



NORTH TEXAS MUNICIPAL WATER DISTRICT

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FINANCE COMMITTEE MEETING MINUTES MAY 12, 2021

In accordance with the COVID-19 public health threat and the related March 16, 2020, action by the Office of the Governor, temporarily suspending certain provisions of the Texas Open Meetings Act, NTMWD will hold its meeting by telephonic conference call.

In lieu of physical attendance of the meeting, the public may teleconference in to the Finance Committee meeting by calling toll free (1) (844)-621-3956 and entering the following access code: 928 587 040. Members of the public wishing to make public comment during the meeting should follow the instructions for on-line registration listed under Item II. below no later than the start time of the meeting. The meeting will be recorded and the audio recording will be available on the NTMWD website after the meeting.

I. CALL TO ORDER

Chairman Phil Dyer called the meeting to order at 1:01 p.m. He called the roll and confirmed attendance by teleconference for the Finance Committee that included Chairman Phil Dyer, Directors George Crump, Marvin Fuller, David Hollifield, Chip Imrie, and John Sweeden. Directors John Carr and Jim Kerr were absent.

Members of the Executive Committee were present as well as other Board members. Lauren Kalisek with Lloyd Gosselink Rochelle & Townsend, P.C., David Medanich and Nick Bulaich with Hilltop Securities, Alan Raynor and Molly Carson with McCall Parkhurst & Horton were present via teleconference. Executive Director Jenna Covington along with other members of the NTMWD management team were in attendance.

II. 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.

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There were no public comment requests.

III. OPENING REMARKS

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

Executive Director Jenna Covington remarked that she is looking forward to today's discussion regarding commercial paper.

Assistant Deputy Erik Felthous advised that on May 1st letters were sent to the cities providing flow and tonnage assumptions that will drive cost allocations for the cities and the District's upcoming budgets. The letter requests feedback from the cities if the cities prefer the District to use different assumptions. Mr. Felthous also advised that staff is currently preparing preliminary budget letters that will be mailed at the end of May.

Mr. Felthous noted that he and Nick Bulaich with Hilltop Securities are continuing to monitor the potential for 2012 Regional Water System bond refunding, and it still looks as though it will be best to wait until Fall for the tax-exempt rates. Today's agenda items were reviewed.

IV. ACTION ITEMS

- A. Consider approval of Finance Committee meeting minutes – April 7, 2021

On a motion by Director George Crump and a second by Director John Sweeden, the Finance Committee voted to approve the Committee minutes of April 7, 2021.

- B. Review and possible action on Regional Water System Resolution for Extendable Commercial Paper

In response to a Director's question, Erik Felthous responded with information on how extendable commercial paper is a short-term financing option, used until long-term refunding bonds can be issued. He advised that two action items are included for each bond program under consideration today. The first for each is to approve the use of extendable commercial paper, and the second action item is to pre-approve the refunding bonds.

Nick Bulaich reviewed that the Finance Committee discussed extendable commercial paper at the March Finance Committee meeting and today's discussion is a continuance of that discussion. He reviewed the process, benefits and drawbacks of utilizing extendable commercial paper, and how it differs from traditional commercial paper. He noted this is the most effective way to access the short-term markets because the interest rates are better, and the District will only pay interest on funds as needed rather than selling bonds to fund a large project all at one time. Mr. Bulaich further compared the costs of ECP with CP and long term bonds and mentioned that based on the contracts, only the Water System can issue traditional Commercial Paper.

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Mr. Bulaich advised that the Regional Water System bond program is \$250 million, the Regional Wastewater System is \$150 million, and the Upper East Fork Interceptor System is \$75 million. (Items B. – G.) JPMorgan was the lowest cost provider with notable experience on extendable commercial paper programs and therefore has been selected as the District's ECP dealer. Mr. Bulaich added that consideration by the Board for these items is scheduled for May 27th.

On a motion by Director Chip Imrie and a second by Director John Sweeden, the Finance Committee voted unanimously to recommend approval to the Board of Directors.

- C. Review and possible action on resolution for Regional Water System Extendable Commercial Paper Refunding Bonds

On a motion by Director Chip Imrie and a second by Director George Crump, the Finance Committee voted unanimously to recommend approval to the Board of Directors.

- D. Review and possible action on Regional Wastewater System Resolution for Extendable Commercial Paper

On a motion by Director Chip Imrie and a second by Director John Sweeden, the Finance Committee voted unanimously to recommend approval to the Board of Directors.

- E. Review and possible action on resolution for Regional Wastewater System Extendable Commercial Paper Refunding Bonds

On a motion by Director George Crump and a second by Director Chip Imrie, the Finance Committee voted unanimously to recommend approval to the Board of Directors.

- F. Review and possible action on Upper East Fork Interceptor System Resolution for Extendable Commercial Paper

On a motion by Director Chip Imrie and a second by Director John Sweeden, the Finance Committee voted unanimously to recommend approval to the Board of Directors.

- G. Review and possible action on resolution for Upper East Fork Interceptor System Extendable Commercial Paper Refunding Bonds

On a motion by Director John Sweeden and a second by Director Chip Imrie, the Finance Committee voted unanimously to recommend approval to the Board of Directors.

- H. Review and possible action on Amendment to NTMWD's Administration and Finance Policies Manual, Debt Policy

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Erik Felthous presented this item. He advised that credit rating agencies look favorably on entities having Debt Policies, and he is recommending the use of Extendable Commercial Paper be included in the policy.

Mr. Felthous advised that the District does the following in regard to debt:

- Debt will not exceed the life of assets
- A minimum of 3% present value savings must occur for refundings
- Debt must be monitored

Nick Bulaich explained that the Extendable Commercial Paper (ECP) will include:

- Timing of ECP and Bonds
- How to budget for the ECP
- Require an annual resolution to refund ECP

In response to Chairman Dyer's question, Mr. Bulaich advised that the statement "A minimum of 3% present value savings must occur for refundings" further states, "unless for debt restructuring purposes".

On a motion by Director George Crump and a second by Director Chip Imrie, the Finance Committee voted unanimously to recommend approval to the Board of Directors.

I. Review and possible action on funding the February power bills

Erik Felthous presented this item. He reviewed the various systems that had excessive electric bills in February due to the winter storm and those that did not. Six systems that had excessive bills have available funds in either their escrow funds or the preventative maintenance escrow funds. Four other systems did not have available funds. Staff is recommending authorization for four systems to borrow funds from the Regional Water System Contingency Fund to pay the electric bills, if needed. For the next four years, at fiscal yearend, any excess funds will be used to repay borrowed funds, escrow funds, or preventative maintenance funds that were used.

Mr. Felthous explained that the city of Rockwall has agreed to using escrow funds from the South Rockwall Wastewater Treatment Plant for the North Rockwall Wastewater Treatment Plant electric bill.

Mr. Felthous advised that the February bill for the Regional Water System (RWS) is estimated at \$19.7M. For perspective, it has a current year power budget of \$18.3M. Staff recommends utilizing fiscal year 2020 excess funds of \$13.7 million and \$6 million from RWS Contingency. The RWS Contingency Fund may also loan up to approximately \$3 million to a few other systems, if needed. Mr. Felthous mentioned that the fiscal year 2020 excess funds of \$13.7 million are the result of revised budget guidance that was released at the onset of COVID. Returning RWS excess dollars to the cities per the Settlement Agreement, begins in with fiscal year 2021 dollars, allowing the assistance of the fiscal year 2020 dollars at this time.

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On a motion by Director John Sweeden and a second by Director Chip Imrie, the Finance Committee voted unanimously to recommend approval of the action plan for funding the February electric bills to the Board of Directors.

V. DISCUSSION ITEMS

- A. Opportunity for Committee members to provide feedback on the Finance Committee meeting

There were no Committee member comments.

- B. Opportunity for Committee members to request potential future agenda items
(No substantive discussion of items will take place at this time)

Chairman Dyer requested a brief follow up report on the February winter storm event, requesting to know what the District can do to keep such an impact from occurring again for the District. Executive Director Jenna Covington advised that such a report can be provided at a Board meeting.

Director Imrie inquired whether the \$27 million electric bill(s) can be negotiated. Energy Manager Scott Puckett responded that the billing occurred as per the District's contracts. He added that there was an option to finance the cost over time however, that would impact future budget years so it was determined that this was the best way of moving forward.

VI. ADJOURNMENT

There being no further business, the meeting adjourned at 2:12 p.m. The next meeting of the Finance Committee will be called by the Chairman with proper notification to all members.

APPROVED:

DocuSigned by:


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PHIL DYER

Chairman