



NORTH  
TEXAS  
MUNICIPAL  
WATER  
DISTRICT

Regional Service Through Unity... Meeting our Region's Needs Today and Tomorrow



# FINANCE COMMITTEE

June 8, 2022

3:00 P.M.



## I. CALL TO ORDER

## 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.

## 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



## AGENDA

### IV. ACTION ITEMS

- A. Consider approval of Finance Committee meeting minutes – April 13, 2022
- B. Review and possible action on amendments to NTMWD's Administration and Finance Policies Manual
- C. Review and possible action on Sabine Creek Regional Wastewater System Revenue Bonds, Series 2022



## AGENDA

### V. DISCUSSION ITEMS

- A. Fiscal Year 2023 Budget Development
- B. Opportunity for Committee members to provide feedback on the Finance Committee meeting or request potential future agenda items

### VI. ADJOURNMENT



# AGENDA

## IV. ACTION ITEMS

- A. Consider Approval of Finance Committee Minutes –  
April 13, 2022

Recommend Approval of Finance Committee Minutes –  
April 13, 2022



# AGENDA

Jeanne Chipperfield  
Deputy Director  
NTMWD

## IV. ACTION ITEMS

- B. Review and possible action on amendments to NTMWD's Administration and Finance Policies Manual



# ADMINISTRATION AND FINANCE POLICES MANUAL SECTIONS

1. **General Investment Policy**
2. Investment Policy for Retirement Fund and Retiree Health Insurance Program
3. Emergency Expenditures
4. **Water Rebate Policy**
5. Identity Theft Prevention Program
6. **Purchasing Policy**
7. Records Management Policy
8. HIPAA Health Insurance Portability and Accountability Act
9. Employee Concession Committee
10. **Handgun Policy**
11. **Fund Balance Policy**
12. **Debt Management Policy**

# SECTION 1: GENERAL INVESTMENT POLICY

## Section 1.1 – Purpose and Scope

- Rename Comprehensive Annual Financial Report to Annual Comprehensive Financial Report per industry standards
- Remove US Government Notes. Notes refunded in 2021

## Throughout Policy

- Remove Rate Stabilization Fund. Will be combined into Contingency Fund per adopted Independent Review recommendation
- Add Arbitrage Funds and Health Insurance Holding Funds. Previously not included in policy



# SECTION 4: WATER REBATE POLICY

- Board of Directors recommended review of policy
- Changes needed in consideration of Regional Water System amended contract

## Section 4.1 – Overview

- Miscellaneous clarifications
- Rename to Water Variable Cost Rebate Policy

## Section 4.2 - Procedure

- Discontinue use of the budgeted variable cost rate to determine rebates
- Determine variable cost rebate by calculating budgeted variable cost less actual variable cost
- Change timing of payment from September to November to allow for actual costs to be determined
- No change in allocation methodology - budget savings allocated to those cities below their Water Year minimum
- ED/GM will continue to provide the rebate recommendation to the Board of Directors for consideration and approval
- No change to excess water use charges

## SECTION 4: WATER REBATE POLICY

### **Rebates are calculated with:**

Current – Rebate based on budgeted variable rate

Proposed – Allocation of actual savings in variable expenses when compared to budget

### **Timing of rebates:**

Current – Present to Board in August; Board approval and mail in September

Proposed – Present to Board in October; Board approval and mail in November

# SECTION 4: WATER REBATE POLICY

## Comparison of proposed policy to prior year's rebates (\$MM)

	Proposed Methodology					Current Methodology	
FY	Budgeted Variable Costs		Actual Variable Costs		Variance-Basis for Rebate	Actual Amount Rebated	Comparison
2017	\$ 46.85	-	\$ 33.82	=	\$ 13.03	\$ 7.71	\$ 5.32
2018	45.25	-	40.36	=	4.89	5.91	(1.02)
2019	49.86	-	44.10	=	5.76	10.47	(4.71)
2020	52.60	-	46.49	=	6.11	6.45	(0.34)
2021	59.13	-	71.31	=	(12.18)	8.96	(21.14)
2022 Projected	73.24	-	78.44	=	(5.20)	6.71	(11.91)

# SECTION 6: PURCHASING POLICY

## Section 6 – Purchasing Policy

- Update from Purchasing to Procurement throughout

### Section 6.6 – Procurement Threshold

- Update that all contracts procured through a competitive process must have a start and end date; generally, not exceed a 5-year term; require Assistant Deputy approval to exceed 5 years
- Add management’s responsibility for maintaining controls and oversight for their department’s procurement procedures

### • Section 6.8 – Cooperative Purchasing

- Miscellaneous clarification

### Section 6.9 – General Exemptions

- Miscellaneous clarification

### Section 6.20 Purchasing Card Program

- Add management’s responsibility for maintaining controls and oversight for the department’s purchasing card purchases.

Note: Administrative Directive 10 (Purchasing) and Administrative Directive 39 (Purchasing Card Policy) will be updated accordingly

# SECTION 10: HANDGUN POLICY

## Section 10 – Handgun Policy

- Implement policy changes in anticipation of Bois d’Arc Lake opening
- Align with Texas Penal Code allowing licensed and unlicensed handgun carriers to carry accordingly.
- Adding to the acknowledgement that the policy does not restrict Texas Parks and Wildlife Department Agents in addition to existing law enforcement agencies already listed in the policy

## Section 11 – Fund Balance Policy

- Adopted Independent Review Recommendations
  - Regional Water System (RWS) Operating and Contingency funds to maintain 130-150 days of O&M expenses with a target of 150 days of expenses
  - Delete Regional Water System's Rate Stabilization Fund and incorporate balance into Contingency Fund
  - Allow for end of year balances not required for reserve replenishment to be utilized for cash financed construction or commercial paper defeasance up to 15% of historical 5-year average annual spending in RWS
  - Budget for 5-15% of 5-year historical average for Capital Improvements in the Regional Water System
- Update Shared Services Fund's fund balance from 15 days to a range of 15-30 days and allow for ending balances to be carried forward to upcoming fiscal year's budget to offset next year's budget
- Update Health Insurance Holding Funds' fund balance from maximum of two months ending balance to a two to four months of expenses

## Section 11 – Fund Balance Policy

- Allow operating funds to be reserved for selected existing contract encumbrances at year end. Encumbrances must meet certain criteria such as having an executed contract or purchase order; order placed with vendor with delivery or service contract completion expected in next fiscal year.
  - Need to address longer vendor lead times for certain purchases such as heavy or specialized equipment
  - Service contract delays due to vendor availability and/or vendor staffing issues
  - Comply with state law requirement to have funds on hand for contract awards
  - Would not apply to routine deliveries of supplies, materials or services ordered on a regular basis
- Miscellaneous clarifications

# SECTION 12: DEBT MANAGEMENT POLICY

## Section 12.3 – Issuance of Debt

- Add language listing debt structuring options such as level debt service, level principal, interest only, and capitalized interest
  - Inclusive of Independent Review Recommendation





## NEXT STEPS

Receive Committee feedback on proposed changes

August - Brief Policy Committee

August/September - Board consideration of policy amendments



## RECOMMENDATION

**The Executive Director and NTMWD staff recommend the approval of the amendments to NTMWD's Administration and Finance Policies Manual**



# AGENDA

Jeanne Chipperfield  
Deputy Director  
NTMWD

## IV. ACTION ITEMS

- C. Review and possible action on Sabine Creek Regional Wastewater System Revenue Bonds, Series 2022



## SABINE CREEK REGIONAL WASTEWATER SYSTEM REVENUE BONDS

**Serves the Cities of  
Fate and Royse City**



## SABINE CREEK WWTP EXPANSION TO 7 MGD (\$MM)

Source	Scope of Work	Amount
Prior Bond Issues	Engineering	\$ 3.195
2022 Bonds	Construction & Inspections	\$ 66.750
2022 Bonds	Construction Phase Engineering	2.500
2022 Bonds	Property Acquisition	0.750
	Total 2022 Bonds	\$70.000
	<b>TOTAL PROJECT</b>	<b>\$73.195</b>



# SABINE CREEK REGIONAL WASTEWATER SYSTEM REVENUE BONDS

Date	Project	Type	Depreciable Life of Asset	% of Engineering	\$MM
8/2022	Expansion to 7 MGD	Construction/Inspection/ Property/Engineering	40 years	90%	\$ 70.0
					\$ 70.0



## PRELIMINARY SOURCES AND USES OF FUNDS

Sources of Funds	\$MM
Par Amount of Bonds	\$72.08
Reoffering Premium	3.91
<b>Total Sources</b>	<b>\$75.99</b>

Uses of Funds	\$MM
Underwriter's Discount	\$0.54
Cost of Issuance	0.45
Bond Insurance	0.50
Deposit to Debt Service Reserve	4.50
Deposit to Project Fund	70.00
<b>Total Uses</b>	<b>\$75.99</b>



# SABINE CREEK REGIONAL WASTEWATER SYSTEM REVENUE BONDS

- New money financing of approximately \$70MM
  - 30-year term
  - Interest only first 3 years – to mitigate near-term impact on rate
  - Level debt service years 4-30
  - Estimated annual payment of approximately \$4.925MM (32.8% Royse City, 67.2% Fate)
  - Estimated rate as of 5/23/2022: 4.6%
- Sell via negotiated sale on August 25, 2022
  - Relatively small size of member cities and substantial increase in outstanding debt due to this issue
  - Bond insurance likely needed
  - A-/A2 ratings S&P/ Moody's
- Preselect underwriters to market and sell the bonds on behalf of the District
- Financial Advisor responsible to ensure banks obtain market interest rates given conditions and credit quality of issue



# Sabine Creek Regional Wastewater System – Estimated Timeline

Jun-22							Jul-22							Aug-22							Sep-22						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
			1	2	3	4						1	2		1	2	3	4	5	6					1	2	3
5	6	7	8	9	10	11	3	4	5	6	7	8	9	7	8	9	10	11	12	13	4	5	6	7	8	9	10
12	13	14	15	16	17	18	10	11	12	13	14	15	16	14	15	16	17	18	19	20	11	12	13	14	15	16	17
19	20	21	22	23	24	25	17	18	19	20	21	22	23	21	22	23	24	25	26	27	18	19	20	21	22	23	24
26	27	28	29	30			24	25	26	27	28	29	30	28	29	30	31				25	26	27	28	29	30	
							31																				

<b>Complete By</b>	<b>Day</b>	<b>Event</b>
20-Jun-22	Monday	Prepare initial draft of Preliminary Official Statement & send to District and Bond Counsel for comments and modifications
29-Jun-22	Wednesday	Receive initial comments from the District and Bond Counsel
30-Jun-22	Thursday	Provide revised draft of Preliminary Official Statement to Bond Counsel and Underwriting team for review
7-Jul-22	Thursday	Receive information to complete Official Statement from District, Bond Counsel and Underwriters
8-Jul-22	Friday	Provide draft of Preliminary Official Statement to credit rating agencies for review
25-Jul-22	Week of	Rating Agency Calls/Due Diligence Call
3-Aug-22	Wednesday	Provide Preliminary Official Statement to District, Bond Counsel and Underwriters for final sign off
8-Aug-22	Monday	Receive final comments and credit ratings
10-Aug-22	Wednesday	Finalize Preliminary Official Statement Distribute electronically through i-Deal Prospectus
25-Aug-22	Thursday	<b>Bond Sale</b>
1-Sep-22	Thursday	Print Final Official Statements
22-Sep-22	Thursday	Bond closings and delivery of funds

Denotes holidays



## RECOMMENDATION

**The Executive Director and NTMWD staff recommend the approval of Sabine Creek Regional Wastewater System Revenue Bonds, Series 2022**



# AGENDA

Jeanne Chipperfield  
Deputy Director  
NTMWD

## V. DISCUSSION ITEMS

A. Discuss Fiscal Year 2023 Budget Development

# Annual District Budget Cycle Engages District Departments, Board of Directors, and Members/Customers

## District Departments

- Jan-Mar: Budget kickoff; Budget Guidance, Department requests for new personnel and budget items
- April-Aug: Refine budget requests by working with Executive Team, Finance, HR, and requesting departments

## Board of Directors

- April: Finance Committee re: Strategic Financial Plans
- May: Personnel Committee re: New Positions
- June: Finance Committee
- July: Budget Workshop
- August: Briefing to Board & review of draft budget document
- Sept: Final Amended Budget, Proposed Budget
- Nov: Approval of RWS Rebates (Assuming Policy Revision)

## Members/Customers

- May: Strategic Financial Plans, Letters (2) re: estimated flow/tonnage and proposed RWS charges
- June/July: Letters (2) re: preliminary budget charges
- Aug: Excess water bills
- Sept: Final budget charge letters
- Oct: Final billing adjustment from previous FY
- Nov: RWS Rebates (Assuming Policy Revision)

- **Personnel +45 Headcount**

DRIVER	RWS	WW	RSWS	SHARED	TOTAL
Growth	7	16	0	3	26
Deficiency	0	1	0	6	7
New Programs	0	0	1	4	5
Budget Neutral	2	0	2	3	7
<b>TOTAL</b>	<b>9</b>	<b>17</b>	<b>3</b>	<b>16</b>	<b>45</b>

- **Personnel**

- FY23 Proposed budget +\$13.3MM overall increase

- **Chemicals**

- FY22 Amended budget +\$5.8MM
  - Currently not budgeting to provide a variable cost rebate
- FY23 Proposed budget +\$26.4MM
  - Transitioning over to quarterly pricing model

- **Fuel**

- FY23 Proposed budget +\$1.5MM

- **Electric Power**

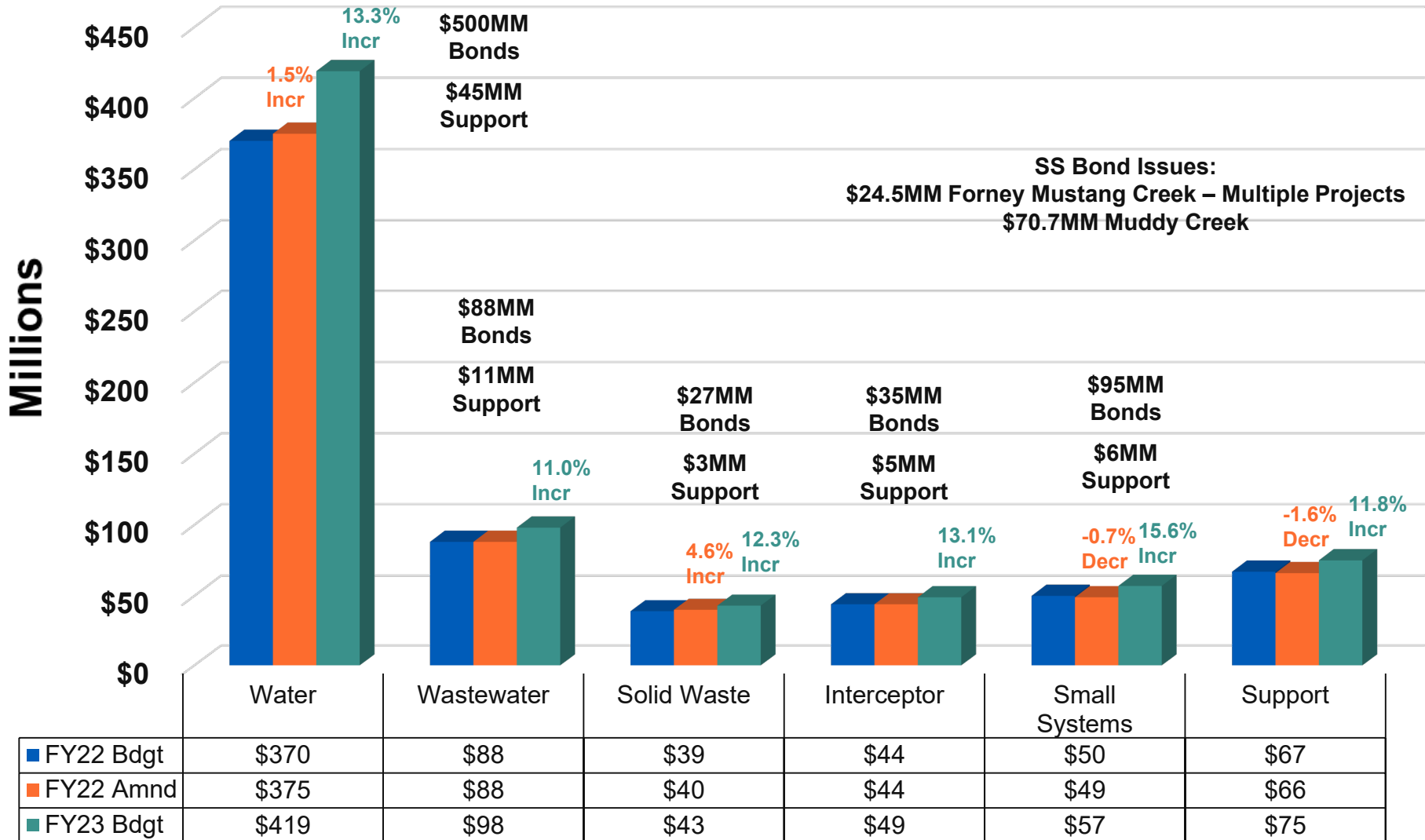
- FY23 Proposed budget +\$5.6MM

- **Debt – \$750MM, 6 Bond Issues**
  - FY23 Proposed budget +\$17.1MM
- **Capital Improvement Fund Transfers**
  - FY23 Proposed Budget +\$5.8MM
    - RWS \$20MM (+\$5MM)
      - Based on adopted Independent Review recommendation, increase RWS funding for cash financed construction up to 5-15% of the historical 5-year averages.
- **Cost Allocation for Shared Services – Year 4 of 5 Year Phase in**
  - Next comprehensive cost allocation plan update will be just prior to completion of the current 5-year phase in.
  - Simplify allocations by moving some shared services into direct costs.

- **22 of 31 Systems at or below Strategic Financial Plans except:**
  - Regional Wastewater - \$801,733
    - Currently above the SFP but expected to be below when final debt service numbers are updated
  - Little Elm Water Transmission Facility - \$930
  - Plano Water Transmission Facility - \$4,160
  - Kaufman Four-One – \$6,691
  - Rockwall Pump Station - \$1,246
  - Sabine Creek WWTP - \$808,785
    - Increased size of bond issue, increased interest rates
  - Muddy Creek WWTP - \$6,893
  - Seis Lagos WWTP - \$19,938
    - Clarifier bridge rehab, increased electric power
  - Pretreatment - \$127,322
    - Adding Richardson into the system

# EXPENDITURES BY SYSTEM (\$MM)

Preliminary





# BUDGET DEVELOPMENT NEXT STEPS

- July - Budget Work Session with Board
- August - Tentative Budget Work Session with Board (If Needed)
- September
  - Finance Committee approval of FY22 Amended Budget and FY23 Proposed Budget
  - Final Board consideration of FY22 Amended Budget and FY23 Proposed Budget



## AGENDA

### V. DISCUSSION ITEMS

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

### VI. ADJOURNMENT