



NORTH
TEXAS
MUNICIPAL
WATER
DISTRICT

FINANCE COMMITTEE MEETING

April 9, 2025



Agenda

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



Agenda

IV. ACTION ITEMS

- A. Consider approval of Finance Committee meeting minutes – February 12, 2024
- B. Regional Wastewater System Revenue Bonds, Series 2025
- C. Buffalo Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2025
- D. Regional Water System Revenue Refunding and Improvement Bonds, Series 2025

V. DISCUSSION ITEMS

- A. 2025 Strategic Financial Plans
- B. Opportunity for Committee members to provide feedback on Finance Committee meeting or request potential future agenda items



Agenda

Drew Farris, Finance Manager

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Regional Wastewater System Revenue Bonds, Series 2025

Overview

- Serves the Regional Wastewater System
- Texas Water Development Board (TWDB) Clean Water State Revolving Fund Bonds (non-equivalency)
- Repurposed the 2020 TWDB CWSRF Multi-Year commitment for the Rowlett WWTP Expansion to be used for Sister Grove RWRRF Phase II
- Bond Issue Budgeted in FY 2025 Annual Budget
- Final Rates provided by TWDB on 4/24/25
- Delivery of Funds on 5/22/25

Award Date	Project	Scope of Work	Depreciable Life of Asset	Amount \$ Million
06/2025	Sister Grove RWRRF Phase II (Partial Funding)*	Construction	40 Years	37.0
				\$ 37.0

* Total Project Cost for Sister Grove RWRRF Phase II is \$146.5M.

- \$109.5M will be funded by existing CWSRF bond proceeds and Extendable Commercial Paper.



Regional Wastewater System Revenue Bonds, Series 2025

Sources of Funds	\$ Million
Par Amount of Bonds	\$ 37.9
Total Sources	\$ 37.9

Uses of Funds	\$ Million
Project Costs	\$ 37.0
TWDB Origination Fee (1.750%)	0.7
Cost of Issuance	0.2
Total Uses	\$ 37.9

- 30 - Year Term Bonds
- Level Debt Payments
- Estimated Interest Rate: 3.01%



Committee Consideration

The Executive Director and NTMWD staff recommend the Board of Directors to authorize the approval of the Series 2025 Regional Wastewater System Revenue Bonds through the Texas Water Development Board Clean Water State Revolving Fund for project costs in the amount of \$37M plus funding for cost of issuance and debt service reserve fund. (Total Estimate of \$37.9M)



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Drew Farris, Finance Manager

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Buffalo Creek WW Interceptor Bonds, Series 2025

Overview

- Serves and funded by Forney, Heath, and Rockwall
- Current Credit Ratings: (A1) Moody's, (AA) S&P
- Bond Issue Budgeted in FY 2025 Annual Budget
- Open Market Bond Sale on 5/22/25
- Delivery of Funds on 6/25/25

Award Date	Project	Scope of Work	Depreciable Life of Asset	Amount \$ Million
05/2025	Buffalo Creek Parallel Interceptor Phase II	Right Of Way	N/A	\$ 10.5
08/2025	Buffalo Creek Parallel Interceptor Phase II	Engineering – Final Design	50 Years	4.1
10/2025	Buffalo Creek Parallel Lift Station Improvements	Engineering – Preliminary Design	40 Years	0.5
11/2025	Buffalo Creek Parallel Force Main	Engineering & Inspection	40 Years	1.6
11/2025	Buffalo Creek Parallel Force Main	Construction	40 Years	25.4
				\$ 42.1



Buffalo Creek WW Interceptor Bonds, Series 2025 Cont.

Sources of Funds	\$ Million
Par Amount of Bonds	\$ 44.7
Total Sources	\$ 44.7

Uses of Funds	\$ Million
Project Costs	\$ 42.1
Deposit to Debt Service Reserve Fund (DSRF)	2.2
Cost of Issuance	0.4
Total Uses	\$ 44.7

- 30 - Year Term Bonds
- Level Debt Payments
- Estimated Interest Rate: 4.67%



Committee Consideration

The Executive Director and NTMWD staff recommend the Board of Directors to authorize the approval of the Series 2025 Buffalo Creek Wastewater Interceptor System Bonds for project costs in the amount of \$42.1M plus funding for cost of issuance and debt service reserve fund. (Total Estimate of \$44.7M)



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Jeanne Chipperfield, Assistant General Manager

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Regional Water System Revenue Refunding and Improvement Bonds, Series 2025

Overview

- Serves and funded by Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royce City, Wylie, and Customer Cities.
- Current Credit Ratings: (Aa1) Moody's, (AAA) S&P
- Bond Issue Budgeted in FY 2025 Annual Budget
- Negotiated Sale on 6/26/25
- Delivery of Funds on 7/23/25

Award Date	Project	Scope of Work	Depreciable Life of Asset	Amount \$ Million
06/2025	RWS ECP Refunding (February 2022 – June 2025)	Refunding	N/A	\$ 680.0
06/2025	RWS Series 2014 & 2015 Refunding*	Refunding	N/A	272.7
				\$ 952.7

*Size of the refunding bonds is subject to change based on interest rates and projected interest savings



Regional Water System Revenue Refunding and Improvement Bonds, Series 2025

Sources of Funds	\$ Million
Par Amount of Bonds	\$ 939.7
Est. Reoffering Premium	45.9
Trf. Prior Issue DSRF	6.5
Total Sources	\$ 992.1
Uses of Funds	\$ Million
Underwriter's Discount (0.550%)	\$ 5.0
Cost of Issuance	2.0
Deposit to Debt Service Reserve Fund (DSRF)	32.0
Project Construction Cost and ECP Refunding	680.0
Current Series 2015 Refunding	272.5
Cost of Issuance	0.6
Total Uses	\$ 992.1

- 30 - Year Term Bonds
- Level Debt Payments
- Estimated Interest Rate: 4.42%



Underwriting Syndicate Recommendation

Due to the large size of the transaction (approx. \$1 billion) staff along with Financial Advisor (FA) determined the best path forward would be to utilize a negotiated sale.

- Staff and FA recommend a team of underwriters, who will market the bonds,
- Selection based on history and performance with the District's bond sales as well as Texas / National rankings for underwriting volume
- Underwriting syndicate includes both large national firms as well as regional firms
- 10 firms are recommended based on the size of the deal with a large national firm leading the deal



Recommended Syndicate Members

Underwriting Firm	NTMWD Bids ⁽¹⁾	NTMWD Deals Won ⁽¹⁾	Texas Rank – Water / Sewer (2024)	National Rank – Water / Sewer (2024)
National Firms				
JP Morgan Securities ⁽²⁾	4	1	3	6
Raymond James	3		8	2
Wells Fargo	4	1	4	5
Morgan Stanley	2	1	12	4
Jefferies	4		7	7
Regional Firms				
Fidelity Capital Markets	1	1		27
PNC Capital Markets	5		11	20
The Baker Group	1	1	20	46
Mesirow Financial	3		14	14
Robert Baird & Co	5		5	12

(1) NTMWD Competitive sales since August 2022

(2) Recommended lead Underwriter

-Texas / National Rankings based on total underwriting volume in 2024



Committee Consideration

The Executive Director and NTMWD staff recommend the Board of Directors to authorize the approval of the Series 2025 Regional Water System Bonds for ECP Refunding and Series 2014 & 2015 Refunding in the amount of \$952.7M along with the Underwriting Syndicate.

Total bonds including refunding bonds, issuance costs and a deposit to the debt service reserve fund is \$992.1M



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Jeanne Chipperfield, Assistant General Manager

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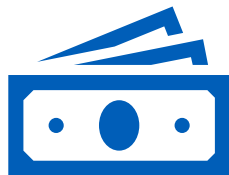
Strategic Financial Plans

Introduction

- What are Strategic Financial Plans (SFPs)
- SFP Development Process
- Economic Update
- Standard Assumptions
- Systems
- Summary



SFP Development Process



Begin with FY25 Budget

- Current year's budget is starting point for SFP's



Analyze and Update Each System

- Debt Service
- Capital Improvement Program
- O&M Inflation
- New Facilities O&M
- Reserves
- 28 Systems



Model Review and Distribution

- Review by District Executives
- Finance Committee Review
- Share with Members & Customers
- Post on Website



Economic Update

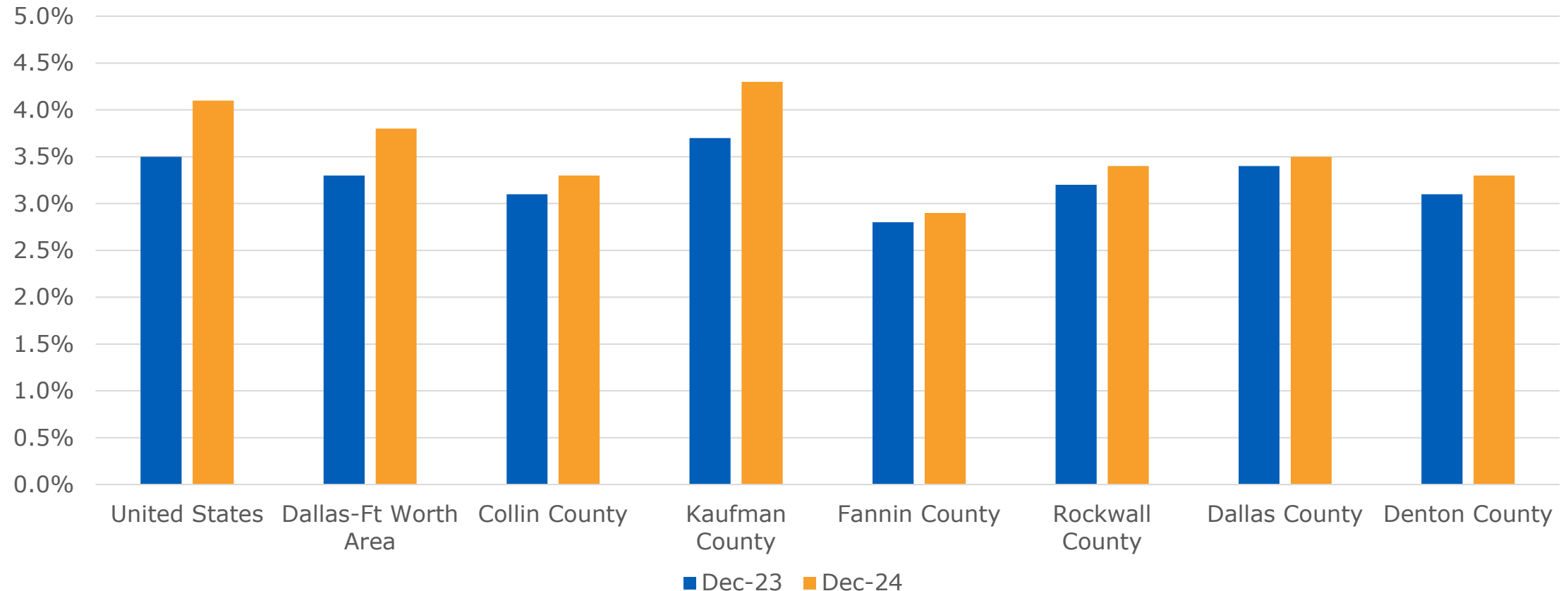
- Inflation is steady with the Consumer Price Index rising 2.8% over the last 12 months (Feb 2025)
 - Standard escalations of 3% for most costs, 6% for personnel-related costs
- Economic uncertainty
 - Possible impact of tariffs
 - Inflation factors
 - Potential for recession

-CPI from www.bls.gov



Economic Update

Unemployment Rates



- Low unemployment drives higher wages and makes it harder to hire and retain employees. SFP assumes a 6% personnel cost escalation in FY26 and beyond.



Standard Assumptions

O&M Escalation	Annual % Increases
Personnel Related Costs	6%
Shared Services	6%
Services – Power & Other Services, Supplies	3%
Construction Cost	3%
Chemicals	3%
Interest Rates – Open Market	4.5 – 5.75%
Interest Rates – SWIFT / Clean Water	2.87 – 4.84%
Bond Sales	<ul style="list-style-type: none">• Assumes continued utilization ECP programs with refundings scheduled approximately every 12-18 months• 30 Yr. Debt, 20 Yr. RSWS• Structuring as needed

New Facilities O&M	% of Capital Project Cost
WTP, Pump Stations, WWTP, Lift Stations	2.5%
Treated Water Pipelines, Force Mains, Interceptors, Transfer Sewer, Parallel Sewer, Raw Water Pipelines, Storage Reservoirs, Sedimentation Basins	1.0%
Transfer Stations	6.0%

SFPs calculate debt service schedules based on project cost amounts and future inflation. Interest rate assumptions are provided by the District's financial advisor, Hilltop Securities.

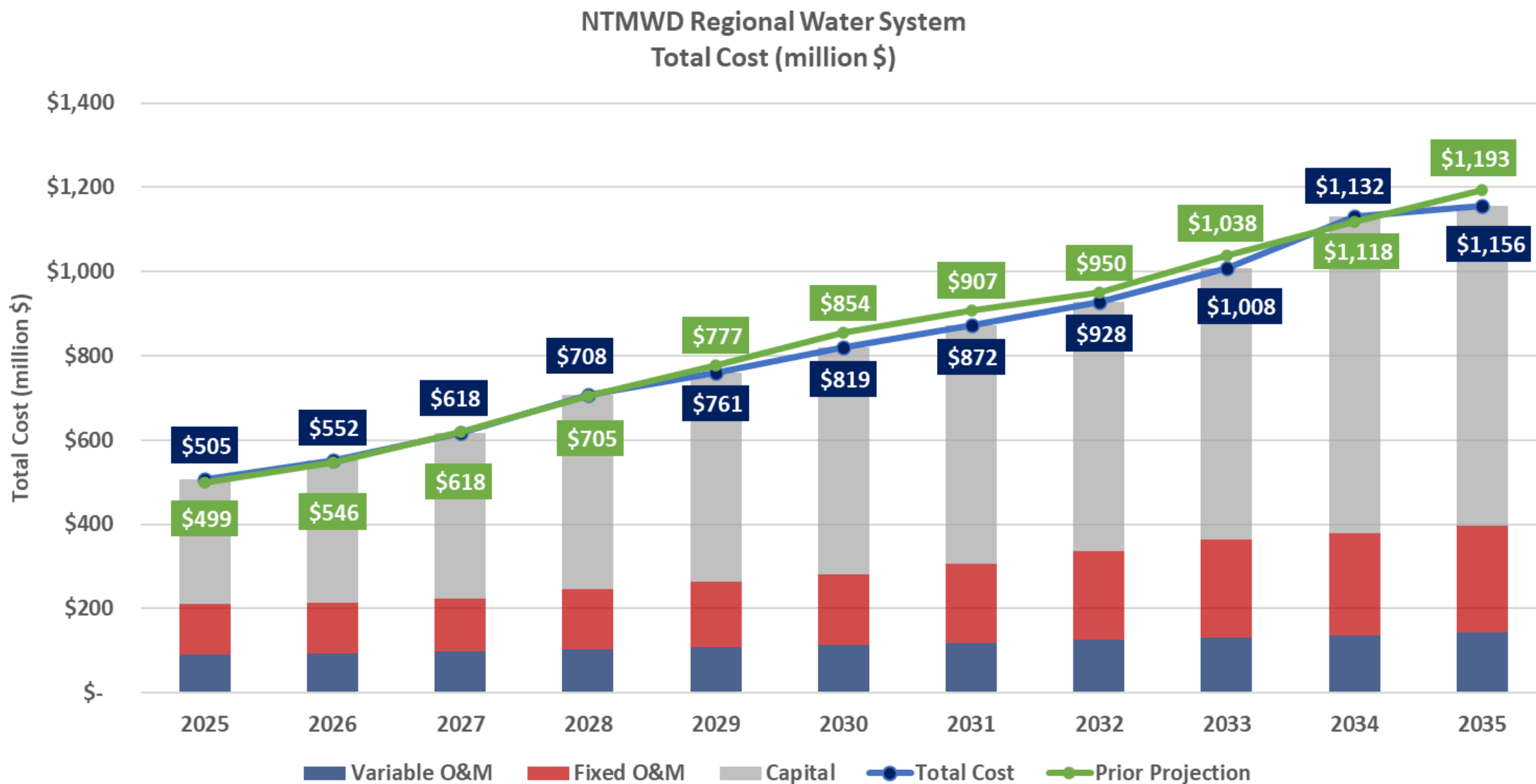


Regional Water System (RWS)

- Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City and Wylie
- 34 Customers (Cities, Special Utility Districts, Water Supply Corporations)



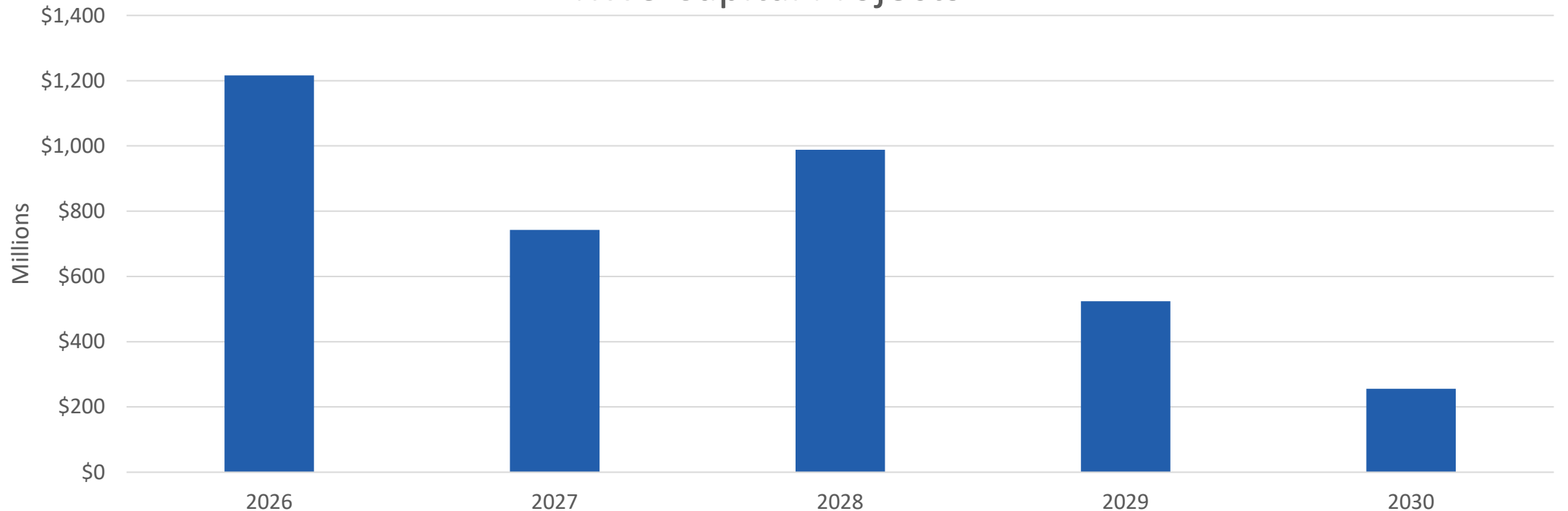
Strategic Financial Plan - RWS





Strategic Financial Plan - RWS

RWS Capital Projects



FY26

- Texoma Raw Water PLs- \$509M
- Leonard WTP HSPS- \$81M
- Wylie WTP Imp- \$75M
- Leonard to Fmville PL- \$66M

FY27

- Leonard WTP Phase III - \$482M
- Addl Wetlnd Ds- \$53M
- Raw Wtr PS 4 - \$36M
- Texoma PS and PL Imp - \$29M
- Wylie WTP Imp - \$32M
- BDL Raw Wtr PS - \$27M

FY28

- Addl Wetland Const - \$403M
- Wylie WTP Imprs - \$222M
- Leonard PLs - \$191M
- Addl Water Supply Prelim Design - \$42M
- Lake Chapman Booster PS - \$32M

FY29

- Raw Water Pump Station No. 4 & 2 Const and Imp - \$360M
- Wylie WTP Imp - \$41M
- Addl Water Supply - \$33M
- Cooper PL Ext - \$32M
- Leonard to Princeton PL - \$28M

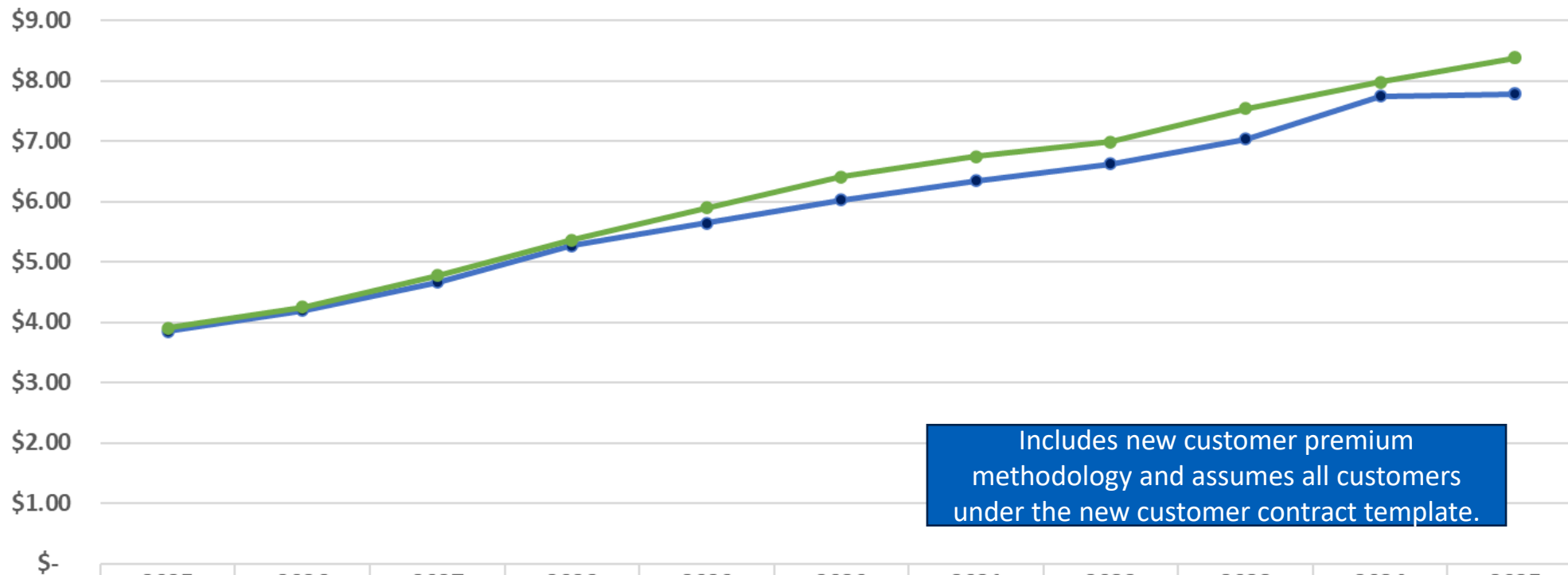
FY30

- Addl Water Supply - \$148M
- Wylie WTP II Elect Imp - \$47M
- Fmville to East System PL Const - \$42M



Strategic Financial Plan - RWS

NTMWD Regional Water System
Member Rate Per 1,000 Gallons



	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
● Current	\$3.85	\$4.19	\$4.66	\$5.27	\$5.64	\$6.02	\$6.34	\$6.62	\$7.03	\$7.74	\$7.77
Curr Incr		9%	11%	13%	7%	7%	5%	4%	6%	10%	0%
● Prior	\$3.90	\$4.25	\$4.77	\$5.36	\$5.89	\$6.41	\$6.74	\$6.99	\$7.54	\$7.98	\$8.37
Prior Incr		9%	12%	12%	10%	9%	5%	4%	8%	6%	5%



Regional Water System (RWS) Existing Debt Overview (000s)

- **Current Principal of Long-Term Bonds Outstanding: \$2,859,180**

- Principal is repaid annually:
 - \$110,205 scheduled to be repaid in FYE 2025
 - \$581,620 scheduled to be repaid over next 5 years (2025-2029)
 - \$1,219,170 scheduled to be repaid over next 10 years (2025-2034)

<u>Date</u>	<u>Principal Payment</u>	<u>Percent Retired</u>
2025	\$ 110,205	3.9%
2026	113,135	7.8%
2027	117,360	11.9%
2028	118,715	16.1%
2029	122,205	20.3%
2030	125,845	24.7%
2031	131,655	29.3%
2032	136,790	34.1%
2033	119,485	38.3%
2034	123,775	42.6%
2035	122,975	46.9%
2036	110,425	50.8%
2037	107,435	54.6%
2038	111,095	58.4%
2039	108,230	62.2%
2040	105,785	65.9%
2041	102,855	69.5%
2042	106,395	73.3%
2043	110,075	77.1%
2044	113,895	81.1%
2045	110,500	84.9%
2046	114,280	88.9%
2047	103,235	92.6%
2048	63,075	94.8%
2049	38,050	96.1%
2050	27,500	97.1%
2051	28,570	98.1%
2052	27,270	99.0%
2053	28,365	100.0%
Total	<u>\$ 2,859,180</u>	



RWS Rating Overview

Existing Bond Ratings of AAA S&P /Aa1 Moody's

- Standard and Poor's upgraded the RWS to 'AAA' in 2008
- Moody's upgraded the RWS to 'Aa1' in 2021
- General factors supporting the RWS's credit:
 - Strength of contract provisions (joint and several) and pledge of revenues (payments to NTMWD treated as O&M expense of Member Cities)
 - Each Member City's utility system credit characteristics and financial performance
 - District's financial and operational management including liquidity and future planning (Strategic Financial Plan)
 - Water supply



RWS Debt Factors

▪ One Factor Is Not Easily Quantified

- Member Cities' credit profiles are a major component for the RWS's credit rating
- Cause for concern if Member Cities' credit positions weaken because of the debt and/or wholesale rate passed on to them
 - Weakening of the credit position would likely occur if Member Cities were unwilling to pass through the wholesale rate increases to their retail base (and/or unable recover the wholesale rate increases through expansion of their user base)

▪ One Factor Is Quantifiable

- Moody's states one of the factors that could lead to a downgrade is "*significant debt issuance absent revenue growth increasing the debt burden to above 7 times revenues*"
- Moody's admits that this factor typically won't move rating on a standalone basis
- Based on the District's FYE 2024 ACFR, the RWS "Debt to Revenues" ratio is 6.33, however, in both FYE 2019 and FYE 2020, the ratio was 7.3x [*Moody's upgraded the RWS in June of 2021*]



RWS Debt – Proforma Debt to Revenues

▪ **Moody's Debt to Revenues Metric**

- Moody's analyzes this on a 'forward-looking' basis as Moody's understands that the District increases its rates/revenues upon issuing additional debt.
- Additionally, in the last RWS rating report, Moody's stated, *"Given the history of rate increases and further rate adjustments planned, the District's debt profile will remain elevated but manageable."*

▪ Look-forward/proforma Debt to Revenues Calculation (000s):

\$ 2,748,975	Existing Debt less 2025 Principal Payment
675,000	Potential 2025 ECP Refunding
260,000	2025 SWIFT Application #1
700,000	2025 SWIFT Application #2
(188,786)	Less: Funds Restricted for Debt Service (FYE 2024)
<u>\$ 4,195,189</u>	Proforma Net Funded Debt
\$ 504,600	FYE 2025 Budgeted Water System Revenues
41,600	Potential 2025 ECP Refunding - Projected Revenues Required
15,400	2025 SWIFT Application #1 - Projected Revenues Required
41,300	2025 SWIFT Application #2 - Projected Revenues Required
<u>\$ 602,900</u>	Proforma Revenues
6.96	Proforma Debt to Revenue Ratio

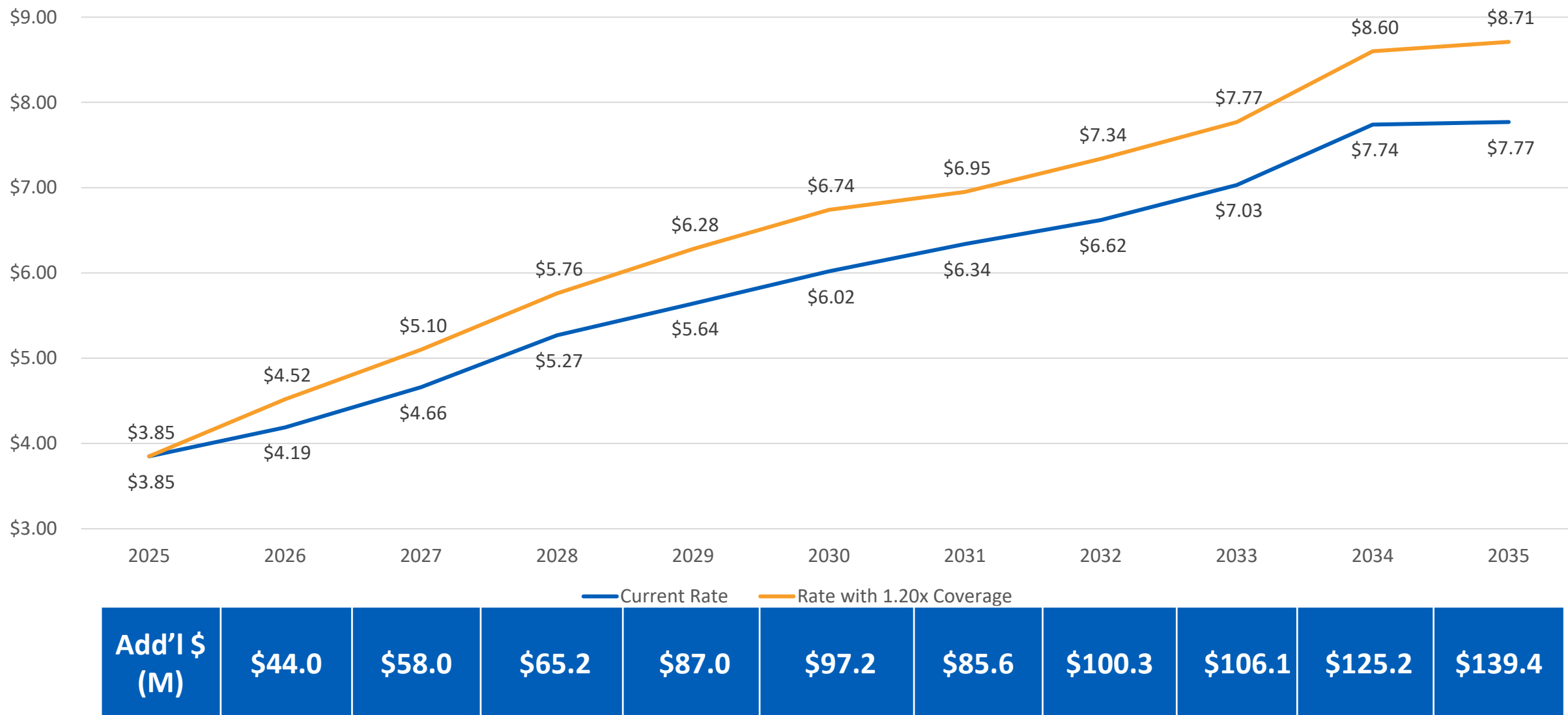


Additional Coverage Option

- Recommendations in most recent Independent Financial Review to consider increasing RWS's debt service coverage "to defend the strong credit ratings"
- Board committed to reviewing the cost and impact of increased coverage periodically
- Prepared alternate RWS SFP model utilizing a 1.2x coverage assumption
 - Additional cash funding for capital projects included to raise projected coverage levels
 - Significant impact on rates but adds approximately \$908m in cash funding over 10-year outlook



Regional Water System Rate Comparison with 1.2x Coverage



- Additional non-operating cash needed each year to achieve a 1.20x coverage ratio



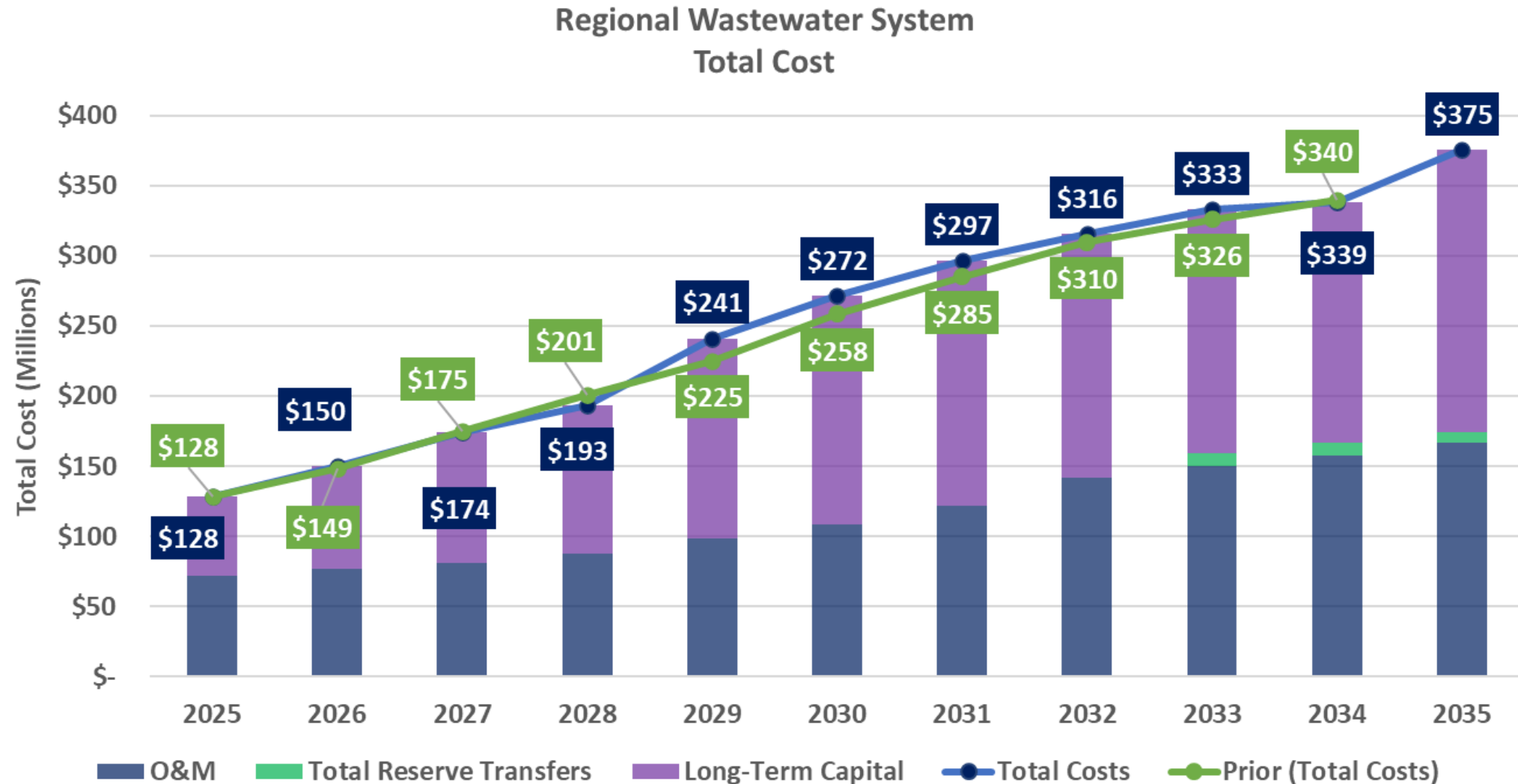
Discussion



REGIONAL WASTEWATER SYSTEM (RWWS)

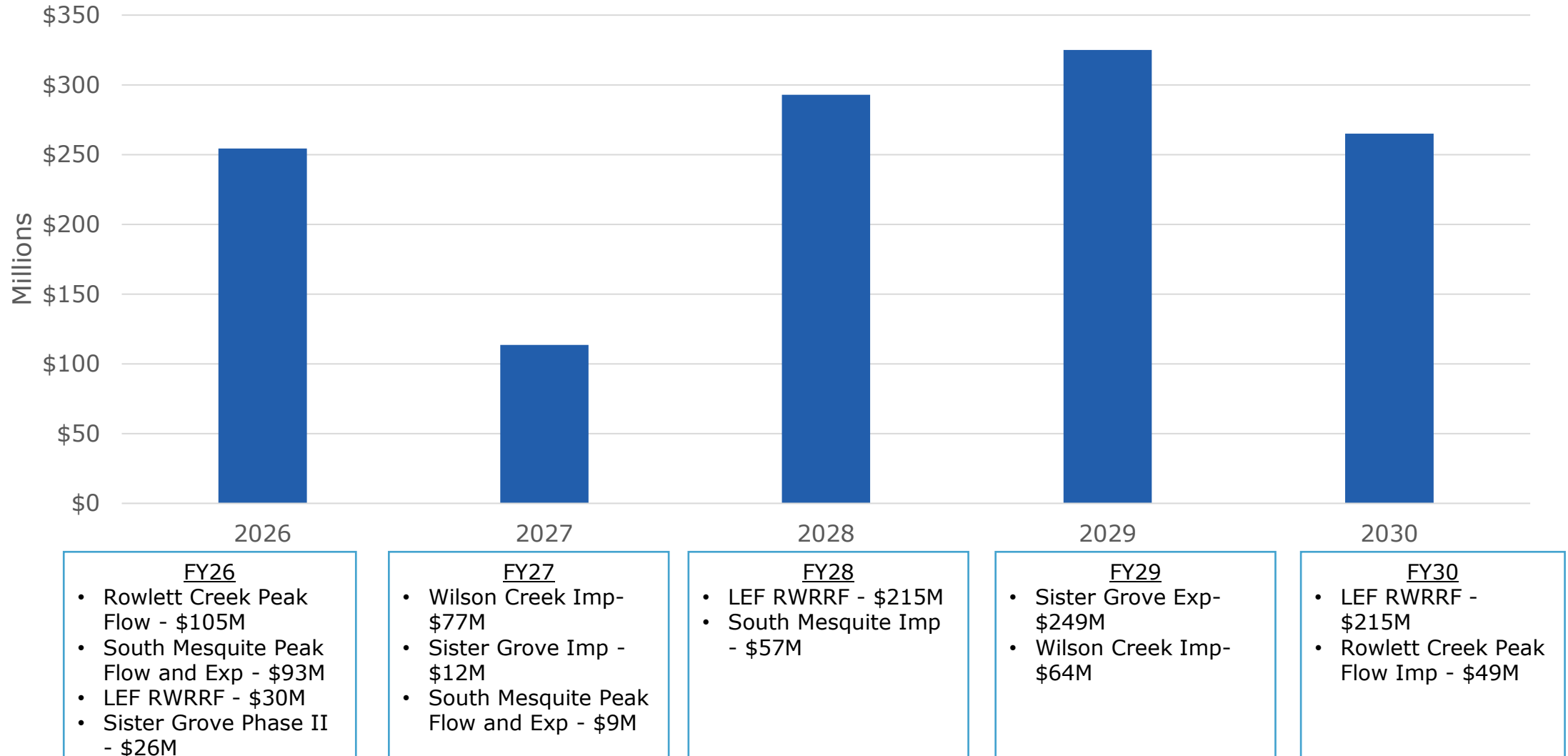
- Allen, Forney, Frisco, Heath, McKinney, Melissa, Mesquite, Plano, Princeton, Prosper, Richardson, Rockwall and Seagoville

Strategic Financial Plan - RWWS

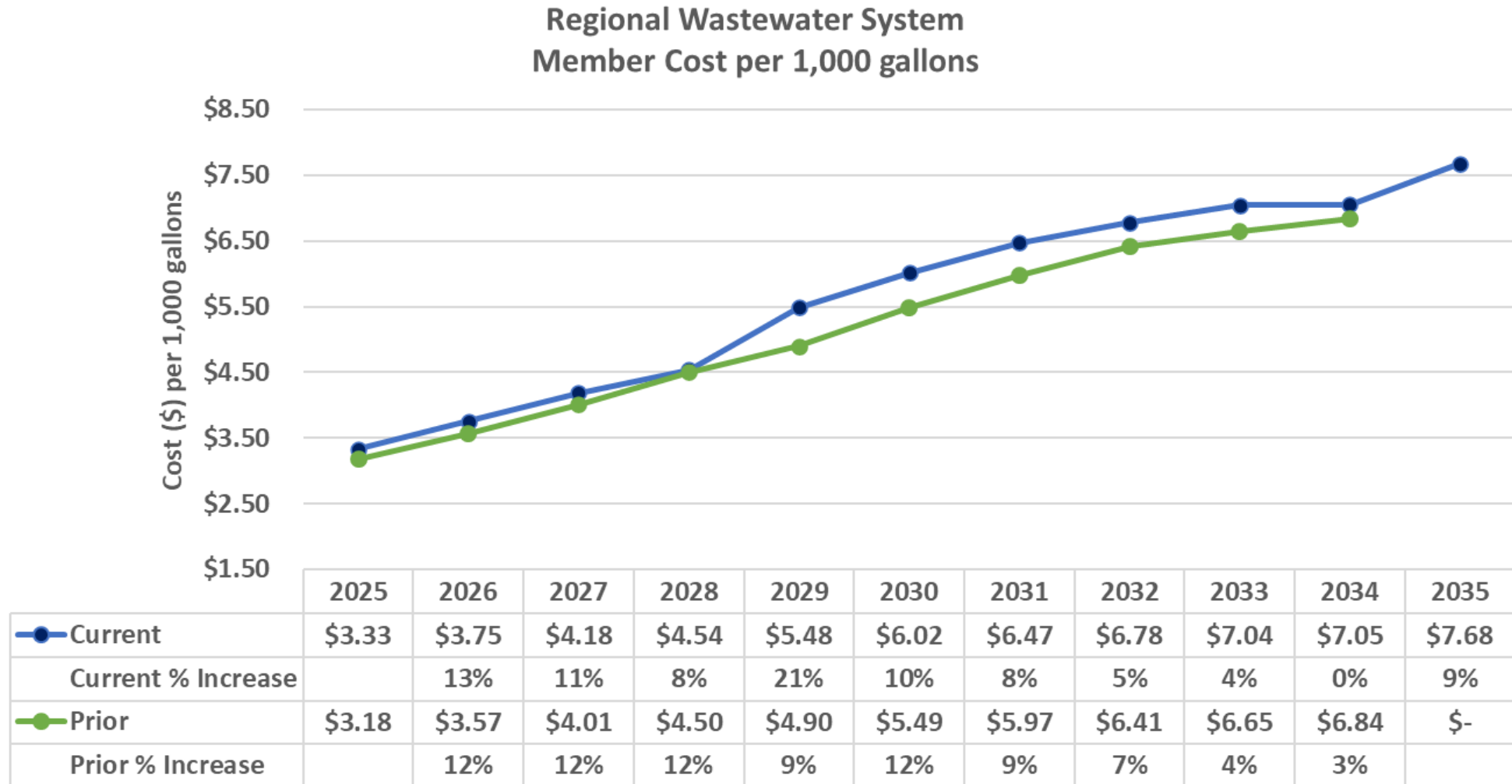


Strategic Financial Plan - RWWS

RWWS Capital Projects



Strategic Financial Plan - RWWS

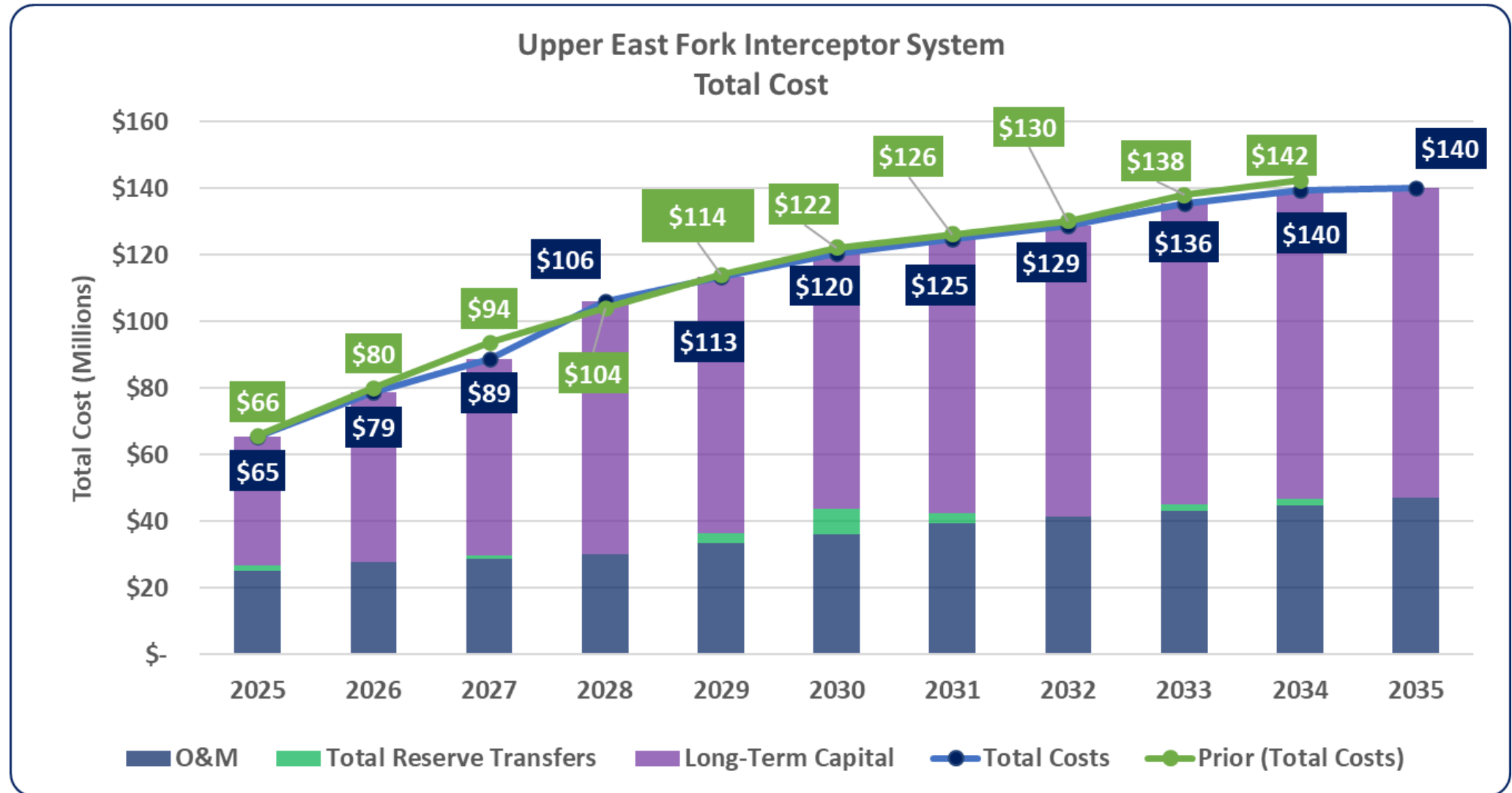




UPPER EAST FORK INTERCEPTOR SYSTEM

- Allen, Frisco, McKinney, Melissa, Plano, Princeton, Prosper and Richardson

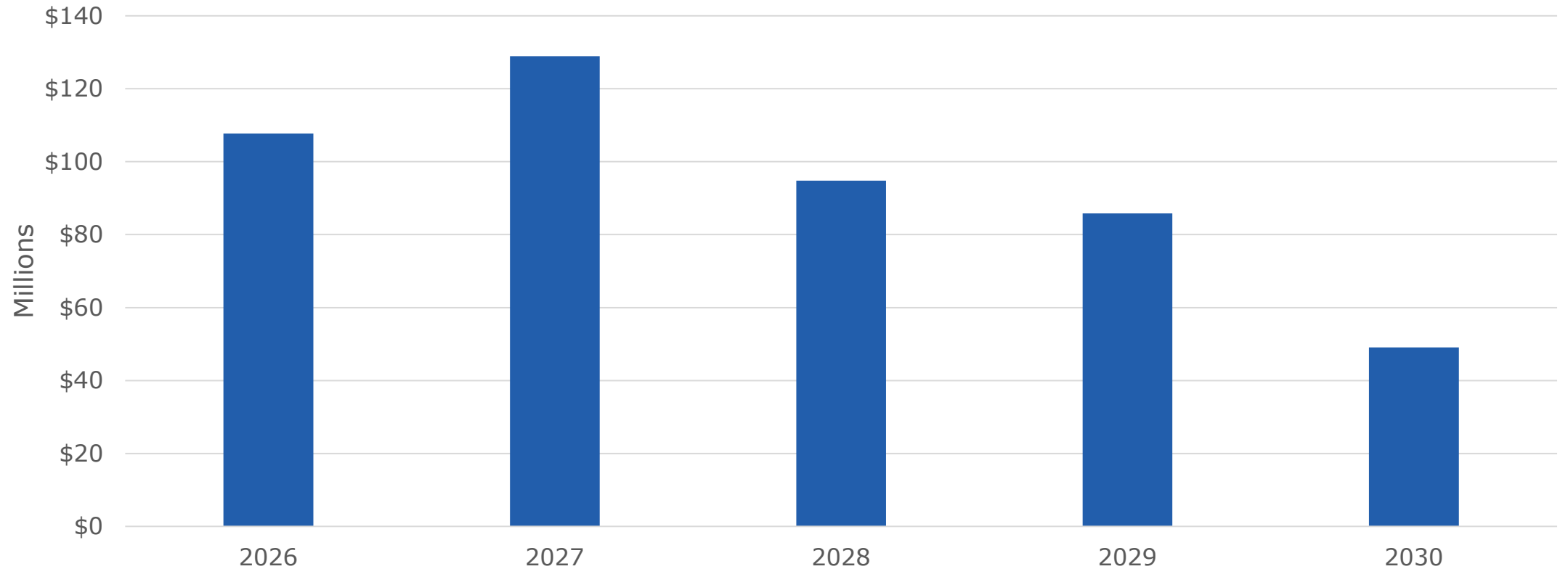
Strategic Financial Plan - UEFIS





Strategic Financial Plan - UEFIS

UEFIS Capital Projects



FY26

- Stover Creek FM and LS - \$59M
- Preston Rd LS Storage Tank - \$32M

FY27

- Tickey Creek FM and LS - \$73M
- Stover Creek LS - \$42M

FY28

- Tickey Creek FM - \$77M

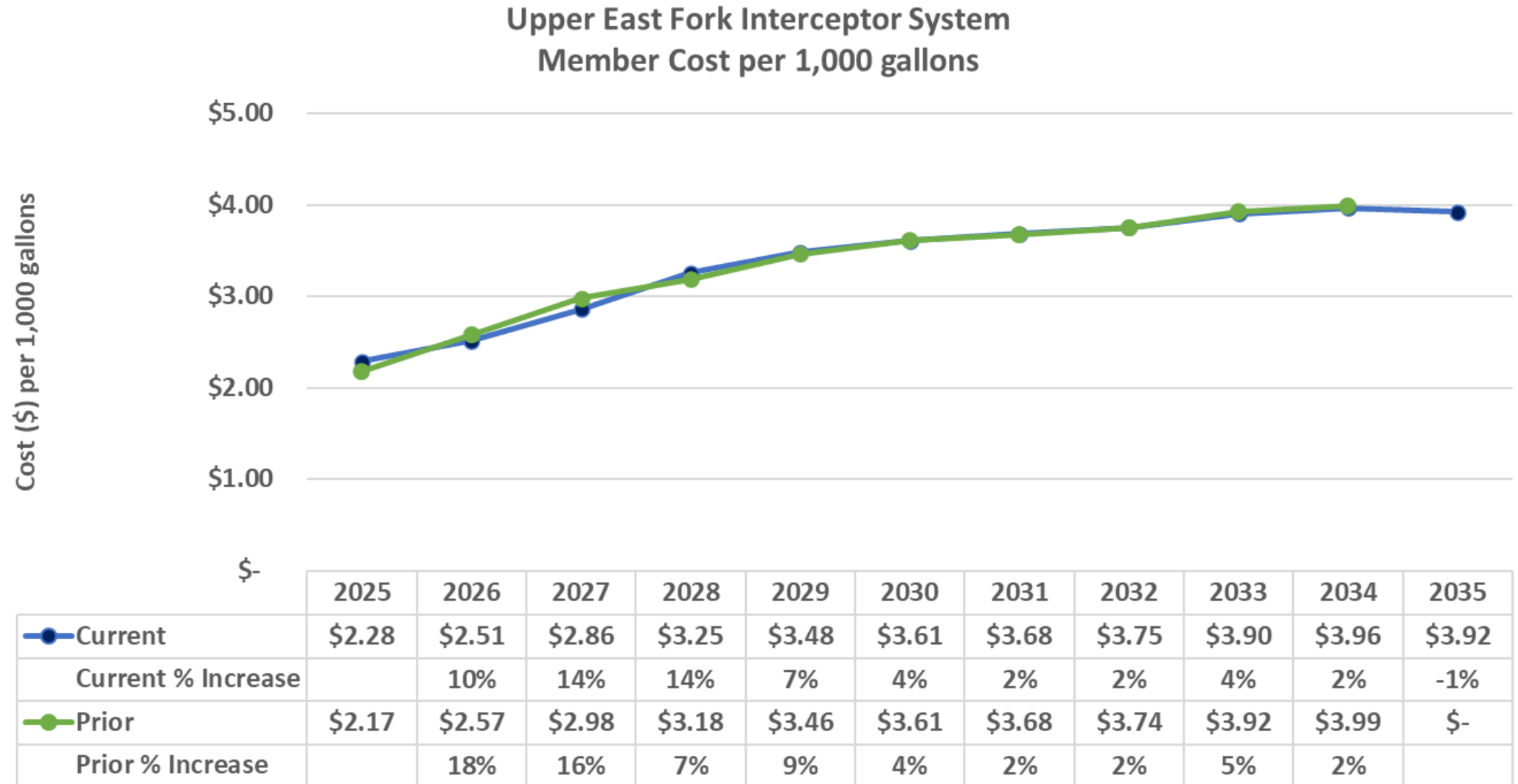
FY29

- UEFIS SCADA, P/L, Flow Mtr, Rehab and Imp - \$56M
- Beck Branch LS Exp - \$13M

FY30

- UEFIS SCADA, P/L, Flow Mtr, Rehab and Imp - \$23M
- Lower White Rock Creek LS / Wet Well - \$7.3M

Strategic Financial Plan - UEFIS



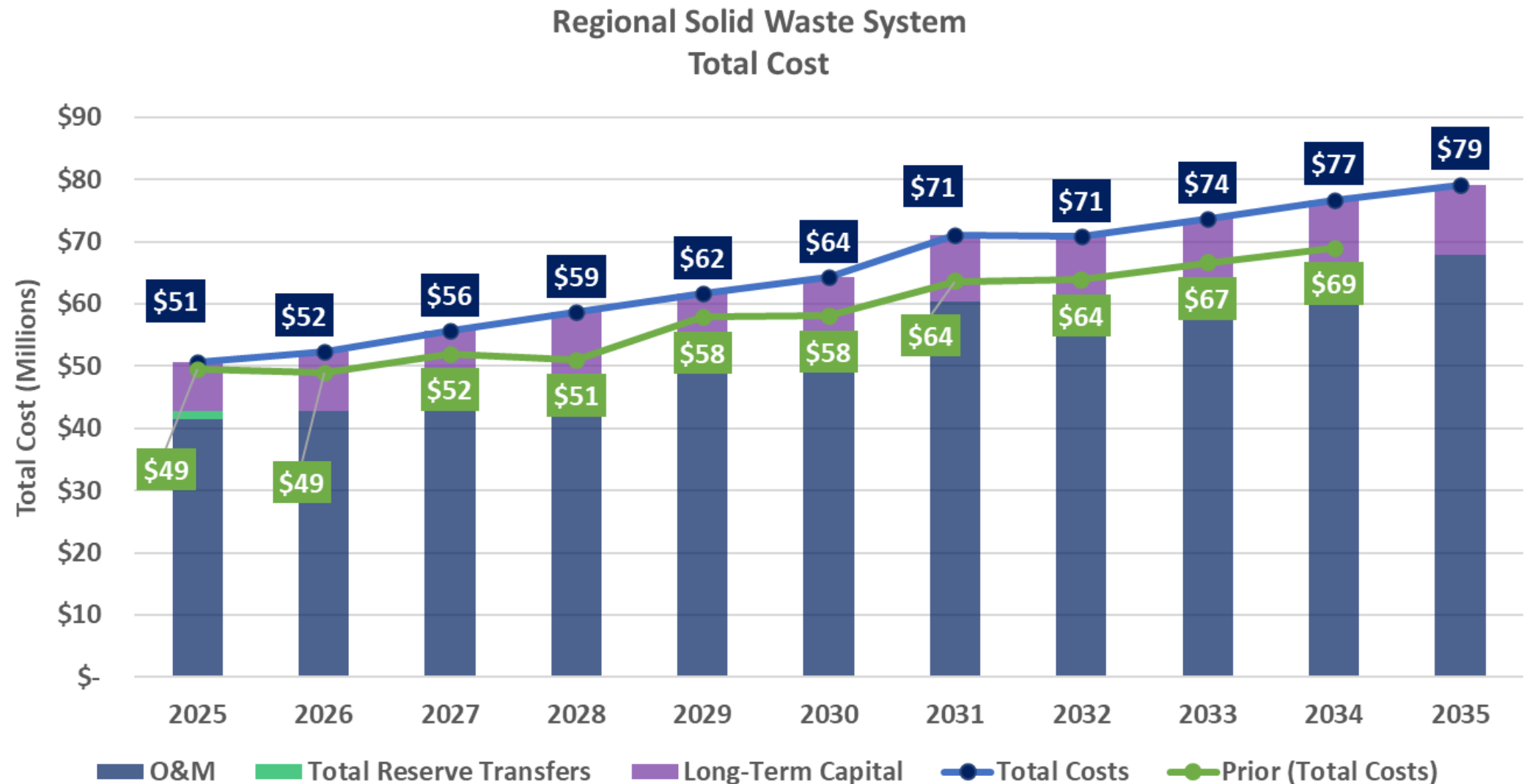


REGIONAL SOLID WASTE SYSTEM

- Allen, Frisco, McKinney, Plano and Richardson

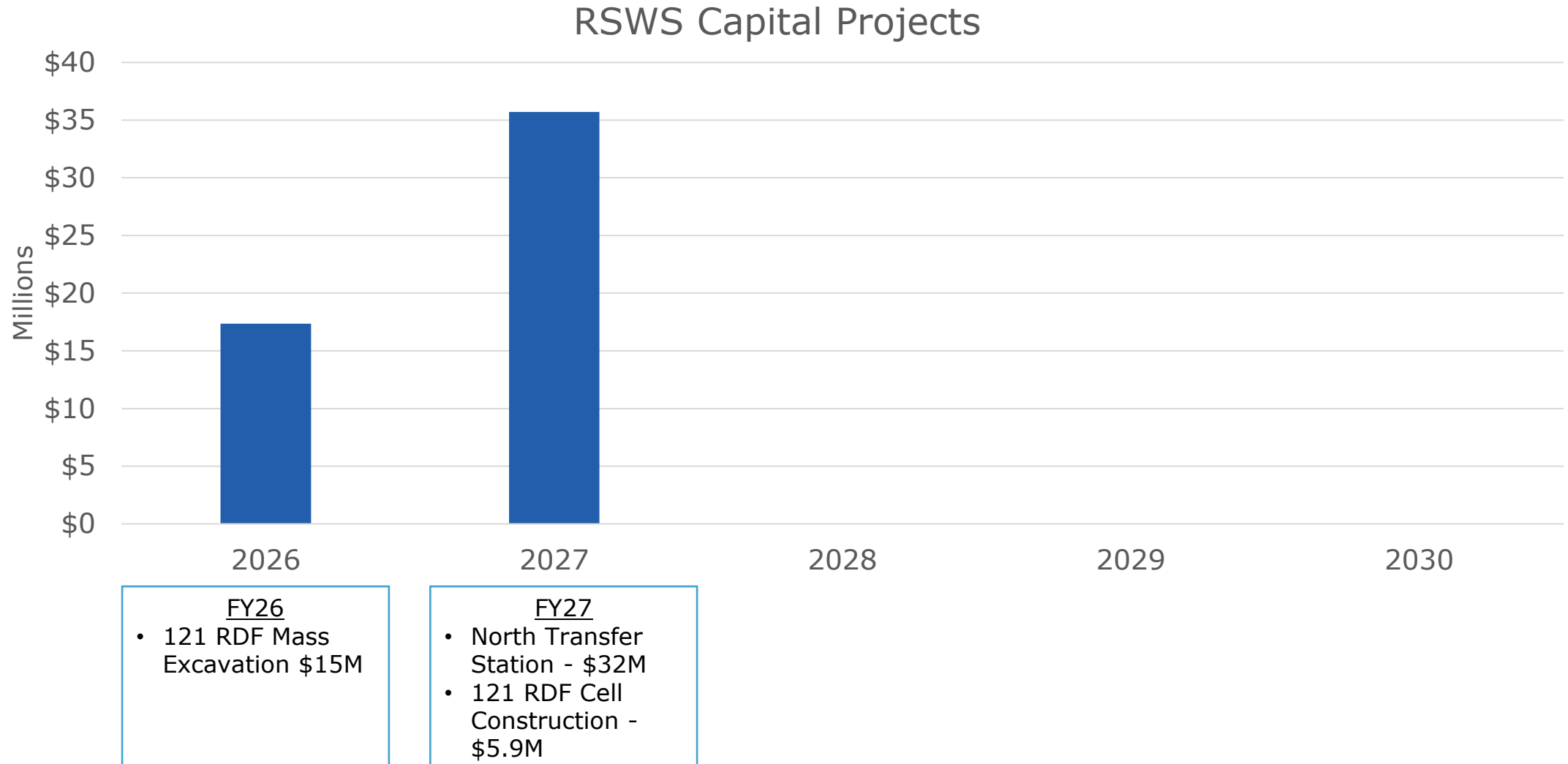


Strategic Financial Plans - RSWS



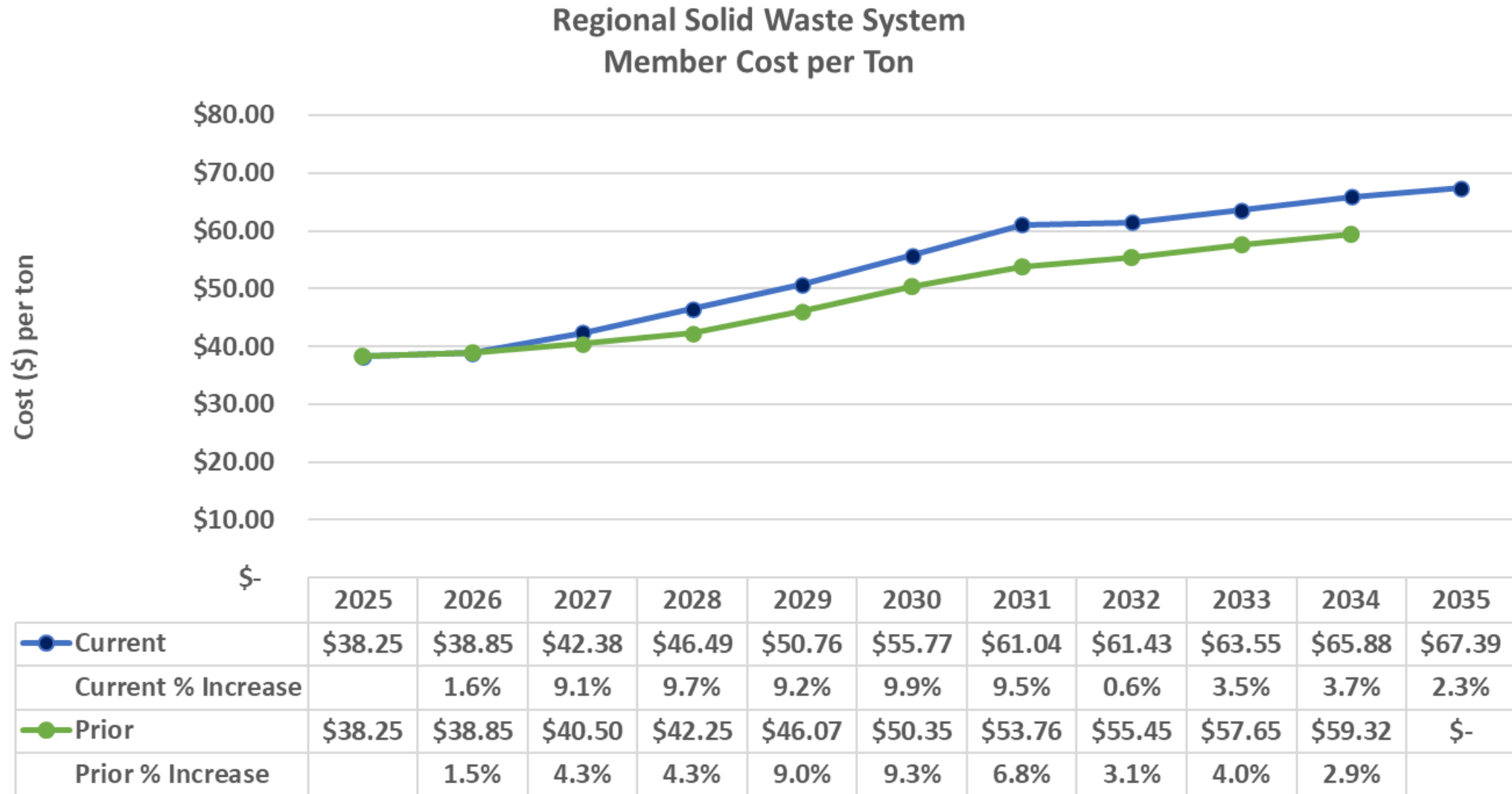


Strategic Financial Plan - RSWS





Strategic Financial Plans - RSWS



SMALL SYSTEMS



Small Systems

- Includes 5 Water Transmission Systems; 7 Wastewater Treatment Plants, 9 Wastewater Interceptors and Wastewater Pretreatment
- Limited number of participants
- Most systems' SFPs do not change significantly from year to year
- All SFPs are included in the attached report

Highlighted updates from prior year's SFP

Notable changes

- Lavon WWTP
 - Additional small plants staffing, shared service allocations, ERP software allocations
- Panther Creek WWTP
 - Increased project costs – Expansion to 15MGD (2025) - \$193M vs \$112M
 - Increased project costs – Expansion to 20MGD (2029) - \$89M vs. \$48M
- Sabine Creek WWTP
 - Additional expansion planned – 11MGD (2028) - \$115M
 - Expansion due to accelerated growth



Strategic Financial Plans

Summary

- Planned for increasing growth, aging infrastructure, regulatory changes and inflation.
- Utilizing ECP programs in RWS, RWWS and UEFIS to help steady rates.

Next Steps

- Share SFP Summaries with Member Cities and Customers
- Publish SFP Summaries on District's website
- Develop SFPs into the FY26 annual budgets for each system



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