



## **NORTH TEXAS MUNICIPAL WATER DISTRICT**

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

### **FINANCE COMMITTEE MEETING MINUTES JANUARY 12, 2022**

The Presiding Officer will be present at the meeting location, the NTMWD Administrative Offices, 501 E. Brown Street, Wylie, Texas 75098, with two-way video and audio communication between Board members participating by videoconference, establishing a quorum. The public may attend the meeting in person at the meeting location. Audio and video of Board members participating by videoconference will be visible to members of the public in attendance at the meeting location. The meeting will be recorded, and the audio recording will be available on the NTMWD website after the meeting.

Members of the public wishing to listen to live audio from the meeting may do so by calling in at (469) 210-7159 or toll free (844) 621-3956 and entering the following access code: 928 587 040. Please note this line will not provide for two-way communication and public comment at the meeting must be made in person at the meeting location.

#### **I. CALL TO ORDER**

Chairman Chip Imrie served as Presiding Officer and called the meeting to order at approximately 3:01 p.m. on Wednesday, January 12, 2022. The meeting was held with two-way video and audio communication between Board members participating by videoconference, establishing a quorum.

The following Finance Committee members were present; therefore, a quorum was present.

<b>Finance Committee Members</b>		<b>Attendance</b>
1	Chip Imrie, Chair	In Person
2	George Crump	Remote
3	Kalen Boren	Absent
4	Don Gordon	Remote
5	Blair Johnson	Remote
6	John Murphy	Remote
7	James Kerr	Remote

Members of the Executive Committee were present as well as other Board members. Executive Director Jenna Covington and other members of the NTMWD management team were in attendance.

The following consultants participated by videoconference:

- Lauren Kalisek, Lloyd Gosselink Rochelle & Townsend
- David Eisenlohr, Baker Tilly
- Allison LeMay, Baker Tilly
- Nick Bulaich, Hilltop Securities
- Alan Raynor, McCall Parkhurst & Horton
- Kevin Smith, Crowe, LLP

## II. PUBLIC COMMENTS

Prior to the start of the meeting, speakers must complete and submit a "Public Comment Registration Form." During the public comment portion of the meeting, speakers will be recognized by name and asked to provide their comments. The time limit is three (3) 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.

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 Imrie announced that Director Blair Johnson will serve as Vice Chair of the Finance Committee.

Assistant Deputy Erik Felthous advised that today's meeting will likely take 1½ hours.

Executive Director Jenna Covington introduced Jeanne Chipperfield, Deputy Director of Administrative Services. It was noted that for today's Finance Committee meeting, Erik Felthous will serve as Champion then for future meetings, Ms. Chipperfield will fill that role. Ms. Chipperfield offered brief remarks.

## IV. ACTION ITEMS

- A. Consider approval of Finance Committee meeting minutes – August 11, 2021

On a motion by Director Blair Johnson and a second by Director James Kerr, the Finance Committee voted to approve the Finance Committee minutes of August 11, 2021.

B. Review and possible action on the draft 2020-2021 Financial Audit by Crowe, LLP

Erik Felthous advised that this is the second year Crowe, LLP has done the District's audit. He advised that today's presentation is the preliminary audit, however the final will be provided prior to the Board meeting. Mr. Felthous noted that typically the report is called the "CAFR" (Comprehensive Annual Financial Report) but today and going forward it will be referred to as the "ACFR" (Annual Comprehensive Financial Report).

Kevin Smith, Partner with Crowe, LLP provided the presentation. He reviewed the Deliverables required in an audit, as well as required Communications. He advised that an Unmodified or "Clean" Opinion will be issued.

Deputy Director Chipperfield advised that she was pleased with the audit and noted that a link will be emailed to the Directors so that they may review the entire document.

Mr. Felthous thanked Crowe, LLP and the District's accounting team for the work associated with this audit.

Upon a motion by Director Don Gordon to recommend approval of the Board authorizing the draft 2020-2021 Financial Audit by Crowe, LLP, and a second by Director George Crump, the Finance Committee voted unanimously to approve.

V. DISCUSSION ITEMS

A. Discuss findings from Administrative Organization Evaluation

Erik Felthous provided a brief background of this item and introduced David Eisenlohr, Managing Director with Baker Tilly. Baker Tilley was engaged to assess and evaluate the current organizational structure and staffing needs, work processes and technology of the District's core administrative Finance and Human Resources functions.

Allison LeMay, Consulting Manager with Baker Tilley presented the report. She advised that this presentation would focus on the financial aspect, as well as on some enterprise-wide observations and recommendations. She provided an overview of the approach taken to assess the organization, noting that employees were surveyed and interviewed during the process. Staffing levels of member cities and comparable organizations were compared.

Ms. LeMay summarized the observations as follows:

Baker Tilly aggregated its observations, based on the data reviewed and imputed from employees, conducted an analysis using industry standards, and prioritized these recommendations:

- Identified high-impact improvement areas
- Identified and quantified areas where efforts are duplicated and could be streamlined

- Identified findings in key human resource and finance functions

Baker Tilly categorized recommendations using three of the ten Effective Utility Management (EUM) Attributes of Effectively Managed Water Utilities as follows:

- Financial Viability
- Employee and leadership Development
- Enterprise Resiliency

Baker Tilly provided achievement rankings for each attribute component as a baseline for the organization to begin its own self-assessment across the organization. Achievement rankings provided were for the functions within the scope of this project and were assessed by Baker Tilly based upon industry knowledge of best practice utility operations, NTMWD data analysis and interviews. Thirty-nine recommendations were identified and prioritized for Personnel and Finance.

David Eisenlohr reviewed the enterprise-wide recommendations. Subject matter included flattening administrative spans of control, internal audits, administrative services career paths, and adoption of enterprise risk management.

Specific Finance recommendations included the following subject matter:

- Organizational Layers and Spans of Control
- Internal Audit
- Administrative Career Paths
- Enterprise Risk Management
- Data-Driven Performance Management
- Enterprise Financial System
- Finance, Accounting, and Purchasing Staffing Cross-Training
- Budget Consultation

In response to a Director's questions concerning transitioning to an accounting program other than the current Incode program, Mr. Eisenlohr responded that Incode was the flagship product for Tyler Technologies and was designed for smaller public entities. Mr. Eisenlohr added that the selection process through implementation would take one and one-half to two years.

**B. Discuss Plan for follow-up related to Independent Review of Financial Management of Regional Water System**

Erik Felthous presented this item. He reviewed that per the Settlement Agreement with the Member Cities, the District contracted with Amawalk to perform an Independent Review of the District's Regional Water System financial management. Amawalk reviewed each of the items/tasks required in the Settlement Agreement and developed recommendations. In November, Amawalk presented their findings to the Board.

On January 31, 2022, Amawalk will present their findings in two additional meetings, first with the Member Cities and then with the Customer Cities. The Settlement Agreement directs that the Board shall vote on the recommendations

and unless the Board votes to reject any of the recommendations, the Board shall implement the recommendations. Mr. Felthous advised that today the Committee will briefly review the recommendations for each item/task. The Board's vote will be later in the Budget process, once there is a better understanding of how these recommendations are expected to affect the District and the Cities.

Mr. Felthous reviewed the details of the Amawalk Report Recommendations and initial proposals for follow up.

Mr. Felthous concluded that the District staff is in alignment with and has plans to proceed with the majority of the recommendations. At the March Finance Committee meeting staff plans to review Amawalk's recommendations that may impact financial planning. In February staff plans to review the Customer premium with the Board.

C. Discuss Financial Viability

Erik Felthous presented this item. He advised that in response to a Director's question previously regarding the financial health of the District, the District began utilizing "Effective Utility Management." Financial Viability is one of ten categories utilized by this approach. Financial Viability consists of Bond Ratings, Rate Adequacy, Financial Procedure Integrity, and Budget Management Effectiveness. Each of these measures was explained.

Mr. Felthous concluded that having reviewed the Bond Ratings, Rate Adequacy, Financial Procedure Integrity, and Budget Management Effectiveness, the District does measure favorably. However, the District continues to look for and implement improvements.

In response to a Director's question, Mr. Felthous advised that the payment terms for Member Cities and Customer Cities are the same.

In response to a Director's question regarding the audit firm, Mr. Felthous advised that Crowe, LLP has done the District audit for two years. After five years the District would go out for bid.

Discussion followed regarding the District's depreciation of assets in the audit. Executive Director Covington advised that the District depreciates the assets according to generally accepted accounting principles. She also explained the process for the customers to pay for wastewater expenses that benefit them.

In response to a Director's question regarding cash on hand, Executive Director Covington responded that the bond agencies do not require the District to have a certain number of days of cash on hand, however, according to the District's policy for the water system, 90 days of cash on hand should be maintained. Deputy Director Chipperfield and Alan Raynor with McCall Parkhurst & Horton provided additional comments on this matter.

In response to a Director's question, Mr. Felthous advised that the cash on hand is invested in government investment pools. He added that staff along with Hilltop

Securities manages the investments. Performance over the past year will be provided in the future. Any investment movement must be authorized by two signatures of authorized personnel.

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

There was no feedback from the Committee members.

- E. Opportunity for Committee members to request potential future agenda items

There were no potential future agenda items requested.

VI. ADJOURNMENT

There being no further business, the meeting adjourned at 4:49 p.m. The next meeting of the Finance Committee will be called by the Chairman with proper notification to all members.

APPROVED:



---

CHIP IMRIE  
Chairman