



NORTH TEXAS MUNICIPAL WATER DISTRICT

**501 E. Brown Street • Wylie, Texas 75098
(972) 442-5405 – Phone • (972) 295-6440 – Fax**

MINUTES OF WORK SESSION MEETING (VIA TELECONFERENCE) OF THE BOARD OF DIRECTORS JULY 20, 2021

The North Texas Municipal Water District (NTMWD) Board of Directors met in a Work Session meeting on Tuesday, July 24, 2021, at 2:30 p.m. Notice of the meeting was legally posted in accordance with Government Code, Title 551, Open Meetings.

I. CALL TO ORDER

President Phil Dyer called the meeting to order at approximately 2:33 p.m.

President Dyer advised the following regarding today's meeting:

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 Board meeting by calling 1 (844) 621-3956 and entering the following access code: 928 587 040. Members of the public joining by teleconference and wishing to make public comment during the meeting should follow the instructions for on-line registration listed under Item VIII. 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. In addition, the public may attend the meeting in person at 501 E. Brown Street Wylie, Texas 75098. Members of the public wishing to make public comment in person at the meeting should follow the registration instructions provided at the meeting location.

II. ROLL CALL/ANNOUNCEMENT OF QUORUM

The roll was called, and attendance was confirmed by teleconference as follows:

1	Anderson, Terry Sam	Absent
2	Appolito, Robert	
3	Boren, Kalen	Absent
4	Carr, John	
5	Crump, George	
6	Dyer, Phil	

7	Farmer, Joe	
8	Fuller, Marvin	
9	Gordon, Don	
10	Hollifield, David	
11	Imrie, Chip	
12	Johnson, Blair	
13	Kelley, Ron	
14	Kerr, James (Jim)	
15	Kever, Geralyn	
16	May, Jack	
17	Murphy, John	Absent
18	Obera, Marlo	
19	Parks, Larry	
20	Patrick, Brenda Jean	
21	Peasley, Richard	Absent
22	Shuyler, Lynn	
23	Stephens, Keith	Absent
24	Sweeden, John	

The following NTMWD legal and financial consultants attended the meeting:

Lauren Kalisek– Lloyd Gosselink Rochelle & Townsend

III. INSTRUCTIONS FROM MODERATOR

Executive Director Jenna Covington served as moderator for the teleconference and provided instructions to Board members, staff and the public for conducting the meeting by teleconference.

IV. OPENING REMARKS

- A. President’s Remarks concerning current events, conduct of meeting, posted agenda items, committee assignments, and related matters

President Dyer spoke briefly about today’s meeting. He advised this is the first of two work sessions, with the second session scheduled in August. He expressed appreciation to the Board members for their attendance, and to staff for their work on the budget.

- B. Executive Director’s Status Report concerning legislation and regulatory matters, budgets, current projects and ongoing programs of the District including the Regional Water System, Regional Wastewater System, Regional Solid Waste System, Watershed Protection, and Water Conservation

Executive Director Covington advised her comments will be held for the presentation.

V. PUBLIC COMMENTS

INSTRUCTIONS FOR PUBLIC COMMENT ON-LINE REGISTRATION: Prior to the start of the Board meeting, members of the public joining by teleconference and 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. Members of the public attending in person should follow the registration instructions provided at the meeting. 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 Board may not discuss these items, but may respond with factual or policy information.

There were no request for public comments.

VI. **DISCUSSION ITEMS**

- A. Review proposed FY 20-21 Amended Annual All Systems Budget and proposed FY 21-22 Annual All Systems Budget
1. Introduction and Overview

Executive Director Covington provided an overview of today's presentation as it relates to the current budget amendments and the upcoming budget. She reviewed the Annual Budget Cycle Engagement and schedule, Major Funds Structure, and Budget Summary. She reviewed the District's Mission and advised that staff is proposing to keep the water rates for FY22 the same as the current year.

2. Personnel

Board Liaison and Assistant to the General Manager Brian Brooks reviewed the current and updated/proposed organizational structure, proposed new personnel positions for FY22 and compensation recommendations. He advised a total of 25 positions are proposed for the FY22 budget, noting that five (5) are from repurposed positions. A review of the proposed positions was provided. Compensation considerations were reviewed, and it was noted that 68.9 percent of employees are below the midpoint in their salary ranges. Proposed increases for FY22 include a 2 percent market increase, and an average of 5 percent merit opportunity. The budget impacts for the proposed increases were provided.

In response to Director's questions Mr. Brooks advised that the survey of other entities reflected varied percentages of proposed compensation increases and some appreciation payments. He advised that the District currently has 845 employees and those additionally proposed includes the number needed for the Leonard Water Treatment plant for this year. The budget impacts as presented for FY22 include the proposed merit and market increases, and all proposed personnel fully funded are included as well as benefits. Additional information regarding the details of the 68.9 percent of employees below midpoint will be provided in the future.

In response to a Director's question, Mr. Brooks advised that the inequities in salaries as discussed in the Committee meeting will likely be addressed

after the compensation study is complete, however, a policy discussion on the matter would be required to address Compa/Ratios.

Executive Director Covington advised that during the Finance Committee meeting regarding compensation increases it was discussed that any changes to the compensation budget should not affect customer water rates. She confirmed that today's recommendation would not impact the water rate.

In response to a Director's question, Mr. Brooks advised that personnel costs percentage of the total budget for FY22 is 16.8 percent. The FY21 budget for personnel was 16.1 percent of the total and the amended budget for FY21 is 15.2 percent of the total.

3. Budget Drivers And Initiatives

Assistant Deputy Erik Felthous provided an overview of Allocation of Shared Services and the impacts of the new Rate Methodology as a result of the settlement agreement with the Public Utility Commission and Member Cities.

In response to a Director's question Executive Director Covington provided a summary of how the employee costs can increase and still keep the water rates the same.

Deputy Director Billy George provided an overview of the variable cost budgeting in the Water System. Chemical costs, production power and water purchases impacts were provided. Mr. George provided an overview of the new facilities that are coming on-line in FY22 including Bois d'Arc Lake, and the Leonard Water Treatment Plant. Other infrastructure system improvements impacting the next budget year were reviewed.

Zeke Campbell, Water System Manager, provided details on the costs of chemicals for the Water System and the Wastewater Systems as they impact the budget. Future projected costs for chemicals were briefly discussed. Methodology regarding contracts and pricing was discussed.

Deputy Director Jeff Mayfield summarized short-term capital expenditures including vehicles and equipment, machinery, non-vehicle equipment, building and laboratory equipment. Drew Farris, Finance Manager, advised these costs are somewhat higher than the previous year. In response to a Director's question, it was noted that the average age of vehicles is approximately eight (8) years.

4. Capital Improvement Program Projects

Assistant Deputy R.J. Muraski reviewed the capital improvements for the All-Systems Capital Improvement Program (CIP) 2013-2022, the Regional Water System, the Regional Wastewater System and the Solid Waste System. He advised more details will be presented to the Board when they are brought for approval.

In response to a Director's question, Mr. Muraski advised that a study will be done on whether the South Mesquite plant can be expanded.

5. Capital Improvement Program Funding

Drew Farris reviewed the funding programs for the Regional Water System, the Regional Wastewater System, the Upper East Fork Interceptor System, the Sewer System, and the Regional Solid Waste System. Funding includes cash, revenue bonds, and expanded commercial paper (ECP) programs, which are short-term notes. A brief discussion followed as to the difference between ECP and refunding bonds and the associated costs. Mr. Farris provided details of the remaining FY21 contracts for each system and amounts of various planned funding. FY22 contracts planned were also reviewed.

6. Amended Fiscal Year 20-21 Budget Summary

Drew Farris provided a review of the FY21 amended budget significant items for all systems that include the power costs for the February winter storm, the PUC amended water contract settlement, chemical increases, and net rebates to Member Cities estimates. He reviewed the Regional Water System preliminary consumption and rebate by city. Overall, personnel and capital costs were lower, and the operating cost was higher in the amended budget.

7. Fiscal Year 21-22 Budget Summary

Erik Felthous advised that the All Systems FY22 Preliminary Budget reflects a 4 percent increase. He reviewed the 10-year water rate projections and advised that the rate will not change from FY21 rate of \$2.99. Executive Director Covington added that the rate can stay the same because there will be increased water sales, there will be a \$3 million rate stabilization fund transfer (if needed), a greater percentage of capital improvements will be debt financed rather than cash financed, and she advised that the District is in year 3 of 5 of implementation of shared services costs being allocated to other systems. In response to a Director voicing concern regarding the FY 2023 projected 7 percent rate increase, Mr. Felthous advised that staff will be working toward a lesser rate increase than 7 percent. He summarized that for FY22 the Regional Water System costs for personnel and operating expense will increase and capital improvement cost will decrease.

Mr. Felthous provided a 10-year rate projection for the Regional Wastewater System. Member cost per thousand for FY22 is \$2.42, which is a 7 percent increase over FY21. There is a budget increase for FY22 including personnel, operating and capital.

Mr. Felthous advised the Upper East Fork Interceptor System 10-year rate projection includes an 8 percent rate increase in FY22. There is a budget increase for FY22 including personnel, operating and capital.

Mr. Felthous provided the Wastewater and Interceptor FY21 budgets compared to FY22 and details for each facility.

Mr. Felthous advised the Solid Waste rate will not increase for the next budget year. There were only minor changes in personnel, operating, and capital.

Shared Services major items were reviewed. There is an approximate 7 percent increase due to personnel and operating cost increases.

Director John Carr requested that for the next budget, staff include wastewater services planning for some currently undeveloped areas between Rockwall and Forney and near Mesquite. R.J. Muraski advised that the District has a conceptual study planned for September to evaluate the needs for that area for current and future members and customers. Director Brenda Jean Patrick requested Mr. Muraski provide her an email with that information so that it can be shared with the Mesquite City Manager and City Council.

8. Conclusions and Path Forward

Executive Director Covington summarized the information presented in this meeting. She advised that, as requested, she will provide additional information on the Extendable Commercial Paper one-time costs versus annual fees, and information regarding the September study.

Executive Director Covington reviewed that staff is continuing to propose a flat water rate of \$2.99 and that other systems' rates are in alignment with the Strategic Plan. She requested that Board members provide feedback as to other information they may want to receive at the August work session. Any questions should be sent to her, and she will distribute to the appropriate staff.

VII. ADJOURNMENT

There being no further business, the meeting adjourned at approximately 5:11 p.m.

APPROVED:


PHIL DYER, President

ATTEST:


RICHARD PEASLEY, Secretary

