



NORTH TEXAS MUNICIPAL WATER DISTRICT

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POLICY COMMITTEE MEETING MINUTES JUNE 9, 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 Policy 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 of the North Texas Municipal Water District (NTMWD) Policy Committee to order at approximately 1:31 p.m. on Wednesday, June 9, 2021. The meeting was held by teleconference. He provided general information on how the meeting would be conducted.

Policy Committee members present included Chairman Phil Dyer, Directors George Crump, David Hollifield, Chip Imrie, John Sweeden and Marvin Fuller. Directors Keith Stephens and Blair Johnson were absent. A quorum of the Policy Committee was present. Any references to unanimous votes refer to a unanimous vote of the Committee members present.

Members of the Executive Committee were present as well as other Board members. Lauren Kalisek with Lloyd Gosselink Rochelle & Townsend and Nick Bulaich with Hilltop Securities were present. Executive Director Jenna Covington along with other members of the NTMWD management team were also in attendance.

II. PUBLIC COMMENTS (FOR TELECONFERENCE COMMITTEE MEETINGS ONLY)

INSTRUCTIONS FOR PUBLIC COMMENT ON-LINE REGISTRATION: Prior to the start of the Policy 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.

There were no requests for public comment.

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

Chairman Dyer expressed his appreciation to committee members and those who will be serving as Chair of those committees for this next term.

IV. ACTION ITEMS

- A. Consider approval of Policy Committee meeting minutes – March 10, 2021

Upon a motion by Director Chip Imrie and a second by Director David Hollifield, the Policy Committee voted to approve the March 10, 2021 meeting minutes.

- B. Review and possible action on amendment to NTMWD's Administration and Finance Policies Manual, Section 12., Debt Policy

Assistant Deputy Erik Felthous presented this item. He advised that the Debt Policy is a new policy being proposed and was reviewed by the Finance Committee in May. He advised that it will establish by policy what the District is already doing. It will state that debt will not exceed the life of an asset; that there will be a minimum of 3 percent present value saving required for refunding; and, the District will monitor its debt. Monitoring the debt includes continuing disclosure requirements, annual review of potential arbitrage liabilities, and be compliant with House Bill 1378, which requires a link on the District's website to an annual report on all outstanding debt. Additionally, this proposed Debt Policy incorporates Extendable Commercial Paper (ECP) as a financing tool. It addresses the timing of ECP and bonds; provides direction on how to budget for ECP; and, provides for an annual resolution to refund the ECP.

Nick Bulaich with Hilltop Securities advised that the policy provides direction for departments on when to request for a capital improvement plan to determine what shall be funded by ECP. He noted that ECP is a market access product requiring a bond resolution for the purpose of refunding the ECP. It was also stated that credit rating agencies look favorably on entities having a debt policy.

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

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

Erik Felthous presented this item. He advised that the Public Funds Investment Act requires the governing body to review its Investment Policy and Investment Strategy no less than annually. Both have been reviewed by Hilltop Securities and meets the requirements of the Act.

Mr. Felthous advised that the governing body is also required to adopt a written instrument (resolution) stating it has reviewed the Investment Policy and Strategy. He added that the current Policy was adopted by the Board in 2016. This item will be included on the Board of Directors June agenda. Mr. Felthous noted that the District received the Government Treasurers' Organization of Texas Certificate of Investment Policy in 2019.

Mr. Felthous provided an overview of the District's Portfolio in millions as follows:

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

Mr. Felthous advised that the primary changes proposed for the Investment Policy are:

- Requires staff working with investments to receive investment training
- The maximum term of investment increases from 5 to 10 years
- The potential sources of portfolio pricing have been expanded
- The Contingency, Rate Stabilization and Reserve for Maintenance Funds have been listed individually in the Strategy Statement

He noted that some changes were recommended by the Government Treasurers' Organization of Texas. Some changes were recommended by Hilltop Securities.

In response to a Director's question, Mr. Felthous responded that there are no arbitrage liabilities at this time.

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

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

Erik Felthous presented this item. He advised the Fund Balance Policy provides Board approved guidelines for establishing fund balances. He noted that the current policy requirements are not changing, however in the future an independent review of the water system will include a review of the fund balance amounts.

Mr. Felthous reviewed the current Policy requirements for the Regional Water System as follows:

- Operating Fund 90 Days
- Capital Improvement Fund \$15 MM
- Contingency Fund \$20 MM
- Rate Stabilization Fund \$7 MM

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 Committee annually after the completion of the annual financial audit.

Mr. Felthous reviewed the proposed primary changes to the Fund Balance Policy as follows:

- 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

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

V. DISCUSSION ITEMS

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

There were no comments from Committee members.

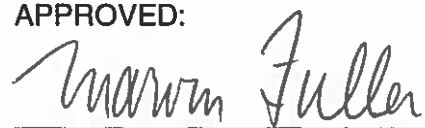
- B. Opportunity for Committee members to request potential future agenda items
(No substantive discussion of items will take place at this time)

There were no potential future agenda items requested.

VI. ADJOURNMENT

The meeting adjourned at approximately 1:59 p.m. The Chairman will call the next meeting with proper notification to the members.

APPROVED:



~~PHIL DYER~~ Marvin Fuller
~~Chairman~~ Presiding Member