



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



FINANCE COMMITTEE

April 07, 2021

1:00 P.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 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 – March 10, 2021
- B. Review and possible action on Refunding Parameters Resolution for RWS refunding
- C. Review and possible action on Strategic Financial Plans by Newgen Strategies & Solutions, LLC
- D. **Tabled Item**: Review and possible action on End of Year Actuals verses Fund Balance Policy
- E. Review and possible action on funding of February electric bills



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 – March 10, 2021

**Recommend Approval of Finance Committee Minutes –
March 10, 2021**



AGENDA

IV. ACTION ITEMS

B. Review and possible action on Refunding Parameters Resolution for RWS refunding



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*Finance Committee Meeting
Water System Refunding Discussion*

North Texas Municipal Water District

April 7, 2021



Presentation Overview

- Overview
- Projected Refunding Savings
- Next Steps

Overview

- 2012 Water System Bonds Callable March 1, 2022
 - Can pursue a taxable refunding now or wait for a tax-exempt refunding October/November of 2021
 - Legislation has been introduced to reinstate tax-exempt advance refundings

- Targeting April 22nd Board meeting for consideration of a Parameter Bond Resolution to ‘pre-approve’ the refunding transaction subject to certain parameters
 - Same method as previous Water System refundings in 2019 and 2020
 - Parameter Bond Resolution includes the ability to issue tax-exempt or taxable refunding bonds

Potential Taxable Advance Refunding Savings Analysis

Series 2012 Taxable Refunding Analysis (Callable 3/1/2022)

Callable Par:	\$228,285,000
Total Savings:	\$ 22,826,000
Average Annual Savings (2022-2032):	\$ 2,075,000
Impact on Water Rate (Approx \$1Mil = \$0.01):	Approx. \$0.02
Present Value Savings %:	8.80%
New Interest Rate (Taxable):	2.20%
Interest Rate on Existing 2012 Bonds:	4.31%

Tax-Exempt Refunding Breakeven Analysis

Current <u>Tax-Exempt</u> Rate:	1.62%
Tax-Exempt <u>Current Refunding</u> Savings:	\$ 33,370,000 (\$3mil/year)
12/1/2021 Tax-Exempt Rate for \$23mil savings:	2.39%
Breakeven Differential from now until 12/1/2021:	0.77%

Notes:

As with previous refundings, the final term will not extend beyond the term of the existing debt.

Assumes Interest Rates as of 3/30/2021 plus 0.25%.

Next Steps

- April
 - Document preparation (Bond Resolution and Preliminary Official Statement)
 - NTMWD Board considers Parameter Bond Resolution

- May
 - Rating Calls
 - Finalize Preliminary Official Statement

- June
 - Monitor market/Potential Pricing



AGENDA

IV. ACTION ITEMS

C. Review and possible action on Strategic Financial Plans by Newgen Strategies & Solutions, LLC



STRATEGIC FINANCIAL PLANS (SFP)

REGIONAL WATER SYSTEM

**Members: Allen, Farmersville, Forney, Frisco, Garland, McKinney,
Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City,
Wylie**



STRATEGIC FINANCIAL PLANS

SFP Standard Assumptions – Water

O&M Escalation	% Increase
Construction Cost	3.0%
Personnel	5.0%
Services - Support	4.0%
Services - Power	3.0%
Services - Other	3.0%
Capital Outlay	3.0%
Other Revenues	3.0%
Supplies	3.0%

New Facilities O&M	% of Capital Project Cost
WTP	2.5%
Treated Water Pipelines	1.0%
Raw Water Pipelines	1.0%
Storage Reservoirs	1.0%
Pump Station	2.5%
Sedimentation Basin	1.0%

Note: When available, SFPs relied on projected debt schedules, as provided by the District's financial advisor, Hilltop Securities, for future capital projects funded through open market bonds.



STRATEGIC FINANCIAL PLANS

RWS Model:

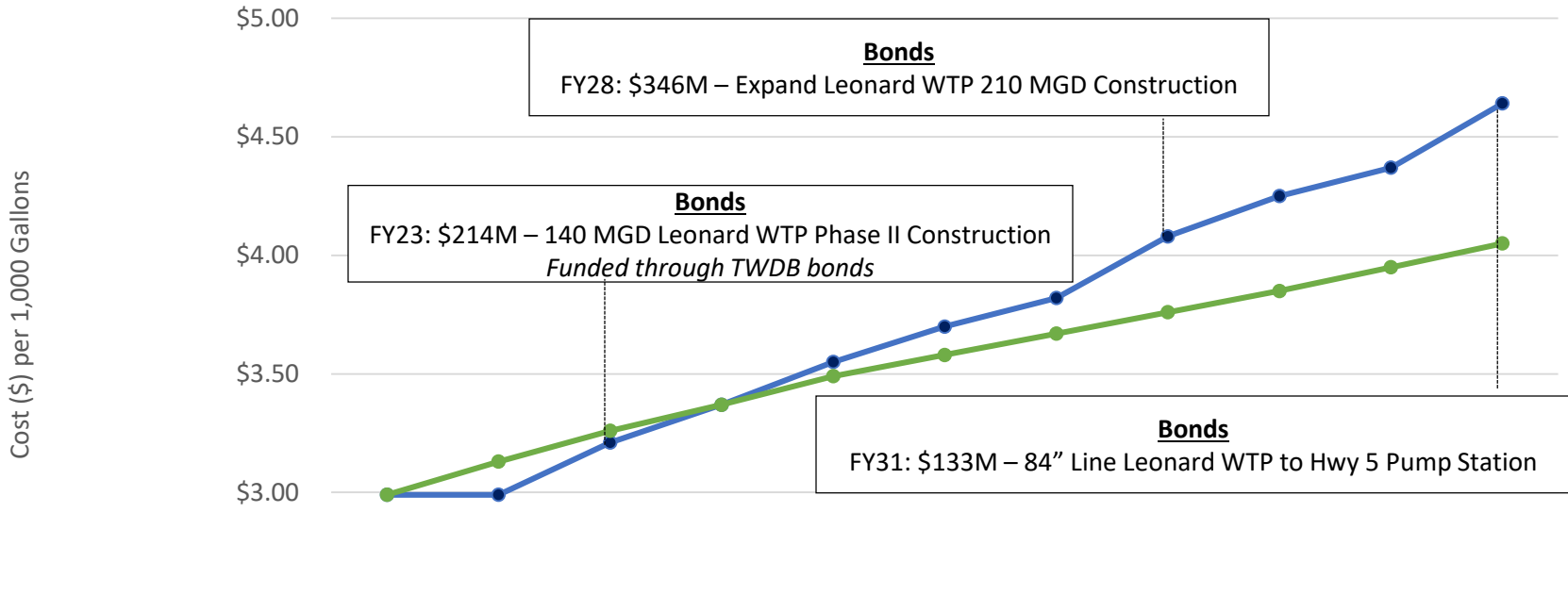
- 2021 SFP incorporates new contract settlement methodology
- The average of capital funding for FY22, 23 & 24 is 88% debt funded (12% cash funded)*
- Variable Costs are 92% funded in FY21 and increase 1% per year to a max of 95% beginning in FY24.

*Excludes \$12.8M authorized from FY22 Capital Improvement funding



REGIONAL WATER SYSTEM SFP ANALYSIS

Regional Water System Member Cost Per 1,000 Gallons



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
● 2021 SFP	\$2.99	\$2.99	\$3.21	\$3.37	\$3.55	\$3.70	\$3.82	\$4.08	\$4.25	\$4.37	\$4.64
2021 SFP % Increase		0%	7%	5%	5%	4%	3%	7%	4%	3%	6%
● 2020 SFP	\$2.99	\$3.13	\$3.26	\$3.37	\$3.49	\$3.58	\$3.67	\$3.76	\$3.85	\$3.95	\$4.05
2020 SFP % Increase		5%	4%	3%	4%	3%	3%	2%	2%	3%	3%



STRATEGIC FINANCIAL PLANS

REGIONAL WASTEWATER SYSTEM

Allen, Forney, Frisco, Heath, McKinney, Melissa, Mesquite, Plano,
Princeton, Prosper, Richardson, Rockwall and Seagoville



STRATEGIC FINANCIAL PLANS

SFP Standard Assumptions – Wastewater

O&M Escalation	% Increase
Construction Cost	3.0%
Personnel	5.0%
Services - Support	4.0%
Services - Power	3.0%
Services - Other	3.0%
Capital Outlay	3.0%
Other Revenues	3.0%
Supplies	3.0%

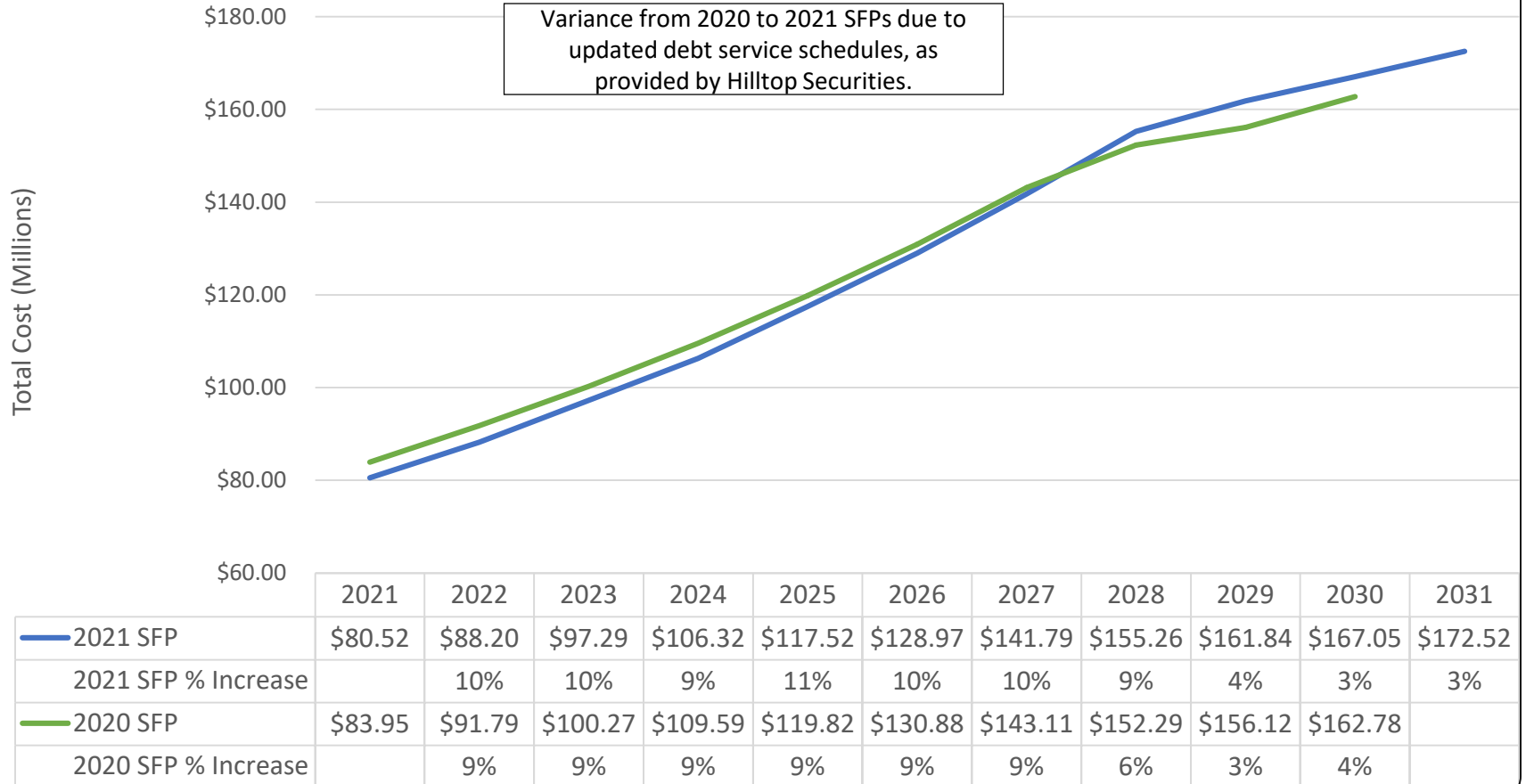
New Facilities O&M	% of Capital Project Cost
WWTPs	2.5%
Lift Stations	2.5%
Force Mains	1.0%
Interceptors	1.0%
Transfer Sewer	1.0%
Parallel Sewer	1.0%

Note: When available, SFPs relied on projected debt schedules, as provided by the District's financial advisor, Hilltop Securities, for future capital projects funded through open market bonds.



REGIONAL WASTEWATER SYSTEM SFP ANALYSIS

Regional Wastewater System Total Cost Comparison





STRATEGIC FINANCIAL PLANS

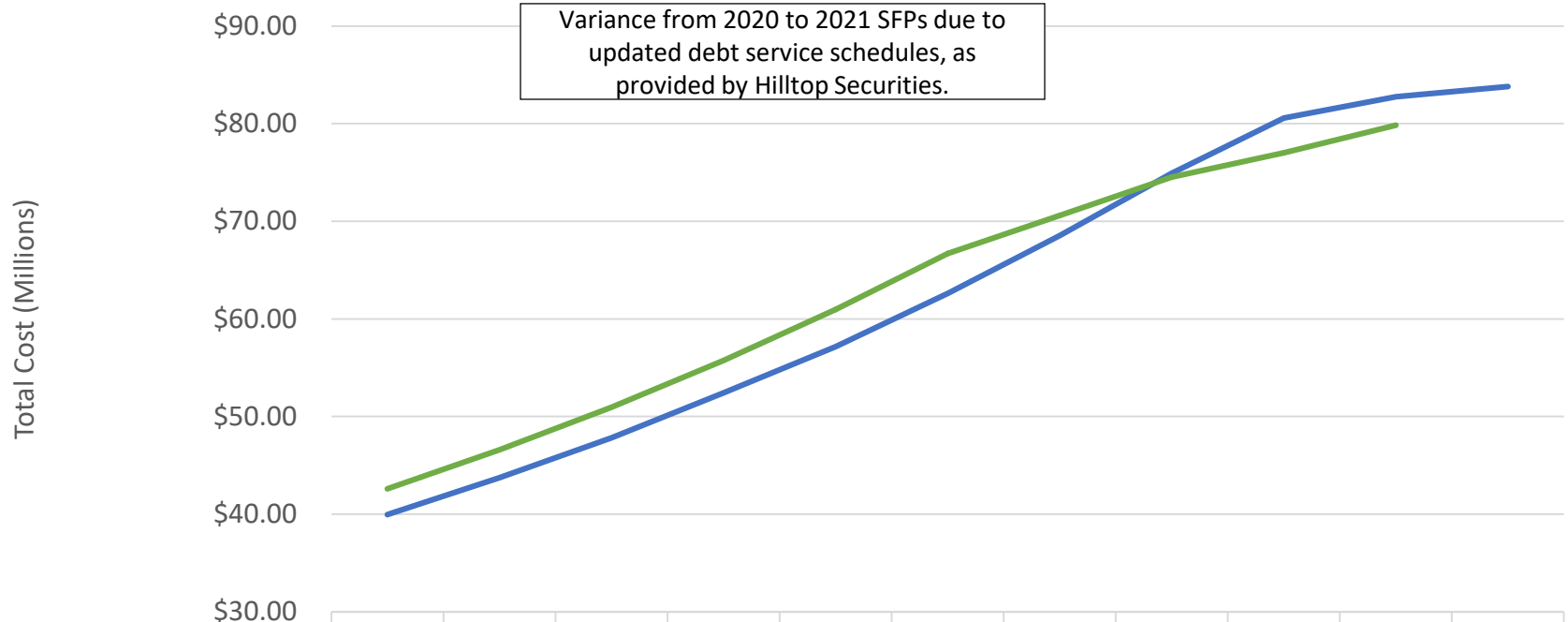
UPPER EAST FORK INTERCEPTOR SYSTEM

Allen, Frisco, McKinney, Melissa, Plano,
Princeton, Prosper and Richardson



UPPER EAST FORK INTERCEPTOR SYSTEM SFP ANALYSIS(Total Cost)

Upper East Fork Interceptor System Total Cost Comparison



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
— 2021 SFP	\$39.96	\$43.72	\$47.80	\$52.44	\$57.15	\$62.63	\$68.54	\$74.95	\$80.59	\$82.77	\$83.82
2021 SFP % Increase		9%	9%	10%	9%	10%	9%	9%	8%	3%	1%
— 2020 SFP	\$42.59	\$46.58	\$50.96	\$55.73	\$60.96	\$66.69	\$70.61	\$74.53	\$77.01	\$79.84	
2020 SFP % Increase		9%	9%	9%	9%	9%	6%	6%	3%	4%	



STRATEGIC FINANCIAL PLANS

SEWER SYSTEM

Mustang Creek Int: Forney

Sabine Creek WWTP: Fate, Royce City

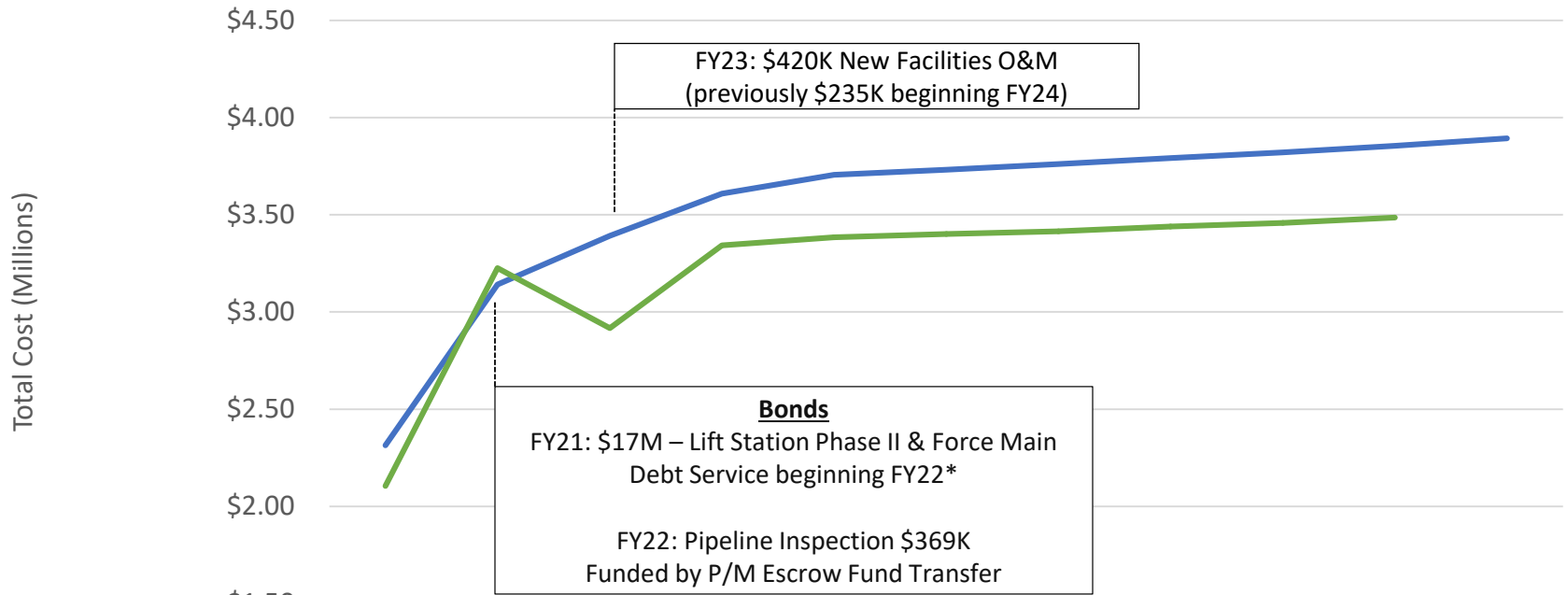
Panther Creek WWTP: Frisco

Buffalo Creek Int: Forney, Heath, Rockwall



MUSTANG CREEK INT. SFP ANALYSIS (Total Cost)

Mustang Creek Interceptor Total Cost Comparison



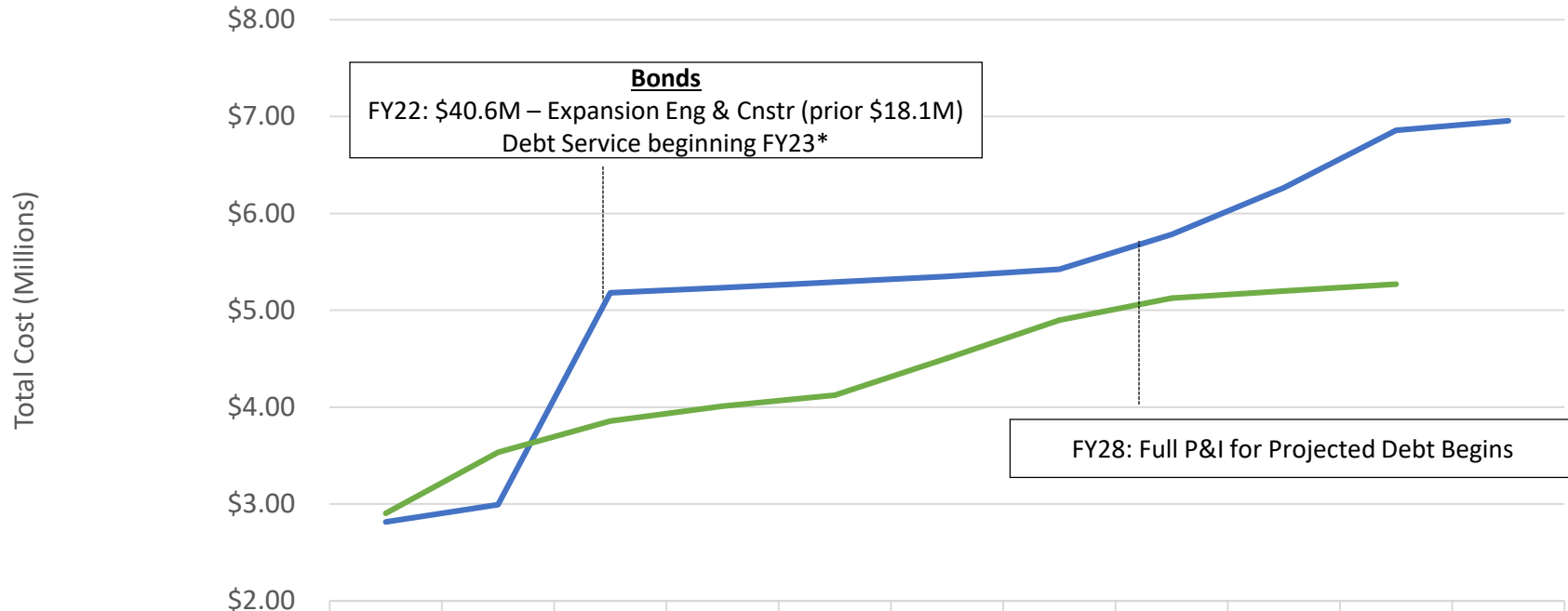
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
— 2021 SFP	\$2.31	\$3.14	\$3.39	\$3.61	\$3.71	\$3.73	\$3.76	\$3.79	\$3.82	\$3.86	\$3.89
2021 SFP % Increase		36%	8%	6%	3%	1%	1%	1%	1%	1%	1%
— 2020 SFP	\$2.10	\$3.23	\$2.92	\$3.34	\$3.38	\$3.40	\$3.42	\$3.44	\$3.46	\$3.49	
2020 SFP % Increase		53%	-10%	15%	1%	0%	0%	1%	1%	1%	

*Debt Service schedules provided by Hilltop Securities.



SABINE CREEK WWTP SFP ANALYSIS (Total Cost)

Sabine Creek Wastewater Treatment Plant Total Cost Comparison



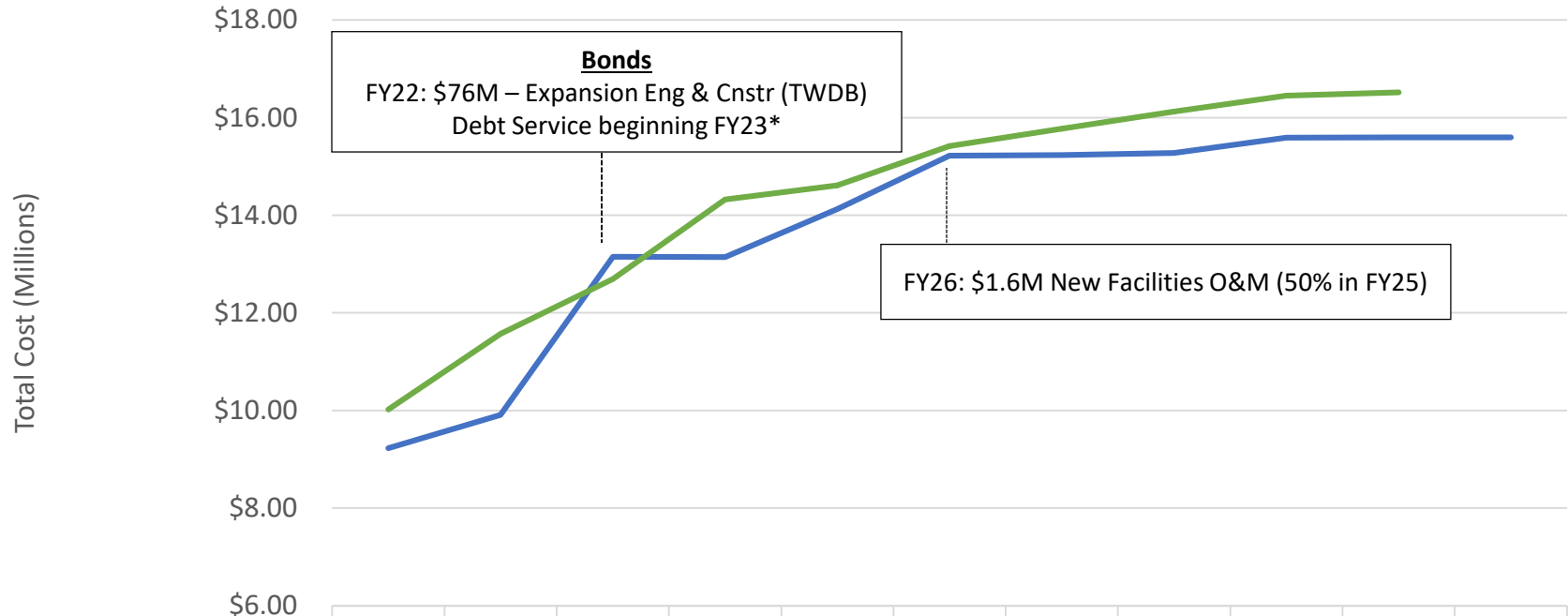
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
2021 SFP	\$2.82	\$2.99	\$5.18	\$5.23	\$5.29	\$5.35	\$5.42	\$5.78	\$6.27	\$6.86	\$6.96
2021 SFP % Increase		6%	73%	1%	1%	1%	1%	7%	8%	9%	1%
2020 SFP	\$2.90	\$3.54	\$3.86	\$4.01	\$4.12	\$4.50	\$4.90	\$5.13	\$5.20	\$5.27	
2020 SFP % Increase		22%	9%	4%	3%	9%	9%	5%	1%	1%	

*Debt Service schedules provided by Hilltop Securities.



PANTHER CREEK WWTP SFP ANALYSIS (Total Cost)

Panther Creek Wastewater Treatment Plant Total Cost Comparison



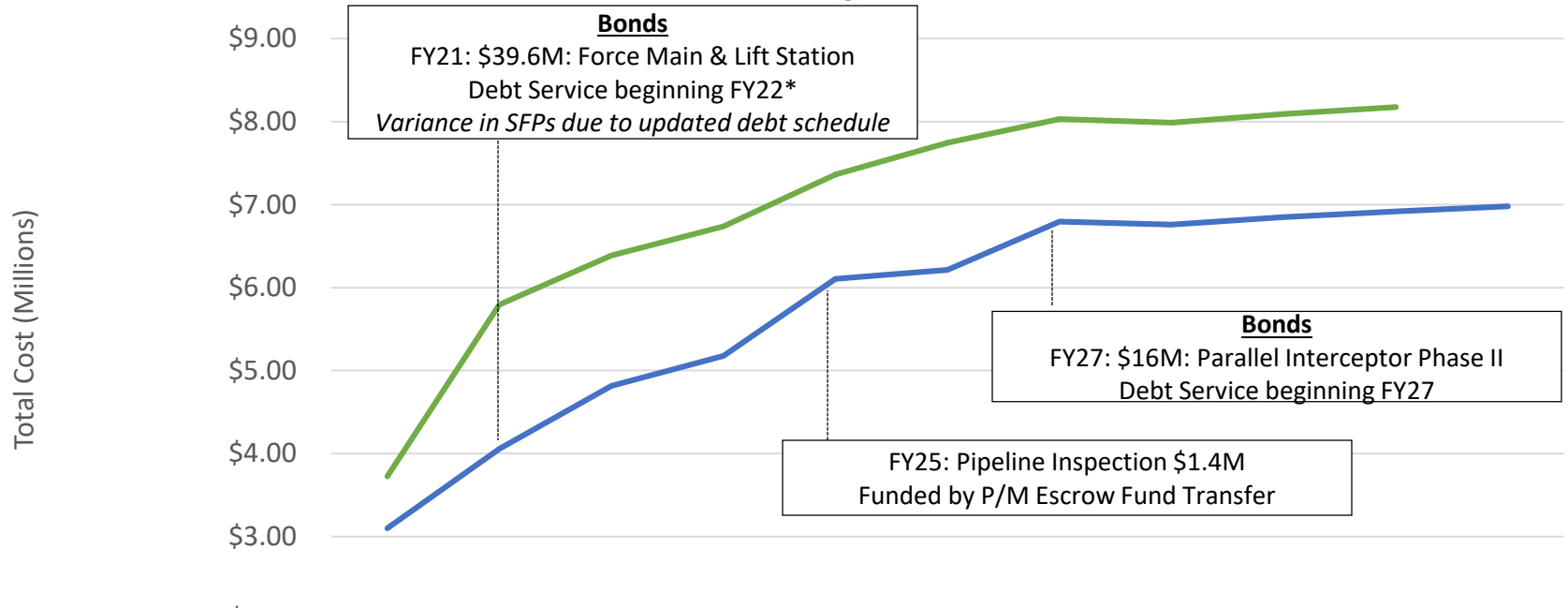
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
— 2021 SFP	\$9.23	\$9.91	\$13.15	\$13.14	\$14.13	\$15.22	\$15.23	\$15.27	\$15.59	\$15.59	\$15.60
2021 SFP % Increase		7%	33%	0%	8%	8%	0%	0%	2%	0%	0%
— 2020 SFP	\$10.02	\$11.57	\$12.70	\$14.32	\$14.61	\$15.42	\$15.77	\$16.12	\$16.45	\$16.52	
2020 SFP % Increase		15%	10%	13%	2%	6%	2%	2%	2%	0%	

*Debt Service schedules provided by Hilltop Securities.



BUFFALO CREEK INT. SFP ANALYSIS (Total Cost)

Buffalo Creek Interceptor Total Cost Comparison



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
— 2021 SFP	\$3.10	\$4.05	\$4.81	\$5.18	\$6.10	\$6.21	\$6.80	\$6.76	\$6.85	\$6.92	\$6.98
2021 SFP % Increase		31%	19%	8%	18%	2%	9%	-1%	1%	1%	1%
— 2020 SFP	\$3.72	\$5.80	\$6.39	\$6.74	\$7.36	\$7.75	\$8.03	\$7.99	\$8.09	\$8.18	
2020 SFP % Increase		56%	10%	5%	9%	5%	4%	-1%	1%	1%	

*Debt Service schedules provided by Hilltop Securities.



STRATEGIC FINANCIAL PLAN

SOLID WASTE

Allen, Frisco, McKinney, Plano,
and Richardson



STRATEGIC FINANCIAL PLANS

SFP Standard Assumptions – Solid Waste

O&M Escalation	% Increase
Construction Cost	3.0%
Personnel	5.0%
Services - Support	4.0%
Services - Power	3.0%
Services - Other	3.0%
Capital Outlay	3.0%
Other Revenues	3.0%
Supplies	3.0%

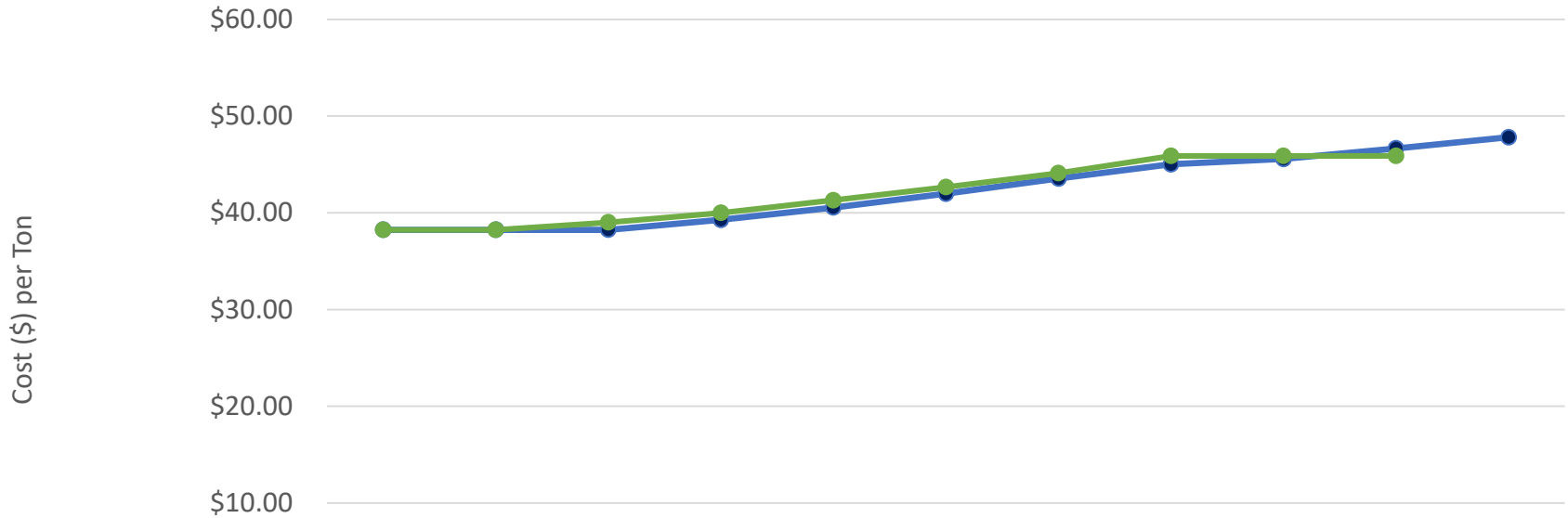
New Facilities O&M	% of Capital Project Cost
Transfer Stations	10.8%
All Other	2.5%

Note: When available, SFPs relied on projected debt schedules, as provided by the District's financial advisor, Hilltop Securities, for future capital projects funded through open market bonds.



REGIONAL SOLID WASTE SYSTEM SFP ANALYSIS (Total Cost)

**Regional Solid Waste System
Member Cost per Ton**



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
● 2021 SFP	\$38.25	\$38.25	\$38.25	\$39.28	\$40.55	\$41.97	\$43.54	\$45.01	\$45.57	\$46.66	\$47.81
2021 SFP % Increase		0%	0%	3%	3%	3%	4%	3%	1%	2%	2%
● 2020 SFP	\$38.25	\$38.25	\$39.01	\$40.00	\$41.30	\$42.67	\$44.12	\$45.88	\$45.88	\$45.88	
2020 SFP % Increase		0%	2%	3%	3%	3%	3%	4%	0%	0%	



AGENDA

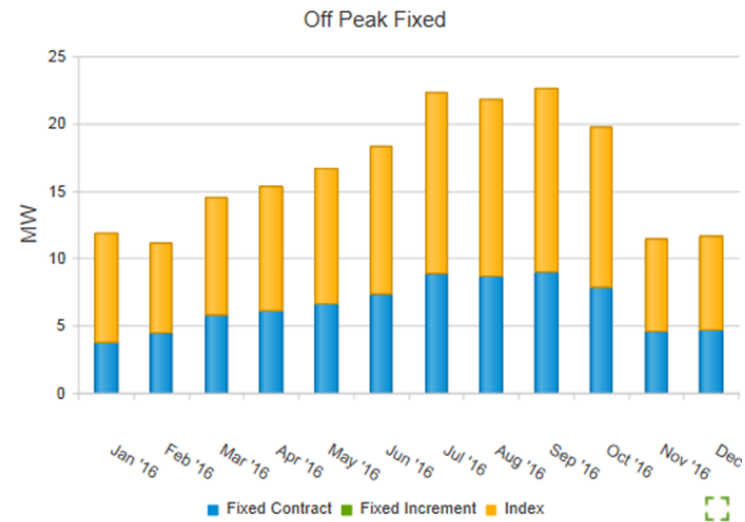
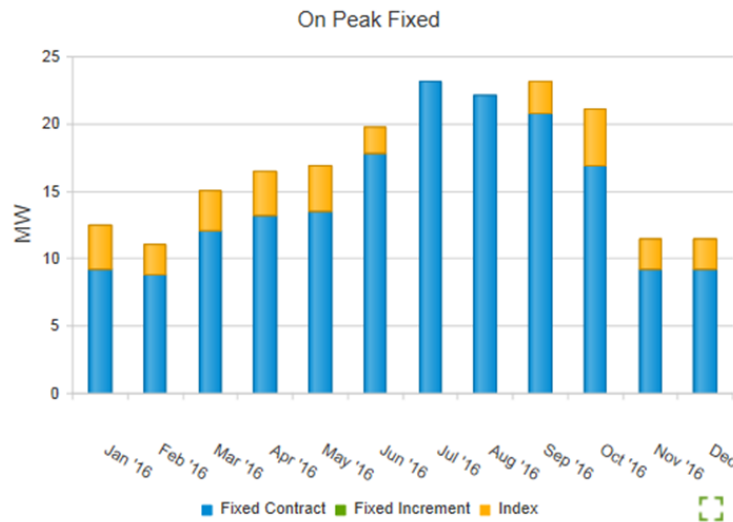
IV. ACTION ITEMS

E. Review and possible action on funding of February electric bills

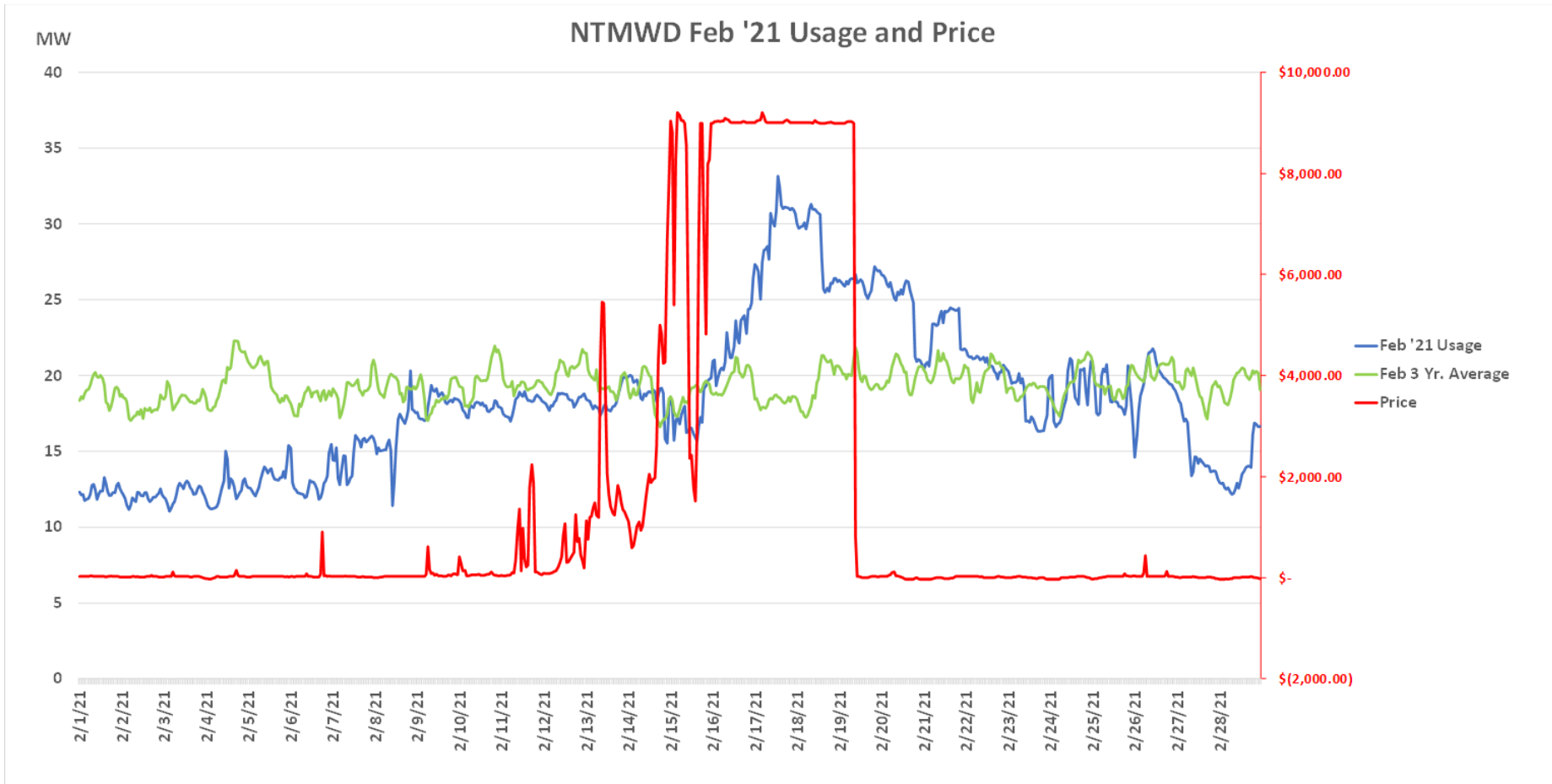
GOALS:

Maximize Predictability
Minimize Volatility
Achieve the best practical rates.

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
On Peak	80%	80%	80%	80%	80%	90%	100%	100%	90%	80%	80%	80%
Off Peak	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%



Per AD 42: The District does not target a 100% fixed position for all kWh consumed...Some of the Districts needs are purchased from the market real time.



High Cost Drivers:

- Higher than forecasted usage
- Index Prices Clearing at Market Cap (\$9,000/MWh)
- Exposure to high Index Prices



FUNDING FEBRUARY ELECTRIC BILLS

The following systems either 1) did not see an increase or 2) did not see a significant increase in their monthly billing:

Wylie WWTP	Panther Creek WWTP
Sabine Creek WWTP	Stewart Creek WWTP
Royse City WWTP	Farmersville WWTP
Muddy Creek Interceptor	Parker Creek Interceptor
McKinney Interceptor	



FUNDING FEBRUARY ELECTRIC BILLS

The following systems had an excessive February bill, and have available funds in either their Escrow or the preventative maintenance Escrow Funds:

Support Services	South Rockwall WWTP
Forney Interceptor	Lower East Fork Interceptor
Buffalo Creek Interceptor	Solid Waste
Upper East Fork Interceptor	

In the Regional Water System, staff recommends utilizing FY20 excess funds of \$13.7M and \$6.0M from Contingency.

The Regional Water System Contingency Fund may loan approximately \$3M to a few other systems.



FUNDING FEBRUARY ELECTRIC BILLS

The following systems had excessive bills:

System	Annual Power Budget	February Power Bill	% of Annual Power Budget
Regional Wastewater	\$3.88M	\$4.8M	124%
Kaufman 4-1	\$35K	\$70K	201%
Seis Lagos WWTP	\$17K	\$28K	165%

Solution is a combination of Escrow/Preventative Maintenance Escrow Funding and borrowing from Regional Water System.



FUNDING FEBRUARY ELECTRIC BILLS

The following systems had excessive bills:

System	February Power Bill	Esc/PM Esc Assistance	Borrow
Regional Wastewater	\$4.8M	\$2M	\$2.8M
Kaufman 4-1	\$70K	\$30K	\$40K
Seis Lagos WWTP	\$28K	\$13K	\$15K



FUNDING FEBRUARY ELECTRIC BILLS

The following systems had excessive bills:

System	Annual Power Budget	February Power Bill	% of Annual Power Budget
North Rockwall WWTP	\$53.K	\$59K	110%
Muddy Creek WWTP	\$320K	\$487K	152%

Staff is contacting cities to discuss options.



AGENDA

IV. ACTION ITEMS

D. Tabled Item: Review and possible action on End of Year Actuals versus Fund Balance Policy

RWS FUND BALANCE RECENT HISTORY



RWS FUND BALANCE POLICY REVIEW

- **Current Policy Requirements**
 - **Operating Fund 90 Days**
 - **Capital Improvement Fund \$15 M**
 - **Contingency Fund \$20 M**
 - **Rate Stabilization Fund \$7 M**
- **Pursuant to the adopted Fund Balance Policy, staff is to prepare a list of balances for each fund.**
- **Staff is to review the balances and policy with the Finance/Audit Committee annually after the completion of the annual financial audit.**

RWS OPERATING FUND



FUND BALANCE POLICY

Regional Water System Operating Fund

Minimum 90 Days Budgeted O&M Expense. This balance pays for unbudgeted operations, maintenance, minor capital outlay, and other operational emergencies. The revenue from the cities provides the funds.

When the pandemic began, revised budget guidance was provided to defer anything that could be deferred.

9/30/20 balance = \$47.3 M

90 Days O&M = \$33.6 M

Savings = \$13.7 M



FUND BALANCE

Regional Water System Operating Fund Balance

Funds	Original Budget (\$M)	Adopted Fund Balance (\$M)	End Balance Before Transfer (\$M)	FY Savings (\$M)	Transfer To:	Percent of Budget
FY20	\$356.60	\$33.60	\$47.30	(\$13.7)	Feb 2021 Power Bill	4%
FY19	\$360.57	\$33.50	\$40.10	(\$6.60)	Rate Stabilization	2%
FY18	\$331.69	\$31.50	\$38.20	(\$4.70)	Contingency	1%
FY17	\$302.50	\$29.50	\$39.50	(\$9.00)	Capital Improvement	3%
FY16	\$269.00	\$28.40	\$44.40	(\$13.80)	Capital Improvement	5%
FY15	\$240.49	\$28.40	\$34.80	(\$6.00)	Capital Improvement	2%
FY14	\$217.99	\$26.60	\$28.20	(\$0.30)	Capital Improvement	0%
FY13	\$198.13	\$23.00	\$31.60	(\$3.50)	Contingency	2%

RWS CAPITAL IMPROVEMENT FUND



FUND BALANCE POLICY

Regional Water System Capital Improvement Fund

Capital Improvement Fund – The minimum balance is \$15M per the Fund Balance Policy. This fund is used toward the Capital Improvement Plan. It is funded with budgeted transfers from the Operating Fund.



FUND BALANCE POLICY

RWS CAPITAL IMPROVEMENT FUND FY20 (\$ M)

BUDGET (9/2019)

Beginning Available Balance Includes Prior Year Savings	\$ 52.4
Transfer from RWS Operating to Pay for Planned Projects	35.2
SWIFT Reimbursement & Interest	34.1
Contracts to be Considered for Award	<u><107.8></u>
End of Year Available Balance	\$ 13.9



FUND BALANCE POLICY

RWS CAPITAL IMPROVEMENT FUND FY21 (\$ M)

	BUDGET (9/2020)
Beginning Balance Includes Prior Year Savings	\$ 37.7
Transfers from RWS Operating to Pay for Planned Projects	36.2
SWIFT Reimbursement & Interest	34.2
Contracts to be Considered for Award	<92.9>
<ul style="list-style-type: none"> • Wylie to Rockwall Pipeline Relocation \$18 M • Wylie WTP I Ammonia System Improvements \$12 M • System Wide Air Valve Improvements North System Phase II \$6 M • Other Smaller Projects \$56.9 M 	
End of Year Available Balance	\$ 15.2

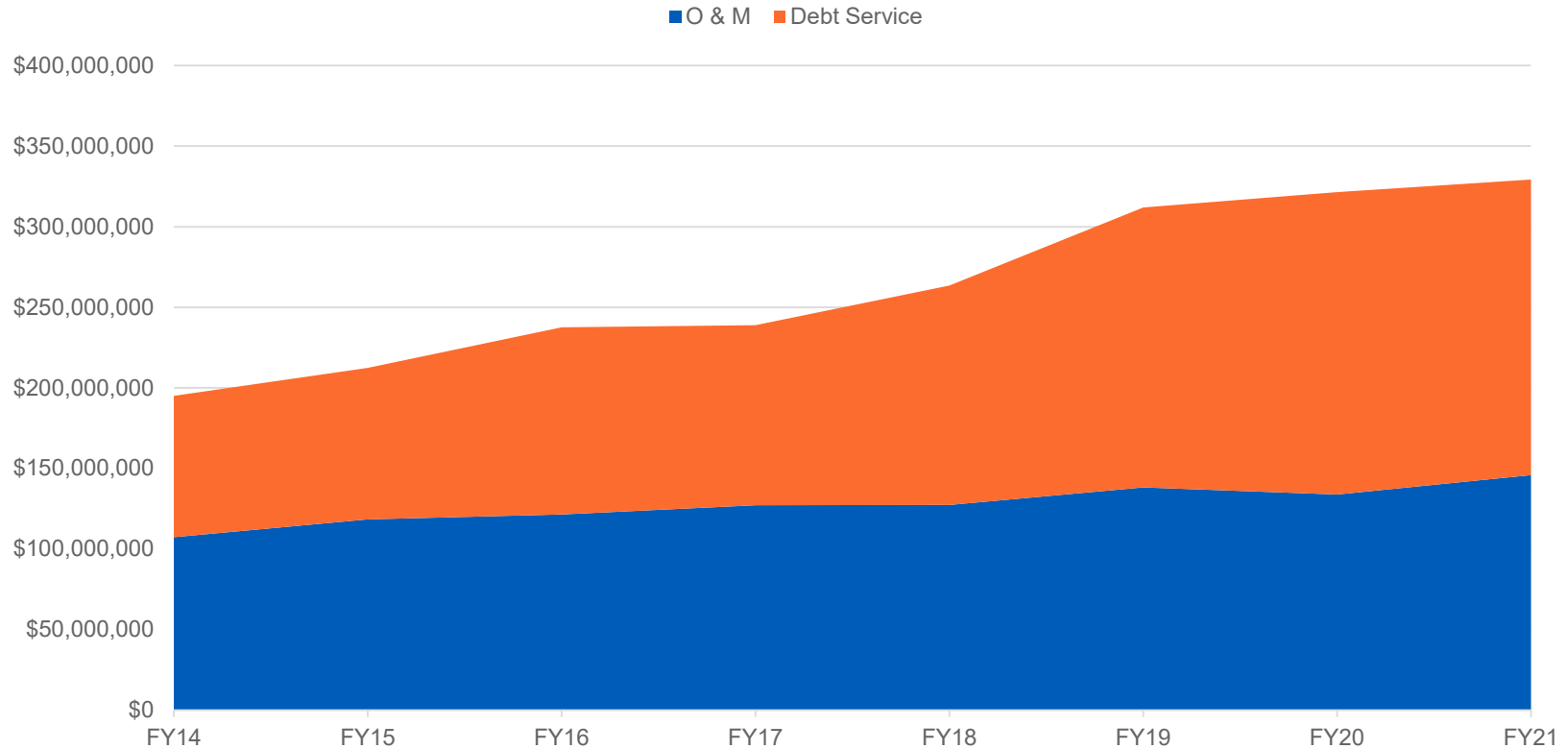


RWS CAPITAL IMPROVEMENT FUND (\$ M)

	Cash On Hand	Unencumbered Balance	Targeted Fund Balance
9/30/13	\$ 54.8	\$ 29.9	\$ 24.7
9/30/14	53.0	25.6	15.5
9/30/15	60.6	22.1	18.0
9/30/16	101.2	43.2	26.1
9/30/17	116.9	19.6	20.4
9/30/18	159.5	50.1	14.7
9/30/19	163.0	56.3	15.1
9/30/20	\$ 158.5	\$ 44.5	\$ 13.9



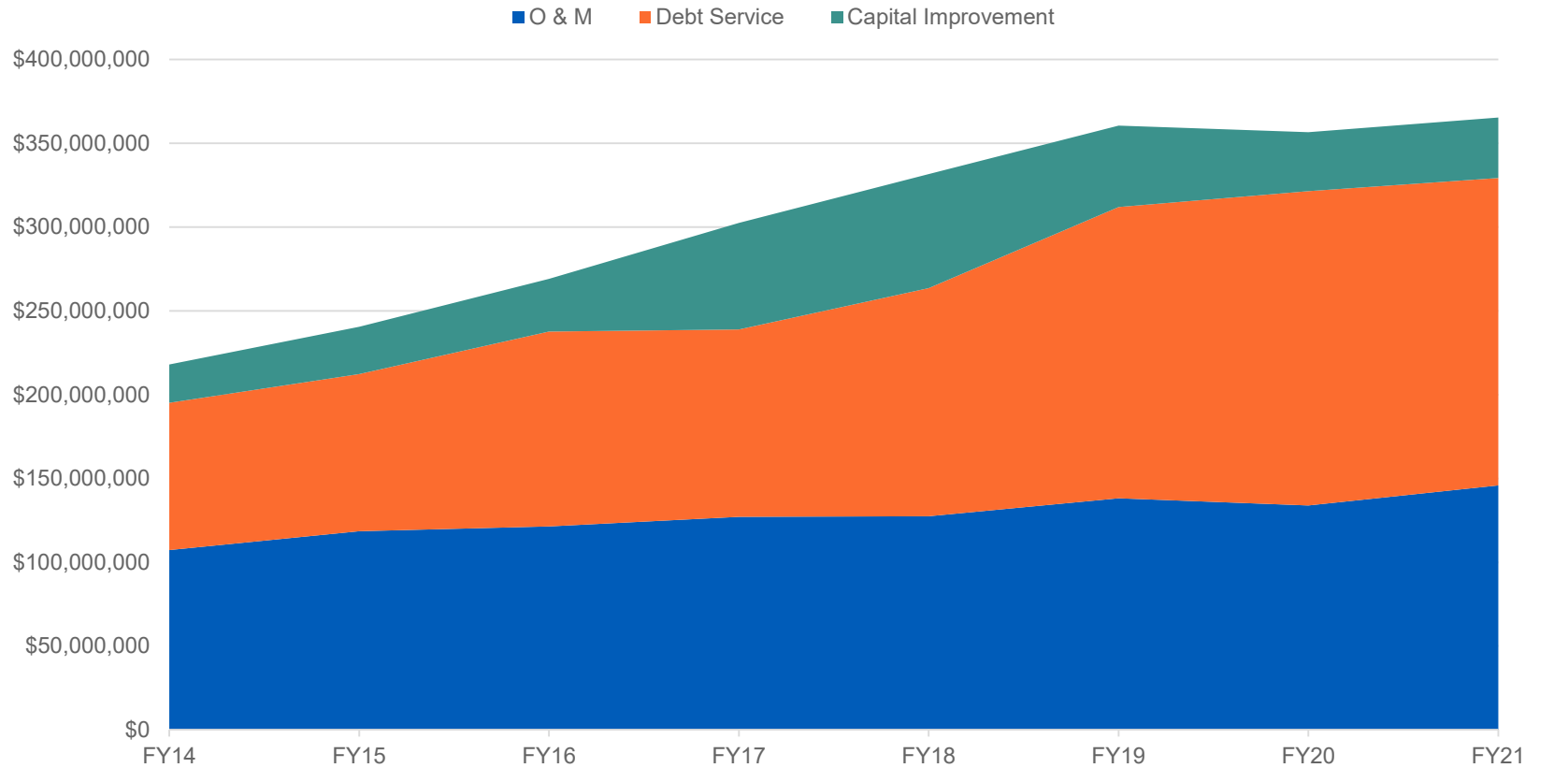
RWS – CAPITAL IMPROVEMENT TO DEBT SERVICE COMPARISON



Total	\$195,085,450	\$212,294,330	\$237,649,300	\$238,896,315	\$263,501,860	\$311,968,545	\$321,442,720	\$329,203,610
% Increase	10%	9%	12%	1%	10%	18%	3%	2%
Rates	\$1.87	\$2.06	\$2.29	\$2.53	\$2.78	\$2.92	\$2.99	\$2.99
% Increase	10%	10%	11%	10%	10%	5%	2%	0%



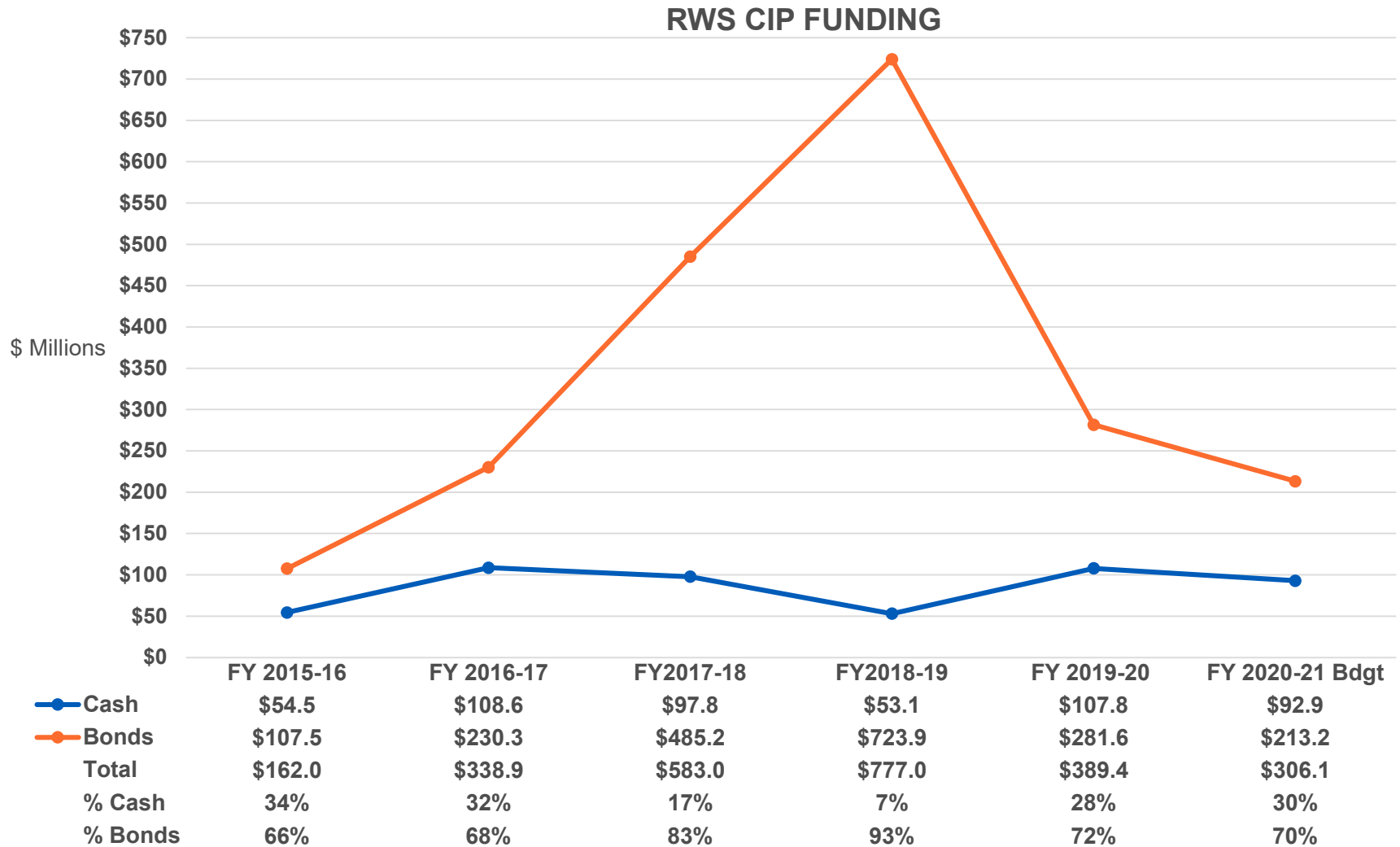
RWS – CAPITAL IMPROVEMENT TO DEBT SERVICE COMPARISON



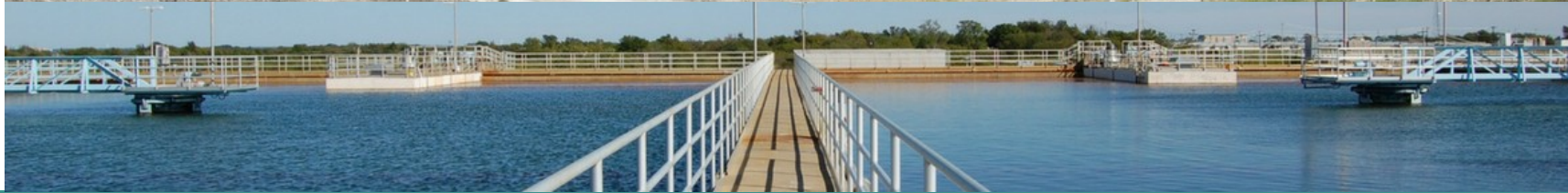
Total	\$217,985,450	\$240,494,330	\$268,999,300	\$302,496,315	\$331,686,860	\$360,568,545	\$356,612,720	\$365,403,610
% Increase	10%	10%	12%	12%	10%	9%	-1%	2%
Rates	\$1.87	\$2.06	\$2.29	\$2.53	\$2.78	\$2.92	\$2.99	\$2.99
% Increase	10%	10%	11%	10%	10%	5%	2%	0%



RWS CIP FUNDING (CONTRACT AWARD)



RWS CONTINGENCY FUND



FUND BALANCE POLICY

Regional Water System Contingency Fund

This fund is for large unforeseen expenses and has been funded with interest and end of year transfers. The Fund Balance Policy set the minimum at \$20 M. Due to the addition of Bois d'Arc Lake and Leonard Water Treatment Plant the recommended action is to keep at the current balance.

Actual = \$ 24.2 M



RWS CONTINGENCY FUND (\$ M)

	Fund Balance
9/30/11	\$ 2.6
9/30/12	19.7
9/30/13	19.7
9/30/14	23.2
9/30/15	23.2
9/30/16	18.9
9/30/17	19.1
9/30/18	19.4
9/30/19	23.9
9/30/20	\$ 24.2

RWS RATE STABILIZATION FUND



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Regional Water System Rate Stabilization Fund

The Fund Balance Policy set the maximum at \$7 M. This fund is used to stabilize the rate over time, especially when long range plans show unusual spikes. Thus far, it has been funded with excess end of year funds. It is planned to be funded with budgeted transfers from the Operating Fund.

Actual = \$ 6.6 M



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