



NORTH TEXAS MUNICIPAL WATER DISTRICT
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**MINUTES OF WORK SESSION AND SPECIAL MEETING
OF THE BOARD OF DIRECTORS
JULY 21, 2022**

The North Texas Municipal Water District (NTMWD) Board of Directors met in a Work Session and Special Meeting on Thursday, July 21, 2022, at 1:00 p.m. Notice of the meeting was legally posted in accordance with Government Code, Title 551, Open Meetings.

I. CALL TO ORDER

President Jack May called the meeting to order at approximately 1:00 p.m.

President May advised the following regarding the meeting:

The meeting today is being conducted in person with two-way video and audio communication between Board members participating by videoconference, establishing a quorum. The public may attend the meeting in person. Audio and video of Board members participating by videoconference will be visible. Members of the public wishing to listen to live audio from the meeting may do so by calling in.

II. ROLL CALL/ANNOUNCEMENT OF QUORUM

The roll was called, and attendance was confirmed as follows:

	DIRECTORS	ABSENT	REMOTE
1	Anderson, Terry Sam		
2	Appolito, Robert	√	
3	Boren, Kalen	√	
4	Carr, John	√	
5	Crowley, Rick	√	
6	Crump, George		
7	Dyer, Phil		
8	Farmer, Joe	√	
9	Fuller, Marvin		√
10	Gordon, Don	√	
11	Hollifield, David	√	
12	Imrie, Chip		
13	Johnson, Blair		
14	Kelley, Ron		

15	Kerr, James (Jim)		
16	Kever, Geralyn		√
17	May, Jack		
18	Patrick, Brenda Jean	√	
19	Peasley, Richard		
20	Roland, Randy		
21	Shuyler, Lynn		
22	Stephens, Keith		
22	Sutherland, Jody		√
23	Sweeden, John	√	
24	Thompson, Larry		√

The following NTMWD legal and professional consultants attended the meeting:

- Lauren Kalisek and Sara Thornton – Lloyd Gosselink Rochelle & Townsend
- Lissa Gregg - Freese & Nichols, Inc.

III. OPENING REMARKS

A. President’s Remarks concerning current events, conduct of meeting, posted agenda items, committee assignments, and related matters

President May welcomed attendees.

B. Executive Director’s Status Report concerning legislation and regulatory matters, budgets, current projects and ongoing programs of the District including the Regional Water System, Regional Wastewater System, Regional Solid Waste System, Watershed Protection, and Water Conservation

Executive Director Covington reviewed today’s agenda and meeting format. She commended the District staff for their efforts this year on the budget.

IV. 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 Board may not discuss these items but may respond with factual or policy information.

There were no requests for public comment.

V. DISCUSSION ITEMS

A. Review proposed Fiscal Year 21-22 Amended Annual All Systems Budget and proposed Fiscal Year 22-23 Annual All Systems Budget

1. Introduction and Overview – Executive Director Covington offered opening remarks. She provided an overview of the budget process and timeline as it relates to District Departments, the Board of Directors, and the Members and

Customers. She provided an overview of the number of people and communities served by the District and the services provided. The major funds included in the District's budget were reviewed that include the Regional Water System; the Regional Wastewater Treatment System; Upper East Fork Interceptor System and Sewer System; the Regional Solid Waste System; and Shared Services.

Executive Director Covington reviewed challenges affecting the budget that include labor, chemical costs, and capital project costs.

2. Personnel – Executive Director Covington advised that 45 new positions are being requested. Drivers for these requests include Growth, Deficiency, New Programs, and Budget Neutral.

Deputy Director Billy George reviewed positions requested for the Water and Wastewater system. The associated budget for these was provided. Seventeen of the positions are related to the Sister Grove facility that will be online during the latter part of FY23.

Deputy Director Jeff Mayfield reviewed nine (9) positions being requested. Supporting comments for positions in Solid Waste, Fleet Maintenance, Technical Services, Information Technology and the Laboratory were provided. The associated budget for these was reviewed.

Deputy Director Cesar Baptista reviewed positions needed in regard to the Capital Improvements program. A total of 16 personnel are requested for Engineering and Planning, General/Communications and Accounting.

Executive Director Covington reviewed the request for an in-house General Counsel position. She advised this would not eliminate the current outside Counsel and reviewed the planned role of this proposed position as a new program. A Public Information Specialist is also being requested.

Deputy Director Jeanne Chipperfield provided a review of the need for adding a Senior Accountant position. She noted the opening of Bois d'Arc Lake as the need for this position.

President May as well as other Directors spoke in favor of adding an in-house Counsel position. In response to a Director's question, Executive Director Covington advised that a reduction in cost for the current outside Counsel is expected.

Recruitment of needed personnel from outside the area was briefly discussed as well as the potential for reducing overtime if personnel are added. It was noted that the Public Information Specialist would be in the Communications Department and would focus on water conservation messaging.

Ms. Chipperfield provided additional data on the proposed new positions as well as the 943 current positions by type and systems. She reviewed compensation recommendations for the FY23 budget and included the budget impacts. Several Directors offered comments regarding proposed salary merit

increases. Rationale for people leaving or joining the organization was briefly discussed; currently there are 55 vacancies. It was noted that a Compensation Study currently being conducted is nearing completion and will be discussed at the upcoming Personnel Committee meeting.

3. New Facilities, Chemicals and Procurements - Billy George provided an overview of the District's new facilities including Bois d'Arc Lake, Leonard Water Treatment Plant, and the Sister Grove Regional Water Resource Recovery Facility.

Assistant Deputy Zeke Campbell provided an update on the Water and Wastewater chemical budget costs for the various types of chemicals used by the District. Significant increases have occurred during FY22 and were compared to the FY23 budget. Mr. Campbell spoke of chemical optimization implemented during recent years. Volatility of chemical pricing and how to respond to that possibility was discussed.

Purchasing Manager Nicole Mucha provided a brief overview of procurement activities for the current fiscal year and reviewed large projects anticipated for FY23. She noted that this is the first year that the District is operating under a centralized purchasing policy. She advised that 239 contracts are being managed, including 24 chemical contracts. It was noted that the number of competitive processes this year increased significantly over previous years. Ms. Mucha provided an overview of the Cooperative Purchasing program and advised it was used by the District 39 times during this year. A list of anticipated procurements over \$100,000 for FY 23 was provided.

In response to a Director's question, Mr. Campbell advised the District is required to keep two weeks of chemicals on-hand.

4. Capital Improvement Program Projects - Assistant Deputy R.J. Muraski provided a review of the District's capital improvements since 2014. Construction costs have increased approximately 18 percent during the past year. Mr. Muraski provided a review of multiple major projects for FY23 included for the Regional Water System, the Regional Wastewater System, the Upper East Fork Interceptor System, and the Sewer Systems. The Solid Waste System has four major projects for FY23. The anticipated cost for each was provided.
5. Capital Improvement Program Funding – Assistant Deputy Erik Felthous provided an overview of funding tools for the capital improvement projects that includes cash, revenue bonds, and extendable commercial paper programs for each system. He noted that increasing interest rates are impacting financing options. The remaining FY22 CIP contracts' financing was reviewed as well as FY23 CIP contracts' financing.
6. Amended Fiscal Year 21-22 Budget Summary - Erik Felthous reviewed the significant items impacting the current budget. He advised there is a \$6.9 million overall increase in the budget that consists of reductions in some categories and increases in others, including a \$6 million increase in chemical costs.

Member and Customer consumptions were provided. It was noted that the District is not currently anticipating rebates due to actual expenses for chemicals.. Executive Director Covington added there will be a policy discussion with the Board regarding rebates. Mr. Felthous noted that the cities' Finance Directors have been invited to meet with District Finance personnel regarding the budget.

7. Fiscal Year 22-23 Budget Summary - Jeanne Chipperfield advised that the upcoming budget expenditures are projected to be \$675.4 million. A chart reflecting the categories of Personnel, Operating Costs, and Capital Improvements/Debt Services was provided. She presented a detailed analysis of the budget by System.

Ms. Chipperfield provided an overview of the PUC Settlement as it relates to water contracts and drawdowns for Members and Customers. The water rate calculation was provided and proposed to be \$3.39 per thousand gallons. Additionally, she advised that the variable cost will be budgeted at 100 percent for FY23. Those variable costs are extremely volatile due to supply chain issues and inflation. Chemicals, production power and water purchases are included in variable costs and totals \$102 million.

Ms. Chipperfield provided a summary of the Independent Review recommendation for reserves in the Operating and Contingency funds that includes 130-150 days of Operating and Maintenance expense with a target of 150 days. Additionally, a budget for 5-15 percent of a 5-year historical average for Capital Improvements in the Regional Water System was recommended in the Review. The proposed FY23 budget reflects those recommendations.

The Regional Wastewater System, Upper East Fork Interceptor System, and Small Systems breakdown of expenditures by category was provided. The budget for each plant was provided. Budget data on the Regional Solid Waste System was also provided. Ms. Chipperfield advised there is an overall increase in Shared Services of \$7.7 million for FY23. Details of the categories was provided. How those costs are allocated was explained.

8. Conclusions and Path Forward - Executive Director Covington reviewed some of the questions presented by Directors that will be responded to in the future. She advised that another work session may be scheduled in August. In September, the Finance Committee will consider approval of the FY22 amended budget and the FY23 proposed budget. The final Board consideration of both will also be in September.

There was a brief recap of today's discussions.

A recess was taken at 3:36 p.m. The meeting reconvened after approximately ten minutes.

VI. ACTION ITEMS

- A. Review of ongoing regional drought conditions and possible action to address those conditions

Introduction and Situational Update

Executive Director Covington advised that water demands over the past few weeks have increased and the staff has been proactively providing water conservation messaging. She referenced that the unscheduled maintenance event that occurred at the Wylie Water Treatment Plant on July 16th required a specific call to action by all recipients of treated water provided by NTMWD to conserve and reduce outdoor watering. She expressed appreciation to the media for distributing the water conservation message and the District staff who have worked diligently to restore use of the basins at the Wylie facility.

Executive Director Covington advised that even after the Wylie plant is back in full operation, the water conservation message will continue. She noted that in communications with the City Managers it was expressed that they support the conservation efforts. It was noted that since the area has not been in drought stages for the past few years, there is a need to re-educate the public on water usage. She advised that it will be possible for the Board to adopt a resolution today authorizing the Executive Director to enact emergency drought responses if they choose, or it may be considered at the next Board meeting.

Billy George briefly reviewed the subjects to be presented and advised that a forecast model for demands climbing prepared by Freese and Nichols, Inc. would be provided. He advised that demands as forecasted as well as reduced treatment capacity from the July 16th event at the Wylie Water Treatment Plant resulted in the need to reduce consumption. Fortunately, the cities affected had sufficient stored water to make up the shortage that occurred as a result of the plant shutdown. He noted that the Leonard Water Treatment Plant, which was originally scheduled to be online this summer, will not be online until next year.

Mr. George reviewed that by June 21st most of the District's service area had normal to abnormally dry conditions. At present, moderate to extreme drought conditions exist in all of the service area. The lack of rainfall and hot temperatures resulted in a new water pumping record on July 12th of 643 million gallons per day (MGD) of raw water pumping in a 24 hour period. On June 21st that amount was 478 MGD.

Mr. George provided the following information on the situation as of today:

- Severe drought conditions come with rapid consequences
- Staff developed plan for increased water conservation prior to Saturday
- As of today: water storage volumes have recovered
- Uncontrolled regional demand growth is not sustainable
- Rainfall in the region may help lower demands
- NTMWD is seeing lower demands this week

Mr. George advised that in some area cities, lower demands are being reported. The cities are actively pursuing water conservation compliance. Some are experiencing water main breaks due to shifting and sinking soils. There has been close coordination between the cities and the NTMWD. The District is also utilizing the news media and social media to bring attention to the need for conservation.

Water Supply Availability

Assistant Deputy Galen Roberts provided information on the supply of water availability and gave a summary of reservoir elevations. He advised that approximately 94 percent of Texas is experiencing drought conditions. He advised that the majority of demands comes from outdoor watering, adding that since the last drought in 2011 the District is serving 650,000 more people than it did then. A historical depiction of Lake Lavon's elevations and Drought Response Stages from 2011 - 2015 was provided.

Plant IV Update

Zeke Campbell gave an update on the Wylie Water Treatment Plant IV. He provided an example flow chart for the treatment of raw water. He reviewed that on Saturday, July 16th, a situation occurred that required flows to be reduced. The system was then shut down to preserve drinking water quality, and to drain and clean Water Treatment Plant IV basins. Today, five of the six basins at the plant are back in service. He pointed out that no impacts to drinking water quality occurred and no regulatory impacts occurred. A timeline of events that occurred at Plant IV from July 16 – 19 were reviewed. An overview of the District's communications to Members and Customers was provided.

Water System Capacities

Zeke Campbell provided an overview of demands and capacities at the Wylie Water Treatment Plant. The permitted capacities at the Wylie Water Treatment Plant and the Tawakoni Water Treatment Plant are greater than what these facilities can produce on an instantaneous or 24 hour sustained basis. Mr. Campbell reviewed in detail the treatment operation considerations and other factors that affect capacity.

Executive Director Covington added that the basins are cleaned annually and the event on Saturday was unexpected. Staff is assessing the situation to determine the cause.

2022 Summer Demands

Lissa Gregg, consultant with Freese and Nichols, Inc., provided the results of the forecast model for summer demands. Data on historical and current usage was provided. In the previous week there had been some rainfall in some areas and she provided a graph of the potential effects of that rainfall.

Mr. George advised that cities could evaluate their need to conserve by the amount of usage prior to the rainfall and the Wylie Plant shutdown, as both of these things impacted usage. He expressed that demands need to be reduced by approximately 10 percent below forecast increases. In response to a Director's question, he advised that the District's maximum demand capacity is 760 MGD if everything is working properly, however, it needs to be less.

Water Resource & Emergency Management Plan

Galen Roberts provided a review of the NTMWD Water Resource & Emergency Management Plan as follows:

NTMWD Water Resource & Emergency Management Plan (WREMP)

- Includes triggers for drought response stages that address supply, treatment and conveyance limitations
- Drought response 'Stages' 1-3 include increasing levels of conservation and goals for water use reductions
- Concurrence from the NTMWD Board required to enact 'Stages'
- Required to be updated every five years (Last update was in 2019.)

The Plan objectives are to:

- Protect and preserve public health, welfare and safety
- Conserve available water supply in times of drought and emergency
- Maintain supplies for domestic water use, sanitation and fire protection

Mr. Roberts reviewed Stages 1, 2 and 3 of the Plan.

It was noted that the cities' conservation plans are different than the District's Plan and are designed to reduce the demands. Actions aimed at reducing daily demands were reviewed.

Communications

Communications Director Wayne Larsen provided an overview of the public information notifications District staff provided via the news media, social media and press releases during the Plant shutdown. He advised that the District's website has online resources for conservation and drought reduction, virtual classes and webinars are available, and partnering meetings with Members and Customers are held. He commended the staff, the news media, and the cities in their efforts to relay conservation messaging during this time.

Discussion and Possible Action

Billy George provided a recap of today's information. He advised that Attorney Sara Thornton has prepared a Resolution authorizing the Executive Director to enact Drought Response Stages and that may be considered today or at the next Board meeting. The Resolution does have an expiration date of September 22, 2022. Mr. George noted that if not adopted today, staff will continue with the current call for conservation and allow Members and Customers to take necessary steps based on their individual systems. He reiterated that the goal is to reduce demands growth to 10 percent below forecasted, uncontrolled regional demand growth.

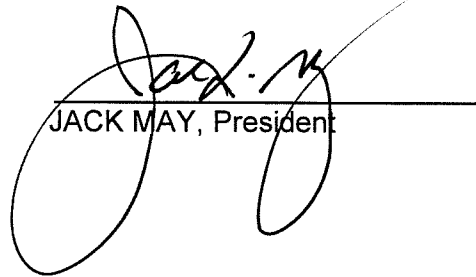
Several Directors expressed their preference is to move forward with a vote on the Resolution today and others expressed a desire to wait until the full Board is present at the next regular meeting. It was noted that, if necessary, the Board could convene in an emergency meeting to address the situation if it arises. The intent of the Resolution was reviewed.

Director Marvin Fuller made a motion to table the Resolution until the July 28th Regular Board meeting. Motion was seconded by Director Chip Imrie. Motion passed unanimously.

VII. ADJOURNMENT

There being no further business, the meeting adjourned at approximately 5:40 p.m.

APPROVED:



JACK MAY, President

ATTEST:



GEORGE CRUMP, Secretary

