



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

FINANCE COMMITTEE MEETING MINUTES
JUNE 11, 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, June 11, 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	Absent
5	George Purefoy	Remote
6	Franklin Byrd	Remote
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
- Nick Bulaich, Hilltop Securities

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- 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. 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

Chair Kever recommended that the Directors online have the red-line version of the Finance Policy amendments available for reference during the discussion on that item.

She also introduced new Director Franklin Byrd to the Committee. She noted that he was appointed by the City of Richardson and has significant experience in the field of finance.

Assistant General Manager- Chief Financial Officer Jeanne Chipperfield stated that staff are preparing for the Regional Water System bond sale. Ratings were received from S&P (AAA) and Moody's (AA1). Updated information will be provided on the day of the bond sale.

She reviewed that the recent bond sale for Buffalo Creek and Panther Creek resulted in a number of bids being received for both with some interest from banks. The competitive process was used for both projects.

Ms. Chipperfield noted that the District re-bid the mowing contract and was able to receive competitive pricing over the current contractor's bid, saving approximately \$35,000 per year.

Executive Director Jenna Covington stated that she is attending the meeting remotely today.

IV. ACTION ITEMS

- A. Consider approval of Finance Committee meeting minutes – April 9, 2025

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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 April 9, 2025.

B. Amendments to the Finance Policies Manual

Jeanne Chipperfield presented this item. She advised this is the annual review of the Investment Policy as required by the Public Funds Investment Act (PFIA). She stated that the Finance Policies Manual currently includes nine (9) individual policies, the investment strategy statement, and authorized lists of training sources, investment advisors, and investment brokers.

The proposed updates to be presented today include the following:

- Clarification of use of budgeted debt service funds
- Refinement of fund balance policies
- Addition of a funding policy for the Employee Retirement Plan
- Minor typographical and formatting corrections

Ms. Chipperfield added that more significant updates, particularly in the Procurement section, are anticipated next year due to implementation of the Workday ERP system.

The proposed changes in the Policies Manual for this year were reviewed as follows:

Section 1. Fiscal Management – Operating Fund Budgets.

- Debt service for new bonds or planned refunding of extendable commercial paper is budgeted for the upcoming year based on award schedules prepared 12-18 months in advance of the bond sale.
- Changes in award timing or amounts can make a significant difference in the first year's debt service.
- To preserve the budgeted intent for the funds, recommending language stating the budgeted debt service funds for a new bond sale may be reallocated to reduce the size amount of the bond sale.
 - Principal reduction will lower overall debt service costs

Section 2. Fund Balance

- Update definition of Contingency Fund and Reserve for Maintenance to include large planned system maintenance expenses and unforeseen major repairs as authorized uses of funds.
- Regional Water System Contingency Fund – remove "150 day target" from the combined Operating and Contingency Fund balances.
 - Not well defined and implies budgeting funds to meet target
- Health Insurance Holding Funds – update language to maintain separate minimum balances instead of a cumulative balance.
 - Funds are budgeted as separate line items and are not interchangeable

Section 4. Investments

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- Public Funds Investment Act (PFIA) requires:
 - District to have written Investment Policy and Investment Strategy
 - Governing body to review investment policy and investment strategy no less than annually. Board last approved 9/2024
- PFIA states what investments are allowed for public entities and provides investment objectives, in order of importance as follows:
 1. Understanding of the suitability of the investment to the financial requirements of the entity
 2. Preservation and safety of principal
 3. Liquidity
 4. Marketability of the investment if need arises to liquidate the investment before maturity
 5. Diversification of the investment portfolio
 6. Yield
- Requires quarterly reporting – included in District's Quarterly Financial Report.
- District has received the Government Treasurers' Organization of Texas (GTOT) Certification of Investment Policy, confirming the policy meets PFIA requirement and standards for prudent investing (FY23-FY25).
- No changes to Investment Policy recommended at this time – there may be legislative changes that require additional updates.

Section 10. Proposed Retirement Plan Funding Policy (proposed new Section)

- State law requires that a retirement plan and plan sponsor jointly adopt a pension funding policy.
- District began following a funding practice in 2023 after the completion of an actuarial experience study; however, a formal policy was not established.
- District's actuaries, with staff input, developed a Retirement Plan Funding Policy that reflects best practices and Texas Pension Review Board guidance.
 - Retirement Plan Committee reviewed the and approved the proposed policy at its February 2025 meeting
- Policy includes the following sections:
 - Sections 10.1 & 10.2: Purpose and Primary Objectives of Funding Policy
 - Section 10.3: Funding Policy Priorities and Guidelines
 - Section 10.4: Funding Policy

Sections 10.1 through 10.4 were reviewed in detail. Details of the District's anticipated valuations and actual funded and unfunded amounts were provided. Asset methodology and amortization payment methods were discussed.

Ms. Chipperfield advised that the proposed policy reflects best practices and was compared to other organizations' policies, such as the Texas Pension Review Board, and the Government Finance Officers Association. She stated that after input from this Committee and any resulting changes, the policy will be presented to the Policy Committee and then to the full Board in September for consideration.

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Considerable discussion among Committee members followed regarding the valuations and the unfunded amount of the District's liabilities in regard to employee retirement. In response to a Director's question, Ms. Chipperfield advised that investment of the District's retirement funds is managed by two consultants, Westwood and Brown Root. It was clarified that all employees hired after January 1, 2018, pay 5 percent of their gross income into their retirement fund; employees hired prior to that date were not required to pay into their retirement fund. Discussion followed as to the formula for determining how much an employee's retirement benefit would be and included that approximately 20 percent of the District's payroll cost is attributed to pension contributions.

Upon a motion by Director George Purefoy and a second by Director Geralyn Kever, the Finance Committee voted unanimously to recommend approval of this item.

V. DISCUSSION ITEMS

A. Fiscal Year 2024-25 Amended and Fiscal Year 2025-26 Preliminary Budget Overview

Jeanne Chipperfield presented this item. She provided a brief overview of the budget cycle that begins for staff in January each year. The budget is finally approved in the month of September. Following that approval, during the months of October and November, the billing adjustments to the Members and Customers are calculated, as well as Regional Water System rebates (if applicable).

Expenses for FY25 and the upcoming budget for FY26 were provided in a bar chart for the Regional Water System, the Regional Wastewater System, the Upper East Fork Interceptor System, the Regional Solid Waste System and the Small Systems.

Anticipated cost increases for FY26 were reviewed as follows:

Regional Water System Member Rate- \$4.19 /1,000 gallons (8.8% increase)

Regional Wastewater System- Participant Cost- \$8.9M (7% increase)

Upper East Fork Interceptor- Participant Cost- \$9.6M (14.9% increase)

Solid Waste Member Rate- \$0.60 (1.6% rate increase)

The actual cost will vary based on each member/participant's individual usage.

Ms. Chipperfield advised that for FY25, the Amended Budget is forecasted to increase by \$8.1 million. She explained that while there is a savings in the Personnel budget, others such as Services, Supplies, Capital Outlay, and Debt Services have increased.

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The Preliminary FY26 Preliminary Budget reflects a \$92 million (11%) increase over the FY25 budget. Proposed new personnel (17 positions) and merit increases account for \$3.5 million and Services account for \$27 million. Capital Outlay is increased by \$4.9 million and the Debt Service increases by \$58 million. New debt projects were reviewed. Ms. Chipperfield noted that 9 bond issues in 7 different systems are planned for the FY26 budget. Cash funding of some of the capital improvements is planned as well as the bond issuances.

Ms. Chipperfield provided an overview of the FY26 budget variance relative to the District's Strategic Financial Plans (SFP). She noted that work continues to refine the budgets and align costs to the SFP.

Ms. Chipperfield advised that in July a Budget Work Session with the Board is scheduled. Another could be scheduled in August if needed. In September, the Finance Committee will receive a final review of the FY25 Amended Budget and the FY26 Proposed Budget. Final Board consideration of both will be in September.

Director Franklin Byrd inquired what the percentage increase was for the FY25 budget over the FY24 Budget. Ms. Chipperfield responded that it was increased by 10.3 percent, noting that the proposed FY26 budget is 11 percent higher than the FY25 budget.

Director Lori Dodson inquired if staff could provide an in-depth explanation on the increase in Shared Services as well as the need for 17 new employees. Ms. Chipperfield responded that the ERP project cost was shared across all operating systems.

Director Larry Thompson requested an analysis of the budget if capital projects were not included this year. And rather than an 11 percent increase, hold it at 5 percent.

Director Don Paschal, who attended the meeting, offered comments and his experience regarding managing retirement funds.

B. Investment Portfolio Review

Finance Manager Drew Farris presented this item. He stated that this Investment Portfolio Review applies to all NTMWD funds excluding the Pension/OPEB Trusts and the Employee Deferred Compensation. The District's Investment Portfolio is managed according to the Texas Public Funds Investment Act and the NTMWD Investment Policy.

Mr. Farris stated there are two Investment Portfolio Fund types:

- Unrestricted Funds, which includes Operating, Capital Improvement, Preventative Maintenance, Shared Services, and Health Insurance Holding.

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- Restricted Funds includes Construction (bond proceeds), Interest and Sinking, Debt Service Reserves, Contingency, Reserve for Maintenance, Arbitrage, and Lawsuit Settlement funds received.

Mr. Farris stated that the primary objective of the portfolio is the preservation of capital and the safety of principal throughout the portfolio. Additionally, maintaining liquidity to meet reasonably anticipated cash flow requirements, diversification of investments and yield are objectives of the District.

Mr. Farris briefed the Committee on the internal process for staff relative to investments. Steps include assessing cash flow needs, evaluating investment options and preparation of proposals, obtaining authorizations from the Finance Manager and the Chief Financial Officer, execution of investment trades, and settling investment transactions with safekeeping bank (BNY).

Information on the allocation of the investments as of March 31, 2025, was provided. The portfolio yield per investment type was reviewed.

Director Chip Imrie stated that perhaps in the upcoming budget work session (or in an executive session) a historical perspective of the pension bonds and the challenges associated with having two firms manage the investments could be provided.

Director Lori Dodson stated that a city council member from the City of Garland had once mentioned to her that the fund balances carried by the District negatively impacts the City of Garland's bond ratings. She asked for information on how the fund balances relate to bond ratings.

Director Don Paschal offered his comments regarding the cost of future bond issuances, investment firms, and debt service payments.

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

There were no comments and no requests for potential future agenda items.

VI. ADJOURNMENT

There being no further business, the meeting was adjourned at approximately 4:45 p.m.

APPROVED:



GERALYN KEVER
Chair