



NORTH TEXAS MUNICIPAL WATER DISTRICT
501 E. Brown Street • Wylie, Texas 75098
(972) 442-5405

FINANCE COMMITTEE MEETING MINUTES
FEBRUARY 12, 2025

The Presiding Officer was 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 was invited to attend the meeting in person at the meeting location and offer Public Comments. Board Members participating by videoconference were visible to members of the public in attendance at the meeting location. Members of the public who wished to listen to live audio from the meeting were able to do so by calling (469) 210-7159 or toll free (844) 621-3956 and entering the following access code: 928 587 040. This line did not provide two-way communication. The audio recording of the meeting is available on the NTMWD website.

I. CALL TO ORDER

Chair Geralyn Kever served as Presiding Officer and called the meeting to order at approximately 3:00 p.m. on Wednesday, February 12, 2025.

The following Finance Committee members were present; therefore, a quorum was present:

Finance Committee Members		Attendance
1	Geralyn Kever, Chair	In Person
2	Lori Barnett Dodson	Remote
3	Alan McCuistion	Remote
4	Rick Mann	Remote
5	George Purefoy	Absent
6	John Sweeden	Absent
7	Larry Thompson	Remote

Members of the Executive Committee were present as well as other Board members. Executive Director Jenna Covington and other members of the NTMWD management team were in attendance.

The following consultants attended via teleconference:

- Lauren Kalisek, Lloyd Gosselink Rochelle & Townsend
- Kevin Smith & Michelle Buss, Crowe, LLP

FINANCE COMMITTEE MEETING MINUTES

FEBRUARY 12, 2025

PAGE 2

- Nick Bulaich, Hilltop Securities
- Molly Carson, McCall, Parkhurst & Horton LLP

II. PUBLIC COMMENTS

Members, customers, and the public were invited 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. The 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.

There were no requests for public comment.

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

Assistant General Manager- Chief Financial Officer Jeanne Chipperfield reported that the S&P has upgraded bonds to A+ for the Sabine Creek Wastewater System and Sabine Creek Interceptor, and for the Parker Creek Interceptor. She advised this will be beneficial on future bond sales.

IV. ACTION ITEMS

A. Consider approval of Finance Committee meeting minutes – November 6, 2024

Upon a motion by Director Larry Thompson and a second by Director Alan McCuistion, the Finance Committee voted unanimously to approve the meeting minutes for November 6, 2024.

B. Draft FY2023-24 Financial Audit by Crowe, LLP

Jeanne Chipperfield told Committee members that an updated copy of the draft audit was provided to them in the meeting packet. She expressed her appreciation to the Accounting Team for their work on this year's audit.

Kevin Smith with Crowe, LLP provided an overview of the District's Financial Audit for FY2023-2024. He advised that the financial statements 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.

Mr. Smith stated that there were no material weaknesses or significant deficiencies in internal control reported or communicated to management. There was one

FINANCE COMMITTEE MEETING MINUTES

FEBRUARY 12, 2025

PAGE 3

corrected misstatement, which he reviewed. Uncorrected misstatements were also reviewed.

Upon a motion by Director Alan McCuistion to accept the Draft FY2023-2024 Financial Audit and a second by Director Larry Thompson, the Finance Committee voted unanimously to recommend approval to the Board of Directors.

C. Extendable Commercial Paper Programs – Annual Refunding Resolutions

Jeanne Chipperfield reviewed that Extendable Commercial Paper (ECP) is a short-term financial instrument used as interim financing to award contracts ahead of issuing long-term debt. She reviewed the benefits and considerations of the ECP program as follows:

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 an emergency

Considerations

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

Ms. Chipperfield reviewed that the ECP program was established in 2021 for three systems, and the amounts of those were increased in 2023 to:

- Regional Water System - \$700 Million
- Regional Wastewater System - \$400 Million
- Upper East Fork Interceptor System - \$150 Million

She added that the Upper East Fork Interceptor System ECP program was refunded in August 2024. The Regional Water System and Regional Wastewater System ECP will be refunded in May 2025. A chart reflecting the size and amounts used was reviewed.

Ms. Chipperfield provided further details on the ECP structure. She advised that when issued, ECP has a maturity of up to 90 days. At the end of those 90 days, one of three things will occur. Either the District will pay off the ECP with cash or proceeds from a long-term bond sale, or the District could "roll" the existing paper into a new ECP issue with a new maturity date or extend the maturity date of the ECP in the event the dealer is unable to find a buyer for the new paper.

FINANCE COMMITTEE MEETING MINUTES

FEBRUARY 12, 2025

PAGE 4

Ms. Chipperfield advised that annually the Board of Directors approves resolutions authorizing ECP Refunding Bonds to provide liquidity support for ECP programs if necessary. Each Refunding Bond Resolution matches the size of each ECP program. She advised that staff recommend the Board of Directors authorize the approval to reauthorize the ECP Refunding Bonds in the following amounts:

- Regional Water System - \$700 Million
- Regional Wastewater System - \$400 Million
- Upper East Fork Interceptor System - \$150 Million

Upon a motion by Director Alan McCuistion and a second by Director Larry Thompson, the Finance Committee voted unanimously to recommend approval to the Board of Directors.

D. Texas Water Development Board – SWIFT Applications

Finance Manager Drew Farris presented this item. He reviewed that the Texas Water Development Board (TWDB) State Water Implementation Funding for Texas (SWIFT) Program provides financial assistance in the form of long-term, fixed-rate loans offered at below-market rates. Maturities of the loans range from 20 to 30 years, with interest rates based on the TWDB's cost of funds, which reflects the program's AAA credit rating. Interest rates are further reduced by a subsidy established by the TWDB Board for each funding cycle. The 2025 funding cycle subsidy percentages will be determined at the time of prioritization of projects, anticipated to be in summer of 2025.

In order to qualify for the SWIFT funds, the NTMWD submitted an abridged application on January 31, 2025, to TWDB for financial assistance for two projects. Upon TWDB approval, a formal invitation to apply may be issued to the District. Once an invitation is received, the District has 30 days to submit formal applications, which should be in late spring or early summer 2025. Board action will likely be in April to authorize the District to submit the formal applications, contingent upon an invitation from TWDB. NTMWD will execute financing agreements with TWDB in the late summer or early fall and will execute Bond Resolutions in the late fall. TWDB's SWIFT Program bond closing is in late fall; NTMWD bond closing will be in November or December 2025.

Mr. Farris advised that the District has submitted two applications for SWIFT funding.

Application No. 1: For the Leonard Water Treatment Plant Phase III High Service Pump Station - South and 25kV South Loop and Transformers. Award for this project is anticipated in November 2025. This project includes construction, engineering services, and inspections. Including the deposit to the Debt Reserve and Cost of Issuance, the total amount to be applied for is \$261,345,000.

Application No. 2: For the Texoma Raw Water Pipeline No. 2 and Texoma to Leonard Raw Water Pipeline. Award for this project is anticipated in November 2025. This project includes construction, construction management and

FINANCE COMMITTEE MEETING MINUTES

FEBRUARY 12, 2025

PAGE 5

inspection for both pipelines. Including the deposit to the Debt Reserve and Cost of Issuance, the total amount to be applied for is \$698,150,000.

Mr. Farris stated that the SWIFT bonds will have 30-year terms, with level debt service. Application No.1 will have an estimated annual payment of \$15.4 million with estimated interest savings of \$43 million. Application No. 2 will have an estimated payment of \$41.3 million and interest savings of \$70.1 million.

In response to Chair Kever's question, Mr. Farris stated that the TWDB requires projects requested be listed in the District's State Water Plan. Individual motions for each application were requested.

Upon a motion by Director Alan McCuistion for Application No. 1 in the amount of \$261,345,000 and a second by Director Lori Dodson, the Finance Committee voted to recommend approval to the Board of Directors.

Upon a motion by Director Alan McCuistion for Application No. 2 in the amount of \$698,150,000 and a second by Director Lori Dodson the Finance Committee voted unanimously to recommend approval to the Board of Directors.

E. Panther Creek Wastewater Treatment Plant System Bonds, Series 2025

Drew Farris presented this item. He advised this bond sale is to expand the Panther Creek Wastewater Treatment Plant to 15 million gallons per day (MGD). Panther Creek serves only the city of Frisco and the bonds will be funded by the city of Frisco. He added that the bond issue is budgeted in the FY 2025 annual budget. The open market bond sale is scheduled on March 27, 2025, with delivery of funds on April 24, 2025. The cost of the project is \$154 million and includes construction, engineering, contingency, management and inspection. The par amount of the bonds includes a \$9 million deposit to the Debt Service Reserve Fund and costs of issuance of \$.6 million. The bond sale total is \$163.6 million. It will have a 30-year term with level debt payments. The interest rate is estimated at 4.5 percent.

Director Jack May, who attended the meeting, inquired whether this project will max out the site, or is there room for more expansion. Director of Planning R.J. Muraski responded that there is room on-site for further expansion.

Director Richard Peasley, who attended the meeting, inquired what the benefit is to the District selling bonds rather than using other sources [as in previous agenda item.] Mr. Farris advised that staff had considered utilizing the TWDB Clean Water State Revolving Fund (SRF), however, the project did not score high enough, likely due to the fact that the plant serves only one city. Additionally, the SRF has a maximum amount for projects which is \$50 million - not enough for this project and would require the District to secure other funding anyway.

Upon a motion by Director Larry Thompson and a second by Director Alan McCuistion, the Finance Committee voted unanimously to recommend approval to the Board of Directors.

FINANCE COMMITTEE MEETING MINUTES
FEBRUARY 12, 2025
PAGE 6

V. DISCUSSION ITEMS

A. FY2023-24 Budget vs Actual Results and Year End Reserve Balances

Jeanne Chipperfield presented this item. She advised that this annual report on budget versus actual expenditures is required by the Financial Policies Manual. In addition, the Manual sets out a Fund Balance Policy that states the Fund Balances are to be reviewed by the Finance Committee annually after the completion of the annual financial audit. Also, per the amended Member City Contract there is also a review of the Regional Water System Surplus Budgeted Funds.

Ms. Chipperfield advised that the current Fund Policy establishes a set minimum number of days of O&M (operation and maintenance expense) as a target for reserves. She noted that certain funds have policy maximum balances. However, there are no policy minimums established which could leave the reserves too small to manage small repairs. Staff recommends the Board consider establishing minimum balance guidelines for reserves in the future.

Ms. Chipperfield stated that the Year End Report in a new format provides results for all systems and their fund balances as of September 30, 2024. Those include:

- 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

She added that on average there are about five funds per operating system. She stated that the District is generally in compliance, with comments denoting any exceptions are included in the report.

A review of the Fund Balance Policy was provided as follows:

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

FINANCE COMMITTEE MEETING MINUTES

FEBRUARY 12, 2025

PAGE 7

- 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 paid off
- Reserve for Maintenance / Contingency – 90 days O&M with a max of \$500,000, 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

Ms. Chipperfield stated that the amended Regional Water System Member City Contract includes a provision to distribute “surplus budgeted funds” at the end of the fiscal year to Member Cities based on the prior year’s usage. Reserves and other required balances are analyzed to determine if surplus budgeted funds are available and an appropriate use of funds are recommended. She stated that surplus funds were distributed for fiscal years ending 2021 and 2023. There was no distribution for FY2022 and for FY 2024, no distribution is being recommended. A chart reflecting the Regional Water System Operating and Contingency Fund target number of days of funding and actual was reviewed. She said that the actual number of days is less than the target and is \$3 million below the target dollar amount. She noted however that the combined operating and contingency fund is within the policy range of 130-150 days.

Chair Kever asked about the chemical savings that was distributed to the Members last year. Ms. Chipperfield responded that there was \$6 million refunded plus, a variable cost rebate of \$12-13 million.

B. Overview of Upcoming Regional Water System Extendable Commercial Paper Refunding and Potential Bond Current Refunding Opportunity

Jeanne Chipperfield presented this item. She stated that the District plans to refund the outstanding ECP bonds to long-term debt for previously awarded Regional Water System (RWS) contracts. This will allow the District to replenish the appropriation authority for future projects. The long-term bonds will be amortized over 30 years with an estimated interest rate of 4.64 percent. The annual payment is estimated at \$41.6 million.

Additionally, Ms. Chipperfield advised that plans are to refund/refinance \$316.475 million in existing RWS 2014 and 2015 bond issues. She stated the prior bonds are financed at an interest rate of 4.74 percent and would be refunded at 3.63 percent. The estimated savings is approximately \$20.3 million over the remaining years of the bonds without extending the term of the original bonds. A detailed projected savings analysis through the year 2038 was provided.

FINANCE COMMITTEE MEETING MINUTES

FEBRUARY 12, 2025

PAGE 8

Ms. Chipperfield stated that the District's financial advisor, Nick Bulaich with Hilltop Securities, is recommending utilization of a negotiated sale instead of an open market (competitive sale). This is due to the overall size of the bond sale being close to \$1 billion and interest rate volatility. It was stated that a negotiated sale provides flexibility to resize the sale if market conditions change. The District would pre-select underwriters to form a syndicate to buy the bonds. The financial advisor will monitor the sale and ensure that the District receives a competitive interest rate on the bonds.

Ms. Chipperfield advised that the underwriter recommendation will be presented to the Finance Committee at the April. This will include the updated bond sale size, interest rate projections, and potential refunding savings. The bond sale approval with final interest rate and the underwriters would be presented to the Board of Directors at their May meeting for consideration.

Discussion followed regarding the length of the life of the bonds not being longer than the life of the asset being financed. Mr. Bulaich stated that while the enabling legislation allows up to 40 years to pay off bonds, the District's practice is currently 30 years.

Chair Kever expressed her preference for an open market bond sale, however, she added that if a negotiated sale is used, then the syndicate should be a mix of regional and national underwriters. Directors Dyer and Imrie who attended the meeting spoke in favor of an open market bond sale.

Questions were raised as to the benefit of a negotiated sale. Mr. Bulaich cited two instances previously when the District used a negotiated sale. He said in this case, because of the size of the sale, and the risk involved in an open market sale, the purchaser would likely include a risk rate that would be passed on to the District. He said that a negotiated bond sale has less risk. He also stated that if an open market sale is desired, then it will likely split the amount into three separate bond sales.

Directors McCuistion, Dodson, and Thompson spoke in favor of a negotiated sale.

- C. Opportunity for Committee members to provide feedback on the Finance Committee meeting or request potential future agenda items

Director Thompson commented that Chair Kever's microphone seemed to cut off intermittently during the meeting and suggested it be tested.

For a future discussion item, Director Dyer asked Mr. Bulaich whether the District in general is close to capacity on its debt limit.

FINANCE COMMITTEE MEETING MINUTES
FEBRUARY 12, 2025
PAGE 9

VI. ADJOURNMENT

There being no further business, the meeting was adjourned at approximately 4:32 p.m.

APPROVED:



GERALYN KEVER
Chair