



NORTH TEXAS MUNICIPAL WATER DISTRICT

**501 E. Brown Street • Wylie, Texas 75098
(972) 442-5405 – Phone • (972) 295-6440 – Fax**

BOARD OF DIRECTORS
SPECIAL MEETING
FRIDAY, AUGUST 17, 2018
12:30 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 will hold a Special Meeting, open to the public, on Friday, August 17, 2018, at 12:30 p.m., at the North Texas Municipal Water District, 501 E. Brown Street, Wylie, Texas.

The Board of Directors 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 Board of Directors 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.

AGENDA¹

- I. CALL TO ORDER
- II. INVOCATION – DIRECTOR BILL GLASS
- III. PLEDGE OF ALLEGIANCE
- IV. PLEDGE OF ALLEGIANCE TO THE TEXAS FLAG
- V. ANNOUNCEMENT OF QUORUM
- VI. ACTION ITEMS
 - A. Discussion and Possible Action on Proposed FY19 and Future Budget Methodology
- VII. DISCUSSION ITEMS
 - A. Review FY18 Annual All Systems Amended Budget and FY19 Proposed Annual All Systems Budget
 - B. Review Process of Renaming of North Texas Municipal Lake
- VIII. ADJOURNMENT

¹Persons with disabilities who plan to attend the NTMWD Board of Directors meeting and who may need auxiliary aids or services are requested to contact John Montgomery in the NTMWD Administrative Offices at (972) 442-5405 as soon as possible. All reasonable efforts will be taken to make the appropriate arrangements.

NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2018

ADMINISTRATIVE MEMORANDUM NO. 5223

NEW BUDGET METHODOLOGY

RECOMMENDATION

The NTMWD Executive Director and staff recommend the Board of Directors authorize a new budget methodology that budgets for 90% of contractual water system minimums and a more refined execution of the Capital Improvement Program (CIP). This will result in a lower overall water rate increase than originally projected while funding the expected annual Operations and Maintenance (O&M) expenses. The new methodology is a sustainable approach with manageable risks.

BACKGROUND

- The NTMWD has traditionally budgeted O&M expenses to provide 100% of contractual minimums to meet the growth across the entire service area.
 - While growth in the region continues, conservation and lower demands have resulted in actual water use of less than the amount of contractual minimums in recent years.
 - This presents an opportunity to budget O&M expenses based on recent trends of actual use.
 - The new budgeting methodology is consistent with the provisions of the Water Supply Contract in that the total costs of the Water System are still allocated to the Member Cities based on their historic minimums. These changes only adjust our budgeting estimates for O&M and capital projects, which the District has the discretion to calculate as a part of its annual budgeting process.
 - The District is required and will continue to budget for 100% of debt service and any other contractual obligations.
 - The NTMWD Finance/Audit Committee reviewed the proposed new budget methodology on August 9, 2018.
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REVIEW

Proposed Methodology

- If approved by the NTMWD Board of Directors, the new method will (i) be applied to budgeted O&M expenses based on 90% of contractual minimums and (ii) institute a refined execution plan for the capital program.
 - This method will build in reduced costs on the front end – at the beginning of the fiscal year.
 - This approach will result in smaller year-end rebates to Member Cities and Customers for variable O&M costs, but result in an overall net savings to Member Cities and Customers throughout the year.
 - Moving forward, the District will continue to review historic usage and adjust O&M expenses as needed in the event that actual usage consistently exceeds 90% of contractual minimums.
 - Additionally, this approach includes refinements in how the District budgets and executes the capital improvement program.

- While this new methodology takes on some additional risk, the District has a plan to responsibly manage this risk. Staff and legal counsel believe the risk is low and with the resources in the contingency fund or capital improvement fund, it can be mitigated.

Anticipated Results

The NTMWD staff anticipates the following results if the proposed methodology is authorized:

- A lower revenue requirement resulting in a 14-cent reduction in the projected water cost per 1,000 for FY19 from \$3.06 to \$2.92;
- A reduction in the previous estimated water rate increase for FY19 from 10.07% to a proposed 5.04%; and
- A methodology that will become the District's standard practice in future years.

The intent is for the Board to consider this proposed change in time for Member Cities and Customers to incorporate into final FY19 budgets.

Next Steps

- If approved by the Board on August 17, staff will immediately communicate the new budget methodology and numbers to Member Cities and Customers to incorporate this information into their FY19 budgets.
 - Staff recommends approval of this new methodology.
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