

1. 3:00 P.M. Fianance Committee Meeting Agenda

Documents:

[2025-02-12 FINANCE COMMITTEE AGENDA.PDF](#)

1.I. 3:00 PM Finance Committee Meeting Presentation

Documents:

[2025-02-12 FINANCE COMMITTEE PRESENTATION.PDF](#)



## **NORTH TEXAS MUNICIPAL WATER DISTRICT**

**501 E. Brown Street • Wylie, Texas 75098  
(972) 442-5405**

**FINANCE COMMITTEE MEETING (VIA VIDEOCONFERENCE)  
WEDNESDAY, FEBRUARY 12, 2025  
3:00 P.M.**

Notice is hereby given pursuant to V.T.C.A., Government Code, Chapter 551, that the Board of Directors of North Texas Municipal Water District (NTMWD), Finance Committee, will hold a regular meeting by videoconference, accessible to the public, on Wednesday, February 12, 2025, at 3:00 p.m.

The Presiding Officer will be present at the meeting location, the NTMWD Administrative Offices, 501 E. Brown Street, Wylie, Texas 75098, with two-way video and audio communication between Board members participating by videoconference, establishing a quorum. The public may attend the meeting in person at the meeting location. Audio and video of Board members participating by videoconference will be visible to members of the public in attendance at the meeting location. The meeting will be recorded, and the audio recording will be available on the NTMWD website after the meeting.

Members of the public wishing to listen to live audio from the meeting may do so by calling in at (469) 210-7159 or toll free (844) 621-3956 and entering the following access code: 928 587 040. Please note this line will not provide for two-way communication and public comment at the meeting must be made in person at the meeting location.

### **AGENDA**

**I. CALL TO ORDER**

**II. PUBLIC COMMENTS**

We welcome members, customers, and the public to participate during the public comment period of the meeting. Before the start of the meeting, speakers must complete and submit a "Public Comment Registration Form." During this portion of the meeting, speakers will be recognized by name and asked to provide their comments. The time limit is three (3) minutes per speaker, not to exceed a total of thirty (30) minutes for all speakers. Texas Open Meetings Act prohibits the Committee from discussing items not listed in the agenda. However, Committee Members may respond with factual or policy information.

**III. OPENING REMARKS**

**A. Chair/Executive Director/Committee Champion Status Report concerning legislation and regulatory matters, budgets, current projects and ongoing programs of the District**

FINANCE COMMITTEE MEETING AGENDA

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**IV. ACTION ITEMS**

- A. Consider approval of Finance Committee meeting minutes – November 6, 2024
- B. Draft FY2023-24 Financial Audit by Crowe, LLP
- C. Extendable Commercial Paper Programs – Annual Refunding Resolutions
- D. Texas Water Development Board – SWIFT Applications
- E. Panther Creek Wastewater Treatment Plant System Bonds, Series 2025

**V. DISCUSSION ITEMS**

- A. FY2023-24 Budget vs Actual Results and Year End Reserve Balances
- B. Overview of Upcoming Regional Water System Extendable Commercial Paper Refunding and Potential Bond Current Refunding Opportunity
- C. Opportunity for Committee members to provide feedback on the Finance Committee meeting or request potential future agenda items

**VI. ADJOURNMENT**

**REQUIRED LEGAL NOTICES**

*The Finance Committee is authorized by the Texas Open Meetings Act to convene in closed or executive session for certain purposes. These purposes include receiving legal advice from its attorney (Section 551.071); discussing real property matters (Section 551.072); discussing gifts and donations (Section 551.073); discussing personnel matters (Section 551.074); or discussing security personnel or devices (Section 551.076). If the Finance Committee determines to go into executive session on any item on this agenda, the Presiding Officer will announce that an executive session will be held and will identify the item to be discussed and provision of the Open Meetings Act that authorizes the closed or executive session.*

*Persons with disabilities who plan to attend the NTMWD meeting and who may need auxiliary aids or services are requested to contact Shannon Sauceman in the NTMWD Administrative Offices at (972) 442-5405 as soon as possible. All reasonable efforts will be taken to make the appropriate arrangements.*

*Pursuant to Section 30.05, Penal Code (criminal trespass), a person may not enter this property with a firearm. Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun. Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly.*



## **FINANCE COMMITTEE MEETING**

### **February 12, 2025**



# Agenda

- I. CALL TO ORDER
- II. PUBLIC COMMENTS
- III. OPENING REMARKS
- IV. ACTION ITEMS
- V. DISCUSSION ITEMS
- VI. ADJOURNMENT



# Agenda

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# Agenda

*Kevin Smith, Crowe, LLP*

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Smart decisions. Lasting value.™

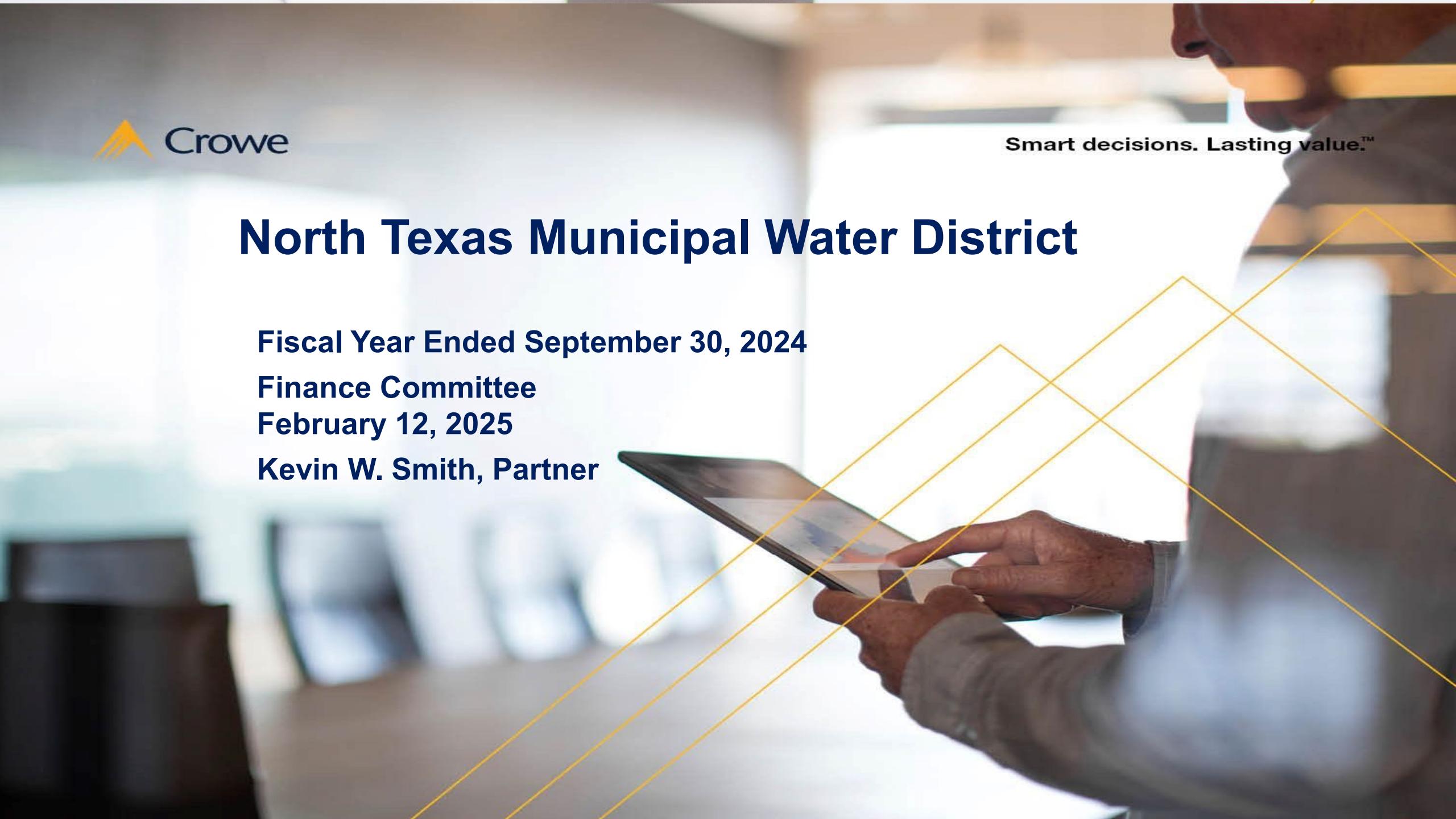
# North Texas Municipal Water District

**Fiscal Year Ended September 30, 2024**

**Finance Committee**

**February 12, 2025**

**Kevin W. Smith, Partner**



# With You Today



**Kevin W. Smith**  
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## Independence Communications

Auditing standards generally accepted in the United States of America require independence for all audits, and we confirm that we are independent auditors with respect to the District under the independence requirements established by the American Institute of Certified Public Accountants.

Additionally, we wish to communicate that we have no relationships with the District that, in our professional judgment, may reasonably be thought to bear on our independence and that we gave significant consideration to in reaching the conclusion that our independence has not been impaired.

# Results of Services

## Unmodified (“Clean”) Opinion

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the District, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# Results of Services

**Internal Control** - No material weaknesses or significant deficiencies in internal control reported or communicated to management.

**Audit Differences** – Corrected and uncorrected misstatements below.

# Required Communications

Topic	Comments
Significant accounting policies	Implementation of GASB 99 and GASB 100; immaterial impact
Management Judgements and Accounting Estimates	Fair values of investments, useful lives capital assets, landfill closure/post-closure, pension and postretirement
Corrected or uncorrected misstatements	One corrected misstatement and three uncorrected; no income statement impact
Disagreements with management on financial accounting and reporting	None noted
Other information included in annual reports	No material inconsistencies noted
Major issues discussed with management prior to engagement	None noted
Consultations with other accountants	None noted
Difficulties in performing the audit	None noted
Material errors, irregularities or illegal acts	None identified
Material weaknesses in internal control	None identified
Representation letter	To be provided to Crowe prior to release of ACFR
Independence communications	No impairments identified

# Corrected Misstatements

Corrected Misstatements			Increase (Decrease)					
Account Name	Debit	Credit	Asset	Deferred Outflows	Liability	Deferred Inflows	Net Position	Income
Interceptor Fund <i>Known error</i> Construction in progress Accounts payable <i>To properly state assets and accounts payable for easement</i>	2,058,235	2,058,235	2,058,235		2,058,235			

# Uncorrected Misstatements

Uncorrected Misstatements			Increase (Decrease)					
Account Name	Debit	Credit	Asset	Deferred Outflows	Deferred Liability	Net Inflows	Net Position	Income
<b>Regional Wastewater Fund</b>								
<i>Known error</i>								
Accounts payable	2,297,355	2,297,355	(2,297,355)		(2,297,355)			
Construction in progress								
<i>To properly state assets and accounts payable</i>								
<b>Interceptor Fund</b>								
<i>Known error</i>								
Construction in progress	548,681	548,681	548,681		548,681			
Accounts payable								
<i>To properly state assets and accounts payable</i>								
<b>Solid Waste Fund</b>								
<i>Known error</i>								
Construction in progress	387,551	387,551	387,551		387,551			
Accounts payable								
<i>To properly state assets and accounts payable</i>								

# Questions?



# Thank You

**Kevin W. Smith**

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## Committee Consideration

The Executive Director and NTMWD staff recommend the Board of Directors authorize the acceptance of the Draft FY2023-2024 Financial Audit by Crowe, LLP



# Agenda

*Jeanne Chipperfield, AGM Chief Financial Officer*

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# Reauthorize Extendable Commercial Paper Refunding Bond Resolutions

## Extendable Commercial Paper (ECP)

- Short term financial instrument used as interim financing to award contracts ahead of issuing long-term debt

## Benefits

- Allows contracts to be awarded prior to selling bonds - ECP sold only when needed to pay invoices
- Postpones sale of long-term bonds until construction is underway and nearing completion
- Aligns borrowing with budget cycles helps produce rate stability
- Provides access to funds in the event of emergency

## Considerations

- Risk of permanently financing at higher interest rates than current long-term rates
- Appropriately budgeting for variable interest rates and issuance timing
- Rating agencies and investors need to have comfort that the District can access the bond market

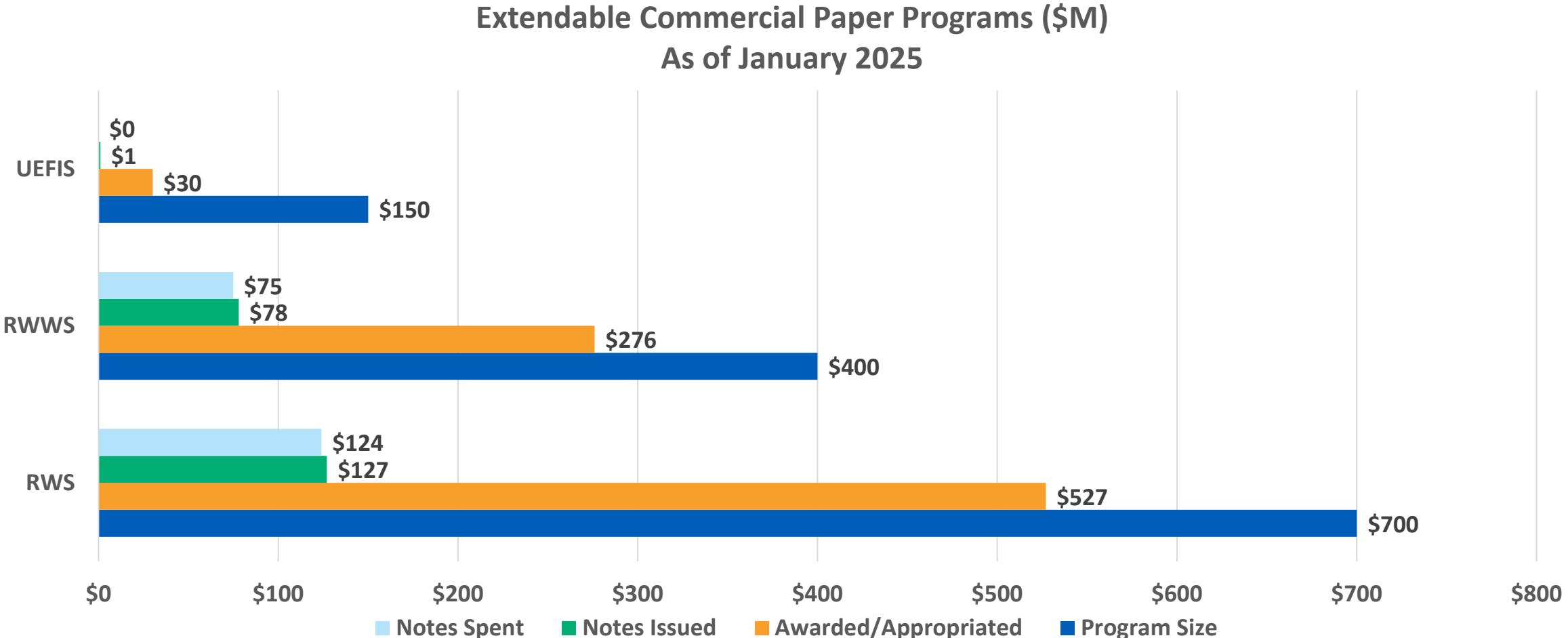


# Extendable Commercial Paper Programs

- Established 3 ECP Programs in 2021 and increased sizes in 2023
  - Regional Water System - \$700 Million
  - Regional Wastewater System - \$400 Million
  - Upper East Fork Interceptor System - \$150 Million
- Upper East Fork Interceptor System Program - \$150 million Refunded in August 2024
- Regional Water and Wastewater System Programs Planned for May 2025



# ECP Programs Overview and Appropriation Status

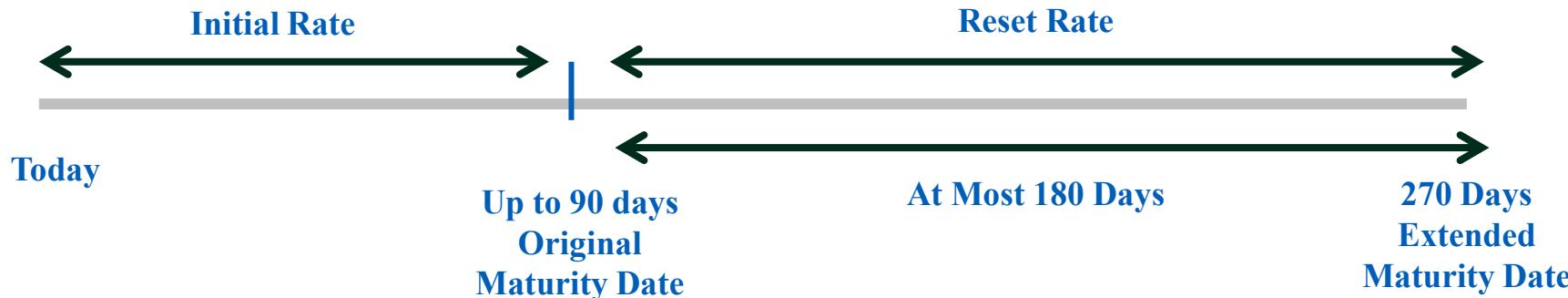


RWS reflects total spent and issued. \$11 Million of ECP notes were defeased in FY23.



# Extendable Commercial Paper Structure

ECP issued with an Original Maturity of up to 90 days



On the ECP's Original Maturity Date, one of the following 3 scenarios will occur

- 1. Payoff** District pays off the maturing ECP with cash or proceeds from long-term bond sale.
- 2. Roll** Existing ECP matures. District issues new ECP on the same day. ECP has a new Original Maturity Date of up to 90 days and an Extended Maturity Date of up to 270 days from the most recent issue date
- 3. Extend** If the maturity of the ECP is *extended* (failed remarketing), the existing investors hold the ECP, and the ECP interest rate resets at a predetermined percentage of the Securities Industry and Financial Markets Association (SIFMA) index plus a fixed spread based on the District's prevailing short-term ratings (e.g., greater of SIFMA+250 bps or 7%)

ECP bears the reset rate until the Extended Maturity Date or earlier redemption by the District  
ECP on its original maturity date can be rolled if extended or be paid off



## Reauthorize Extendable Commercial Paper Refunding Bond Resolutions

Board annually approves resolutions authorizing ECP Refunding Bonds

- ECP Refunding Bond resolutions provide liquidity support for ECP Programs (utilized only if necessary)
- Each ECP Refunding Bond Resolution will match the size of each ECP Program



## Committee Consideration

The Executive Director and NTMWD staff recommend the Board of Directors authorize the approval to reauthorize the ECP Refunding Bond Resolutions in the following amounts:

Regional Water System - \$700 Million

Regional Wastewater System - \$400 Million

Upper East Fork Interceptor System - \$150 Million



# Agenda

*Drew Farris, Finance Manager*

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# Regional Water System TWDB SWIFT Program

## **Texas Water Development Board (TWDB) State Water Implementation Fund for Texas (SWIFT) Program**

- Provides financial assistance in the form of long-term, fixed-rate loans offered at below-market rates
- Maturities range from 20 to 30 years
- Interest rates are based on the TWDB's cost of funds, which reflects the program's AAA credit rating
- Interest rate is further reduced by a subsidy established by the TWDB Board for each funding cycle
- 2025 funding cycle subsidy percentages will be determined at the time of prioritization, anticipated to be in summer of 2025



# Regional Water System TWDB SWIFT Applications

## Application Process

- January 31, 2025, NTMWD submitted an abridged application to the TWDB for financial assistance for two projects
- TWDB's project priority list will go to the TWDB's Board in spring 2025
- Upon TWDB Board approval, a formal invitation to apply may be extended
- Once invitation is received, have 30 days to submit formal applications, in late spring or early summer 2025
- Board action likely in April to authorize the District to submit formal applications, contingent upon invitation from TWDB
- NTMWD will execute Financing Agreements with TWDB in the late summer / early fall
- NTMWD will execute Bond Resolutions in the late fall
- TWDB's SWIFT Program bond closing in late fall, NTMWD bond closing in November/December 2025



# Regional Water System TWDB SWIFT Application #1

## Phase III High Service Pump Station – South (HSPS-S) & 25kV South Loop & Transformers

The following are scheduled to be awarded in November 2025:

Project	Amount (\$M)
Leonard WTP HSPS-South (Construction)	\$ 216.8
Leonard WTP HSPS-South (Eng. Services & Inspection)	6.8
Leonard WTP 25kV South Loop & Transformers (Construction)	20.8
Leonard WTP 25kV South Loop & Transformers (Inspection)	0.8
Deposit to Debt Reserve	15.5
Cost of Issuance	0.6
<b>Total</b>	<b>\$ 261.3</b>



# Regional Water System TWDB SWIFT Application #2

## Texoma Raw Water Pipeline No. 2 & Texoma to Leonard Raw Water Pipeline

The following are scheduled to be awarded in November 2025:

Project	Amount (\$M)
Texoma Raw Water Pipeline No. 2 (Construction)	\$ 493.1
Texoma Raw Water Pipeline No. 2 (Const. Mgmt. & Inspection)	10.9
Texoma to Leonard Raw Water Pipeline (Construction)	140.4
Texoma to Leonard Raw Water Pipeline (Const. Mgmt. & Inspection)	10.9
Deposit to Debt Reserve	41.5
Cost of Issuance	1.4
<b>Total</b>	<b>\$ 698.2</b>



# Regional Water System TWDB SWIFT Applications

## SWIFT Bond Details

- **30-year term, level debt service**
- **Application No. 1**
  - Estimated Annual Payment - \$15.4M
  - Estimated Savings - \$43.0M
- **Application No. 2**
  - Estimated Annual Payment - \$41.3M
  - Estimated Savings - \$70.1M



# Committee Consideration

## Application No. 1

The Executive Director and NTMWD staff recommend the Board of Directors to authorize filing an application for financial assistance from the Texas Water Development Board's State Water Implementation Fund for Texas (SWIFT) Program for financing the Bois d'Arc Lake/Leonard Water Treatment Plant - Phase III High Service Pump Station-South and 25kV South Loop & Transformers as follows:

Purpose: Financial Assistance Application

Amount: \$261,345,000



# Committee Consideration

## Application No. 2

The Executive Director and NTMWD staff recommend the Board of Directors to authorize filing an application for financial assistance from the Texas Water Development Board's State Water Implementation Fund for Texas (SWIFT) Program for financing the North System Raw Water Pipelines – Texoma Raw Water Pipeline No. 2 & Texoma to Leonard Raw Water Pipeline as follows:

Purpose: Financial Assistance Application

Amount: \$698,150,000



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*Drew Farris, Finance Manager*

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# Panther Creek WWTP Bonds Overview

## Overview

- Serves and funded by Frisco
- Current Credit Ratings: (Aa2) Moody's, (AA-) S&P
- Bond Issue Budgeted in FY 2025 Annual Budget
- Open Market Bond Sale on 3/27/25
- Delivery of Funds on 4/24/25

Award Date	Project	Scope of Work	Depreciable Life of Asset	Amount \$ Million
03/2025	Panther Creek WWTP Expansion to 15 MGD	Construction	40 Years	\$ 141.0
03/2025	Panther Creek WWTP Expansion to 15 MGD	Construction Phase Engineering and Contingency	40 Years	9.0
03/2025	Panther Creek WWTP Expansion to 15 MGD	Management & Inspection	40 Years	4.0
				<b>\$ 154.0</b>



# Panther Creek WWTP Bonds Overview

<b>Sources of Funds</b>	<b>\$ Million</b>
Par Amount of Bonds	\$ 163.0
Est. Premium	0.6
<b>Total Sources</b>	<b>\$ 163.6</b>

<b>Uses of Funds</b>	<b>\$ Million</b>
Project Costs	\$ 154.0
Deposit to Debt Service Reserve Fund (DSRF)	9.0
Cost of Issuance	0.6
<b>Total Uses</b>	<b>\$ 163.6</b>

- 30 Year Term Bonds
- Level Debt Payments
- Estimated Interest Rate: 4.5%



# Committee Consideration

The Executive Director and NTMWD staff recommend the Board of Directors to authorize the approval of the Series 2025 Panther Creek Wastewater Treatment Plant System Bonds for project costs in the amount of \$154M plus funding for cost of issuance and debt service reserve fund. (Total Estimate of \$163.6M)



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*Jeanne Chipperfield, AGM Chief Financial Officer*

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# Annual Fund Balance Review

- *Finance Policies Manual – Section 2 - Fund Balance Policy* (Amended September 2024)
  - Defines types of funds
  - Sets guidelines for fund balances
  - Fund balance requirements for several systems established via contract
  - Provides rationale for holding reserves such as liquidity, maintaining bond ratings, emergency preparedness, and contractual obligations
- Balances reviewed by the Finance Committee annually after the completion of the annual financial audit
- Review Regional Water System (RWS) Surplus Budgeted Funds – per amended Member City contract



## Potential Fund Policy Changes

Current policy establishes a set number of days of O&M as a target for reserves

- Certain funds have policy maximum balances
- No policy minimums are established which could leave the reserves too small to handle even small repairs
  - Consider establishing minimum balance guidelines for reserves in the future



# Year End Report (New Format)

- New report covers year-end results for all systems and their funds' balances at 9/30/2024
  - Regional Water System (RWS)
  - Regional Wastewater System (RWWS)
  - Upper East Fork Interceptor System (UEFIS)
  - Small Systems
    - 5 Water Storage / Distribution / Transmission Systems
    - 8 Wastewater Treatment Plant Systems
    - 9 Interceptor Systems
    - Pretreatment
  - Regional Solid Waste System
  - Internal Service (Shared Services) and Health Insurance Funds

On average about 5 funds per operating system

District is generally in compliance with comments denoting any exceptions



# Fund Balance Policy Overview

## All Systems

- Interest and Sinking (I&S) and Bond Reserve Fund balances are established via bond resolution
- Construction Funds refer to bond proceeds to be used for projects; no required balance

## Regional Water System (RWS)

- Operating Fund – Minimum 90-day Operations and Maintenance (O&M) next year's expense
- Combined Operating and Contingency Fund - 130-150 days
- Capital Improvement Fund - \$15M minimum balance

## Other Systems

- Operating Funds are break-even and thus have a \$0 balance after any reserves are replenished or ECP defeased (paid off)
- Reserve for Maintenance / Contingency – 90 days O&M with a max of \$500k, unless specified by contract
- Preventative Maintenance Escrow – based on preventative maintenance schedules
- Equipment Replacement Escrow – based on equipment replacement schedules
- Capital Improvement Fund – based on upcoming capital improvement projects



# RWS Surplus Budgeted Funds Review

- Amended RWS Member City Contract includes a provision to distribute “surplus budgeted funds” at the end of the fiscal year to Member Cities based on prior year’s usage
- Analyze reserve and other required balances to determine if surplus budgeted funds are available and recommend appropriate use of funds
- Annual calculation effective for fiscal year ending 9-30-21, per amended Member City Contract
  - 9-30-21 distributed \$3.4 million
  - 9-30-22 no distribution
  - 9-30-23 distributed \$5.3 million
  - 9-30-24 no distribution recommended



# RWS Operating / Contingency Fund

	Days		\$ Million		Variance
	Target	Actual 9/30/24	Target	Actual 9/30/24	
Operating Fund	90	95.4	\$50.5	\$53.5	\$3.0
Contingency Fund	<u>60</u>	<u>49.3</u>	<u>\$33.7</u>	<u>\$27.7</u>	<u>(\$6.0)</u>
<b>Total</b>	<b>150</b>	<b>144.7</b>	<b>\$84.2</b>	<b>\$81.2</b>	<b>(\$3.0)</b>

- Combined Operating and Contingency Fund is within the policy range of 130-150 days
- No distribution of funds to Members recommended



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*Jeanne Chipperfield, AGM Chief Financial Officer*

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# Regional Water System Upcoming Bond Sale

## Refund Existing Extendable Commercial Paper Bonds ("ECP")

- Refund approximately \$150-\$175 million of outstanding ECP Bonds to long-term debt plus new money of \$500-\$525 million
  - In total, will fund approximately \$675 million of projects previously awarded contracts and appropriated to RWS ECP program
- Allows District to replenish appropriation authority for future projects
- Amortized over 30 years, estimated interest rates of 4.64% (as of 1/30/25)
- Annual payment of approximately \$41.6 million



# Regional Water System Upcoming Bond Sale

## **Refund/Refinance selected maturities of existing 2014 and 2015 Bond Issues**

- \$316.475 million eligible to be refinanced, however, \$270.590 million of Prior Bonds currently make economic sense to refund
- Prior Bonds are outstanding at an average interest rate of 4.74%
- Refunding portion of 2025 bonds interest rate of 3.63% (as of 1/30/25)
- Estimated total savings of \$20.3 million
  - Approximately \$1.56 million annually from 2026-2038
- Net present value of 5.78% of the bonds being refunded
  - District's Financial Policies require a minimum of 3% savings on a current refunding
- Final term of existing bond issues will not be extended

# 2014 and 2015 Refunding Savings Analysis



## North Texas Municipal Water District

### Water System Revenue Refunding Bonds, Series 2025

#### PROJECTED SAVINGS ANALYSIS

1 Year Ending	2 <u>Old</u> 2014 & 2015 Debt Service	3 <u>New</u> 2025 Ref Debt Service	4 <u>Projected Savings</u>
9/30/2026	\$ 33,839,063	\$ 32,276,410	\$ 1,562,652
9/30/2027	33,906,063	32,343,500	1,562,563
9/30/2028	33,907,313	32,347,750	1,559,563
9/30/2029	33,928,313	32,370,000	1,558,313
9/30/2030	24,743,688	23,181,750	1,561,938
9/30/2031	34,622,138	33,060,750	1,561,388
9/30/2032	34,649,700	33,088,750	1,560,950
9/30/2033	34,623,888	33,061,750	1,562,138
9/30/2034	34,609,263	33,049,250	1,560,013
9/30/2035	29,337,200	27,777,250	1,559,950
9/30/2036	12,286,700	10,725,250	1,561,450
9/30/2037	5,426,200	3,866,750	1,559,450
9/30/2038	5,475,600	3,916,500	1,559,100
	351,355,125	331,065,660	\$ 20,289,465

Net Present Value ("PV") Savings: \$ 15,635,667  
PV Savings as % of Bonds being Refunded: 5.78%

*Note: Interest Rates as of 1/30/2025.*

#### Interest Rate Sensitivity

- If interest rates decline by 25 basis points (0.25%), savings increase to \$24.8 million total and \$1.9 million annual with a 7.2% NPV
- Interest rates can increase by 50 basis points (0.5%) and still achieve the 3% policy requirement, but savings are reduced to \$11.1 million in total savings or \$855 thousand annual savings



# Negotiated Bond Sale

- District's financial advisor (FA), Hilltop, recommends utilizing a negotiated sale instead of an open market (competitive) sale
  - Overall bond sale size approaching \$1 billion
  - Interest rate volatility
  - Negotiated sale provides flexibility to resize the sale if market conditions change
- District pre-selects underwriters to form a syndicate to buy the bonds
  - Underwriter recommendation to follow at April Finance Committee
- Financial advisor monitors the sale and ensures that the District receives a competitive interest rate on the bonds



# Next Steps

- April Finance Committee
  - Provide updated bond sale size, interest rate projections and potential refunding savings
  - Provide proposed underwriting syndicate members
- May Board Meeting
  - Approval of bond sale with details of final interest rates and savings



# Agenda

## IV. ACTION ITEMS

- A. Consider approval of Finance Committee meeting minutes – November 6, 2024
- B. Draft FY2023-24 Financial Audit by Crowe, LLP
- C. Extendable Commercial Paper Programs – Annual Refunding Resolutions
- D. Texas Water Development Board – SWIFT Applications
- E. Panther Creek Wastewater Treatment Plant System Bonds, Series 2025

## V. DISCUSSION ITEMS

- A. FY2023-24 Budget vs Actual Results and Year End Reserve Balances
- B. Overview of Upcoming Regional Water System Extendable Commercial Paper Refunding and Potential Bond Current Refunding Opportunity
- C. Opportunity for Committee members to provide feedback on Finance Committee meeting or request potential future agenda items



# Agenda

- I. CALL TO ORDER
- II. PUBLIC COMMENTS
- III. OPENING REMARKS
- IV. ACTION
- V. DISCUSSION
- VI. ADJOURNMENT