



FY21 Approved Budget and Rates

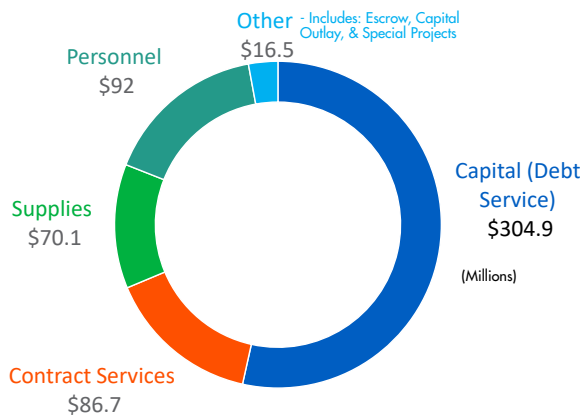
Cost efficiencies one of the key drivers to maintain flat rate

This year's budget process raises challenges as the District, its Member Cities and Customers deal with the Covid-19 pandemic and the related economic difficulties. The District is sensitive to the tough decisions that each organization faces during this unprecedented time, and is taking the necessary steps to limit any budget increases where possible. The District remains committed to providing the essential services that 1.8 million North Texans rely on each day.

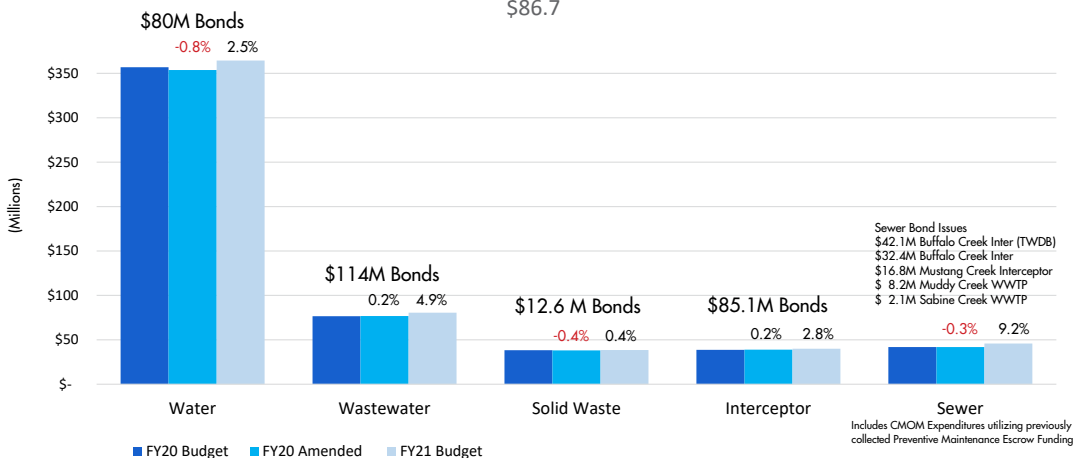
This summary provides an overview of the FY21 Budget and System Expenditures, as well as details about increases and key projects by service, and ways we are managing costs.

FY21 Budget

All Systems Expenditures
\$570.2M



Expenditures By System



North Texas Municipal Water District

Administration Building
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P.O. Box 2408
Wylie, TX 75098

972.442.5405
www.ntmwd.com

FAST FACTS:

80 COMMUNITIES SERVED ACROSS

2,200 SQUARE MILES IN 10 COUNTIES

WITH A POPULATION OF OF 1.8 MILLION



WATER



WASTEWATER



SOLID WASTE

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 over \$2 billion in low-interest financing for NTMWD projects:

- \$1.477 billion in low-interest financing through the State Water Implementation Fund of Texas (SWIFT) for the Bois d'Arc Lake project. This is anticipated to save over \$230 million in interest.
- \$460 in low-interest financing through the Clean Water State Revolving Fund (CWSRF) Program for the Sister Grove Regional Water Resource Recovery Facility project. This is anticipated to save over \$160 million in interest.
- \$75.5 in low-interest financing through the Clean Water State Revolving Fund (CWSRF) Program for the Rowlett Creek Regional Wastewater Treatment Plant Peak Flow Management Phase II Improvements project. This is anticipated to save over \$13.5 million in interest.

Additionally, bond sales for capital projects across all three systems (water, wastewater and solid waste) are timed to closely align with expected construction progress. The combination of these factors enables the District to require less funding to cover the costs of the capital program.

Wholesale Water Rate to remain the same

Through limiting cost increases unless related to new or expanding facilities and shifting capital project funding, the District's total revenue requirement for FY21 results in no change to the proposed FY21 wholesale water rate.

Here are the key factors that have resulted in a flat rate:

- Limited cost increases unless related to new or expanded facilities
 - Limiting additional headcount by repurposing vacant positions (*Total headcount only increased by two employees for FY21*)
 - Only filling critical vacancies
 - Reducing engineering/consultant services/studies
 - Minimizing capital outlay unless critical
 - Limiting new vehicle and equipment purchases
 - Reducing or eliminating travel/training unless job requirement
 - Minimal funding for escrow/contingency funds
 - No or minimal pay increases for FY21
- Shift capital project funding to more debt, less cash

FY21 MEMBER CITY APPROVED WHOLESALE WATER RATE

	FY20 Actual	FY21 Proposed	Change
Variable O&M <small>(i.e., chemicals, power, etc.)</small>	\$.44	\$.49	\$ 0.05
Fixed O&M <small>(i.e., personnel, maintenance, etc.)</small>	\$.68	\$.70	\$ 0.02
Capital	\$ 1.87	\$ 1.80	\$ -0.07
Total (per 1,000 gal.)	\$ 2.99	\$ 2.99*	\$ 0.00

*Customer Cities/Entities rate + \$.05

WATER SYSTEM



Who Benefits

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

plus 34 Customer Cities/Entities



Major Projects Needed

- Wylie Water Treatment Plant (WTP):**
- Wylie WTP Conversion to Biologically Active Filtration (\$89M)
 - Wylie WTP III Sludge Handling and Reclaim Basin Improvements (\$18M)
 - Bonham-Tawakoni WTP Improvements (\$12M)
- Transmission System:**
- Wylie to Rockwall Pipeline Relocation (\$18M)
 - High Service Pump Station 3-1 Expansion (\$16M)
 - Systemwide Meter Vault Improvements Set Point Control Phase IV (\$13M)
- Bois d'Arc Lake:**
- Program Management & Quality Assurance, Construction Management & Inspection (\$10M)



Staff Required*

127

no increase



\$ FY21 Budget





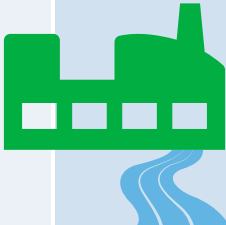
\$ 219.7M Capital/Debt
\$ 132.8M O&M
\$ 12.9M Personnel
\$ 365.4M Total

Wholesale water rate:





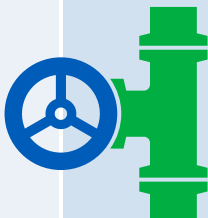
0 % increase
per 1,000 gallons

*does not include support staff






REGIONAL WASTEWATER SYSTEM** (treatment)

 Who Benefits	 Major Projects Needed	 Staff Required*	 FY21 Budget
Allen Forney Frisco Heath McKinney Melissa Mesquite Plano Princeton Prosper Richardson Rockwall Seagoville <small>plus 4 Customer Cities/Entities</small>	<ul style="list-style-type: none"> Sister Grove Regional Water Resource Recovery Facility (RWWT) (\$204M) South Mesquite RWWT Peak Flow Management & Expansion (\$58M) Rowlett Creek RWWT Peak Flow Management Phase IIA Solids Improvement (\$30M) Wilson Creek RWWT Step Feed & Aeration Basin Improvements (\$14M) 	140 ↑3 	\$ 33.9M Capital/Debt \$ 33.0M O&M \$ 13.5M Personnel \$ 80.5M Total Estimated wholesale Member wastewater cost per 1,000 gallons: ↑ 0.89 %

UPPER EAST FORK INTERCEPTOR SYSTEM** (wastewater collection system)

 Who Benefits	 Major Projects Needed	 Staff Required*	 FY21 Budget
Allen Frisco McKinney Melissa Plano Princeton Prosper Richardson <small>plus 4 Customer Cities/Entities</small>	<ul style="list-style-type: none"> North McKinney Transfer Lift Station & Force Mains (\$70M) McKinney-Prosper Transfer Sewer Phase I (\$19M) Sloan Creek Lift Station & Force Main (\$17M) North McKinney Parallel Interceptor (\$14M) 	22 no increase 	\$ 24.5M Capital/Debt \$ 13.1M O&M \$ 2.3M Personnel \$ 39.9M Total Estimated wholesale Member wastewater cost per 1,000 gallons: ↓ -4.52 %

SOLID WASTE SYSTEM

 Who Benefits	 Major Projects Needed	 Staff Required*	 FY21 Budget
Allen Frisco McKinney Plano Richardson <small>plus 4 Customer Cities/Entities</small>	<ul style="list-style-type: none"> 121 RDF Heavy Equipment Shop Addition (\$5M) 121 RDF South Slope Closure (\$4M) 	114 ↑1 	\$ 6.1M Capital/Debt \$ 20.6M O&M \$ 11.7M Personnel \$ 38.4M Total Wholesale Member solid waste service cost per ton: (no change)

**Does not include sewer system costs, projects and staffing as those vary by participants of each local system.

*does not include support staff



MORE WAYS WE ARE MANAGING COSTS

Financial Management

Financial Transparency: NTMWD has built on its commitment to strong stewardship and transparency providing greater online access to more detailed financial data. This qualified NTMWD to apply for the Transparency Stars program under the Texas Comptroller of Public Accounts which recognizes local governments for going above and beyond in transparency efforts. In 2020, NTMWD was recognized by the Government Finance Officers Association (GFOA) with its first Distinguished Budget Presentation Award, the highest honor a public sector organization can receive for its budget document.

Refinancing Bonds: The District has refinanced bonds (in FY20) which will result in an estimated total savings of \$27.3 million between 2020 and 2040.

SWIFT Program Funding: The Texas Water Development Board has committed \$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.

CWSRF Program Funding: The Texas Water Development Board has committed \$460 million in low-interest financing through the Clean Water State Revolving Fund (CWSRF) Program for the Sister Grove Regional Water Resource Recovery Facility project. Use of CWSRF funding is anticipated to save the District and its ratepayers more than \$160 million in interest costs.

The Texas Water Development Board has committed \$75.5 million in low-interest financing through the CWSRF Program for the Rowlett Creek Regional Wastewater Treatment Plant Peak Flow Management Phase II Improvements project. Use of CWSRF funding is anticipated to save the District and its ratepayers more than \$13.5 million in interest costs.

Purchasing Competitive Bid/Proposal process: Cost savings is calculated by taking the original estimate from the department or their budget amount, and subtracting from the awarded amount - Fiscal YTD Cost Savings \$1,164,409. Cost avoidance is calculated by taking the total amount of all bids received and dividing by the number of bids received, then subtracting that from the awarded amount. This shows the value of going through a competitive process - Fiscal YTD Cost Avoidance \$1,309,761.

Capital Program

Buffalo Creek Lift Station: As part of the ongoing review of our Capital Improvement Program, the NTMWD Engineering Department evaluated two alternatives for the Buffalo Creek Lift

Station located in Forney. The options included either expansion of the lift station and a new force main, or construction of a new gravity tunnel that allows future decommissioning of the lift station. The tunnel proved to be the lowest initial capital cost option (saving \$2.4M) but also provides a savings of \$80M over the life of the project since the District will no longer have to operate and maintain the lift station. The Buffalo Creek Interceptor System serves the cities of Forney, Heath, and Rockwall.

Operations

On-call Pressure Pipe Inspection Services: NTMWD entered into a multi-year, on-call agreement with a specialty company who specializes in electromagnetic pipeline inspections. With the new contract in place, NTMWD will have the ability to conduct highly sophisticated inspections of some pressure pipelines while they are open and available for repairs or planned maintenance. In doing so, NTMWD will avoid the added cost of mobilizing personnel and depressurizing pipelines for some of these inspections. Additionally, NTMWD's pipeline management program will benefit from having more robust data to maximize the life of linear assets.

Manhole improvements: NTMWD undertook a project to conduct a comprehensive evaluation of our manholes and identify where it was most critical to make improvements to extend the life of the infrastructure and reduce inflow and infiltration, reducing downstream capacity requirements. Project delivery efficiencies allowed the bid prices to be approximately 35% lower than if the improvements had been completed piecemeal with a project cost of \$6.2 million. Additionally, by using noncorrosive fiberglass inserts where feasible rather than traditional coating material, we anticipate a life-cycle savings of an additional \$5.8 million.

Morrow Renewable High BTU Gas Plant: The renewable energy gas plant at our 121 Regional Disposal Facility provides NTMWD a royalty – over \$1 million in FY20 – on the gas produced and a share of the revenue generated which goes toward reducing landfill operation costs.

Energy Rate Management: NTMWD uses several utilities and cooperatives from across our service region to provide the power needs of our many operations facilities. District staff regularly reviews and works with our utility partners to secure reliable power at the most cost effective rates possible. One such example is the recent agreement with Farmers Electric Cooperative (FEC) that lowers the demand charge minimum obligation for our Tawakoni Water Treatment Plant, located near Able Springs, Texas. The difference between the old and new rate demand charge minimums comes out to a savings of roughly \$200-250K per year for the District.