

**MINUTES OF THE FINANCE COMMITTEE MEETING
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
June 23, 2022**

A Finance Committee meeting of the directors of The Water Works Board of the City of Birmingham was held on Thursday, June 23, 2022, at 12:00 p.m., at 3600 First Avenue North, Birmingham, Alabama.

The following Committee members were present via roll call: Directors Ward (Committee Chairman), Rice and Burbage.

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; Rick Jackson, Colandus Mason, Rosalind Jones, Cassandra Bell and David Walker, BWWB Employees; K. Mark Parnell, Parnell Thompson Law, LLC; Byron Perkins, Perkins Law, LLC; Kelvin Howard, KWH, LLC; Sherri Richardson, Attorney General's Office; Connie Harris, Sheppard-Harris & Associates, P.C., and James White, Banks Finley White and Company.

Inasmuch as all Committee members were present, a quorum was in attendance. Committee Chairman Ward called the meeting to order at 12:03 p.m. and General Manager Iris Fisher opened the meeting with prayer.

Next, the Committee proceeded to approval of the agenda. Director Rice made a motion to approve the agenda and Director Burbage seconded the motion. The agenda was approved by unanimous vote.

Following, the Committee proceeded to the approval of minutes, the report of officers and unfinished business, respectively, and acknowledged that there were none.

Next, the Committee proceeded to new business. Agenda item 1 requested the Committee to hear a presentation from Sheppard-Harris & Associates, P.C., on the FY2021 Pension Audit Report and the FY2021 Other Post-Employment Benefits (OPEB) Audit Report. Connie Harris, Sheppard Harris, began by presenting information on the Pension Audit Financial Statements. She stated that under required communications, there were not any significant difficulties, uncorrected misstatements, nor disagreements. Ms. Harris indicated that management was sent representation letters, which they signed acknowledging they provided financial records to Sheppard Harris. In addition, she stated that no other consultants contracted with her company in performing said audit and there were no other audit findings or issues. Per Ms. Harris, regarding the Independent Auditor's Report, Management's responsibility is to provide and prepare financial statements. Sheppard Harris' responsibility is to attest to said statements. She stated an unmodified opinion was provided from Sheppard Harris. Afterwards, Ms. Harris reviewed the Statements of Fiduciary Net Position with the Committee. Director Rice inquired as to what did \$59,883.00 consist of under the Liabilities and Accrued Liabilities category. GM Johnson stated pension payments, group fees, etc. Director Burbage inquired as to who manages the pension fund. GM Johnson indicated that the pension fund is managed by Rhumblin and

several others, which he would provide him the list. Ms. Harris concluded her pension presentation with an overview of the Notes to Financial Statements and Funding Process. Director Burbage commented that previously there had been a huge uproar over the plan funding, now six years later this fund is doing good and is very well managed, when the fund is viewed over a long-term period. He also inquired if there would be another retiree meeting. Per GM Johnson, a letter regarding the funding will be sent to retirees. He stated that the board's retiree liaisons listen to the meetings; however, they do not want to have a meeting at this time due to COVID concerns. Director Ward asked how many retirements are anticipated for each year and how will the benefit plan look in five years. AGM Fisher stated she would provide the requested information to Director Ward. Then, she discussed the study being done to allow employees to look at other plan benefit options, as new employees are not as interested in a defined benefit plan such as the current plan. However, the study is also looking at options under the defined benefits plan for interested employees. Director Rice stated that employees should be educated on the pension plan vs a 401K plan. Afterwards, Ms. Harris presented the Other Post-Employment Benefit Plan. As the same with the pension, she stated that there were no problems with management, no corrected or uncorrected misstatements, nor disagreements. Ms. Harris indicated that management signed representation letters and that there were no audit findings or issues. Per Ms. Harris, an unmodified opinion was issued. Then, she discussed the OPEB's financial statements. Ms. Harris stated the Notes are very detailed and explains the entire plan. She concluded the presentation with the funding progress. Director Burbage asked if this item would go to the full Board, which Director Rice answered yes. GM Johnson stated it would be on the agenda for the 1st board meeting in July. A brief discussion ensued. Director Burbage made a motion to send said item to the full board to be accepted based on the information presented and Director Rice seconded the motion. Said item was unanimously approved by the Committee.

Subsequently, agenda item 2 requested the Committee to hear a presentation from Banks, Finley, White and Company on the FY2021 Financial Audit Report and the FY2021 SOC-1 Audit Report. As Mr. James White, Banks Finley White & Company, began to present, Director Rice asked him if he had the draft audit report for the board to review, which he answered no. Director Rice also inquired whether said audit reports had been reviewed by senior staff. AGM Fisher replied that staff had not reviewed the report. Thus, Director Rice inquired as to why the draft audit report was not ready. He stated that the agenda item could not be moved to the upcoming board meeting without the draft financial statements. He also stated he wanted to review the final financial statements in draft form. AGM Fisher commented that there was a reporting deadline of June 30, 2022. Director Ward stated that the Committee could hear the reports but could not move the agenda item forward to the full board requesting approval. Director Burbage stated that he understood the regulatory deadline; however, he had concerns also. A brief discussion ensued. AGM Fisher confirmed that her team could have a draft for review by Monday. Director Burbage suggested listening to Mr. White's presentation and have AGM Fisher's team complete their part by the deadline. Chairman Rice indicated to AGM Fisher that he would like to see numbers. Director Ward suggested that staff complete this process for next year a month earlier (May). Per Director Burbage, the Committee cannot make a motion on said item because they do not have all the information; therefore, it will have to move directly to the full Board. The Board's Attorney, Mark Parnell suggested that agenda item one be moved to the full Board with a recommendation from the Committee and to move agenda item two to the full Board

without a recommendation from the Committee. Afterwards, Director Rice made a motion to move agenda item two to the full Board without a recommendation from the Finance Committee. Said item was unanimously approved by the Committee.

As there was no further business before the Committee, Director Ward made a motion to adjourn the meeting and Director Rice seconded the motion. The meeting adjourned at 12:43 p.m.

_____/s/_____
Larry Ward
Secretary-Treasurer

Christopher B. Rice
Chairman

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

_____/s/_____
Michael Johnson, MBA, CPA
General Manager