MORE WAYS WE ARE MANAGING COSTS

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Refinancing Bonds: The District has refinanced bonds (in FY19) which will result in an estimated total savings of $1.2 million between 2019 and 2039.

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#MORETHANWATER

System expansions, maintaining infrastructure key drivers for FY20

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 10 counties, we face increasing challenges to build system expansions to serve our growing region, upgrade and maintain older infrastructure and comply with regulations that protect public health and the environment.

We recognize that no one likes to pay more for what they may see as the same service they have always received. It is important that we work together with our cities to inform the public about why costs are increasing. The investments are critical to continue delivering these services safely and reliably.

This summary provides an overview of the FY20 Budget and System Expenditures, as well as details about increases and key projects by service, and ways we are managing costs.
NTMWD actions to reduce increases and improve allocation of support services

Beginning in 2019, NTMWD adjusted its method for budgeting for variable expenses such as chemicals, power and water purchases. This approach worked well and NTMWD will once again budget variable costs based on projected water use rather than the previous method based on the highest possible demands using historic data. For FY20, NTMWD is also implementing a new method to provide for a more accurate allocation of support services costs between all services – water, wastewater and solid waste. The new allocation amounts are the result of a thorough financial consultant review and recommended improvements based on industry standards. To further improve transparency, the District also created a new fund for the support services, outside of the regional wastewater system (RWS). Through this more detailed review, it was estimated that approximately $10M more can be allocated to the non-water systems. While $10M is less than 2.8% of the RWS FY19 Budget, it is an average 5.4% increase to the other systems. Recognizing that all systems already have increases projected before this adjustment, staff is recommending a five-year phase in approach for a smooth transition to all systems.

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. To date, the Texas Water Development Board 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 related to 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 related to the SWIFT program.

2.4% 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 FY20 results in a 2.4% rate increase – lower than previous projections.

<table>
<thead>
<tr>
<th>Variable O&amp;M</th>
<th>Fixed O&amp;M</th>
<th>Capital</th>
<th>Total (per 1,000 gal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY19</td>
<td>FY20</td>
<td>Change</td>
<td>FY19</td>
</tr>
<tr>
<td>$ .42</td>
<td>$ .44</td>
<td>.02</td>
<td>$ .71</td>
</tr>
</tbody>
</table>

*Customer Cities/Entities rate = $.05

**Regional Wastewater System (cont.)**

<table>
<thead>
<tr>
<th>Who Benefits</th>
<th>Projects Needed</th>
<th>Staff Required*</th>
<th>FY20 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allen</td>
<td>Rawlett Creek Peak Flow Phase II ($53.7M)</td>
<td>127</td>
<td>$ 32M Capital/Debt</td>
</tr>
<tr>
<td>Forney</td>
<td>Regional Water Resource Recovery Facility (WRRF) ($83.3M)</td>
<td></td>
<td>$ 31.4M O&amp;M</td>
</tr>
<tr>
<td>Frisco</td>
<td>South Mesquite Solids Handling ($21M)</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>McKinney</td>
<td>Regional RWRF Expansion (Design) ($11.5M)</td>
<td></td>
<td>$ 76.7M Total</td>
</tr>
</tbody>
</table>

Estimated wholesale Member wastewater cost per 1,000 gallons: 4.7%

**Upper East Fork Interceptor System** (wastewater collection system)

<table>
<thead>
<tr>
<th>Who Benefits</th>
<th>Projects Needed</th>
<th>Staff Required*</th>
<th>FY20 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allen</td>
<td>McKinney-Prosper Transfer Sewer Phase I &amp; II ($87.3M)</td>
<td>22</td>
<td>$ 26.9M Capital/Debt</td>
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<tr>
<td>Forney</td>
<td>North McKinney Parallel Interceptor ($13.9M)</td>
<td></td>
<td>$ 11.8M O&amp;M</td>
</tr>
<tr>
<td>Frisco</td>
<td>Slone Creek Lift Station ($4M)</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Princeton</td>
<td>Wilson Creek Lift Station Improvements ($7.7M)</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Prosper</td>
<td>Plano Spring Creek Lift Station No. 2 Improvements ($7.4M)</td>
<td>11</td>
<td></td>
</tr>
</tbody>
</table>

Estimated wholesale Member wastewater cost per 1,000 gallons: 4.7%

**WATER SYSTEM**

<table>
<thead>
<tr>
<th>Who Benefits</th>
<th>Projects Needed</th>
<th>Staff Required*</th>
<th>FY20 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allen</td>
<td>Allen Water Treatment Plant (WTP):</td>
<td>127</td>
<td>$ 222.7M Capital/Debt</td>
</tr>
<tr>
<td>Farmersville</td>
<td>• Allen WTP Ongoing Conversion to BAF ($26.3M)</td>
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<td>$ 121M O&amp;M</td>
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<tr>
<td>Forney</td>
<td>• Plant II Structural and Mechanical Improvements Phase I ($15.9M)</td>
<td></td>
<td>$ 12.9M Personnel</td>
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<tr>
<td>Frisco</td>
<td>• Plant III Power Redundancy ($12.4M)</td>
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<td>$ 356.4M Total</td>
</tr>
<tr>
<td>Garland</td>
<td>Transmission System:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>McKinney</td>
<td>• Wylie-Rockwall-Farmersville Pipeline Improvement Phase II ($18.9M)</td>
<td></td>
<td></td>
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<tr>
<td>Mesquite</td>
<td>• High Service Pump Station 3-1 Expansion to 450 MGD ($130M)</td>
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<td></td>
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<tr>
<td>Plano</td>
<td>• Shiloh System Ground Storage Tank ($7.4M)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Princeton</td>
<td>Bois d’Arc Lake Program:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Richardson</td>
<td>• Treated Water Pipeline Leonard to McKinney No 4 Construction ($51.7M)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Includes support staff

**SOLID WASTE SYSTEM**

<table>
<thead>
<tr>
<th>Who Benefits</th>
<th>Projects Needed</th>
<th>Staff Required*</th>
<th>FY20 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allen</td>
<td>121 RDF Intermediate Cover Construction ($7M)</td>
<td>113</td>
<td>$ 3.6M Capital/Debt</td>
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<tr>
<td>Frisco</td>
<td>121 RDF Sector 5D Construction ($1.5M)</td>
<td></td>
<td>$ 29.9M O&amp;M</td>
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<tr>
<td>McKinney</td>
<td>121 RDF Additional Gas Flare ($750K)</td>
<td>5</td>
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</tr>
<tr>
<td>Plano</td>
<td>North Transfer Station Permitting ($513K)</td>
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<td></td>
</tr>
<tr>
<td>Prosper</td>
<td>121 RDF Heavy Equipment Shop Addition Design ($645K)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Richardson</td>
<td>Parkway Transfer Station Ty Load Conversion Design ($215K)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Does not include support staff

Wholesale Member solid waste service cost per ton: (no change)
NTMWD actions to reduce increases and improve allocation of support services

Beginning in 2019, NTMWD adjusted its method for budgeting for variable expenses such as chemicals, power and water purchases. This approach worked well and NTMWD will once again budget variable costs based on projected water use rather than the previous method based on the highest possible demand using historic data.

For FY20, NTMWD is also implementing a new method to provide for a more accurate allocation of support services costs between all services – water, wastewater and solid waste. The new allocation amounts are the result of a thorough financial consultant review and recommended improvements based on industry standards. To further improve transparency, the District also created a new fund for the support services, outside of the regional wastewater system (RWS). Through this more detailed review, it was estimated that approximately $10M more can be allocated to the non-water systems. While $10M is less than 2.8% of the RWS FY19 Budget, it is an average 5.4% increase to the other systems. Recognizing that all systems already have increases projected before this adjustment, staff is recommending a five-year phase in approach for a smooth transition to all systems.

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2.4% 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 FY20 results in a 2.4% increase - lower than previous projections.

### WATER SYSTEM

- **Who Benefits**: Allen Farmersville Forney Frisco Garland McKinney Mesquite Plano Princeton Richardson Rockwall Royse City Wylie

- **Projects Needed**:
  - Wyly Water Treatment Plant (WTP):
    - Wyly WTP Ongoing Conversion to BAF ($26.3M)
    - Plant II Structural and Mechanical Improvements Phase I ($15.7M)
    - Plant III Power Redundancy ($12.4M)
  - Transmission System:
    - Wyly-Rockwall-Farmersville Pipeline Improvement Phase II ($18.9M)
    - High Service Pump Station 3-1 Expansion to 450 MD ($13M)
    - Shiloh System Ground Storage Tank ($5.4M)
    - Bois d’Arc Lake Program:
      - Treated Water Pipeline Leonard to McKinney No 4 Construction ($51.7M)

- **Staff Required**: 127

- **FY20 Budget**:
  - $222.7M Capital/Debt
  - $121M O&M
  - $12.9M Personnel
  - $356.4M Total

### REGIONAL WASTEWATER SYSTEM**

- **Who Benefits**: Allen Farmersville Forney Frisco Garland McKinney Mesquite Plano Princeton Prosper Richardson Rockwall Seagoville

- **Projects Needed**:
  - Rowlett Creek Peak Flow Phase II ($39.7M)
  - Regional Water Resource Recovery Facility (WRRF) ($33.9M)
  - South Mesquite Solids Handling ($21M)
  - Regional WRKF Expansion (Design) ($11.5M)

- **Staff Required**: 137

- **FY20 Budget**:
  - $32M Capital/Debt
  - $31.4M O&M
  - $13.3M Personnel
  - $76.7M Total

### REGIONAL WASTEWATER SYSTEM**

- **Who Benefits**: Allen Farmersville Forney Frisco Garland McKinney Mesquite Plano Princeton Prosper Richardson Rockwall Seagoville

- **Projects Needed**:
  - McKinney-Prospect Transfer Sewer Phase I & II ($27.3M)
  - North McKinney Parallel Interceptor ($13.9M)
  - Sloux Creek Lift Station ($9M)
  - Winton Creek Lift Station Improvements ($7.7M)
  - Plants Spring Creek Lift Station No. 2 Improvements ($7.4M)

- **Staff Required**: 22

- **FY20 Budget**:
  - $26.9M Capital/Debt
  - $11.6M O&M
  - $2.3M Personnel
  - $30.8M Total

### UPPER EAST FORK INTERCEPTOR SYSTEM**

- **Who Benefits**: Allen Farmersville Forney Frisco Garland McKinney Mesquite Plano Princeton Prosper Richardson Rockwall Seagoville

- **Projects Needed**:
  - Conversion Design ($212K)
  - Parkway Transfer Station Top Load Design ($340K)
  - 121 RDF Heavy Equipment Shop Addition ($531K)
  - North Transfer Station Permitting ($750K)
  - 121 RDF Additional Gas Flare ($1M)
  - 121 RDF Sector 5D Construction ($1.5M)
  - 121 RDF Intermediate Cover Construction ($1M)
  - No. 2 Improvements ($1M)
  - Wilson Creek Lift Station Improvements ($7.7M)
  - Sloan Creek Lift Station ($9M)
  - North McKinney Parallel Interceptor ($13.9M)
  - Regional Water Resource Recovery Facility (WRRF) ($59.3M)
  - Regional Water Resource Recovery Facility (WRRF) ($59.7M)
  - Rowlett Creek Peak Flow Phase II ($11.5M)
  - McKinney-Prosper Transfer Sewer Phase I & II ($27.3M)
  - Regional WRRF Expansion (Design) ($21M)

- **Staff Required**: 137

- **FY20 Budget**:
  - $32M Capital/Debt
  - $31.9M O&M
  - $13.2M Personnel
  - $76.7M Total

### SOLID WASTE SYSTEM

- **Who Benefits**: Allen Farmersville Forney Frisco Garland McKinney Mesquite Plano Princeton Prosper Richardson Rockwall Seagoville

- **Projects Needed**:
  - 121 RDF Intermediate Cover Construction ($1M)
  - 121 RDF Sector 5D Construction ($1.5M)
  - 121 RDF Additional Gas Flare ($750K)
  - North Transfer Station Permitting ($750K)
  - 121 RDF Heavy Equipment Shop Addition Design ($531K)
  - Parkway Transfer Station Tap Lead Conversion Design ($213K)
  - Conversion Design ($212K)
  - Parkway Transfer Station Top Load Design ($340K)
  - 121 RDF Intermediate Cover Construction ($1M)
  - 121 RDF Sector 5D Construction ($1.5M)
  - 121 RDF Additional Gas Flare ($750K)
  - North Transfer Station Permitting ($750K)
  - 121 RDF Heavy Equipment Shop Addition Design ($531K)
  - Parkway Transfer Station Tap Lead Conversion Design ($213K)

- **Staff Required**: 113

- **FY20 Budget**:
  - $3.6M Capital/Debt
  - $20.9M O&M
  - $11.0M Personnel
  - $30.3M Total

Wholesale Member solid waste service cost per ton (no change)

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