



NORTH TEXAS MUNICIPAL WATER DISTRICT

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JOINT COMMITTEE MEETING MINUTES FINANCE COMMITTEE AND PERSONNEL COMMITTEE 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 this meeting by telephonic conference call.

In lieu of physical attendance of the meeting, the public may teleconference in to the Joint 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

Director Chip Imrie called the Joint Meeting to order at approximately 10:33 a.m. Director Sweeden called the roll and confirmed attendance of the Personnel Committee members and Director Imrie called the roll and confirmed attendance of the Finance Committee members. General instructions were provided.

	PERSONNEL COMMITTEE	PRESENT
1	Terry Sam Anderson	
2	Joe Farmer	
3	Ron Kelley	
4	Marlo Obera	
5	Brenda Jean Patrick	
6	Lynn Shuyler	
7	John Sweeden	

	FINANCE COMMITTEE	PRESENT
1	George Crump	
2	Don Gordon	Arrived 10:50
3	Blair Johnson	Absent
4	John Murphy	

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5	James Kerr	
6	Chip Imrie	

Executive Director Jenna Covington and members of the NTMWD management team were present as well as other Board members. Lauren Kalisek and Sheila Gladstone with Lloyd Gosselink Rochelle & Townsend, Nick Bulaich and Scott McIntyre with Hilltop Securities and Alan Raynor and Molly Carson with McCall, Parkhurst & Horton LLP were present.

II. 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 Committees 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 comments.

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 advised that the reason for the joint meeting is because the Personnel related items are for both Committees. In the interest of streamlining the amount of time Directors are committing to meetings, the Personnel committee members may leave the meeting after the Personnel items are discussed if they choose.

Brian Brooks, Interim Champion for the Personnel Committee, advised that the next Personnel Committee meeting is scheduled for July 7, 2021. Along with other policy changes, the complaint resolution matter will be discussed. He stated that the health insurance consultant will discuss rates during that meeting as well.

Assistant Deputy Erik Felthous advised that last month there was approval for use of Extendable Commercial Paper (ECP) in three systems. In July ECP will be used for the water system; other systems will likely use ECP in August. Mr. Felthous advised that last month there was a discussion regarding possibly borrowing funds from the Regional Water System Contingency Fund to help four other systems pay for the February power bill. In a May Board action, over \$3MM was authorized for this. To date, only \$8,000 has been borrowed. Mr. Felthous stated that the Administration Organizational is underway and staff interviews will be next week. Amawalk, the company performing the Independent Review Study, required as a result of the Regional Water System Settlement Agreement, will start follow up questions from the initial data they received from staff. Mr. Felthous reported that the 2012 taxable refundings could be done now however by waiting until this Fall, there could be additional savings. Today's agenda items were briefly reviewed.

IV. DISCUSSION ITEMS

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A. Review FY 21-22 proposed new personnel requests

Brian Brooks presented this item. He advised that there were 40 new positions requested for next year and staff is recommending 20 of those. In addition to those, there are five repurposed positions recommended.

Mr. Brooks provided an overview of the staff needed for the Leonard Water Treatment Plant (WTP), Bois d'Arc Lake and the Sister Grove Regional Water Resource Recovery Facility. He reviewed the positions previously authorized and those that were deferred in 2020. Eight positions are proposed for Maintenance Operational requirements for Leonard WTP and Bois d'Arc Lake combined. A phased in staffing list for Sister Grove Regional Water Resource Recovery Facility was provided.

Mr. Brooks reviewed a list of recommended additional staff for Wastewater and Maintenance Dispatch, and support/internal personnel in the Engineering, Planning, Purchasing and Information Technology departments.

Mr. Brooks provided a list of requested personnel not being recommended at this time and the associated salary and benefits costs.

The following Summary of Recommendations was provided:

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 followed regarding the need to bring qualified people on board as they are available, the resources being used to find qualified people, and the potential need for IT staff to maintain cyber security. Executive Director Covington advised that she agrees with the recommendations made and has plans to brief the Board on cyber security matters.

B. Review FY 21-22 proposed personnel budget

Erik Felthous presented this item. He provided an overview of the history and components of personnel costs over the past several years. He advised that the Preliminary FY22 Budget includes a proposed 3 percent market adjustment and a proposed 3 percent merit increase.

Director Chip Imrie voiced his opposition to market adjustments. Director Sweeden inquired if other Personnel Committee members would like to discuss this further. Directors Patrick and Kelly requested further discussion. Director Don Gordon requested to know how many employees received a merit increase. Ms. Covington reminded that last year there were no merit or market increases for employees. Mr. Brooks advised there will be a compensation study requested in the FY22 budget.

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Mr. Felthous provided a preliminary personnel cost increase across the different systems. The list includes the potential of market adjustments, merit increases, new employees and benefits in the amount of \$7.4 million.

In response to a Director's question regarding certification pay, Ms. Covington advised that license pay is available if a license is required by TCEQ, and the amount depends on the level of license up to \$150 per month.

Mr. Felthous provided a budget overview of significant items in all systems, including debt, personnel, capital improvements, allocation of support services, and budget methodology. Expenditures by system were reviewed. He reviewed the budget communication process with the cities.

V. ACTIONS ITEMS

- A. Consider approval of Personnel Committee meeting minutes – April 21, 2021

Director Sweeden called for motions on the minutes from the Personnel Committee meetings.

Upon a motion by Director Terry Sam Anderson and a second by Director Joe Farmer, the Personnel Committee voted to approve the Personnel Committee meeting minutes for April 21, 2021.

- B. Consider approval of Personnel Committee meeting minutes – April 28, 2021

Upon a motion by Director Terry Sam Anderson and a second by Director Marlo Obera, the Personnel Committee voted to approve the Personnel Committee meeting minutes for April 28, 2021.

- C. Consider approval of Finance Committee meeting minutes – May 12, 2021

Director Imrie called for a motion on the minutes from the Finance Committee meeting.

Upon a motion by Director George Crump and a second by Director Don Gordon, the Finance Committee voted unanimously to approve the Finance Committee meeting minutes for May 12, 2021.

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

Erik Felthous presented this item. He advised that the 2009A and 2009B (\$25.1 million) as well as the US Government Notes (\$23.4 million) are planned to be refunded. He reviewed new Regional Water System FY21 Bond projects in the amount of \$38.46 million. He noted that the projects have a 40-year life of asset.

Nick Bulaich with Hilltop Securities advised the new bonds (\$38.46 million) will have a 30-year term and annual payments of \$1,930,000. Interest rates and savings were provided for the refinancing/refunding. He noted that the original terms are not being extended.

The sale should occur on June 24, 2021. A timetable of the process was reviewed. Mr. Bulaich noted that municipal interest rates are still exceptionally low, and the total package interest rate is expected to be approximately 2.57 percent. He congratulated the District for an upgrade of the Regional Water System's bond rating by Moody's from Aa2 to Aa1.

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Director Imrie called for a motion from the Finance Committee.

Upon a motion by Director Don Gordon and a second by Director George Crump, the Finance Committee voted unanimously to recommend approval to the Board of Directors.

- E. 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 the auditors and Hilltop Securities and both meet the requirements of the Act.

Mr. Felthous advised that the governing body is also required to adopt a written 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 provided details of the District's Portfolio as follows:

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

He pointed out that the Operating Funds has over 30 systems that make up the \$79MM. The Regional Water System is only one of these systems.

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

- Requirement for 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

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

Scott McIntyre with Hilltop Securities Asset Management provided an update on the economic outlook including interest rates, the job market, value of retail sales, inflation, home sales, GDP recovery, and low investment earnings.

Director Imrie called for a motion from the Finance Committee. Director Don Gordon expressed that he would like to review the policy changes further.

Upon a motion by Director George Crump and a second by Director James Kerr, the Finance Committee voted unanimously to recommend approval to the Board of Directors.

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

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Erik Felthous presented this item. He advised the Fund Balance Policy provides Board approved guidelines for fund balance amounts. He noted that the current policy requirements are not changing, however in the future the Independent Review by Amawalk 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/Audit 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
- 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

Director Imrie called for a motion from the Finance Committee.

Upon a motion by Director James Kerr and a second by Director Don Gordon, the Finance Committee voted unanimously to recommend approval to the Board of Directors.

VI. CLOSING ITEMS

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

There were no comments from the 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 requests for potential future agenda items.

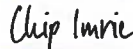
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VII. ADJOURNMENT

There being no further business, the joint meeting of the Finance and Personnel Committees adjourned at 12:33 p.m.

APPROVED:

DocuSigned by:



CHIP IMRIE

Finance Committee Chairman


JOHN SWEEDEN

Personnel Committee Chairman