



NORTH
TEXAS
MUNICIPAL
WATER
DISTRICT

Regional Service Through Unity... Meeting our Region's Needs Today and Tomorrow



FINANCE/AUDIT COMMITTEE

December 6, 2018

3:00 P.M.



AGENDA

I. CALL TO ORDER

II. OPENING REMARKS

- A. Executive Director/Committee Champion Status Report concerning legislation and regulatory matters, budgets, current projects, and ongoing programs of the District

III. ACTION ITEMS

- A. Approval of Minutes – November 1, 2018
- B. Review and Possible Action Authorizing Additional Funding for Response to Petition Appealing Wholesale Rates Filed by Cities of Garland, Mesquite, Plano and Richardson before the Public Utility Commission of Texas
- C. Review and Possible Action on Annual Review and Adoption of the Investment Policy
- D. Authorizing Participation in Texas Cooperative Liquid Assets Security System
- E. Review and Possible Action on Fiscal Year 2019 Audit Services

IV. DISCUSSION ITEMS

- A. Opportunity for Committee Members to Provide Feedback on Finance/Audit Committee Meeting
- B. Opportunity for Committee Members to Request Potential Future Agenda Items
(No substantive discussion items will take place at this time)

V. ADJOURNMENT



AGENDA

- I. **CALL TO ORDER**
- II. **OPENING REMARKS**
 - A. **Executive Director/Committee Champion Status Report** concerning legislation and regulatory matters, budgets, current projects, and ongoing programs of the District



AGENDA

III. ACTION ITEMS

**A. Consider Approval of Finance/Audit Committee Minutes –
November 1, 2018**

**Recommend Approval of Finance/Audit Committee Minutes –
November 1, 2018**



AGENDA

III. ACTION ITEMS

B. Review and Possible Action Authorizing Additional Funding for Response to Petition Appealing Wholesale Rates Filed by Cities of Garland, Mesquite, Plano and Richardson before the Public Utility Commission of Texas



INVESTMENT POLICY AND INVESTMENT STRATEGY

PUC Activities

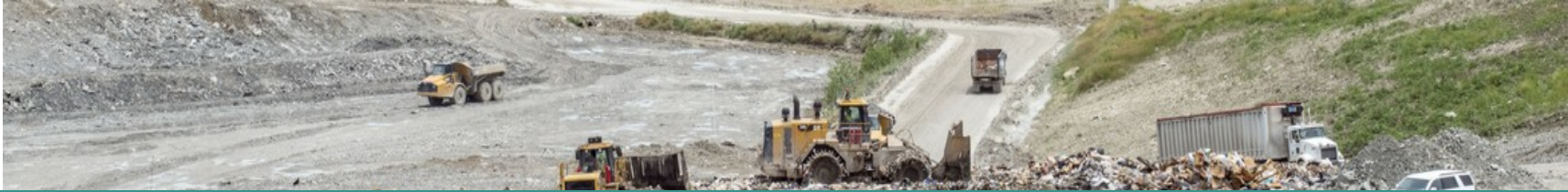
- Payments made Lloyd Gosselink for legal support to respond to PUC petition:

Approved FY 17	\$320,000
Approved FY 18	\$1,780,000
Approved FY 19	\$500,000
<u>Additional Proposed</u>	<u>\$750,000</u>
Total	\$3,350,000
<u>Less YTD spend</u> <u>As of 10/2018</u>	<u>(\$3,003,349)</u>
Balance	\$346,651



RECOMMENDATION

The Executive Director and NTMWD staff recommend the Approval of Authorizing Additional Funding for Response to Petition Appealing Wholesale Rates Filed by Cities of Garland, Mesquite, Plano, and Richardson before the Public Utility Commission of Texas



AGENDA

III. ACTION ITEMS

C. Review and Possible Action on Annual Review and Adoption of the Investment Policy



INVESTMENT POLICY AND INVESTMENT STRATEGY

- Adopted by the Board in 2015
- Recommend that we update the Brokers listed in Exhibit C
- The Public Funds Investment Act (the Act) requires the governing body of an investing entity to review its investment policy and investment strategy no less than annually
- The Investment Policy and Investment Strategies have been reviewed by Hilltop Securities Inc., and meets the requirements of the Act
- The governing body is also required to adopt a written instrument by resolution stating that it has reviewed the investment policy or strategy. This will be an item on the December Board Agenda.



INVESTMENT POLICY AND INVESTMENT STRATEGY

Additional Brokers

- Currently:
 - NTMWD has approximately \$700M in Treasury Notes and Agencies
 - NTMWD's only direct Broker is Hilltop Securities Inc.
 - Hilltop Securities Inc., obtains numerous quotes and provides recommended options
 - All investments comply with the Public Funds Investment Act (PFIA)
 - Selections are made based on cash flow and yield

- Why add additional brokers:
 - Greater Transparency
 - Investment Policy to be made available online
 - Allows for greater diversification of Investment



INVESTMENT POLICY AND INVESTMENT STRATEGY

Additional Brokers

- Selection Process:
 - Considered brokers that have contacted NTMWD and broker for other public sector clients
 - Emailed a questionnaire to each and reviewed online information
 - Selection criteria included:
 - Financial strength of firm
 - Affiliation with North Texas Public Sector Entities
 - Experienced knowledge of Public Funds Investing



INVESTMENT POLICY AND INVESTMENT STRATEGY

Additional Brokers

- Proposed:
 - Based on responses to questionnaires, the following were selected:
 - FTN Financial Capital Markets (FTN)
 - Multi-Bank Securities, Inc. (MBS)

- With Board Approval NTMWD will add the above brokers
 - Generally public sector accepted practice includes multiple brokers



RECOMMENDATION

The Executive Director and NTMWD staff recommend the Approval of the Annual Review and Adoption of the Investment Policy



AGENDA

III. ACTION ITEMS

D. Consider Recommendation on Authorizing Participation in Texas Cooperative Liquid Assets Security System (Texas CLASS)



INVESTMENT POOL

Additional Pool

- With the Boards Permission, NTMWD will add an Investment Pool to the portfolio to increase diversification
- The District has \$1.39B split between Logic and Texpool
- Considered Pools:
 - Lone Star
 - Texas CLASS
 - TexSTAR
 - Texas TERM

The Potential Pools

- Are AAA rated by S&P
- Keep Assets Liquid
- Comply with Public Funds Investment Act (PFIA)
- Service cities, counties, school districts and other public investors



INVESTMENT POOL

	Total Assets (\$B)	LARGEST FUND (\$B)	OCTOBER 2018 INTEREST RATE
Texas CLASS	\$8.1	\$8.0	2.42%
Lone Star	\$12.0	\$5.2	2.33%
TexSTAR	\$6.7	\$6.7	2.22%
Texas TERM	\$2.5	\$2.5	2.16%

Texas CLASS has the largest individual pool and accrues interest daily, resulting in a higher yield. This is what separated Texas Class from the other pools and after careful consideration, staff recommends the District increases it's portfolio diversification with Texas CLASS.



RECOMMENDATION

The Executive Director and NTMWD staff recommend the Approval to Authorize Participation in Texas Cooperative Liquid Assets Security System (Texas CLASS)



AGENDA

III. ACTION ITEMS

E. Review and Possible Action on Fiscal Year Audit Services



AUDIT SERVICES REQUEST FOR PROPOSALS

Background

- **Historical Audit Services:**
 - 1956 – 1988 : Arthur Young
 - 1989 – 1998 : Ernst & Young
 - 1999 – 2001 : Arthur Andersen
 - 2002 – 2006 : Deloitte & Touche
 - 2007 – 2018 : Weaver and Tidwell



AUDIT SERVICES REQUEST FOR PROPOSALS

Background

- **Current Audit Engagement Cycle**
 - In 4rd Year of Intended 5 Year Engagement
 - February 13, 2015 - Requested Proposals
 - Term of Engagement:
 - “The intent of this proposal is to select a firm that will provide external audit services for a period of five (5) consecutive years subject to annual review and the satisfactory negotiation of terms including price acceptable to both NTMWD and the selected firm.”



AUDIT SERVICES REQUEST FOR PROPOSALS

Background

- March 6, 2015 - Received Proposals from 5 Firms:
 - Conway Company (Local Firm)
 - Fox, Byrd & Company (Local Firm)
 - Patillo, Brown & Hill (Local Firm)
 - Weaver and Tidwell (Regional Firm)
 - Crowe Horwath (Regional Firm)
 - Deloitte & Touche (Big Four) – Declined to Submit Proposal
 - KPMG (Big Four) – Declined to Submit Proposal



AUDIT SERVICES REQUEST FOR PROPOSALS

Background

- March 26, 2015 - Finance / Audit Committee Recommended and Board Appointed Weaver and Tidwell for 2015 Audit
 - Primarily Due to Experience with Other Large Regional Water Provider (TRA)
- January 28, 2016 – Finance / Audit Committee Recommended and Board Appointed Weaver and Tidwell for 2016 Audit
- February 23, 2017 – Finance / Audit Committee Recommended and Board Appointed Weaver and Tidwell for 2017 Audit
- February 22, 2018 – Finance/Audit Committee Recommended and Board Appointed Weaver and Tidwell for 2018 Audit



AUDIT SERVICES REQUEST FOR PROPOSALS

Background

○ Audit Fees:

- 2018 - \$123,000 (+3%)
- 2017 - \$119,000 (+3%)
- 2016 - \$116,000 (+3%)
- 2015 - \$113,000
- 2014 - \$113,000
- 2013 - \$113,000 (+8%)
- 2012 - \$105,000
- 2011 - \$105,000 (-5%)
- 2010 - \$110,000 (-4%)
- 2009 - \$115,000
- 2008 - \$115,000 (+18% - Implementation of New Acct Rules)
- 2007 - \$97,500



AUDIT SERVICES REQUESTS FOR PROPOSALS

The Executive Director and NTMWD staff recommend that NTMWD complete 2019 Audit as intended in 2015 request for proposal.



AGENDA

IV. DISCUSSION ITEMS

A. Opportunity for Committee Members to Provide Feedback on the Finance/Audit Committee Meeting



AGENDA

IV. DISCUSSION ITEMS

- B. **Opportunity for Committee Members to Request Potential Future Agenda Items**
(No substantive discussion of items will take place at this time)

V. ADJOURNMENT