

**MINUTES OF EXECUTIVE COMMITTEE MEETING
OF THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**

July 18, 2024

An Executive Committee Meeting of the directors of The Water Works Board of the City of Birmingham was held on Thursday, July 18, 2024 at 1:00 p.m.

The following Committee members were present via roll call: Committee Chairwoman Tereshia Huffman, William “Butch” Burbage, Jr., Tom Henderson, Larry Ward, and Dalton NeSmith.

Others present were: Darryl R. Jones, Interim General Manager; Derrick Murphy, Iris Fisher and Philip King, Assistant General Managers; Cynthia Williams, Board Administrator, Elyse Page, Executive Assistant, Rick Jackson, Jeff Wade, Charles McGee, Rosalind Jones, Colandus Mason, Jonathan Jett, Sreedhar Atluri, Victoria Damsgard, Mark Dietz, Marilyn Vertison, Shirley Russell, Akhi King and Anthony Hazel. Board Employee; K. Mark Parnell, Parnell Thompson Law, LLC; Olivia Martin, State of Alabama Attorney General’s Office; Lindsey McAdory, CBG Strategies, LLC; Patrick Flannelly, ARCADIS, U.S.; Matthew Arrington, Terminus Municipal Advisors; Jhonna Ghrigsby and Josh Lee, Sedgwick; Eric Atwater and Ben Law, Aon; John Sullivan, Todd Barlow, and Nicole Naassan, E Source; Brian Hamilton, A.G. Gaston.

Committee Chairwoman Huffman declared a quorum in attendance.

Committee Chairwoman Huffman called the meeting to order at 1:00 p.m., and Interim General Manager Darryl Jones opened the meeting with prayer.

Following, Committee Chairwoman Huffman asked the Committee to approve the agenda, Director Henderson made a motion to approve the agenda and Director Ward seconded the motion. On a motion duly made and seconded, the agenda was approved by unanimous vote.

Following, the Committee moved to the first item on the agenda, Request Committee to approve minutes of the Executive Committee Meeting held April 30, 2024. Director Ward made a motion to approve the item and Director Henderson seconded the motion. On a motion duly made and seconded, the item was approved by unanimous vote.

Following, Committee Chairwoman Huffman asked to hear Report of Officers. As there were no reports, Committee Chairwoman Huffman expressed her gratitude to Interim General Manager Darryl Jones for accepting the interim position and his hard work. She stated he has the support of the Board. The Interim General Manager responded by thanking the Board for the opportunity. Director Ward questioned whether there is a Finance Committee Meeting scheduled on Wednesday, July 24, 2024, at 10:00 a.m. Cynthia Williams, Board Administrator responded yes.

Following, the Committee moved to the second item on the agenda, Request Committee to recommend to the Board to approve a one-year addendum to the service agreement with Sedgwick Claims Management Services, Inc., approved by the Board September 1, 2022, to provide third-party administrator (TPA) services for property, casualty, and subrogation claims; service claim fees are attached hereto which reflects no increase; the addendum will be effective September 1,

2024 through August 31, 2025; and to authorize the Interim General Manager and/or the Assistant General Manager to execute said document. Director NeSmith made a motion to recommend said item be moved to the full Board for approval, and Director Ward seconded the motion. On a motion duly made and seconded, the item was approved by unanimous vote.

Following, the Committee moved to the third item on the agenda, Request Committee to hear a presentation on a retirement study from Aon on the retiree cost increase options, and options for extending fifty percent joint and survivor benefits to post-retirement marriage; and retirement plan options for employees. Ben Law, Aon, provided a recap of the Pension Plan. He stated the financials were last measured in January 2024. He indicated the Pension Plan is about 80 percent funded, and he stated all the gains and losses that were recognized over the years have been completely recognized. He stated since January 2023, the Pension Plan has gone up significantly by 5 percent based on the market value. He also stated the amortization period is currently 10.8 years before fully funded; and he indicated last year, the amortization period was 12.3 years. Next, Eric Atwater, Aon, gave an overview of the retiree cost increase options. He stated in February 2020, BWWB provided a one-time payment to retirees, disabled retirees, and surviving beneficiaries. As requested, Aon analyzed the cost impact of four cost increase options based on census data as of January 1, 2024. Mr. Atwater then reviewed the financing options for the proposed cost increases. Next, Mr. Atwater gave an overview of another plan design change request, to extend joint and survivor benefits for retirees getting married after choosing an option of benefits. He reviewed the current provision and he stated to be eligible for this benefit, the spouse must have been married to the participant for a period of one year prior to the participant's retirement or disability. He stated the spouse would receive 50 percent of the retiree benefit until his or her remarriage or death. Mr. Atwater then reviewed three proposed options, and their cost impact. Next, Mr. Law gave an overview of the retirement plan options for employees. Mr. Law stated in 2023, Aon conducted a survey of all employees to request feedback on various components of the retirement plan. He stated four focus groups were held on April 15, 2024, and there were open discussions regarding desired changes to the retirement plan. He stated the employees who participated in the focus group sessions expressed the benefits offered are important to recruiting and retaining employees at BWWB, and there could be some enhancements to those benefits. He also stated most employees are utilizing SuccessFactors and he indicated they would like to receive a personalized benefit statement or more information provided on SuccessFactors. Based on the results of the focus group discussions, Mr. Law stated Aon analyzed enhancements to the current plan, to include five primary options: the vesting period, interest on employee contribution, pre-retirement death benefits, unreduced retirement, and unused sick leave. The vesting period at BWWB is currently 10 years. Mr. Law stated employees desire to lower the vesting period to 5 years. He indicated if an employee decided to leave BWWB before becoming eligible, the employee would receive the balance of their employee contribution. He then stated the enhancement would give the employee a 5 percent interest rate on their contribution accumulated. Regarding the death benefits, he stated if the employee dies before becoming eligible, the spouse would receive the accrued benefit based on the pension formula. Mr. Atwater also stated employees desire the ability to retire with 25 or 30 years of service, without an age requirement. He stated currently, if hired after 2008, the employee must be 60 years old, and have 30 years of service to receive the same benefit. He stated employees desire an option for unused sick time that would allow the balance to be included in the pension formula; however, Mr. Atwater stated this option is costly to consider. Mr. Atwater stated the enhancement to the current Pension Plan can be paid by either making a one-time contribution to payoff the total cost of the enhancement or extending the full funding period but keeping the same funding policy or increasing annual contribution to maintain the full funding period. The Interim General Manager

stated the presentation was requested for informational purposes, and he indicated further discussions are needed before options are presented to the Board.

Following, the Committee moved to the fourth item on the agenda, Request Committee to hear a presentation on the process to transition from the current SAP Legacy Enterprise Resource Planning software to a SAP Cloud-Based Enterprise Resource Planning software. Colandrus Mason, Information Technology Manager, provided an informational presentation on BWWB's current process regarding SAP business system planning. He stated currently the Informational Technology and the Project Management Office are in the planning phase for the next Enterprise Resource Planning (ERP) system. He stated BWWB currently utilizes a version of SAP that is nearing the end-of-life for maintenance and support on December 31, 2027. Mr. Mason indicated SAP will offer an extended support version until 2030. He stated SAP is now offering a S/4 HANA product which offers enhanced user interfaces, more intuitive functionality, improved reporting, built-in cloud with limited customizations, and mobile access. Mr. Mason then gave an overview of BWWB's ERP system background. He stated the initial SAP implementation occurred in 2011, including other integrated components in 2016 and 2021. He stated the management team, Informational Technology, Project Management Office, and Arcadis decided to conduct due diligence evaluations regarding options for migration. He stated three vendors are currently being evaluated by BWWB's management team: Systems, Applications and Products in Data Processing (SAP), Oracle, and National Information Solutions Cooperative (NISC). He stated currently, SAP has provided the most information, and an estimated cost of \$5 to \$9 million, which could take 12-18 months to implement and stabilize. He indicated current customers utilizing SAP will be able to retain most of the logistics built, while the other systems would be a full system migration. Mr. Mason then gave an overview of the vendor engagement timeline. He stated the management team is working to identify the best path to provide the Board with more information on the process. He stated in July 2024, the management team worked with vendors to identify cost analysis and migration pathway. In August 2024, he stated they are planning to meet with the vendors to develop a scope for implementation, timeline, procurement plan, and schedule software demonstrations and site visits. Next, Mr. Mason recognized Patrick Flannelly, Arcadis for the AMI portion of the presentation. Mr. Flannelly highlighted two key points from the project. He stated BWWB does not want to be near 2030 without a system in place or in a situation where the current SAP system no longer has security patches and limited technical support. He then stated majority of the market has not migrated to S/4 HANA or moved systems. He indicated the closer to 2027, the more competitive it will be for an integration partner to assist BWWB with the onboarding process. Mr. Flannelly stated he recommends BWWB to make a decision soon. Mr. Flannelly then gave an overview of the proposed S/4 HANA timeline. He stated the management team is expected to complete the vendor evaluation by September 2024. He stated the next step would be to issue a request for proposal (RFP) in December 2024 for an integration partner. He then stated in April 2025, he recommends BWWB to have in place the license, infrastructure, and integration partner to prepare for the migration. Next, Mr. Flannelly gave an overview of the implications for AMI implementation. He stated based on the initial feedback from E Source, there are factors BWWB should take into consideration. He stated the procurement cycle must happen around AMI, which could take 6.5 years to implement. He indicated the initial AMI deployment is the first 18 months of implementation, in terms of getting in place data management, information technology, and testing all components. He also mentioned the initial AMI deployment requires a stable Customer Information System (CIS) environment. He stated he is working with E Source regarding the contracting approach and implementation roadmap. He indicated the management team plans to collaborate with E Source to review the risks and benefits before making a recommendation by September 2024. Director Ward questioned the cost of S/4 HANA. Mr. Mason responded SAP

provided an estimate of \$5 to \$9 million. Mr. Mason stated the management team will continue working with E Source to coordinate planning with AMI. He stated the planning phase will be completed in two months and he indicated an update to the Board will be provided in 60 days.

Following, the Committee moved to the fifth item on the agenda, Request Committee to hear an update on the status of the Advanced Metering Infrastructure Project (AMI), Phase One. John Sullivan, Todd Barlow, and Nicole Naassan, E Source; and Brian Hamilton, A.G. Gaston provided the project status update to the Board. Mr. Sullivan gave an overview of the project schedule and accomplishments. He stated a large portion of the work consists of the needs assessment and business case. He stated E Source has not started the vendor procurement phase because it is dependent on the needs assessment and business case. He also stated the remaining items to close out the needs assessment and business case are the financial analysis and implementation roadmap, in which the SAP management team previously discussed. He indicated they are on schedule to complete these items by the end of August 2024. Mr. Sullivan then gave an overview of the key accomplishments to date. He stated the team completed several items, including the project goals and objectives, and internal business system evaluation. He then highlighted the overview of SAP options and stated it relates to the prior SAP presentation. He stated the final future state systems documentation was completed. He also stated a field survey was initiated to better understand the field conditions, and how those will impact AMI. Mr. Sullivan then turned over the presentation to Ms. Naassan. Ms. Naassan gave a detailed overview of the project. She stated the needs assessment and business case, vendor procurement, and project management will roll into implementation. She stated as a starting point, E Source met with BWWB Executive team and staff to outline the project goals and objectives. Ms. Naassan mentioned the importance of the business system, she stated E Source reviewed BWWB's current system, to understand IT support and how AMI will integrate. She stated customer data support will roll out this summer, and she indicated this information will be included in the request for proposal (RFP), advising vendors of the current system and future system requirements. Ms. Naassan stated the team performed an analysis of BWWB, the areas impacted by this project with coordinating workshops and shadowing staff to understand billing, customer service and field conditions. She stated this information was used in the gap analysis, in terms of identifying gaps, risks or benefits. She stated currently, they are working to refine the assumptions, as there is uncertainty about the field conditions regarding the cost and benefits of the financial model. She stated E Source delivered the draft financial analysis and reviewed the preliminary business case with BWWB staff. Ms. Naassan stated the next steps are to finalize the financial analysis and the implementation roadmap by the end of August 2024. She indicated once both items are finalized, E Source to review those results with the Board. She stated collaboration with Jefferson County and the SAP team are ongoing. Next, Committee Chairwoman Huffman recognized Brian Hamilton, A.G. Gaston to provide a brief update on the project. Mr. Hamilton stated A.G. Gaston has been working directly with E Source regarding all items discussed, and he indicated staff participated in several meetings and surveys. He stated he is working closely on the financial model, data analysis contingency plans, and procurement strategies. Mr. Hamilton expressed his appreciation to the Board for the opportunity to partner on a transformative project for the community.

As there was no further business before the Committee, Director NeSmith made a motion to adjourn the meeting and Director Henderson seconded the motion. The motion was approved by unanimous vote and the meeting was adjourned at 2:06 p.m.

_____/s/
Darryl R. Jones
Interim General Manager

_____/s/
Tereshia Huffman
Executive Committee Chairwoman

_____/s/
William R. Burbage
Director

_____/s/
Tom Henderson
Director

_____/s/
Larry Ward
Director

_____/s/
Dalton NeSmith
Director