

**MINUTES OF THE FINANCE COMMITTEE MEETING
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
July 24, 2024**

A Finance Committee meeting of the directors of The Water Works Board of the City of Birmingham was held on Wednesday, July 24, 2024, at 10:00 a.m., at 3600 First Avenue North, Birmingham, Alabama.

The following Committee members were present: Directors Ward (Committee Chairman), Burbage and Huffman. Director Munchus was also present.

Others present were: Darryl Jones, Interim General Manager; Iris Fisher, Derrick Murphy, and Philip King, Assistant General Managers; Cynthia Williams, Board Administrator; Anitra Clark, Corporate Governance Specialist; Vanessa Washington, Executive Assistant; Colandus Mason, Rick Jackson, Rosalind Jones, Cassandra Bell, Jonathan Jett, Jeff Wade, Charles McGee, Anthony Hazel and David Walker, BWWB Employees; General Ronald L. Burgess, BWB Consultant; Mac Underwood, Underwood Financial Consultants, LLC; K. Mark Parnell, Parnell Thompson Law, LLC; Olivia Martin, State of Alabama Attorney General's Office; Robert Rasmussen, Municipal Government Investors Corp, Matt Adams and Brad Green, Raymond James & Associates; and Peiffer Brandt, Raftelis Financial Consultants, Inc.

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

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

Following, the Committee proceeded to Reports of Officers. Interim General Manager Jones introduced Raymond James and Associates to give an update on the 2024 Bond Anticipation Note (BAN). Matt Adams, Raymond James & Associates, began with an overview of said topic. A copy of the presentation is on file in Diligent. He stated that the Bond Anticipation Note (BAN) is associated with the Water Infrastructure Finance and Innovation Act (WIFIA) program. Mr. Adams stated there are several reasons for the BAN. The first reason is because the PAYGO program is scheduled to spend money on routine projects for the Board. He indicated that the addition of WIFIA projects along with routine projects places stress on the PAYGO program, because WIFIA projects were not considered into the PAYGO program. The WIFIA requires the Board to spend 51 percent of its own money, and WIFIA will provide the remaining 49 percent of projects cost. The BAN allows the Birmingham Water Works to meet those requirements and provides liquidity into the PAYGO program through the initial stage of construction. Another reason for the BAN is because making withdrawals from the WIFIA loan involves a lot of administrative time and cost; however, withdrawals from the BAN minimizes administrative tasks. The final reason for the BAN is because Municipal Government Investors Corp (mGIC) can invest the money borrowed under the BAN into a Guaranteed Investment Contract (GIC). Mr. Adams stated that the GIC investment is a low-cost

way to accomplish goals and make sure the company is spending the funds correctly. Afterwards, Mr. Adams reviewed the BAN timeline. He stated that the closing for the BAN will be late August. In addition, he discussed the BAN structure. Mr. Adams indicated that he does not anticipate a rating on the BAN. Per Mr. Adams, the BAN terms are expected to be short-term, approximately two years with a one-year call date. He said there will be a bid process to receive bids from potential investors and commercial banks. The rates and terms will be compared to ensure the lowest cost for the award. Mr. Adams said, once the funds are received, Rob Rasmussen, Municipal Government Investors Corp will go through the process of investing the funds into the GIC. Following, Mr. Adams highlighted the status of rates. He said in May, there was discussion on whether the BAN would be a taxable bond issue or a tax-exempt bond issue, because it is federal funds. Mr. Adams indicated that the bond issue will be done on a tax-exempt basis, which means lower rates for the Board. Director Ward commented that if the BAN was not done, each time money was drawn on the WIFIA, it would have cancelled the lending power, which Mr. Adams agreed. Mr. Adams stated the WIFIA draw process is like a bond issue closing. The WIFIA would have to be provided an opinion and closing documents each time money is withdrawn. Director Ward asked about the receiver of funds from said transaction if the current trends continue. Mr. Adams responded that we are hoping to receive some funds; however, we must see the BAN bids. Director Munchus asked whether the transaction was tax-exempt. Mr. Adams replied yes. Also, Director Munchus asked whether the process is the same each time there is a WIFIA draw or whether it is a one-time process. Mr. Adams explained that the WIFIA draw process is cumbersome. He stated that withdrawing money from the BAN is easier and is like withdrawing money from the PAYGO program. In conclusion, he stated the BAN is placed in a GIC; therefore, cash flow can be requested and provided as needed.

Next, Interim General Manager Jones read the next item, Request Committee to hear a presentation on the semi-annual Advisor's Report from Municipal Government Investors Corp, (mGIC). He acknowledged Mr. Rob Rasmussen to present on said topic. Mr. Rasmussen introduced himself as the Board's Cash Advisor, and he has been for over 20 years. He stated that the company's portfolio is performing extremely well and that in all his years, he has never seen a portfolio perform as well as Birmingham Water Works. Mr. Rasmussen began the discussion on the Board's GIC portfolio activity from the last six months. He stated the green shaded items on his spreadsheet: item two – TD Project Fund GIC, item three – Natixis Capital Reserve GIC, and item four – Series 1998 Bonds, displays activity since his last report. Per Mr. Rasmussen, items two and three are the GICs where money for capital improvements are deposited. He said item the Natixis Capital Reserve GIC is the Board's capital reserve. The bond/Ban Anticipation Note proceeds will be deposited into the TD Project Fund, which is the Board's active GIC. Mr. Rasmussen said the TD Project Fund GIC started out with \$40,000,000.00 in PayGo funds in December 2023; however, it is currently at \$17,096,302.00, because the Board has been withdrawing funds monthly for capital improvements. He stated the TD Project Fund GIC rate increased from 4.345% to 5.200%, and that the Natixis Capital Reserve GIC rate increased from 1.440% to 5.070%. Mr. Rasmussen stated that 1.440% seems low; however, it is a legacy GIC from when interest rates were very low. He indicated that the remaining GICs referenced on the spreadsheet are bond reserves and debt service funds that are required to be on deposit by the rating agencies for bondholders' security. Per Mr. Rasmussen, items four and seven are reserve funds and the remaining others are debt service funds. In conclusion, Mr. Rasmussen stated the total earnings of the portfolio is \$4,573,000.00 annually. He said the Board has

increased their interest earnings portfolio by approximately 50%, and he complimented the Board on their excellent stewardship of the GIC portfolio.

Following, Interim General Manager Jones stated that Assistant General Manager Fisher would be conducting “New Business” listed on the agenda. Assistant General Manager Fisher referenced agenda item one and agenda item two. She said the two items were related. Per Assistant General Manager Fisher, the Board closed on the WIFIA loan in June 2024, and decided it was in the company’s best interest to acquire a Bond Anticipation Note (BAN). The funds from the BAN would be invested into a GIC. Afterwards, Assistant General Manager Fisher proceeded to the first item on the agenda, Request Committee to recommend to the Board to approve an agreement with Dentons Sirote, PC, in an amount not-to-exceed \$10,000.00 to provide legal services related to the investing of the Board’s funds including Project Fund from proceeds of Bond Anticipation Notes expected to be issued August 2024 and, if needed, certain excess revenues of the Board designated to be used for capital improvements; and to authorize the Interim General Manager and/or the Assistant General Manager to execute the agreement, pending legal review. In addition, she continued to the second item on the agenda, Request Committee to recommend to the Board to approve an agreement with Municipal Government Investors Corp. (mGIC), to invest the Board’s funds including Project Fund from proceeds of Bond Anticipation Notes expected to be issued August 2024 and, if needed, certain excess revenues of the Board designated to be used for capital improvements; and to authorize the Interim General Manager and/or the Assistant General Manager to execute the agreement and all documents necessary to complete the transaction, pending legal review. Director Huffman stated agenda item one and agenda item two would be approved together, because they were read together. Director Huffman 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, Assistant General Manager Fisher proceeded to the third item on the agenda, Request Committee to recommend to the Board to adopt a resolution designating those who are authorized to execute banking transactions at Regions Bank on behalf of The Water Works Board of the City of Birmingham, as set forth in 3.1, and Request Committee to recommend to the Board to adopt a resolution designating those who are authorized to execute banking transactions at Truist Bank on behalf of the Water Works Board of the City of Birmingham, as set forth in 3.2. Assistant General Manager Fisher stated that the two resolutions referenced removes the former General Manager and adds the Interim General Manager to execute banking transactions. Director Burbage made a motion to recommend said item be moved to the full Board for approval and Director Huffman seconded the motion. On a motion duly made and seconded, the motion was approved by unanimous vote.

Subsequently, Interim General Manager Jones proceeded to the fourth 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 Classic in Pink Affair Luncheon highlighting Breast Cancer Awareness hosted by the Penny Foundation, 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 Interim General Manager to take such steps as is necessary to sponsor the Classic in Pink Affair Luncheon. Interim General Manager Jones stated the Board supported said initiative the

previous year and that the Board is being asked to support the initiative this year. Director Burbage asked, for the record, whether said action was a proper use of the funds. Board Attorney Parnell responded he had reviewed said item and it is proper use of the funds. Director Huffman 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 Director Huffman seconded the motion. On a motion duly made and seconded, the motion was approved, and the meeting adjourned at 10:25 a.m.

_____/s/_____
Darryl R. Jones
Interim General Manager

_____/s/_____
Larry Ward
Committee Chairman

_____/s/_____
William "Butch" Burbage, Jr.
Director

_____/s/_____
Tereshia Q. Huffman
Director