



**NORTH
TEXAS
MUNICIPAL
WATER
DISTRICT**



North Texas Municipal Water District

FY19 APPROVED BUDGET AND RATES

REGIONAL SERVICE THROUGH UNITY...MEETING OUR REGION'S NEEDS TODAY AND TOMORROW

North Texas Municipal Water District

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FAST FACTS:

**80 COMMUNITIES
SERVED**

**SERVICE AREA:
2,220
SQUARE MILES IN
10 COUNTIES**

**1.7 MILLION
POPULATION
SERVED**



WATER



WASTEWATER



SOLID WASTE

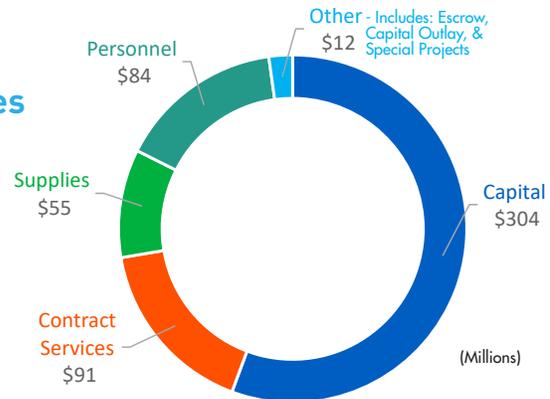
NTMWD Board takes steps to scale back water rate increase for 2019

The North Texas Municipal Water District (NTMWD) has always been focused on providing high quality water and dependable services at the lowest possible cost. As the wholesale provider of essential services for more than 1.7 million people in 80 communities across a 10-county region, we face increasing challenges.

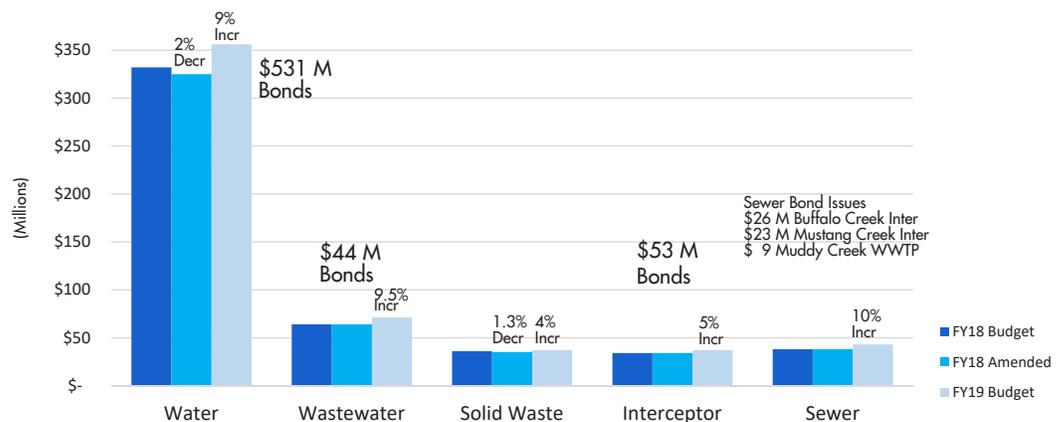
Traditionally, NTMWD has used the total of city water supply contract amounts to estimate the potential annual variable expenses such as chemicals, power and water purchases. Then, at year-end, cities using less water than their contractual amount receive a rebate for those "variable" operations costs. In 2019 fiscal year (FY19), variable costs are budgeted based on 90 percent of the total contract amounts to more closely align with projected total demands across all the cities served by the District. The budget method adjustment results in a smaller increase to the wholesale water rate than originally expected for FY19, which begins October 1, 2018.

The result is a 14-cent increase to the wholesale water rate – half of the amount originally projected. The FY18 wholesale rate of \$2.78 per 1,000 gallons of treated water is \$2.92 per 1,000 gallons effective October 1. The rate was previously projected to be \$3.06 per 1,000 gallons.

FY19 Budget: All Systems Expenditures \$546M



Expenditures By System





Difference in Operations Funding

Each city's contractual amount also determines its proportional share of the regional water system costs. Variable costs funding only makes up about 15% of the NTMWD wholesale water rate. The remaining 85 percent of the rate covers fixed costs.

Difference in Capital Funding

To maintain reliability and plan for future needs, the District is investing in a number of important projects, including the new Bois d'Arc Lake under construction in Fannin County. With the permit and financing now in place for this \$1.6 billion project, the District has greater certainty about the annual funding needed and is able to budget less than originally projected. This is possible due to low-interest financing recently approved by the Texas Water Development Board (TWDB) and adjusting the timing for issuing bonds.

To date, the TWDB has committed nearly \$1.5 billion of low-interest financing for the new lake and related projects under the State Water Implementation Fund of Texas (SWIFT) program. This is anticipated to save over \$230 million in interest. Additionally, bond sales for capital projects across all three systems (water, wastewater and solid waste) will be timed to more closely align with expected construction progress. The combination of these factors enables the District to require less funding in FY19 to cover the costs of the capital program.

Results in 5% Increase to Wholesale Water Rate

By adjusting the way NTMWD develops its budget to reflect actual annual system-wide water demands (operations funding) and more certainty for the capital program (capital funding), the District's total revenue requirement for FY19 results in a 14-cent rate increase – half of what was originally needed.

These are just a few examples of how the District is seeking ways to manage costs for the cities we serve while responsibly investing in the projects and programs that are vital to support essential services for our fast-growing region.

APPROVED FY2019 Member City Wholesale Water Rate

FY2019 MEMBER CITY WHOLESALE WATER RATE			
	FY18 Budget	FY19 approved	Change
Variable O&M	\$.40	\$.42	\$ 0.02
Fixed O&M	\$.68	\$ 0.71	\$ 0.03
Capital	\$ 1.70	\$ 1.79	\$ 0.09
Total (per 1,000)	\$ 2.78	\$ 2.92	↑ \$ 0.14

WATER SYSTEM



Who Benefits *

Allen
Farmersville
Forney
Frisco
Garland
McKinney
Mesquite
Plano
Princeton
Richardson
Rockwall
Royse City
Wylie



Projects Needed

- Leonard Water Treatment Plant and Storage Reservoir (\$304 M)
- Bois d'Arc Lake Pipeline (\$99 M)
- Pipeline from Leonard WTP to McKinney (\$67 M)
- Tawakoni Water Treatment Plant Improvements (\$8 M)



Staff Required

495
↑ 14



\$ 2019FY Budget

\$ 222.44 M Capital/Debt
\$ 86.63 M O&M
\$ 51.50 M Personnel
\$ 360.57 M Total

Wholesale water rate:
↑ 5%

*plus 34 Customer Cities

WASTEWATER TREATMENT SYSTEM

 Who Benefits	 Projects Needed	 Staff Required	 2019FY Budget
Allen Forney Frisco Heath McKinney Mesquite Plano Princeton Prosper Richardson Rockwall Seagoville	<ul style="list-style-type: none"> Floyd Branch Wastewater Treatment Plant Optimization (\$12 M) New Regional Water Resource Recovery Facility Design (\$11.5 M) South Mesquite Wastewater Treatment Plant Solids Handling Improvements (\$20 M) 	204 ↑3	\$ 29.21 M Capital/Debt \$ 29.14 M O&M \$ 12.31 M Personnel \$ 70.66 M Total



UPPER EAST FORK INTERCEPTOR SYSTEM (wastewater collection system)

 Who Benefits	 Projects Needed	 Staff Required	 2019FY Budget
Allen Frisco McKinney Plano Princeton Prosper Richardson	<ul style="list-style-type: none"> McKinney Lift Station Improvements (\$29 M) Wilson Creek Lift Station Improvements (\$7 M) Pipeline Maintenance Condition Assessments (\$1.2 M) Odor and Corrosion Control (\$ 200K) 	19 No change	\$ 23.54 M Capital/Debt \$ 10.15 M O&M \$ 2.10 M Personnel \$ 35.79 M Total



SOLID WASTE SYSTEM

 Who Benefits	 Projects Needed	 Staff Required	 2019FY Budget
Allen Frisco McKinney Plano Richardson	<ul style="list-style-type: none"> 121 RDF Access Road Improvements (\$2.3 M) 121 RDF Cell 5C Construction (\$900 K) North Transfer Station Permitting (\$515 K) Parkway Transfer Station Top Load Conversion Permitting (\$206 K) 	108 ↑4	\$ 8.67 M Capital/Debt \$ 17.25 M O&M \$ 11.38 M Personnel \$ 37.30 M Total Wholesale solid waste service cost per ton: (no change)





MORE WAYS WE ARE MANAGING COSTS

While critical investments are needed to ensure safe, reliable service and meet industry standards, staff continues identifying efficiencies and ways to avoid, minimize or defer costs wherever possible across all three services.

Examples include:

Debt Management

Refinancing Bonds: The District has refinanced bonds (in FY18) which will result in an estimated total savings of \$8.7 million between 2018 and 2029.

SWIFT Program Funding: The Texas Water Development Board recently committed an additional \$300 million for a total of \$1.477 billion in low-interest financing through the State Water Implementation Fund of Texas (SWIFT) for the Bois d'Arc Lake project. Use of SWIFT funding is anticipated to save the District and its ratepayers more than \$230 million in interest costs.

Capital Program

North McKinney Parallel Interceptor Phase II: This project was canceled from the Capital Improvement Program with estimated cost savings of \$25M in FY2018 through 2020 by modifying short term operations of existing lift stations and force mains, and refining long term strategies to transfer flow from the Upper East Fork Interceptor System to the planned Sister Grove Regional Water Resource Recovery Facility.

Operations

Large Diameter Valve Exercising Program: NTMWD successfully implemented a pilot program for routine exercising of large diameter water transmission system valves in the transmission system. Proactively maintaining isolation valves in the transmission system prolongs valve life and avoids emergency expenditures for valve failures that can cost up to \$200,000 or more for a single valve. Additionally, the program ensures valves will operate properly resulting in minimizing service disruptions to members and customers. The first phase of the program was implemented without adding additional operations crews and equipment.

Wastewater Pipeline Cleaning: Wastewater pipeline cleaning is critical to ensure installed capacity aligns with operational capacity. Typical approach is to clean all pipes as part of a systematic pipeline cleaning and inspection program. Our wastewater operations staff is using an innovative technology to inspect our pipelines using multiple sensors to detect condition and where cleaning is needed. We then clean only

where needed. This reduced linear footage of pipes cleaning in FY18 from 66,842 ft to 4,719 ft, with a corresponding estimated savings of \$1,242,460.

Morrow Renewable High BTU Gas Plant: The new renewable energy gas plant went online in December 2017. NTMWD receives a royalty on the gas produced and a share of the revenue generated which goes towards reducing landfill operation costs.

Amendment of Lavon Lake Water Right "Overdraft": NTMWD was successful getting approval from the Texas Commission on Environmental Quality for an amendment to the Lavon Lake water right. Under certain conditions when Lavon Lake has flood water available and transporting water from external sources is prohibited, the excess flood water in Lavon may be used and accounted against some other external water rights. The amendment lowers the burden for being able to account against those external water rights, thereby increasing NTMWD's access to water rights while avoiding the cost of physically pumping water from external sources to gain access to those rights.

Watershed Management: NTMWD has actively sought federal and state grant funding to support watershed and source water protection activities. Through a partnership with Texas A&M AgriLife, NTMWD secured \$369,671 in grant funding for the Lavon Lake watershed that supported development of the Lavon Lake Watershed Protection Plan (WPP), which was accepted by EPA in December 2017. In addition, a grant application submitted by NTMWD to the TCEQ Nonpoint Source Grant Program has been selected for funding consideration in the amount of \$284,429, which is intended to support implementation of the Lavon Lake WPP in FY19.

Energy Management

Oncor Commercial Load Management (CLM) Program: The Mesquite Regional Wastewater Treatment Plant and the McKinney Lift Station is enrolled in the Oncor CLM Program which compensates NTMWD for curtailing demand when Oncor needs to quickly reduce its overall demand on the power grid. The program is anticipated to compensate NTMWD \$70,000-\$75,000 this year for its participation.

It's #MoreThanWater, it's #Infrastructure.