



NORTH TEXAS MUNICIPAL WATER DISTRICT

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FINANCE COMMITTEE MEETING MINUTES APRIL 13, 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 3:00 p.m. on Wednesday, April 13, 2022.

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

Finance Committee Members		Attendance
1	Chip Imrie, Chair	In Person
2	George Crump	Remote
3	Kalen Boren	Absent
4	Don Gordon	Remote (3:10 p.m.)
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 telephone:

- Alan Raynor and Molly Carson, McCall Parkhurst & Horton
- Nick Bulaich, Hilltop Securities
- Ken Brown and Peter Ruth, Brown Ruth Advisors
- John Porter Montgomery and Amy Lester, Westwood Holdings

I. 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.

II. 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 Chip Imrie advised that the agenda today is full and requested that discussion stay on task. He briefly reviewed the agenda items.

Deputy Director Jeanne Chipperfield advised that there will not be a Finance Committee meeting next month. There will be a Personnel Committee meeting to discuss the 2023 personnel requests. She also advised that on May 2nd the first budget letters will be sent to Member Cities. The letters are also referred to as “estimated flow and tonnage letters”. She explained that they provide the District’s projections for next year and that the cities can adjust those projections. The Directors will be copied on their city’s letter.

III. ACTION ITEMS

- A. Consider approval of Finance Committee meeting minutes – March 9, 2022

Upon a motion by Director George Crump and a second by Director Blair Johnson, the Finance Committee voted unanimously to approve the Finance Committee minutes of March 9, 2022.

- B. Review and possible action on financial assistance from the Texas Water Development Board for the Buffalo Creek Interceptor System Tunnel

Assistant Deputy Erik Felthous presented this item. He reviewed that the Buffalo Creek Interceptor System serves the cities of Rockwall, Forney and Heath. He advised this item is to recommend approval of funding from the Texas Water Development Board (TWDB) for the Buffalo Creek Interceptor System Tunnel design, construction and inspection. Funding comes from 2022 and 2023 bonds.

Mr. Felthous advised that the TWDB is committing to \$39,615,000 from the Clean Water State Revolving Fund. He noted that plans are to take advantage of a \$1,000,000 Principal Forgiveness to reduce the loan amount. Details and planned uses for the funding were provided.

Mr. Felthous advised that this item will be presented to the Board at the April 28th meeting. Two resolutions will be presented, one for the loan and one for the Principal Forgiveness.

(Director Gordon arrived during discussion of this item.)

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

C. Review and possible action on Regional Solid Waste System Revenue Bonds, Series 2022

Erik Felthous presented this item. He reviewed that Regional Solid Waste System services the Cities of Allen, Frisco, McKinney, Plano and Richardson. He reviewed a list of projects planned for 2022 for this System. The total cost for the list is estimated at \$13.130 million. He noted that the Parkway Transfer Station Conversion to Top Load included on the list is scheduled to go to the Board in April in the amount of \$309,000.

Mr. Felthous advised this agenda item is to recommend approval of a bond sale for two contracts. The 121 Regional Disposal Facility Heavy Equipment Shop Addition and South Slope Closure has a cost of \$7.574 million. Details of the use of these funds was reviewed. Mr. Felthous reviewed the timeline for the bond sale and advised it is expected to be presented to the Board at the May meeting.

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.

IV. DISCUSSION ITEMS

A. Discuss Strategic Financial Plans

Jeanne Chipperfield introduced this item. She advised that the Strategic Financial Plans (SFP) for all Systems were prepared with reasonable assumptions for inflation on operating and construction costs as well as assumptions for staffing, project timelines, and financing costs. She advised that the on-going supply chain shortages and inflation have been exacerbated by the Russia-Ukraine conflict and have driven prices for certain commodities, including chemicals, significantly higher. It was noted that total costs may not be fully reflected in the SFP and the FY23 budget may be significantly higher than the SFP in some systems.

Ms. Chipperfield advised that the personnel costs in the SFP were prepared with an 8.5 percent increase. The employee turnover rate, resignations, and inflation are factors considered for this assumption. She noted that the Compensation Study will provide insight into the needs of the District in regard to personnel.

Regional Water System

Assistant Deputy R.J. Muraski provided an overview of the Regional Water System planned capital improvement projects for FY23 to FY27 and recent changes that have occurred. He noted that the Leonard Water Treatment Plant expansion has been moved from FY23 to FY24 and a CMAR delivery method will not be used on this project. He advised the expansion should still be on-line in 2026.

Ms. Chipperfield reviewed chemical cost increases, capital improvement fund increases, and personnel increases. She noted that the bond issue to expand the Leonard Water Treatment Plant was rescheduled to FY24.

Assistant Deputy Zeke Campbell provided details on the chemical costs increases that recently occurred. The resulting increase totals approximately 42 percent for FY23. He advised that in the future quarterly pricing will be available in the chemical purchase contracts. Mid-year re-bidding for FY22 are underway. It was noted that only two vendors are capable of providing the District with the chemical quantities needed.

Ms. Chipperfield advised that the 7 percent water rate increase anticipated for FY23 is expected to be approximately 13 percent, and approximately 11 percent for FY24. This information will be refined as new cost projections are received, particularly regarding the chemical costs.

Upper East Fork Interceptor System

Mr. Muraski provided an overview of the planned capital improvement projects for FY23 to FY25. He advised that the 121 Force Main Improvement Project as well as the Preston Road Lift Station have been moved from FY23 to FY24. Two new projects were added for FY25. Those include part two of the 121 Force Main Improvement Project and the Princeton Lift Station Expansion. Details were provided. He noted that the end of the "Capacity Assurance" effort is approaching. This has been on-going for the past three years and will be final in May or June. This will give the District insight into what projects are needed up until the year 2080.

Ms. Chipperfield briefly reviewed anticipated personnel cost increases and capital improvement cost increases for this System. She provided a chart reflecting the impact of capitalized interest on Member cost. In response to a Director's question, she explained that capitalizing interest means to sell additional bonds to pay the financing costs so there is not out of pocket costs for that for the first few years. It does cost more over the life of the bonds to capitalize interest and would need to be analyzed.

Ms. Chipperfield advised the SFPs will be shared with the Member cities and the FY23 budgets will be built from those SFPs. In response to a Director's question,

costs other than for chemicals are increasing as well at a rate of approximately 3 percent. Mr. Muraski added that staff is monitoring construction costs monthly and will adjust as needed. Executive Director Covington noted that there will be a meeting with City Managers from the Member cities following the Board meeting in April.

There was a brief discussion regarding the employee turnover and the need to have a competitive compensation and benefits package.

- B. Review 2021 Retirement Fund Investment Performance by Brown Ruth Advisors, Inc.

Ken Brown and Peter Ruth with Brown Ruth Advisors presented a report on the status of the District's retirement fund. An analysis of the portfolio management was provided. A market review for 2021 was provided as well as a 2022 outlook.

In response to a Director's question, Mr. Brown responded that there are and will be effects of the situation with Russia and Ukraine and the sanctions placed on Russia. He added that the investments are flexible and can be moved around as needed.

- C. Review 2021 Retirement Fund Investment Performance by Westwood Holdings Group, Inc.

Amy Lester with Westwood Holdings presented a report on the status of the District's retirement fund. An Executive Summary of the assets and allocations was provided. A market review for 2021 was briefly discussed.

Mr. Porter Montgomery with Westwood Holdings provided a review of the capital markets and possible scenarios for the future. The effects of inflation, commodities and the GDP (Gross Domestic Product) were reviewed.

- D. Review 2021 Retiree Health Insurance Fund Investment Performance by Westwood Holdings Group, Inc.

Amy Lester presented a report on the status of the District's retiree health insurance fund. She advised returns have been favorable.

- E. Opportunity for Committee members to provide feedback on the Finance Committee meeting or request potential future agenda items

There was no feedback or requests for potential future agenda items.

V. ADJOURNMENT

There being no further business, the meeting was adjourned at 4:44 p.m.

APPROVED:



CHIP IMRIE
Chairman