



NORTH
TEXAS
MUNICIPAL
WATER
DISTRICT

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



JOINT COMMITTEES - FINANCE AND PERSONNEL

JUNE 9, 2021

10:30 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 Joint 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/Executive Director/Committee Champion Status Report concerning legislation and regulatory matters, budgets, current projects, and ongoing programs of the District



AGENDA

IV. DISCUSSION ITEMS

- A. Personnel Request Review
- B. Personnel Budget Review

V. ACTION ITEMS

- A. Consider approval of Personnel Committee meeting minutes – April 21, 2021
- B. Consider approval of Personnel Committee meeting minutes – April 28, 2021
- C. Consider approval of Finance Committee meeting minutes – May 12, 2021
- D. Review and possible action on Regional Water Revenue Refunding and Improvement Bonds
- E. Review and possible action on amendment to NTMWD's Administration and Finance Policies Manual, Section 1., General Investment Policy
- F. Review and possible action on amendment to NTMWD's Administration and Finance Policies Manual, Section 11., Fund Balance Policy



AGENDA

VI. CLOSING ITEMS

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

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

VII. ADJOURNMENT



DISCUSSION ITEMS

IV. DISCUSSION ITEMS

A. Personnel Request Review



FY 22 PERSONNEL POSITION RECOMMENDATIONS

Total of New Positions Submitted - 40

New Positions Recommended – 20

- **Water – 2**
- **Wastewater – 6**
- **Maintenance – 8**
- **Internal Services – 4**

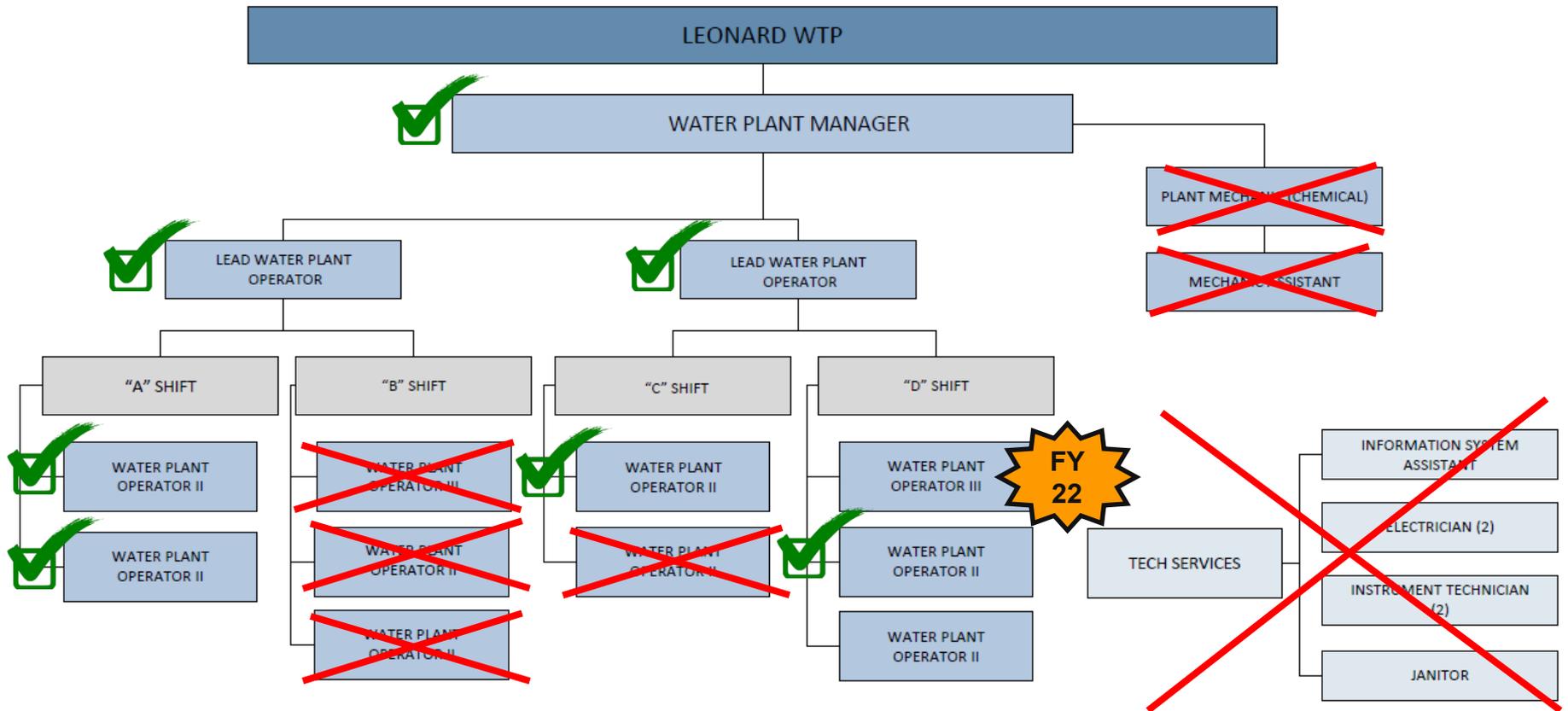
Repurposed Positions Recommended – 5

- **Water - 2**
- **Wastewater – 1**
- **Maintenance – 1**
- **Internal Services – 1**



OPERATIONAL REQUIREMENTS – LEONARD WTP

NTMWD ORGANIZATIONAL CHART 2020

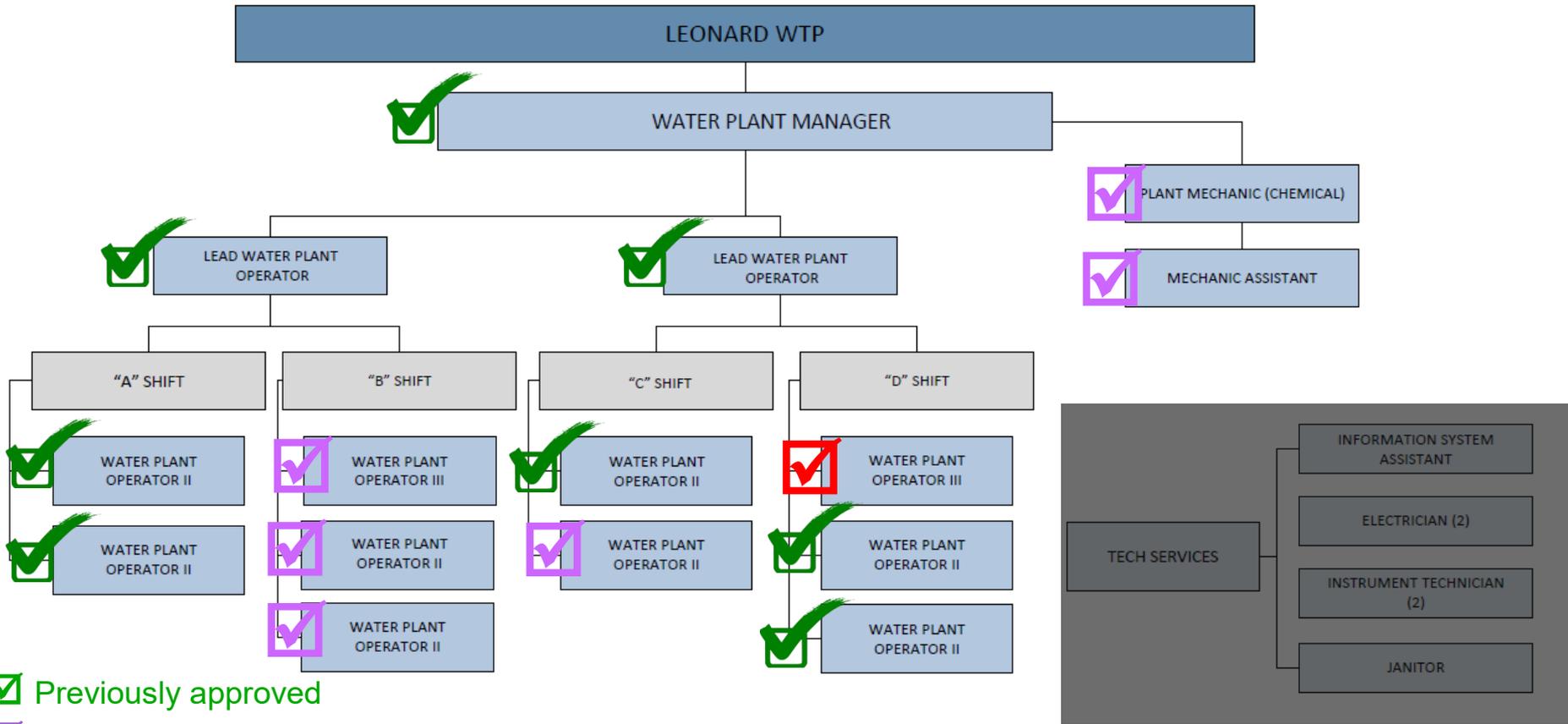


 Positions deferred in 2020.



OPERATIONAL REQUIREMENTS – LEONARD WTP

NTMWD ORGANIZATIONAL CHART 2020

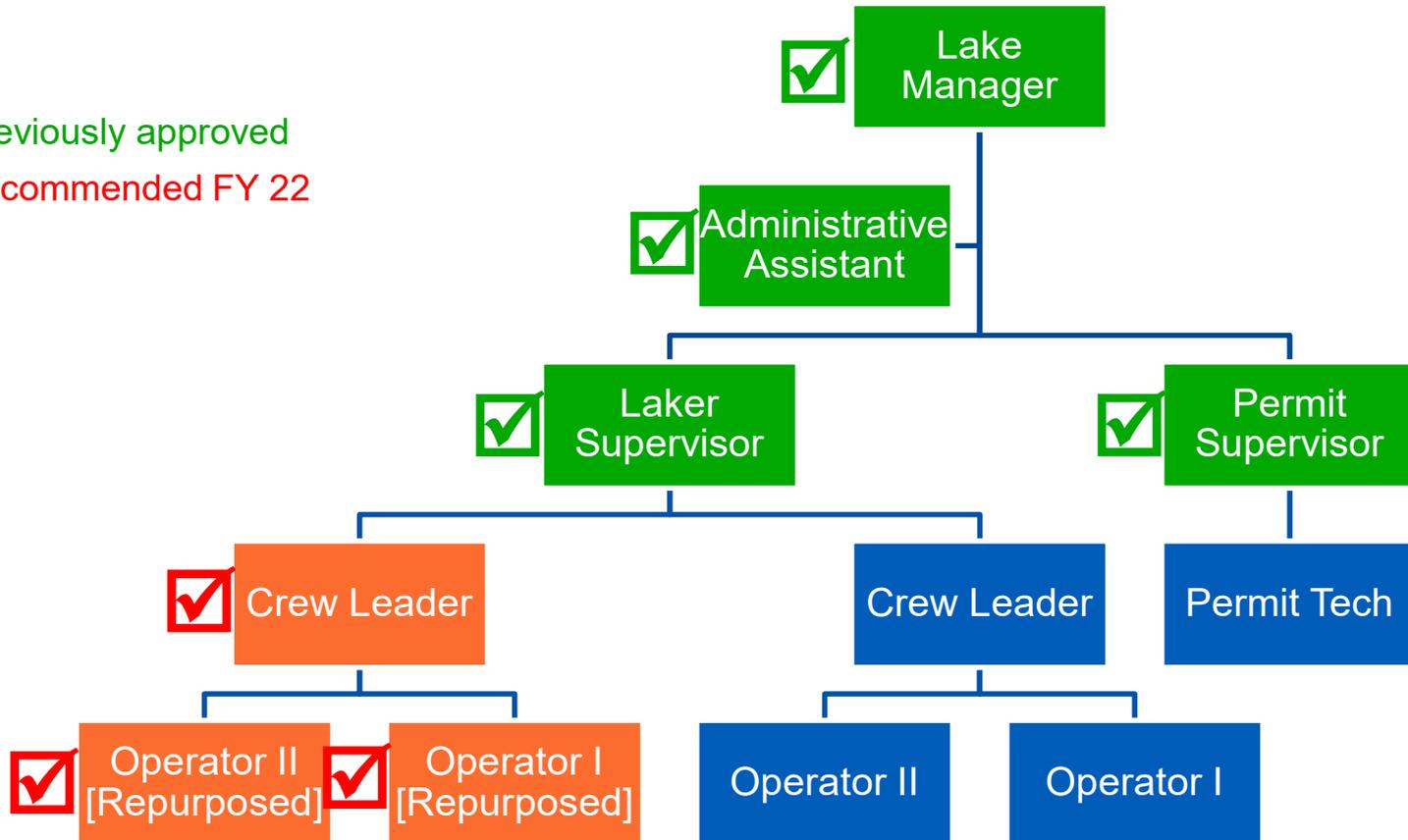


- Previously approved
- FY 21 Mid-year
- Recommended FY 22



OPERATIONAL REQUIREMENTS – BOIS D'ARC LAKE

- ☑ Previously approved
- ☑ Recommended FY 22





OPERATIONAL REQUIREMENTS – LEONARD WTP / BOIS D’ARC LAKE

Maintenance

Recommended FY 22

Tech Services
Mechanic
(Leonard WTP –
Ozone)

Instrumentation
Technician
(Leonard WTP)

Electrician
(Leonard WTP)

Maintenance Shop
Asst. Mechanical
(Leonard WTP –
Ozone)

Maintenance Shop
Asst. Instrumentation
(Leonard WTP)

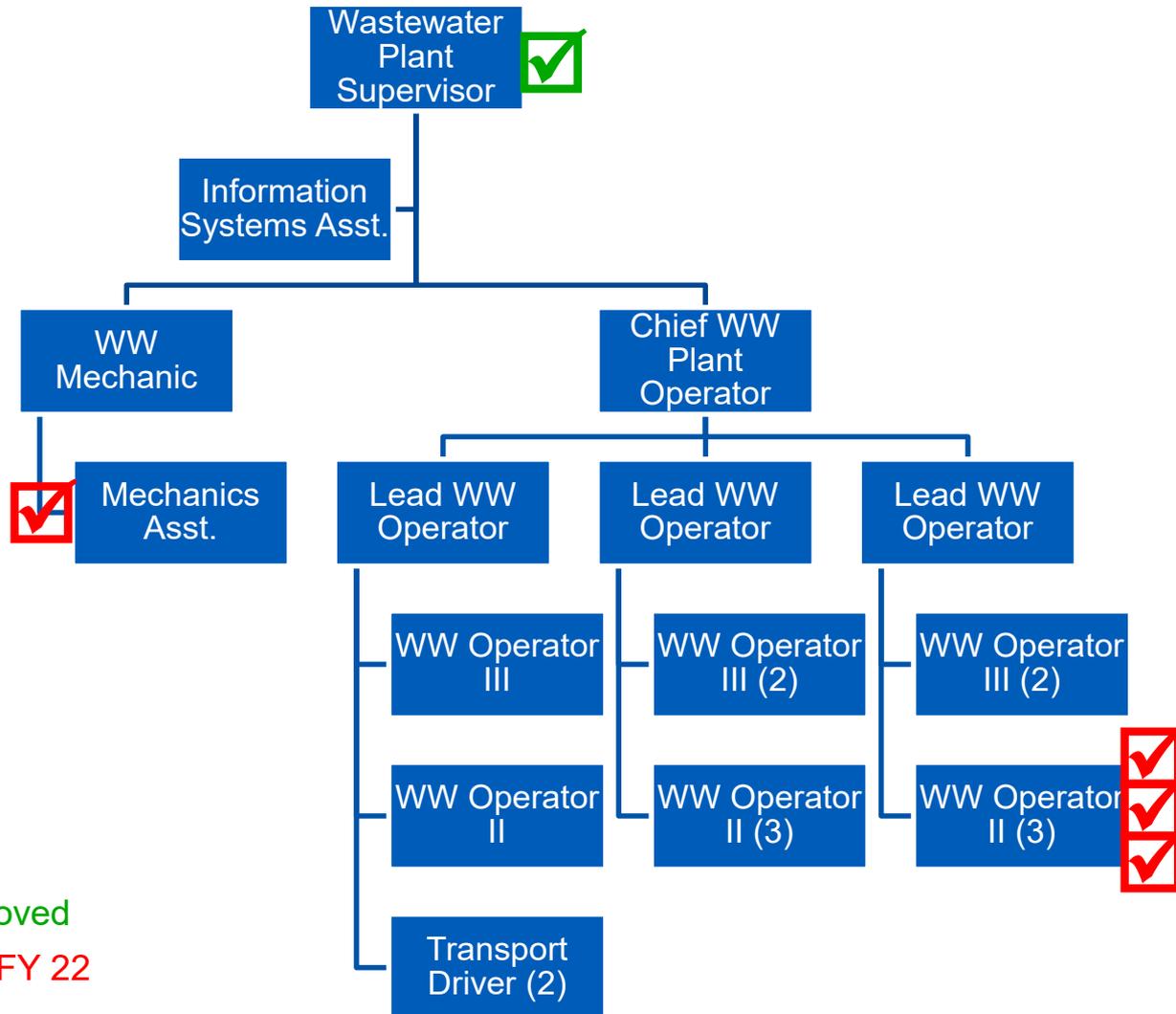
Maintenance Shop
Asst. Electrical
(Leonard WTP)

Facility Maintenance
Worker
(BDL/Leonard WTP)

Facility Maintenance
Worker
[repurposed FY21]
(BDL/Leonard WTP)



OPERATIONAL REQUIREMENTS – SISTER GROVE RWRRF





OPERATIONAL REQUIREMENTS – SISTER GROVE RWRRF

Staffing Requirements by Phase

POSITION	Phase 1 16 MGD	Phase 2 32 MGD
WW Plant Supervisor III	1	1
WW Maintenance Supervisor	0	0
Information Systems Assistant	1	1
WW Mechanic	1	2
Mechanic's Assistant	1	2
Chief WW Plant Operator	1	2
Lead WW Plant Operator	3	5
WW Plant Operator III	5	6
WW Plant Operator II	7	10
Transport Driver	2	4
Instrumentation Technician	0	1
Lead Maintenance Technician	0	1
Instrumentation Technician's Assistant	0	0
Maintenance Planner & Scheduler	0	0
Total number of staff	22	35



ADDITIONAL OPERATIONAL POSITIONS RECOMMENDED

Wastewater

- **Operator II (Mesquite) – 1 of 2 requested for an additional shift in Solids Operations [Repurposed Position]**
- **Wastewater Mechanic (Small Systems) – due to expansion**
- **Lead Maintenance Technician (Conveyance) – due to system growth**

Maintenance

- **Maintenance Dispatch (2) – support in the Control Room to field calls, dispatch crews and create work order; currently provided by Control Room Operators [1 Repurposed Position]**



SUPPORT/INTERNAL SERVICE POSITIONS RECOMMENDED

Engineering

- **Inspector II – 1 of 2 requested to assist with reducing demand for outsources engineering services [Repurposed Position]**

Planning/CIP

- **Professional Engineer – address the growth in programs and projects including future water planning and earlier scope development for CIP**
- **Permit Coordinator – increased demands due to storm water permitting as well as additional future water planning**

Finance

- **Senior Buyer – workload and demand has continued to grow as the Purchasing Department has come online.**

Information Technology

- **Technical Project Coordinator – with increased user demands, IT needs a dedicated team member to manage new projects**



POSITIONS NOT INCLUDED IN RECOMMENDATION

POSITION	GRADE	SALARY+BENEFITS
Information Systems Supervisor	32	86,295
Inspector I (2 Of 2)	25	64,840
Inspector I (1 Of 2)	25	64,840
Inspector II (1 Of 2)	27	70,510
Maintenance Shop Assistant Electrical - North System	20	53,775
Electrician - North System	26	68,825
Maintenance Shop Assistant WATER PM CREW	20	53,775
Technical Services Mechanic - WATER PM CREW	25	66,000
Records Clerk	20	52,055
Senior Digital Process Designer	33	90,160
Fire and Life Safety Coordinator	29	75,770
Transmission System Safety Coordinator	29	75,770
Watershed Coordinator	31	84,730
BDL Water Resources Manager	38	116,025
Water Safety Trainer/Coordinator	29	78,175
Bois d'Arc Lake Permitting Technician	24	62,830
Cathodic Protection Supervisor	29	77,695
Control Room Operator III	26	68,345
Sister Grove Wastewater Plant Operator II (4 of 4)	23	60,390
Sister Grove Chief Wastewater Plant Operator	28	74,445



SUMMARY OF RECOMMENDATIONS

New Positions – 20

- **Water – 2**
- **Wastewater – 6**
- **Maintenance – 8**
- **Internal Services – 4**

Repurposed Positions – 5

- **Water - 2**
- **Wastewater – 1**
- **Maintenance – 1**
- **Internal Services – 1**



DISCUSSION ITEMS

IV. DISCUSSION ITEMS

B. Personnel Budget Review



MARKET/COLA/MERIT HISTORY

	Market	COLA	Merit Pool	Old Step Plan
FY15	N/A	0	3%	N/A
FY16	N/A	2%	3%	N/A
FY17	N/A	2%	3%	N/A
FY18	2.5%	N/A	3%	N/A
FY19	2%	N/A	3%	N/A
FY20	2%	N/A	3%	N/A
* FY21	0%	N/A	0%	N/A
FY22 Proposed	3%	N/A	3%	N/A

* One time Recognition Pay was given to employees.



PERSONNEL COST INCREASE

	RWS	RWWS	UEFIS	SS	SW	Support	TOTAL
3% Market	\$244 K	\$249 K	\$44 K	\$130 K	\$195 K	\$894 K	\$1,756 K
3% Merit	\$244 K	\$249 K	\$44 K	\$130 K	\$195 K	\$894 K	\$1,756 K
New Employees	\$197 K	\$ 382 K	\$71 K	\$0	\$0	\$1,019 K	\$1,669 K
Benefit/ Other	\$806 K	\$76 K	\$307 K	\$417 K	(\$5 K)	\$616 K	\$2,217 K
Total Increase	\$1,491 K	\$956 K	\$466 K	\$677 K	\$385 K	\$3,423 K	\$7,398 K



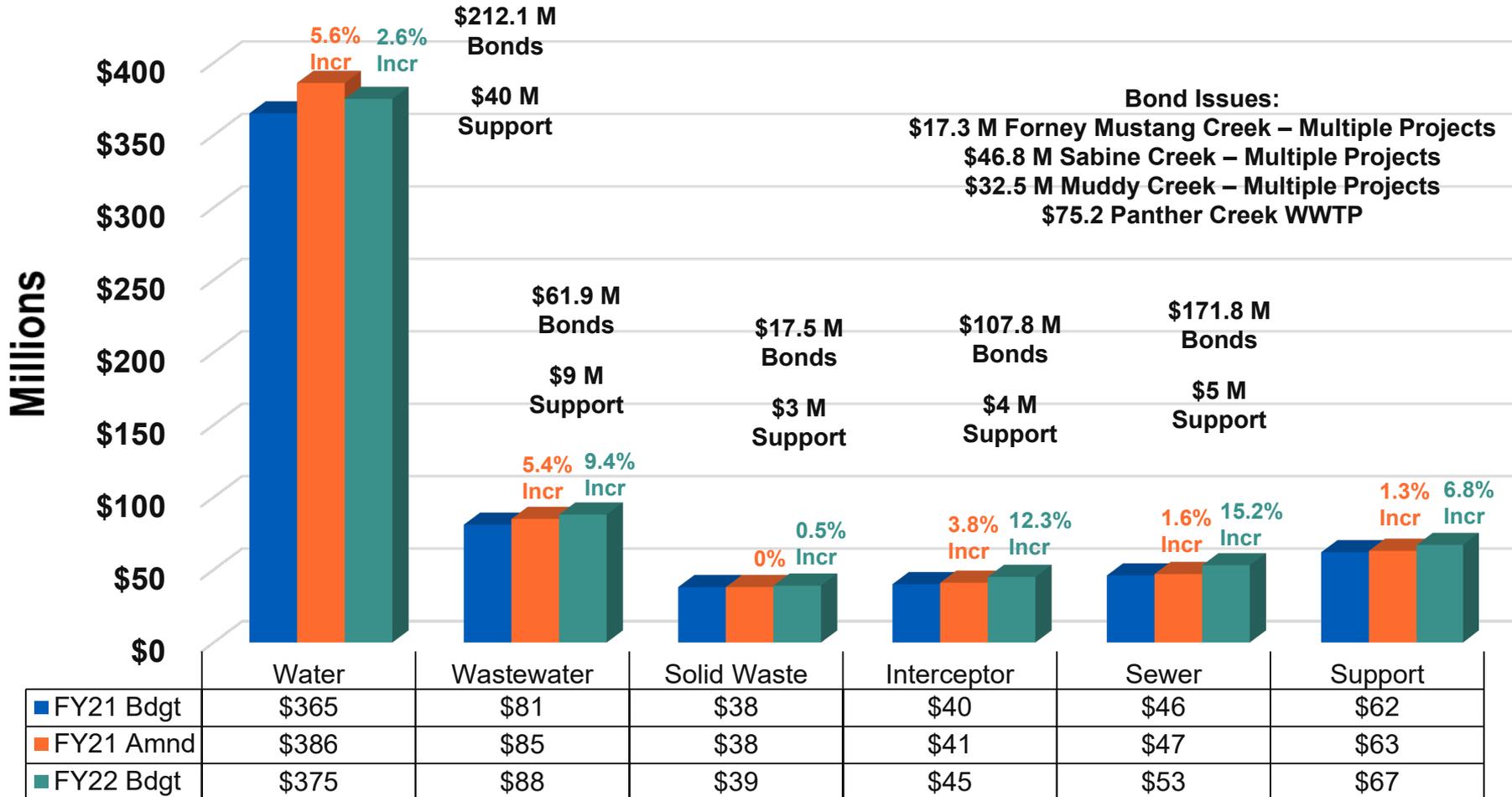
FY22 BUDGET SIGNIFICANT ITEMS (ALL SYSTEMS)

- **Debt – \$571 M, 8 Bond Issues**
- **RWS Budget Methodology**
 - Funding 93% of Variable Costs, resulting in \$6.0 M Variable Cost Savings
- **RWS Capital Improvement Fund <\$19 M>**
- **New Cost Allocation for Support Services – Year 3 of 5 Yr Phase in**
 - \$26.1 M Admin - 136 Personnel (Includes: General, PR, HR, Records, Accounting, Finance, Purchasing, Safety, IT, Environmental Services, Lab, Regulatory Compliance)
 - \$25.6 M Maintenance - 175 Personnel (Includes: Facilities Services, Technical Services and Control Systems)
 - \$13.9 M Engineering - 93 Personnel (Includes: Engineering and Permitting)



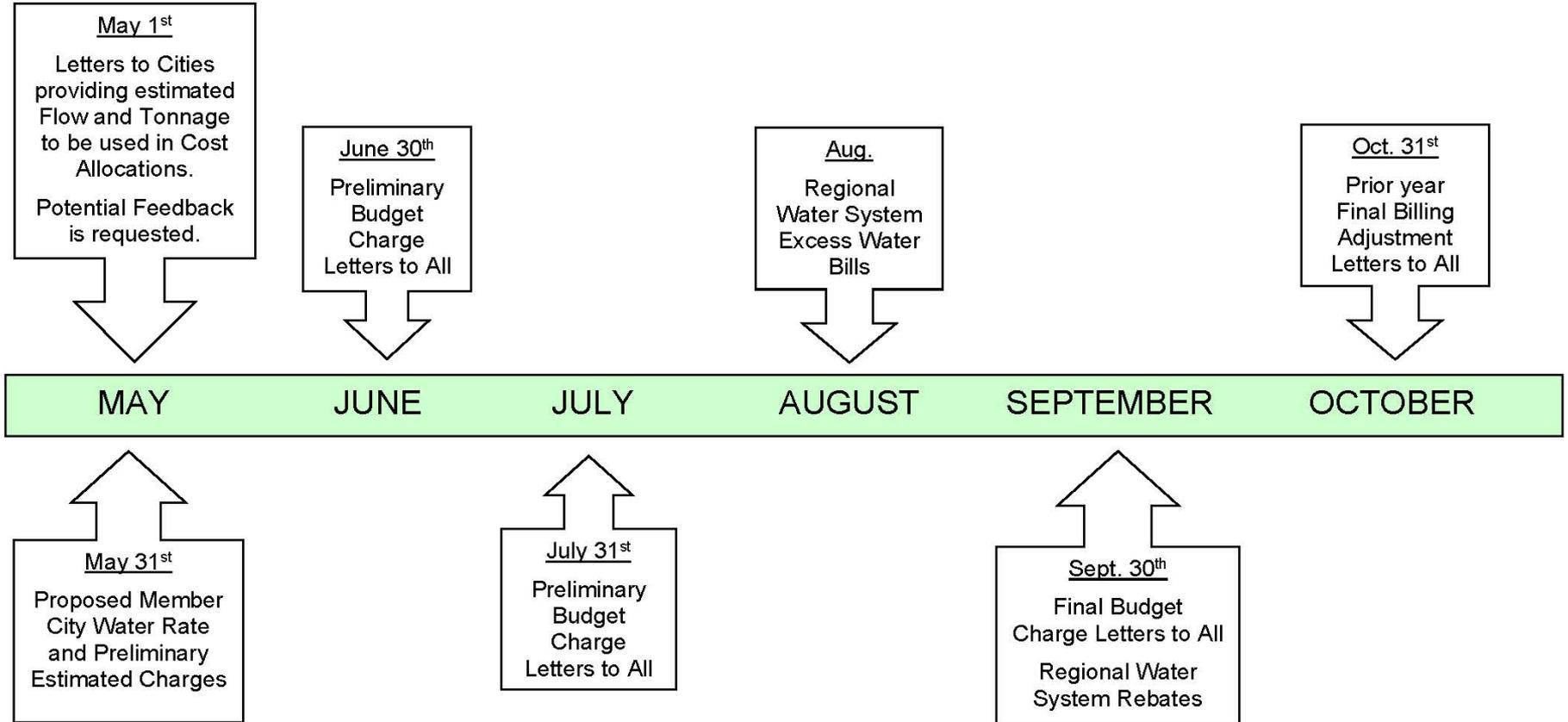
ALL SYSTEMS – PRELIMINARY

Expenditures by System





BUDGET COMMUNICATIONS WITH CITIES





AGENDA

V. ACTION ITEMS

A. **Consider Approval of Personnel Committee Minutes – April 21, 2021**

**Recommend Approval of Personnel Committee Minutes –
April 21, 2021**



AGENDA

V. ACTION ITEMS

B. Consider Approval of Personnel Committee Minutes – April 28, 2021

**Recommend Approval of Personnel Committee Minutes –
April 28, 2021**



AGENDA

V. ACTION ITEMS

C. Consider Approval of Finance Committee Minutes – May 12, 2021

**Recommend Approval of Finance Committee Minutes –
May 12, 2021**



AGENDA

V. ACTION ITEMS

D. Review and possible action on Regional Water System Revenue Refunding and Improvement Bonds



REGIONAL WATER SYSTEM FY21 BONDS

Date	Project	Type	Depreciable Life of Asset	% of ENG	(\$)
6/2021	Additional Clearwells at Wylie WTP 2023	Construction/Inspection	40 years	30%	\$ 19.018 M
7/2021	Apollo Pump Station 2020 Electrical/Mechanical System Improvements	Construction	40 years	100%	\$ 6.980 M
7/2021	Texoma Surge Mixing and Blending Tanks Improvements	Construction	40 years	60%	\$ 3.247 M
8/2021	Wylie WTP Ammonia System Improvements	Construction	40 years	30%	\$ 7.384 M
2021	RWS 2021 Bonds Contingency	Construction	40 years		\$ 1.831 M
Total Cost of Projects					\$ 38.460 M



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June 9, 2021

*Finance Committee Meeting
Discussion of 2021 Water System Financing*

North Texas Municipal Water District



Presentation Overview

- Water System 2021 Financing
 - Plan of Finance
 - Estimated Timetable
 - Market Conditions

Water System - Plan of Finance

- New money financing of approximately \$38.46 million
 - 30 year term
 - Level annual debt service
 - Estimated annual payment of approximately \$1,930,000
- Potential Refunding/Refinancing Component
 - Refund approximately \$23.4 million of US Government Notes
 - Outstanding at approximate interest rate of 3.25%
 - Estimated new interest rate of 2.60% (2051 final term)
 - Estimated savings of \$1,260,000 (Existing term not extended)
 - Refund 2009A and 2009B Bonds (\$25.1 million of par)
 - Outstanding at approximate interest rate of 2.60%
 - Estimated new interest rate of 0.98% (2028 final term)
 - Estimated savings of \$1,300,000 (Existing term not extended)
- Sold via negotiated sale on June 24, 2021
 - Estimated Rate as of 6/01/2021 is 2.57%

Water System Timetable

May-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					

Jun-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			

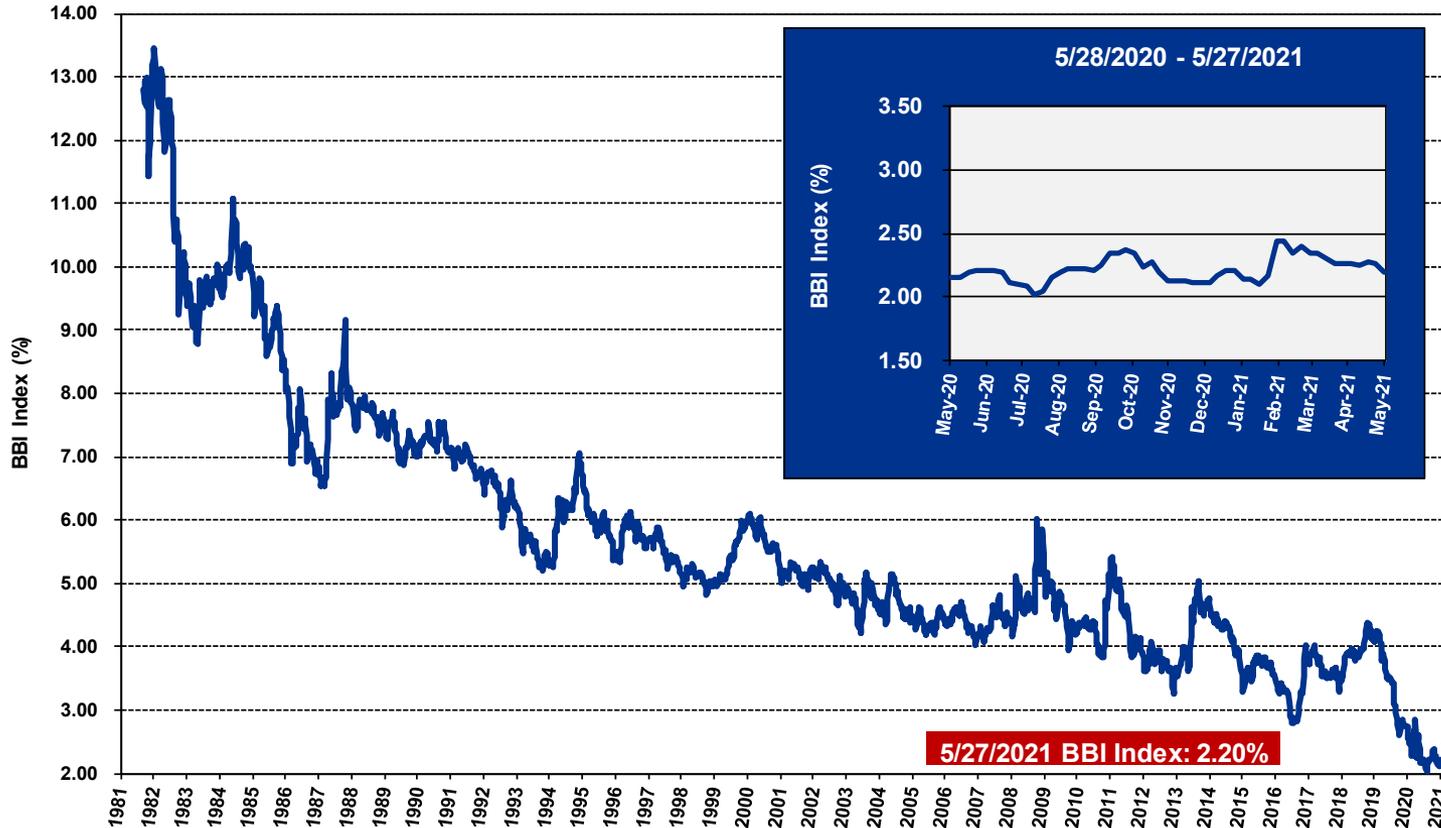
Jul-21						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Complete By	Day	Event
4-May-21	Tuesday	Prepare initial draft of Preliminary Official Statement & send to District and Bond Counsel for comments and modifications
11-May-21	Tuesday	Receive information to complete Official Statement from District and Bond Counsel
12-May-21	Wednesday	Provide draft of Preliminary Official Statement to credit rating agencies and working group for second review. Provide Initial Draft to Underwriters and Underwriters Counsel
24-May-21	Week of	Rating Agency Calls
31-May-21	Monday	Provide most recent Preliminary Official Statement to working group for final comments
8-Jun-21	Tuesday	Receive credit ratings and final comments from Working Group
10-Jun-21	Thursday	Finalize Preliminary Official Statement Distribute electronically through i-Deal Prospectus
24-Jun-21	Thursday	Pricing/Board Consideration of Bonds
1-Jul-21	Thursday	Print Final Official Statements
28-Jul-21	Wednesday	Bond closings and delivery of funds

Denotes holidays

Municipal Interest Rate Market Conditions

**Bond Buyer 20 Year GO Index
September 1981 - May 27, 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

V. ACTION ITEMS

- E. Review and possible action on amendment to NTMWD's Administration and Finance Policies Manual, Section 1., General Investment Policy



INVESTMENT POLICY AND INVESTMENT STRATEGY

- **Current version adopted by the Board in 2016**
- **The Public Funds Investment Act (the Act) requires the governing body of an investing entity to review its investment policy and investment strategy no less than annually**
- **The Investment Policy and Investment Strategies have been reviewed by Hilltop Securities Inc., and meets the requirements of the Act**
- **The governing body is also required to adopt a written instrument by resolution stating that it has reviewed the investment policy or strategy. This will be an item on the June Board Agenda.**
- **2019 is the first year to receive Government Treasures' Organization of Texas's Certificate of Investment Policy**



CASH AND INVESTMENT BALANCES

District's Portfolio:

Operating Funds	\$ 79
Construction Funds	\$1,420
Escrow Funds	\$ 44
I&S Funds	\$ 166
Bond Reserve Funds	<u>\$ 207</u>
Total Portfolio	\$1,916



INVESTMENT POLICY AND INVESTMENT STRATEGY

Primary Changes:

- **Requires staff working with investments to receive investment training**
- **Maximum term of investment increasing from 5 to 10 years**
- **Potential sources of portfolio pricing has been expanded**
- **Broke out Contingency, Rate Stabilization and Reserve for Maintenance Funds in Strategy Statement**
- **Some changes were recommended per the Government Treasures' Organization of Texas**

- ECONOMIC GROWTH SURGING

GDP growth is currently running at a +10.3% quarterly, annualized pace (Atlanta Fed's GDPNow measure June 1, 2021)

- INFLATION RISKS RISING

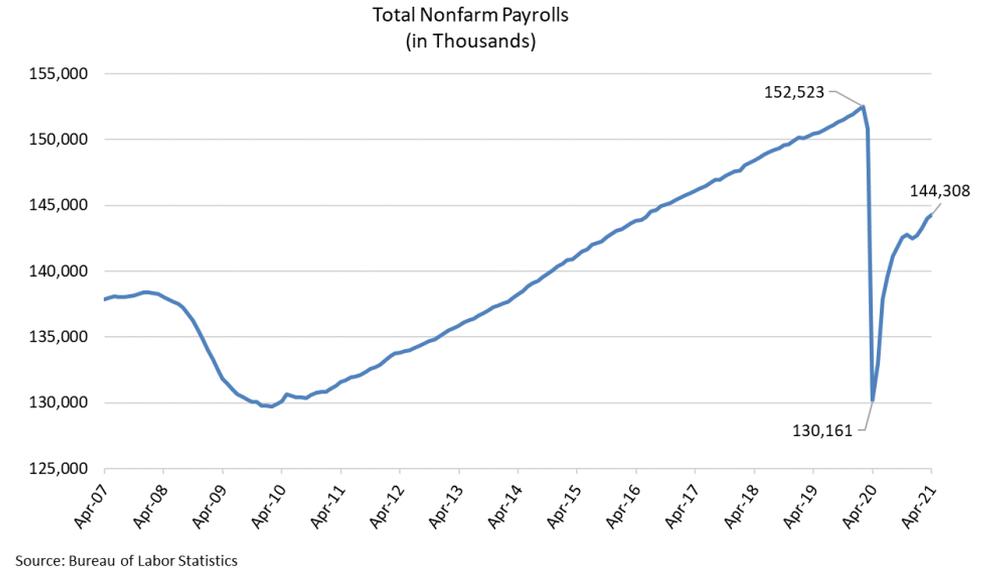
Overall CPI rose +0.8% in April, *the largest single month gain since June 2009*. The year-over-year increase was +4.2%, the highest since September 2008. Core CPI jumped +0.9% in April, the biggest increase in nearly 40 years. The core rate is now rising at a +3.0% pace, a 25-year high.

- SECURITIES SUPPLY DEPLETED / DEMAND HEAVY

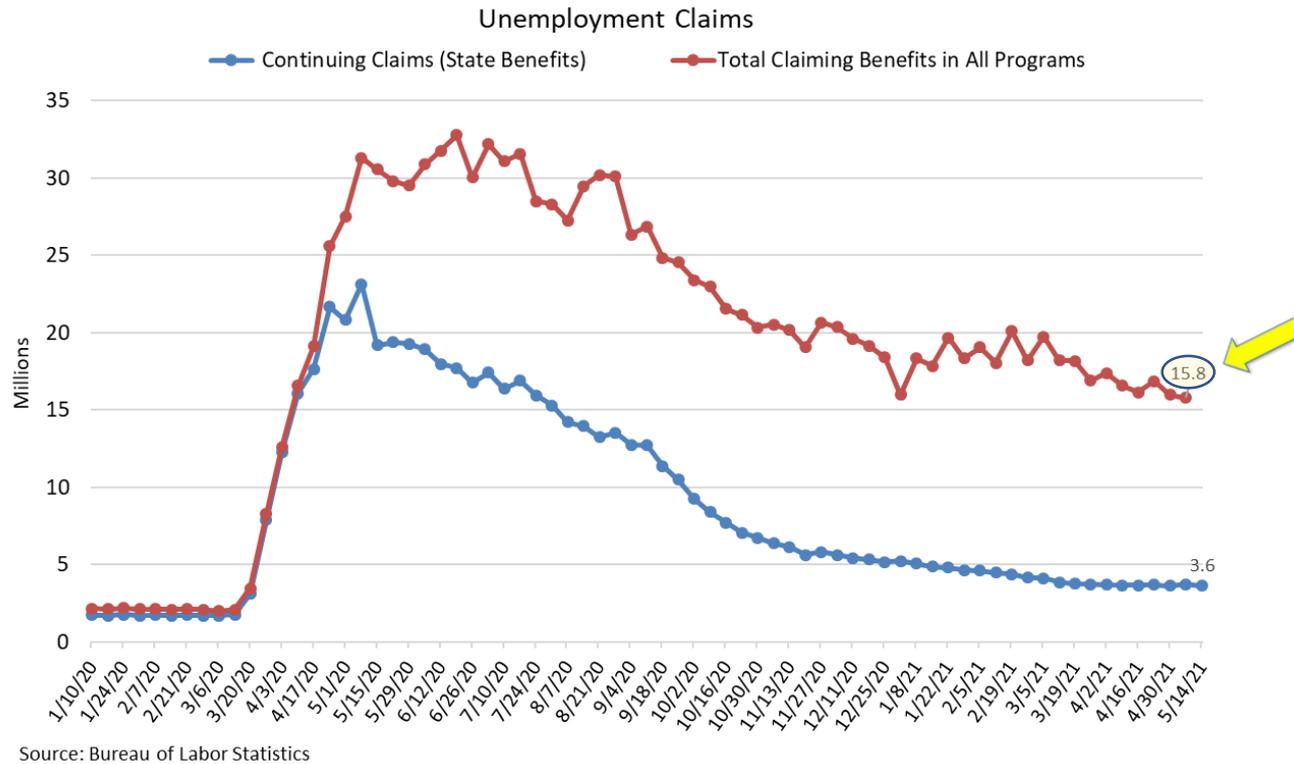
Massive amounts of cash chasing diminishing supply. *Treasury note yields negative out through October.*

Many jobs return before workers are ready

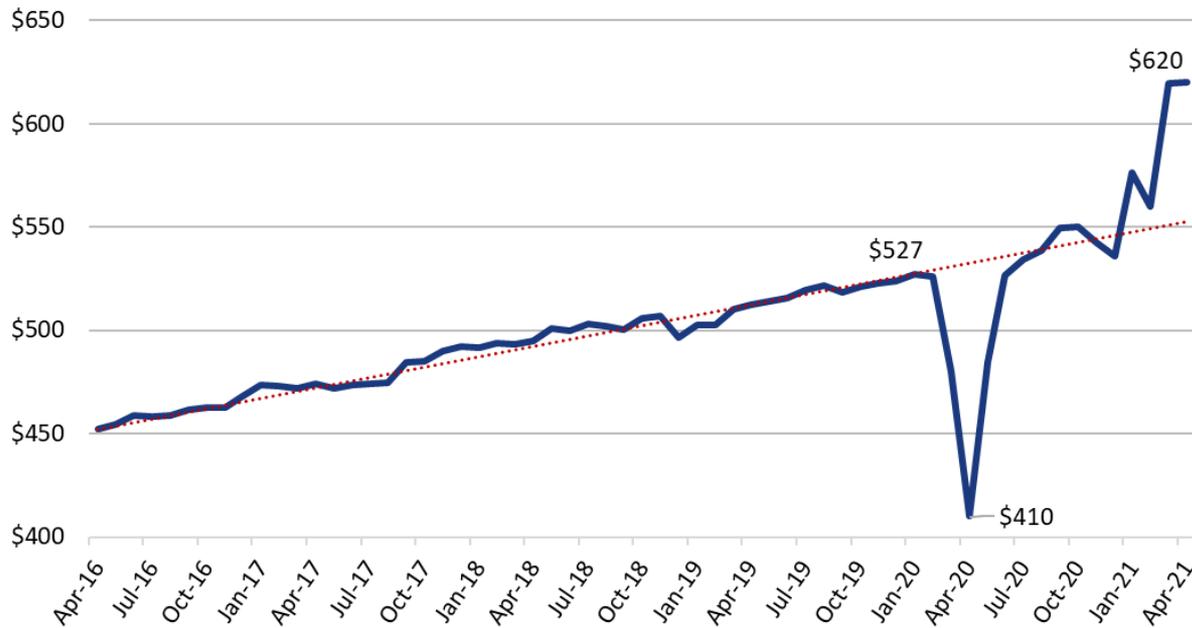
- The April employment report showed +188k *net* jobs added to company payrolls, far below of the 1 million forecast.
- The headline unemployment rate crept from 6.0% to 6.1% in April as more Americans reentered the workforce.
- Oddly enough, the biggest complaint among employers as the economy reopens is *finding willing workers*. Federal unemployment benefits may be keeping some potential workers sidelined, along with at home school and lingering virus threats.
- The NFIB Small Business survey for April indicated **the highest level of reported job openings in the 45 history of the survey.**
- The JOLT survey showed a *record* 8.1 million job openings in the month of March.



Enhanced benefits may be a disincentive



Retail & Food Services Sales Total \$ (Billions)
 (Seasonally Adjusted)

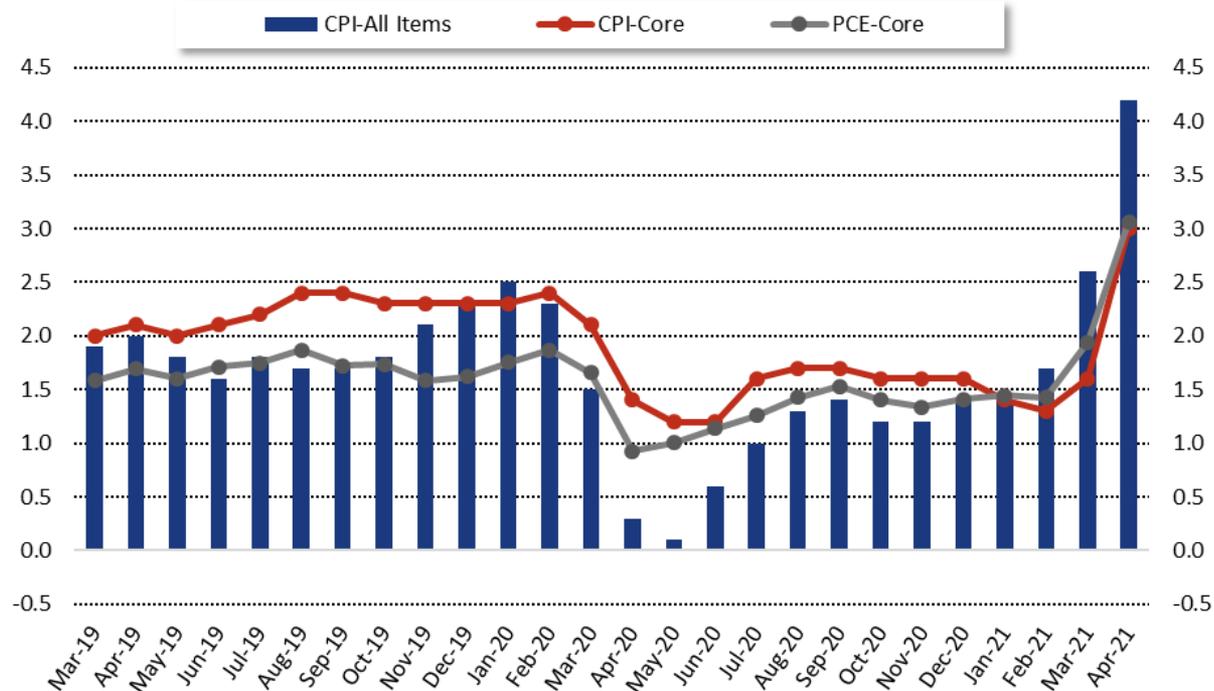


The value of total retail sales, at \$620 billion, is now +17.6% above the level from February of last year.

Source: US Census Bureau

Rising price pressures are *expected* to be temporary

Inflation Indicators (Year-Over-Year Percent Change)



The “base effect” increase is probably a given. The bigger question is whether the economic boom expected this summer generates more *organic* price pressure.

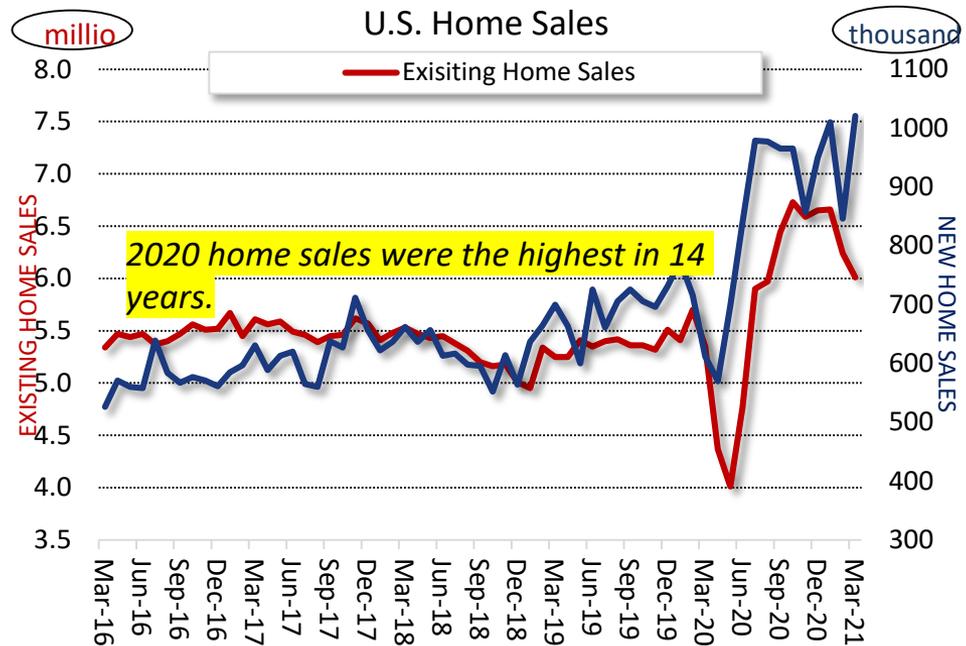
Source: Bureau of Labor Statistics / Bureau of Economic Analysis

Anecdotal inflation evidence has raised concerns

- Lumber prices are up +350% over last year and have added \$36,000 to the price of a new home since last April. (NAHB)
- Consumer prices for *fast food* grew +6.5% y-o-y in March, the biggest increase since 1998. (Bloomberg)
- Wheat, corn, and soybeans, staples of the world's diet, have all surged to the highest since 2013. (Bloomberg)
- The average pump price in the U.S. (regular unleaded) was \$3.04 per gallon on 6/2/21, 65% higher than a year ago. (AAA)
- Used vehicles prices rose by a staggering +10% in April, the largest single month increase in used auto prices in history. (BLS)
- Prices on airfare (+10.2%), hotel/motels (+8.8%) and rental cars (+16.2%) all logged record monthly gains in April. (BLS)

Lean inventories restrain sizzling housing market

- Supply continues to be a nagging issue as the *number of available existing homes on the market was -28.2% lower than a year ago*, resulting in a lean 2-month supply.
- Redfin reported in April that almost half of U.S. homes are selling within a single week of hitting the market.
- The S&P CoreLogic national home price index was up almost +13% year-over-year in March.
- The construction industry faces a shortfall of more than 300,000 workers, according to a new report by the Home Builders Institute (HBI).
- The share of builders reporting a worker shortage in April was 60% (HBI)

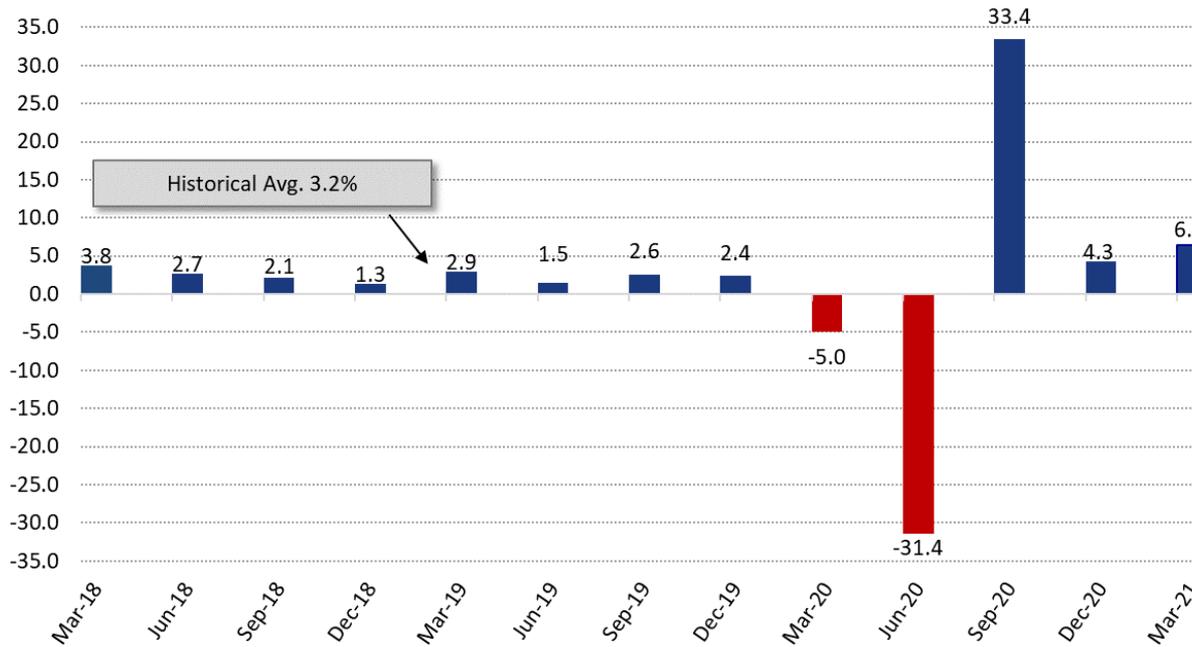


Higher lending rates and increased home prices affect affordability, but at this point, sales demand remains brisk.

Source: National Association of Realtors / US Census Bureau

GDP has fully recovered from pandemic plunge.

Gross Domestic Product
Quarterly Annualized Percentage Change



As the pandemic ends and the service sector reopens, a summer spending boom should drive GDP even higher in Q2 and Q3.

- Deposits at U.S. commercial banks are up +17.5% year-over-year, to \$16.8 trillion (Barron's)
- Banks grew their cash pile by \$297 billion in the first two weeks of April and now sit on \$3.8 trillion, *more than double since the beginning of 2020*. Safe assets, which include cash, Treasuries and government backed securities, make up 36.3% of bank assets (*Wells Fargo*).
- The loans-to-deposits ratio has fallen to just 61.3% for all banks, *the lowest in 48 years of weekly data*. (Bloomberg)

- U.S. Treasury Notes

- 6-month 0.03%
- 12-month 0.04%
- 24-month 0.15%
- 36-month 0.32%

- Federal Agencies

- 6-month 0.02%
- 12-month 0.05%
- 24-month 0.15%
- 36-month 0.35%

- Callable Agencies

- 2yr/3mo 0.16%
- 3yr/1yr 0.375%

- Overnight Investment Pools

- TexPool 0.01%
- TexSTAR 0.01%
- Lone Star Gov 0.005%
- LOGIC 0.065%
- TexPool Prime 0.07%
- Texas Class 0.065%
- Lone Star Corp 0.07%

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AGENDA

V. ACTION ITEMS

- F. Review and possible action on amendment to NTMWD's Administration and Finance Policies Manual, Section 11., Fund Balance Policy



FUND BALANCE POLICY REVIEW

- **Current Policy Requirements for RWS**
 - **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.**



FUND BALANCE POLICY REVIEW

Primary Changes:

- **Support Fund Addition:**
 - **Operating Fund shall be maintained at \$0 (Break-Even)**
 - **Contingency Fund shall be based on 15 Days' Budgeted O&M for the next Fiscal Year.**
- **Health Insurance Holdings, at 2 months of expenses**
- **Re-Organized Capital Improvement Funds, Reserve For Maintenance, Preventative Maintenance and Equipment Replacement Funds**
- **Addition of Fund Definitions**
- **No changes to existing limits**



DISCUSSION ITEMS

VI. DISCUSSION ITEMS

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



DISCUSSION ITEMS

VI. DISCUSSION ITEMS

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

VII. ADJOURNMENT