrawn and invested in a GIC, unless they can match the GIC rates. Mr. Rasmussen said his responsibility is to invest the Board's money wherever the rates are best. General Manager Johnson commented that the \$20,000,000.00 invested with Citizen Trust Bank was very competitive three years ago; therefore, Citizen Trust Bank has been competitive at some point. Director Munchus stated he is an advocate for local banks and wants local banks to have an opportunity at investment. Director Munchus asked Mr. Rasmussen to provide him with a copy of the presentation.

Following, the Committee proceeded to the second item on the agenda, Request Committee to recommend to the Board to approve the invoice for Moody's Investors Service's fee of \$85,000.00, related to the Water Infrastructure Finance and Innovation Act (WIFIA) program loan. General Manager Johnson explained that said invoice is for Moody's rating of Birmingham Water Works WIFIA loan. He stated that the Moody's invoice is usually paid when the company receive proceeds; however, the process has been prolonged due to regulatory issues associated with the process of getting the WIFIA loan. Committee Chairman Ward made a motion to recommend said item be moved to the full Board for approval and Director Burbage seconded the motion. On a motion duly made and seconded, the motion was approved by unanimous vote.

Next, 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: 1) Funds from a Guaranteed Investment Contract (GIC) that matured with Bayerische Landesbank on March 15, 2023, currently with Truist Bank for \$1,200,000.00. 2) A

GIC with Toronto Dominion Bank that matures 11/10/2023 and has a balance of \$9,830,228.00. 3) A one-year Certificate of Deposit (CD) with Citizens Trust Bank, which matures 10/30/2023 and has a balance of \$126,414.18. 4) Surplus funds with Truist Bank with a balance of \$12,587,239.00 or more; 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 Committee Chairman Ward seconded the motion. On a motion duly made and seconded, the motion was approved by unanimous vote.

Following, the Committee proceeded to the fourth 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 \$10,000.00, to provide legal services related to the bid of the following: 1) Funds from a Guaranteed Investment Contract (GIC) that matured with Bayerische Landesbank on March 15, 2023, currently with Truist Bank for \$1,200,000.00. 2) A GIC with Toronto Dominion Bank that matures 11/10/2023 and has a balance of \$9,830,228.00. 3) A one-year Certificate of Deposit (CD) with Citizens Trust Bank, which matures 10/30/2023 and has a balance of \$126,414.18. 4) Surplus funds with Truist Bank with a balance of \$12,587,239.00 or more; 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 Committee Chairman Ward seconded the motion. On a motion duly made and seconded, the motion was approved by unanimous vote.

Next, the Committee proceeded to the fifth item on the agenda, Request Committee to recommend to the Board to approve a resolution authorizing the issuance by the Water Works Board of the City of Birmingham (“Board”) of its Senior Water Revenue Refunding Bonds, Series 2023, in a principal amount not to exceed \$225,000,000.00 (the “Bonds”) and a related tender offer to purchase and cancel portions of its Senior Water Revenue Refunding Bonds, Series 2019 and Series 2021 (the “Tender”); to authorize the General Manager and/or the Assistant General Manager of the Board to engage Raftelis as independent rate consultant, AMTEC as verification agent, and Municipal Government Investors Corp. as investment advisor, and such additional professionals as may be deemed necessary in connection with the Bonds and the Tender; and to authorize the Chairwoman and Vice-Chairman of the Board to execute the Financing Documents and all other documents, certificates, agreements, and other instruments in connection with the Bonds and the Tender. Board Attorney Parnell announced that the Board’s financial advisor and representatives from Raymond James and Associates were present to explain the refunded bonds tender offer and acceptance process. Mr. Arrington, the Board’s financial advisor, stated the purpose of the resolution is because the company is in the process of approaching rating agencies to get the reference transaction rated, as well as, updating Birmingham Water Works old bonds with Standard and Poor’s (S&P’s). Then, he stated, a notice would be sent to current bond holders afterwards, which will expire October 2023. Mr. Arrington said the resolution signifies the company being able to do everything necessary with the available savings. Therefore, permission to tender said transaction is being requested because there is not another Board meeting scheduled before September 27, 2023. Director Munchus asked which rating agencies would be utilized. Mr. Arrington responded that Standard and Poor’s and Moody’s are the rating agencies utilized; however, the WIFIA loan only used the Moody’s rating agency because it requires one rating. Next Matt Adams, from Raymond James and Associates, stated

that Globic Advisors was hired to provide a list of existing bond holders. He stated the bond holders' list and bond notices were sent to various holders of said accounts. Next, Mr. Adams provided an updated schedule for the bond tender transaction. He stated the Notice to Tender is expected to be posted September 29, 2023. The tender expiration date is October 20, 2023. Mr. Adams stated that by October 20, 2023, there will be participation levels from various investor accounts and the participants in the tender offer will be known. Afterwards, he stated the bonds' pricing is scheduled on October 23, 2023, and the Board will be provided the results of the referenced transaction on October 25, 2023. Director Ward inquired about the average response. Mr. Adams responded that a tax analysis must be completed, and the Internal Revenue Service (IRS) identifies which bonds can be taken. He stated the taxable bonds are being refunded on a tax-exempt basis, which generates most of the savings. Next Director Ward inquired about the savings range. Mr. Adams responded that the savings range is approximately three percent of two hundred million dollars. He stated that there are two factors impacting savings: (1) the amount paid for the bonds tendered and (2) the cost of the new refunded bonds to fund the purchase of the existing bonds. Director Munchus commented that the bonds tender is a great concept and has lots of value. He commended Mr. Adams' team, and all involved with said transaction. General Manager Johnson reiterated that the purpose of the bonds tender transaction is to take advantage of refinancing opportunities to control debt services payments, which helps the Birmingham Water Works customers by controlling rate increases. Board Attorney Parnell clarified that the Board is being asked to approve said resolution. He encouraged the Board to read the resolution, because it is lengthy. Board Attorney Parnell asked the Board to contact Mr. Arrington, the bond counsel or him if questions arise or clarification is needed. General Manager Johnson commented that management worked with the bond counsel, financial advisor, etc., in providing them information to update the Point-Of-Sale (POS) and they are aware of the savings associated with the referenced bond transaction. Afterwards, Director Munchus asked for clarification of the process for Board questions regarding said transaction. General Manager Johnson stated that the financial advisor, underwriter, and Board Attorney Parnell are available to answer questions about the bond tender transaction. Director Munchus indicated that he would include General Manager Johnson on his correspondence/questions. Board Attorney Parnell advised Director Munchus to begin his inquiry with General Manager Johnson or Assistant General Manager Fisher. Then, if they are unable to answer said questions, they will direct him to Mr. Arrington, Raymond James and Associates, or Board Attorney Parnell based on the questions. Director Burbage made a motion to recommend said item be moved to the full Board for approval and Committee Chairman Ward seconded the motion. On a motion duly made and seconded, the motion was approved by unanimous vote.

Following, the Committee proceeded to the sixth item on the agenda, Request Committee to recommend to the Board to approve an agreement with Raftelis Financial Consultants, Inc., in an amount not-to-exceed \$43,000.00, to provide consulting services to the Birmingham Water Works Board related to the upcoming Series 2023 Bond tender transaction; 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 Committee Chairman Ward seconded the motion. On a motion duly made and seconded, the motion was approved by unanimous vote.

Subsequently, the Committee proceeded to the seventh item on the agenda, Request Committee to recommend to the Board to approve an agreement with Auditwerx, LLC, a Division of Carr, Riggs & Ingram Capital, LLC., to conduct the 2023 SOC 1 Audit, at a cost not-to-exceed \$95,000; and to authorize the General Manager and/or the Assistant General Manager to execute the agreement. Committee Chairman Ward made a motion to recommend said item be moved to the full Board for approval and Director Burbage seconded the motion. On a motion duly made and seconded, the motion was approved by unanimous vote.

As there was no further business before the Committee, Director Burbage made a motion to adjourn the meeting and Committee Chairman Ward seconded the motion. On a motion duly made and seconded, the motion was approved, and the meeting adjourned at 10:30 a.m.

_____/s/_____
Michael Johnson
General Manager

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

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