



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



# FINANCE COMMITTEE

January 27, 2021

11:15 A.M.



# AGENDA

- I. **CALL TO ORDER**
- II. **PUBLIC COMMENTS (FOR TELECONFERENCE COMMITTEE MEETINGS ONLY)**

## PUBLIC COMMENTS (FOR TELECONFERENCE COMMITTEE MEETINGS ONLY)

INSTRUCTIONS FOR PUBLIC COMMENT ON-LINE REGISTRATION: Prior to the start of the Finance Committee meeting, members of the public wishing to provide public comment must submit via email to [PublicRelations.Info@ntmwd.com](mailto:PublicRelations.Info@ntmwd.com) their first and last name, organization, comment topic, mailing address and email address. During the public comment portion of the meeting, speakers will be recognized by name and asked to provide their comments. The time limit is five (5) minutes per speaker, not to exceed a total of thirty (30) minutes for all speakers. The Committee may not discuss these items, but may respond with factual or policy information. Public comment is provided for committee meetings held by teleconference during the COVID-19 health threat to confirm the opportunity for two-way communication with the public during the meeting.

- III. **OPENING REMARKS**

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



# AGENDA

## IV. ACTION ITEMS

- A. Consider approval of Finance Committee meeting minutes – December 2, 2020
- B. Review and possible action on the draft 2019-2020 Financial Operations by Crowe LLP
- C. Review and possible action on authorizing filing for financial assistance from the Texas Water Development Board for the Regional Wastewater System, Rowlett Creek Regional Wastewater Treatment Plant Peak Flow Management Phase II Improvements
- D. Review and possible action on the Regional Wastewater System Revenue Bonds, Series 2021A
- E. Review and possible action on the Muddy Creek Wastewater System Revenue Bonds



## AGENDA

### V. DISCUSSION ITEMS

- A. Opportunity for Committee members to provide feedback on the Finance Committee meeting
- B. Opportunity for Committee members to request potential future agenda items

**(No substantive discussion of items will take place at this time)**

### VI. ADJOURNMENT





# AGENDA

## IV. ACTION ITEMS

### A. **Consider Approval of Finance Committee Minutes – December 2, 2020**

**Recommend Approval of Finance Committee Minutes –  
December 2, 2020**



# AGENDA

## IV. ACTION ITEMS

### B. Review and possible action on the draft 2019-2020 Financial Operations by Crowe LLP



Smart decisions. Lasting value.™

North Texas Municipal Water District  
– Audit Committee

**Fiscal Year Ended September 30, 2020**  
**Audit Presentation – January 27, 2021**

**Kevin Smith, Partner**

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# Agenda

- Deliverables
- Results
- Internal Control Comments
- Required Communications
- Questions



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## Deliverables

We expect to issue the following:

- Report of Independent Auditors
- Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*
- SAS 114 Letter “Communication to Those Charged with Governance”

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## **Expected Report of Independent Auditors**

### **Unmodified (“Clean”) Opinion**

- In our opinion, the financial statements present fairly, in all material respects, the financial position of the North Texas Municipal Water District (business-type activities), each major fund and the aggregate remaining fund information as of September 30, 2020, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

- As discussed in Note 15 to the financial statements, the District restated the beginning net position of the Business-Type activities and the Solid Waste Fund for the correction of errors.

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## Expected Internal Control Related Comments

- **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

### **Material Weaknesses**

1. Payroll/Human Resources - Segregation of duties.
2. Research, Documentation and Application of certain Generally Accepted Accounting Standards and Financial Reporting processes.

## • **Required Communication with Those Charged with Governance**

- Auditor Responsibility
- Planned Scope and Timing of the Audit
- Significant or Unusual Transactions
- Significant Accounting Policies in Controversial or Emerging Areas
- Accounting Estimates
- Auditor Judgments about Qualitative Aspects of Significant Accounting Practices
- Corrected and Uncorrected Misstatements (*see next slide*)
- Other Communications

# Corrected Misstatements

Corrected Misstatements			Increase (Decrease)					
Account Name	Debit	Credit	Asset	Deferred Outflows	Liability	Deferred Inflows	Net Position	Income
<b>Water Fund</b>								
<i>Known error</i>								
CIP	5,059,102		5,059,102					
Contracts payable		5,059,102			5,059,102			
<i>To properly record construction assets</i>								
<b>Solid Waste Fund</b>								
<i>Known error</i>								
Net position	4,195,915						(4,195,915)	
Accumulated depreciation	777,567		(777,567)					
Expenses - capital outlay payment summary	188,571							(188,571)
Capital assets - landfill site facilities		4,999,165	(4,999,165)					162,888
Depreciation expense		162,888						
<i>To properly state capital assets and restate prior periods</i>								



# Uncorrected Misstatements

Uncorrected Misstatements			Increase (Decrease)					
Account Name	Debit	Credit	Asset	Deferred Outflows	Liability	Deferred Inflows	Net Position	Income
<b>Prior Period Uncorrected Misstatements</b>								
<b>Interceptor Fund</b>								
<b><i>Known error</i></b>								
CIP	364,199		364,199					
Retainage payable	392,788				(392,788)			
Contracts payable		756,987			756,987			
<b><i>To properly state prior period construction assets and payables</i></b>								
<b><i>Likely error</i></b>								
CIP	346,222		346,222					
Contracts payable		346,222			346,222			
<b><i>To properly state prior period construction assets and payables</i></b>								

Questions.



**Smart decisions. Lasting  
value.**

™

# Thank you

**Kevin Smith**

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## AGENDA

### IV. ACTION ITEMS

- C. Review and possible action on authorizing filing for financial assistance from the Texas Water Development Board for the Regional Wastewater System, Rowlett Creek Regional Wastewater Treatment Plant Peak Flow Management Phase II Improvements



## ROWLETT CREEK RWWTP PEAK FLOW MANAGEMENT PHASE II IMPROVEMENTS

- NTMWD Submitted a Project Information Form (“PIF”) to the Texas Water Development Board (“TWDB”) for financial assistance from TWDB’s Clean Water State Revolving Fund (“CWSRF”) to fund \$75.47M in costs for the Rowlett Creek Regional Wastewater Treatment Plant.
- Financial assistance under the CWSRF Program provides 130 basis points interest rate subsidy for 30-year bonds. For equivalency projects, the interest rate subsidy increases to a 165 basis point reduction.
- The TWDB notified NTMWD that the project is eligible for non-equivalency loan funding on May 20, 2020.
- The TWDB authorized a commitment for financial assistance at the TWDB board meeting on July 23, 2020 with a multi-year commitment of:
  - \$37.615 M to expire on July 31, 2021
  - \$37.855 M to expire on July 31, 2024
- Should NTMWD fail to issue its bonds and close the finance transition with the TWDB by the expiration dates, NTMWD will lose the TWDB commitment for financial assistance.





# ROWLETT CREEK REGIONAL WASTEWATER TREATMENT PLANT

## Peak Flow Management Phase II Improvements – Solids and Electrical

### Multi Year Commitment – February 2021

Date	Type	Depreciable Life of Asset	(\$)
4/2021	Construction	40 years	\$ 30.000 M
4/2021	Construction	40 years	\$ 2.000 M
4/2021	Contingency	40 years	\$ 1.827 M
4/2021	Inspection/Legal	40 years	\$ 1.160 M
4/2021	Cost of Issuance		\$ 0.853 M
4/2021	Deposit to Reserve		\$ 1.775 M
<b>Total TWDB Funding</b>			<b>\$ 37.615 M</b>

Based on 90% final engineering plans.



# ROWLETT CREEK REGIONAL WASTEWATER TREATMENT PLANT

## Peak Flow Management Phase II Improvements - Liquids

Multi Year Commitment – December 2023

Date	Type	Depreciable Life of Asset	(\$)
12/2023	Construction	40 years	\$ 29.000 M
12/2023	Contingency	40 years	\$ 5.506 M
12/2023	Inspection/Legal	40 years	\$ 0.590 M
12/2023	Cost of Issuance		\$ 0.870 M
12/2023	Deposit to Reserve		\$ 1.889 M
Total TWDB Funding			\$ 37.855 M

Based on 40% final engineering plans.



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*Finance Committee Meeting*

*Discussion of Regional Wastewater System Financing, Series 2021 (TWDB)*

January 27, 2021

North Texas Municipal Water District



# Presentation Overview

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- Regional Wastewater System – TWDB Plan of Finance
  - Transaction Summary
  - Estimated Sources and Uses of funds

# Regional Wastewater System (TWDB) - Plan of Finance

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- District has current multiyear commitment from Texas Water Development Board (“TWDB”) for \$75,470,000 in Clean Water State Revolving Fund (CWSRF) Funding:
  - \$37,615,000 expires 7/31/2021
  - \$37,855,000 expires 7/31/2024
  
- Currently issuing \$37,615,000 for NTMWD Board approval on 1/28/2021
  - 30 year term
  - Level annual debt service (except reduced principal in 2021)
  - Estimated annual payment of approximately \$1.3 million
  - Rate is subsidized by 1.30% below ‘AAA’ benchmark yields
  - Estimated rate as of 1/13/2021: 0.20%
  - Estimated debt service savings versus comparable open market: \$4.9 mil



# Regional Wastewater System (TWDB) - Plan of Finance

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- Series 2021 Estimated Sources and Uses of Funds:

<b>Par Amount of Bonds</b>	<b>\$37,615,000</b>
TWDB Origination Fee	\$ 646,941
Required Deposit to Debt Service Reserve Fund	1,774,541
General Costs of Issuance	206,000
Deposit to Project Construction Fund	34,987,518
<b>Total Uses of Funds</b>	<b>\$37,615,000</b>



## AGENDA

### IV. ACTION ITEMS

#### D. Review and possible action on the Regional Wastewater System Revenue Bonds, Series 2021A



## REGIONAL WASTEWATER SYSTEM REVENUE BONDS

Date	Project	Type	Depreciable Life of Asset	(\$)
2/2021	Wilson Creek RWWTP Aeration Basin Improvements	Construction/Inspection	40 years	\$ 6.018 M
2/2021	Wilson Creek RWWTP Step Feed Improvements	Construction/Inspection	40 years	\$ 2.553 M
3/2021	Floyd Branch RWWTP Peak Flow Management	Design	40 years	\$ 1.442 M
4/2021	Rowlett Creek RWWTP Operations Building	Construction/Inspection	40 years	\$ 4.000 M
4/2021	South Mesquite WWTP System Peak Flow Management and Expansion Phase I	Design	40 years	\$ 4.000 M
4/2021	South Mesquite WWTP System Peak Flow Management and Expansion Phase I	CMAR Preconstruction	40 years	\$ 1.500 M
	Various Projects	Contingency	40 years	\$ 5.657 M
<b>Total Cost of Projects</b>				<b>\$ 25.170 M</b>



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January 27, 2021

*Finance Committee Meeting*  
*Discussion of Regional Wastewater System Financing, Series 2021A*

North Texas Municipal Water District



# Presentation Overview

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- Regional Wastewater System
  - Plan of Finance
  - Estimated Timetable
  - Market Conditions

# Regional Wastewater System - Plan of Finance

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- New money financing of approximately \$25.170 million
  - 30 year term
  - Level annual debt service
  - Estimated annual payment of approximately \$1,185,000
  
- Sold via competitive sale on February 25, 2021
  - Estimated rate as of 1/12/2021: 2.17%

# Regional Wastewater System – Estimated Timeline

Dec-20						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Jan-21						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

Feb-21						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28						

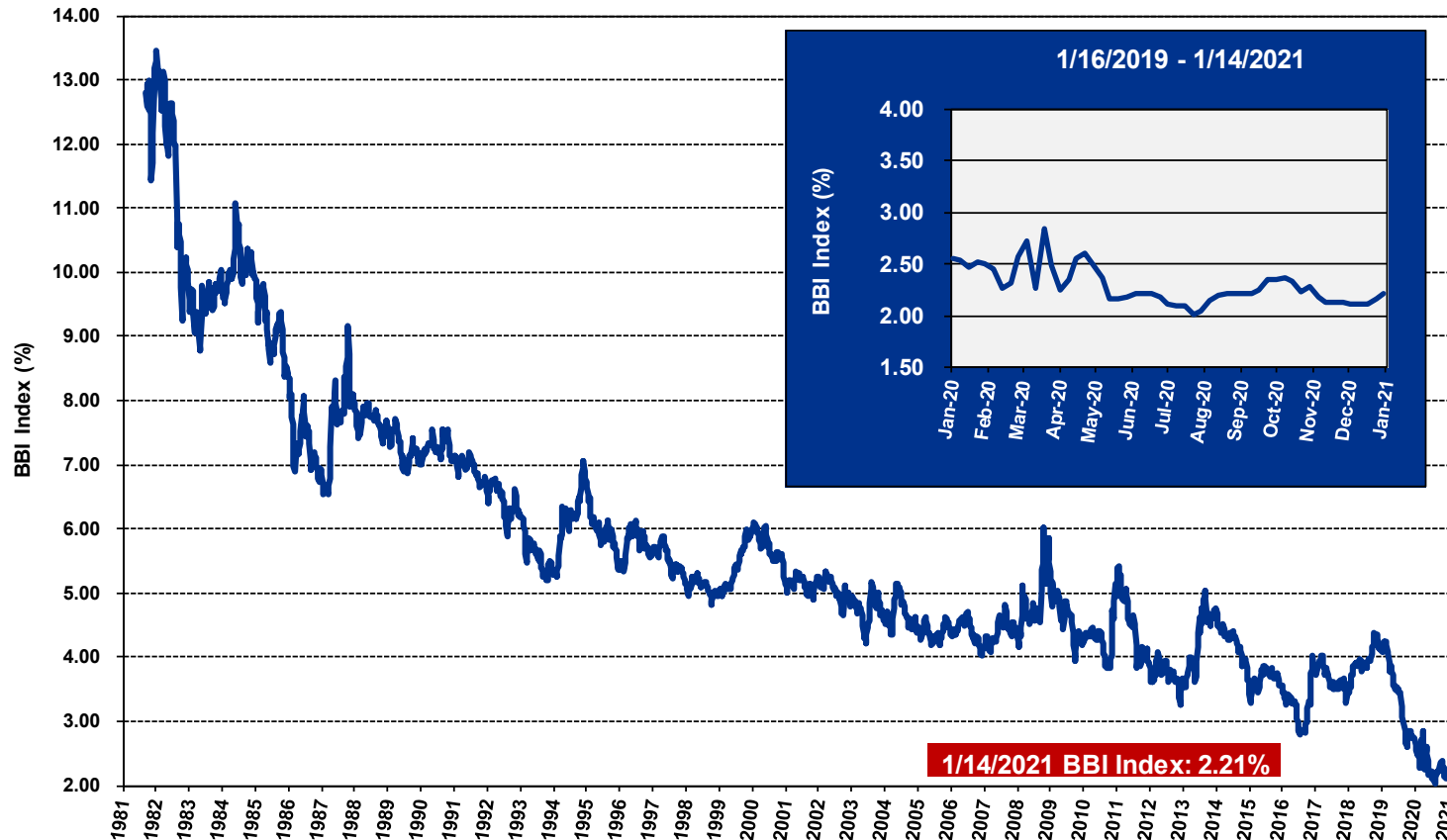
Mar-21						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Complete By	Day	Event
18-Dec-20	Friday	Prepare initial draft of Preliminary Official Statement & send to District and Bond Counsel for comments and modifications
4-Jan-21	Monday	Receive information to complete Official Statement from District and Bond Counsel
6-Jan-21	Wednesday	Provide draft of Preliminary Official Statement to credit rating agencies for review
18-Jan-21	Week of	Rating Agency Calls
5-Feb-21	Friday	Receive credit ratings
9-Feb-21	Tuesday	Finalize Preliminary Official Statement Distribute electronically through i-Deal Prospectus
25-Feb-21	Thursday	<b>Bond Sale</b>
4-Mar-21	Thursday	Print Final Official Statements
31-Mar-21	Wednesday	Bond closings and delivery of funds

Denotes holidays

# Municipal Interest Rate Market Conditions

**Bond Buyer 20 Year GO Index**  
September 1981 - January 14, 2021



Bond Buyer 20 Year GO Index is a weekly index estimating the composite yield on 20 general obligation bonds rated "A" or better.

*This graph depicts historical interest rates. Future interest rates are dependent upon many factors such as, but not limited to, interest rate trends, tax rates, the supply and demand of short term securities, changes in laws, rules and regulations, as well as changes in credit quality and rating agency considerations. The effect of changes in such factors individually or in any combination could materially affect the relationships and effective interest rates. These results should be viewed with these potential changes in mind as well as the understanding that there may be interruptions in the short term market or no market may exist at all.*





# AGENDA

## IV. ACTION ITEMS

### E. Review and possible action on Muddy Creek Wastewater System Revenue Bonds



# MUDDY CREEK WASTEWATER SYSTEM REVENUE BONDS

Muddy Creek Wastewater Treatment Plant serves the Cities of Murphy and Wylie

Date	Project	Type	Depreciable Life of Asset	(\$)
2/2021	Muddy Creek WWTP Peak Flow Storage & Expansion	Preliminary Design	40 years	\$ 2.200 M
3/2021	Muddy Creek WWTP Operations Building Improvements	Construction/ Inspection	40 years	\$ 1.685 M
8/2021	Muddy Creek WWTP Peak Flow Storage & Expansion	Final Design	40 years	\$ 5.000 M
<b>Total Cost of Projects</b>				<b>\$ 8.885 M</b>

Muddy Creek WWTP Operations Building Improvements is based on 100% final engineering plans.



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January 27, 2021

*Finance Committee Meeting*  
*Discussion of Muddy Creek Regional Wastewater System Financing*

North Texas Municipal Water District



# Presentation Overview

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- Muddy Creek Regional Wastewater System
  - Plan of Finance
  - Estimated Timetable
  - Market Conditions

# Muddy Creek Regional Wastewater System - Plan of Finance

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- New money financing of approximately \$8.885 million
  - 20 year term
  - 2 years interest only; then 18 years level annual debt service
  - Estimated annual payment of approximately \$640,000 (years 3-20)
  
- Sold via competitive sale on February 25, 2021
  - Estimated rate as of 1/12/2021: 1.90%

# Muddy Creek Regional Wastewater System – Estimated Timeline

Dec-20						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Jan-21						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
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28						

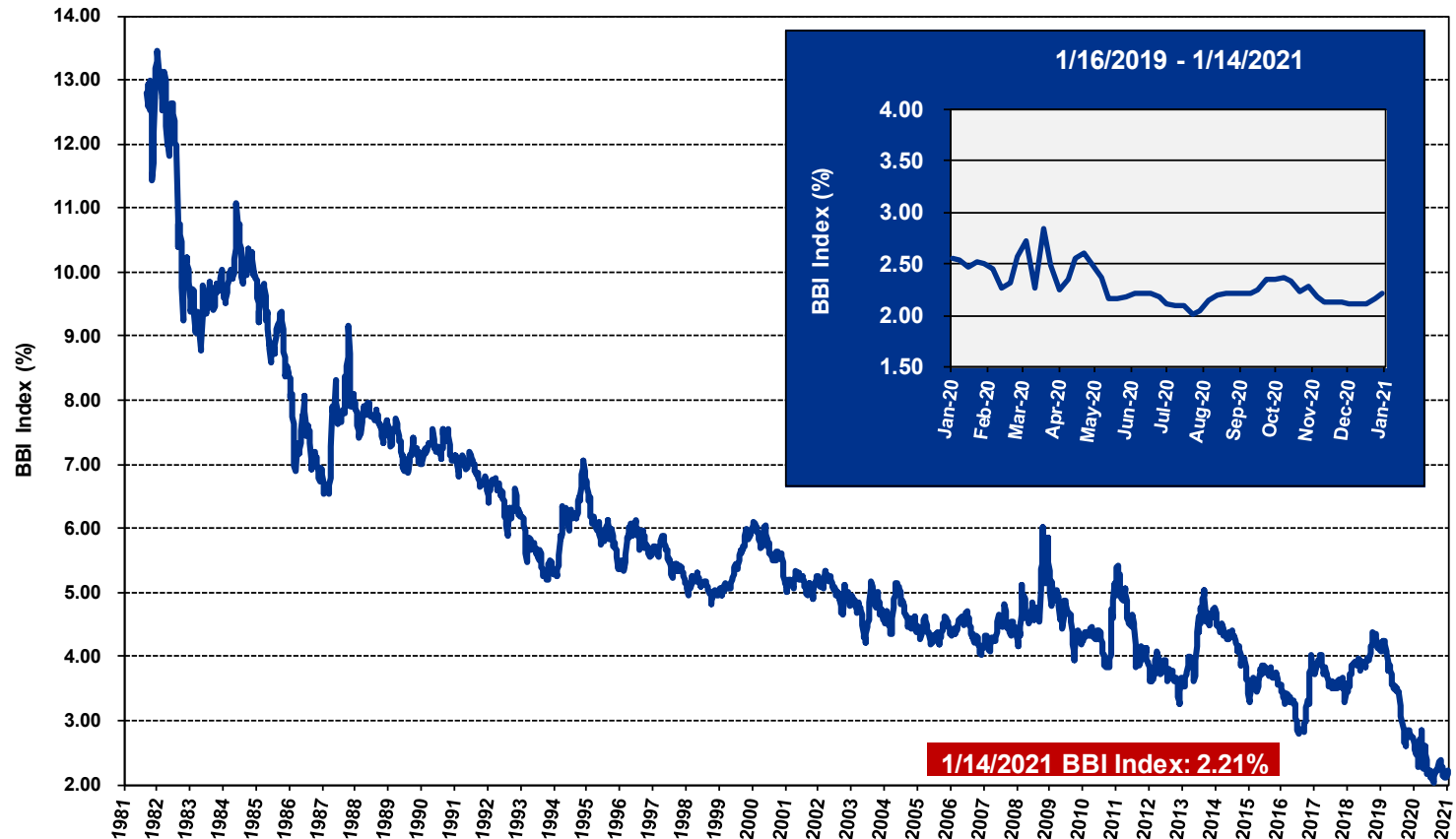
Mar-21						
S	M	T	W	T	F	S
	1	2	3	4	5	6
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## DISCUSSION ITEMS

### V. DISCUSSION ITEMS

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





## DISCUSSION ITEMS

### V. DISCUSSION ITEMS

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

### VI. ADJOURNMENT