



NORTH TEXAS MUNICIPAL WATER DISTRICT

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

TO: BOARD OF DIRECTORS
FROM: JENNA COVINGTON, EXECUTIVE DIRECTOR
DATE: August 19, 2022
SUBJECT: REGULAR MEETING – THURSDAY, AUGUST 25, 2022

As we wind down to the end of an extremely challenging summer, I want to thank everyone for their part in mitigating the potential for major disruptions in service. To you, our Board, thank you for the leadership to make hard decisions and the support of staff to carry out these decisions. To our staff, I am extremely proud and appreciative of the tremendous work to keep our system functioning despite all the challenges posed by these historic demands. Many, many hard hours were spent by a significant number of employees to battle through the obstacles of this summer. To our Cities, I am incredibly appreciative of their response to our request to reduce demands. Both Members and Customers helped get the word out to their citizens helping us avoid more drastic drought measures.

We still have a few more weeks of summer, and we're not out of the woods just yet. However, seeing the response from everyone thus far, my confidence in the District's ability to weather this storm is exceedingly high.

Strategic Objective Highlight Initiative 4.2.1 - Reduce Safety Incidents Through Employee and Leadership Engagement

This initiative is focused on continuing to instill a deeply rooted safety culture throughout the organization and tracking the results of our efforts. In this case we are using three important indicators to track our progress. Total Recordable Incident Rate (TRIR) is the number of incidents per every 100 employees working a 40-hour week in a 50-week year. Days Away, Restricted or Transferred (DART) is the number of safety incidents resulting in employees being absent, restricted, or transferred, also per 100 employees working a full year. Finally, we track the ratio of DART to TRIR which tells us the percentage of safety incidents that resulted in lost time.

In 2016, when the District refocused our safety efforts by establishing a comprehensive safety program and department, our TRIR was 14.9. I am glad to report that the TRIR decreased to 3.1 at the end of calendar year 2021. Through June of this year, we continue significant improvement with a rate of 2.5. Likewise, our DART rate is also on a downward path from a rate of 8.5 in 2016 to a rate of 2.5 at the end of 2021. Through June we continue that progress with a rate of 2.1. Our DART to TRIR ratio through June is 84 percent, something we are striving to improve on and an area of focus for us.

The success demonstrated by these decreased incident rates are reflective of the efforts of our operations staff and support teams. The District's facility maintenance and capital improvement programs are updating our facilities and work areas, creating safer work environments while we also provide our employees with the proper tools, equipment, and protective clothing to be safe. Our training programs focus not only on knowledge and development of hands-on skills such as defensive driving, safe bolting, and fall protection but also on safety leadership development and peer support as well. In addition to the primary goal of making our employees as safe as possible, this work has the additional benefit of decreased worker compensation and auto liability insurance premiums despite significant increases in the number of employees and vehicles over time. I am proud of the strides our team is making to reduce incidents and the continued growth of our District's safety culture.

Multi-Factor Authentication

As the Board is aware, Cyber Security has been a major initiative for the District this year. One of the key parts of securing our digital systems is to implement Multi-Factor Authentication (MFA) for anyone with access to our systems and servers. MFA is a security technology that requires multiple methods of authentication to verify a user's identity for a login or other transaction. You likely have experienced this with online services like banking or bill paying.

Thanks to the efforts of Jim Shirley and his IT team, we have just completed the process of implementing MFA for the entire staff of NTMWD. Our next step is to implement MFA for the Directors. Since you have access to our servers, it is important to include the Board in our efforts.

Over the next month, we will be working with Board to accomplish this task. Jim and his team will be reaching out to the Directors to implement MFA on your devices that access the District's systems and servers.



NORTH TEXAS MUNICIPAL WATER DISTRICT

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**BOARD OF DIRECTORS
REGULAR MEETING (IN PERSON AND BY VIDEOCONFERENCE)
THURSDAY, AUGUST 25, 2022
2:30 P.M.**

Notice is hereby given pursuant to V.T.C.A., Government Code, Chapter 551, that the Board of Directors of North Texas Municipal Water District (NTMWD) will hold a regular meeting in person and by videoconference, accessible to the public, on Thursday, August 25, 2022, at 2:30 p.m., at the following meeting location: NTMWD Administrative Offices, 501 E. Brown Street, Wylie, Texas 75098.

The Presiding Officer and a quorum of the Board of Directors will be present at the meeting location or by videoconference with two-way video and audio communication between Board members participating at the meeting location and by videoconference. The public may attend the meeting in person at the meeting location. Audio and video of Board members participating by videoconference will be broadcast live and will be visible to members of the public. The meeting will be recorded and available on the NTMWD website after the meeting.

Members of the public wishing to listen to live audio of 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.

AMENDED AGENDA

I. CALL TO ORDER

II. INVOCATION

III. PLEDGE OF ALLEGIANCE

IV. PLEDGE OF ALLEGIANCE TO THE TEXAS FLAG

V. ROLL CALL/ANNOUNCEMENT OF QUORUM

VI. OPENING REMARKS

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

VII. 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.

VIII. DISCUSSION ITEMS

- A. Review of ongoing regional drought conditions and consumption update
- B. Update on amended FY 21-22 and proposed FY 22-23 Annual All Systems Budgets

IX. EXECUTIVE SESSION (to begin at approximately 3:15 p.m. and end approximately at 4:00 p.m.)

The Presiding Officer will announce that the meeting will move into closed executive session and identify the agenda items to be discussed in executive session. The executive session will conclude so that the public meeting will resume at approximately 4:00 p.m.

- A. Consult with legal counsel regarding pending or contemplated litigation (Tex. Gov’t Code Section 551.071)
 - 1. *NTMWD v. S.J. Louis Construction of Texas, Ltd., ACT Pipe and Supply, Inc., J-M Manufacturing, Inc., d/b/a JM Eagle, Inc.*, Cause No. 429-06607-2019, 429th Judicial District, Collin County, Texas (121 Force Main)
 - 2. Buffalo Creek Parallel Interceptor, Phase I Project
- B. Update on Long Range Water Supply Plan (Tex. Gov’t Code Section 551.071 and 551.072)

X. RECONVENE INTO REGULAR SESSION

In accordance with Texas Government Code, Chapter 551, the Board of Directors of NTMWD will reconvene into regular session to consider action, if any, on matters discussed in Executive Session.

XI. CONSENT AGENDA ITEMS

The Consent Agenda allows the Board of Directors to approve all routine, noncontroversial items with a single motion, without the need for discussion by the entire Board. Any item may be removed from consent and considered individually upon request of a Board member or NTMWD staff member.

- A. **Approval of Regular Board Meeting Minutes - Consent Agenda Item No. 22-08-01**
 - Consider approval of July 28, 2022, Board of Directors Regular meeting minutes
- B. **Approval of Board Work Session and Special Meeting Minutes - Consent Agenda Item No. 22-08-02**
 - Consider approval of July 21, 2022 Board of Directors Work Session and Special meeting minutes

- C. **Approval of Monthly Construction Report - Consent Agenda Item No. 22-08-03**
- Consider approval of August 2022 Monthly Construction Report
- D. **Authorize execution of a Joint Funding Agreement with the United States Geological Survey (USGS) - Consent Agenda Item No. 22-08-04**
- Consider authorizing the Executive Director to execute a joint funding agreement with the USGS in the amount of \$187,000 for continuation of zebra mussel monitoring program
- E. **Authorize execution of a Joint Funding Agreement with the United States Geological Survey (USGS) - Consent Agenda Item No. 22-08-05**
- Consider authorizing the Executive Director to execute a joint funding agreement with the USGS in the amount of \$116,490 for surface water data collection and water quality monitoring
- F. **Authorize Amendment No. 8 to the Construction Manager At-Risk (CMAR) agreement for the Wylie Water Treatment Plant (WTP) projects - Consent Agenda Item No. 22-08-06**
- Consider authorizing the Executive Director to execute Amendment No. 8, Construction Change Order No. 4 to the CMAR agreement with MWH Constructors, Inc. in the amount of \$442,513; Ratification of the Executive Director's authorization to proceed with expedited material procurement for Project No. 101-0390-15, Wylie WTP Biological Active Filtration; 101-0496-18, Ammonia System Improvements; and 101-0517-18, Wylie WTP II Structural and Mechanical Improvements-Phase I Partial GMP No. 1 for work related to Project No. 101-0517-18, Plant II Structural and Mechanical Improvements
- G. **Authorize execution of an architectural services agreement for the Wylie Fleet Maintenance Service Center project - Consent Agenda Item No. 22-08-07**
- Consider authorizing the Executive Director to execute an architectural services agreement with Stantec Consulting Services, Inc. in the amount of \$458,125 for final architectural design and construction phase services for Project No. 401-0613-22, Wylie Fleet Maintenance Service Center
- H. **Adoption of Resolution No. 22-34 authorizing the execution of conveyance of property for the Sabine Creek Wastewater Treatment Plant (WTTP) project - Consent Agenda Item No. 22-08-08**
- Consider adoption of Resolution No. 22-34 authorizing the Executive Director to execute a conveyance of property of approximately 1.05 acres of permanent easement to the City of Royse City
- I. **Authorize execution of an engineering services agreement for the 121 Regional Disposal Facility (RDF) Sectors 6B and 6C Mass Excavation project - Consent Agenda Item No. 22-08-09**
- Consider authorizing the Executive Director to execute an engineering services agreement with Biggs and Mathews Environmental in the amount of \$28,900 for final engineering design on Project No. 401-0614-22, 121 RDF Sectors 6B and 6C Mass Excavation

XII. AGENDA ITEMS FOR INDIVIDUAL CONSIDERATION

GENERAL / ADMINISTRATIVE AGENDA ITEMS

- A. **Adoption of Resolution No. 22-35 authorizing Sabine Creek Regional Wastewater System Contract Revenue Bonds, Series 2022 - Administrative Memorandum No. 5850**
- Consider adoption of Resolution No. 22-35 authorizing the issuance, sale and delivery of NTMWD Sabine Creek Regional Wastewater System Contract Revenue Bonds, Series 2022 in the amount of approximately \$80,160,000; and approving and authorizing instruments and procedures relating thereto
- B. **Amendment to NTMWD Administrative and Finance Policies Manual and Adoption of Resolution No. 22-36 approving the NTMWD Investment Policy and Investment Strategy - Administrative Memorandum No. 5851**
- Consider authorizing amendment to the NTMWD Administration and Finance Policies Manual as follows: (a) Section 1, General Investment Policy; (b) Section 4, Water Variable Cost Rebate Policy; (c) Section 6, Purchasing Policy; (d) Section 10, Handgun Policy; (e) Section 11, Fund Balance Policy; (f) Section 12, Debt Management Policy; (g) Section 13, Grant Management Policy; and (h) Exhibit A, NTMWD Investment Strategy Statement; and adopt Resolution No. 22-36, as it pertains to the General Investment Policy, “A Resolution approving NTMWD Investment Policy and Investment Strategy” which includes an annual review and approval of the Investment Policy and Strategies that are included in the NTMWD Administration and Finance Policies Manual

WATER AGENDA ITEMS

- C. **Adoption of Resolution No. 22-37 authorizing the execution of an Interlocal Cooperation Agreement (ILA) with the City of Richardson - Administrative Memorandum No. 5852**
- Consider adoption of Resolution No. 22-37 authorizing the Executive Director to execute an ILA with the City of Richardson regarding the joint construction of Richardson’s Water Improvements and NTMWD’s Project No. 101-0338-13, Meter Vault Standardization, Set Point Control Phase IV; and No. 101-0566-20, 36-inch Plano West Side Pipeline

WASTEWATER AGENDA ITEMS

- D. **Authorize award of construction contract, engineering construction services agreement and construction management and inspection services agreement for the Sabine Creek Wastewater Treatment Plant (WWTP) expansion project - Administrative Memorandum No. 5853**
- Consider authorizing award of construction contract to Eagle Contracting, LLC in the amount of \$69,831,000, award of construction management services to Plummer Associates, Inc. in the amount of \$ 3,939,953, and award of engineering construction services to AECOM Technical Services, Inc. in the amount of \$ 2,766,538 for Project No. 308-0576-20, Sabine Creek Wastewater Treatment Plant Expansion to 7 MGD (formerly Expansion to 6 MGD)

- E. **Authorize construction Change Order No. 1 for the North McKinney Parallel Interceptor project - Administrative Memorandum No. 5854**
- Consider authorizing construction Change Order No. 1 with McKee Utility Contractors, Inc. in the amount of \$869,643.16 for Project No. 501-0504-18 North McKinney Parallel Interceptor

LAND ACQUISITION / RIGHT OF WAY AGENDA ITEMS

- F. **Adoption of Resolution No. 22-38 authorizing the execution of a land acquisition program for the Preston Road Lift Station expansion project - Administrative Memorandum No. 5855**
- Consider adoption of Resolution No. 22-38 authorizing the Executive Director to execute a land acquisition program with a budget of \$1,500,000; and authorizing the use of eminent domain to acquire property for Project No. 501-0559-20, Preston Road Lift Station Expansion
- G. **Adoption of Resolution No. 22-39 authorizing the execution of a property and right-of-way acquisition program for the Sabine Creek Wastewater Treatment Plant expansion project - Administrative Memorandum No. 5856**
- Consider adoption of Resolution No. 22-39 authorizing the Executive Director to execute a property and right-of-way acquisition program with a budget of \$1,400,000; and authorizing the use of eminent domain to acquire property and right-of-way for Project No. 308-0576-20, Sabine Creek Wastewater Treatment Plant (WWTP) Expansion

XIII. CLOSING ITEMS

- A. Opportunity for Board members to provide feedback or request potential future agenda items.

XIV. ADJOURNMENT

REQUIRED LEGAL NOTICES

The Board of Directors is authorized by the Texas Open Meetings Act to convene in closed or executive session for certain purposes. These purposes include receiving legal advice from its attorney (Section 551.071); discussing real property matters (Section 551.072); discussing gifts and donations (Section 551.073); discussing personnel matters (Section 551.074); or discussing security personnel or devices (Section 551.076). If the Board of Directors determines to go into executive session on any item on this agenda, the Presiding Officer will announce that an executive session will be held and will identify the item to be discussed and provision of the Open Meetings Act that authorizes the closed or executive session.

Persons with disabilities who plan to attend the NTMWD meeting and who may need auxiliary aids or services are requested to contact Shannon Sauceman in the NTMWD Administrative Offices at (972) 442-5405 as soon as possible. All reasonable efforts will be taken to make the appropriate arrangements.

Pursuant to Section 30.05, Penal Code (criminal trespass), a person may not enter this property with a firearm. Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun. Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly.

NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

CONSENT AGENDA ITEM NO. 22-08-01

JULY 2022 REGULAR BOARD MEETING MINUTES

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors approve the minutes of the regular Board meeting held on Thursday, July 28, 2022 as presented. (See attached.)



NORTH TEXAS MUNICIPAL WATER DISTRICT
501 E. Brown Street • Wylie, Texas 75098
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**MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
JULY 28, 2022**

The North Texas Municipal Water District (NTMWD) Board of Directors met in a regular meeting on Thursday, July 28, 2022, at 2:30 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 2:30 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. INVOCATION

Director John Sweeden offered the invocation.

III. PLEDGE OF ALLEGIANCE

President May led the Pledge of Allegiance.

IV. PLEDGE OF ALLEGIANCE TO THE TEXAS FLAG

President May led the Pledge of Allegiance to the Texas Flag.

V. 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	√	
23	Sutherland, Jody		
24	Sweeden, John		
25	Thompson, Larry	√	

The following NTMWD legal and professional consultants attended the meeting:

- Lauren Kalisek, Sara Thornton – Lloyd Gosselink Rochelle & Townsend
- Lewis Isaacks, Mark Walsh – Saunders Walsh & Beard
- Lissa Gregg – Freese & Nichols, Inc.

VI. OPENING REMARKS

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

President Jack May welcomed new Board member, Rick Crowley. He is representing the City of Rockwall and was appointed by their City Council on July 5th. He is the previous City Manager of Rockwall. The position that Director Crowley has filled comes as Director Larry Parks made the decision to retire from the Board after more than 29 years of service.

President May advised that action item XII. A. would be addressed at this time.

XII. AGENDA ITEMS FOR INDIVIDUAL CONSIDERATION

GENERAL / ADMINISTRATIVE AGENDA ITEMS

- A. Adoption of Resolution No. 22-30 commending Director Larry Parks
- Consider adoption of Resolution No. 22-30 commending Director Larry Parks for over 29 years of service as a member of the NTMWD Board of Directors

Director Terry Sam Anderson made a motion to adopt Resolution No. 22-30.
Director Marvin Fuller seconded motion.

Executive Director Jenna Covington read Resolution No. 22-30 commending Director Larry Parks for 29 years of service on the NTMWD Board of Directors.

The Board of Directors voted unanimously to approve Resolution No. 22-30.

President May and Executive Director Covington presented Director Parks with the Resolution, Texas Plaque, Water Drop and a NTMWD watch.

Director Parks expressed his appreciation to the Board and District staff and spoke fondly of his years of service.

Several Directors expressed appreciation to Larry Parks for his contributions to the District.

President May reviewed the following tentative list of meetings for August 2022:

- Wednesday, August 10th – Policy and Personnel Committee
- Wednesday, August 24th – Wastewater and Water Committees
- Thursday, August 25th – Board Meeting

President May advised that it was determined that there was no need to have another Budget Work Session in August as the July meeting resulted in good discussions.

He noted that there is a Board tour of the Environmental Services & Laboratory Building on Friday, August 5th from 9:30 a.m. – 11:30 a.m.

President May advised that Director Phil Dyer will be abstaining from discussion and voting on Agenda Item XII. F.

- 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 advised that three project completions are included in the monthly construction report: 1) McKinney Lift Station; 2) South System Air Valve Improvements Phase 2; and 3) Renner Road to Plano Delivery Point No. 2 Pipeline.

Executive Director Covington introduced and welcomed Ike Obe who is the new Assistant Deputy Director of Human Resources for the District.

Executive Director Covington advised that at the end of July the “water year” is closing. The District will be assessing the volume of water used by each community.

Executive Director Covington advised that tomorrow she and David Kelly will be touring Bois d'Arc Lake and the Leonard Water Treatment Plant with Kathleen Jackson of the Texas Water Development Board.

Executive Director Covington advised that on Monday there will be a Member City Manager Breakfast, and later that day there is a WebEx meeting scheduled with Customer City Managers and Utility Directors.

VII. 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.

Justin Jinright spoke regarding an on-going issue with his property.

VIII. DISCUSSION ITEMS

A. Update on Sister Grove Regional Water Resource Recovery Facility

Deputy Director Cesar Baptista provided an update on Sister Grove. He provided background information and a location map that reflects the associated pipelines and the facility. An update on the North McKinney Transfer Lift Station was included.

Mr. Baptista provided construction photos of the progress at the Lift Station and the 96-inch outfall pipeline. He advised that the Sister Grove facility is approximately 190 days behind schedule, delaying startup until 2024, and the North McKinney Transfer Lift Station is approximately 90 days behind schedule. Availability of needed materials is impacting the schedule. Mr. Baptista advised that the project as a whole is 30 – 35 percent complete.

In response to a Director's question, Mr. Baptista advised that this Phase I of the project is for flows of 16 million gallons per day (MGD), and once it is complete, work will begin on the next phase of 16 MGD. Ultimately, the Sister Grove facility will be permitted for 128 MGD.

IX. EXECUTIVE SESSION

At 3:14 p.m. President May announced the need for an Executive Session of the Board of Directors to discuss items IX. A. 1 – 4, pursuant to the Texas Government Code, Section 551.071 Consultation With Attorney.

- A. Consult with legal counsel regarding pending or contemplated litigation (Tex. Gov't Code Section 551.071)**
1. *Justin A. Jinright, et al., v. NTMWD*, cause No. 429-02373-2016, Collin County, Texas
 2. *NTMWD v. S.J. Louis Construction of Texas, Ltd., ACT Pipe and Supply, Inc., J-M Manufacturing, Inc., d/b/a JM Eagle, Inc.*, Cause No. 429-06607-2019, 429th Judicial District, Collin County, Texas (121 Force Main)

3. Beck Branch Parallel Interceptor, Phase II Project
4. Buffalo Creek Parallel Interceptor, Phase I Project

President May confirmed with staff that the public access line was disconnected and that the audio recording was disabled during the Executive Session discussion.

X. RECONVENE INTO REGULAR SESSION

In accordance with Texas Government Code, Chapter 551, the Board of Directors of NTMWD will reconvene into regular session to consider action, if any, on matters discussed in Executive Session.

Open Session reconvened at 4:06 p.m. The public teleconference line was reconnected.

No action was taken in Executive Session. No action was taken in open session as a result of Executive Session.

XI. CONSENT AGENDA ITEMS

President May inquired whether any Director would like to remove an item from the Consent Agenda for separate discussion. There were none.

Upon a motion by Director John Carr and a second by Director Blair Johnson, the Board of Directors voted unanimously to approve the Consent Agenda.

- A. **Approval of Regular Board Meeting Minutes - Consent Agenda Item No. 22-07-01**
 - Consider approval of June 23, 2022, Board of Directors Regular meeting minutes
- B. **Approval of Monthly Construction Report - Consent Agenda Item No. 22-07-02**
 - Consider approval of July 2022 Monthly Construction Report
- C. **Adoption of Resolution No. 22-31 authorizing the execution of an application to the Texas Commission on Environmental Quality (TCEQ) - Consent Agenda Item No. 22-07-03**
 - Consider adoption of Resolution No. 22-31 authorizing the Executive Director to execute an application with the TCEQ for the filing of water use permit applications for the Sabine Creek and City of Bonham's Wastewater Treatment Plants return flows in the amount of \$102,275 for legal fees and administrative fees for filing and posting
- D. **Authorize supplementing of the 2019 NTMWD Water Conservation Plan - Consent Agenda Item No. 22-07-04**
 - Consider authorizing the supplementing of the 2019 NTMWD Water Conservation Plan in order to comply with the requirements of the Texas Commission on Environmental Quality (TCEQ) for submission of water use permit applications for return flows from the Sabine Creek and City of Bonham's Wastewater Treatment Plants

- E. **Adoption of Resolution No. 22-32 authorizing an amendment to a development agreement with TDC-DRI McKinney Phase I, LLC (TDC) - Consent Agenda Item No. 22-07-05**
- Consider adoption of Resolution No. 22-32 authorizing the Executive Director to execute an amendment to a development agreement with TDC in the amount of \$120,000, which is to be reimbursed by TDC for Project No. 101-0605-22, Wylie to McKinney 24-inch Waterline Relocation
- F. **Adoption of Resolution No. 22-33 authorizing the execution of conveyance of property for the Sister Grove Regional Water Resource Recovery Facility (RWRRF) project - Consent Agenda Item No. 22-07-06**
- Consider adoption of Resolution No. 22-33 authorizing the Executive Director to execute a conveyance of property of approximately 3.28 acres to Rayburn Country Electric Cooperative for Project No. 301-0426-16, Sister Grove RWRRF

XII. AGENDA ITEMS FOR INDIVIDUAL CONSIDERATION

GENERAL / ADMINISTRATIVE AGENDA ITEMS

- ~~A. **Adoption of Resolution No. 22-30 commending Director Larry Parks**~~
- ~~• Consider adoption of Resolution No. 22-30 commending Director Larry Parks for over 29 years of service as a member of the NTMWD Board of Directors~~

This Item was addressed earlier in the meeting.

B. TABLED ITEM:

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

President May advised that this item was tabled at the 7/21 Board Work Session and Special Meeting. A motion, second and vote is needed to take this item from the table.

Director Phil Dyer made a motion to remove the item from the table. Director Marvin Fuller seconded the motion. The Board of Directors voted unanimously to approve the motion.

Executive Director Covington provided opening remarks and expressed appreciation to the Member and Customer cities that are actively working to implement their conservation plans.

Deputy Director Billy George provided an overview of this item, noting the information is that which was presented at the work session with some updates.

- Communications Director Wayne Larson reviewed this week's media release that included an update on the Wylie Water Treatment Plant. He advised that the Member and Customer cities are sharing the District's guidance regarding conservation with their residents and have implemented water conservation measures.

- Assistant Deputy Zeke Campbell explained the differences between permitted and sustained capacities for the water treatment plants. He advised that the Tawakoni and the Wylie water treatment plants combined can produce a sustained capacity of 750 MGD if all facilities are 100 percent operational.
- Assistant Deputy Galen Roberts provided information on the triggers and the Drought Response Stages included in the NTMWD Water Resource & Emergency Management Plan. Triggers are supply related and associated with demands, delivery or conveyance. The Drought Response Stages include increasing levels of conservation. Mr. Roberts provided an overview of actions the District will take for each Stage and the goals for reduced water usage that would result. He noted that by regulation of the Texas Commission on Environmental Quality (TCEQ), the Plan must be updated every five years with the next being in 2024.
- Billy George reviewed historical data for demands and rainfall.
- Lissa Gregg consultant with Freese & Nichols, Inc. reviewed a forecast model that includes a prediction of pumping compared to actual amounts of pumping for 2022.
- Billy George provided data on a weather forecast model for July 28 to August 6. He advised pumping is holding steady this week, but it needs to be watched daily. A weekly comparison of pumping volume does reflect that usage leveled off the second week in July when a call to action was made for conservation.

Mr. George advised that staff would continue to coordinate closely with the largest water demand cities; provide regular situational updates to Members and Customers; monitor changing conditions closely; and provide updates to the Board of Directors. He advised the goal is to maintain (or reduce) the demand level that was observed during the second week in July.

Executive Director Covington added that there has not been a significant drought since 2015 so water conservation education and messaging have been and will continue to be imperative. The District and the cities have worked together to respond to the current drought. She recommended that no action be taken today on this item. It was noted that a Special Meeting of the Board could be called in the event the Board needs to activate the Drought Response Stages.

WATER AGENDA ITEMS

- C. **Authorize Amendment No. 7 to the Construction Manager At-Risk (CMAR) agreement for the Wylie Water Treatment Plant (WTP) projects – Administrative Memorandum No. 5845**
- Consider authorizing Amendment No. 7 to the CMAR agreement with MWH Constructors, Inc. in the amount of \$31,535,200.95 for partial guaranteed maximum price No. 3 for Project No. 101-0390-15, Wylie WTP Biologically Active Filtration; Project No. 101-0496-18, Wylie WTP Ammonia System Improvements and Project No. 101-0517-18, Wylie WTP II Structural and Mechanical Improvements – Phase I & II

Director Terry Anderson advised that the Water Committee reviewed this item yesterday and voted to recommend the Board authorize Amendment No. 7 to the

Construction Manager At-Risk agreement for the Wylie Water Treatment Plant Biologically Active Filtration project, the Ammonia System Improvements project, and the Plant II Structural and Mechanical Improvements project. Amendment No. 7 includes the third partial Guaranteed Maximum Price.

Upon a motion by Director Terry Anderson and a second by Director Chip Imrie, the Board of Directors voted unanimously to approve. Director Phil Dyer was absent from the vote.

D. Authorize execution of an interlocal agreement (ILA) with Tarrant Regional Water District and the City of Dallas for Raw Water Optimization and Reliability Evaluation - Administrative Memorandum No. 5846

- Consider authorizing the Executive Director to execute an ILA with Tarrant Regional Water District and the City of Dallas in the amount of \$400,000 to study the feasibility and reliability of existing water supply and transmission Infrastructure

Director Terry Anderson advised that the Water Committee reviewed this item yesterday and voted to recommend the Board authorize an Interlocal Agreement with Tarrant Regional Water District and the City of Dallas to study the feasibility and reliability of existing water supply and transmission infrastructure to deliver water from existing and proposed reservoirs for its optimum delivery and use in the North Central Texas region.

Upon a motion by Director Terry Anderson and a second by Director Chip Imrie, the Board of Directors voted unanimously to approve. Director Phil Dyer was absent from the vote.

WASTEWATER AGENDA ITEMS

E. Authorize execution of a construction management services agreement for the South Mesquite Creek Regional Wastewater Treatment Plant (RWWTP) Peak Flow Management and Expansion project - Administrative Memorandum No. 5847

- Consider authorizing the execution of a construction management services agreement with AECOM Technical Services, Inc. in the amount of \$3,909,004 to provide third-party construction management oversight and daily on-site representation for the CMAR's construction activity for Project No. 301-0525-18, South Mesquite Creek RWWTP Peak Flow Management and Expansion

Director Ron Kelley advised that the Wastewater Committee discussed this item at the June 22nd meeting.

This item authorizes funding for a construction management services agreement for the South Mesquite Creek Regional Wastewater Treatment Plant Peak Flow Management and Expansion project.

A Construction Manager At-Risk has been engaged to coordinate the various work packages to implement peak flow management and an 8 million gallons per day expansion at the Plant. Due to increasing project delivery and operational

demands across the NTMWD staff, it is necessary to engage a dedicated construction management team to administer the day-to-day project activities.

Upon a motion by Director Ron Kelley and a second by Director Blair Johnson, the Board of Directors voted unanimously to approve. . Director Phil Dyer was absent from the vote.

F. Authorize execution of an engineering services agreement for the Upper East Fork Interceptor System 121 Force Main Improvements and 121 Parallel Force Main projects - Administrative Memorandum No. 5848

- Consider authorizing the Executive Director to execute an engineering services agreement with Kimley-Horn & Associates, Inc. for the final design in the amount of \$2,047,500 for Project No. 501-0491-18, 121 Force Main Improvements; and the preliminary and final design in the amount of \$7,131,500 for Project No. 501-0612-22, 121 Parallel Force Main

Director Ron Kelley advised that the Wastewater Committee discussed this item at the June 22nd meeting.

This item will authorize engineering services agreements for the final design of the 121 Force Main Improvements project and preliminary and final design of the 121 Parallel Force Main project.

These design components are requested as separate projects to facilitate financing and asset tracking for the inter-related pipelines. The combination of these improvements will provide a new higher transfer capacity of 60 MGD from the Preston Road Lift Station to Wilson Creek Lift Station.

Upon a motion by Director Ron Kelley and a second by Director Lynn Shuyler, the Board of Directors voted to approve. ~~Director Phil Dyer abstained from voting on this item.~~ Director Phil Dyer was absent from the vote.

G. Authorize execution of an engineering services agreement for the Upper East Fork Interceptor System Preston Road Lift Station Expansion project - Administrative Memorandum No. 5849

- Consider authorizing the Executive Director to execute an engineering services agreement with HDR Engineering, Inc. in the amount of \$3,285,895 for final engineering design for Project No. 501-0559-20, Preston Road Lift Station Expansion

Director Ron Kelley advised that the Wastewater Committee discussed this item at the June 22nd meeting.

This item will authorize an engineering service agreement for final design of the Preston Road Lift Station Expansion project.

The Preston Road Lift Station currently transfers flow to the Wilson Creek Regional Wastewater Treatment Plant. Evolving growth and service demands in the Upper East Fork Interceptor System are driving the need for increased and accelerated

transfer capacity from the Preston Road Lift Station, and to send those flows to the new Sister Grove Regional Water Resource Facility (RWRRF) for treatment.

Upon a motion by Director Ron Kelley and a second by Director Chip Imrie, the Board of Directors voted unanimously to approve. Director Phil Dyer was absent from the vote.

XIII. CLOSING ITEMS

- A. Opportunity for Board members to provide feedback or request potential future agenda items.

Director John Carr requested an update on the Lower East Fork Interceptor Study. Executive Director Covington responded it will be scheduled for an upcoming Wastewater Committee meeting.

Director Lynn Shuyler suggested that staff look into the possibility of the District pre-purchasing some of the equipment that contractors have been unable to secure at the onset of a construction project.

XIV. ADJOURNMENT

There being no further business, the meeting adjourned at approximately 5:39 p.m.

APPROVED:

JACK MAY, President

ATTEST:

GEORGE CRUMP, Secretary

NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

CONSENT AGENDA ITEM NO. 22-08-02

JULY 2022 BOARD WORK SESSION AND SPECIAL MEETING MINUTES

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors approve the minutes of the Board Work Session and Special Meeting minutes held on Thursday, July 21, 2022 as presented. (See attached.)



NORTH TEXAS MUNICIPAL WATER DISTRICT

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

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	Keever, Geralyn		√
17	May, Jack		
18	Patrick, Brenda Jean	√	
19	Peasley, Richard		
20	Roland, Randy		
21	Shuyler, Lynn		
22	Stephens, Keith		
22	Sutherland, Jody		√
23	Sweedden, 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

DRAFT

NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

CONSENT AGENDA ITEM NO. 22-08-03

MONTHLY CONSTRUCTION REPORT

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the Monthly Construction Report in accordance with NTMWD's Board Policies Manual for project changes greater than \$100,000 and less than \$500,000.

I. CONSTRUCTION CHANGE ORDERS ONLY

WATER SYSTEM

- a. Project No. 101-0543-19, Forney Delivery Point No. 1 Site Improvements, Change Order No. 1

Description	Amount	Days
Original Contract Amount	\$1,957,500.00	360
Prior Change Order(s) Total	\$0.00	0
Change Order No. 1		
Work to restore Delivery Point for Summer Demands	\$146,472.00	27
Change Order No. 1 Increase	\$146,472.00	27
Revised Contract Amounts	\$2,103,972.00	387

Original Completion Dates: Substantial – January 25, 2023; Final – February 24, 2023

Revised Completion Dates: Substantial – February 21, 2023; Final – March 23, 2023

Funding in the amount of \$146,472.00 for Change Order No. 1 to Schofield Civil Construction, LLC, is available in the Regional Water System 2019A Construction Fund.

WASTEWATER SYSTEM

- a. None.

SOLID WASTE SYSTEM

- a. None.
-

II. AUTHORIZATION TO ISSUE CONSTRUCTION FINAL PAYMENT ONLY

Work on the following projects is substantially complete with only minor deficiencies remaining. Final payment in the total amounts shown will be made on these projects when completion of all deficiency items is verified.

WATER SYSTEM

a. None.

WASTEWATER SYSTEM

a. None.

SOLID WASTE SYSTEM

a. None.

III. CONSTRUCTION CHANGE ORDER AND AUTHORIZATION TO ISSUE FINAL PAYMENT ONLY

Work on the following projects is substantially complete with only minor deficiencies remaining. Final payment in the total amounts shown will be made on these projects when all work associated with the change order shown on the tabulation shall have been completed and accepted, and completion of all deficiency items is verified.

WATER SYSTEM

a. Project No. 101-0332-13, Rockwall to Royse City Pipeline No. 2 and East System Ground Storage Tank

Description	Amount	Days
Original Contract Amount	\$6,030,262.00	410
Prior Change Order(s) Total	\$0.00	0
Proposed Change Order No. 2		
Additional contract time	\$0.00	738
Proposed Change Order No. 2 Increase	\$0.00	738
Final Contract Amounts	\$6,030,262.00	1,148

Original Completion Dates: Substantial – January 25, 2019; Final – February 24, 2019

Revised Completion Dates: Substantial – February 1, 2021; Final – March 3, 2021

No additional funding is requested for Change Order No. 2 for the 1,220 additional days to be added to the contract with Thalle Construction Company, Inc.

WASTEWATER SYSTEM

a. None.

SOLID WASTE SYSTEM

a. None.

IV. AMENDMENTS TO ENGINEERING, INSPECTION AND/OR LEGAL SERVICES ONLY:

WATER SYSTEM

a. None.

WASTEWATER SYSTEM

a. Project No. 501-0502-18, McKinney Lift Station Improvements

DESCRIPTION	AMOUNT
Original Inspection Services Agreement (ISA)	\$265,197.00
Prior Additional Services	\$39,000.00
Proposed Additional Services	\$21,528.00
Additional inspection effort needed to complete significant lift station processes including supervisory control and data acquisition, odor control, switchgear, and generator testing	
Revised ISA Amount	\$325,725.00

Funding in the amount of \$21,528.00 to Dietz Engineering, is available in the Upper East Fork Interceptor System 2018 Construction Fund

SOLID WASTE SYSTEM

a. None.

NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

CONSENT AGENDA ITEM NO. 22-08-04

REGIONAL WATER SYSTEM
JOINT FUNDING AGREEMENT BETWEEN
NORTH TEXAS MUNICIPAL WATER DISTRICT
AND UNITED STATES GEOLOGICAL SURVEY FOR
CONTINUATION OF ZEBRA MUSSEL MONITORING PROGRAM

ACTION (*What*)

Authorize execution of a Joint Funding Agreement with the United States Geological Survey (USGS) for continuation of zebra mussel monitoring program.

PURPOSE (*Why*)

Monitor for the presence of zebra mussels at Lake Texoma, Lavon Lake, North Texas Municipal Water District (NTMWD) Wylie Water Treatment Plant, Bois d'Arc Lake, and the Lake Texoma Water Transfer Facilities in order to inform proactive operations, planning, and maintenance activities.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the Executive Director to execute a joint funding agreement as follows:

Contracting Party: United States Geological Survey

Scope: Zebra mussel monitoring

Project: USGS Agreement No. 23SJJFATX091010, Continuation of Zebra Mussel Monitoring Program

Amount: \$187,000

Strategic Objective: 1.3 Proactive Asset & Maintenance Management

This was an item on the July 27, 2022, Water Committee agenda.

DRIVER(S) FOR THIS PROJECT

- | | |
|-----------------------------------------------------------|-----------------------------------------------------|
| <input checked="" type="checkbox"/> Regulatory Compliance | <input checked="" type="checkbox"/> Asset Condition |
| <input type="checkbox"/> Capacity | <input type="checkbox"/> Redundancy/Resiliency |
| <input type="checkbox"/> Relocation or External Requests | <input type="checkbox"/> Operational Efficiency |
| <input type="checkbox"/> Safety | <input type="checkbox"/> Administrative |
| <input type="checkbox"/> Policy | <input type="checkbox"/> Other _____ |

BACKGROUND

- In 2009 adult zebra mussels were found in Lake Texoma. Zebra mussels have also been detected in the Lavon Lake watershed and are a concern for Bois d’Arc Lake.
- Zebra mussels are an invasive species that can attach to water system infrastructure such as gates, screens, pipes and valves and interfere with water transmission and treatment operations.
- It is important to monitor for early detection in order to inform proactive operations, planning and maintenance activities.
- Since 2009 NTMWD has partnered with USGS to fund efforts related to zebra mussel monitoring at Lake Texoma and other facilities.

PROJECT PURPOSE

- Continue to work proactively to monitor for early detection of invasive mussels.
- Support operations, planning, maintenance and selection and implementation of control strategies if invasive mussel populations are detected.

PROJECT COMPONENTS

- Monitor for the occurrence of zebra mussel and quagga mussel larvae, juveniles, and adults.
- Determine the distribution, spread and population dynamics of zebra and quagga mussels at study areas in the North Texas region.
- Conduct monitoring from spring to fall when mussels are reproductively active.
- Relate biological data to the physiochemical environment.
- The proposed USGS/NTMWD cost split for this agreement is as follows:
 - USGS contribution = \$42,000 (18%)
 - NTMWD contribution = \$187,000 (82%)
 - Total = \$229,000
- The joint funding agreement between NTMWD and USGS will substantially conform to the attached draft.

FUNDING

Description	Amount
USGS Contribution	\$42,000
NTMWD Contribution	\$187,000
Project Total	\$229,000
Requested Amount	\$187,000

FUND(S): Funding in the amount of \$187,000 is to be made available in the Regional Water System 2022-23 Annual Operating Budget.



United States Department of the Interior

U.S. GEOLOGICAL SURVEY
Oklahoma-Texas Water Science Center
1505 Ferguson Lane
Austin, TX 78754

July 6, 2022

Mr. Galen Roberts
Technical Support Manager - Water
North Texas Municipal Water District
PO BOX 2408
Wylie, TX 75098

Dear Mr. Roberts:

Enclosed is one signed scan of our standard joint-funding agreement for the project(s) Oklahoma-Texas Water Science Center Water Resources Investigations, during the period October 1, 2022 through September 30, 2023 in the amount of \$187,000 from your agency. U.S. Geological Survey contributions for this agreement are \$42,000 for a combined total of \$229,000. Please sign and return one fully-executed original to Kandis K. Becher at the address above.

Federal law requires that we have a signed agreement before we start or continue work. Please return the signed agreement by **August 1, 2022**. If, for any reason, the agreement cannot be signed and returned by the date shown above, please contact Kristine Blickenstaff by phone number (682) 316-5033 or email kblickenstaff@usgs.gov to make alternative arrangements.

This is a fixed cost agreement to be billed quarterly via Down Payment Request (automated Form DI-1040). Please allow 30-days from the end of the billing period for issuance of the bill. If you experience any problems with your invoice(s), please contact Kandis Becher at phone number (682) 316-5051 or email at kkbecher@usgs.gov.

The results of all work performed under this agreement will be available for publication by the U.S. Geological Survey. We look forward to continuing this and future cooperative efforts in these mutually beneficial water resources studies.

Sincerely,

Timothy H. Raines
Director

Enclosure
23SJJFATX091010

**Form 9-1366
(May 2018)**

**U.S. Department of the Interior
U.S. Geological Survey
Joint Funding Agreement
FOR
Water Resource Investigations**

**Customer #: 600000634
Agreement #: 23SJJFATX091010
Project #: SJ009ME
TIN #: 75-6004258**

Fixed Cost Agreement YES[X] NO[]

THIS AGREEMENT is entered into as of the October 1, 2022, by the U.S. GEOLOGICAL SURVEY, Oklahoma-Texas Water Science Center, UNITED STATES DEPARTMENT OF THE INTERIOR, party of the first part, and the North Texas Municipal Water District party of the second part.

1. The parties hereto agree that subject to the availability of appropriations and in accordance with their respective authorities there shall be maintained in cooperation Water Resource Investigations (per attachment), herein called the program. The USGS legal authority is 43 USC 36C; 43 USC 50, and 43 USC 50b.

2. The following amounts shall be contributed to cover all of the cost of the necessary field and analytical work directly related to this program. 2(b) include In-Kind-Services in the amount of \$0.00

- (a) \$42,000 by the party of the first part during the period October 1, 2022 to September 30, 2023
- (b) \$187,000 by the party of the second part during the period October 1, 2022 to September 30, 2023
- (c) Contributions are provided by the party of the first part through other USGS regional or national programs, in the amount of: \$0

Description of the USGS regional/national program:

- (d) Additional or reduced amounts by each party during the above period or succeeding periods as may be determined by mutual agreement and set forth in an exchange of letters between the parties.
- (e) The performance period may be changed by mutual agreement and set forth in an exchange of letters between the parties.

3. The costs of this program may be paid by either party in conformity with the laws and regulations respectively governing each party.

4. The field and analytical work pertaining to this program shall be under the direction of or subject to periodic review by an authorized representative of the party of the first part.

5. The areas to be included in the program shall be determined by mutual agreement between the parties hereto or their authorized representatives. The methods employed in the field and office shall be those adopted by the party of the first part to insure the required standards of accuracy subject to modification by mutual agreement.

6. During the course of this program, all field and analytical work of either party pertaining to this program shall be open to the inspection of the other party, and if the work is not being carried on in a mutually satisfactory manner, either party may terminate this agreement upon 60 days written notice to the other party.

7. The original records resulting from this program will be deposited in the office of origin of those records. Upon request, copies of the original records will be provided to the office of the other party.

8. The maps, records or reports resulting from this program shall be made available to the public as promptly as possible. The maps, records or reports normally will be published by the party of the first part. However, the party of the second part reserves the right to publish the results of this program, and if already published by the party of the first part shall, upon request, be furnished by the party of the first part, at cost, impressions suitable for purposes of reproduction similar to that for which the original copy was prepared. The maps, records or reports published by either party shall contain a statement of the cooperative relations between the parties. The Parties acknowledge that scientific information and data developed as a result of the Scope of Work (SOW) are subject to applicable USGS review, approval, and release requirements, which are available on the USGS Fundamental Science Practices website (<https://www.usgs.gov/about/organization/science-support/science-quality-and-integrity/fundamental-science-practices>).

U.S. Department of the Interior
U.S. Geological Survey
Joint Funding Agreement
FOR

Customer #: 600000634
Agreement #: 23SJJFATX091010
Project #: SJ009ME
TIN #: 75-6004258

Water Resource Investigations

9. Billing for this agreement will be rendered quarterly. Invoices not paid within 60 days from the billing date will bear Interest, Penalties, and Administrative cost at the annual rate pursuant the Debt Collection Act of 1982, (codified at 31 U.S.C. § 3717) established by the U.S. Treasury.

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U.S. Geological Survey
United States
Department of Interior

North Texas Municipal Water District

Signature

TIMOTHY RAINES
Digitally signed by
TIMOTHY RAINES
Date: 2022.07.07
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By **Y RAINES** Date:
Name: Timothy H. Raines
Title: Director

Signatures

By _____ Date: _____
Name: Jennafer P. Covington
Title: Executive Director/General Manager

By _____ Date: _____
Name:
Title:

By _____ Date: _____
Name:
Title:



A PROPOSAL SUBMITTED TO:
North Texas Municipal Water District

Continuation of Zebra Mussel Monitoring Program for Lake Texoma, City of Sherman Potable Water Treatment Plant, Sister Grove Creek, Lavon Lake, North Texas Municipal Water District Potable Water Treatment Plant, Balancing Reservoirs, **Bois D'arc** Reservoir, and Lake Texoma Water Transfer Pipeline

By Kristine Blickenstaff, Jessica Trevino, and Tim Raines



United States Geological Survey
Fort Worth, Texas
June 2022

Background

Zebra mussels (*Dreissena polymorpha*) are classified as an invasive species that poses significant risks to the waters of the United States. Since introduction into Lake St. Clair in 1988 (Hebert and others, 1989), physicochemical adaptability, production of planktonic larvae and byssal threads for attachment to substrate have facilitated transcontinental spread in less than five years. Spread and population establishment are facilitated also by the prolific reproductive capacity of zebra mussels. Sprung (1991) found that a single female can produce more than one million eggs per season. Although zebra mussels have been established in waters of the United States for over 30 years, they were found in waters of Texas only recently.

Adult and juvenile zebra mussels can be transported between water bodies by their attachment to boats, trailers, and other equipment (Carlton, 1993). Dense clumps of settled zebra mussels can clog water intake and transfer pipes (Mackie, 1991). Pimentel and others (2005) estimated that the annual cost associated with zebra mussel infestations through direct damages and control measures is \$1 billion. Substantial adverse ecological effects have been attributed to large, sustained populations of zebra mussels. Zebra mussels can displace native mussels by outcompeting them for food resources, which can cause local extinction of endemic mussel species (Schloesser and others, 1997). During selective foraging, zebra mussels can concentrate certain species of cyanobacteria that produce microcystin (a cyanotoxin associated with cyanobacterial blooms) and concomitantly increase geosmin concentrations which can result in taste-and-odor issues (Vanderploeg and others, 2001). Microscopic larvae (veligers) can be introduced into non-impacted water bodies via vessel bilge water, live wells, bait buckets, or cooling systems (Ram and McMahon, 1996). Because of economic and ecological harm, the International Union for Conservation of Nature lists zebra mussels as one of the world's worst invasive species (Global Invasive Species Database, 2014).

In April 2009, adult zebra mussels were found in Lake Texoma in the Red River watershed marking the first occurrence of adult zebra mussels in Texas (Texas Parks and Wildlife Department, 2009). Zebra mussels were introduced most likely into Lake Texoma via overland transport. Since incipient introduction and rapid population establishment, zebra mussels have been reported in numerous water bodies in Texas. In August 2009, zebra mussels were found in the upper reaches of Sister Grove Creek, in the Trinity River watershed. It is likely that zebra mussels were transported through the Lake Texoma water transfer pipeline, which leads south from Lake Texoma to the West Fork of Sister Grove Creek. After discovery of zebra mussels in Sister Grove Creek, North Texas Municipal Water District ceased the transfer of water from Lake Texoma. The City of Sherman potable water treatment plant (WTP) in the Red River watershed draws water from the pipeline for their water supply before the pipeline discharges into Sister Grove Creek. Zebra mussels were detected in the raw water inflow pipe at Sherman WTP in April 2010. Since November 2013, seven zebra mussel veligers have been found in Lavon Lake. As of June 2020, zebra mussels have established populations in 19 Texas reservoirs (Texas Parks and Wildlife Department, 2020). The potential for continued spread of this aquatic invasive species increases as more water bodies are infested.

Problem

No large-scale environmentally safe zebra mussel eradication method has been developed to date. Therefore, it is critical to monitor for early detection of this invasive species by using a holistic monitoring program tailored to specific study areas. Monitoring data are critical to resource managers when considering operations, planning, maintenance, and selection and implementation of zebra mussel control strategies if invasive populations are detected. The presence of established, reproducing zebra mussel populations in Texas reservoirs could incur significant operations and maintenance costs for water resource managers and could serve as source populations leading to further spread of this aquatic nuisance species.

Objectives and Scope

The objectives of this study are:

- 1) to monitor for the occurrence of zebra and quagga mussel larvae, juveniles, and adults,
- 2) to determine the distribution, spread, and population dynamics of zebra and quagga mussels at study areas in the North Texas region. Study areas include; Lake Texoma, City of Sherman WTP, Sister Grove Creek, Lavon Lake, North Texas Municipal Water District (NTMWD) WTP at Wylie, balancing reservoirs, Lake Texoma water transfer pipeline, and Bois D'Arc Lake
- 3) to relate these biological data to the physicochemical environment.

Approach

This study will (1) provide early detection capabilities, (2) determine zebra and quagga mussel occurrence, distribution, and densities, and (3) relate spread and population dynamics to physicochemical environments at study areas by using the following five tasks; (1) active sampling, (2) passive sampling, (3) underwater sampling, (4) water-quality sampling, (5) balancing reservoir inspections, and (6) pipeline inspections.

Task 1 - Active sampling. Active sampling for dreissenid mussel veligers will be conducted at established study sites (Table 1) from spring to autumn (approximately April to October) when dreissenid mussels are reproductively active. Active sampling will target zebra mussel introduction vectors (boat ramps and marinas), probable areas of infestation, areas conducive to typical dreissenid mussel dispersal patterns, and select water processing infrastructure. Sampling for larval zebra mussels will be conducted by using 64- μm mesh plankton tow nets. Each of the study areas will have an area-dedicated plankton tow net to prevent accidental veliger transport on sampling equipment. At reservoirs, sampling will be conducted from boats to maximize sampling efficiency. Either vertical or horizontal (depending on depth at sampling location) plankton tow samples will be collected. For vertical tows, the tow net will be lowered to a depth just below the thermocline. If no thermocline exists, the net will be lowered to near the benthos. The net will then be raised vertically to the surface. For horizontal tows, the tow net will be

lowered to a depth above the thermocline but below the photic zone. The orientation of the net will be maintained using weights. The net will be pulled through the water column for a distance of approximately 50 feet for both vertical and horizontal tows. The net will then be raised to the surface. Custom net configurations and sampling methods will be used as necessary at Sherman and Wylie WTPs and in Sister Grove Creek. The target filtered volume for each replicate is 1000 liters (L), but reduced volumes are expected in shallow areas. At Sherman and Wylie WTPs and Sister Grove Creek sites, sample time duration will depend on flow rate. Methods for collecting plankton tow samples at balancing reservoirs will be the same as those used in other reservoirs. A minimum of three replicates will be collected at each site. Each replicate sample will be placed in an HDPE bottle and preserved in 50% ethanol. Each bottle will be labeled and capped with a lid to prevent cross-contamination. All samples will be transported to the USGS lab in Fort Worth where sodium bicarbonate is added to each sample to maintain high pH. Samples will then be placed in a refrigerator until they are analyzed. Tow net samples will be analyzed quantitatively for dreissenid mussel veligers by using cross-polarizing microscopy (USGS lab, Fort Worth). If present, mussel veliger density (veligers per liter) will be determined and the shell lengths of selected individuals will be recorded. To determine if veligers remain attached to sampling equipment, plankton tow net blank samples will be collected after sampling is completed at each area by rinsing the plankton tow net and cod end with high-pressure tap water. The tow net blank sample will be analyzed for the presence of mussel veligers under a cross-polarizing microscope (USGS lab, Fort Worth).

In addition, a subset of replicate samples will be analyzed by real-time polymerase chain reaction (RT-PCR). RT-PCR is a molecular technique designed to identify and quantify species-specific DNA in environmental samples (i.e. eDNA). RT-PCR analyses will be conducted by Pisces Molecular in Boulder, CO. Processing and shipping of tow net samples will follow the protocols established by Pisces Molecular.

Task 2 - Passive sampling. This task includes inspection, maintenance, and periodic replacement of passive samplers deployed during previous site visits. Passive sampling for zebra mussel juveniles and adults is conducted by using Hester-Dendy samplers, which are composed of a series of stacked 4- by 4-inch hardboard tiles that are separated with 0.25-inch spacers. Passive samplers are suspended from structures that are in or hang over the water body at the sample site. All passive samplers used during this project will remain initially in the water for a minimum of two weeks allowing colonization of naturally occurring algae, which promotes dreissenid mussel settlement. The samplers will be checked in the field for settlement of juvenile and adult zebra mussels by USGS personnel during visits to each site. If present, zebra mussel density (mussels per m²) will be determined and the shell lengths of selected individuals will be recorded. Suspect and/or representative mussels will be removed from each sampler before the sampler is placed back into the water. If mussel densities are difficult to determine while in the field, each passive sampler can be placed into a labeled plastic zippered bag, returned to the USGS lab in Fort Worth, and placed in a freezer until they are analyzed. All removed zebra mussels will be placed in labeled sample bottles and preserved in 100% ethanol.

Task 3 - Underwater sampling. Underwater sampling for juvenile and adult zebra mussels will be conducted by USGS-certified scientific SCUBA divers. Dive efforts will be targeted towards typical veliger spatial-temporal settlement patterns. Dives will be conducted once each year,

typically in summer, to assess mussel settlement from the primary spawning event that occurs in spring. Additional dives can be conducted as necessary or requested. SCUBA sampling will determine quantitatively the occurrence of juvenile and adult zebra mussels on water intake structures, accessible pipes, screens, flotation devices, marina support structures, docks, piers, rocks, mussels, or other submerged structures. Zebra mussels will be enumerated either by collection of settled mussels from within an area of known size while divers are underwater, or by using high-definition video footage that will be analyzed after completion of dive operations. If present, densities of zebra mussels (individuals per m²) will be determined. Representative mussels will be removed, placed in sample containers, and preserved in 100% ethanol.

Task 4 - Water-quality sampling. Discrete water-quality samples will be collected by using standard field collection protocols (U.S. Geological Survey, variously dated). Water-quality samples will be collected from a boat from at least two discrete vertical points in the water column at selected lake sites twice per year, approximately in May and October. The collection of discrete water samples will be, at a minimum, at the surface and at the bottom depth (greatest depth during plankton tow sampling). Discrete water samples will be stored on ice and shipped to the National Water Quality Lab (NWQL) in Denver, CO following established lab protocols. Discrete water-quality samples will be analyzed for selected constituents by the NWQL. Water-quality samples will be analyzed using established USGS methods. NWQL schedules 1022 and 2711 will be performed on each discrete sample. Selected constituents include major ions; calcium, chloride, fluoride, magnesium, potassium, silica, sodium, and sulfate, and nutrients; ammonia, nitrate, nitrite, total nitrogen, orthophosphate and phosphorus. Quality assurance will be addressed through the analysis of field and equipment blanks and replicate samples, which together provide a quantitative description of precision and bias. Water-quality samples will be collected during selected surveys at Lakes Texoma and Lavon. Four-parameter water quality data sondes will be used to measure water temperature, dissolved oxygen, specific conductance, and pH at each sample site. Physicochemical properties will be measured and recorded at five-foot depth intervals (from the bottom depth to the surface) at lake sites.

Task 5 - Balancing reservoir inspections. Balancing reservoir inspections will be conducted after the reservoir(s) is drained. Occurrence, settled mussel density (individuals per m²), and population size will be determined and recorded. Because of the clumped nature of zebra mussel beds, random sections of the reservoir floor can be surveyed. Several dense beds will be used to determine maximum mussel density. Mean shell length of mussels will be determined by collecting and measuring a subset of individuals at each study site, where applicable.

Task 6 - Pipeline inspections. Pipeline inspections will be conducted by entering the pipeline at selected manhole entry points during periods when the pipeline is de-watered. Frequency of pipeline inspections will depend on NTMWD operations. There are at least four entry points between LTPS and Sherman WTP (Table 2). The number and location of entry points between Sherman and Wylie WTPs will be determined by examination of pipeline profile and the availability of manhole entry points. After entry, USGS personnel and NTMWD support staff will walk through the pipeline until a designated section is reached. Zebra mussels that are attached to the pipeline will be enumerated by counting individuals inside an area of known size. Mussel densities will be reported as mussels per linear foot and mussels per square foot. Mean shell length of mussels will be determined by collecting and measuring a subset of individuals at

each study site, where applicable. Mussel densities will be regressed on distance from the Lake Texoma Pump Station (LTPS) to examine spatial patterns of mussel settlement and transport through the pipeline.

Table 1. Sampling site information

Site Name	Site Number	GPS Coordinates	Sampling Type *	County	Annual Sampling Frequency
Lk Texoma nr Fink, TX (intake)	335048096374300	N33.846679 W96.629644	A P D Q	Grayson	6
Lk Texoma nr Lk Texoma Dam nr Denison, TX	334910096342700	N33.819467 W96.574167	A P	Grayson	2
Lk Texoma nr Moore Ck nr Platter, OK	335550096330700	N33.931531 W96.558234	A P	Bryan	2
Lk Texoma at Hwy 70 Bridge nr Little City, OK	340005096371800	N34.001300 W96.621800	A P Q	Marshall	2
Lk Texoma nr Rock Ck nr McBride, OK	335504096422100	N33.917750 W96.705967	A P	Marshall	2
Lk Texoma at Hwy 377 Bridge nr Shay, OK	335233096500200	N33.875917 W96.833883	A P	Grayson	2
Lk Texoma nr Scott Branch nr Gordonville, TX	334706096465800	N33.783630 W96.791061	A P Q	Grayson	2
Sherman WTP Intake Vault	334211096382601	N33.703325 W96.640559	A	Grayson	6
Sister Grove Ck at FM 1377 nr Princeton, TX	331137096283401	N33.193640 W96.476160	A P	Collin	2
Lavon Lk nr Sister Grove Creek	330953096260401	N33.164806 W96.434528	A P Q	Collin	6
Lavon Lk nr New Mesquite	330707096271301	N33.118528 W96.453694	A P Q	Collin	6
Lavon Lk at Raw Water Intake #1	330205096285801	N33.034750 W96.482889	A P D	Collin	6
Lavon Lk at Raw Water Intake #2	330220096301801	N33.038972 W96.504917	A P Q	Collin	6
Lavon Lk at Raw Water Intake #3	330210096312301	N33.036056 W96.522944	A P	Collin	6
Lavon Lk nr Collin Park Marina	330223096314700	N33.039843 W96.529822	A D	Collin	6
Lavon Lk nr Collin Park Marina north ramp	330305096314600	N33.051433 W96.529432	A P D	Collin	6
Lavon Lk nr Little Ridge Park	330401096272100	N33.066869 W96.455906	A P D	Collin	6
North balancing reservoir	333117096341700	N33.521440 W96.571353	A P	Grayson	6
South balancing reservoir	333114096341700	N33.520541 W96.571347	A P	Grayson	6
NTMWD Wylie WTP	330132096311499	N33.025599 W96.520804	A	Collin	6
Bois D'Arc Lk at Dam nr Honey Grove, TX	334228095575401	N33.707899, W95.965123	A P Q	Fannin	6
Bois D'Arc Lk at CR 2945 nr Honey Grove, TX	333841096025801	N33.644964, W96.049681	A P	Fannin	6

Site Name	Site Number	GPS Coordinates	Sampling Type *	County	Annual Sampling Frequency
Bois D'Arc Lk at Old 1396 S nr Honey Grove, TX	334011095583801	N33.669956, W95.977446	A P Q	Fannin	6
Bois D'arc Lk nr Old 1966 North	TBD	TBD	A P Q	Fannin	6
Bois D'arc Lk nr FM 897	TBD	TBD	A P	Fannin	6
Bois D'arc Lk nr Bois d'arc Creek (SW area)	TBD	TBD	A P Q	Fannin	6

* A-Active sampling (tows), P-Passive sampling (artificial substrate), D-SCUBA diving, Q-Water quality sampling

Table 2. Pipeline inspection entry points (LTPS to Sherman WTP)

Site Name	Site Number	GPS Coordinates	County	Annual Sampling Frequency
19+50		N33.844700 W96.634133	Grayson	0-2
58+50		N33.834033 W96.634650	Grayson	0-2
149+50		N33.810200 W96.631310	Grayson	0-2
532+00		N33.708883 W96.640150	Grayson	0-2
Site(s) between Sherman WTP and balancing reservoirs			Grayson	0-2
Site(s) between balancing reservoirs and Wylie WTP			Grayson/ Collin	0-2

Deliverables

Progress updates. Regular progress meetings and/or conference calls will be conducted typically in spring. Updates will include reporting and discussion of methods and results. Detection of zebra mussels collected from areas of previously undocumented presence will be communicated (after verification) to the cooperator, Texas Parks and Wildlife Department, U.S. Fish and Wildlife Service, and U.S. Army Corps of Engineers.

Report and web application. Results from Lake Texoma (2010-2012) were provided to the cooperator and published in an international peer-reviewed scientific journal, *Aquatic Invasions* (Churchill, 2013). Results from Lake Texoma after 2012 and other study areas have been incorporated into the USGS Zebra Mussel Viewer that can be found at [USGS ZMMP: Zebra Mussel Monitoring Program in Texas](#) .

Digital documentation. Where possible, zebra mussels will be documented by digital photography and/or videography. Selected veligers detected via cross-polarized light microscopy will be documented using a microscope-mounted 5.0-megapixel digital camera.

Budget

Water Year	NTMWD	USGS	Total
2010	\$125,250	\$41,750	\$167,000
2011	\$132,750	\$44,250	\$177,000
2012	\$141,750	\$59,250	\$201,000
2013	\$137,000	\$44,300	\$181,300
2014	\$137,000	\$42,085	\$179,085
2015	\$137,000	\$42,085	\$179,085
2016	\$150,000	\$77,000	\$227,000
2017	\$150,000	\$47,000	\$197,000
2018	\$150,000	\$47,000	\$197,000
2019	\$150,000	\$47,000	\$197,000
2020	\$150,000	\$47,000	\$197,000
2021	\$135,000	\$42,000	\$177,000
2022	\$187,000	\$42,000	\$229,000
2023	\$187,000	\$42,000	\$229,000

Timeline

Work Item	2010				2011				2012				2013				2014				2015				2016-22				2023																					
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4														
Active sampling: Lake Texoma *			X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X												
Active sampling: Sherman WTP			X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X	
Active sampling: Sister Grove Creek			X	X	X		X	X		X	X		X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X				
Active sampling: Lavon Lake			X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X	
Active sampling: NTMWD Wylie WTP																							X	X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X				
Active sampling: Balancing reservoirs																							X	X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X				
Active sampling: Bois D'arc Lake																											X	X	X	X		X	X	X		X	X	X		X	X	X		X	X	X				
Passive sampling: Lake Texoma *			X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X												
Passive sampling: Sister Grove Creek			X	X	X		X	X		X	X		X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X
Passive sampling: Lavon Lake			X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X	
Passive sampling: Balancing reservoirs																							X	X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X				
Passive sampling: Bois D'arc Lake																											X	X	X	X		X	X	X		X	X	X		X	X	X		X	X	X				
Underwater sampling: Lake Texoma			X	X		X	X		X	X		X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X					
Underwater sampling: Lavon Lake			X	X		X	X		X	X		X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X					
Water-quality sampling: Lake Texoma*			X	X	X		X	X		X	X		X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X				
Water-quality sampling: Lavon Lake			X	X	X		X	X	X		X	X		X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X		X	X	X			
Water-quality sampling: Bois D'arc Lake																											X	X	X	X		X	X	X		X	X	X		X	X	X		X	X	X				
Pipeline inspection					X		X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X						
Progress update			X				X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X						
Report preparation															X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X							
Report to cooperator																	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X		X	X						

* Beginning FY 16, two surveys at Lake Texoma incorporated 6-7 additional sites located throughout the lake. The following will be conducted during these comprehensive, 'full-lake' surveys: active sampling, passive sampling, and water-quality sampling.

References

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- U.S. Geological Survey, variously dated, National field manual for the collection of water-quality data: U.S. Geological Survey Techniques of Water-Resources Investigations, book 9, chaps. A1-A9, variously pages. (Also available at <http://pubs.water.usgs.gov/twri9a>.)
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NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

CONSENT AGENDA ITEM NO. 22-08-05

REGIONAL WATER SYSTEM
JOINT FUNDING AGREEMENT BETWEEN
NORTH TEXAS MUNICIPAL WATER DISTRICT
AND UNITED STATES GEOLOGICAL SURVEY FOR
SURFACE WATER DATA COLLECTION AND
WATER QUALITY MONITORING

ACTION *(What)*

Authorize execution of a Joint Funding Agreement with the United States Geological Survey (USGS) for surface water data collection and water quality monitoring.

PURPOSE *(Why)*

Stream flow, lake elevation and water quality data are necessary to support operations comply with the Texas Commission on Environmental Quality (TCEQ) Water Rights Permit for Bois d'Arc Lake.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the Executive Director to execute a joint funding agreement as follows:

Contracting Party: United States Geological Survey

Scope: Stream flow, lake elevation and water quality monitoring

Project: USGS Agreement No.23SJJFATX091000, Surface Water Data Collection and Water Quality Monitoring

Amount: \$116,490

Strategic Objective: 1.1 High Quality Services

This was an item on the July 27, 2022, Water Committee agenda.

DRIVER(S) FOR THIS PROJECT

- | | |
|-------------------------------------------------------------------------|-------------------------------------------------|
| <input checked="" type="checkbox"/> Regulatory Compliance (pre-emptive) | <input type="checkbox"/> Asset Condition |
| <input type="checkbox"/> Capacity | <input type="checkbox"/> Redundancy/Resiliency |
| <input type="checkbox"/> Relocation or External Requests | <input type="checkbox"/> Operational Efficiency |
| <input type="checkbox"/> Safety | <input type="checkbox"/> Administrative |
| <input type="checkbox"/> Policy | <input type="checkbox"/> Other _____ |

BACKGROUND

- NTMWD has been working with USGS since 2006 to collect stream flow and water quality data in Bois d’Arc Creek in support of planning, design and construction of Bois d’Arc Lake
- The TCEQ Water Rights Permit for Bois d’Arc Lake requires NTMWD to monitor stream flow on Bois d’Arc Creek at locations upstream and downstream of the lake and to monitor the water surface elevation of Bois d’Arc Lake.
- The necessary stream gages and water quality instruments are currently in place on sites at Bois d’Arc Creek and Bois d’Arc Lake.

PROJECT PURPOSE

- Operate and maintain existing stream gages and water quality instrumentation on Bois d’Arc Creek.
- Operate and maintain an existing water surface elevation gage on Bois d’Arc Lake.
- Collect stream flow, lake elevation and water quality data necessary for regulatory compliance.

PROJECT COMPONENTS

- Operation and maintenance of the existing flow gages on Bois d’Arc Creek at FM 271, FM 100, FM 409 and Hwy 56.
- Operation and maintenance of an existing water surface elevation gage on Bois d’Arc Lake.
- Water quality monitoring on Bois d’Arc Creek at Hwy 56 and FM 409
- The proposed USGS/NTMWD cost split for this agreement is as follows:
 - USGS contribution = \$18,520 (14%)
 - NTMWD contribution = \$116,490 (86%)
 - Total = \$135,010
- The joint funding agreement between NTMWD and USGS will substantially conform to the attached agreement.

FUNDING

Description	Amount
USGS Contribution	\$18,520
NTMWD Contribution	\$116,490
Project Total	\$135,010
Requested Amount	\$116,490

FUND(S): Funding in the amount of \$116,490 is to be made available in the Regional Water System 2022-23 Annual Operating Budget.



United States Department of the Interior

U.S. GEOLOGICAL SURVEY
Oklahoma-Texas Water Science Center
1505 Ferguson Lane
Austin, TX 78754

July 6, 2022

Mr. Galen Roberts
Technical Support Manager - Water
North Texas Municipal Water District
PO BOX 2408
Wylie, TX 75098

Dear Mr. Roberts:

Enclosed is one signed scan of our standard joint-funding agreement for the project(s) Oklahoma-Texas Water Science Center Water Resources Investigations, during the period October 1, 2022 through September 30, 2023 in the amount of \$116,490 from your agency. U.S. Geological Survey contributions for this agreement are \$18,520 for a combined total of \$135,010. Please sign and return one fully-executed original to Kandis K. Becher at the address above.

Federal law requires that we have a signed agreement before we start or continue work. Please return the signed agreement by **August 1, 2022**. If, for any reason, the agreement cannot be signed and returned by the date shown above, please contact Kristine Blickenstaff by phone number (682) 316-5033 or email kblickenstaff@usgs.gov to make alternative arrangements.

This is a fixed cost agreement to be billed quarterly via Down Payment Request (automated Form DI-1040). Please allow 30-days from the end of the billing period for issuance of the bill. If you experience any problems with your invoice(s), please contact Kandis Becher at phone number (682) 316-5051 or email at kkbecher@usgs.gov.

The results of all work performed under this agreement will be available for publication by the U.S. Geological Survey. We look forward to continuing this and future cooperative efforts in these mutually beneficial water resources studies.

Sincerely,

Timothy H. Raines
Director

Enclosure
23SJJFATX091000

**Form 9-1366
(May 2018)**

**U.S. Department of the Interior
U.S. Geological Survey
Joint Funding Agreement
FOR
Water Resource Investigations**

**Customer #: 600000634
Agreement #: 23SJJFATX091000
Project #: SJ009ME
TIN #: 75-6004258**

Fixed Cost Agreement YES[X] NO[]

THIS AGREEMENT is entered into as of the October 1, 2022, by the U.S. GEOLOGICAL SURVEY, Oklahoma-Texas Water Science Center, UNITED STATES DEPARTMENT OF THE INTERIOR, party of the first part, and the North Texas Municipal Water District party of the second part.

1. The parties hereto agree that subject to the availability of appropriations and in accordance with their respective authorities there shall be maintained in cooperation Water Resource Investigations (per attachment), herein called the program. The USGS legal authority is 43 USC 36C; 43 USC 50, and 43 USC 50b.

2. The following amounts shall be contributed to cover all of the cost of the necessary field and analytical work directly related to this program. 2(b) include In-Kind-Services in the amount of \$0.00

- (a) \$18,520 by the party of the first part during the period October 1, 2022 to September 30, 2023
- (b) \$116,490 by the party of the second part during the period October 1, 2022 to September 30, 2023
- (c) Contributions are provided by the party of the first part through other USGS regional or national programs, in the amount of: \$0

Description of the USGS regional/national program:

- (d) Additional or reduced amounts by each party during the above period or succeeding periods as may be determined by mutual agreement and set forth in an exchange of letters between the parties.
- (e) The performance period may be changed by mutual agreement and set forth in an exchange of letters between the parties.

3. The costs of this program may be paid by either party in conformity with the laws and regulations respectively governing each party.

4. The field and analytical work pertaining to this program shall be under the direction of or subject to periodic review by an authorized representative of the party of the first part.

5. The areas to be included in the program shall be determined by mutual agreement between the parties hereto or their authorized representatives. The methods employed in the field and office shall be those adopted by the party of the first part to insure the required standards of accuracy subject to modification by mutual agreement.

6. During the course of this program, all field and analytical work of either party pertaining to this program shall be open to the inspection of the other party, and if the work is not being carried on in a mutually satisfactory manner, either party may terminate this agreement upon 60 days written notice to the other party.

7. The original records resulting from this program will be deposited in the office of origin of those records. Upon request, copies of the original records will be provided to the office of the other party.

8. The maps, records or reports resulting from this program shall be made available to the public as promptly as possible. The maps, records or reports normally will be published by the party of the first part. However, the party of the second part reserves the right to publish the results of this program, and if already published by the party of the first part shall, upon request, be furnished by the party of the first part, at cost, impressions suitable for purposes of reproduction similar to that for which the original copy was prepared. The maps, records or reports published by either party shall contain a statement of the cooperative relations between the parties. The Parties acknowledge that scientific information and data developed as a result of the Scope of Work (SOW) are subject to applicable USGS review, approval, and release requirements, which are available on the USGS Fundamental Science Practices website (<https://www.usgs.gov/about/organization/science-support/science-quality-and-integrity/fundamental-science-practices>).

U.S. Department of the Interior
U.S. Geological Survey
Joint Funding Agreement
FOR

Customer #: 600000634
Agreement #: 23SJJFATX091000
Project #: SJ009ME
TIN #: 75-6004258

Water Resource Investigations

9. Billing for this agreement will be rendered quarterly. Invoices not paid within 60 days from the billing date will bear Interest, Penalties, and Administrative cost at the annual rate pursuant the Debt Collection Act of 1982, (codified at 31 U.S.C. § 3717) established by the U.S. Treasury.

USGS Technical Point of Contact

Name: Kristine Blickenstaff
Branch Chief - Integrated
Hydrology+Data Science
Address: 501 W. Felix Street Bldg 24
Fort Worth, TX 76115
Telephone: (682) 316-5033
Fax: (682) 316-5022
Email: kblickenstaff@usgs.gov

Customer Technical Point of Contact

Name: Galen Roberts
Assistant Deputy - Water Resources
Address: PO BOX 2408
Wylie, TX 75098
Telephone: (469) 626-4637
Fax:
Email: groberts@NTMWD.com

USGS Billing Point of Contact

Name: Kandis Becher
Budget Analyst
Address: 501 W. Felix Street Bldg 24
Fort Worth, TX 76115
Telephone: (682) 316-5051
Fax: (682) 316-5022
Email: kkbecher@usgs.gov

Customer Billing Point of Contact

Name: Galen Roberts
Assistant Deputy - Water Resources
Address: PO BOX 2408
Wylie, TX 75098
Telephone: (469) 626-4637
Fax:
Email: groberts@NTMWD.com

U.S. Geological Survey
United States
Department of Interior

North Texas Municipal Water District

Signature
Digitally signed by
TIMOTHY RAINES
Date: 2022.07.07
09:09:56 -05'00'
By TIMOTHY RAINES Date: _____
Name: Timothy H. Raines
Title: Director

Signatures
By _____ Date: _____
Name: Jennafer P. Covington
Title: Executive Director/General Manager

By _____ Date: _____
Name:
Title:

By _____ Date: _____
Name:
Title:

**North Texas Municipal Water District
23SJJFATX091000**

Station Number	Description	Code	No. Units	Diff. Factor	USGS Funds	TX091 Funds	Total Cost
Task: 1 - Surface Water Data Collection							
07332603	Bois D'Arc Creek at FM 271 nr Bonham, TX Discharge Measurement	QMEAS	6.00	1.00	\$0	\$3,900	\$3,900
				Site Totals:	\$0	\$3,900	\$3,900
07332605	Bois D'Arc Ck at FM 56 Full Range Streamflow Station	QCONT	1.00	1.30	\$0	\$21,190	\$21,190
				Site Totals:	\$0	\$21,190	\$21,190
07332631	Bois D'Arc Lake nr Honey Grove, TX	RES-E	0.50	1.00	\$0	\$6,750	\$6,750
				Site Totals:	\$0	\$6,750	\$6,750
07332622	Bois D'Arc Ck at FM 409 nr Honey Grove, TX Full Range Streamflow Station	QCONT	1.00	1.00	\$4,700	\$11,600	\$16,300
				Site Totals:	\$4,700	\$11,600	\$16,300
07332655	Bois D'Arc Ck at FM 100 Daily Q Above Base and Continuous Stage	QCONT-HIGH	1.00	1.30	\$0	\$14,950	\$14,950
				Site Totals:	\$0	\$14,950	\$14,950
				4 total site(s) under the Task Totaling:	\$4,700	\$58,390	\$63,090
				SURFACE WATER TOTAL:	\$4,700	\$58,390	\$63,090

Task: 2 - Water Quality Data Collection

07332605	Bois D'Arc Ck at FM 56 4 Parameter Monitor	WQMON4	1.00	1.00	\$6,910	\$29,050	\$35,960
				Site Totals:	\$6,910	\$29,050	\$35,960
07332622	Bois D'Arc Ck at FM 409 nr Honey Grove, TX 4 Parameter Monitor	WQMON4	1.00	1.00	\$6,910	\$29,050	\$35,960
				Site Totals:	\$6,910	\$29,050	\$35,960
				2 total site(s) under the Task Totaling:	\$13,820	\$58,100	\$71,920
				WATER QUALITY TOTAL:	\$13,820	\$58,100	\$71,920

PROJECT	USGS FUNDS	TX091 FUNDS	TOTAL COST
SURFACE WATER: 00140	\$4,700	\$58,390	\$63,090
WATER QUALITY: 00340	\$13,820	\$58,100	\$71,920
GRAND TOTAL	\$18,520	\$116,490	\$135,010

NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

CONSENT AGENDA ITEM NO. 22-08-06

REGIONAL WATER SYSTEM
WYLIE WATER TREATMENT PLANT
BIOLOGICALLY ACTIVE FILTRATION
PROJECT NO. 101-0390-15

AMMONIA SYSTEM IMPROVEMENTS
PROJECT NO. 101-0496-18

PLANT II STRUCTURAL AND MECHANICAL IMPROVEMENTS
PROJECT NO. 101-0517-18

AMENDMENT NO. 8 TO CONSTRUCTION MANAGER AT-RISK AGREEMENT
CHANGE ORDER NO. 4 - ISOLATION OF CLEARWELL 3-1

RATIFICATION OF THE EXECUTIVE DIRECTOR'S AUTHORIZATION TO
PROCEED WITH MATERIAL PROCUREMENT AHEAD OF AUTHORIZATION BY
THE BOARD OF DIRECTORS

ACTION (*What*)

Authorize funding for Amendment No. 8 to the referenced Construction Manager At-Risk (CMAR) agreement, and ratification of the Executive Director's authorization to proceed with expedited material procurement. Amendment No. 8 is Change Order No. 4 to Partial Guaranteed Maximum Price (GMP) No. 1.

PURPOSE (*Why*)

Certain critical construction activities are limited at the Wylie Water Treatment Plant Complex due to the seasonal availability of plant process shutdowns. In anticipation of the long lead times for procurement of equipment and construction materials, the CMAR recommended an early procurement package for materials needed to isolate Clearwell 3-1 be initiated in July. This was to ensure materials are delivered on site and available for installation in early October 2022 to maximize time for construction work during the shutdown season. To accommodate the request the Executive Director authorized the procurement of materials, in the amount not to exceed \$153,185.64. This recommended Change Order No. 4 includes consideration for construction services and ratification of the Executive Director's action for early material procurement for a total amount of \$442,513.00.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the Executive Director to execute Amendment No. 8 to the Construction Manager At-Risk Agreement and approval of payment for work as follows:

Contractor: MWH Constructors, Inc.

Scope: Amendment No. 8, Construction Change Order No. 4 – Isolation of Clearwell 3-1

Project: No. 101-0390-15, Wylie WTP Biological Active Filtration; 101-0496-18, Ammonia System Improvements; and 101-0517-18, Wylie WTP II Structural and Mechanical Improvements-Phase I Partial GMP No. 1 for work related to Project No. 101-0517-18, Plant II Structural and Mechanical Improvements

Amount: \$442,513

Strategic Objective: 1.2 Successfully Deliver Capital Program

DRIVER(S) FOR THIS PROJECT

<input type="checkbox"/> Regulatory Compliance	<input checked="" type="checkbox"/> Asset Condition
<input checked="" type="checkbox"/> Capacity	<input type="checkbox"/> Redundancy/Resiliency
<input type="checkbox"/> Relocation or External Requests	<input type="checkbox"/> Operational Efficiency
<input checked="" type="checkbox"/> Safety	<input type="checkbox"/> Administrative
<input type="checkbox"/> Policy	<input type="checkbox"/> Other _____

BACKGROUND

- In December 2020, the Board of Directors authorized Administrative Memorandum No. 5661 for Construction Manager At-Risk Agreement for Wylie Water Treatment Plant (WTP) Biological Active Filtration (BAF), Project No. 101-0390-15 and the Wylie WTP II Structural and Mechanical Improvements, Project No. 101-0517-18.
- In January 2021, the Board of Directors authorized Administrative Memorandum No. 5692 for Amendment No. 1 to Construction Manager At-Risk Services Agreement authorizing funding for preconstruction and procurement services for Wylie Water Treatment Plant (WTP) Ammonia System Improvements, Project No. 101-0496-18.
- In May 2021, the Board of Directors authorized Administrative Memorandum No. 5726 for Amendment No. 2 to Construction Manager At-Risk Services Agreement authorizing funding for preconstruction services for filter underdrain investigations related to Wylie Water Treatment Plant (WTP) Biologically Active Filtration, Project No. 101-0390-15.
- In August 2021, the Board of Directors authorized Administrative Memorandum No. 5749 for Amendment No. 3 to the Construction Manager At-Risk Services Agreement and authorizing funding for Partial GMP No. 1 for construction of work packages including selective clearwell demolition and rehabilitation, yard piping, meter vaults, mechanical, electrical, instrumentation and controls, and construction materials testing and verification.
- In February 2022, the Board of Directors authorized Administrative Memorandum No. 5806 for Amendment No. 4 to the Construction Manager At-Risk Services Agreement and authorizing funding for Change Order No. 1 for urgent repairs to Clearwell 2-2.
- In April 2022, the Board of Directors authorized Administrative Memorandum No. 5825 for Amendment No. 6 to the Construction Manager At-Risk Services Agreement and authorizing funding for Partial GMP No. 2 for the conversion to liquid ammonium sulfate (LAS), Project No. 101-0496-18.
- In July 2022, the Board of Directors authorized Administrative Memorandum No. 5845 for Amendment No. 7 to the Construction Manager At-Risk Services Agreement and authorizing funding for Partial GMP No. 3 for Phase II of Project No. 101-0517-18.

PROPOSED CHANGE ORDER NO. 4

- Partial GMP No. 3 initially prominently featured the task of replacing the roof on existing Clearwell 3-1 at WTP III. Due to the impact of this task to ongoing plant operation the clearwell must be hydraulically isolated for the duration of this work by installing several structural plates and supports over pipe inlets and outlets inside the tank. The available window for gaining dry access to the clearwell to complete the critical isolation is limited to October of 2022; otherwise the isolation and extensive dependent work will be delayed by more than a year.
- In early July the NTMWD staff was informed that inclusion of the isolation task in Partial GMP No. 3 would not provide enough time to complete the work within the limited timeframe in 2022. It was recommended by the CMAR that the isolation task be re-aligned with the ongoing work under GMP No. 1, and to initiate the material procurement immediately.
- This change order includes the materials purchase and the labor component for the current contractor to gain access and install the isolation plate on several inlets and outlets to the clearwell. This allows the plant to be placed back into service during the extended roof replacement activities.

RATIFICATION

- Due to the expected lag between the July 2022 Board award of Partial GMP No. 3 and the CMAR's Notice to Proceed to their subcontractors, the CMAR recommended immediate procurement and fabrication of the proposed Change Order No. 4 isolation materials.
- To start the procurement process, the Executive Director authorized the procurement and fabrication portion of the work to proceed prior to formal Board Action, with an established not-to-exceed amount of \$153,185.64.
- It is requested that the Board of Directors ratify the action taken by the Executive Director to expedite the work in order to serve the best interests of the District and prevent undue delays to the BAF conversion.

SUMMARY OF AMENDMENT NO. 8

Description	Amount
Construction Cost of Change Order No. 4	\$382,954.06
General Conditions (@8.5% Construction Cost)	\$32,551.10
Cost Of Work	\$415,505.16
CMAR Fee (@5% Cost Of Work)	\$20,775.26
CMAR Contingency (@1.5% Cost Of Work)	\$6,232.58
Amendment No. 8 Total (Sum of Cost Of Work and CMAR Fees)	\$442,513.00

DISTRIBUTION OF PROJECT FUNDING

Project Number	Previously Approved Funding	Current Request for Amendment No. 8	Total Contract Price
101-0390-15	\$614,173.00		\$614,173.00
101-0496-18	\$15,148,468.54		\$15,148,468.54
101-0517-18	\$63,054,598.30	\$442,513.00	\$63,497,111.30
Total	\$78,817,239.84	\$442,513.00	\$79,259,752.84

FUND(S): Funding in the amount of \$442,513 to MWH Constructors, Inc. is to be made available in the Regional Water System 2019A Construction Fund.

ATTACHMENT A

TOTAL CONTRACT PRICE SUMMARY

The total contract price includes a summary of all construction costs, which is the sum of all construction work and approved preconstruction and procurement services fee, general conditions, contingency, and CMAR construction services fee.

Pre-Construction Services Fee	\$715,106.00
Procurement Services Fee	\$382,672.00
Partial GMP No. 1	\$30,654,586.47
Amendment No. 4 – Change Order No. 1	\$298,772.88
Amendment No. 5 – Change Order No. 2	\$175,000.00
Amendment No. 6 - Partial GMP No. 2	\$15,029,979.54
Amendment No. 7 – Change Order No. 3	\$25,922.00
Amendment No. 7 – Partial GMP No. 3	\$31,535,200.95
Proposed Amendment No. 8 – Change Order No. 4	
Total Construction Cost	\$382,954.06
General Conditions	\$32,551.10
CMAR Construction Services Fee	\$20,775.26
Contingency	\$6,232.58
Total Contract Price	\$79,259,752.84

CONTRACT AMENDMENT SUMMARY

Description	Status	Amount
Original Agreement Partial Pre-Construction and Procurement Fee (Administrative Memorandum No. 5661)	Approved	\$811,369.00
Amendment No. 1 – Project No. 101-0496-18 Pre-Construction and Procurement Fee (Administrative Memorandum No. 5692)	Approved	\$118,489.00
Amendment No. 2 – Additional Pre-Construction Services (Administrative Memorandum No. 5726)	Approved	\$167,920.00
Amendment No. 3 – Partial GMP No. 1 (Administrative Memorandum No. 5749)	Approved	\$30,654,586.47
Amendment No. 4 – GMP No. 1 Change Order No. 1 (Administrative Memorandum No. 5806)	Approved	\$298,772.88
Amendment No. 5 – GMP No. 1 Change Order No. 2 (Consent Agenda Item No. 22-03-03)	Approved	\$175,000.00
Amendment No. 6 – Partial GMP No. 2 (Administrative Memorandum No. 5825)	Approved	\$15,029,979.54
Amendment No. 7 – GMP No. 1 Change Order No. 3 (June 2022 EAR)	Approved	\$25,922.00
Amendment No. 7 – Partial GMP No. 3 (Administrative Memorandum No. 5845)	Approved	\$31,535,200.95
Proposed Amendment No. 8 – Change Order No. 4	Current Request	\$442,513.00
Total Contract Price		\$79,259,752.84



Wylie WTP Biological Active Filtration Project No. 101-0390-15
Ammonia System Improvements Project No. 101-0496-18
WTP II Structural and Mechanical Improvements Project No. 101-0517-18
Amendment to CMAR Agreement Change Order No. 4 - Partial GMP 1
Consent Agenda Item No. 22-08-06



NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

CONSENT AGENDA ITEM NO. 22-08-07

REGIONAL SOLID WASTE SYSTEM
WYLIE FLEET MAINTENANCE SERVICE CENTER
PROJECT NO. 401-0613-22

ARCHITECTURAL SERVICES AGREEMENT

ACTION (*What*)

Authorize an architectural service agreement for final design of the NTMWD Wylie Fleet Maintenance Service Center.

PURPOSE (*Why*)

The evolving mission of the Fleet Maintenance Department in support of District vehicle fleet has created needs for more and various work spaces. The current 1970's era building used for certain fleet maintenance activities and parts storage is no longer practically useful for the volume of work required. The pending relocation of the Facility Services staff to the new Multi-System Facility Services Building (currently under construction) will make the current Facility Services Building available for needed expansion of vehicle maintenance bays, parts storage and work spaces in support of the Fleet Maintenance function. Certain internal improvement are required to prepare the current Facility Services Building for its new use.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the Executive Director to execute an architectural services agreement (ASA) as follows:

Consultant: Stantec Consulting Services, Inc. (Stantec)
Scope: Final Architectural Design and Construction Phase Services
Project: No. 401-0613-22, Wylie Fleet Maintenance Service Center
Amount: \$458,125
Strategic Objective: 1.3 – Proactive Asset and Maintenance Management
1.4 – Reliable and Resilient Systems
2.3.3 – Establish a Centralized Motor Pool System

DRIVER(S) FOR THIS PROJECT

<input type="checkbox"/> Regulatory Compliance	<input checked="" type="checkbox"/> Asset Condition
<input checked="" type="checkbox"/> Capacity	<input type="checkbox"/> Redundancy/Resiliency
<input type="checkbox"/> Relocation or External Requests	<input checked="" type="checkbox"/> Operational Efficiency
<input type="checkbox"/> Safety	<input type="checkbox"/> Administrative
<input type="checkbox"/> Policy	<input type="checkbox"/> Other _____

BACKGROUND

The existing Facilities Services Building at the Wylie WTP campus currently houses the Facility Services and Technical Services Departments. A new Multi-System Facility Services Building with expanded capacity to house both of these departments is currently under construction, and scheduled for completion in Summer of 2023. Once Facility Services and Technical Services relocate to the new building the current facility will be renovated under this project to become the new Fleet Maintenance Service Center.

PROJECT PURPOSE

- The Fleet Maintenance Department has outgrown the current 1970's era facility at the Wylie Water Treatment Plant I. Expansion of this facility is not possible due to surrounding infrastructure. Renovation of the current facility services building will provide a much larger facility for vehicle maintenance, parts storage, offices and space for future growth.
- The planning level estimated cost is \$3,276,000.

PROJECT COMPONENTS

- Asbestos survey
- Structural analysis of existing Fleet Services Building work bays and storage mezzanine
- Renovation of the existing Facilities Services Building including:
 - Six offices
 - One conference room
 - Break room
 - Restrooms
 - Work bays
 - Parts storage mezzanine
- Relocation of the existing Wylie WTP campus fuel tank, including a new spill containment system
- Demolition of the existing Fleet Maintenance Service Facility

BASIC SERVICES

- Design Phase Services
 - Architectural, Engineering, and Environmental Services
- Bid Phase Services
- Construction Phase Services

SPECIAL SERVICES

- Surveying
- Geotechnical investigation
- Asbestos field survey, lab analysis, prepare report

- Registered Accessibility Specialist – Texas Department of Licensing and Regulation (TDLR) registration, plan review and site inspection

CONSULTANT SELECTION PROCESS

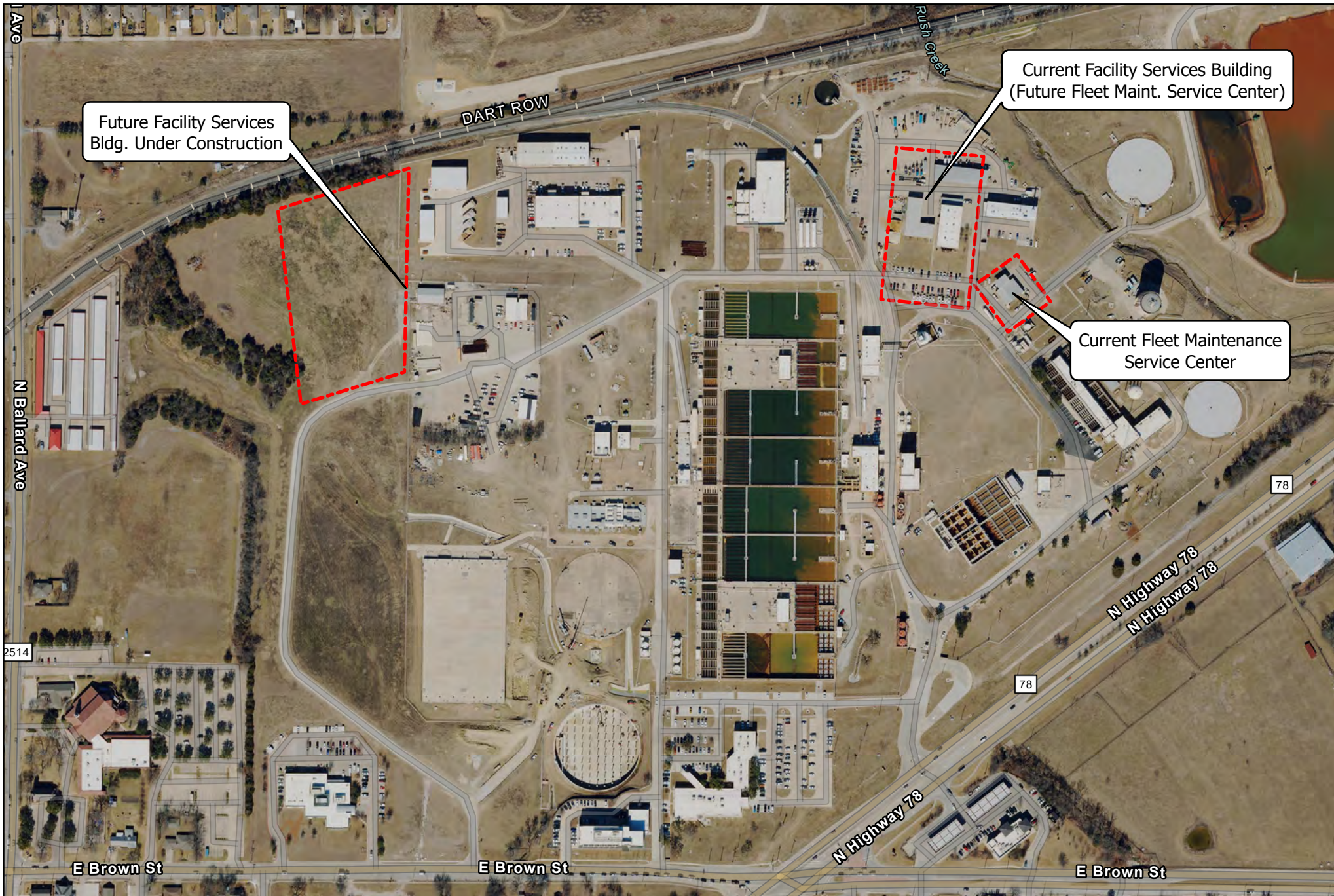
- A total of three architectural firms, CP&Y, Inc., Stantec Consulting Services, Inc., and AECOM Technical Services, Inc., were interviewed in consideration for this project. Stantec Consulting Services, Inc. was deemed as the most highly qualified firm for this project.

ENGINEERING SERVICES FEE

DESCRIPTION	AMOUNT
Basic Services	\$392,815.00
Special Services	\$65,310.00
Requested Amount	\$458,125.00

FUNDING

FUND(S): Funding to Stantec Consulting Services Inc. in the amount of \$458,125 is to be made available in the Regional Solid Waste System Capital Improvement Fund.



Future Facility Services Bldg. Under Construction

Current Facility Services Building (Future Fleet Maint. Service Center)

Current Fleet Maintenance Service Center



Wylie Fleet Maintenance Service Center
Project No. 401-0613-22
Consent Agenda Item No. 22-08-07



NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

CONSENT AGENDA ITEM NO. 22-08-08

REGIONAL WASTEWATER SYSTEM CONVEYANCE OF PROPERTY AT THE SABINE CREEK WASTEWATER TREATMENT PLANT IN THE FORM OF PERMANENT WASTEWATER EASEMENT WITH ROYSE CITY

RESOLUTION NO. 22-34

ACTION *(What)*

Adopt a resolution to authorize the Executive Director to execute permanent and temporary easements with Royse City.

PURPOSE *(Why)*

Royse City is installing a wastewater pipeline that will convey flow to Sabine Creek Wastewater Treatment Plant

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors adopt Resolution No. 22-34, *"A Resolution for Conveyance of Property in the form of Permanent and Temporary Easements to Royse City at the Sabine Creek Wastewater Treatment Plant."*

Acquiring
Party:

Royse City

Scope:

Execution of a permanent sanitary sewer easement with temporary construction easement

Project:

N/A

Strategic Objective: 1.4 Reliable and Resilient Systems

This was an item on the July 27, 2022, Real Estate Committee agenda.

DRIVER(S) FOR THIS PROJECT

- | | |
|---------------------------------------------------------------------|-------------------------------------------------|
| <input checked="" type="checkbox"/> Regulatory Compliance | <input type="checkbox"/> Asset Condition |
| <input type="checkbox"/> Capacity | <input type="checkbox"/> Redundancy/Resiliency |
| <input checked="" type="checkbox"/> Relocation or External Requests | <input type="checkbox"/> Operational Efficiency |
| <input type="checkbox"/> Safety | <input type="checkbox"/> Administrative |
| <input type="checkbox"/> Policy | <input type="checkbox"/> Other _____ |

PROJECT PURPOSE

- The purpose of this consent agenda item is to authorize the Executive Director to execute a permanent easement with Royse City.
- Royse City is installing a 60-inch gravity interceptor to convey flow to Sabine Creak WWTP.
- The pipeline will be located only within the floodplain on the WWTP property.
- The permanent easement shall be 25 feet in width.
- The location does not interfere with existing or future NTMWD facilities.
- Approximately 1.05 acres of Permanent and 0.425 acres of Temporary Construction Easement are needed.
- The easement is attached.

FUNDING

FUND(S): No funding is requested.

NORTH TEXAS MUNICIPAL WATER DISTRICT

RESOLUTION NO. 22-34

**A RESOLUTION FOR CONVEYANCE OF PROPERTY IN THE FORM OF
PERMANENT AND TEMPORARY EASEMENTS TO ROYSE CITY AT THE SABINE CREEK
WASTEWATER TREATMENT PLANT**

WHEREAS, North Texas Municipal Water District (NTMWD) owns the land under the Sabine Creek Wastewater Treatment Plant (WWTP); and,

WHEREAS, Royse City is installing a 60-inch gravity interceptor that will convey flow to Sabine Creek WWTP; and,

WHEREAS, Royse City has requested NTMWD grant a 25-ft easement at the Sabine Creek WWTP site to allow the pipeline to connect to WWTP facilities; and,

WHEREAS, the pipeline will be located only within the floodplain on the WWTP property and does not interfere with existing or future NTMWD facilities; and,

WHEREAS, the new pipeline is a financial benefit to NTMWD, so the permanent easement will be conveyed at no cost to Royse City.

WHEREAS, it is necessary to convey a permanent and temporary easement required for the installation, operation, and maintenance of the pipeline.

**NOW, THEREFORE, THE BOARD OF DIRECTORS IN A REGULAR MEETING DETERMINES
AND RESOLVES THAT:**

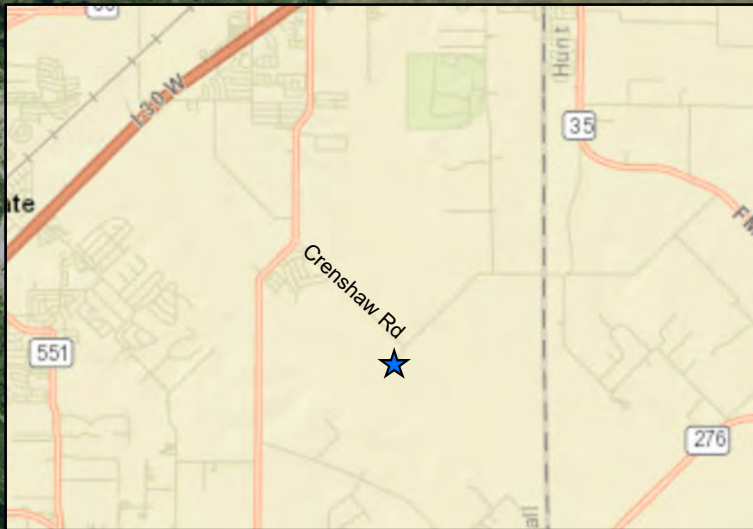
1. There is a public need for, and the public welfare and convenience are to be served by the conveyance of NTMWD property to Royse City.
2. It is the recommendation of the Executive Director and NTMWD staff that the Board authorize conveyance of approximately 1.050 acres of permanent and 0.425 acres of temporary easements located at and near the Sabine Creek Wastewater Treatment Plant at no cost.
3. The Executive Director is authorized to execute the easement with Royse City.

**THIS RESOLUTION ADOPTED BY THE NTMWD BOARD OF DIRECTORS IN A REGULAR
MEETING ON AUGUST 25, 2022, IN THE ADMINISTRATIVE OFFICES OF THE NTMWD,
WYLIE, TEXAS.**

GEORGE CRUMP, Secretary

JACK MAY, President

(Seal)



Legend

Proposed Property Acquisition	Temporary Construction Easement
Sabine Creek Property	Roysie City Easement
Oncor Easement	Future Facilities
Permanent Easement	FEMA Flood Plain
	Roads

Sabine Creek Wastewater Treatment Plant
Conveyance of Permanent Wastewater Easement to Roysie City
Project No. 501-0576-22
Consent Agenda Item No. 22-08-08



NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

GRANT OF PERMANENT SANITARY SEWER EASEMENT

THE STATE OF TEXAS §
§
HUNT COUNTY §

KNOW ALL BY THESE PRESENTS:

THIS GRANT OF EASEMENT (this "**Agreement**"), is made this ____ day of _____, 2022, by NORTH TEXAS MUNICIPAL WATER DISTRICT ("**Grantor**"), to and for the benefit of THE CITY OF ROYSE CITY, a Texas home-rule municipality ("**Grantee**").

A. Grantor is the current owner of that certain real property located in the County of Rockwall, State of Texas, as more particularly described in **Exhibit "B"** attached hereto and incorporated herein by this reference (the "**Burdened Property**"), and being the same property described in the deed recorded in Volume 2016, Page 4548, Official Records of Hunt County, Texas.

B. Grantee has requested a permanent easement in, over, across and through those certain portions of the Burdened Property described and depicted in **Exhibit "A"** attached hereto and incorporated herein by this reference, perpetual right-of-way for ingress and egress, seven days per week, twenty-four hours per day, on foot or motor vehicle, to the nearest public right of way or to a point of access controlled by Grantee, as such should exist now or in the future (said permanent easement and right of access, the "**Easement Area**") for the Easement Facilities and Easement Uses (as those terms are defined below).

C. During the period of installation, removal, repair or replacement of the Easement Facilities (as defined below) by Grantee within the Easement Area, Grantee shall have the right to use as a temporary construction easement a strip of land ten feet (10') wide, running parallel to and having the same center line as the Easement Area, as may be reasonably necessary for Grantee's construction, installation, removal or replacement of said Easement Facilities (the "**Temporary Construction Easement**"). The term of the Temporary Construction Easement shall be for a period to extend twenty-four (24) months from the date of commencement of construction on the Burdened Property.

D. Grantor is willing to grant such easement upon the terms and conditions set forth below.

NOW THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration to Grantor, the sufficiency of which is hereby acknowledged, paid in hand by Grantee, Grantor hereby agrees as follows:

Grantor has **GRANTED, BARGAINED AND CONVEYED**, and by these presents does **GRANT, BARGAIN AND CONVEY** unto Grantee, its successors, successors-in-title, grantees and assigns, a non-exclusive perpetual right and easement on, over, through and across the Easement Area for the purpose of giving to Grantee, its successors and assigns (including its franchised or authorized utilities), the following rights and for the following uses (collectively, the **"Easement Uses"**): the right to construct, reconstruct, alter, rebuild, and perpetually maintain sanitary sewer facilities (the **"Easement Facilities"**) over, under, upon, across and within the Easement Area, together with the right to enter the Easement Area to inspect, operate, repair, expand, replace, upgrade and remove the Easement Facilities; **TO HAVE AND TO HOLD**, together with all and singular the rights and appurtenances thereto and in anywise belonging, unto Grantee, its successors, assigns, and the public forever.

Grantee shall have the right, without prior institution of any suit or proceeding at law, at such times as may be necessary and from time-to-time, to enter upon the Burdened Property for the purpose of exercising the Easement Uses.

Grantor hereby covenants and agrees that Grantor shall not place, construct or maintain any buildings, structures or other improvements within the Easement Area and Grantor shall not do or permit any other act that will damage or endanger the Easement Facilities. Grantee shall have the right at any time and from time-to-time, to clear the Easement Area and keep the same clear of brush, trees, timber, structures and improvements.

This Agreement and all covenants and restrictions contained herein shall, to the fullest extent permitted by law and equity and without regard to technical classifications or designations, be deemed to be covenants running with the land of the Burdened Property, and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Grantor hereby agrees that this Agreement shall be recorded by Grantee in the Official Real Property Records of Rockwall County, Texas. This Agreement shall continue in full force and effect from the date of recordation of this Agreement in perpetuity, unless this Agreement is amended, modified or terminated by an agreement executed, acknowledged and recorded by Grantor and Grantee.

Grantee will, insofar as practicable, restore the ground disturbed by the laying, constructing, repairing, maintaining, replacing or removing of said Easement Facilities, and will take such steps as may be reasonably required to prevent damage to Grantor's facilities and property and to prevent soil erosion resulting from operations of Grantee hereunder. Grantee shall leave the surface as nearly as reasonably possible as it was prior to the construction of the Facilities. Grantee agrees to re-seed the unimproved easement areas that are disturbed by construction after construction of said Easement Facilities.

If Grantee should abandon the rights granted herein for said Easement Facilities and appurtenances constructed upon said land and, if such abandonment should continue for a continuous period of as long as thirty-six (36) months, all rights of Grantee herein shall terminate and revert to Grantor, its heirs, legal representatives, successors and assigns. Grantee shall have the right for one year following any termination of this easement to remove its facilities, appurtenances, and all other property. Following the expiration of such period, any such property remaining on said land shall be and become the property of Grantor.

To the extent permitted by law, Grantee shall indemnify, defend and hold harmless Grantor, its officers, directors, employees, contractors, successors, and assigns (collectively "NTMWD Indemnified Parties") from and against all loss, liability, damages, claims, suits, demands, costs, and expenses, including, reasonable and necessary attorney fees, expert fees, and court costs, and consequential damages incurred by Grantor or the Grantor Indemnified Parties or any third parties ("Claims") for (a) injury (including death) to the contractors, subcontractors, employees, invitees, and/or guests of Grantee arising out of or resulting from the construction, installation, maintenance, repair, operation, replacement, or removal of the Easement Facilities, except in the case of the gross negligence or willful misconduct of Grantor or any Grantor Indemnified Parties, or (b) loss of or damage to Easement Area or Burdened Property arising out of or resulting from the maintenance, repair, replacement, operation, or removal of Easement Facilities or anything associated therewith, except in the case of the negligence or willful misconduct of NTMWD or any NTMWD Indemnified Parties.

IN WITNESS WHEREOF, Grantor has 2 executed and delivered this Agreement as of the date first written above.

GRANTOR:

NORTH TEXAS MUNICIPAL WATER DISTRICT

By: _____

Name: _____

Title: _____

STATE OF TEXAS §
COUNTY OF _____ §

This instrument was acknowledged before me on _____, 2022,
by _____, _____ of North Texas Municipal
Water District. The acknowledging person personally appeared by:

physically appearing before me.

appearing by an interactive two-way audio and video communication that meets the requirements for online notarization under Texas Government Code, Chapter 406, Subchapter C.

Notary Public's Signature

(Seal)

GRANTEE:

City of Royse City, Texas
a Texas home-rule municipality

By: _____

Name: _____

Title: _____

STATE OF TEXAS §
§
COUNTY OF _____ §

This instrument was acknowledged before me on _____, 2022,
by _____, _____ for the City of Royse City, Texas, a
home-rule municipality. The acknowledging person personally appeared by:

physically appearing before me.

appearing by an interactive two-way audio and video communication that meets the
requirements for online notarization under Texas Government Code, Chapter 406, Subchapter C.

Notary Public's Signature

(Seal)

Exhibit "B"

LEGEND

"I.R.F." IRON ROD FOUND

"R.O.W." RIGHT OF WAY

PERMANENT 25' WIDE
SANITARY SEWER LINE
EASEMENT
1.05 ACRES
(45,738 S.F.)

POINT OF
BEGINNING

DAVID D. AND LORENA G. BOYD
VOL. 2564, PG. 67
85.612 AC.

EDWIN R. AND SARAH T. WALKER
TRACT 1
VOL. 3163, PG. 293
192.84 AC.

J.B. MERCHANT
SURVEY
ABSTRACT 156

EDWIN R. AND SARAH T. WALKER
TRACT 1
VOL. 3163, PG. 293
192.84 AC.

NORTH TEXAS MUNICIPAL
WATER DISTRICT
VOL. 3061, PG. 268
CALLED 110.46 ACRE TRACT

N. McCASLAND
SURVEY
ABSTRACT 149

N00°04'12"W
25.00'

N89°55'48"E
778.90'

S89°58'22"E
810.06'

S89°55'48"W
778.88'

N89°58'22"W
821.04'

N42°29'20"E
237.56'

S47°23'16"E
25.00'

S42°29'20"W
248.51'

10' TEMPORAR,
CONSTRUCTION
EASEMENT
0.425 ACRES
(18,513 S.F.)

REFERENCE BEARING
N9°00'43"W - 500.74'

N9°36'50"E - 1166.59'
REFERENCE BEARING

ABST. 149
ABST. 156

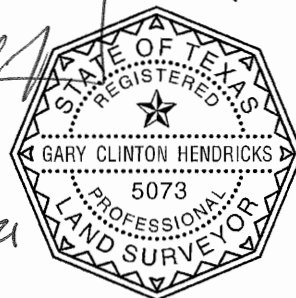
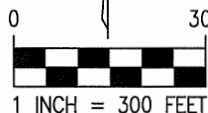
ROBERT C. AND
EDITH L. CARSON
VOL. 1337,
PG. 72
12.97 AC.

6" STEEL
FENCE POST

EDWIN R. AND SARAH T. WALKER
TRACT 2
VOL. 3163, PG. 293
29.20 AC.

1/2" I.R.F.

- NOTES:
- BEARINGS AND DISTANCES CITED IN THIS PLAT DESCRIPTION ARE BASED ON THE TEXAS STATE PLANE COORDINATE SYSTEM, NAD-83, TEXAS NORTH CENTRAL ZONE 4202.
 - FIELD SURVEYS CONCLUDED ON 11/09/2021.
 - A FIELD NOTE DESCRIPTION OF EVEN DATE HEREWITH ACCOMPANIES THIS EXHIBIT.



CITY OF ROYSE CITY, TEXAS

NORTH TEXAS MUNICIPAL WATER DISTRICT
PERMANENT 25' SANITARY SEWER LINE EASEMENT

BIRKHOFF, HENDRICKS & CARTER, L.L.P.
PROFESSIONAL ENGINEERS
TBPE Firm No. 526; TBPLS Firm No. 10031800
11910 Greenville Ave., Suite 600 Dallas, Texas 75243 (214) 361-7900

December
2021

Exhibit "A"

**FIELD NOTE DESCRIPTION
PERMANENT SANITARY SEWER LINE EASEMENT
CITY OF ROYSE CITY, TEXAS**

Being a 25-foot wide Permanent Sanitary Sewer Line Easement and being under, over and across a called 110.46 acre tract of land in the N. McCasland Survey, Abstract Number 149 and in the J.B. Merchant Survey, Abstract Number 156, Rockwall County, Texas, conveyed to North Texas Municipal Water District (N.T.M.W.D.) by Volume 3061, Page 268 of the Deed Records of Rockwall County, Texas (D.R.R.C.T.), said 25-foot wide Permanent Sanitary Sewer Line Easement being more particularly described as follows:

BEGINNING at a point for corner, said point being on the northeast property line of said 110.46 acre N.T.M.W.D. tract and on the southwest property line of a called 85.612 acre tract of land conveyed to David D. and Lorena G. Boyd by deed recorded in Volume 2564, Page 67 of the D.R.R.C.T., said point bears N 09°36'50" E, a distance of 1166.59 feet from a 1/2-inch iron rod found, said iron rod being on the southeast property line of said 110.46 acre N.T.M.W.D. tract and on the northeast property line of a called 29.20 acre tract of land conveyed to Edwin R. and Sarah T. Walker by deed recorded in Volume 3163, Page 293 of the D.R.R.C.T.;

THENCE, S 47°23'16" E, along the northeast property line of said 110.46 acre N.T.M.W.D. tract and the southwest property line of said 85.612 acre Boyd tract, a distance of 25.00 feet to a point for corner;

THENCE, S 42°29'20" W, a distance of 248.51 feet to a point for corner;

THENCE, N 89°58'22" W, a distance of 821.04 feet to a point for corner;

THENCE, S 89°55'48" W, a distance of 778.88 feet to a point for corner, said point bears N 09°00'43" W, a distance of 500.74 feet from a 6-inch steel fence post found, said fence post being on the southwest property corner of said 110.46 acre N.T.M.W.D. tract and on the northwest property corner of said 29.20 acre Walker tract and on the northeast property corner of a called 12.97 acre tract of land conveyed to Robert C. and Edith L. Carson by deed recorded in Volume 1337, Page 72 of the D.R.R.C.T.;

THENCE, N 00°04'12" W, a distance of 25.00 feet to a point for corner;

THENCE, N 89°55'48" E, a distance of 778.90 feet to a point for corner;

THENCE, S 89°58'22" E, a distance of 810.06 feet to a point for corner;

THENCE, N 42°29'20" E, a distance of 237.56 feet to the POINT OF BEGINNING, said Permanent Sanitary Sewer Line Easement containing 1.05 acre (45,738 square feet) of land, more or less.

Also, a 10-foot wide Temporary Construction easement being immediately adjacent to and parallel with the southern legs of the above described said Permanent Sanitary Sewer Line Easement and containing 0.425 acre (18,513 square feet) of land, more or less.

Notes:

1. Basis of bearings cited in this field note description are based on the Texas State Plane Coordinate System, NAD-83, Texas North Central Zone 4202.
2. Field survey concluded on 11/09/2021.
3. A Plat of even date herewith accompanies this Field Note Description.

Gary C. Hendricks, P.E., R.P.L.S.
Texas Registration No. 5073
Birkhoff, Hendricks & Carter, L.L.P.
TBPLS Firm No. 100318-00
11910 Greenville Ave., Suite 600
Dallas, Texas 75243



[Handwritten Signature]
12/01/2021

NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

CONSENT AGENDA ITEM NO. 22-08-09

REGIONAL SOLID WASTE SYSTEM
121 REGIONAL DISPOSAL FACILITY
SECTORS 6B AND 6C MASS EXCAVATION
PROJECT NO. 401-0614-22

ENGINEERING SERVICES AGREEMENT

ACTION (*What*)

Authorize an engineering service agreement (ESA) with Biggs and Mathews Environmental to design the excavation of 121 Regional Disposal Facility (121 RDF) Sectors 6B and 6C.

PURPOSE (*Why*)

This project will enable the future development of the liner and leachate collection system in 121 RDF Sectors 6B and 6C.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the Executive Director to execute an engineering services agreement as follows:

Consultant: Biggs and Mathews Environmental

Scope: Final engineering design

Project: No. 401-0614-22, 121 RDF Sectors 6B and 6C Mass Excavation

Amount: \$28,900

Strategic Objective: 1.4 – Provide Reliable and Resilient Systems

DRIVER(S) FOR THIS PROJECT

- | | |
|----------------------------------------------------------|-------------------------------------------------|
| <input type="checkbox"/> Regulatory Compliance | <input type="checkbox"/> Asset Condition |
| <input checked="" type="checkbox"/> Capacity | <input type="checkbox"/> Redundancy/Resiliency |
| <input type="checkbox"/> Relocation or External Requests | <input type="checkbox"/> Operational Efficiency |
| <input type="checkbox"/> Safety | <input type="checkbox"/> Administrative |
| <input type="checkbox"/> Policy | <input type="checkbox"/> Other _____ |

BACKGROUND

PROJECT PURPOSE

- Excavation of Sectors 6B and 6C of the 121 Regional Disposal Facility.
- NTMWD generally excavates Austin Chalk material for the next cell to be constructed.
- Cell progression is from east to west and due to increasing depth as excavation activities approach the western end of the landfill the excavation quantity is greater than in-house capability.
- A third party contractor will ensure excavation grades are met when cell construction must begin.
- This project will ensure sufficient airspace is available to support landfill operations.

PROJECT COMPONENTS

- Approximately 1,290,000 cubic yards of Austin Chalk excavation
- Approximately 3,000 linear feet of silt fence.
- Design and construction management of 121 RDF Austin Chalk stockpile
- The design effort will include ongoing consideration and evaluation of current available construction budget, and any required adjustment to project quantities to balance reasonable facility needs and rigorous financial management

BASIC SERVICES

- Construction drawings to include a site plan, sector 6B excavation plan, sector 6C excavation plan, and a stockpile plan
- Technical specifications
- Bid phase services

SPECIAL SERVICES

- None

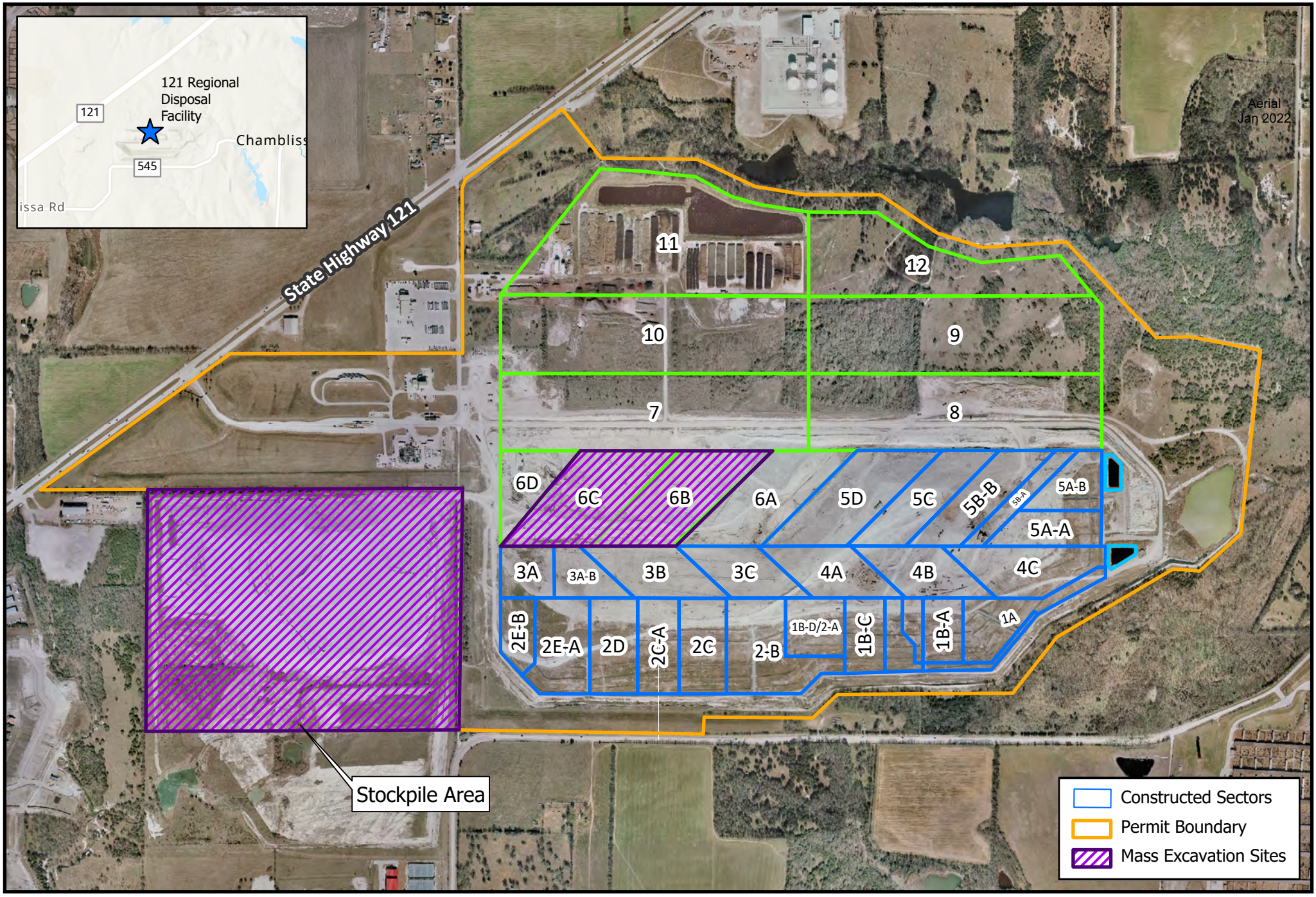
ENGINEERING SERVICES FEE

Description	Amount
Basic Services	\$28,900.00
Requested Amount	\$28,900.00

FUNDING

FUND(S): Funding in the amount of \$28,900 to Biggs and Mathews Environmental is to be made available from the Regional Solid Waste System Capital Improvement Fund

Aerial
Jan 2022



121 Regional Disposal Facility Sector 6B and 6C Mass Excavation
Project No. 401-0614-22
Consent Agenda Item No. 22-08-09



NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

ADMINISTRATIVE MEMORANDUM NO. 5850

SABINE CREEK REGIONAL WASTEWATER SYSTEM CONTRACT REVENUE BONDS, SERIES 2022

RESOLUTION NO. 22-35

ACTION (*What*)

Request authorization to issue Contract Revenue Bonds for the Sabine Creek Regional Wastewater System Treatment Plant.

PURPOSE (*Why*)

Fund improvements to the Sabine Creek Regional Wastewater System Treatment Plant.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors adopt Resolution No. 22-35, "*Resolution Authorizing the Issuance, Sale, and Delivery of North Texas Municipal Water District Sabine Creek Regional Wastewater System Contract Revenue Bonds, Series 2022; and Approving and Authorizing Instruments and Procedures Relating Thereto.*"

Contracting

Party:	N/A
Scope:	Fund Improvements to the Sabine Creek Regional Wastewater System Treatment Plant
Projects:	Sabine Creek Regional Wastewater Treatment Plant Expansion to 7 MGD
Amount:	Approximately \$80.16 million of 2022 contract revenue bonds will be issued. Actual amount to be determined at date of pricing.
Strategic Objective:	1.2 Successfully Deliver Capital Program 1.4 Reliable and Resilient Systems

Staff reviewed with the Finance Committee on June 8, 2022.

DRIVER(S) FOR THIS PROJECT

<input type="checkbox"/> Regulatory Compliance	<input type="checkbox"/> Asset Condition
<input type="checkbox"/> Capacity	<input type="checkbox"/> Redundancy/Resiliency
<input type="checkbox"/> Relocation or External Requests	<input type="checkbox"/> Operational Efficiency
<input type="checkbox"/> Safety	<input checked="" type="checkbox"/> Administrative
<input type="checkbox"/> Policy	<input type="checkbox"/> Other _____

BACKGROUND

- The Finance Committee met on June 8, 2022, to review the proposed bond sale to fund the plant expansion to 7 MGD (Construction, Inspection, Engineering, and Property)
- Staff presented the Finance Committee with timelines for the sale and a summary of the financing plan.
- At this time, it is expected that approximately \$80.16 million of 2022 contract revenue bonds will be issued. The actual amount of the bond sale will be determined on the date of pricing.
- The transaction will be completed through a negotiated sale on August 25, 2022, and the estimated interest rate is 4.6%.
- NTMWD bond counsel, McCall, Parkhurst & Horton, LLP, has prepared the attached Bond Resolution and NTMWD financial advisor, Hilltop Securities, Inc., has prepared the attached Preliminary Official Statement.
- Representatives from McCall, Parkhurst & Horton, LLP, as well as Hilltop Securities, Inc., will be available at the Board meeting to review the documents and financing procedures.

FUNDING

FUND(S): N/A

RESOLUTION NO. 22-35

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF NORTH TEXAS MUNICIPAL WATER DISTRICT SABINE CREEK REGIONAL WASTEWATER SYSTEM CONTRACT REVENUE BONDS, SERIES 2022; AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

WHEREAS, North Texas Municipal Water District (the "Issuer") is a political subdivision of the State of Texas, being a conservation and reclamation district created and functioning under Article 16, Section 59 of the Texas Constitution, pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, as amended (the "Act");

WHEREAS, the Board of Directors of the Issuer is authorized to issue the bonds hereinafter authorized pursuant to the Act, Chapter 30, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended, and other applicable laws.

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF NORTH TEXAS MUNICIPAL WATER DISTRICT THAT:

Section 1. AMOUNT AND PURPOSE OF THE BONDS. The bond or bonds of North Texas Municipal Water District (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount not to exceed \$90,000,000, for the purpose of providing funds for (I) THE CONSTRUCTION OF THE SABINE CREEK WASTEWATER TREATMENT PLANT EXPANSION TO 7 MGD AND OTHER SYSTEM IMPROVEMENTS, (II) MAKING A DEPOSIT TO THE RESERVE FUND (HEREINAFTER DEFINED) IF NECESSARY AND (III) PAYING COSTS OF ISSUANCE OF THE BONDS.

Section 2. DESIGNATION OF THE BONDS. Each bond issued pursuant to this Resolution shall be designated: "NORTH TEXAS MUNICIPAL WATER DISTRICT SABINE CREEK REGIONAL WASTEWATER SYSTEM CONTRACT REVENUE BOND, SERIES 2022", and initially there shall be issued, sold, and delivered hereunder a single fully registered bond, without interest coupons, payable in installments of principal (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, having serial maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided. The term "Bonds" as used in this Resolution shall mean and include collectively the Initial Bond and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

Section 3. INITIAL DATE, DENOMINATION, NUMBER, MATURITIES, INITIAL REGISTERED OWNER, AND CHARACTERISTICS OF THE INITIAL BOND.

(a) As authorized by Chapter 1371 ("Chapter 1371") Texas Government Code, as amended, the Executive Director, the Deputy Director - Administrative Services, and the Assistant Deputy - Finance of the Issuer are each hereby designated as an "Authorized Officer" of the Issuer, and each is hereby authorized, appointed, and designated as the officer or employee of the Issuer authorized to act on behalf of the Issuer, which actions shall be evidenced by a certificate executed

by such Authorized Officer (the "Approval Certificate") for a period not to extend beyond August 25, 2023, in the selling and delivering of the Bonds and carrying out the other procedures specified in this Resolution, including the use of a book-entry only system with respect to the Bonds and the execution of an appropriate letter of representations if deemed appropriate, the determining and fixing of the date and the date of delivery of the Bonds, any additional or different designation or title by which the Bond shall be known, the price at which the Bonds will be sold (but in no event less than 97% of the principal amount of the Bonds), the principal amount (not exceeding \$90,000,000) of the Bonds, the amount of each maturity of principal thereof, the due date of each such maturity (not exceeding forty years from the date of the Bonds), the rate of interest to be borne by each such maturity (but in no event to result in the net effective rate on the Bonds exceeding 6.00%), the initial interest payment date, the date or dates of optional redemption thereof, any mandatory sinking fund redemption provisions, procuring municipal bond insurance, if any, and approving modifications to this Resolution and executing such instruments, documents and agreements as may be necessary with respect thereto, and all other matters relating to the issuance, sale and delivery of the Bonds. It is further provided, however, that, notwithstanding the foregoing provisions, the Bonds shall not be delivered unless prior to their delivery, the Bonds have been rated by a nationally recognized rating agency for municipal long term obligations, as required by said Chapter 1371.

(b) The Initial Bond is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Bond, without interest coupons, in the denomination and aggregate principal amount set forth in the Approval Certificate (not exceeding \$90,000,000), numbered TR-1, payable in annual installments of principal to the initial registered owner thereof or to the registered assignee or assignees of said Bond or any portion or portions thereof (in each case, the "registered owner"), with the annual installments of principal of the Initial Bond to be payable on the dates, respectively, and in the principal amounts, respectively, and may and shall be prepaid or redeemed prior to the respective scheduled due dates of installments of principal thereof, all as set forth in the Approval Certificate.

(c) The Initial Bond (i) may and, if so provided in the Approval Certificate, shall be prepaid or paid on the respective scheduled due dates of installments of principal thereof, (ii) may be assigned and transferred, (iii) may be converted and exchanged for other bonds, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Initial Bond shall be payable, all as provided, and in the manner required or indicated, in the Approval Certificate and the FORM OF INITIAL BOND set forth in this Resolution.

Section 4. INTEREST. The unpaid principal balance of the Initial Bond shall bear interest from the date of delivery the Initial Bond to the Purchaser (as defined in Section 33 hereof) to the respective scheduled due dates, or to the respective dates of prepayment or redemption, if any, of the installments of principal of the Initial Bond, and said interest shall be payable, all in the manner provided and at the rates and on the dates stated in the FORM OF INITIAL BOND set forth in this Resolution.

Section 5. FORM OF INITIAL BOND. The form of the Initial Bond, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be endorsed on the Initial Bond, shall be substantially as follows:

FORM OF INITIAL BOND

NO. TR-1

\$ _____ *

UNITED STATES OF AMERICA
STATE OF TEXAS
NORTH TEXAS MUNICIPAL WATER DISTRICT
SABINE CREEK REGIONAL WASTEWATER SYSTEM
CONTRACT REVENUE BOND, SERIES 2022

NORTH TEXAS MUNICIPAL WATER DISTRICT (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to _____*, or to the registered assignee or assignees of this Bond or any portion or portions hereof (in each case, the "registered owner") the aggregate principal amount of _____* DOLLARS in annual installments of principal due and payable on JUNE 1 in each of the years, and in the respective principal amounts, as set forth in the following schedule:

<u>Year*</u>	<u>Principal Amount*</u>	<u>Year*</u>	<u>Principal Amount*</u>
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and to pay interest, calculated on the basis of a 360-day year composed of twelve 30-day months, from the date of initial delivery of this Bond to the Purchaser (as defined in the Bond Resolution (hereinafter defined)), on the balance of each such installment of principal, respectively, from time to time remaining unpaid, at the rates as follows:

<u>Year*</u>	<u>Rate*</u>	<u>Year*</u>	<u>Rate*</u>
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with said interest being payable semiannually on each June 1 and December 1, commencing _____, _____*, thereafter while this Bond or any portion hereof is outstanding and unpaid.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges.

* From Approval Certificate.

The installments of principal and the interest on this Bond are payable to the registered owner hereof through the services of The Bank of New York Mellon Trust Company, National Association, in Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. Payment of all principal of and interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each principal and/or interest payment date by check dated as of such date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of this Bond (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such principal and/or interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. The Issuer covenants with the registered owner of this Bond that on or before each principal and/or interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the Bond Fund confirmed by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on this Bond, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the City where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND has been authorized in accordance with the Constitution and laws of the State of Texas for the purpose of providing funds for (I) THE CONSTRUCTION OF THE SABINE CREEK WASTEWATER TREATMENT PLANT EXPANSION TO 7 MGD AND OTHER SYSTEM IMPROVEMENTS, (II) MAKING A DEPOSIT TO THE RESERVE FUND (AS DEFINED IN THE BOND RESOLUTION) IF NECESSARY AND (III) PAYING COSTS OF ISSUANCE OF THE BONDS.

ON _____, _____,* or on any date whatsoever thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the particular portion of this Bond to be prepaid or redeemed shall be selected and designated by the Issuer (provided that a portion of this Bond may be redeemed only in an integral multiple of \$5,000), at the prepayment or redemption price of the par or principal amount thereof, plus accrued interest to the date fixed for prepayment or redemption.

**[THE PRINCIPAL INSTALLMENTS OF THIS BOND maturing on June 1, _____ and June 1, _____ are subject to mandatory prepayment or redemption prior to maturity in part, at a price equal to the principal amount of this Bond or portions hereof to be prepaid or redeemed plus accrued interest to the date of prepayment or redemption, on June 1 in each of the years and in the amounts as follows:

* From Approval Certificate.

** From Approval Certificate, if applicable.

Principal Installment due on June 1, _____

Years

Amounts

Principal Installment due on June 1, _____

Years

Amounts

The amount of any principal installment of this Bond required to be prepaid or redeemed pursuant to the operation of such mandatory prepayment or redemption provisions shall be reduced, at the option and direction of the Issuer, by the principal amount of such principal installment of this Bond which, at least 50 days prior to the mandatory prepayment or redemption date (1) shall have been acquired by the Issuer at a price not exceeding such principal amount plus accrued interest to the date of purchase thereof, or (2) shall have been purchased by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding such principal amount plus accrued interest to the date of purchase, or (3) shall have been prepaid or redeemed pursuant to the optional prepayment or redemption provisions and not theretofore credited against a mandatory prepayment or redemption requirement.

AT LEAST 30 days prior to the date fixed for any such prepayment or redemption a written notice of such prepayment or redemption shall be mailed by United States mail, postage prepaid, by the Paying Agent/Registrar to the registered owner hereof at the address of such registered owner appearing on the registration books of the Issuer kept by the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of such notice. Any notice so mailed shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. By the date fixed for any such prepayment or redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required prepayment or redemption price for this Bond or the portion hereof which is to be so prepaid or redeemed, plus accrued interest thereon to the date fixed for prepayment or redemption. If such written notice of prepayment or redemption is given, and if due provision for such payment is made, all as provided above, this Bond, or the portion thereof which is to be so prepaid or redeemed, thereby automatically shall be treated as prepaid or redeemed prior to its scheduled due date, and shall not bear interest after the date fixed for its prepayment or redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the prepayment or redemption price plus accrued interest to the date fixed for prepayment or redemption from the Paying Agent/Registrar out of the funds provided for such payment.

THIS BOND, to the extent of the unpaid principal balance hereof, or any unpaid portion hereof in any integral multiple of \$5,000, may be assigned by the initial registered owner hereof and

shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar for cancellation, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment by the initial registered owner of this Bond, or any portion or portions hereof in any integral multiple of \$5,000, to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. Any instrument or instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any such portion or portions hereof by the initial registered owner hereof. A new bond or bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds) or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond or any portion or portions hereof, but solely in the form and manner as provided in the next paragraph hereof for the conversion and exchange of this Bond or any portion hereof. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

AS PROVIDED above and in the Bond Resolution, this Bond, to the extent of the unpaid principal balance hereof, may be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the assignee or assignees duly designated in writing by the initial registered owner hereof, or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, in any denomination or denominations in any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute bond issued in exchange for any portion of this Bond shall have a single stated principal maturity date), upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. If this Bond or any portion hereof is assigned and transferred or converted each bond issued in exchange for any portion hereof shall have a single stated principal maturity date corresponding to the due date of the installment of principal of this Bond or portion hereof for which the substitute bond is being exchanged, and shall bear interest at the rate applicable to and borne by such installment of principal or portion thereof. Such bonds, respectively, shall be subject to redemption prior to maturity on the same dates and for the same prices as the corresponding installment of principal of this Bond or portion hereof for which they are being exchanged. No such bond shall be payable in installments, but shall have only one stated principal maturity date. AS PROVIDED IN THE BOND RESOLUTION, THIS BOND IN ITS PRESENT FORM MAY BE ASSIGNED AND TRANSFERRED OR CONVERTED ONCE ONLY, and to one or more assignees, but the bonds issued and delivered in exchange for this Bond or any portion hereof may be assigned and transferred, and converted, subsequently, as provided in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging this Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make any such

transfer, conversion, or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for prepayment or redemption prior to maturity, within 45 days prior to its prepayment or redemption date.

IN THE EVENT any Paying Agent/Registrar for this Bond is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owner of this Bond.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the Issuer which, together with other bonds, are secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, including the Gross Revenues of the District's Sabine Creek Regional Wastewater System, and including specifically certain payments to be received by the District from the Cities of Fate and Royse City, Texas (the "Participants"), under the "Sabine Creek Regional Wastewater System Contract", dated March 3, 2003, among the Participants and the District, and any payments to be received by the District under all similar contracts with any future Additional Participants as defined and permitted in said contracts.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue Additional Bonds payable from and secured by a first lien on and pledge of the "Pledged Revenues" on a parity with this Bond.

THE ISSUER also has reserved the right to amend the Bond Resolution with the approval of the registered owners of 51% in principal amount of all outstanding bonds secured by and payable from a first lien on and pledge of the "Pledged Revenues".

THE REGISTERED OWNER hereof shall never have the right to demand payment of this Bond or the interest hereon out of any funds raised or to be raised by taxation or from any source whatsoever other than specified in the Bond Resolution.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between the registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the Issuer and countersigned with the manual or facsimile signature of the Secretary of the Board of Directors of the Issuer, has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond, and has caused this Bond to be dated as of _____*.

XXXXXXXXXXXX
Secretary, Board of Directors,
North Texas Municipal Water District

XXXXXXXXXXXX
President, Board of Directors,
North Texas Municipal Water District

(DISTRICT SEAL)

FORM OF REGISTRATION CERTIFICATE OF THE
COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

Section 6. ADDITIONAL CHARACTERISTICS OF THE BONDS. Registration and Transfer. (a) The Issuer shall keep or cause to be kept at the principal corporate trust office of The Bank of New York Mellon Trust Company, National Association, in Dallas, Texas (the "Paying Agent/Registrar") books or records of the registration and transfer of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Paying Agent/Registrar for transfer

of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing (i) the assignment of the Bond, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute Bond or Bonds shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Bond, to the extent of the unpaid or unredeemed principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Bonds issued and delivered in conversion of and exchange for the Initial Bond shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Bond or any portion thereof is assigned and transferred or converted the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Bond is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Bonds in exchange for the unassigned balance of the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is exchanged. A form of assignment shall be printed or endorsed on each Bond, excepting the Initial Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Bonds or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Bond or Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Bond or Bonds), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 6(d), below, for the conversion and exchange of Bonds by any registered owner of a Bond. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer and delivery of a substitute Bond or Bonds, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of any Bond or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii), if the Bonds are subject to redemption, with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(b) Ownership of Bonds. The entity in whose name any Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Resolution, whether or not such Bond shall be overdue, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(c) Payment of Bonds and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, and to act as its agent to convert and exchange or replace Bonds, all as provided in this Resolution. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of Bonds, and all replacements of Bonds, as provided in this Resolution.

(d) Conversion and Exchange or Replacement; Authentication. Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid principal balance or principal amount thereof, may, upon surrender of such Bond at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, in the denomination of \$5,000, or any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid principal balance or principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Bond is assigned and transferred or converted each substitute Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If any Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. It is specifically provided that any Bond authenticated in conversion of and exchange for or replacement of another Bond on or prior to the first scheduled Record Date for the Initial Bond shall bear interest from the date of the Initial Bond, but each substitute Bond so authenticated after such first scheduled Record Date shall bear interest from the interest payment date next preceding the date on which such substitute Bond was so authenticated, unless such Bond is authenticated after

any Record Date but on or before the next following interest payment date, in which case it shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any substitute Bond the interest on the Bond for which it is being exchanged is due but has not been paid, then such Bond shall bear interest from the date to which such interest has been paid in full. THE INITIAL BOND issued and delivered pursuant to this Resolution is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for or replacement of any Bond or Bonds issued under this Resolution there shall be printed a certificate, in the form substantially as follows:

"PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK TRUST MELLON
COMPANY, NATIONAL ASSOCIATION
Paying Agent/Registrar

Dated: _____

Authorized Representative"

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the above Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for conversion and exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Chapter 1201, Texas Government Code, the duty of conversion and exchange or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the converted and exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bond which originally was issued pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting any such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange or replacement of Bonds or any portion thereof

(i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii), if the Bonds are subject to redemption, with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(e) In General. All Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the registered owners thereof, (ii) if so provided in the Approval Certificate may and/or shall be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Bonds, (v) shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF SUBSTITUTE BOND set forth in this Resolution.

(f) Payment of Fees and Charges. The Issuer hereby covenants with the registered owners of the Bonds that it will (i) pay the standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Bonds, when due, and (ii) pay the fees and charges of the Paying Agent/Registrar for services with respect to the transfer of registration of Bonds, and with respect to the conversion and exchange of Bonds solely to the extent above provided in this Resolution.

(g) Substitute Paying Agent/Registrar. The Issuer covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

Section 7. FORM OF SUBSTITUTE BONDS. The form of all Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, including the form of Paying Agent/Registrar's Certificate to be printed on each of such Bonds, and the Form of Assignment to be printed on each of the Bonds, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution.

FORM OF SUBSTITUTE BOND

THE FOLLOWING TWO BRACKETED PARAGRAPHS ARE TO BE DELETED IF BOND IS NOT BOOK-ENTRY ONLY:

[Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC") to the Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

As provided in the Bond Resolution referred to herein, until the termination of the system of book-entry-only transfers through DTC, and notwithstanding any other provision of the Bond Resolution to the contrary, this Bond may be transferred, in whole but not in part, only to a nominee of DTC, or by a nominee of DTC to DTC or a nominee of DTC, or by DTC or a nominee of DTC to any successor securities depository or any nominee thereof.]

NO. R-__	UNITED STATES OF AMERICA STATE OF TEXAS NORTH TEXAS MUNICIPAL WATER DISTRICT SABINE CREEK REGIONAL WASTEWATER SYSTEM CONTRACT REVENUE BOND, SERIES 2022	PRINCIPAL AMOUNT \$ _____
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<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ISSUE DATE</u>	<u>CUSIP NO.</u>
_____ %	JUNE 1, _____	_____ *	_____

ON THE MATURITY DATE specified above NORTH TEXAS MUNICIPAL WATER DISTRICT (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to CEDE & CO., or to the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount of _____ and to pay interest thereon, calculated on the basis of a 360-day year composed of twelve 30-day months, from the Issue Date specified above, to the Maturity Date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; with interest being payable semiannually on each June 1 and December 1, commencing _____, _____**, except that if the date of authentication of this Bond is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication,

* Date of initial delivery to the Purchaser (as defined in Section 33 hereof).
 ** From the Approval Certificate.

unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of The Bank of New York Mellon Trust Company, National Association, in Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. However, notwithstanding the foregoing provisions, the payment of such interest may be made by any other method acceptable to the Paying Agent/Registrar and requested by, and at the risk and expense of, the registered owner hereof. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the Bond Fund confirmed by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the City where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of a series of Bonds dated as of _____*, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$ _____*, for the purpose of providing funds for (I) THE CONSTRUCTION OF THE SABINE CREEK WASTEWATER TREATMENT PLANT EXPANSION TO 7 MGD AND OTHER SYSTEM IMPROVEMENTS, (II) MAKING A DEPOSIT TO THE RESERVE FUND (AS DEFINED IN THE BOND RESOLUTION) IF NECESSARY AND (III) PAYING COSTS OF ISSUANCE OF THE BONDS.

ON _____, _____*, or on any date whatsoever thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the

* From Approval Certificate.

Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the particular portion of this Bond to be prepaid or redeemed shall be selected and designated by the Issuer and within a maturity the particular Bonds or portions thereof to be selected by the Paying Agent/Registrar by lot or other customary method of random selection (provided that a portion of this Bond may be redeemed only in an integral multiple of \$5,000), at the prepayment or redemption price of the par or principal amount thereof, plus accrued interest to the date fixed for prepayment or redemption.

*[THE BONDS maturing on June 1, _____ and June 1, _____ (the "Term Bonds") are subject to mandatory redemption prior to maturity in part, by lot or other customary random method selected by the Paying Agent/Registrar, at a redemption price equal to the principal amount of the Term Bonds or portions thereof to be redeemed plus accrued interest to the redemption date, on June 1 in each of the years and in the principal amounts as follows:

Term Bonds maturing on June 1, _____

Years

Amounts

Term Bonds maturing on June 1, _____

Years

Amounts

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option and direction of the Issuer, by the principal amount of the Term Bonds of such maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.]

DURING ANY PERIOD in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository.

AT LEAST 30 days prior to the date fixed for any such redemption a written notice of such redemption shall be mailed by United States mail, postage prepaid, by the Paying Agent/Registrar to the registered owner hereof at the address of such registered owner appearing on the registration books of the Issuer kept by the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of such notice. Any notice so mailed shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. By the date fixed for any such redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required redemption price for this Bond or the portion hereof which is to be so redeemed, plus accrued interest thereon to the date fixed for prepayment or redemption. If such written notice of redemption is given, and if due provision for such payment is made, all as provided above, this Bond, or the portion thereof which is to be so redeemed, thereby automatically shall be treated as redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for its redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Bond Resolution.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond or any portion hereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond or portion thereof called for redemption prior to maturity within 45 days prior to its redemption date. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the

extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the Issuer which, together with other bonds, are secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, including the Gross Revenues of the District's Sabine Creek Regional Wastewater System, and including specifically certain payments to be received by the District from the Cities of Fate and Royse City, Texas (the "Participants"), under the "Sabine Creek Regional Wastewater System Contract", dated March 3, 2003, among the Participants and the District, and any payments to be received by the District under all similar contracts with any future Additional Participants as defined and permitted in said contracts.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue Additional Bonds payable from and secured by a first lien on and pledge of the "Pledged Revenues" on a parity with this Bond and series of which it is a part.

THE ISSUER also has reserved the right to amend the Bond Resolution with the approval of the registered owners of 51% in principal amount of all outstanding bonds secured by and payable from a first lien on and pledge of the "Pledged Revenues".

THE REGISTERED OWNER hereof shall never have the right to demand payment of this Bond or the interest hereon out of any funds raised or to be raised by taxation or from any source whatsoever other than specified in the Bond Resolution.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the Issuer and attested and countersigned with the manual or facsimile signature of the Secretary of the Board of Directors of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

XXXXXXXXXXXX
Secretary, Board of Directors,
North Texas Municipal Water District

XXXXXXXXXXXX
President, Board of Directors
North Texas Municipal Water District

(DISTRICT SEAL)

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON TRUST COMPANY,
NATIONAL ASSOCIATION
Paying Agent/Registrar

Dated: _____

Authorized Representative

FORM OF ASSIGNMENT

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

Please Insert Social Security or
Other Identifying Number of Assignee

/ _____ /

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint _____
to transfer said Bond on the books kept for registration thereof with full power of substitution in the
premises.

Date: _____

Signature Guaranteed: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon
the face of the within Bond in every particular, without alteration or enlargement or
any change whatever; and

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in
a Securities Transfer Association recognized signature guarantee program.

Section 8. ADDITIONAL DEFINITIONS. In addition to the terms defined in the recitals
or otherwise herein, as used in this Resolution the following terms shall have the meanings set forth
below, unless the text hereof specifically indicates otherwise:

The term "Additional Bonds" shall mean the additional parity revenue bonds permitted to
be authorized in the future in this Resolution.

The term "Additional Participants" shall mean a city or cities in addition to the Cities of Fate
and Royse City with which the District makes a contract for receiving, transporting, treating, and/or
disposing of Wastewater (as defined in the Contract) through the System.

The term "Board" shall mean the Board of Directors of the Issuer, being the governing body
of the Issuer, and it is further resolved that the declarations and covenants of the Issuer contained
in this Resolution are made by, and for and on behalf of the Board and the Issuer, and are binding
upon the Board and the Issuer for all purposes.

The terms "Bond Resolution" and "Resolution" mean this resolution authorizing the Bonds.

The term "Bonds" means collectively the Initial Bond as described and defined in Sections 1 and 2 of this Resolution, and all substitute bonds exchanged therefor as well as all other substitute and replacement bonds issued pursuant to this Resolution.

The term "Contract" shall mean collectively the Sabine Creek Regional Wastewater Contract, dated as of March 3, 2003, among the Issuer and the Participants, together with all similar contracts which may be executed in the future between the Issuer and Additional Participants, as defined and permitted in the aforesaid contracts.

The terms "District" and "Issuer" shall mean North Texas Municipal Water District.

The terms "District's System", "Issuer's System", and "System" shall mean all of the Issuer's facilities acquired, constructed, used, or operated by the Issuer for receiving, transporting, treating, and disposing of Wastewater (as defined in the Contract) of and for the Participants, pursuant to the Contract, including the contracts with Additional Participants (but excluding any facilities acquired or constructed with Special Facilities Bonds, and excluding any facilities required to transport Wastewater to any Point of Entry (as defined in the Contract) of the System), together with any improvements, enlargements, or additions to said System facilities and any extensions, repairs, or replacements of said System facilities acquired, constructed, used, operated, or otherwise incorporated into or made a part of said System facilities in the future by the Issuer. Said terms shall include only those facilities which are acquired, constructed, used, or operated by the Issuer to provide service to Participants pursuant to the Contract, including any contracts with Additional Participants, and which, as determined by the Issuer, can economically and efficiently provide service to Participants.

The term "fiscal year" shall mean the 12 month period beginning each October 1, or such other 12 month period hereafter established by the Issuer as a fiscal year for the purposes of this Resolution.

The term "Gross Revenues of the System" shall mean all of the revenues, income, rentals, rates, fees, and charges of every nature derived by the Board or the Issuer from the operation and/or ownership of the System, including specifically all payments constituting the "Annual Requirement" (consisting of the "Operation and Maintenance Component" and the "Bond Service Component"), and all other payments and amounts received by the Board or the Issuer from the Participants pursuant to the Contract, including any contracts with Additional Participants.

The term "Net Revenues of the System" shall mean the Gross Revenues of the System less the Operation and Maintenance Expense of the System.

The term "Operation and Maintenance Expense" shall mean all costs of operation and maintenance of the Issuer's System including, but not limited to, repairs and replacements, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, and any other supplies, services, administrative costs, and equipment necessary for proper operation and maintenance of the Issuer's System, any payments required to be made under the Contract into the Contingency Fund (as defined in the Contract), payments made for the use or operation of any property, payments of fines, and payments made by Issuer in satisfaction of judgments or other liabilities resulting from claims not covered by Issuer's insurance or not paid by one particular

Participant arising in connection with the operation and maintenance of the Issuer's System. Depreciation shall not be considered an item of Operation and Maintenance Expense.

The term "Parity Bonds" shall mean collectively the Bonds and the unpaid and unrefunded North Texas Municipal Water District Sabine Creek Regional Wastewater System Contract Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds"), authorized by resolution of the Board on September 27, 2012 (the "Series 2012 Bond Resolution"), North Texas Municipal Water District Sabine Creek Regional Wastewater System Contract Revenue Bonds, Series 2016 (the "Series 2016 Bonds"), authorized by resolution of the Board on September 22, 2016 (the "Series 2016 Bond Resolution") and North Texas Municipal Water District Sabine Creek Regional Wastewater System Revenue Bonds, Series 2020 (the "Series 2020 Bonds"), authorized by resolution of the Board on October 22, 2020 (the "Series 2020 Bond Resolution"), which will be outstanding after the issuance and delivery of the Initial Bond.

The term "Participants" shall mean collectively the City of Fate, in Rockwall County, Texas and the City of Royse City, in Rockwall County, Texas, together with all Additional Participants.

The term "Pledged Revenues" shall mean: (a) the Gross Revenues of the System and (b) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which in the future may, at the option of the Issuer, be pledged to the payment of the Bonds or the Additional Bonds.

The term "Special Facilities Bonds" shall mean revenue obligations of the District which are not secured by or payable from Annual Payments under the Contract, but which are payable solely from other sources; but Special Facilities Bonds may be made payable from payments from any person, including any Participant, under a separate contract whereunder the facilities to be acquired or constructed are declared not to be part of the system and are not made payable from the Annual Payments as defined in the Contract.

Section 9. PLEDGE. (a) The Bonds authorized by this Resolution are hereby designated as, and shall be, "Additional Bonds" as permitted by Sections 22 and 23, respectively, of the Series 2012 Bond Resolution, the Series 2016 Bond Resolution and the Series 2020 Bond Resolution and it is hereby determined, declared, and resolved that all of the Parity Bonds, including the Bonds authorized by this Resolution, are and shall be secured and payable equally and ratably on a parity, and that Sections 9 through 25 of this Resolution substantially restate and are supplemental to and cumulative of the applicable and pertinent provisions of the resolution authorizing the issuance of the previously issued Parity Bonds, with Sections 9 through 25 of this Resolution being equally applicable to all of the Parity Bonds, including the Bonds.

(b) The Parity Bonds and any Additional Bonds, and the interest thereon, are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged to the establishment and maintenance of the Bond Fund and the Reserve Fund as provided in this Resolution.

Section 10. REVENUE FUND. There has been created and established pursuant to the 2012 Bond Resolution, and there shall be maintained at an official depository of the Issuer (which must be a member of the Federal Deposit Insurance Corporation) a separate fund to be entitled the "North

Texas Municipal Water District Sabine Creek Regional Wastewater System Contract Revenue Bonds Revenue Fund" (hereafter called the "Revenue Fund"). All Gross Revenues of the System shall be credited to the Revenue Fund immediately upon receipt.

Section 11. BOND FUND. For the sole purpose of paying the principal of and interest on all outstanding Parity Bonds and any Additional Bonds, as the same come due, there has been created and established pursuant to the Series 2012 Bond Resolution and shall be maintained at the Paying Agent/Registrar, a separate fund to be entitled the "North Texas Municipal Water District Sabine Creek Regional Wastewater System Contract Revenue Bonds Bond Fund" (hereinafter called the "Bond Fund").

Section 12. RESERVE FUND. There has been created and established pursuant to the Series 2012 Bond Resolution, and there shall be maintained at the Paying Agent/Registrar, a separate fund to be entitled the "North Texas Municipal Water District Sabine Creek Regional Wastewater System Contract Revenue Bonds Reserve Fund" (hereinafter called the "Reserve Fund"). The Reserve Fund shall be used solely for the purpose of finally retiring the last of the outstanding Parity Bonds and Additional Bonds, or for paying principal of and interest on any outstanding Parity Bonds and Additional Bonds, when and to the extent the amount in the Bond Fund is insufficient for such purpose.

Section 13. DEPOSITS OF PLEDGED REVENUES. The Pledged Revenues shall be deposited into the Bond Fund and the Reserve Fund when and as required by this Resolution.

Section 14. INVESTMENTS. Money in any Fund established pursuant to the Series 2012 Bond Resolution may, at the option of the Issuer be invested in any or all of the authorized investments described in the Public Funds Investment Act, Chapter 2256, Texas Government Code (or any successor statute), in which the Issuer may purchase, sell and invest its funds and funds under its control; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of the 15th day of January of each year. Interest and income derived from such deposits and investments shall be credited to the Fund from which the deposit or investment was made. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or Additional Bonds. No investment of any Fund shall be made in any way which would violate any provision of this Resolution.

Section 15. FUNDS SECURED. Money in all Funds described in this Resolution, to the extent not invested, shall be secured in the manner prescribed by law, including particularly, the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended, for securing funds of the Issuer.

Section 16. DEBT SERVICE REQUIREMENTS. The Issuer shall transfer from the Pledged Revenues and deposit to the credit of the Bond Fund the amounts, at the times, as follows:

- (1) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Bond Fund and available for such purpose, to pay the

interest scheduled to accrue and come due on the Parity Bonds and any Additional Bonds on the next succeeding interest payment date; and

(2) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Bond Fund and available for such purpose, to pay the principal scheduled to mature and come due, and/or mandatorily required to be redeemed prior to maturity, on the Parity Bonds and any Additional Bonds on the next succeeding principal payment date or mandatory redemption date, if any.

Section 17. RESERVE REQUIREMENTS. Out of proceeds of the Bonds, there shall be deposited to the credit of the Reserve Fund an amount of money, if any, sufficient to cause the Reserve Fund to contain money and/or investments in market value equal to the average annual principal and interest requirements on all Parity Bonds which will be outstanding immediately after issuance of the Bonds. So long as the money and investments in the Reserve Fund are at least equal to the average annual principal and interest requirements on all outstanding Parity Bonds and Additional Bonds (the "Required Amount"), no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than said Required Amount in market value, then, subject and subordinate to making the required deposits to the credit of the Bond Fund, the Issuer shall transfer from Pledged Revenues and deposit to the credit of the Reserve Fund, on or before the 25th day of each month, a sum equal to 1/60th of the average annual principal and interest requirements of all then outstanding Parity Bonds, until the Reserve Fund is restored to said Required Amount. So long as the Reserve Fund contains said Required Amount, all amounts in excess of such Required Amount shall, on or before the 10th day prior to each interest payment date, be deposited to the credit of the Bond Fund; and otherwise any earnings from the deposit and investment of the Reserve Fund shall be retained in the Reserve Fund.

Section 18. DEFICIENCIES. If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose.

Section 19. EXCESS PLEDGED REVENUES. Subject to making the required deposits to the credit of the Bond Fund and the Reserve Fund, when and as required by this Resolution, or any Resolution authorizing the issuance of Additional Bonds, the excess Pledged Revenues first shall be used to pay the Operation and Maintenance Expenses of the System, and then, subject to paying such Operation and Maintenance Expenses of the System, may be used for any other lawful purpose.

Section 20. PAYMENT OF BONDS. On or before the last day of each May and of each November hereafter while any of the Parity Bonds or Additional Bonds are outstanding and unpaid, the Issuer shall make available to the paying agents therefor, out of the Bond Fund or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Parity Bonds and Additional Bonds as will accrue or mature on the June 1 or December 1 immediately following.

Section 21. FINAL DEPOSITS. At such times as the aggregate amount of money and investments in the Bond Fund and the Reserve Fund are at least equal in market value to (1) the aggregate principal amount of all unpaid (unmatured and matured) outstanding Parity Bonds and

Additional Bonds, plus (2) the aggregate amount of all unpaid interest, including all unpaid (unmatured and matured) outstanding interest coupons, appertaining to such Parity Bonds and Additional Bonds, no further deposits need be made into the Bond Fund or the Reserve Fund. In determining the amount of such Parity Bonds and Additional Bonds, and unpaid interest appertaining thereto, outstanding at any time, there shall be subtracted and excluded the amount of any such Parity Bonds and Additional Bonds, and unpaid interest appertaining thereto, which shall have been duly called for redemption and for which funds shall have been deposited with the paying agents therefor sufficient for such redemption.

Section 22. ADDITIONAL BONDS. (a) The Issuer shall have the right and power at any time and from time to time, and in one or more Series or issues, to authorize, issue, and deliver additional parity revenue bonds (herein called "Additional Bonds"), in any amounts, for any lawful purpose of relating to the System, including the refunding of any Parity Bonds or Additional Bonds. Such Additional Bonds, if and when authorized, issued, and delivered in accordance with this Resolution, shall be secured by and made payable equally and ratably on a parity with the Parity Bonds, and all other outstanding Additional Bonds, from a first lien on and pledge of the Pledged Revenues.

(b) The Bond Fund and the Reserve Fund, established by this Resolution shall secure and be used to pay all Additional Bonds as well as the Parity Bonds. However, each Resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of any other Resolution or Resolutions authorizing Additional Bonds to be deposited to the credit of the Bond Fund, the Issuer shall deposit to the credit of the Bond Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the average annual principal and interest requirements of all Parity Bonds and Additional Bonds which will be outstanding after the issuance and delivery of the then proposed Additional Bonds; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash immediately after the delivery of the then proposed Additional Bonds, or, at the option of the Issuer, by the deposit of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in monthly installments, made on or before the 25th day of each month following the adoption of the Resolution authorizing the issuance of the then proposed Additional Bonds, of not less than 1/60th of said required additional amount (or 1/60th of the balance of said required additional amount not deposited in cash as permitted above).

(c) All calculations of average annual principal and interest requirements made pursuant to this Section shall be made as of and from the date of the Additional Bonds then proposed to be issued.

(d) The principal of all Additional Bonds must be scheduled to be paid or mature on June 1 of the years in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on June 1 and December 1.

Section 23. FURTHER REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, Series, or issue of Additional Bonds shall be issued or delivered unless the President and the Secretary of the Board sign a written certificate to the effect that the Issuer is not in default as to any covenant, condition, or obligation in connection with all outstanding Parity Bonds and Additional Bonds, and the Resolutions authorizing same, and that the Bond Fund and the Reserve Fund each contains the amount then required to be therein.

Section 24. GENERAL COVENANTS. The Issuer further covenants and agrees that:

(a) PERFORMANCE. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and each resolution authorizing the issuance of Additional Bonds, and in each and every Parity Bond and Additional Bond; that it will promptly pay or cause to be paid the principal of and interest on every Bond and Additional Bond, on the dates and in the places and manner prescribed in such resolutions and Parity Bonds or Additional Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Bond Fund and the Reserve Fund; and any holder of the Parity Bonds or Additional Bonds may require the Issuer, its Board, and its officials and employees, to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its Board, and its officials and employees.

(b) ISSUER'S LEGAL AUTHORITY. The Issuer is a duly created and existing conservation and reclamation district of the State of Texas pursuant to Article 16, Section 59 of the Texas Constitution, and Chapter 62, Acts of the 52nd Legislature of Texas, Regular Session, 1951, as amended (originally compiled as Vernon's Ann. Tex. Civ. St. Article 8280-141), and is duly authorized under the laws of the State of Texas to create and issue the Parity Bonds; that all action on its part for the creation and issuance of the Parity Bonds has been duly and effectively taken, and that the Parity Bonds in the hands of the holders and owners thereof are and will be valid and enforceable special obligations of the Issuer in accordance with their terms.

(c) TITLE. It has or will obtain lawful title to, or the lawful right to use and operate, the lands, buildings, and facilities constituting the System, that it warrants that it will defend, the title to or lawful right to use and operate, all the aforesaid lands, buildings, and facilities, and every part thereof, for the benefit of the holders and owners of the Parity Bonds and Additional Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Bonds and Additional Bonds in the manner prescribed herein, and has lawfully exercised such rights.

(d) LIENS. It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or the System, that it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and that it will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired;

provided, however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Board.

(e) OPERATION OF SYSTEM. While the Parity Bonds or any Additional Bonds are outstanding and unpaid it will cause the System to be continuously and efficiently operated and maintained in good condition, repair, and working order, and at a reasonable cost.

(f) FURTHER ENCUMBRANCE. While the Parity Bonds or any Additional Bonds are outstanding and unpaid, the Issuer shall not additionally encumber the Pledged Revenues in any manner, except as permitted in this Resolution in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Resolution and any resolution authorizing the issuance of Additional Bonds; but the right of the Issuer and the Board to issue revenue bonds payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) SALE OF PROPERTY. While the Parity Bonds or any Additional Bonds are outstanding and unpaid, the Issuer will maintain its current legal corporate status as a conservation and reclamation district, and the Issuer shall not sell, convey, mortgage, or in any manner transfer title to, or lease, or otherwise dispose of the entire System, or any significant or substantial part thereof; provided that whenever the Issuer deems it necessary to dispose of any machinery, fixtures, and equipment, it may sell or otherwise dispose of such machinery, fixtures, and equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined by the Issuer that no such replacement or substitute is necessary.

(h) INSURANCE. (1) It will cause to be insured (including self-insurance) such parts of the System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including fire and extended coverage insurance. Public liability and property damage insurance shall also be carried unless the general counsel for Issuer, or the Attorney General of Texas, gives a written opinion to the effect that the Issuer, the Board, and its officers and employees, are not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Issuer shall not be required to carry insurance on the works being constructed, but the contractor shall be required to carry appropriate insurance. All such policies shall be open to the inspection of the Bondholders and their representatives at all reasonable times.

(2) Upon the happening of any loss or damage covered by insurance from one or more of said causes, the Issuer shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Issuer. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the Issuer for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

(a) for the redemption prior to maturity of the Parity Bonds and Additional Bonds, if any, ratably in the proportion that the outstanding principal of each Series or issue of Parity Bonds or Additional Bonds bears to the total outstanding principal of all Parity Bonds and Additional Bonds; provided that if on any such occasion the principal of any such Series or issue is not subject to redemption, it shall not be regarded as outstanding in making the foregoing computation; or

(b) if none of the outstanding Parity Bonds or Additional Bonds is subject to redemption, then for the purchase on the open market and retirement of said Parity Bonds and Additional Bonds, in the same proportion as prescribed in the foregoing clause (a), to the extent practicable; provided that the purchase price for any such Parity Bond or Additional Bonds shall not exceed the redemption price of such Parity Bond or Additional Bond on the first date upon which it becomes subject to redemption; or

(c) to the extent that the foregoing clauses (a) and (b) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at an official depository of the Issuer, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (a) and/or (b) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

(3) The annual audit hereinafter required shall contain a list of all such insurance policies carried, together with a statement as to whether or not all insurance premiums upon such policies have been paid.

(i) RATE COVENANT. It will fix, establish, maintain, and collect such rentals, rates, charges, and fees for the use and availability of the System as are necessary to produce Gross Revenues of the System sufficient, together with any other Pledged Revenues, (a) to make all payments and deposits required to be made into the Bond Fund, and to maintain the Reserve Fund, as required by the resolutions authorizing all Parity Bonds and Additional Bonds, and (b) to pay all Operation and Maintenance Expenses of the System.

(j) RECORDS. Proper books of record and account will be kept in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the System, the Pledged Revenues, and all Funds described in this Resolution; and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any bondholder.

(k) AUDITS. Each year while any of the Parity Bonds or Additional Bonds are outstanding, an audit will be made of its books and accounts relating to the System and the Pledged Revenues by an independent certified public accountant or an independent firm of certified public accountants.

(l) GOVERNMENTAL AGENCIES. It will comply with all of the terms and conditions of any and all agreements applicable to the System and the Parity Bonds or Additional Bonds entered into between the Issuer and any governmental agency, and the Issuer will take all action

necessary to enforce said terms and conditions; and the Issuer will obtain and keep in full force and effect all franchises, permits, and other requirements necessary with respect to the acquisition, construction, operation, and maintenance of the System.

(m) **CONTRACTS WITH PARTICIPANTS.** It will comply with the terms and conditions of the Contract, including any contracts with Additional Participants, and will cause the Participants to comply with all of their obligations thereunder by all lawful means; and the Issuer agrees to prepare an annual budget as required by the Contract.

Section 25. AMENDMENT OF RESOLUTION. (a) The holders or owners of Parity Bonds and Additional Bonds aggregating 51% in principal amount of the aggregate principal amount of then outstanding Parity Bonds and Additional Bonds shall have the right from time to time to approve any amendment to this Resolution or any resolution authorizing the issuance of Additional Bonds, which may be deemed necessary or desirable by the Issuer, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in said resolutions or in the Parity Bonds or Additional Bonds so as to:

- (1) Make any change in the maturity of the outstanding Parity Bonds or Additional Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Parity Bonds or Additional Bonds;
- (3) Reduce the amount of the principal payable on the outstanding Parity Bonds or Additional Bonds;
- (4) Modify the terms of payment of principal of or interest on the outstanding Parity Bonds or Additional Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the holders of less than all of the Parity Bonds and Additional Bonds then outstanding;
- (6) Change the minimum percentage of the principal amount of Parity Bonds and Additional Bonds necessary for consent to such amendment.

(b) If at any time the Issuer shall desire to amend a resolution under this Section, the Issuer shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, or in the City of Austin, Texas, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Paying Agent for each Series of Parity Bonds and Additional Bonds for inspection by all holders of Parity Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each holder of Parity Bonds and Additional Bonds.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of notice or other service of written notice the Issuer shall receive an instrument or instruments executed by the holders or owners of at least 51% in aggregate principal

amount of all Parity Bonds and Additional Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Issuer may adopt the amendatory resolution in substantially the same form.

(d) Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, the resolution being amended shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Issuer and all the holders or owners of then outstanding Parity Bonds and Additional Bonds and all future Additional Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

(e) Any consent given by the holder or owner of a Parity Bond or Additional Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders or owners of the same Parity Bond or Additional Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the holder or owner who gave such consent, or by a successor in title, by filing notice thereof with each Paying Agent for each Series of Parity Bonds and Additional Bonds, and the Issuer, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the then outstanding Parity Bonds and Additional Bonds as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of this Section, the fact of the holding of Parity Bonds or Additional Bonds in bearer, coupon form by any holder thereof and the amount and numbers of such Parity Bonds and Additional Bonds, and the date of their holding same, may be provided by the affidavit of the person claiming to be such holder, or by a certificate executed by any trust company, bank, banker, or any other depository wherever situated showing that at the date therein mentioned such person had on deposit with such trust company, bank, banker, or other depository, the Parity Bonds or Additional Bonds described in such certificate. The ownership of all registered Parity Bonds and Additional Bonds shall be ascertained by the registration books pertaining thereto kept by the registrar. The Issuer may conclusively assume that such holding or ownership continues until written notice to the contrary is served upon the Issuer.

Section 26. DEFEASANCE OF BONDS. (a) Each of the Bonds, including the Initial Bond and each of the other Bonds (as hereinbefore defined), and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all

Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues as provided in this Resolution, and such principal and interest shall be payable solely from such money or Government Obligations.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer.

(c) The term "Government Obligations" as used in this Section shall mean (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

(d) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Resolution.

Section 27. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.

(a) Replacement Bonds. In the event any outstanding Bonds or Bond authorized by this Resolution is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner applying for a replacement bond shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the registered owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Bonds duly issued under this Resolution.

(e) Authority for Issuing Replacement Bonds. In accordance with Chapter 1201, Texas Government Code, this Section of this Resolution shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 6(d) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

Section 28. COVENANTS REGARDING TAX-EXEMPTION. (a) Covenants. The Issuer covenants to refrain from any action which would adversely affect, or to take such action to assure, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code, or if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds five percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of five percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or five percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is, directly or indirectly, used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action that would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with --

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the Bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage), or section 149(g) of the Code (relating to hedge bonds); and

(8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after

the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

For purposes of the foregoing, the Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds.

(b) Compliance with Code. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs its President, Executive Director, Assistant Deputy - Finance, or Deputy Director - Administrative Services to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds. The Issuer covenants to comply with the covenants contained in this section after defeasance of the Bonds.

(c) Rebate Fund. In order to facilitate compliance with the above covenant (a)(9), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation, the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(d) Written Procedures. Unless superseded by another action of the Issuer to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitrage and rebate, the Issuer hereby adopts and establishes the instructions attached hereto as Exhibit A as their written procedures applicable to Bonds issued pursuant to the Contract.

Section 29. DISPOSITION OF PROJECT. The Issuer covenants that the property constituting the projects financed or refinanced with proceeds of the Bond will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bond. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest on the Bonds.

Section 30. ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT. The Issuer covenants to account for the expenditure of Bond proceeds and investment earnings to be used for the construction or acquisition of the property constituting the projects financed or refinanced with proceeds of the sale of the Bonds on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made or (2) such construction or acquisition is completed. The foregoing notwithstanding, the Issuer shall not expend proceeds of the Bonds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds or (2) the date the Bonds are retired, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest on the Bonds.

Section 31. CUSTODY, APPROVAL, AND REGISTRATION OF INITIAL BOND; BOND COUNSEL'S OPINION, CUSIP NUMBERS, INSURANCE, AND PREAMBLE. The President of the Board of Directors of the Issuer is hereby authorized to have control of the Initial Bond issued hereunder and all necessary records and proceedings pertaining to the Initial Bond pending its delivery and its investigation, examination, and approval by the Attorney General of the State of Texas, and its registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Initial Bond said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate on or attached to the Initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the Initial Bond. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Initial Bond or on any Bonds issued and delivered in conversion of and exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. The preamble to this Resolution is hereby adopted and made a part hereof for all purposes. If insurance is obtained on any of the Bonds, the Initial Bond and all insured Bonds shall bear an appropriate legend concerning insurance as provided by the insurer.

Section 32. INTEREST EARNINGS ON BOND PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Initial Bond shall be used along with other proceeds of the Bonds for the acquisition, by purchase and construction, of the Project in accordance with the Contract; provided that after completion of the Project, if any of such interest earnings remain on hand, such interest earnings along with any surplus proceeds of the Bonds shall be deposited in the Bond Fund. It is further provided, however, that any interest earnings on proceeds of the Bonds which are required to be rebated to the United States of America pursuant to this Resolution in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

Section 33. SALE OF BONDS; PURCHASE AGREEMENT. Pursuant to the authorizations in Section 3 hereof, as approved by the Authorized Officer, the Bonds may be sold either pursuant to the taking of bids therefor or pursuant to a purchase agreement (the "Purchase Agreement") with a purchaser or purchasers (collectively, the "Purchaser") to be approved by an Authorized Officer, and any supplements thereto which may be necessary to accomplish the

issuance of Bonds. Such Purchase Agreement is hereby authorized to be dated, executed and delivered on behalf of the Issuer by an Authorized Officer, with such changes therein as shall be approved by the Authorized Officer, the execution thereof by the Authorized Officer to constitute evidence of such approval. The delegation of authority to the Authorized Officer to approve the final terms of the Bonds as set forth in this Resolution is, and the decisions made by the Authorized Officer pursuant to such delegated authority will be, in the best interests of the Issuer, and the Authorized Officer is authorized to make a finding to such effect in the Approval Certificate.

Section 34. OFFICIAL STATEMENT. A Preliminary Official Statement relating to the Bonds is hereby authorized to be approved by the Authorized Officer distributed to prospective investors and other interested parties in connection with the underwriting and sale of the Bonds, with such changes therein as shall be approved by the Authorized Officer, including such changes as are necessary for distribution as a final Official Statement. It is further officially found, determined, and declared that the statements and representations contained in said Preliminary Official Statement are true and correct in all material respects. The use and distribution by the Purchaser of the Official Statement relating to the Bonds, is hereby approved. For the purpose of review by the Purchaser prior to purchasing the Bonds, the Issuer deems said Preliminary Official Statement to have been "final as of its date" within the meaning of Securities and Exchange Commission Rule 15c2-12.

Section 35. FURTHER PROCEDURES. The President and Secretary, respectively, of the Board of Directors of the Issuer, the Executive Director of the Issuer, and all other officers, employees, and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the Issuer all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Bond Resolution, the Bonds, the sale of the Bonds, any Notice of Sale and/or Official Statement, and all details in connection therewith, including changing the date of any document authorized hereby. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 36. DTC REGISTRATION. The Bonds initially shall be issued and delivered in such manner that no physical distribution of the Bonds will be made to the public, and the Depository Trust Company ("DTC"), New York, New York, initially will act as depository for the Bonds. DTC has represented that it is a limited purpose trust company incorporated under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered under Section 17A of the federal Securities Exchange Act of 1934, as amended, and the Issuer accepts, but in no way verifies, such representations. The Initial Bond authorized by this Resolution shall be delivered to and registered in the name of the Purchaser. However, it is a condition of delivery and sale that the Purchaser, immediately after such delivery, shall cause the Paying Agent/Registrar, as provided for in this Resolution, to cancel said Initial Bond and deliver in exchange therefor a substitute Bond for each maturity of such Initial Bond, with each such substitute Bond to be registered in the name of CEDE & CO., the nominee of DTC, and it shall be the duty of the Paying Agent/Registrar to take such action. It is expected that DTC will hold the Bonds on behalf of the Purchaser and/or the DTC Participants, as defined and described in the Official Statement referred

to and approved in Section 34 hereof (the "DTC Participants"). So long as each Bond is registered in the name of CEDE & CO., the Paying Agent/Registrar shall treat and deal with DTC in all respects the same as if it were the actual and beneficial owner thereof. It is expected that DTC will maintain a book entry system which will identify beneficial ownership of the Bonds by DTC Participants in integral amounts of \$5,000, with transfers of ownership being effected on the records of DTC and the DTC Participants pursuant to rules and regulations established by them, and that the substitute Bonds initially deposited with DTC shall be immobilized and not be further exchanged for substitute Bonds except as hereinafter provided. The Issuer is not responsible or liable for any functions of DTC, will not be responsible for paying any fees or charges with respect to its services, will not be responsible or liable for maintaining, supervising, or reviewing the records of DTC or the DTC Participants, or protecting any interests or rights of the beneficial owners of the Bonds. It shall be the duty of the Purchaser and the DTC Participants to make all arrangements with DTC to establish this book-entry system, the beneficial ownership of the Bonds, and the method of paying the fees and charges of DTC. The Issuer does not represent, nor does it in any way covenant that the initial book-entry system established with DTC will be maintained in the future. The Issuer reserves the right and option at any time in the future, in its sole discretion, to terminate the DTC (CEDE & CO.) book-entry only registration requirement described above, and to permit the Bonds to be registered in the name of any owner. If the Issuer exercises its right and option to terminate such requirement, it shall give written notice of such termination to the Paying Agent/ Registrar and to DTC, and thereafter the Paying Agent/Registrar shall, upon presentation and proper request, register any Bond in any name as provided for in this Resolution. Notwithstanding the initial establishment of the foregoing book-entry system with DTC, if for any reason any of the originally delivered substitute Bonds is duly filed with the Paying Agent/Registrar with proper request for transfer and substitution, as provided for in this Resolution, substitute Bonds will be duly delivered as provided in this Resolution, and there will be no assurance or representation that any book-entry system will be maintained for such Bonds.

Section 37. CONTINUING DISCLOSURE UNDERTAKING.

(a) Annual Reports.

The Issuer shall provide or cause to be provided annually to the MSRB, (1) within six months after the end of each fiscal year ending in or after 2022, financial information and operating data of the general type included in the final Official Statement authorized by Section 34 of this Resolution, (i) with respect to the Issuer, in tables numbered 1 through 4, and (ii) with respect to each Significant Obligated Persons in Appendix B, and (2) when and if available, audited financial statements of the Issuer and each Significant Obligated Person. Any financial statements so to be provided shall be prepared in accordance with generally accepted accounting principles or such other accounting principles as the Issuer or any such Significant Obligated Person may be required to employ from time to time pursuant to state law or regulation. If the audit of such financial statements of the Issuer or a Significant Obligated Person is not complete within 12 months after the respective fiscal year end, then the Issuer shall provide or cause to be provided by each Significant Obligated Person unaudited financial statements within such 12-month period and audited financial statements when and if the audit report on such statements become available

If the Issuer or any such Significant Obligated Person changes its fiscal year, the Issuer will notify or cause the Significant Obligated Person to notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer or any such Significant Obligated Person otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

(b) Event Notices.

The Issuer shall notify the MSRB, or cause a Significant Obligated Person to notify, in a timely manner, of any of the following events with respect to the Bonds, not in excess of ten Business Days after occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to the rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer or a Significant Obligated Person;

13. The consummation of a merger, consolidation, or acquisition involving the Issuer or a Significant Obligated Person or the sale of all or substantially all of the assets of the Issuer or a Significant Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

15. Incurrence of a Financial Obligation of the Issuer or a Significant Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or a Significant Obligated Person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer or a Significant Obligated Person, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer or a Significant Obligated Person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the Issuer or a Significant Obligated Person in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer or a Significant Obligated Person; (b) as used in clauses 14 and 15 above, the term "Financial Obligation" means: (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation shall not include Municipal Securities as to which a final official statement has been provided to the MSRB consistent with the Rule; the term "Municipal Securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a state or any political subdivision thereof, or any agency or instrumentality of a state or any political subdivision thereof, or any municipal corporate instrumentality of one or more states and any other Municipal Securities described by Section 3(a)(29) of the Securities Exchange Act of 1934, as the same may be amended from time to time.

The Issuer shall notify or cause the appropriate Significant Obligated Person to notify, in an electronic format as prescribed by the MSRB, the MSRB, in a timely manner, of any failure by the Issuer or any such Significant Obligated Person to provide financial information or operating data in accordance with Section 37(a) of this Resolution by the time required by such Section.

(c) Limitations, Disclaimers, and Amendments.

The Issuer shall be obligated to observe and perform or cause a Significant Obligated Person to observe and perform the covenants specified in this Section for so long as, but only for so long as, such Significant Obligated persons remains a "Significant Obligated Person" with respect to the Bonds, except that the Issuer in any event will give notice of any deposit made in accordance with Section 26 hereof that causes Bonds no longer to be Outstanding.

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide or cause to be provided only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide or cause to be provided any other information that may be relevant or material to a complete presentation of the Issuer's or any Significant Obligated Person's financial results, condition or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT VERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIED PERFORMANCE.

No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under this Resolution for purposes of any other provision of this Resolution.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

The provisions of this Section may be changed prior to delivery of the Bonds in order to conform to the requirements of any amendments to the Rule which become applicable to the Bonds prior to the delivery thereof to the purchaser. Any such changes shall be approved by the Authorized Officer as evidenced by the Approval Certificate.

The provisions of this Section may be amended by the Issuer from time to time after issuance of the Bonds to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identify, nature, status, or type of operations of the Issuer or any Significant Obligated Person, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well s such changed circumstances and (2) either (a) the Holders of a majority in

aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with Subsection (a) hereof an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

(d) Definitions.

As used in this Section, the following terms have the meanings ascribed to such terms below:

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission and any successor to its duties.

"Significant Obligated Person" means, at any point in time, any Participant, Additional Participant, or other party contracting with the Issuer, in any case whose payments to the Issuer for the use of or service from the System in the calendar year preceding any such determination, exceeded 10% of the Gross Revenues of the System.

Section 38. ATTORNEY GENERAL FEES. The Issuer hereby authorizes and directs payment, from legally available funds of the Issuer, of the nonrefundable examination fee of the Attorney General of the State of Texas required by Section 1202.004, Texas Government Code, as amended.

Section 39. REPEAL OF CONFLICTING RESOLUTIONS. All resolutions and all parts of any resolutions which are in conflict or inconsistent with this Resolution are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

Section 40. SECURITY INTEREST. Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under Section

9 of this Resolution, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the Issuer under Section 9 of this Resolution is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 41. EFFECTIVENESS. This Resolution shall be effective from and after the date of adoption thereof by the Issuer; provided, however, if the Bonds authorized by this Resolution are not issued prior to August 25, 2023, this Resolution shall be void ab initio and shall be of no force and effect.

EXHIBIT "A"

WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS

A. Arbitrage. With respect to the investment and expenditure of the proceeds of the Bonds and any Additional Bonds (the "Obligations") the Issuer's Executive Director Deputy Director - Administrative Services and Assistant Deputy - Finance (the "Responsible Persons") will :

For Obligations issued for newly acquired property or constructed property:

- instruct the appropriate person or persons that the construction, renovation or acquisition of the facilities must proceed with due diligence and that binding contracts for the expenditure of at least 5% of the proceeds of the Obligations will be entered into within 6 months of the date of delivery of the Obligation (the "Issue Date");
- monitor that at least 85% of the proceeds of the Obligations to be used for the construction, renovation or acquisition of any facilities are expended within 3 years of the Issue Date;
- restrict the yield of the investments (other than those in the Reserve Fund) to the yield on the Obligations after 3 years of the Issue Date;
- monitor all amounts deposited into a sinking fund or funds, e.g., the Bond Fund and the Reserve Fund, to assure that the maximum amount invested at a yield higher than the yield on the Obligations does not exceed an amount equal to the debt service on the Obligations in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Obligations for the immediately preceding 12-month period;
- assure that no more than 50% of the proceeds of the Obligations are invested in an investment with a guaranteed yield for 4 years or more;
- assure that the maximum amount of the Reserve Fund invested at a yield higher than the yield on the Obligations will not exceed the lesser of (1) 10% of the original principal amount of the Obligations, (2) 125% of the average annual debt service on the Obligations measured as of the Issue Date, or (3) 100% of the maximum annual debt service on the Obligations as of the Issue Date;

For Obligations issued for refunding purposes:

- monitor the actions of the escrow agent (to the extent an escrow is funded with proceeds) to assure compliance with the applicable provisions of the escrow agreement, including with respect to reinvestment of cash balances;

For all Obligations:

- maintain any official action of the Issuer (such as a reimbursement resolution) stating its intent to reimburse itself with the proceeds of the Obligations any amount expended prior to the Issue Date for the acquisition, renovation or construction of the facilities;
- assure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS;
- assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (i) at least every 5 years after the Issue Date and (ii) within 30 days after the date the Obligations are retired.

B. Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the Obligations the Responsible Persons will:

- monitor the date on which the facilities are substantially complete and available to be used for the purpose intended;
- monitor whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;
- monitor whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);
- monitor whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;
- determine whether, at any time the Obligations are outstanding, any person, other than the Issuer, has a naming right for the facilities or any other contractual right granting an intangible benefit;
- determine whether, at any time the Obligations are outstanding, the facilities are sold or otherwise disposed of; and
- take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the resolution authorizing the Obligations.

C. Record Retention. The Responsible Persons will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Obligations and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Obligations. If any portion of the Obligations is refunded with the proceeds of another series of tax-exempt obligations, such records shall be maintained until the three (3) years after the refunding obligations are completely extinguished. Such records can be maintained in paper or electronic format.

D. Responsible Persons. Each Responsible Person shall receive appropriate training regarding the Issuer's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the facilities financed with the proceeds of the Obligations. The foregoing notwithstanding, the Responsible Persons are authorized and instructed to retain such experienced advisors and agents as may be necessary to carry out the purposes of these instructions.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.



(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated August 10, 2022

Ratings:
Moody's: "A2"
S&P: "A"
(See "BOND INSURANCE"
and "OTHER INFORMATION"
- RATINGS" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel to the District, interest on the Bonds will be excludable from gross income for purposes of federal income taxation under statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under "TAX MATTERS" herein.

THE BONDS ARE NOT DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.



\$80,160,000*
NORTH TEXAS MUNICIPAL WATER DISTRICT
SABINE CREEK REGIONAL WASTEWATER SYSTEM
CONTRACT REVENUE BONDS, SERIES 2022

Dated Date: August 15, 2022

Due: June 1, as shown on page 2

Interest Accrues: Delivery Date (defined below)

PAYMENT TERMS . . . Interest on the \$80,160,000* North Texas Municipal Water District Sabine Creek Regional Wastewater System Contract Revenue Bonds, Series 2022, (the "Bonds") will accrue from the date of initial delivery thereto (the "Delivery Date") to the underwriters thereof (the "Underwriters") and will be payable on June 1 and December 1 of each year until maturity or prior redemption, commencing June 1, 2023, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, National Association, currently in Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are special obligations of the North Texas Municipal Water District (the "District"), secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Resolution authorizing the Bonds, including the Gross Revenues of the Sabine Creek Regional Wastewater System, and including specifically certain payments to be received by the District from the "Participants", collectively the Cities of Royse City and Fate, Texas, and any future Additional Participants pursuant to the contracts with said Participants and any Additional Participants. The Bonds are on parity in all respects with outstanding Sabine Creek Regional Wastewater System Contract Revenue Bonds (the "Outstanding Bonds") and any Additional Bonds (as defined herein) which are also secured by and payable from the Pledged Revenues. The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation or from any other source funds other than the Pledged Revenues. See "THE BONDS - Authority for issuance" and "THE BONDS - Security and Source of Payment."

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (i) the construction of the Sabine Creek WWTP Expansion to 7 MGD and other system improvements, (ii) funding a Reserve Fund to the extent necessary; and (iii) paying the costs incident to the issuance and delivery of the Bonds.

BOND INSURANCE . . . The District has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, the District may elect to purchase, municipal bond insurance to insure the Bonds. (See "BOND INSURANCE" herein.)

MATURITY SCHEDULE - BONDS

See page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters (as defined herein) and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see APPENDIX C - "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their Counsel, Bracewell LLP, Dallas, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on September 22, 2022.

CITIGROUP **RAYMOND JAMES**
FHN FINANCIAL CAPITAL MARKETS

* Preliminary, subject to change.

MATURITY SCHEDULE***CUSIP Prefix: 662835⁽¹⁾**

<u>Principal Amount</u>	<u>Maturity June 1</u>	<u>Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>	<u>Principal Amount</u>	<u>Maturity June 1</u>	<u>Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
\$ 1,465,000	2026				\$ 2,905,000	2040			
1,540,000	2027				3,050,000	2041			
1,615,000	2028				3,200,000	2042			
1,695,000	2029				3,360,000	2043			
1,780,000	2030				3,530,000	2044			
1,870,000	2031				3,705,000	2045			
1,965,000	2032				3,890,000	2046			
2,065,000	2033				4,085,000	2047			
2,165,000	2034				4,290,000	2048			
2,275,000	2035				4,505,000	2049			
2,390,000	2036				4,730,000	2050			
2,505,000	2037				4,965,000	2051			
2,635,000	2038				5,215,000	2052			
2,765,000	2039								

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. CUSIP numbers are provided for convenience of reference only. None of the District, the Financial Advisor, or the Underwriters (as defined herein) is responsible for the selection or correctness of the CUSIP numbers set forth herein.

REDEMPTION OPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2033, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on June 1, 2032, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an "official statement" of the District with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, broker, salesperson, or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the District's Financial Advisor or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "OTHER INFORMATION - Continuing Disclosure of Information" for a description of the District's undertaking to provide certain information on a continuing basis.

None of the District its Financial Advisor or the Underwriters make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

The cover page of this Official Statement contains certain information for general reference only and is not intended as a summary of the offering. Investors should read the entire Official Statement, including all schedules and appendices hereto, to obtain information essential to making an informed investment decision.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchaser of the Bonds. **INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.**

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, and achievements to be different from future results, performance, and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The Bonds are exempt from registration with the Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Bonds in accordance with applicable securities law provisions of the jurisdiction in which the Bonds have been registered, qualified or exempted should not be regarded as a recommendation thereof.

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT	North Texas Municipal Water District (the "District") is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to Chapter 62, Acts of the 52nd Legislature of Texas, Regular Session, 1951, as amended (the "District Act").
THE BONDS	The Bonds are issued as \$80,160,000* Sabine Creek Regional Wastewater System Contract Revenue Bonds, Series 2022 (the "Bonds"). The Bonds mature on June 1 in each of the years and in the amounts shown on page 2 hereof (see "THE BONDS – Description of the Bonds").
PAYMENT OF INTEREST	Interest on the Bonds accrues from the date of initial delivery thereof (the "Delivery Date"), at the rates shown on page 2 hereof, and is payable on June 1, 2023, and each December 1 and June 1 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS – Optional Redemption").
RESERVE FUND REQUIREMENT	The District is required to accumulate and maintain, and currently has on deposit, in the Reserve Fund (as defined herein) an aggregate amount of money and/or investments equal in market value to the average annual principal and interest requirements (the "Reserve Required Amount") on all outstanding Parity Bonds (hereinafter defined).
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the District Act, Chapter 30, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended, and other applicable laws and a resolution (the "Bond Resolution") to be adopted by the Board of Directors (the "Board") on August 25, 2022. In the Bond Resolution, the Board will delegate pricing of the Bonds and certain other matters to an "Authorized Officer" who will approve an "Approval Certificate" establishing certain terms with respect to the sale and issuance of the Bonds which will complete the sale of the Bonds (the Bond Resolution and the Approval Certificate are jointly referred to herein as the "Resolution").
SECURITY FOR THE BONDS	The Bonds are special obligations of the District, secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Resolution, including the Gross Revenues of the District's Sabine Creek Regional Wastewater System (as defined herein), and including specifically certain payments to be received by the District from the "Participants", collectively the Cities of Royse City and Fate, Texas, and any future Additional Participants pursuant to the contracts with said Participants and any Additional Participants. The Bonds are on parity in all respects with the North Texas Municipal Water District Sabine Creek Regional Wastewater System Contract Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds"), the North Texas Municipal Water District Sabine Creek Regional Wastewater System Contract Revenue Bonds, Series 2016 (the "Series 2016 Bonds"), and the North Texas Municipal Water District Sabine Creek Regional Wastewater System Revenue Bonds, Series 2020 (the "Series 2020 Bonds" and, together with the Series 2012 Bonds, the Series 2016 Bonds and the Series 2020 Bonds, the "Outstanding Bonds") and any Additional Bonds (as defined herein) which are also secured by and payable from the Pledged Revenues. The Outstanding Bonds, the Bonds and any Additional Bonds are collectively, the "Parity Bonds."
OPTIONAL REDEMPTION	The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on June 1, 2032, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (i) the construction of the Sabine Creek WWTP Expansion to 7 MGD and other system improvements (ii) funding a Reserve Fund to the extent necessary; and (iii) paying the costs incident to the issuance and delivery of the Bonds.
MUNICIPAL BOND INSURANCE AND RATINGS	Applications have been made for a commitment for municipal bond guaranty insurance on the Bonds. The Bonds and the Outstanding Bonds are rated "A2" by Moody's Investor Service, Inc. ("Moody's") and "A" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") (see "BOND INSURANCE" and "OTHER INFORMATION - Ratings").
BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").
PAYMENT RECORD	Neither the District nor any Participant has ever defaulted in payment of its bonds, including the Outstanding Bonds.

* Preliminary, subject to change.

**NORTH TEXAS MUNICIPAL WATER DISTRICT
DISTRICT OFFICIALS, STAFF AND CONSULTANTS**

BOARD OF DIRECTORS

**Jack May, Garland, President
Richard Peasley, Frisco, Vice President
George Crump, Farmersville, Secretary**

ALLEN Joe Farmer James Kerr	FORNEY John Carr Kalen Boren	FRISCO Lynn Shuyler	GARLAND Don Gordon
McKINNEY Geraldyn Keever Robert Appolito	MESQUITE Terry Sam Anderson Brenda Jean Patrick	PLANO Ron Kelley Phil Dyer	PRINCETON Jody Sutherland Larry Thompson
RICHARDSON Randy Roland John Sweeden	ROCKWALL Chip Imrie Rick Crowley	ROYSE CITY David Hollifield Blair Johnson	WYLIE Marvin Fuller Keith Stephens

MANAGEMENT & STAFF

Executive Director/General Manager	Jennafer P. Covington
Deputy Director - Administrative Services.	Jeanne Chipperfield
Deputy Director of Engineering & CIP.	Cesar Baptista
Deputy Director of Water & Wastewater.	Billy George
Deputy Director of Solid Waste & Integrated Services.	Jeff Mayfield

CONSULTANTS AND ADVISORS

General Counsel.....	Saunders, Walsh & Beard McKinney, Texas
Bond Counsel.....	McCall, Parkhurst & Horton L.L.P Dallas, Texas
Financial Advisor	Hilltop Securities Inc. Fort Worth, Texas

For additional information regarding the District, please contact:

Ms. Jeanne Chipperfield		Mr. David K. Medanich
Mr. Erik Felthous		Mr. Nick Bulaich
North Texas Municipal Water District	or	Hilltop Securities Inc.
P.O. Box 2408		777 Main Street, Suite 1525
Wylie, Texas 75098		Fort Worth, TX 76102
(972) 442-5405		(817) 332-9710

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$80,160,000*

NORTH TEXAS MUNICIPAL WATER DISTRICT SABINE CREEK REGIONAL WASTEWATER SYSTEM CONTRACT REVENUE BONDS, SERIES 2022

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$80,160,000* North Texas Municipal Water District Sabine Creek Regional Wastewater System Contract Revenue Bonds, Series 2022 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms. In the resolution (the "Bond Resolution") to be adopted by the Board of Directors (the "Board of Directors") of the North Texas Municipal Water District (the "District") on August 25, 2022 which will authorize the issuance of the Bonds, except as otherwise indicated herein. In the Bond Resolution, the Board of Directors will delegate pricing of the Bonds and certain other matters to an "Authorize Officer" who will approve an "Approval Certificate" establishing certain terms with respect to the sale and issuance of the Bonds which will complete the sale of the Bonds (the Bond Resolution and the Approval Certificate are jointly referred to herein as the "Resolution").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the North Texas Municipal Water District (the "District") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, Hilltop Securities Inc. ("HilltopSecurities"), Fort Worth, Texas.

INFECTIOUS DISEASE OUTLOOK (COVID-19) . . . In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19) to be a public health emergency. On March 13, 2020, the Governor of Texas declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Since such time, COVID-19 has negatively affected commerce, travel, and business locally and globally and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19.

Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment in the State of Texas. The Governor retains the right to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased both nationally and in Texas. There are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19 or other similar virus on the District or the Participants (as defined herein). The continued outbreak of COVID-19 could have an adverse effect on the Participants' operations and financial conditions, and therefore impair the ability of the Participants to make payment to the District to pay debt service on the Bonds.

As of the date of this Official Statement, the District has not experienced any material adverse impacts on the operation of the or the collection of revenues for the Sabine Creek Regional Wastewater System as a result of COVID-19.

* Preliminary, subject to change.

THE NORTH TEXAS MUNICIPAL WATER DISTRICT

The North Texas Municipal Water District (the "District") is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, 1951, as amended (the "District Act"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing and transportation of such water to its thirteen District Member Cities (as defined below) and other customers located in North Central Texas. Under the Texas Constitution and laws of the State of Texas, including the District Act, the District has broad powers to effectuate flood control and the conservation and use, for all beneficial purposes, of storm and floodwaters and unappropriated flow waters and, as a necessary aid to these purposes, the specific authority to construct, own and operate water supply, treatment and distribution facilities and sewage gathering, transmission and disposal facilities, and to collect, transport, treat, dispose of, and control all municipal, domestic, industrial, or communal waste, whether in fluid, solid or composite state.

The District currently serves a 2,200 square-mile area located in nine counties in the State of Texas and comprises all of the territory of its current Member Cities, viz., Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Allen, Forney, Frisco, and Royse City (together with any cities which subsequently become member cities of the District, the "District Member Cities"). The District's Administrative Office is located at 505 East Brown Street, Wylie, Texas. The District is governed by a 25-member Board of Directors. Each District Member City having a population of 5,000 or more is represented by two members on the Board of Directors and each District Member City of less than 5,000 is represented by one member on the Board of Directors. Members of the Board of Directors are appointed by the governing bodies of the respective District Member Cities for two-year terms.

In addition to its Sabine Creek Regional Wastewater System (herein after defined), the District, in cooperation with certain area cities, has established and implemented the Water System, the Upper East Fork Wastewater Interceptor System, the Stewart Creek Regional Wastewater System, the Regional Wastewater System, Muddy Creek Regional Wastewater System, Panther Creek Regional Wastewater System, Lower East Fork Wastewater Interceptor System and the Trinity East Fork Solid Waste Disposal System wherein the District, pursuant to contracts and other agreements, has accepted the responsibility to design, acquire, construct, complete, operate, maintain, and from time to time enlarge, improve and expand the systems to provide facilities to adequately receive, transport, treat and dispose of wastewater and solid waste of such cities and future additional cities. These Regional Systems were created, exist and operate as completely separate and independent Regional Systems, and except for moderate cost-sharing enterprises, the financial transactions and other activities associated with the operation and maintenance of each system are kept separate and apart, and are not in any manner commingled or connected with any of the other systems. While all District Member Cities are contracting partners for the Water System, not all District Member Cities participate in the District's other Regional Systems. **Revenues from the Water System, the Upper East Fork Wastewater Interceptor System, the Stewart Creek Regional Wastewater System, Regional Wastewater System, Muddy Creek Regional Wastewater System, Panther Creek Regional Wastewater System, the Lower East Fork Wastewater Interceptor System, and the Trinity East Fork Solid Waste Disposal System are not pledged to the payment of the Bonds.**

SABINE CREEK REGIONAL WASTEWATER SYSTEM

Pursuant to the terms and conditions of the Sabine Creek Regional Wastewater System Contract dated as of March 3, 2003 among the District, the Cities of Royse City and Fate, Texas (together with any future Additional Participants, collectively the "Participants") (together with all similar contracts with any future Additional Participants, the "Contract") the District has accepted the responsibility to design, acquire, construct, complete, own, operate and maintain the Sabine Creek Regional Wastewater System to receive, transport, treat and dispose of wastewater in order to control water pollution, and protect, improve and enhance the water quality of the Parker Creek, Sabine Creek and the Sabine River.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (i) the construction of the Sabine Creek WWTP Expansion to 7 MGD and other system improvements, (ii) funding a Reserve Fund to the extent necessary; and (iii) paying the costs incident to the issuance and delivery of the Bonds.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

<u>Sources of Funds</u>	
Principal Amount of Bonds	\$ -
Premium	-
Total Sources of Funds	\$ -
<u>Uses of Funds</u>	
Deposit to Construction Fund	\$ -
Deposit to Debt Service Reserve Fund	-
Estimated Costs of Issuance ⁽¹⁾	-
Total Uses of Funds	\$ -

(1) Includes Underwriters' Discount

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated August 15, 2022, and mature on June 1 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery thereof (the "Delivery Date"), at the rates shown on the cover hereof, to the Underwriters (herein defined), and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on June 1 and December 1 of each year, commencing June 1, 2023 until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein after defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the provisions and authority provided by the District Act, Chapter 30, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended, and other applicable laws and a resolution (the "Bond Resolution") to be adopted by the Board of Directors (the "Board") on August 25, 2022. In the Bond Resolution, the Board of Directors will delegate pricing of the Bonds and certain other matters to an "Authorized Officer" who will approve an "Approval Certificate" establishing certain terms with respect to the sale and issuance of the Bonds which will complete the sale of the Bonds (the Bond Resolution and the Approval Certificate are jointly referred to herein as the "Resolution"). Under the Texas Constitution and laws of the State of Texas, including the District Act, the District has broad powers to (1) impound, control, store, preserve, treat, transmit and use storm and floodwater, the water of rivers and streams, and underground water, for irrigation, power, and all other useful purposes, and to supply water for municipal, domestic, power, industrial and commercial uses and purposes, and all other beneficial uses and purposes; (2) collect, transport, process, treat, dispose of, and control, all municipal, domestic, industrial, or commercial waste whether in fluid, solid, or composite state, including specifically the control, abatement, or reduction of all types of pollution, and (3) to refund obligations issued for the foregoing purposes.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are special obligations of the District, secured by and payable from an irrevocable first lien on and pledge of the "Pledged Revenues", as defined in the Resolution, including the Gross Revenues of the District's Sabine Creek Regional Wastewater System, and including specifically certain payments to be received by the District from the Participants (the Cities of Royse City and Fate, Texas) pursuant to the Contract with said Participants, and from any future Additional Participants, pursuant to all similar contracts with any Additional Participants. The Bonds are on a parity in all respects with outstanding Sabine Creek Regional Wastewater System Contract Revenues Bonds (as defined herein, the "Outstanding Bonds") and any Additional Bonds (as defined herein) which are also secured by and payable from the Pledged Revenues. Each Participant represents and covenants that all payments made by it under the Contract shall constitute reasonable and necessary "expenses of operation and maintenance" of its combined waterworks and sewer system, as defined in Section 1502.056, Texas Government Code, and that all such payments will be made from the gross revenues of its combined waterworks and sewer system. All payments required by the Contract to be made by each Participant shall constitute reasonable and necessary operation and maintenance expenses of its combined water and sewer system, with the effect that the obligation to make such payments from revenues of such combined water and sewer system shall have priority over any obligation to make any payments from such revenues of principal, interest, or otherwise, with respect to all bonds or other obligations heretofore or hereafter issued by such Participant.

The District is obligated to pay the principal of and interest on the Bonds solely from and to the extent of the payments to be received from the Participants pursuant to the Contract. No other entity, including the State of Texas, any political subdivision thereof (other than the Participants), or any other public or private body, is obligated, directly, indirectly, contingently, or in any other manner, to pay such principal or interest from any other source whatsoever. The owners of the Bonds shall never have the right to demand payment of the Bonds out of any other funds of the District except the Pledged Revenues. No part of the physical property of any Participant of the Sabine Creek Regional Wastewater System is encumbered by any lien or security interest for the benefit of the owners of the Bonds.

The District has outstanding Sabine Creek Regional Wastewater System Contract Revenue Bonds (the "Outstanding Bonds"), as follows:

Dated Date	Original Issue Amount	Outstanding Debt ⁽¹⁾	Issue Description
10/1/2012	\$ 5,785,000	\$ 680,000	Sabine Creek Regional Wastewater System Contract Revenue Refunding Bonds, Series 2012
9/15/2016	11,120,000	8,620,000	Sabine Creek Regional Wastewater System Contract Revenue Bonds, Series 2016
10/15/2020	3,190,000	3,190,000	Sabine Creek Regional Wastewater System Revenue Bonds, Series 2020
		<u>\$12,490,000</u>	

The Outstanding Bonds, the Bonds and any Additional Bonds are collectively, the "Parity Bonds."

(1) As of August 1, 2022.

RESERVE FUND REQUIREMENT . . . The District is required to accumulate and maintain in the Reserve Fund an aggregate amount of money and/or investments equal in market value to the average annual principal and interest requirements on all outstanding Parity Bonds (the "Required Amount"). Out of proceeds of the Bonds, there shall be deposited to the credit of the Reserve Fund an amount of money, if any, sufficient to the cause, the Reserve Fund to contain an amount at least equal to the Required Amount. So long as the money and investments in the Reserve Fund are at least equal to the Required Amount, no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than said Required Amount in market value, then, subject and subordinate to making the required deposits to the credit of the Bond Fund, the Issuer shall transfer from Pledged Revenues and deposit to the credit of the Reserve Fund, on or before the 25th day of each month, a sum equal to 1/60th of the average annual principal and interest requirements of all then outstanding Parity Bonds, until the Reserve Fund is restored to said Required Amount. So long as the Reserve Fund contains said Required Amount, all amounts in excess of such Required Amount shall, on or before the 10th day prior to each interest payment date, be deposited to the credit of the Bond Fund; and otherwise any earnings from the deposit and investment of the Reserve Fund shall be retained in the Reserve Fund.

ADDITIONAL BONDS . . . The District may issue additional parity revenue bonds (the "Additional Bonds") payable from the Pledged Revenues from the Contract, which together with the Parity Bonds, shall be equally and ratably secured by an irrevocable first lien on and pledge of the Pledged Revenues from the Contract, subject, however, to complying with certain conditions in the Resolution. (See "SELECTED PROVISIONS OF THE BOND RESOLUTION – Additional Bonds" herein.)

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on June 1, 2032, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption. If fewer than all of the Bonds are to be redeemed, the District may select the maturities and amounts of Bonds to be redeemed. If fewer than all the Bonds within a maturity are to be redeemed, the Bonds, or portions thereof, to be redeemed shall be selected by lot or other customary method of random selection (or by DTC in accordance with the procedures while the Bonds are in the Book-Entry-Only System). If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE . . . The Resolution provides for the defeasance of Bonds when the payment of the principal of such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized entity, in trust (1) money sufficient to make such payment and/or (2) Government Obligations which mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar for the Bonds. The Resolution provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. Provided, however, the District has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS . . . The District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend the provisions of the Resolution; except that, without consent of the registered owners of all of the Bonds then outstanding, no such amendment, addition or rescission may (1) make any change in the maturity of the outstanding Parity Bonds or Additional Bonds; (2) reduce the rate of interest borne by any of the outstanding Parity Bonds or Additional Bonds; (3) reduce the amount of the principal payable on the outstanding Parity Bonds or Additional Bonds; (4)

modify the terms of payment of principal of or interest on the outstanding Parity Bonds or Additional Bonds, or impose any conditions with respect to such payment; (5) affect the rights of the holders of less than all of the Parity Bonds and Additional Bonds then outstanding; (6) change the minimum percentage of the principal amount of Parity Bonds and Additional Bonds necessary for consent to such amendment.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by the Depository Trust Company ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for the Bonds in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participant to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the District, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor or the Underwriters.

Effect of Termination of Book-Entry-Only System. In the event the Book-Entry-Only System with respect to the Bonds is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Bonds is discontinued by the District, printed bond certificates will be issued to the respective holders of the Bonds, as the case may be, and the respective Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Resolution, summarized under "Transfer, Exchange, and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial paying agent/registrar is The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (the "Paying Agent/Registrar"). In the Resolution, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or by (ii) with respect to any Bond or portion thereof called for redemption within 45 days prior to its redemption date.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the preceding month.

BONDHOLDERS' REMEDIES . . . The Resolution does not establish specific events of default with respect to the Bonds. Under State law and the Resolution, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Resolution. No assurance can be given that a mandamus or other legal action to enforce a remedy under the Resolution would be successful. The enforcement of any such remedy may be difficult and time consuming. The Resolution does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, registered owners may not be able to bring such a suit against the District for breach of the Bonds or Resolution covenants in the absence of District action. Chapter 1371, Texas Government Code as amended, ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "THE BONDS – Authority for Issuance"), the District has not waived the defense of sovereign immunity with respect thereto. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of contract revenues of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce the remedies under the Resolution would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state courts); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The District may not be placed into bankruptcy involuntarily. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

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BOND INSURANCE

GENERAL . . . The District has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, and the District desires to purchase such insurance, the cost will be paid by the District. Any fees to be paid to Moody's or S&P as a result of said insurance will be paid by the District. It will be the responsibility of the District to disclose the existence of insurance, its terms, and the effect thereof with respect to the reoffering of the Bonds. If the District obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Bonds (the "Policy"), the final Official Statement shall disclose certain information relating to the Insurer and the Policy.

BOND INSURANCE RISK FACTORS . . . In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the sources of funds pledged to the payment of the Bonds (see "THE BONDS – Security and Source of Payment"). In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

If a Policy is acquired, the long-term ratings on the Bonds will be dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on Bonds, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds.

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the District, the Financial Advisor or the Underwriters have made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody's, S&P, and Fitch Ratings (collectively, the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Bonds and the claims paying ability of any such bond insurer, particularly over the life of the Bonds.

HISTORICAL OPERATING INFORMATION

The following table presents condensed financial information for the Sabine Creek Regional Wastewater System of the District for each fiscal year ended September 30, 2017 through September 30, 2021. These statements have been compiled using accounting principles customarily employed in the determination of revenues available for payment of bonded debt service and, in all instances, exclude depreciation, transfers of debt service requirements and expenditures identified as capital. Excerpts of District's combined financial statements for the fiscal year ended September 30, 2021 appear in Appendix A, hereto attached.

TABLE 1 - SCHEDULE OF SABINE CREEK REGIONAL WASTEWATER SYSTEM OPERATING INFORMATION

	Fiscal Year Ended September 30,				
	2021	2020	2019	2018	2017
Revenues					
Sabine Creek Wastewater Service Fees	\$ 2,870,833	\$ 2,559,328	\$ 2,480,246	\$ 2,276,940	\$ 2,128,218
Interest Income & Other	10,757	30,132	82,548	65,979	117,671
Total Gross Revenues	<u>\$ 2,881,590</u>	<u>\$ 2,589,460</u>	<u>\$ 2,562,794</u>	<u>\$ 2,342,919</u>	<u>\$ 2,245,889</u>
Operating Expenses ⁽¹⁾	<u>\$ 1,561,850</u>	<u>\$ 1,142,266</u>	<u>\$ 1,009,990</u>	<u>\$ 786,945</u>	<u>\$ 1,176,629</u>
Net Income	<u>\$ 1,319,740</u>	<u>\$ 1,447,194</u>	<u>\$ 1,552,804</u>	<u>\$ 1,555,974</u>	<u>\$ 1,069,260</u>
Sabine Creek Regional Wastewater System Revenue Bonds Outstanding (as of 8-1-22) ⁽²⁾					\$ 92,650,000
Average Annual Principal and Interest Requirements, 2022-2052 ⁽²⁾					\$ 5,487,620
Coverage of Average Annual Principal and Interest Requirements by 9-30-21 Gross Revenues Available for Debt Service ⁽³⁾					0.53x
Maximum Annual Principal and Interest Requirements, 2036 ⁽²⁾					\$ 6,444,169
Coverage of Maximum Annual Principal and Interest Requirements by 9-30-21 Gross Revenues Available for Debt Service ⁽³⁾					0.45x
Interest and Sinking Fund (as of 6-15-22)					\$ 41,498
Reserve Fund (as of 6-15-22)					\$ 823,961

(1) Excludes depreciation.

(2) Includes the Bonds. Preliminary, subject to change.

(3) The Participants share the cost for wastewater treatment on the basis of proportional flows. Charges are based on current budgeted expenditures and are allocated to each Participant at the beginning of the year based on estimated flows (subject to certain minimums). At the end of the year the actual cost each Participant is determined based on actual flows (subject to certain minimums) and final billing adjustments are applied accordingly. See "Payments by Contracting Parties" in "Summary of Certain Provisions of the Sabine Creek Regional Wastewater System Contract" herein.

TABLE 2 – SCHEDULE OF REVENUES – EXISTING WASTEWATER SYSTEM CONTRACTS

Member City	Fiscal Year Ended September 30,					
	2021		2020		2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Fate	\$ 1,713,144	59.99%	\$ 1,262,027	49.31%	\$ 1,167,865	46.94%
Royse City	1,142,359	40.01%	1,297,579	50.69%	1,319,919	53.06%
Total	<u>\$ 2,855,503</u>	<u>100.00%</u>	<u>\$ 2,559,606</u>	<u>100.00%</u>	<u>\$ 2,487,784</u>	<u>100.00%</u>

PENSION PLAN

The District provides a retirement Plan for Employees of North Texas Municipal Water District (the Plan), a single employer defined benefit pension plan, for all of its eligible full-time employees through an AETNA Life Insurance Company group pension defined benefit fund contract. The Plan is administered by the District's Executive Director/General Manager. The plan does not issue separate financial statements. An employee will become a participant in the Plan on the first day of the month which coincides with or next follows the attainment of age 21 and the completion of two years of eligibility service. As of December 31, 2020, the unfunded actuarial accrued liability of the District was \$26,340,554, with a funded ratio (ratio of assets to accrued liabilities) of 78.82%. The unfunded actuarial accrued liability is amortized over a period of 30 years. Effective January 1, 2018, employees who enter service on or after January 1, 2018 shall make mandatory contributions to the Plan at the rate of 5% of annual earnings and subject to 3.5% plan interest rate credits per year. For the Plan years ended December 31, 2020, the District made contributions of \$8,108,000, which represent 12.87% of annual covered payroll. These contributions were based on actuarially determined contribution requirements through an actuarial valuation performed at January 1, 2021. For the fiscal year ended September 30, 2021, the District made contributions of \$7,848,000 of which contributions subsequent to the measurement date through September 30, 2021 were 3,970,000. See "APPENDIX A – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT – Note 10 – Retirement Plan" for a more detailed discussion of the Plan.

OTHER POST-EMPLOYMENT BENEFITS

The District's defined benefit other postemployment benefits (OPEB) plan provides OPEB in the form of health and dental insurance benefits for certain retirees and their spouses up to age 65 through a single-employer defined medical plan. These benefits are funded 100% by the District for the currently eligible retirees and their spouses. A third-party administrator is utilized to provide claims administration and the District pays claims directly to the insurance provider. Insurance is purchased to provide specific stop loss and aggregate stop loss protection. The District does not issue separate audited financial statements for its plan. See "APPENDIX A – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT", Note 14 – Other Postemployment Benefits.

DEBT INFORMATION

TABLE 3 - DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt			The Bonds ⁽¹⁾			Total Outstanding Debt	Percent of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2022	\$ 1,130,000	\$ 414,606	\$ 1,544,606	\$ -	\$ -	\$ -	\$ 1,544,606	
2023	1,295,000	375,956	1,670,956	-	2,772,200	2,772,200	4,443,156	
2024	640,000	330,956	970,956	-	4,008,000	4,008,000	4,978,956	
2025	660,000	305,356	965,356	-	4,008,000	4,008,000	4,973,356	3.97%
2026	690,000	278,956	968,956	1,465,000	4,008,000	5,473,000	6,441,956	
2027	710,000	254,156	964,156	1,540,000	3,934,750	5,474,750	6,438,906	
2028	730,000	235,819	965,819	1,615,000	3,857,750	5,472,750	6,438,569	
2029	750,000	216,206	966,206	1,695,000	3,777,000	5,472,000	6,438,206	
2030	770,000	195,281	965,281	1,780,000	3,692,250	5,472,250	6,437,531	16.50%
2031	790,000	170,681	960,681	1,870,000	3,603,250	5,473,250	6,433,931	
2032	810,000	148,481	958,481	1,965,000	3,509,750	5,474,750	6,433,231	
2033	835,000	125,731	960,731	2,065,000	3,411,500	5,476,500	6,437,231	
2034	860,000	102,281	962,281	2,165,000	3,308,250	5,473,250	6,435,531	
2035	890,000	78,131	968,131	2,275,000	3,200,000	5,475,000	6,443,131	31.98%
2036	915,000	52,919	967,919	2,390,000	3,086,250	5,476,250	6,444,169	
2037	180,000	27,000	207,000	2,505,000	2,966,750	5,471,750	5,678,750	
2038	185,000	22,950	207,950	2,635,000	2,841,500	5,476,500	5,684,450	
2039	190,000	18,788	208,788	2,765,000	2,709,750	5,474,750	5,683,538	
2040	190,000	14,513	204,513	2,905,000	2,571,500	5,476,500	5,681,013	47.83%
2041	195,000	10,000	205,000	3,050,000	2,426,250	5,476,250	5,681,250	
2042	205,000	5,125	210,125	3,200,000	2,273,750	5,473,750	5,683,875	
2043	-	-	-	3,360,000	2,113,750	5,473,750	5,473,750	
2044	-	-	-	3,530,000	1,945,750	5,475,750	5,475,750	
2045	-	-	-	3,705,000	1,769,250	5,474,250	5,474,250	66.22%
2046	-	-	-	3,890,000	1,584,000	5,474,000	5,474,000	
2047	-	-	-	4,085,000	1,389,500	5,474,500	5,474,500	
2048	-	-	-	4,290,000	1,185,250	5,475,250	5,475,250	
2049	-	-	-	4,505,000	970,750	5,475,750	5,475,750	
2050	-	-	-	4,730,000	745,500	5,475,500	5,475,500	89.14%
2051	-	-	-	4,965,000	509,000	5,474,000	5,474,000	
2052	-	-	-	5,215,000	260,750	5,475,750	5,475,750	100.00%
	<u>\$ 13,620,000</u>	<u>\$ 3,383,894</u>	<u>\$ 17,003,894</u>	<u>\$ 80,160,000</u>	<u>\$ 78,439,950</u>	<u>\$ 158,599,950</u>	<u>\$ 175,603,844</u>	

(1) Average life of the issue – 19.571 Years. Interest on the Bonds has been calculated at the average rate of 4.62% for purposes of illustration. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF DEBT . . . The District does not anticipate issuing additional Sabine Creek Regional Wastewater System Revenue debt over the next 18 months.

SELECTED PROVISIONS OF THE BOND RESOLUTION

The following statements summarize certain portions of the Bond Resolution to be adopted by the Board of Directors authorizing the issuance, sale and delivery of the Bonds and do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Resolution. As used in this Summary, the term "Issuer" refers to the District as otherwise defined herein.

There follow certain provisions of the Resolution which do not purport to be complete. For a full statement of all matters of fact relating to the Bonds reference should be made to the Resolution.

ADDITIONAL DEFINITIONS. In addition to the terms defined in the recitals or otherwise herein, as used in this Resolution the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term "Additional Bonds" shall mean the additional parity revenue bonds permitted to be authorized in the future in this Resolution.

The term "Additional Participants" shall mean a city or cities in addition to the Cities of Fate and Royse City with which the District makes a contract for receiving, transporting, treating, and/or disposing of Wastewater (as defined in the Contract) through the System.

The term "Board" shall mean the Board of Directors of the Issuer, being the governing body of the Issuer, and it is further resolved that the declarations and covenants of the Issuer contained in this Resolution are made by, and for and on behalf of the Board and the Issuer, and are binding upon the Board and the Issuer for all purposes.

The terms "Bond Resolution" and "Resolution" mean this resolution authorizing the Bonds.

The term "Bonds" means collectively the Initial Bond as described and defined in Sections 1 and 2 of this Resolution, and all substitute bonds exchanged therefor as well as all other substitute and replacement bonds issued pursuant to this Resolution.

The term "Contract" shall mean collectively the Sabine Creek Regional Wastewater Contract, dated as of March 3, 2003, among the Issuer and the Participants, together with all similar contracts which may be executed in the future between the Issuer and Additional Participants, as defined and permitted in the aforesaid contracts

The terms "District" and "Issuer" shall mean North Texas Municipal Water District.

The terms "District's System", "Issuer's System", and "System" shall mean all of the Issuer's facilities acquired, constructed, used, or operated by the Issuer for receiving, transporting, treating, and disposing of Wastewater (as defined in the Contract) of and for the Participants, pursuant to the Contract, including the contracts with Additional Participants (but excluding any facilities acquired or constructed with Special Facilities Bonds, and excluding any facilities required to transport Wastewater to any Point of Entry (as defined in the Contract) of the System), together with any improvements, enlargements, or additions to said System facilities and any extensions, repairs, or replacements of said System facilities acquired, constructed, used, operated, or otherwise incorporated into or made a part of said System facilities in the future by the Issuer. Said terms shall include only those facilities which are acquired, constructed, used, or operated by the Issuer to provide service to Participants pursuant to the Contract, including any contracts with Additional Participants, and which, as determined by the Issuer, can economically and efficiently provide service to Participants.

The term "fiscal year" shall mean the 12 month period beginning each October 1, or such other 12 month period hereafter established by the Issuer as a fiscal year for the purposes of this Resolution.

The term "Gross Revenues of the System" shall mean all of the revenues, income, rentals, rates, fees, and charges of every nature derived by the Board or the Issuer from the operation and/or ownership of the System, including specifically all payments constituting the "Annual Requirement" (consisting of the "Operation and Maintenance Component" and the "Bond Service Component"), and all other payments and amounts received by the Board or the Issuer from the Participants pursuant to the Contract, including any contracts with Additional Participants.

The term "Net Revenues of the System" shall mean the Gross Revenues of the System less the Operation and Maintenance Expense of the System.

The term "Operation and Maintenance Expense" shall mean all costs of operation and maintenance of the Issuer's System including, but not limited to, repairs and replacements, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, and any other supplies, services, administrative costs, and equipment necessary for proper operation and maintenance of the Issuer's System, any payments required to be made under the Contract into the Contingency Fund (as defined in the Contract), payments made for the use or operation of any property, payments of fines, and payments made by Issuer in satisfaction of judgments or other liabilities resulting from claims not covered by Issuer's insurance or not paid by one particular Participant arising in connection with the operation and maintenance of the Issuer's System. Depreciation shall not be considered an item of Operation and Maintenance Expense.

The term "Parity Bonds" shall mean collectively the Bonds and the unpaid and unrefunded North Texas Municipal Water District Sabine Creek Regional Wastewater System Contract Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds"), authorized by resolution of the Board on September 27, 2012 (the "Series 2012 Bond Resolution"), which will be outstanding after the issuance and delivery of the Initial Bond, the unpaid and unrefunded North Texas Municipal Water District Sabine Creek Regional Wastewater System Contract Revenue Bonds, Series 2016 (the "Series 2016 Bonds"), authorized by resolution of the Board on September 22, 2016 (the "Series 2016 Board Resolution"), and the unpaid and unrefunded North Texas Municipal Water District Sabine Creek Regional Wastewater System Revenue Bonds, Series 2020 (the "Series 2020 Bonds"), authorized by resolution of the Board on October 22, 2020 (the "Series 2020 Bond Resolution") which will be outstanding after the issuance and delivery of the Initial Bond.

The term "Participants" shall mean collectively the City of Fate, in Rockwall County, Texas and the City of Royse City, in Rockwall County, Texas, together with all Additional Participants.

The term "Pledged Revenues" shall mean: (a) the Gross Revenues of the System and (b) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which in the future may, at the option of the Issuer, be pledged to the payment of the Bonds or the Additional Bonds.

The term "Special Facilities Bonds" shall mean revenue obligations of the District which are not secured by or payable from Annual Payments under the Contract, but which are payable solely from other sources; but Special Facilities Bonds may be made payable from payments from any person, including any Participant, under a separate contract whereunder the facilities to be acquired or constructed are declared not to be part of the system and are not made payable from the Annual Payments as defined in the Contract.

PLEDGE. (a) The Bonds authorized by this Resolution are hereby designated as, and shall be, "Additional Bonds" as permitted by Sections 22 and 23, respectively, of the Series 2012 Bond Resolution, the Series 2016 Bond Resolution and the Series 2020 Bond Resolution and it is hereby determined, declared, and resolved that all of the Parity Bonds, including the Bonds authorized by this Resolution, are and shall be secured and payable equally and ratably on a parity, and that Sections 9 through 25 of this Resolution substantially restate and are supplemental to and cumulative of the applicable and pertinent provisions of the resolution authorizing the issuance of the previously issued Parity Bonds, with Sections 9 through 25 of this Resolution being equally applicable to all of the Parity Bonds, including the Bonds.

(b) The Parity Bonds and any Additional Bonds, and the interest thereon, are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged to the establishment and maintenance of the Bond Fund and the Reserve Fund as provided in this Resolution.

REVENUE FUND. There has been created and established pursuant to the 2012 Bond Resolution, and there shall be maintained at an official depository of the Issuer (which must be a member of the Federal Deposit Insurance Corporation) a separate fund to be entitled the "North Texas Municipal Water District Sabine Creek Regional Wastewater System Contract Revenue Bonds Revenue Fund" (hereafter called the "Revenue Fund"). All Gross Revenues of the System shall be credited to the Revenue Fund immediately upon receipt.

BOND FUND. For the sole purpose of paying the principal of and interest on all outstanding Parity Bonds and any Additional Bonds, as the same come due, there has been created and established pursuant to the 2012 Bond Resolution and shall be maintained at the Paying Agent/Registrar, a separate fund to be entitled the "North Texas Municipal Water District Sabine Creek Regional Wastewater System Contract Revenue Bonds Bond Fund" (hereinafter called the "Bond Fund").

RESERVE FUND. There has been created and established pursuant to the Series 2012 Bond Resolution, and there shall be maintained at the Paying Agent/Registrar, a separate fund to be entitled the "North Texas Municipal Water District Sabine Creek Regional Wastewater System Contract Revenue Bonds Reserve Fund" (hereinafter called the "Reserve Fund"). The Reserve Fund shall be used solely for the purpose of finally retiring the last of the outstanding Parity Bonds and Additional Bonds, or for paying principal of and interest on any outstanding Parity Bonds and Additional Bonds, when and to the extent the amount in the Bond Fund is insufficient for such purpose.

DEPOSITS OF PLEDGED REVENUES. The Pledged Revenues shall be deposited into the Bond Fund and the Reserve Fund when and as required by this Resolution.

INVESTMENTS. Money in any Fund established pursuant to the 2012 Bond Resolution may, at the option of the Issuer be invested in any or all of the authorized investments described in the Public Funds Investment Act, Chapter 2256, Texas Government Code (or any successor statute), in which the Issuer may purchase, sell and invest its funds and funds under its control; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of the 15th day of January of each year. Interest and income derived from such deposits and investments shall be credited to the Fund from which the deposit or investment was made. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or Additional Bonds. No investment of any Fund shall be made in any way which would violate any provision of this Resolution.

FUNDS SECURED. Money in all Funds described in this Resolution, to the extent not invested, shall be secured in the manner prescribed by law, including particularly, the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended, for securing funds of the Issuer.

DEBT SERVICE REQUIREMENTS. The Issuer shall transfer from the Pledged Revenues and deposit to the credit of the Bond Fund the amounts, at the times, as follows:

- (1) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Bond Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Parity Bonds and any Additional Bonds on the next succeeding interest payment date; and
- (2) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Bond Fund and available for such purpose, to pay the principal scheduled to mature and come due, and/or mandatorily required to be redeemed prior to maturity, on the Parity Bonds and any Additional Bonds on the next succeeding principal payment date or mandatory redemption date, if any.

RESERVE REQUIREMENTS. Out of proceeds of the Bonds, there shall be deposited to the credit of the Reserve Fund an amount of money, if any, sufficient to cause the Reserve Fund to contain money and/or investments in market value equal to the average annual principal and interest requirements on all Parity Bonds which will be outstanding immediately after issuance of the Bonds. So long as the money and investments in the Reserve Fund are at least equal to the average annual principal and interest requirements on all outstanding Parity Bonds and Additional Bonds (the "Required Amount"), no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than said Required Amount in market value, then, subject and subordinate to making the required deposits to the credit of the Bond Fund, the Issuer shall transfer from Pledged Revenues and deposit to the credit of the Reserve Fund, on or before the 25th day of each month, a sum equal to 1/60th of the average annual principal and interest requirements of all then outstanding Parity Bonds, until the Reserve Fund is restored to said Required Amount. So long as the Reserve Fund contains said Required Amount, all amounts in excess of such Required Amount shall, on or before the 10th day prior to each interest payment date, be deposited to the credit of the Bond Fund; and otherwise any earnings from the deposit and investment of the Reserve Fund shall be retained in the Reserve Fund.

DEFICIENCIES. If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose.

EXCESS PLEDGED REVENUES. Subject to making the required deposits to the credit of the Bond Fund and the Reserve Fund, when and as required by this Resolution, or any Resolution authorizing the issuance of Additional Bonds, the excess Pledged Revenues first shall be used to pay the Operation and Maintenance Expenses of the System, and then, subject to paying such Operation and Maintenance Expenses of the System, may be used for any other lawful purpose.

PAYMENT OF BONDS. On or before the last day of each May and of each November hereafter while any of the Parity Bonds or Additional Bonds are outstanding and unpaid, the Issuer shall make available to the paying agents therefor, out of the Bond Fund or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Parity Bonds and Additional Bonds as will accrue or mature on the June 1 or December 1 immediately following.

FINAL DEPOSITS. At such times as the aggregate amount of money and investments in the Bond Fund and the Reserve Fund are at least equal in market value to (1) the aggregate principal amount of all unpaid (unmatured and matured) outstanding Parity Bonds and Additional Bonds, plus (2) the aggregate amount of all unpaid interest, including all unpaid (unmatured and matured) outstanding interest coupons, appertaining to such Parity Bonds and Additional Bonds, no further deposits need be made into the Bond Fund or the Reserve Fund. In determining the amount of such Parity Bonds and Additional Bonds, and unpaid interest appertaining thereto, outstanding at any time, there shall be subtracted and excluded the amount of any such Parity Bonds and Additional Bonds, and unpaid interest appertaining thereto, which shall have been duly called for redemption and for which funds shall have been deposited with the paying agents therefor sufficient for such redemption.

ADDITIONAL BONDS. (a) The Issuer shall have the right and power at any time and from time to time, and in one or more Series or issues, to authorize, issue, and deliver additional parity revenue bonds (herein called "Additional Bonds"), in any amounts, for any lawful purpose of relating to the System, including the refunding of any Parity Bonds or Additional Bonds. Such Additional Bonds, if and when authorized, issued, and delivered in accordance with this Resolution, shall be secured by and made payable equally and ratably on a parity with the Parity Bonds, and all other outstanding Additional Bonds, from a first lien on and pledge of the Pledged Revenues.

(b) The Bond Fund and the Reserve Fund, established by this Resolution shall secure and be used to pay all Additional Bonds as well as the Parity Bonds. However, each Resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of any other Resolution or Resolutions authorizing Additional Bonds to be deposited to the credit of the Bond Fund, the Issuer shall deposit to the credit of the Bond Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the

same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the average annual principal and interest requirements of all Parity Bonds and Additional Bonds which will be outstanding after the issuance and delivery of the then proposed Additional Bonds; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash immediately after the delivery of the then proposed Additional Bonds, or, at the option of the Issuer, by the deposit of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in monthly installments, made on or before the 25th day of each month following the adoption of the Resolution authorizing the issuance of the then proposed Additional Bonds, of not less than 1/60th of said required additional amount (or 1/60th of the balance of said required additional amount not deposited in cash as permitted above).

(c) All calculations of average annual principal and interest requirements made pursuant to this Section shall be made as of and from the date of the Additional Bonds then proposed to be issued.

(d) The principal of all Additional Bonds must be scheduled to be paid or mature on June 1 of the years in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on June 1 and December 1.

FURTHER REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, Series, or issue of Additional Bonds shall be issued or delivered unless the President and the Secretary of the Board sign a written certificate to the effect that the Issuer is not in default as to any covenant, condition, or obligation in connection with all outstanding Parity Bonds and Additional Bonds, and the Resolutions authorizing same, and that the Bond Fund and the Reserve Fund each contains the amount then required to be therein.

GENERAL COVENANTS. The Issuer further covenants and agrees that:

(a) **PERFORMANCE.** It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and each resolution authorizing the issuance of Additional Bonds, and in each and every Parity Bond and Additional Bond; that it will promptly pay or cause to be paid the principal of and interest on every Bond and Additional Bond, on the dates and in the places and manner prescribed in such resolutions and Parity Bonds or Additional Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Bond Fund and the Reserve Fund; and any holder of the Parity Bonds or Additional Bonds may require the Issuer, its Board, and its officials and employees, to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its Board, and its officials and employees.

(b) **ISSUER'S LEGAL AUTHORITY.** The Issuer is a duly created and existing conservation and reclamation district of the State of Texas pursuant to Article 16, Section 59 of the Texas Constitution, and Chapter 62, Acts of the 52nd Legislature of Texas, Regular Session, 1951, as amended (originally compiled as Vernon's Ann. Tex. Civ. St. Article 8280-141), and is duly authorized under the laws of the State of Texas to create and issue the Parity Bonds; that all action on its part for the creation and issuance of the Parity Bonds has been duly and effectively taken, and that the Parity Bonds in the hands of the holders and owners thereof are and will be valid and enforceable special obligations of the Issuer in accordance with their terms.

(c) **TITLE.** It has or will obtain lawful title to, or the lawful right to use and operate, the lands, buildings, and facilities constituting the System, that it warrants that it will defend, the title to or lawful right to use and operate, all the aforesaid lands, buildings, and facilities, and every part thereof, for the benefit of the holders and owners of the Parity Bonds and Additional Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Bonds and Additional Bonds in the manner prescribed herein, and has lawfully exercised such rights.

(d) **LIENS.** It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or the System, that it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and that it will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Board.

(e) **OPERATION OF SYSTEM.** While the Parity Bonds or any Additional Bonds are outstanding and unpaid it will cause the System to be continuously and efficiently operated and maintained in good condition, repair, and working order, and at a reasonable cost.

(f) **FURTHER ENCUMBRANCE.** While the Parity Bonds or any Additional Bonds are outstanding and unpaid, the Issuer shall not additionally encumber the Pledged Revenues in any manner, except as permitted in this Resolution in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Resolution and any resolution authorizing the issuance of Additional Bonds; but the right of the Issuer and the Board to issue revenue bonds payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) **SALE OF PROPERTY.** While the Parity Bonds or any Additional Bonds are outstanding and unpaid, the Issuer will maintain its current legal corporate status as a conservation and reclamation district, and the Issuer shall not sell, convey, mortgage, or in any manner transfer title to, or lease, or otherwise dispose of the entire System, or any significant or substantial part thereof; provided that whenever the Issuer deems it necessary to dispose of any machinery, fixtures, and equipment, it may sell or otherwise dispose of such machinery, fixtures, and equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined by the Issuer that no such replacement or substitute is necessary.

(h) **INSURANCE.** (1) It will cause to be insured (including self-insurance) such parts of the System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including fire and extended coverage insurance. Public liability and property damage insurance shall also be carried unless the general counsel for Issuer, or the Attorney General of Texas, gives a written opinion to the effect that the Issuer, the Board, and its officers and employees, are not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Issuer shall not be required to carry insurance on the works being constructed, but the contractor shall be required to carry appropriate insurance. All such policies shall be open to the inspection of the Bondholders and their representatives at all reasonable times.

(2) Upon the happening of any loss or damage covered by insurance from one or more of said causes, the Issuer shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Issuer. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the Issuer for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

(a) for the redemption prior to maturity of the Parity Bonds and Additional Bonds, if any, ratably in the proportion that the outstanding principal of each Series or issue of Parity Bonds or Additional Bonds bears to the total outstanding principal of all Parity Bonds and Additional Bonds; provided that if on any such occasion the principal of any such Series or issue is not subject to redemption, it shall not be regarded as outstanding in making the foregoing computation; or

(b) if none of the outstanding Parity Bonds or Additional Bonds is subject to redemption, then for the purchase on the open market and retirement of said Parity Bonds and Additional Bonds, in the same proportion as prescribed in the foregoing clause (a), to the extent practicable; provided that the purchase price for any such Parity Bond or Additional Bonds shall not exceed the redemption price of such Parity Bond or Additional Bond on the first date upon which it becomes subject to redemption; or

(c) to the extent that the foregoing clauses (a) and (b) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at an official depository of the Issuer, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (a) and/or (b) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

(3) The annual audit hereinafter required shall contain a list of all such insurance policies carried, together with a statement as to whether or not all insurance premiums upon such policies have been paid.

(i) **RATE COVENANT.** It will fix, establish, maintain, and collect such rentals, rates, charges, and fees for the use and availability of the System as are necessary to produce Gross Revenues of the System sufficient, together with any other Pledged Revenues, (a) to make all payments and deposits required to be made into the Bond Fund, and to maintain the Reserve Fund, as required by the resolutions authorizing all Parity Bonds and Additional Bonds, and (b) to pay all Operation and Maintenance Expenses of the System.

(j) **RECORDS.** Proper books of record and account will be kept in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the System, the Pledged Revenues, and all Funds described in this Resolution; and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any bondholder.

(k) **AUDITS.** Each year while any of the Parity Bonds or Additional Bonds are outstanding, an audit will be made of its books and accounts relating to the System and the Pledged Revenues by an independent certified public accountant or an independent firm of certified public accountants.

(l) **GOVERNMENTAL AGENCIES.** It will comply with all of the terms and conditions of any and all agreements applicable to the System and the Parity Bonds or Additional Bonds entered into between the Issuer and any governmental agency, and the Issuer will take all action necessary to enforce said terms and conditions; and the Issuer will obtain and keep in full force and effect all franchises, permits, and other requirements necessary with respect to the acquisition, construction, operation, and maintenance of the System.

(m) CONTRACTS WITH PARTICIPANTS. It will comply with the terms and conditions of the Contract, including any contracts with Additional Participants, and will cause the Participants to comply with all of their obligations thereunder by all lawful means; and the Issuer agrees to prepare an annual budget as required by the Contract.

AMENDMENT OF RESOLUTION. (a) The holders or owners of Parity Bonds and Additional Bonds aggregating 51% in principal amount of the aggregate principal amount of then outstanding Parity Bonds and Additional Bonds shall have the right from time to time to approve any amendment to this Resolution or any resolution authorizing the issuance of Additional Bonds, which may be deemed necessary or desirable by the Issuer, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in said resolutions or in the Parity Bonds or Additional Bonds so as to:

- (1) Make any change in the maturity of the outstanding Parity Bonds or Additional Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Parity Bonds or Additional Bonds;
- (3) Reduce the amount of the principal payable on the outstanding Parity Bonds or Additional Bonds;
- (4) Modify the terms of payment of principal or interest on the outstanding Parity Bonds or Additional Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the holders of less than all of the Parity Bonds and Additional Bonds then outstanding;
- (6) Change the minimum percentage of the principal amount of Parity Bonds and Additional Bonds necessary for consent to such amendment.

(b) If at any time the Issuer shall desire to amend a resolution under this Section, the Issuer shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, or in the City of Austin, Texas, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Paying Agent for each Series of Parity Bonds and Additional Bonds for inspection by all holders of Parity Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each holder of Parity Bonds and Additional Bonds.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of notice or other service of written notice the Issuer shall receive an instrument or instruments executed by the holders or owners of at least 51% in aggregate principal amount of all Parity Bonds and Additional Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Issuer may adopt the amendatory resolution in substantially the same form.

(d) Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, the resolution being amended shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Issuer and all the holders or owners of then outstanding Parity Bonds and Additional Bonds and all future Additional Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

(e) Any consent given by the holder or owner of a Parity Bond or Additional Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders or owners of the same Parity Bond or Additional Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the holder or owner who gave such consent, or by a successor in title, by filing notice thereof with each Paying Agent for each Series of Parity Bonds and Additional Bonds, and the Issuer, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the then outstanding Parity Bonds and Additional Bonds as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of this Section, the fact of the holding of Parity Bonds or Additional Bonds in bearer, coupon form by any holder thereof and the amount and numbers of such Parity Bonds and Additional Bonds, and the date of their holding same, may be provided by the affidavit of the person claiming to be such holder, or by a certificate executed by any trust company, bank, banker, or any other depository wherever situated showing that at the date therein mentioned such person had on deposit with such trust company, bank, banker, or other depository, the Parity Bonds or Additional Bonds described in such certificate. The ownership of all registered Parity Bonds and Additional Bonds shall be ascertained by the registration books pertaining thereto kept by the registrar. The Issuer may conclusively assume that such holding or ownership continues until written notice to the contrary is served upon the Issuer.

DEFEASANCE OF BONDS. (a) Each of the Bonds, including the Initial Bond and each of the other Bonds (as hereinbefore defined), and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of

redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues as provided in this Resolution, and such principal and interest shall be payable solely from such money or Government Obligations.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer.

(c) The term "Government Obligations" as used in this Section shall mean (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America and, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA".

(d) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Resolution.

DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) Replacement Bonds. In the event any outstanding Bonds or Bond authorized by this Resolution is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner applying for a replacement bond shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the registered owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Bonds duly issued under this Resolution.

(e) Authority for Issuing Replacement Bonds. In accordance with Chapter 1201, Texas Government Code, this Section of this Resolution shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 6(d) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

COVENANTS REGARDING TAX-EXEMPTION. (a) Covenants. The Issuer covenants to refrain from any action which would adversely affect, or to take such action to assure, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986 (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

- (1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code, or if more than 10 percent of the proceeds or the projects financed

therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds five percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of five percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or five percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is, directly or indirectly, used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action that would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with –

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a current refunding bond, for a period of 90 days or less, until such proceeds are needed for the purpose for which the Bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage), or section 149(g) of the Code (relating to hedge bonds), and

(8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) **Compliance with Code.** For purposes of the foregoing, the Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs its President of the Board of Directors, the Executive Director, the Deputy Director-Administrative Services, and Assistant Deputy-Finance to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds. The Issuer covenants to comply with the covenants contained in this Section after defeasance of the Bonds.

(c) Rebate Fund. In order to facilitate compliance with the above covenant (a)(9), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation, the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(d) Written Procedures. Unless superseded by another action of the Issuer to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitrage and rebate, the Issuer hereby adopts and establishes the instructions attached hereto as Exhibit A as their written procedures applicable to Bonds issued pursuant to the Contract.

DISPOSITION OF PROJECT. The Issuer covenants that the property financed with proceeds of the Bonds (the "Project") will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the Project on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed. The foregoing notwithstanding, the Issuer shall not expend sale proceeds or investment earnings thereon more than 60 days after the later of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

SUMMARY OF CERTAIN PROVISIONS OF THE SABINE CREEK REGIONAL WASTEWATER SYSTEM CONTRACT WITH THE CITIES OF ROYSE CITY AND FATE

The District entered into contracts, dated March 3, 2003 (together with any similar contracts with Additional Participants, collectively the "Contract"), with the Cities of Royse City and Fate, Texas (together with any Additional Participants, the "Participants"), all of which provide for the acquisition, construction, improvement, operation and maintenance, of a Regional Wastewater System. Pursuant thereto the District has accepted the responsibility of providing facilities to adequately receive, transport, treat and dispose of the Participants wastewater. Pertinent provisions of the Contract are as follows:

Facilities. In order to provide services for receiving, transporting, treating, and disposing of Wastewater for Participants, the District will use its best efforts to design, acquire, construct, and complete the System, as generally described in the Engineering Report with respect to Royse City and Fate, and as generally described in appropriate additional engineering reports hereafter to be obtained with respect to any Participant and will own, operate, and maintain the System, and from time to time enlarge, improve, repair, replace, and/or extend the System to provide service to the Participants. The District shall obtain and hold in its name all required discharge permits from the appropriate Federal and State agencies, and each Participant shall assist the District in obtaining same. The District shall provide, manage, operate, and maintain the System in such manner as it determines is necessary for providing adequate, efficient, and economical service to Participants, and shall have the right to provide single plants, multiplants, or combine two or more plants, and to use or discontinue the use of any facilities of the System as the District deems necessary.

Discharge. In consideration of the payments to be made under its respective contract with the District, each of the Participants have and shall have the right to discharge all of its Wastewater from its respective sewer system into the District's System, provided that such Wastewater meets the requirements for quantity and quality as set forth in its respective contract with the District; and further provided that, as to Wastewater from areas not currently being served by the Plant, the District is able to obtain permits for the treatment and discharge of such quantity and quality of Wastewater and that discharge of such Wastewater to the System may be made only after notice by the District that it is ready to receive the same pursuant to the Contract.

Points of Entry. Each Participant may discharge all such Wastewater generated from such Participant's sewer system into the designated Point or Points of Entry for such Participant.

Conveyance to Point of Entry. It shall be the sole responsibility of each Participant to transport, or cause to be transported, at no cost to the District or to the other Participants, its Wastewater to its Point or Points of Entry.

Quantity at Points of Entry. (a) The quantity of Wastewater conveyed to the Point or Points of Entry shall be metered by the District and the total annual contributing flow of Wastewater received during any Fiscal Year shall be used to determine each Participant's Annual Payment for service as set forth in Article V; (b) the maximum discharge rate is defined as a rate in million gallons per day (MGD), exceeded for a period of sixty minutes, which, if continued over a period of 24 hours, would be equal to 3.50 times the Participant's average daily flow during that Fiscal Year; and (c) any Participant exceeding the maximum discharge rate shall have a surcharge applied to the next Fiscal Year's Annual Payment equal to 1% of the Annual Payment in that Fiscal Year for each 1/10th that the ratio of the maximum discharge to the average daily flow exceeds 3.50.

Quality. Each Participant agrees to limit discharge into the District's System to Wastewater that complies with quality requirements the District finds it necessary from time to time to establish in order to meet standards imposed by regulatory agencies having appropriate jurisdiction or to protect the water quality for water supply purposes. No discharge shall be made into the System which would cause the District to violate any permit granted, or any rule or regulation promulgated, by any State or Federal agency having jurisdiction over the District. Each Participant specifically covenants that it will enact and enforce procedures which will prohibit or prevent customers of its sewer system from making any discharge which would cause such Participant to violate the provisions of this contract or any applicable State or Federal permit, law, rule, or regulation. To enable the highest degree of treatment in the most economical manner possible, certain solids, liquids, and gases have been and are hereby prohibited from entering the System, either absolutely or in excess of established standards, and the prohibited discharges will be listed and furnished to all Participants, with a minimum of sixty days of notice before the effective date thereof.

Financing. The District will issue its Bonds, in amounts and at times as determined by the District, to provide the System. The proceeds from the sale of the Bonds will be used for the payment of all of the District's costs and expenses in connection with the design, acquisition, and construction of the System and the Bonds, including, without limitation, all financing, legal, printing, administrative overhead, and other expenses and costs incurred in issuing its Bonds and to fund a debt service reserve and other funds if required by any Bond Resolution. Each Bond Resolution of the District shall specify the exact principal amount of the Bonds initially issued, which shall mature not more than 40 years from the date of such Bonds, and shall bear interest at not to exceed the maximum legal rates, and the Bond Resolution may create and provide for the maintenance of a revenue fund, an interest and sinking fund, a deposit to the debt service reserve fund, and other funds and accounts, all in the manner and amounts as provided in such Bond Resolution. Prior to the sale of any such Bonds, the District shall provide to the Participants a copy of the Preliminary Official Statement relating to such Bonds, which shall include, among other things, proposed maturity schedule and optional and mandatory redemption provisions. The Participants agree that if such Bonds are actually issued and delivered to the purchaser thereof, the Bond Resolution authorizing the Bonds shall for all purposes be deemed to be in compliance with the Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in the Contract.

Annual Requirement. It is acknowledged and agreed that payments to be made under the Contract will be the only source available to the District to provide the Annual Requirement; and that the District has a statutory duty to establish and from time to time to revise the charges for services to be rendered and made available to Participants under the Contract so that the Annual Requirement shall at all times be not less than an amount sufficient to pay or provide for the payment of:

- (a) An "Operation and Maintenance Component" equal to the amount paid or payable for all Operation and Maintenance Expense; and
- (b) A "Bond Service Component" equal to:
 - (1) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds if permitted by any Bond Resolution; and
 - (2) during each Fiscal Year, the proportionate part of any special or reserve funds required to be established and/or maintained by the provisions of any Bond Resolution; and
 - (3) an amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of any Bond Resolution; and
 - (4) the charges of paying agents and registrars for paying principal of, redemption premium, if any, and interest on, all Bonds, and for registering and transferring Bonds.

Payments By Participants. (a) For services to be rendered to each Participant by the District under the Contract and other similar contracts, if any, each Participant has agreed to pay, at the time and in the manner hereinafter provided, its proportionate share of the Annual Requirement, which shall be determined as hereafter described and shall constitute a Participant's Annual Payment or Adjusted Annual Payment. For the Fiscal Year beginning on October 1, 2002, and for each Fiscal Year thereafter each Participant's proportionate share of the Annual Requirement shall, subject to the subsequent provisions hereof, be a percentage obtained by dividing such Participant's estimated contributing flow to the System for the next succeeding Fiscal Year or portion thereof by the total estimated contributing flow to the System by all Participants during such Fiscal Year or portion thereof. The calculation of each Annual Payment as determined herein, and each Adjusted Annual Payment, shall be determined as provided in this Section. The terms "contributing flow to the System" and "contributing flow" as used in the Contract with respect to any Fiscal Year, commencing with the Fiscal Year beginning October 1, 2002, shall mean the greater of (i) the actual metered contributing flow of a Participant or (ii) the minimum annual contributing flow for which a Participant has agreed to pay, which minimum annual contributing flow for Royse City and Fate are as follows:

Royse City	770,900 gallons per day
Fate	529,100 gallons per day

The above minimum annual contributing flows may be adjusted by the District and the Participants to include minimum annual contributing flows of Additional Participants should Additional Participants be approved for connection to the System in accordance with Section 8.02 hereof. Each Participant's Annual Payment shall be calculated by the District by multiplying such Participant's estimated percentage of the estimated total contributing flow times the Annual Requirement. Each Participant's

Annual Payment shall be made to the District in monthly installments, on or before the twentieth (20th) day of each month, for its required part of the Annual Requirement for each Fiscal Year, commencing with the Fiscal Year beginning October 1, 2002. Such payments shall be made in accordance with a Schedule of Payments for each Fiscal Year which will be supplied to each Participant. At the close of the Fiscal Year which commenced on October 1, 2002, and for each Fiscal Year thereafter, the District shall redetermine each Participant's percentage by dividing each Participant's contributing flow to the System by the total contributing flow of all Participants. Each Participant's Adjusted Annual Payment shall be calculated by multiplying each Participant's redetermined percentage times the Annual Requirement. The difference between the Adjusted Annual Payment and the Annual Payment, if any, when determined, shall be applied as a credit or a debit to each Participant's account with the District and shall be credited or debited to such Participant's next subsequent monthly payment or payments.

(b) If a Participant fails to pay its monthly charge on or before the twentieth (20th) day of any month, it shall incur and pay a penalty of ten percent of the amount due together with any legal or other costs incurred by the District in collecting the amount due. The District is authorized to discontinue service to any Participant which fails to make any monthly payment, and which, after written notice, does not make such payment.

(c) If, during any Fiscal Year, the District begins providing services to an Additional Participant, each Participant's Annual Payment for such Fiscal Year shall be redetermined consistent with the provisions of this contract.

(d) Each Participant's Annual Payment also shall be adjusted and redetermined for the balance of any applicable Fiscal Year, consistent with the provisions of this contract, and initially based on estimated contributing flow, at any time during any Fiscal Year if:

- (i) Additions, enlargements, repairs, extensions, or improvements to the System are placed in service by the District which require an increase and redetermination of the Annual Requirement; or
- (ii) Unusual or extraordinary expenditures for operation and maintenance of the System are required which are not provided for in the Annual Budget or in a Bond Resolution; or
- (iii) A Participant's contributing flow to the System, after the beginning of the Fiscal Year, is estimated to be substantially different from that on which Annual Payments are based as determined by the District, to the extent that such difference in flow will substantially affect such Participant's Budget, and consequently such Participant's Annual Payment to the District; or
- (iv) The District issues Additional Bonds, the payments in connection with which require an increase and redetermination of the Annual Requirement; or
- (v) The District receives significantly more or significantly less revenue or other amounts than those contemplated.
- (vi) It appears to the District that for any other reason it will not receive the full amount of the Annual Requirement unless such adjustment and redetermination are made.

(e) During each Annual Payment Period all revenues received by the District from providing services of the System to parties which are not Participants, shall (i) first be credited to the Operation and Maintenance Component of the Annual Requirement, and (ii) then any remainder credited to the Bond Service Component of the Annual Requirement, with the results that such credits under (i) and (ii), respectively, shall reduce, to the extent of such credits, the amounts of such Components, respectively, which otherwise would be payable by the Contracting parties pursuant to the method prescribed in (a) above. The District may estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment.

(f) The District shall give all Participants at least 21 days written notice prior to consideration by the Board of Directors of the District of making any Adjusted Annual Payment for any Participant during any Fiscal Year.

(g) The Annual Payment set forth in this section shall be considered the Basic Charge for service hereunder, and each Participant shall pay a surcharge for excess BOD and/or SS as provided in Section 4.02, and for excessive discharge in the manner set forth in Section 3.04(c).

(h) The District may establish and maintain a separate fund entitled the "Sabine Creek Regional Wastewater System Contingency Fund" (the "Contingency Fund"). The Contingency Fund shall be used solely for the purpose of paying unexpected or extraordinary Operation and Maintenance Expenses of the System for which funds are not otherwise available under the Contract. The Contingency Fund shall initially be funded, and any subsequent deficiency shall be restored, with amounts included as Operation and Maintenance Expenses in the Annual Budget.

(i) The facilities and services of the System to be provided to each Participant pursuant to the Contract are and will be essential and necessary to the operation of such Participant's combined waterworks and sanitary sewer system, and all payments to be made hereunder by each Participant will constitute reasonable and necessary "operating expenses" of such Participant's combined

waterworks and sanitary sewer system, within the meaning of Section 30.030, Texas Water Code, as amended, and Section 1502.056, Texas Government Code, and the provisions of all ordinances authorizing the issuance of all waterworks and sanitary sewer system revenue bond issues of such Participant, with the effect that such Participant's obligation to make payments from its waterworks and sanitary sewer system revenues under the Contract shall have priority over its obligations to make payments of the principal of and interest on any and all of its waterworks and sanitary sewer system revenue bonds. Each Participant agrees to fix and collect such rates and charges for waterworks and sanitary sewer system services to be supplied by its waterworks and sanitary sewer system as will make possible the prompt payment of all expenses of operating and maintaining its entire waterworks and sanitary sewer system, including all payments, obligations, and indemnities contracted under the Contract, and the prompt payment of the principal of and interest on its bonds payable from the net revenues of its waterworks and sanitary sewer system. The District shall never have the right to demand payment of the amounts due under the Contract from funds raised or to be raised from taxation by a Participant. Each Participant's payments under the Contract shall be made pursuant to the authority granted by Section 30.030, Texas Water Code, as amended, and Section 1502.056, Texas Government Code. Recognizing the fact that the Participants urgently require the facilities and services covered by the Contract, and that such facilities and services are necessary for actual use and for stand-by purposes; and further recognizing that the District will use the payments received from the Participants under the Contract to pay, secure, and finance the issuance of its Bonds, it is hereby agreed that the Participants shall be obligated unconditionally, and without offset or counterclaim, to make the payments designated as the "Bond Service Component" of the Annual Requirement, in the manner provided in the Contract, regardless of whether or not the District actually provides such facilities and services, or whether or not any Participant actually receives or uses such facilities and services, and regardless of the validity or performance of the other parts of this or any other contract, and such "Bond Service Component" shall in all events be applied and used for providing debt service and other requirements of the Bonds, and the holders of the Bonds shall be entitled to rely on the foregoing agreement and representation, regardless of any other agreement between the District and the Participants. Each Participant further agree that it shall be obligated to make the payments designated as the "Operation and Maintenance Component" of the Annual Requirement as described in Section 5.02 of the Contract, so long as the District is willing and able to provide the facilities and services contemplated under the Contract to any Participant.

(j) As soon as practicable after issuance of the Bonds, the District shall furnish each Participant with a schedule of monthly payments to be made for the balance of the Fiscal Year commencing October 1, 2002. On or before August 1 of each year, commencing August 1, 2003, the District will furnish each Participant with a tentative budget and an estimated schedule of monthly payments to be made by such Participant for the ensuing Fiscal Year. On July 1 of each year, commencing July 1, 2003, the District shall be in a position to furnish any Participant an estimate of the Participant's annual requirement. On or before October 1 of each year, commencing October 1, 2003, the District shall furnish such Participant with a finalized schedule of the monthly payments to be made by such Participant to the District for the ensuing Fiscal Year. Each Participant agrees that it will make such payments to the District on or before the twentieth (20th) day of each month of such Fiscal Year. If any Participant shall dispute the Annual Budget, and proceed as provided in Article VII, such Participant nevertheless promptly shall make the payment or payments determined by the District, and if it is subsequently determined by agreement that such disputed payments made by such Participant should have been less, the District shall promptly revise, reallocate, and readjust the charges among all Participants then being served by the District in such manner that such Participant will recover its overpayment. In the event any Participant is assessed a surcharge for excess BOD and/or SS, the District will bill such Participant for such surcharge on or before the tenth (10th) day of the month following the determination of the surcharge and such Participant shall pay such surcharge on or before the twentieth (20th) day of the month of receipt of any such bill. Any such surcharge collected by the District shall be applied by the District against the total cost of Operation and Maintenance Expense of the System.

(k) If any Participant's Annual Payment is redetermined as is herein provided, the District will promptly furnish such Participant with an updated schedule of monthly payments reflecting such redetermination.

(l) All interest income earned by the investment of any Funds created pursuant to any Bond Resolution shall be credited towards the payment of the Bond Service Component and taken into account in determining the Annual Requirement; except that as to any Acquisition or Construction Fund created from any Bond proceeds all interest income earned by the investment thereof may, at the option of the District, be credited to such Acquisition or Construction Fund and used for the System purposes for which the Bonds are issued, or be credited towards the payment of the Bond Service Component.

Annual Budget. (a) Not less than sixty (60) days before the commencement of each Fiscal Year while the Contract, is in effect, the District shall cause its tentative budget for operation and maintenance of the System for the ensuing Fiscal Year to be prepared and a copy thereof filed with each Participant. If no protest or request for a hearing on such tentative budget is presented to the District within thirty (30) days after such filing of the tentative budget by one or more Participants, the tentative budget for the System, when adopted by the District's Board of Directors, shall be considered for all purposes as the "Annual Budget" for the ensuing Fiscal Year. But if a protest or request for a hearing is duly filed, it shall be the duty of the District to fix the date and time for a hearing on the tentative budget. The Board of Directors of the District shall consider the testimony and showings made in such hearing. The Board of Directors of the District may adopt the budget or make such amendments thereof as to it may seem proper. The budget thus approved by the Board of Directors of the District shall be the Annual Budget for the next ensuing Fiscal Year.

(b) The Annual Budget may be amended to provide for transfers of budgeted funds between expenditure accounts, provided however that said transfers do not result in an overall increase in budgeted funds as provided in the Annual Budget. The Annual Budget may be amended and increased through formal action by the Board of Directors of the District, if required. Certified copies of any amended Annual Budget and the resolution authorizing same shall be filed immediately by the District with each Participant.

Other Use of System. Nothing contained in the Contract shall in any way affect any payments to the District by a Participant or rates charged by the District to such Participant for the providing of water, wastewater or other services or facilities pursuant to other contractual relationships between the District and such Participant.

Annual Audit of System. The District shall, at the close of each Fiscal Year, commencing with the fiscal year beginning October 1, 2003, cause an annual audit of the System to be prepared.

District Contracts with Additional Participants. (a) The District reserves the right to contract with subsequent Additional Participants to provide the services of the System to such Additional Participants; provided that the terms and provisions of such contracts with Additional Participants shall be, to the extent practicable and applicable, the same as the terms and provisions of the Contract except that with respect to any Local Wastewater Facilities of such Additional Participant which are to be acquired, operated, or used by the District as a part of the System as a result of such contract, the District and the Additional Participant may agree in such contract for mutually acceptable payments in connection therewith from Bond proceeds or as an Operation and Maintenance Expense of the System (provided that in any formula used for determining such payments, the value attributed to such Local Wastewater Facilities shall not exceed a sum equal to the principal amount of all then outstanding bonds or other obligations issued by the Additional Participant to acquire and construct such Local Wastewater Facilities), and except that such contract shall provide for payments calculated on the basis of adequate minimum flows as hereinafter provided. The District shall not enter into contracts for any services by the System except with persons which become Additional Participants, or as otherwise provided in the Contract.

(b) A Person may become an Additional Participant in the following manner and under the following conditions;

- (i) A formal request must be submitted to the District furnishing information on the area to be served, a description of existing facilities, and the latest annual audit of such proposed Additional Participant's waterworks and/or sewer systems, if any.
- (ii) Such proposed Additional Participant must provide funds for any necessary engineering studies if funds are not available from the appropriate Federal or State agencies. The preliminary studies must determine or estimate, for the ensuing five year period, the size and type of any proposed facilities, their estimated cost, and estimated flows of Wastewater, so as to enable the District to ascertain or estimate the requirements of the proposed Additional Participant for the ensuing five year period.

(c) Each Additional Participant must agree to make minimum payments under its contract, on the basis of estimated annual minimum flows, that would provide amounts annually at least sufficient, as determined by the District, to pay such Additional Participant's proportionate share of the Annual Requirement.

Additional Capacity and Facilities. As the responsible agency for the establishment, administration, management, operation, and maintenance of the System, the District will, from time to time, determine when and to what extent it is necessary to provide additions, enlargements, improvements, repairs, and extensions to the System to receive, transport, treat, and dispose of Wastewater of any Participants, including all Additional Participants, and to issue its Bonds to accomplish such purposes, and all Participants, including Additional Participants, shall be obligated to pay both the Operation and Maintenance Component and the Bond Service Component included in the Annual Requirement with respect to the entire System, as expanded, provided that this Section shall not be construed so as to reduce or alter the requirements with respect to minimum payments.

Term of Contract. The Contract shall continue in force from the effective date hereof at least until all Bonds, including any Bonds issued to refund same, shall have been paid in full; and shall also remain in force thereafter throughout the useful life of the System.

INVESTMENTS

The District invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the Board of Directors of the District. Both State law and the District's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits or (ii) where (a) the funds are invested by the District through a depository institution that has a main office or branch office in the State and that is selected by the District; (b) the depository institution selected by the District arranges for the deposit of funds in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (d) the depository institution acts as a custodian for the District with respect to the certificates of deposit; and (e) at the same time that the certificates of deposit are issued, the depository institution selected by the District receives deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the funds invested by the District through the depository institution selected under clause (ii)(a) above (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest District funds without express written authority from the Board of Directors.

ADDITIONAL PROVISIONS . . . Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or Resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or Resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the District Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

TABLE 4 - CURRENT INVESTMENTS

As of June 15, 2022, investable funds of the District's Sabine Creek Regional Wastewater System were invested as follows:

<u>Description</u>	<u>Percent ⁽¹⁾</u>	<u>Market Value</u>	<u>Book Value</u>
FHLB Note	0.15%	\$ 4,342	\$ 4,499
FHLMC NOTE	25.86%	766,776	804,410
State Pools	73.99%	2,193,806	2,193,806
	<u>100.00%</u>	<u>\$ 2,964,924</u>	<u>\$ 3,002,715</u>

(1) Based Upon Market Value.

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof, ("Existing Law") (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See APPENDIX C - Form of Bond Counsel's Opinion.

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate, (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds. Further, no assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Bonds (the "Original Issue Discount Bonds") may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owners of interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds, although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

OTHER INFORMATION

RATINGS

The Bonds and the Outstanding Bonds are rated "A2" by Moody's and "A" by S&P without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds (See "BOND INSURANCE – Claims Paying Ability and Financial Strength of Municipal Bond Insurers" and "– Bond Insurance Risk Factors" for a description of the current state of the financial guaranty insurance industry and information regarding downgrading and negative changes to the rating outlook of multiple financial guaranty insurers).

LITIGATION

At the time of the initial delivery of the Bonds, the District will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of said Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041, Texas Government Code, provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" above. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with a capital of one million dollars or more, and savings and loan associations. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, provides that the Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The District will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, with respect to the Bonds being issued in compliance with the provisions of applicable law and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as Appendix C.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect hereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information in the Official Statement appearing under the captions "PLAN OF FINANCING (excluding the information under the subcaption "Sources and Uses of Proceeds"), "THE BONDS" (excluding the table under the subcaptions "Security and Source of Payment", "Book-Entry Only System, and "Bondholders Remedies"), "SELECTED PROVISIONS OF THE BOND RESOLUTION," "SUMMARY OF CERTAIN PROVISIONS OF THE SABINE CREEK REGIONAL WASTEWATER SYSTEM CONTRACT WITH THE CITIES OF ROYSE CITY AND FATE," "TAX MATTERS," and the subcaptions "Registration and Qualification of the Bonds for Sale," "Legal Investments and Eligibility to Secure Public Funds in Texas," "Legal Matters" (excluding the last sentence of the second paragraph) and "Continuing Disclosure of

Information” (excluding the information under the subcaption “Compliance with Prior Undertakings”) under the caption “OTHER INFORMATION”, and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Resolution. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Dallas, Texas, whose legal fee is contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from District and Participants records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreements for the benefit of the holders and beneficial owners of the Bonds. Under the agreement the District has agreed to provide or cause to be provided with respect to itself and each Significant Obligated Person certain updated financial information and operating data annually and the District will be obligated to provide timely notice of certain events. For purposes of such agreement, the "Significant Obligated Person" means any Participant, or Additional Participant, or other party contracting with the District whose payments to the District for use of or service from the Sabine Creek Regional Wastewater System in the calendar year preceding any such determination exceeded 10% of the Gross Revenues of the Sabine Creek Regional Wastewater System. Currently, the Cities of Royse City and Fate are the only Significant Obligated Persons. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Market Access ("EMMA") system.

ANNUAL REPORTS . . . The District will provide or cause each Significant Obligated Person to provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under tables numbered 1 through 4 and all quantitative financial information and operating data with respect to each Significant Obligated Person of the general type included in Appendix B to this Official Statement. The District will provide, or cause each Significant Obligation Person to provide, this information within 6 months after the end of each fiscal year ending in and after 2022. The District will additionally provide or cause to be provided audited financial statements for each Significant Obligated Person when and if available, and unaudited financial statements within 12 months after fiscal year end, unless audited financial statements have been provided sooner. Any such financial statements will be prepared in accordance with general accepted accounting principles or such other accounting principles or the Significant Obligated Persons may be required to employ from time to time pursuant to State law or regulation. The District or a Significant Obligated Person may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the “Rule”) of the United States Securities and Exchange Commission (the "SEC").

Each Significant Obligated Person's current fiscal year end is September 30. Accordingly, updated information included in the above-referenced tables and Appendix B must be provided by March 31 in each year, and audited financial statements for the preceding fiscal year must be provided by September 30 of each year, unless the District or a Significant Obligated Person changes its respective fiscal year. If such Significant Obligated Person changes its fiscal year, the District will notify or cause such Significant Obligated Person to notify the MSRB of the change. If the District or Significant Obligated person fails to provide updated information as described above, the District will provide, or cause the Significant Obligated Person to provide timely notice of the failure to the MSRB.

NOTICE OF CERTAIN EVENTS . . . The District will also provide, or cause a Significant Obligated Person to provide, timely notices of certain events to the MSRB. The District will provide notice (not in excess of ten (10) business days after the occurrence of the event) of any of the following events with respect to the Bonds: (1) Principal and interest payment delinquencies; (2) Non-payment related defaults, if material; (3) Unscheduled draws on debt service reserves reflecting financial difficulties; (4) Unscheduled draws on credit enhancements reflecting financial difficulties; (5) Substitution of credit or liquidity providers, or their failure to perform; (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security; (7) Modifications to the rights of security holders, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution or sale of property securing repayment of the securities, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the

District, or a Significant Obligated Person; (13) the consummation of a merger, consolidation, or acquisition involving the District, or a Significant Obligated Person, or the sale of all or substantially all of the assets of the District, or a Significant Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation, as defined by the Rule, of the District or a Significant Obligated Person (which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District or a Significant Obligated Person any of which affect security holders, if material; (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District or a Significant Obligated Person, any of which reflect financial difficulties.

AVAILABILITY OF INFORMATION . . . The District and each Significant Obligated Person have agreed to provide the foregoing information to the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The District has agreed to update, or cause each Significant Obligated Person to update, information and to provide or cause the Significant Obligated Person to provide notices of events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its or any Significant Obligated Person's financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the respective Significant Obligated Person, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the Parity Bonds consent to the amendment or (b) any person unaffiliated with the District or the Significant Obligated Person (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, the District has agreed to include or cause the Significant Obligated Person to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the District believes it has complied in all material respects with its previous continuing disclosure undertakings, entered into pursuant to the Rule, except as follows:

The ratings on municipal bond insurers have been downgraded with frequency at various times in recent years. Information about the downgrades of municipal bond insurers has been publicly reported. During the previous five years, the District and Significant Obligated Persons have filed notices of downgrades of municipal bond insurers that insured the District or Significant Obligated Person's outstanding obligations, but no assurances can be made that all the filings have been made or made in a timely manner.

In its Buffalo Creek Wastewater Interceptor System Contract Revenue Refunding Bonds, Series 2012, Buffalo Creek Wastewater Interceptor System Contract Revenue Refunding and Improvement Bonds, Series 2019, and Buffalo Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2020, the District agreed that it would provide or cause the Significant Obligated Person to provide certain updated financial information and operating data annually to the MSRB, which information would include audited financial statements, provided an audit is commissioned and the audit is completed in time. The District further agreed that if audited financial statements were not available by the required time, the District would provide or cause to be provided unaudited financial statements within the required time, which is six months after the end of each fiscal year of the Significant Obligated Person (March 31 in each year) and would provide or cause to be provided audited financial statements when and if such audited financial statements became available. For fiscal years ending 2017-2021, the City of Rockwall, Texas, filed its audited financial statements after the March 31 deadline in each year. In addition, with respect to the Series 2012 and 2019 Bonds, the City of Heath did not timely file its audited financial statements for fiscal year ended 2019 by the March 31, 2020, deadline. The District filed certain financial information of the type included in Appendix C of the official statements by the required time.

In addition, in connection with its North Texas Municipal Water District Water Transmission Facilities Contract Revenue Refunding Bonds (City of Terrell Project), Series 2014, the District agreed that it would provide or cause the City of Terrell (the "City") to provide certain updated financial information and operating data annually to the MSRB, including audited financial statements for the District and the City when and if available, and unaudited financial statements within 12 months after fiscal year end, unless audited financial statements have been provided sooner. The City did not file audited or unaudited financial statements for fiscal year ended 2020 within 12 months after the end of its fiscal year, but audited financial statements were filed when they became available.

FINANCIAL ADVISOR

HilltopSecurities serves as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

The Financial Advisor to the District has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions contained in the bond purchase agreement with the District, to purchase the Bonds from the District, at a price equal to the initial offering prices to the public, as shown on page 2, less an underwriting discount of \$_____. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

On February 28, 2022, First Horizon Corporation and TD Bank Group announced that First Horizon Corporation entered into a definitive agreement to be acquired by TD Bank Group. FHN Financial Capital Markets is the municipal underwriting business line of FHN Financial, the fixed income division of First Horizon Bank, whose parent company is First Horizon Corporation. The acquisition is expected to be completed in late 2022 or early 2023 pending regulatory approvals. This transaction should not have any material effect on this underwriting transaction.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

CONCLUDING STATEMENT

The Resolution authorizes the Authorized Officer to (i) approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and (ii) authorize its further use in the re-offering of the Bonds by the Underwriters. This Official Statement will be approved by the Authorized Officer of the District for distribution in accordance with the Rule.

NORTH TEXAS MUNICIPAL WATER DISTRICT

/s/ _____
JENNAFER P. COVINGTON
Executive Director/General Manager

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APPENDIX A

EXCERPTS FROM THE
NORTH TEXAS MUNICIPAL WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2021

The information contained in this Appendix consists of excerpts from the North Texas Municipal Water District Comprehensive Annual Financial Report for the Year Ended September 30, 2021, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITOR'S REPORT

*Members of the Board of Directors
North Texas Municipal Water District
City of Wylie, Texas*

We have audited the accompanying financial statements of the business-type activities, each major fund and the aggregate remaining fund information for the North Texas Municipal Water District (the District), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the North Texas Municipal Water District, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 15 to the financial statements, during the year ended September 30, 2021, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Money-Weighted Rate of Return – Retirement Plan, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of NTMWD Contributions and Money-Weighted Rate of Return - OPEB*, on pages 5-9, 60, 61, 62, 63, 64 and 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Texas Municipal Water District's basic financial statements. The combining and individual fund financial statements and schedules and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2022 on our consideration of North Texas Municipal Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The word "Crowe" is written in a cursive style, and "LLP" is in a simpler, blocky font.

Crowe LLP

Dallas, Texas
January 20, 2022

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FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (Unaudited)

As management of the North Texas Municipal Water District ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District as of and for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished with our letter of transmittal, which can be found in the Introductory section of this report.

Financial Highlights

- Total assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the end of the fiscal by \$1.82 billion.
- The District's total net position increased by approximately \$75 million, or 4.3 percent.
- During the year, the District's total revenues decreased by approximately \$3.6 million, or .6 percent, and total expenses increased by approximately \$56 million, or 0.1 percent.
- Construction of the Bois d'Arc Lake, Leonard Water Treatment Plant (WTP), Sister Grove Wastewater Treatment Plant (WWTP) and various other WTP improvements led the way in capital expenditures totaling over \$406 million.
- The District issued \$259 million in revenue bonds for various projects and to refinance outstanding debt to take advantage of favorable interest rates.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to that of a private-sector business. The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements show the activities of the District that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The activities of the District include water services, wastewater treatment, and solid waste disposal. The government-wide financial statements can be found beginning on page 11.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the District can be divided into two categories: Proprietary Funds and Fiduciary Funds.

Proprietary Funds. The District maintains two different types of proprietary funds: enterprise funds and internal service funds. The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

Enterprise Funds. An enterprise fund is used to report the functions that are business-type activities. The District reports five major enterprise funds: Water, Regional Wastewater, Sewer, Solid Waste and Interceptor.

Internal Service Funds. Internal service funds are used to accumulate and allocate costs internally amongst the District's various systems. The District uses internal service funds to account for its administrative support services, maintenance services, technical services, inspectors revenue, information technology support services, and insurance benefits to District employees, participating dependents, and eligible retirees.

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 13 through 20 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. The District's pension and OPEB trust are reported under the fiduciary funds. Since the resources of these funds are not available to support the District's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 21 through 22 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found starting on page 23 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplemental information can be found beginning on page 60 of this report.

Government-Wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,824,586,802 at the close of the most recent fiscal year.

North Texas Municipal Water District's Net Position

	As of September 30		Increase/ (Decrease)	Percent Change
	2021	2020		
ASSETS:				
Current and other assets	\$ 1,774,175,026	\$ 2,103,338,340	\$ (329,163,314)	-15.6%
Capital assets-net	4,649,149,347	4,159,809,086	489,340,261	11.8%
Total assets	6,423,324,373	6,263,147,426	160,176,947	2.6%
Total deferred outflows of resources	45,910,969	40,844,050	5,066,919	12.4%
Total assets and deferred outflows of resources	6,469,235,342	6,303,991,476	165,243,866	2.6%
LIABILITIES:				
Long-term liabilities outstanding	4,436,020,821	4,344,326,278	91,694,543	2.1%
Current and other liabilities	197,682,901	196,644,970	1,037,931	0.5%
Total liabilities	4,633,703,722	4,540,971,248	92,732,474	2.0%
Total deferred inflows of resources	10,944,818	13,212,800	(2,267,982)	-17.2%
Total liabilities and deferred inflows of resources	4,644,648,540	4,554,184,048	90,464,492	2.0%
NET POSITION:				
Net investment in capital assets	1,430,006,844	1,309,031,458	120,975,386	9.2%
Restricted	231,587,717	242,546,402	(10,958,685)	-4.5%
Unrestricted	162,992,241	198,229,568	(35,237,327)	-17.8%
Total net position	\$ 1,824,586,802	\$ 1,749,807,428	\$ 74,779,374	4.3%

The largest portion of the District's net position (78 percent) reflects its investment in capital assets (e.g., land, reservoir facilities, water treatment facilities and wastewater disposal facilities) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its member and customer cities; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves are not intended to be used to liquidate these liabilities.

An additional portion of the District's net position (13 percent) represents resources that are subject to external restrictions on how they may be used. The District's restricted net position consists primarily of the reserve funds required by bond resolutions.

The remaining balance of the District's net position represents unrestricted net position (9 percent) and may be used to meet the District's ongoing obligations. The overall increase in net position of \$74,779,374, or 4.3% percent, during the current fiscal year indicates an improved financial position.

While the Statement of Net Position provides the components of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at year-end, the Statement of Revenues, Expenses and Changes in Net Position provides information on the source of the change during the year.

North Texas Municipal Water District's Changes in Net Position

	Year Ended September 30		Increase (Decrease)	Percent Change
	2021	2020		
Program Revenues:				
Charges for services	\$ 565,674,044	\$ 540,819,200	\$ 24,854,844	4.6%
Operating grants and contributions	38,115	2,051,367	(2,013,252)	-98.1%
General Revenues:				
Investment earnings	1,928,909	29,796,188	(27,867,279)	-93.5%
Gain on sale of assets	1,472,901	86,414	1,386,487	1,604.5
Total Revenues	569,113,969	572,753,169	(3,639,200)	-0.6%
Expenses:				
Water services	313,608,462	269,764,802	43,843,660	16.3%
Wastewater services	143,982,196	134,593,630	9,388,566	7.0%
Solid waste services	36,743,937	33,574,095	3,169,842	9.4%
Total Expenses	494,334,595	437,932,527	56,402,068	12.9%
Change in Net Position	74,779,374	134,820,642	(60,041,268)	-44.5%
Net Position - Beginning	1,749,807,428	1,619,182,701	130,624,727	8.1%
Correction of an error	-	(4,195,915)	4,195,915	N/A
Net Position - Beginning (As restated)	1,749,807,428	1,614,986,786	134,820,642	8.35%
Net Position - Ending	\$ 1,824,586,802	\$ 1,749,807,428	\$ 74,779,374	4.3%

Total revenues for the District for the years ended September 30, 2021 and 2020 were \$569,113,969 and \$572,753,169, respectively. The \$3,639,200 decrease in total revenues was primarily due to a significant decrease in investment earnings as a result of lower amounts invested and lower yields. This decrease was offset by increased charges for services, including an increase in service fees and miscellaneous revenues.

Total expenses for the District for the years ended September 30, 2021 and 2020 were \$494,334,595 and \$437,932,527, respectively. Several key factors account for the \$56,402,068 increase in total expenses, primarily the increase in electric power during the fiscal year. Like all of Texas, the District was seriously impacted by Winter Storm Uri in February 2021. However, significant blocks of wholesale power had been fixed months before that lessened the financial damage by roughly \$20 million. The District is also lowering future energy costs by \$14 million over the next 15 years through an agreement with Direct Energy Business to purchase power from a new solar plant near Laredo, and that facility is now operational. Additional increases can be attributed to an increase in operating supplies primarily driven by the overall increase in chemical expenses of \$6.9 million, overall increases in supplies and services due to higher inflation and an increase in depreciation expense of over \$3.8 million.

The District's revenues are derived from charges to Member Cities and Customers, primarily for the sale and treatment of water and wastewater. Member Cities and Customers generally contract to pay amounts equal to the District's operating and maintenance expenses, debt service requirements and any other obligations payable from the revenues of the District. In the Regional Wastewater System, Sewer System, Solid Waste System and Interceptor System, the charges for services are adjusted accordingly at the end of each year to a break-even basis. In the Water System, variable costs related to water utilized below the annual minimums are rebated to the Member Cities. Any Water System excess or shortage of revenue is transferred to or from the Water System Operating Fund, Rate Stabilization or Contingency Fund Balance.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Capital Assets and Debt Administration

Capital Assets

The District's capital assets as of September 30, 2021, amounted to \$4,649,149,347 (net of accumulated depreciation). These capital assets include land and land improvements, reservoir facilities, water treatment and transmission facilities, wastewater treatment and disposal facilities, buildings and other equipment and water rights. The total increase in the District's investment in capital assets for the current year was 11.8%.

Major capital asset events during the current fiscal year included the following:

- Completion of the Water Operations Center totaling approximately \$60.5 million;
- Water Treatment Plant (WTP) improvements, including SCADA improvements at WTP III, filter improvements to WTP II, III and IV, and improvements to the Wylie WTP power and chemical systems, the cost of these additions was almost \$36 million;
- Completion of the South Mesquite Wastewater Treatment Plant Filter Improvements totaling approximately \$12 million;
- Improvements to McKinney Lift Stations, Transfer Stations, Interceptors and Force Mains; the cost of additions to construction-in-progress totalled more than \$13.6 million;
- Sister Grove WWTP and Plant Site development totalling more than \$49 million;
- Construction of the treated water pipeline from Leonard WTP to McKinney No. 4, Leonard Water Treatment Plant and Leonard WTP HSPS; the cost of additions to construction-in-progress during the fiscal year was approximately \$154 million;
- Lower Bois D'Arc Creek (LBCR) raw water pipeline, LBCR raw water pump station, LBCR reservoir and dam, archaeological survey, LBCR boat ramps, LBCR Fannin County road and bridge improvements, and mitigation property; the cost of additions to construction-in-progress during the fiscal year was approximately \$171 million;
- Capitalized improvements of Upper East Fork Lift Stations and Interceptor Lines, including Princeton, Beck Branch, White Rock and Preston Road facilities totaling approximately \$30 million.

Additional information on the District's construction commitments can be found in Note 11 of this report.

North Texas Municipal Water District's Capital Assets (net of accumulated depreciation)

	As of September 30		Increase (Decrease)	Percent Change
	2021	2020		
Land	\$ 82,113,487	\$ 79,235,448	\$ 2,878,039	3.6%
Easements	68,763,285	68,316,906	446,379	0.7%
Land improvements	10,650,680	9,614,912	1,035,768	10.8%
Water treatment, storage and transmission facilities	1,273,769,915	1,268,068,624	5,701,291	0.4%
Wastewater treatment and disposal facilities	575,754,043	546,199,923	29,554,120	5.4%
Solid waste transfer and disposal facilities	49,436,123	50,561,817	(1,125,694)	-2.2%
Reservoir facilities and water rights	253,395,926	260,996,703	(7,600,777)	-2.9%
Buildings	71,902,621	59,058,616	12,844,005	21.7%
Automobiles and trucks	4,988,792	2,755,771	2,233,021	81.0%
Office furniture and fixtures	290,172	360,383	(70,211)	-19.5%
Other equipment	39,318,313	39,417,394	(99,081)	-0.3%
Construction in progress	2,218,765,990	1,775,222,589	443,543,401	25.0%
Total	<u>\$ 4,649,149,347</u>	<u>\$ 4,159,809,086</u>	<u>\$ 489,340,261</u>	<u>11.8%</u>

Additional information on the District's capital assets can be found in Note 4 of this report.

Debt Administration

At the end of the current fiscal year, the District had total outstanding debt of \$4,171,300,000. Of this amount 64% is reflected in the Water System and 21% is reflected in the Regional Wastewater System.

North Texas Municipal Water District's Outstanding Debt

	As of September 30		Increase (Decrease)	Percent Change
	2021	2020		
U. S. government contracts payable	\$ -	\$ 24,952,694	\$ (24,952,694)	-100.0%
Revenue bonds	4,171,300,000	4,076,170,000	95,130,000	2.3%
Total	<u>\$ 4,171,300,000</u>	<u>\$ 4,101,122,694</u>	<u>\$ 70,177,306</u>	<u>1.7%</u>

During the current fiscal year, the District refinanced a portion of the existing debt in order to take advantage of favorable interest rates. The result is expected to decrease future debt service payments by \$4,761,497 in the Water System.

The District's revenue bonds have been rated as follows for both FY21 and FY20:

	Moody's	S & P
Water System	Aa1	AAA
Wastewater System	Aa2	AAA
Solid Waste System	Aa2	AA
Interceptor System	Aa1	AAA

Additional information on the District's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

The Annual Budget outlines the District's plans to provide high quality, cost-effective service to its member and customer cities. The District's cities continue to recover from the effects of the COVID-19 pandemic. As of August 2021, DFW employment is now just 0.6 percent below the pre-pandemic high from February 2020 and the unemployment rate is back below 5.0 percent for the first time in the last year and a half. Housing continues to be strong with near record existing home sales. New home sales are also strong with the DFW Metroplex being one of the busiest markets in single-family construction among large U.S. metros.

In addition to the ongoing COVID-19 pandemic, the State of Texas endured a record breaking winter storm in February 2021 which brought bitterly cold temperatures and wreaked havoc on the State's electric grid. The issues with the electric grid created pricing dislocation in the electric power market and caused the District to incur abnormally large power bills. In order to offset some of the costs and limit impacts to Member Cities and Customers, some operating systems utilized maintenance reserves and a select few borrowed funds from the Regional Water System Contingency Fund. This impact will be felt for several years as reserves are replenished and borrowed funds are repaid. The winter storm revealed some additional needs for backup power generation that will be addressed with upcoming projects. FY 2021 also brought larger than expected price increases to chemicals and higher inflation expectations, both of which are increasing costs in FY 2022. Despite these challenges the District remains in a sound financial condition. The Board's goal of meeting the contractual obligation of the participating cities within state and federal laws while protecting the environment continues to be accomplished with reasonable cost in all systems.

While the rebound in the economy has been strong, there are lingering supply chain issues and inflation expectations that could slow the recovery. The District made efforts to limit budget increases for FY 2022 and was able to keep the Water System Rate flat for the third year in a row at \$2.99 per 1,000 gallons.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of the Accounting Manager, P.O. Box 2408, Wylie, Texas 75098.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Business-Type
	Activities
ASSETS	
Cash and cash equivalents	\$ 126,751,230
Investments	105,713,529
Accounts receivable	19,715,396
Contracts receivable	30,000
Prepaid expenses	6,951,403
Unbilled receivables	7,529,230
Restricted assets:	
Cash and cash equivalents	964,526,923
Investments	534,699,197
Interest receivable	1,451,292
Unbilled receivables	6,806,826
Capital assets not being depreciated	2,369,642,762
Capital assets net of accumulated depreciation	2,279,506,585
TOTAL ASSETS	6,423,324,373
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred loss on refunding	22,455,784
Deferred pension outflow	17,704,820
Deferred OPEB outflow	5,750,365
TOTAL DEFERRED OUTFLOWS OF RESOURCES	45,910,969
LIABILITIES	
Accounts payable and accrued liabilities	163,073,866
Customers' advance payments	9,606,007
Accrued interest payable on revenue bonds	19,586,750
Accrued landfill closure and post-closure care cost	5,416,278
Noncurrent liabilities:	
Due within one year: Revenue bonds	148,675,000
Due in more than one year:	
Accrued landfill closure costs	1,390,548
Compensated absences	6,367,431
Deferred compensation	195,000
Net pension liability	45,746,071
Net OPEB liability	9,330,513
Revenue bonds	4,224,316,258
TOTAL LIABILITIES	4,633,703,722
DEFERRED INFLOWS OF RESOURCES:	
Deferred pension inflow	7,693,360
Deferred OPEB inflow	3,251,458
TOTAL DEFERRED INFLOWS OF RESOURCES	10,944,818
NET POSITION:	
Net investment in capital assets	1,430,006,844
Restricted for debt service	231,587,717
Unrestricted	162,992,241
TOTAL NET POSITION	\$ 1,824,586,802

See notes to the basic financial statements.

**STATEMENT OF ACTIVITIES - BUSINESS-TYPE ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	
Water services	\$ 313,608,462	\$ 366,516,440	\$ 38,115	\$ 52,946,093
Wastewater services	143,982,196	160,928,866	-	16,946,670
Solid waste services	36,743,937	38,228,738	-	1,484,801
	<u>\$ 494,334,595</u>	<u>\$ 565,674,044</u>	<u>\$ 38,115</u>	<u>\$ 71,377,564</u>
General Revenues:				
				1,928,909
				1,472,901
				<u>3,401,810</u>
				Change in Net Position
				74,779,374
				Net Position - Beginning
				1,749,807,428
				Net Position - Ending
				<u>\$ 1,824,586,802</u>

See notes to the basic financial statements.

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2021**

	Water System	Regional Wastewater System
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 86,667,241	\$ 7,314,282
Investments	100,673,529	-
Accounts receivable	14,678,208	2,352,537
Contracts receivable	-	-
Due from other funds	417,255	34,333
Prepaid expenses	4,104,600	953,253
Unbilled receivables	71,900	1,236,842
Total current unrestricted assets	<u>206,612,733</u>	<u>11,891,247</u>
Restricted assets:		
Cash and cash equivalents	15,936,714	12,770,794
Interest receivable	684,354	473,935
Due from other funds	11,875	-
Unbilled receivables	-	-
Total current restricted assets	<u>16,632,943</u>	<u>13,244,729</u>
TOTAL CURRENT ASSETS	<u>223,245,676</u>	<u>25,135,976</u>
NONCURRENT ASSETS:		
Restricted assets:		
Cash and cash equivalents	340,720,799	427,490,478
Investments	295,024,744	105,881,343
Total noncurrent restricted assets	<u>635,745,543</u>	<u>533,371,821</u>
Capital assets:		
Land	66,159,821	1,739,328
Easements	52,944,313	-
Construction-in-progress	1,725,743,242	271,610,141
Land improvements	3,235,778	1,321,303
Water treatment, storage, and transmission facilities	1,706,467,950	-
Wastewater treatment and disposal facilities	-	375,195,142
Solid waste transfer and disposal facilities	-	-
Reservoir facilities and water rights	379,356,242	-
Buildings	16,329,882	3,563,518
Automobiles and trucks	1,402,076	1,964,843
Office furniture and fixtures	42,008	101,610
Other equipment	24,743,916	15,256,097
Less: accumulated depreciation	(595,663,240)	(141,809,375)
Net capital assets	<u>3,380,761,988</u>	<u>528,942,607</u>
TOTAL NONCURRENT ASSETS	<u>4,016,507,531</u>	<u>1,062,314,428</u>
TOTAL ASSETS	<u>4,239,753,207</u>	<u>1,087,450,404</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred loss on refunding	16,298,714	1,911,770
Deferred pension outflow	2,568,036	2,896,167
Deferred OPEB outflow	756,786	819,535
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>19,623,536</u>	<u>5,627,472</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,259,376,743</u>	<u>\$ 1,093,077,876</u>

See notes to the basic financial statements.

Sewer System	Solid Waste System	Interceptor System	Total Enterprise Funds	Internal Service Fund
\$ 9,486,881	\$ 6,530,902	\$ 8,164,602	\$ 118,163,908	\$ 8,587,322
-	5,040,000	-	105,713,529	-
1,052,427	241,049	493,034	18,817,255	898,141
-	-	-	-	30,000
214,465	387,875	140,747	1,194,675	983,985
473,332	401,741	125,227	6,058,153	893,250
508,083	1,042,242	162,342	3,021,409	4,507,821
<u>11,735,188</u>	<u>13,643,809</u>	<u>9,085,952</u>	<u>252,968,929</u>	<u>15,900,519</u>
7,331,789	539,369	9,177,714	45,756,380	-
60,393	6,688	225,922	1,451,292	-
10,000	78,000	1,500,000	1,599,875	-
-	6,806,826	-	6,806,826	-
<u>7,402,182</u>	<u>7,430,883</u>	<u>10,903,636</u>	<u>55,614,373</u>	<u>-</u>
<u>19,137,370</u>	<u>21,074,692</u>	<u>19,989,588</u>	<u>308,583,302</u>	<u>15,900,519</u>
38,839,952	14,928,642	96,790,672	918,770,543	-
24,931,628	3,572,509	105,288,973	534,699,197	-
<u>63,771,580</u>	<u>18,501,151</u>	<u>202,079,645</u>	<u>1,453,469,740</u>	<u>-</u>
436,498	13,693,717	84,123	82,113,487	-
4,105,801	-	11,713,171	68,763,285	-
105,271,660	2,011,348	114,129,599	2,218,765,990	-
417,138	10,655,049	-	15,629,268	1,867,583
29,946,174	-	-	1,736,414,124	-
178,027,384	-	297,699,167	850,921,693	-
-	89,429,156	-	89,429,156	-
-	-	-	379,356,242	-
187,506	43,757,730	169,211	64,007,847	27,744,320
691,971	4,386,978	645,179	9,091,047	8,182,415
-	-	-	143,618	919,564
5,094,217	33,358,170	6,332,956	84,785,356	11,223,806
(80,188,004)	(75,512,412)	(84,854,626)	(978,027,657)	(22,181,797)
<u>243,990,345</u>	<u>121,779,736</u>	<u>345,918,780</u>	<u>4,621,393,456</u>	<u>27,755,891</u>
<u>307,761,925</u>	<u>140,280,887</u>	<u>547,998,425</u>	<u>6,074,863,196</u>	<u>27,755,891</u>
<u>326,899,295</u>	<u>161,355,579</u>	<u>567,988,013</u>	<u>6,383,446,498</u>	<u>43,656,410</u>
1,295,221	1,231,013	1,719,066	22,455,784	-
1,058,721	2,723,894	267,770	9,514,588	8,190,232
429,210	642,395	149,698	2,797,624	2,952,741
<u>2,783,152</u>	<u>4,597,302</u>	<u>2,136,534</u>	<u>34,767,996</u>	<u>11,142,973</u>
<u>\$ 329,682,447</u>	<u>\$ 165,952,881</u>	<u>\$ 570,124,547</u>	<u>\$ 6,418,214,494</u>	<u>\$ 54,799,383</u>

(Continued)

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Water System	Regional Wastewater System
LIABILITIES		
CURRENT LIABILITIES:		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 19,715,037	\$ 3,829,486
Due to other funds	397,389	398,666
Customers' advance payments	21,021	3,075,235
Total payable from unrestricted assets	<u>20,133,447</u>	<u>7,303,387</u>
Payable from restricted assets:		
Accounts payable and accrued liabilities	73,155,321	18,932,917
Due to other funds	561,120	59,053
Accrued landfill closure and post-closure care cost	-	-
Accrued interest payable on revenue bonds	7,881,200	5,193,166
Current portion of revenue bonds	94,220,000	22,260,000
Total payable from restricted assets	<u>175,817,641</u>	<u>46,445,136</u>
TOTAL CURRENT LIABILITIES	<u>195,951,088</u>	<u>53,748,523</u>
NONCURRENT LIABILITIES:		
Accrued landfill closure costs	-	-
Accrued vacation—less current portion	419,926	372,440
Accrued sick—less current portion	508,534	614,920
Net pension liability	8,108,818	7,281,355
Net OPEB liability	1,207,301	1,355,173
Deferred compensation	-	-
Long-term debt—less current portion	2,699,470,369	881,687,228
TOTAL NONCURRENT LIABILITIES	<u>2,709,714,948</u>	<u>891,311,116</u>
TOTAL LIABILITIES	<u>2,905,666,036</u>	<u>945,059,639</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred pension inflow	856,918	1,317,620
Deferred OPEB inflow	416,480	473,922
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,273,398</u>	<u>1,791,542</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>2,906,939,434</u>	<u>946,851,181</u>
NET POSITION:		
Net investment in capital assets	1,034,887,969	105,423,049
Restricted for debt service	139,262,623	43,915,514
Unrestricted	178,286,717	(3,111,868)
TOTAL NET POSITION	<u>\$ 1,352,437,309</u>	<u>\$ 146,226,695</u>

See notes to the basic financial statements.

Sewer System	Solid Waste System	Interceptor System	Total Enterprise Funds	Internal Service Fund
\$ 5,593,936	\$ 3,160,792	\$ 1,863,180	\$ 34,162,431	\$ 9,877,958
509,500	107,649	1,682,803	3,096,007	6,742
3,136,251	1,900,006	1,473,494	9,606,007	-
9,239,687	5,168,447	5,019,477	46,864,445	9,884,700
6,554,042	14,763,878	5,627,319	119,033,477	-
34,506	-	21,107	675,786	-
-	5,416,278	-	5,416,278	-
2,447,911	156,011	3,908,462	19,586,750	-
14,275,000	3,275,000	14,645,000	148,675,000	-
23,311,459	23,611,167	24,201,888	293,387,291	-
32,551,146	28,779,614	29,221,365	340,251,736	9,884,700
-	1,390,548	-	1,390,548	-
158,211	287,998	82,114	1,320,689	1,399,645
196,378	578,650	36,537	1,935,019	1,712,078
2,955,017	6,280,941	933,057	25,559,188	20,186,883
690,097	1,072,791	237,095	4,562,457	4,768,056
-	-	-	-	195,000
199,876,006	45,788,630	397,494,025	4,224,316,258	-
203,875,709	55,399,558	398,782,828	4,259,084,159	28,261,662
236,426,855	84,179,172	428,004,193	4,599,335,895	38,146,362
451,414	1,197,103	102,373	3,925,428	3,767,932
238,182	379,382	78,451	1,586,417	1,665,041
689,596	1,576,485	180,824	5,511,845	5,432,973
237,116,451	85,755,657	428,185,017	4,604,847,740	43,579,335
72,079,386	74,173,463	115,687,086	1,402,250,953	27,755,891
21,192,477	3,978,975	23,238,128	231,587,717	-
(705,867)	2,044,786	3,014,316	179,528,084	(16,535,843)
\$ 92,565,996	\$ 80,197,224	\$ 141,939,530	\$ 1,813,366,754	\$ 11,220,048

Adjustment to reflect the consolidation of Internal
 Service fund activities related to the Enterprise Funds
 Net Position of Business-Type Activities

11,220,048
\$ 1,824,586,802

(Concluded)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	Water System	Regional Wastewater System
OPERATING REVENUES:		
Water sales	\$ 358,703,567	\$ -
Wastewater service fees	-	79,376,481
Solid waste service fees	-	-
Intragovernmental	-	-
Insurance premiums	-	-
Other operating revenues	7,256,984	182,335
Total operating revenues	365,960,551	79,558,816
OPERATING EXPENSES:		
Personnel	15,691,579	15,632,551
Claims Paid	-	-
Administrative Charges	-	-
Operating Supplies:		
Chemicals	38,540,590	3,401,672
Other supplies	3,613,915	3,555,950
Operating Services:		
Electric power	34,585,683	8,638,559
Wholesale water purchases	4,951,155	-
Other services	82,025,078	19,030,072
Depreciation	46,770,158	10,516,818
Total operating expenses	226,178,158	60,775,622
OPERATING INCOME	139,782,393	18,783,194
NONOPERATING REVENUES (EXPENSES):		
Investment income	1,135,264	538,352
Miscellaneous revenue (expense)	555,889	-
Grant income	38,115	-
Gain (loss) on sale of capital assets	996,632	107,310
Interest expense	(83,227,439)	(13,273,911)
Total nonoperating revenues (expenses)	(80,501,539)	(12,628,249)
Income (loss) before contributions and transfers	59,280,854	6,154,945
CHANGE IN NET POSITION	59,280,854	6,154,945
NET POSITION AT OCTOBER 1, 2020	1,293,156,455	140,071,750
NET POSITION AT SEPTEMBER 30, 2021	\$ 1,352,437,309	\$ 146,226,695

See notes to the basic financial statements.

Sewer System	Solid Waste System	Interceptor System	Total Enterprise Funds	Internal Service Fund
\$ -	\$ -	\$ -	\$ 358,703,567	\$ -
42,435,896	-	38,445,302	160,257,679	-
-	35,456,934	-	35,456,934	-
-	-	-	-	60,788,742
-	-	-	-	18,014,760
453,456	2,771,804	35,396	10,699,975	81,175
42,889,352	38,228,738	38,480,698	565,118,155	78,884,677
7,765,708	13,422,030	2,551,236	55,063,104	50,555,271
-	-	-	-	14,404,878
-	-	-	-	1,809,862
1,908,655	64,937	3,073,745	46,989,599	-
1,490,163	4,016,841	574,081	13,250,950	5,573,677
2,800,171	205,523	2,918,714	49,148,650	141,740
-	-	-	4,951,155	-
10,703,535	11,149,127	5,413,547	128,321,359	9,993,560
6,073,501	5,813,675	6,996,148	76,170,300	2,597,343
30,741,733	34,672,133	21,527,471	373,895,117	85,076,331
12,147,619	3,556,605	16,953,227	191,223,038	(6,191,654)
73,254	19,499	155,825	1,922,194	6,715
-	-	-	555,889	3,945
-	-	-	38,115	-
(423)	292,375	-	1,395,894	77,007
(6,239,262)	(1,816,359)	(9,694,798)	(114,251,769)	-
(6,166,431)	(1,504,485)	(9,538,973)	(110,339,677)	87,667
5,981,188	2,052,120	7,414,254	80,883,361	(6,103,987)
5,981,188	2,052,120	7,414,254	80,883,361	(6,103,987)
86,584,808	78,145,104	134,525,276		17,324,035
\$ 92,565,996	\$ 80,197,224	\$ 141,939,530		\$ 11,220,048

Adjustment for the net effect of the current year activity between

the Internal Service Funds and the Enterprise Funds

(6,103,987)

Change in Net Position of Business-Type Activities

\$ 74,779,374

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2021

	Water System	Regional Wastewater System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 382,537,640	\$ 77,740,635
Cash received from other funds	-	432,318
Cash received from (paid to) others	310,375	2,505
Cash paid to suppliers for goods and services	(123,180,687)	(29,267,043)
Cash paid for employee services	(11,202,163)	(9,327,148)
Cash paid to other funds	(37,714,979)	(11,057,624)
Net cash provided by operating activities	<u>210,750,186</u>	<u>28,523,643</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	40,004,631	65,195,801
Cash paid for capital assets	(402,142,239)	(92,687,592)
Interest paid on long-term debt	(94,918,004)	(15,185,619)
Interest paid on U.S. government contracts	(809,376)	-
Principal payments on long-term debt	(92,675,000)	(18,940,000)
Payments on U.S. government contracts	(1,649,225)	-
Payments for bond issue costs	(724,077)	(1,563,307)
Grant income	38,115	-
Net cash provided by (used for) capital and related financing activities	<u>(552,875,175)</u>	<u>(63,180,717)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale and maturity of investments	366,186,990	18,537,891
Purchases of investments	(340,030,089)	(96,593,851)
Interest received	3,639,154	1,162,647
Net cash provided by (used for) investing activities	<u>29,796,055</u>	<u>(76,893,313)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(312,328,934)	(111,550,387)
CASH AND CASH EQUIVALENTS—Beginning of year	755,653,688	559,125,941
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 443,324,754</u>	<u>\$ 447,575,554</u>
RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION		
Unrestricted cash and cash equivalents	\$ 86,667,241	\$ 7,314,282
Restricted cash and cash equivalents	356,657,513	440,261,272
	<u>\$ 443,324,754</u>	<u>\$ 447,575,554</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 139,782,393	\$ 18,783,194
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	46,770,158	10,516,818
Change in operating assets and liabilities:		
Accounts receivable and unbilled receivable	18,360,393	(1,238,230)
Prepaid expenses	(1,010,522)	(200,586)
Pension related deferred outflows of resources	(644,581)	(405,129)
OPEB related deferred outflows of resources	(552,000)	(587,591)
Net pension liability	4,277,106	2,688,226
Pension related deferred inflows of resources	(503,709)	8,764
OPEB related deferred inflows of resources	8,234	(316,590)
Net OPEB liability	680,265	724,126
Due to/from other funds	254,365	(61,862)
Accounts payable, accrued liabilities, and developers' deposits	3,469,255	(868,744)
Accrued vacation and accrued sick	(143,493)	83,153
Landfill liability	-	-
Customers' advance payments	2,322	(601,906)
	<u>70,967,793</u>	<u>9,740,449</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 210,750,186</u>	<u>\$ 28,523,643</u>
NONCASH TRANSACTION DISCLOSURES		
Change in landfill liability	\$ -	\$ -
Gain (loss) on disposal of capital assets	75,196	-
Amortization of bond-related items	(12,059,969)	(2,107,336)
Change in fair value of investments	2,770,275	348,290
Change in liabilities related to capital assets	(30,556,092)	(8,828,505)
Change in actuarial value of net pension liability	(4,277,106)	(2,688,226)
Refunding bonds issued	40,470,000	-
Refunding proceeds deposited in escrow	38,460,000	-

See notes to the basic financial statements

Sewer System	Solid Waste System	Interceptor System	Total Enterprise Funds	Internal Service Fund
\$ 41,449,151	\$ 32,430,456	\$ 39,083,261	\$ 573,241,143	\$ -
-	3,540,357	34,627	4,007,302	58,972,376
3,861	2,165,139	81	2,481,961	3,379,423
(12,056,296)	(16,599,089)	(9,593,930)	(190,697,045)	(27,665,873)
(4,679,333)	(8,146,319)	(1,629,992)	(34,984,955)	(31,716,278)
(6,133,268)	(2,424,981)	(3,025,258)	(60,356,110)	(79,961)
<u>18,584,115</u>	<u>10,965,563</u>	<u>24,868,789</u>	<u>293,692,296</u>	<u>2,889,687</u>
43,416,488	(14,965)	87,306,086	235,908,041	-
(22,965,454)	(4,553,285)	(41,829,852)	(564,178,422)	(2,354,538)
(7,259,603)	(2,020,882)	(12,296,546)	(131,680,654)	-
-	-	-	(809,376)	-
(13,690,000)	(3,135,000)	(14,020,000)	(142,460,000)	-
-	-	-	(1,649,225)	-
(1,044,136)	14,965	(1,410,815)	(4,727,370)	-
-	-	-	38,115	-
<u>(1,542,705)</u>	<u>(9,709,167)</u>	<u>17,748,873</u>	<u>(609,558,891)</u>	<u>(2,354,538)</u>
17,680,186	5,839,237	55,717,380	463,961,684	-
(23,817,112)	(8,053,062)	(100,365,075)	(568,859,189)	-
158,931	45,169	748,383	5,754,284	10,660
<u>(5,977,995)</u>	<u>(2,168,656)</u>	<u>(43,899,312)</u>	<u>(99,143,221)</u>	<u>10,660</u>
11,063,415	(912,260)	(1,281,650)	(415,009,816)	545,809
44,595,207	22,911,173	115,414,638	1,497,700,647	8,041,513
<u>\$ 55,658,622</u>	<u>\$ 21,998,913</u>	<u>\$ 114,132,988</u>	<u>\$ 1,082,690,831</u>	<u>\$ 8,587,322</u>
\$ 9,486,881	\$ 6,530,902	\$ 8,164,602	\$ 118,163,908	\$ 8,587,322
46,171,741	15,468,011	105,968,386	964,526,923	-
<u>\$ 55,658,622</u>	<u>\$ 21,998,913</u>	<u>\$ 114,132,988</u>	<u>\$ 1,082,690,831</u>	<u>\$ 8,587,322</u>
\$ 12,147,619	\$ 3,556,605	\$ 16,953,227	\$ 191,223,038	\$ (6,191,654)
6,073,501	5,813,675	6,996,148	76,170,300	2,597,343
(874,913)	(219,112)	288,860	16,316,998	850,810
(97,954)	(57,143)	(26,503)	(1,392,708)	(108,441)
(187,130)	(361,332)	(65,209)	(1,663,381)	(1,261,125)
(311,007)	(455,599)	(108,941)	(2,015,138)	(2,124,021)
1,241,698	2,397,610	432,698	11,037,338	8,368,180
(146,233)	(282,363)	(50,961)	(974,502)	(985,510)
4,638	6,795	1,625	(295,298)	31,680
383,275	561,464	134,256	2,483,386	2,617,570
57,840	(87,819)	(2,338)	160,186	(167,413)
363,339	97,821	(217,817)	2,843,854	(1,222,741)
11,928	(69,065)	(3,089)	(120,566)	485,009
-	222,480	-	222,480	-
(82,486)	(158,454)	536,833	(303,691)	-
6,436,496	7,408,958	7,915,562	102,469,258	9,081,341
<u>\$ 18,584,115</u>	<u>\$ 10,965,563</u>	<u>\$ 24,868,789</u>	<u>\$ 293,692,296</u>	<u>\$ 2,889,687</u>
\$ -	\$ 222,480	\$ -	\$ 222,480	\$ -
3,695	3,847	-	82,738	-
(1,201,267)	(192,127)	(2,449,450)	(18,010,149)	-
121,560	30,822	348,216	3,619,163	-
(1,387,881)	(66,926)	(2,367,240)	(43,206,644)	-
(1,241,698)	(2,397,610)	(432,698)	(11,037,338)	(8,368,180)
-	-	-	40,470,000	-
-	-	-	38,460,000	-

**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
SEPTEMBER 30, 2021**

	Pension Trust Fund ⁽¹⁾	OPEB Trust Fund
ASSETS		
Cash and cash equivalents	\$ 3,943,173	\$ 41,211
Investments	105,835,888	10,444,057
TOTAL ASSETS	<u>109,779,061</u>	<u>10,485,268</u>
LIABILITIES		
Accrued expenses and benefits payable	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
NET POSITION:		
Restricted for pensions	109,779,061	-
Restricted for postemployment benefits other than pensions	-	10,485,268
TOTAL NET POSITION	<u>\$ 109,779,061</u>	<u>\$ 10,485,268</u>

(1) Information presented for the Pension Trust Fund is as of December 31, 2020.

See notes to the basic financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS SEPTEMBER 30, 2021

	Pension Trust Fund ⁽¹⁾	OPEB Trust Fund
Additions:		
Contributions:		
Employer	\$ 8,108,000	\$ -
Member	577,140	-
Total contributions	<u>8,685,140</u>	<u>-</u>
Net investment income:		
Interest and dividends	2,365,142	170,576
Equity fund income, net	776,824	-
Net increase in fair value of investments	5,318,588	614,040
Less investment expenses:		
Direct investment expense	<u>359,595</u>	<u>38,403</u>
Total investment expenses	<u>359,595</u>	<u>38,403</u>
Net investment income	<u>8,100,959</u>	<u>746,213</u>
Other income	<u>-</u>	<u>904,044</u>
Total Additions	<u>16,786,099</u>	<u>1,650,257</u>
Deductions:		
Service benefits	4,894,124	-
Disability benefits	55,793	-
Death benefits	53,203	-
Refund of member contributions	<u>53,761</u>	<u>-</u>
Total Deductions	<u>5,056,881</u>	<u>-</u>
Net increase (decrease)	11,729,218	1,650,257
Net position		
Beginning of year	<u>98,049,843</u>	<u>8,835,011</u>
End of year	<u>\$ 109,779,061</u>	<u>\$ 10,485,268</u>

(1) Information presented for the Pension Trust Fund is as of December 31, 2020.

See notes to the basic financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Texas Municipal Water District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article XVI, Section 59, of the Texas Constitution, pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, as amended (the Act). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing and transportation of such water to its 13 member cities (as defined below) and other customers located in North Central Texas. Under the State of Texas Constitution and the Statutes, the District has broad powers to effect flood control and the conservation and use, for all beneficial purposes, of storm and floodwaters and unappropriated flow waters and, as a necessary aid to these purposes, the specific authority to construct, own and operate water supply, treatment, and distribution facilities and sewage gathering, transmission and disposal facilities and to collect, transport, treat, dispose of and control all municipal, domestic, industrial, or communal waste, whether in fluid, solid, or composite state.

The District comprises all of the territory of its member cities: Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie (the member cities). The District's Administrative Office is located at 501 E. Brown Street, Wylie, Texas. The District is governed by a 25-member Board of Directors. Each member city having a population of 5,000 or more is represented by two members on the Board of Directors. A member city with a population of less than 5,000 (Farmersville) is represented by one member on the Board of Directors. Members of the Board of Directors are appointed by the governing bodies of the respective member cities for two-year terms.

Basis of Presentation - Government-Wide and Fund Financial Statements

The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present the business-type activities for the District as a whole. Internal service fund activity is eliminated to avoid duplicating revenues and expenses. In the government-wide Statement of Net Position, business-type activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District. Direct expenses are those that are specifically associated with a program or function and therefore, clearly identifiable to a particular function. Functional revenues include charges paid by the recipients for services offered by the function. Revenues that are not classified as program revenues, such as investment earnings, are presented as general revenues.

The fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses.

The District reports the following proprietary fund types:

Enterprise Funds. The District reports its activities in five major enterprise funds: Water System, Regional Wastewater System, Sewer System, Solid Waste System and Interceptor System.

The Water System owns and operates a wholesale water treatment and transmission system consisting of raw water facilities, water treatment works and water transmission facilities and provides treated water to municipalities, water supply corporations, and individual customers.

The Regional Wastewater, Sewer, and Interceptor Systems own and operate wastewater treatment and disposal systems consisting of facilities to receive, treat and dispose of wastewater.

The Solid Waste System owns and operates landfill sites and solid waste transfer stations.

Internal Service Fund. This fund accounts for support services, as well as insurance benefits to District employees, participating dependents, and eligible retirees.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Basis of Presentation - Government-Wide and Fund Financial Statements (continued)**

Fiduciary funds are used to account for assets held on behalf of outside parties. The District reports the following fiduciary fund types:

Pension and Other Employee Benefit Trust Funds. These funds account for the operations of the retirement and other postemployment benefits. The Pension Trust is reported on a calendar year basis as of December 31, 2020 and the OPEB Trust is reported on a fiscal year basis, which reflects each of the trusts measurement dates respectively.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in business-type activities are eliminated in the business-type activities column.

Measurement Focus and Basis of Accounting

The accompanying basic financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The District's operating revenues are derived from charges to cities, primarily for the sale and treatment of water, wastewater and solid waste. The District constructs facilities to provide services to others, which are financed in part by the issuance of its revenue bonds. Users, primarily member cities, generally contract to pay amounts equal to the District's operating and maintenance expenses, debt service requirements and any other obligations payable from the revenues of the District. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Cash and Cash Equivalents

All highly liquid investments (including restricted assets) with original maturities of three months or less when purchased are considered to be cash equivalents.

Deposits

The District's collateral agreement requires that all deposits be fully collateralized by government securities or Texas municipal bonds rated A or better that have a market value exceeding the total amount of cash and investments held at all times.

Investments

All of the District's investments, except for investment pools, are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Investments in U.S. government securities are guaranteed or insured by the U.S. government. Investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost also in accordance with GASB Statement No. 72. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Accounts Receivable

Management considers accounts receivable to be fully collectible as of September 30, 2021; accordingly, no allowance for doubtful accounts is deemed necessary. As of September 30, 2021, member cities Allen, Garland, McKinney, Mesquite, Plano, Richardson, Rockwall, and Royse City accounted for approximately 65% of total accounts receivable.

Material and Supplies Inventory

Inventory of supplies and parts is maintained at different warehouses for use in the operation and is recorded as an expense when consumed or placed in service. Inventory is valued based on first-in-first-out methodology.

Capital Assets

All purchased capital assets are stated at historical cost unless they are determined to be impaired based on GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Donated capital assets are reported at acquisition value based on GASB Statement No. 72, *Fair Value Measurement and Application*.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized.

According to the District’s capitalization policy, assets capitalized have an original cost of \$5,000 or more and two or more years of estimated useful life. Depreciation is calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Water treatment, storage and transmission facilities	40 to 75 years
Wastewater treatment and disposal facilities	30 to 50 years
Solid waste transfer and disposal facilities	40 years
Land improvements	20 years
Water rights	50 years
Reservoir facilities	50 years
Buildings	10 to 40 years
Automobiles and trucks	5 years
Office furniture and fixtures	7 to 10 years
Other equipment	5 to 20 years

Deferred Inflow/Outflow of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category - 1) deferred charges on refunding, 2) deferred amounts related to pension and 3) deferred amounts related to OPEB. The deferred charges on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts for pension and OPEB relate to the differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The District reports deferred amounts related to pension and OPEB.

Compensated Absences

Employees are allowed to accumulate vacation within certain limitations. Payment for accrued vacation (within limits) upon termination is subject to the employee leaving in good standing. Payment for accrued sick leave (within limits) is paid upon retirement. As of September 30, 2021, a liability of \$5,032,522 for unused vacation and \$4,934,555 for unused sick leave has been accrued. The short-term portion is included in “accounts payable and accrued liabilities” in the accompanying Statement of Net Position. A summary of changes in accrued vacation and sick leave for the year ended September 30, 2021 is as follows:

	Beginning Liability	Additions	Reductions	Ending Liability	Amount due within one year
Vacation	\$ 5,122,771	\$ 882,367	\$ 972,616	\$ 5,032,522	\$ 2,312,188
Sick	6,139,877	478,049	1,683,371	4,934,555	1,287,458

Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is reported as (1) net investment in capital assets; (2) restricted for debt service and; (3) unrestricted. When both restricted and unrestricted net position are available for use, it is the District’s policy to use restricted net position first, then unrestricted net position.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues

Charges for treated water are based upon the current budgeted expenditure requirements (including debt service payments and excluding charges for depreciation and amortization) and amounts designated by the Board of Directors for capital improvements. Charges for wastewater and solid waste disposal are based upon the current budgeted expenditure requirements (including debt service payments and excluding charges for depreciation and amortization) and are adjusted for the difference between budgeted and actual expenditures for the same period. The District derives approximately 66% of its revenues from the cities of Frisco, Garland, McKinney, Mesquite, Plano, and Richardson. Such revenues derived directly from the respective systems are defined by the District as operating revenues. All other revenues not directly related to the operations of the systems are reported as non-operating revenues. Revenues are shown net of rebates and/or excess billings.

Expenses

Direct charges attributable to the operations of the District's systems, including depreciation and amortization, are reported as operating expenses. Interest expense and other similar charges are reported as non-operating expenses.

Intragovernmental Transactions

Transactions that would be treated as revenue or expense if they involved organizations external to the District are similarly treated when involving funds of the District. Major transactions that fall into this category include payments for support services and payments in lieu of insurance premiums to the Internal Service Fund.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Investments are reported at fair value.

Subsequent Events

The District issued \$200,560,000 Water System Revenue Refunding Bonds, Series 2021A on December 2, 2021.

NOTE 2. RESTRICTED ASSETS

Restricted assets represent amounts reserved for:

- *Construction* — Construction of facilities, restricted by purpose of the debt issuance.
- *Interest and Redemption (Sinking)* — Current interest and principal of bonded indebtedness.
- *Reserve* — Payment of final serial maturity on bonded indebtedness or payment of interest and principal of bonded indebtedness when and to the extent the amount in the interest and redemption (sinking) fund is insufficient.
- *Contingency* — Unexpected or extraordinary expenses for which funds are not otherwise available or for debt service to the extent of interest and redemption (sinking) fund deficiencies as required by bond covenants.
- *Reserve for Maintenance* — Escrow for future maintenance expenses.

NOTE 2. RESTRICTED ASSETS (CONTINUED)

The cash and cash equivalents, investments, and interest receivable components of each fund represented by restricted assets are as follows:

Funds	Cash and Cash Equivalents	Investments	Interest Receivable
Water:			
Construction	\$ 319,038,035	\$ 167,131,749	\$ 388,065
Interest and Sinking	15,936,714	-	-
Reserve	3,017,824	127,892,995	296,289
Contingency	18,213,717	-	-
Reserve for Maintenance	451,223	-	-
	<u>356,657,513</u>	<u>295,024,744</u>	<u>684,354</u>
Regional Wastewater:			
Construction	427,113,909	69,614,700	417,614
Interest and Sinking	12,770,794	-	-
Reserve	14,923	36,266,643	56,321
Reserve for Maintenance	361,646	-	-
	<u>440,261,272</u>	<u>105,881,343</u>	<u>473,935</u>
Sewer:			
Construction	37,654,127	9,070,052	38,290
Interest and Sinking	7,331,789	-	-
Reserve	424,918	15,861,576	22,103
Reserve for Maintenance	760,907	-	-
Reserve for Equipment Replacement	-	-	-
	<u>46,171,741</u>	<u>24,931,628</u>	<u>60,393</u>
Solid Waste:			
Construction	282,630	-	-
Interest and Sinking	539,369	-	-
Reserve	16,420	3,572,509	6,688
Reserve for Maintenance	1,207,988	-	-
Reserve for Equipment Replacement	13,421,604	-	-
	<u>15,468,011</u>	<u>3,572,509</u>	<u>6,688</u>
Interceptor:			
Construction	92,794,681	91,335,220	197,356
Interest and Sinking	9,177,714	-	-
Reserve	3,986,555	13,953,753	28,566
Reserve for Maintenance	9,436	-	-
	<u>105,968,386</u>	<u>105,288,973</u>	<u>225,922</u>
Total	<u>\$ 964,526,923</u>	<u>\$ 534,699,197</u>	<u>\$ 1,451,292</u>

Unbilled receivables of \$6,806,826 that are reflected as restricted assets in the Solid Waste System represent member cities' obligations for closure and postclosure costs related to solid waste landfills. Based on the contracts for services, member cities will be billed for the actual costs incurred to close the landfills.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS

The District maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested by the Investment Officer to enhance diversification and interest earnings. The pooled interest earned is allocated to the funds based on each fund's cash and investment balance at the end of each month.

A. Deposits

At September 30, 2021, the carrying amount of cash deposits was \$6,317,629 and total bank balance was \$14,110,287. During 2020-2021, the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the entity or its agent in the entity's name. At September 30, 2021, the District also held petty cash of \$3,000.

B. Investments

Legal provisions generally permit the District to invest in direct and indirect obligations of the United States of America or its agencies, certain certificates of deposit, repurchase agreements, public funds investment pools and mutual funds. During the year ended September 30, 2021, the District did not own any types of securities other than those permitted by statute.

The District invests in multiple Local Government Investment Pools (LGIP), including LOGIC, Texas CLASS, Texas CLASS Government and TexPool. The District has an undivided beneficial interest in the pool of assets held by the related investment pools. These underlying investments and deposits are fully insured by Federal depository insurance or collateralized by securities. The investment objectives of the pools are safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return. Authorized investments include obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, certificates of deposit and repurchase agreements.

LOGIC

Hilltop Securities INC. (HTS) and J.P. Morgan Investment Management INC are the Co-Administrators of Texas Local Government Investment Cooperative (LOGIC) with HTS providing distribution, administration, Participant support, and marketing services while J.P. Morgan Investment Management provides investment management, custody, and fund accounting services. LOGIC was created as an investment pool for its Participants pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants. The Board of Trustees is LOGIC's governing body and is comprised of employees, officers or elected officials of Participant Government Entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of the Pool. LOGIC uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares.

Texas CLASS

Public Trust Advisors, LLC provides advisory services and administration and marketing services to Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS), which has two separate investment pools: Texas CLASS and Texas CLASS Government. The purpose of the Trust is to establish one or more investment funds through which a Participant may pool any of its funds or funds under its control in order to preserve principal, to maintain the liquidity of the Participant, and to maximize yield. These goals are in accordance with the Public Funds Investment Act, Section 2256.01, Texas Government Code, or other laws of the State of Texas, from time to time in effect, governing the investment of funds of a Participant or funds under its control. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board is comprised of active members of the pool and elected by the Participants, guided by the Advisory Board. The Board is responsible for selecting the Administrator and Investment Advisors. Wells Fargo Bank Texas, NA serves as the Custodian for Texas CLASS.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)**TexPool**

The Comptroller of Public Accounts (the "Comptroller") is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company (the "Trust Company"), which is authorized to operate TexPool. Federated Investors, Inc. ("Federated"), under an agreement with the Comptroller, acting on behalf of the Trust Company, provides administrative and investment services to TexPool. The Texas Local Government Investment Pools (the "TexPool Portfolios") have been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Comptroller maintains oversight of the services provided to the TexPool Portfolios by Federated. In addition, the TexPool Advisory Board advises on the Investment Policies for the TexPool Portfolios. The Advisory Board is composed equally of participants in the TexPool Portfolios and other persons who do not have a business relationship with the TexPool Portfolios who are qualified to advise the TexPool Portfolios. TEXPOOL uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TEXPOOL is the same as the net asset value of TEXPOOL shares.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

The District has recurring fair value measurements as presented in the table below. The District's investment balances and weighted average maturity of such investments are as follows:

	September 30, 2021	Fair Value Measurements Using		Percent Total Investments	Weighted Average Maturity (Days)
		Significant Other Observable Inputs (Level 2)			
<i>Investments not Subject to Level Reporting:</i>					
Investment Pools*:					
LOGIC	\$ 426,747,702	\$ -		24.73%	55
Texas CLASS - CP	370,454,213	-		21.47%	53
Texas CLASS - Government	85,650,524	-		4.96%	27
Texpool	202,105,085	-		11.71%	37
<i>Investments by Fair Value Level:</i>					
U. S. Government Agency Securities:					
Fannie Mae Note	16,078,080	16,078,080		0.93%	97
Federal Home Loan Mortgage Corp. Note	116,668,810	116,668,810		6.76%	1,029
Federal Home Loan Bank Note	93,067,545	93,067,545		5.39%	664
Federal Farm Credit Bank Note	22,997,700	22,997,700		1.33%	350
U. S. Treasury Note	391,600,591	391,600,591		22.70%	332
Total Value	\$ 1,725,370,250	\$ 640,412,726			

Portfolio Weighted Average Maturity 217

*Investment Pools are exempt for level reporting.

U.S. Government Agency Securities and *U.S. Treasury Notes* classified in Level 2 of the fair value hierarchy are valued using both active market prices observable for each identical or similar securities and other observable inputs provided by a reputable and independent source including but not limited to Bloomberg, the Wall Street Journal, Intercontinental Exchange (ICE), and the District's safekeeping agent. In the event the District has retained the services of a Registered Investment Advisor, the advisor shall also provide security pricing from ICE, Bloomberg or similarly recognized pricing services. Since the District does not have visibility to the market pricing all such securities are classified as Level 2.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, addresses common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Credit risk is the risk that a security issuer may default on an interest or principal payment. State law and the District's investment policy limits the District to investments in high quality rated instruments that have been evaluated by agencies such as Standard and Poor's or Moody's Investor Service.

Custodial credit risk is the risk that a depository financial institution will not be able to recover collateral securities that are in the possession of an outside party. The District monitors collateral balances at the bank to ensure they are backed by quality rated instruments.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Concentration of credit risk is the risk associated with holding investments that are not pools and full faith credit securities in excess of 5% of the total portfolio. The investment policy of the District specifies the following limitations on the amount that can be invested in any one instrument at the time of purchase.

Instrument	Limitations
U.S. TREASURY SECURITIES	100%
U.S. AGENCIES & INSTRUMENTALITIES	75%
U.S. AGENCY BULLET	75%
U.S. AGENCY CALLABLE	25%
CERTIFICATES OF DEPOSIT	40%
REPURCHASE AGREEMENTS	40%
MONEY MARKET MUTUAL FUNDS	25%
AUTHORIZED INVESTMENT POOLS	100%

At September 30, 2021, investments, other than external investment pools, that represent 5% or more of the District’s investments are as follows:

Issue	Investment Type	Reported Amount
FHLMC NOTE	Federal agency notes	\$ 116,668,810
FHLB NOTE	Federal agency notes	93,067,545
U.S. TREASURY NOTE	Treasury note	391,600,591

The District held a total of \$640,412,726 in securities that equated to 37.11% of the total investment portfolio.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. There is no formal policy relating to interest rate risk. However, the District manages its exposure to interest rate risk by investing in investment pools which purchase a combination of short term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. At September 30, 2021, \$329,761,093 of the District’s portfolio had a weighted average maturity of greater than one year.

Foreign currency risk is the potential for loss due to fluctuations in exchange rates. The District is not exposed to foreign currency risk.

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments were stated at fair value using the aggregate method in all funds, resulting in the following investment income:

	Water System	Regional Wastewater System	Sewer System	Solid Waste System	Interceptor System	Internal Service Funds	Total
Investment income:							
Interest	\$ 3,905,538	\$ 886,642	\$ 194,815	\$ 50,319	\$ 504,041	\$ 6,715	\$ 5,548,070
Net changes in the fair value of investments	(2,770,274)	(348,290)	(121,561)	(30,820)	(348,216)	-	(3,619,161)
Investment income:	<u>\$ 1,135,264</u>	<u>\$ 538,352</u>	<u>\$ 73,254</u>	<u>\$ 19,499</u>	<u>\$ 155,825</u>	<u>\$ 6,715</u>	<u>\$ 1,928,909</u>

In accordance with GASB Statement No. 31, the net changes in the fair value of investments take into account all changes in fair value (including purchases and sales) that occurred during the year. These portfolio value changes are unrealized unless sold.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

C. Summary of Cash and Investments

	<u>Water System</u>	<u>Regional Wastewater System</u>	<u>Sewer System</u>	<u>Solid Waste System</u>	<u>Interceptor System</u>	<u>Internal Service Funds</u>	<u>Total</u>
Unrestricted:							
Cash and cash equivalents	\$ 86,667,241	\$ 7,314,282	\$ 9,486,881	\$ 6,530,902	\$ 8,164,602	\$ 8,587,322	\$ 126,751,230
Investments	100,673,529	-	-	5,040,000	-	-	105,713,529
Total unrestricted	<u>187,340,770</u>	<u>7,314,282</u>	<u>9,486,881</u>	<u>11,570,902</u>	<u>8,164,602</u>	<u>8,587,322</u>	<u>232,464,759</u>
Restricted-current:							
Cash and cash equivalents	15,936,714	12,770,794	7,331,789	539,369	9,177,714	-	45,756,380
Total restricted-current	<u>15,936,714</u>	<u>12,770,794</u>	<u>7,331,789</u>	<u>539,369</u>	<u>9,177,714</u>	<u>-</u>	<u>45,756,380</u>
Restricted -non-current:							
Cash and cash equivalents	340,720,799	427,490,478	38,839,952	14,928,642	96,790,672	-	918,770,543
Investments	295,024,744	105,881,343	24,931,628	3,572,509	105,288,973	-	534,699,197
Total restricted-non-current	<u>635,745,543</u>	<u>533,371,821</u>	<u>63,771,580</u>	<u>18,501,151</u>	<u>202,079,645</u>	<u>-</u>	<u>1,453,469,740</u>
Total Restricted	<u>651,682,257</u>	<u>546,142,615</u>	<u>71,103,369</u>	<u>19,040,520</u>	<u>211,257,359</u>	<u>-</u>	<u>1,499,226,120</u>
Total	<u>\$ 839,023,027</u>	<u>\$ 553,456,897</u>	<u>\$ 80,590,250</u>	<u>\$ 30,611,422</u>	<u>\$219,421,961</u>	<u>\$ 8,587,322</u>	<u>\$ 1,731,690,879</u>

Amounts included in unrestricted cash and cash equivalents and investments are comprised of the following:

	<u>Water System</u>	<u>Regional Wastewater System</u>	<u>Sewer System</u>	<u>Solid Waste System</u>	<u>Interceptor System</u>	<u>Internal Service Funds</u>	<u>Total</u>
Unrestricted:							
Operating Funds	\$ 43,082,768	\$ 3,257,558	\$ 4,164,716	\$ 3,972,044	\$ 3,435,363	\$ 2,781,476	\$ 60,693,925
Petty Cash	500	-	-	2,500	-	-	3,000
Capital Improvement Funds	139,803,856	3,600,500	2,062,674	7,596,358	3,809,806	-	156,873,194
Contingency Funds	-	-	-	-	-	1,951,596	1,951,596
Preventative Maintenance	-	456,224	3,259,491	-	919,433	-	4,635,148
Rate Stabilization Fund	4,453,646	-	-	-	-	-	4,453,646
Employee Insurance Funds	-	-	-	-	-	2,756,127	2,756,127
Retiree Insurance Funds	-	-	-	-	-	1,098,123	1,098,123
Total unrestricted	<u>\$ 187,340,770</u>	<u>\$ 7,314,282</u>	<u>\$ 9,486,881</u>	<u>\$ 11,570,902</u>	<u>\$ 8,164,602</u>	<u>\$ 8,587,322</u>	<u>\$ 232,464,759</u>

Refer to Note 2 for a detail of restricted assets and Note 11 for commitments under construction contracts.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

At September 30, 2021, the District had the following deposits and investments:

	Credit Quality Ratings	Fair Value	Weighted Average Maturity
Unrestricted Cash and Investments			
Cash and cash equivalents:			
Deposits with a financial institution	Not Rated	\$ 6,317,041	N/A
Cash on hand	Not Rated	3,000	N/A
Texas CLASS - CP	AAA _m	54,951,303	53 Days
Texas CLASS - Government	AAA _m	11,040,390	27 Days
TexPool	AAA _m	<u>54,439,496</u>	37 Days
Total cash and cash equivalents		<u>126,751,230</u>	
Investments—Securities of U.S. Government Agencies:			
Treasury Note - US Treasuries	Aaa	99,714,129	255 Days
FFCB - Federal Farm Credit Bank	Aaa	<u>5,999,400</u>	350 Days
Total Securities of U.S. Government Agencies		<u>105,713,529</u>	
Total Unrestricted Investments and Cash Equivalents		<u>232,464,759</u>	
Restricted Cash and Investments			
Cash and cash equivalents:			
Deposits with a financial institution	Not Rated	588	N/A
LOGIC	AAA _m	426,747,702	55 Days
Texas CLASS - CP	AAA _m	315,502,910	53 Days
Texas CLASS - Government	AAA _m	74,610,134	27 Days
TexPool	AAA _m	<u>147,665,589</u>	37 Days
Total cash and cash equivalents		<u>964,526,923</u>	
Investments—Securities of U.S. Government Agencies:			
Treasury Note - US Treasuries	Aaa	291,886,462	358 Days
FFCB - Federal Farm Credit Bank	Aaa	16,998,300	350 Days
FHLB - Federal Home Loan Bank	Aaa	93,067,545	664 Days
FHLMC - Federal Home Loan Mortgage Corp.	Aaa	116,668,810	1029 Days
FNMA - Fannie Mae	Aaa	<u>16,078,080</u>	97 Days
Total Securities of U.S. Government Agencies		<u>534,699,197</u>	
Total Restricted Investments and Cash Equivalents		<u>1,499,226,120</u>	
Total Cash and Investments		<u>\$ 1,731,690,879</u>	

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

D. Pension and OPEB Trust Fund Cash, Cash Equivalents, and Investments

GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The balance per bank of cash on deposit in the Pension Trust Fund and the carrying value was \$54,633 as of December 31, 2020. The balance per bank of cash on deposit in the OPEB Trust Fund and the carrying value was \$41,211 as of September 30, 2021. Additional cash in the amount of \$1,919,698 was held by Aetna as of December 31, 2020 to cover the monthly benefit payments. See below for the detail of investments held.

The assets of the District's Employee Benefit Pension Plan are administered by the North Texas Municipal Water District Finance Committee of the Board of Directors. The District has contracted with Westwood Trust, Commonwealth Financial, and Aetna as ancillary trustees and custodians for the District's investments and those investments are respectively held by each of these trustees and custodians.

The District has contracted with Westwood Trust for trust administration, and the District's OPEB Plan investments are held in the Investment Trust by its trustee and custodian Westwood Trust (the "Trustee").

Investments	Pension Trust Fund ⁽¹⁾	OPEB Trust Fund	Quoted Prices in Active Markets for Identical Assets (Level 1)
Money Market Funds			
Fidelity Government Money Market Capital Reserves	\$ 29,474	\$ -	N/A
Equity Funds			
American Capital Income Builder	24,948,493	-	24,948,493
American Income Fund of America	28,105,019	-	28,105,019
Largecap Value Equity - EB	5,489,999	1,086,028	6,576,027
Johcm International Select I	1,657,293	317,228	1,974,521
Baron Emerging Markets Fund Institutional Shares	3,912,978	705,172	4,618,150
Allcap Growth Equity - EB	10,880,672	1,107,351	11,988,023
iShares Core Msci Emerging Markets ETF	1,651,753	-	1,651,753
iShares Russell 1000 Value Index Fund	-	616,806	616,806
Smidcap Value Equity - EB	2,759,781	522,102	3,281,883
Small cap Value Equity - EB	3,299,255	616,904	3,916,159
Vanguard FTSE Developed Markets Index Fund ETF Shares	3,254,846	623,753	3,878,599
Fixed Income Funds			
Core Investment Grade Bond - EB	8,182,878	1,542,716	9,725,594
Westwood High Income Fund Instl	2,726,203	513,760	3,239,963
Specialty Funds			
Westwood Total Return Fund Instl	3,825,855	1,056,668	4,882,523
Westwood Alternative Income Fund Ultra	3,805,211	1,002,465	4,807,676
Income Opportunity - EB	3,275,020	733,104	4,008,124
<i>Total Investments and Cash Equivalents</i>	<u>\$ 107,804,730</u>	<u>\$ 10,444,057</u>	<u>\$ 114,211,189</u>

(1) Information presented for the Pension Trust Fund is as of December 31, 2020.

The Pension Trust Fund is invested in a Money Market Fund (Fidelity Government Money Market Capital Reserves) which is valued at Net Asset Value and is therefore excluded from leveling above. See discussion earlier in this note regarding inputs for each level.

Neither the Pension Trust Fund or OPEB Trust Fund have unfunded commitments and therefore may redeem investments at any time to pay for benefits.

NOTE 4. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance at October 1, 2020	Additions and Transfers	Disposals and Transfers	Balance at September 30, 2021
Nondepreciable:				
Land	\$ 79,235,448	\$ 2,953,235	\$ 75,196	\$ 82,113,487
Easements	68,316,906	446,379	-	68,763,285
Construction in progress	1,775,222,589	562,731,155	119,187,754	2,218,765,990
Total nondepreciable assets	<u>1,922,774,943</u>	<u>566,130,769</u>	<u>119,262,950</u>	<u>2,369,642,762</u>
Depreciable:				
Land improvements	15,759,260	1,737,591	-	17,496,851
Water treatment, storage and transmission facilities	1,693,932,937	42,481,187	-	1,736,414,124
Wastewater treatment and disposal facilities	803,457,232	49,613,941	2,149,480	850,921,693
Solid waste transfer and disposal facilities	88,974,219	454,937	-	89,429,156
Reservoir facilities and water rights	379,356,242	-	-	379,356,242
Buildings	76,960,054	14,792,113	-	91,752,167
Automobiles and trucks	15,019,752	3,844,783	1,591,073	17,273,462
Office furniture and fixtures	1,063,181	1	-	1,063,182
Other equipment	89,127,414	8,328,377	1,446,629	96,009,162
Total depreciable assets	<u>3,163,650,291</u>	<u>121,252,930</u>	<u>5,187,182</u>	<u>3,279,716,039</u>
Less accumulated depreciation on:				
Land improvements	(6,144,348)	(701,823)	-	(6,846,171)
Water treatment, storage and transmission facilities	(425,864,313)	(36,779,896)	-	(462,644,209)
Wastewater treatment and disposal facilities	(257,257,309)	(20,054,523)	(2,144,182)	(275,167,650)
Solid waste transfer and disposal facilities	(38,412,402)	(1,580,631)	-	(39,993,033)
Reservoir facilities and water rights	(118,359,539)	(7,600,777)	-	(125,960,316)
Buildings	(17,901,438)	(1,948,108)	-	(19,849,546)
Automobiles and trucks	(12,263,981)	(1,609,542)	(1,588,853)	(12,284,670)
Office furniture and fixtures	(702,798)	(70,212)	-	(773,010)
Other equipment	(49,710,020)	(8,422,131)	(1,441,302)	(56,690,849)
Total accumulated depreciation	<u>(926,616,148)</u>	<u>(78,767,643)</u>	<u>(5,174,337)</u>	<u>(1,000,209,454)</u>
Total depreciable assets—net	<u>2,237,034,143</u>	<u>42,485,287</u>	<u>12,845</u>	<u>2,279,506,585</u>
TOTAL CAPITAL ASSETS—NET	<u>\$ 4,159,809,086</u>	<u>\$ 608,616,056</u>	<u>\$ 119,275,795</u>	<u>\$ 4,649,149,347</u>

Depreciation expense was charged to the functions/programs of the business-type activities as follows:

Water services	\$ 48,570,787
Wastewater services	24,273,711
Solid waste services	5,923,145
Total depreciation expense	<u>\$ 78,767,643</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At September 30, 2021, accounts payable and accrued liabilities consisted of the following:

	Water System	Regional Wastewater System	Sewer System	Solid Waste System	Interceptor System	Internal Service Funds	Total
Payable to vendors/ contractors	\$ 91,485,379	\$ 21,012,215	\$ 7,655,689	\$ 2,290,704	\$ 6,410,570	\$ 2,095,676	\$ 130,950,233
Insurance claims liability	-	-	-	-	-	1,768,028	1,768,028
Escrow liability	451,223	817,870	4,020,398	14,629,592	928,869	2,850,000	23,697,952
Compensated absences	464,457	456,062	216,420	369,603	79,047	2,014,057	3,599,646
Accrued payroll and related benefits	469,299	476,256	255,471	634,771	72,013	1,150,197	3,058,007
Total	\$ 92,870,358	\$ 22,762,403	\$ 12,147,978	\$ 17,924,670	\$ 7,490,499	\$ 9,877,958	\$ 163,073,866
Payable from unrestricted assets	\$ 19,715,037	\$ 3,829,486	\$ 5,593,936	\$ 3,160,792	\$ 1,863,180	\$ 9,877,958	\$ 44,040,389
Payable from restricted assets	73,155,321	18,932,917	6,554,042	14,763,878	5,627,319	-	119,033,477
Total	\$ 92,870,358	\$ 22,762,403	\$ 12,147,978	\$ 17,924,670	\$ 7,490,499	\$ 9,877,958	\$ 163,073,866

NOTE 6. INTERFUND BALANCES

At September 30, 2021 interfund balances consisted of the following:

	Due From Other Funds	Due To Other Funds
Water System	\$ 429,130	\$ 958,509
Regional Wastewater System	34,333	457,719
Sewer System	224,465	544,006
Solid Waste System	465,875	107,649
Interceptor System	1,640,747	1,703,910
Internal Service Funds	983,985	6,742
Total	\$ 3,778,535	\$ 3,778,535

The above interfund balances are a result of routine administrative type transactions in the normal course of business and are expected to be repaid in less than one year.

NOTE 7. DEFERRED OUTFLOWS OF RESOURCES

At September 30, 2021 deferred outflows of resources consisted of the following:

	Balance at October 1, 2020	Additions	Deletions	Balance at September 30, 2021
Water System:				
Deferred loss on refunded debt	\$ 17,046,170	\$ 768,150	\$ (1,515,606)	\$ 16,298,714
Deferred pension outflow	1,923,455	-	644,581	2,568,036
Deferred OPEB outflow	204,786	552,000	-	756,786
	<u>19,174,411</u>	<u>1,320,150</u>	<u>(871,025)</u>	<u>19,623,536</u>
Regional Wastewater:				
Deferred loss on refunded debt	2,302,782	-	(391,012)	1,911,770
Deferred pension outflow	2,491,038	-	405,129	2,896,167
Deferred OPEB outflow	231,944	-	-	819,535
	<u>5,025,764</u>	<u>-</u>	<u>14,117</u>	<u>5,627,472</u>
Sewer System:				
Deferred loss on refunded debt	1,586,412	-	(291,191)	1,295,221
Deferred pension outflow	871,591	-	187,130	1,058,721
Deferred OPEB outflow	118,203	311,007	-	429,210
	<u>2,576,206</u>	<u>311,007</u>	<u>(104,061)</u>	<u>2,783,152</u>
Solid Waste System:				
Deferred loss on refunded debt	1,504,602	-	(273,589)	1,231,013
Deferred pension outflow	2,362,562	-	361,332	2,723,894
Deferred OPEB outflow	186,796	455,599	-	642,395
	<u>4,053,960</u>	<u>455,599</u>	<u>87,743</u>	<u>4,597,302</u>
Interceptor System:				
Deferred loss on refunded debt	2,012,564	-	(293,498)	1,719,066
Deferred pension outflow	202,561	-	65,209	267,770
Deferred OPEB outflow	40,757	108,941	-	149,698
	<u>2,255,882</u>	<u>108,941</u>	<u>(228,289)</u>	<u>2,136,534</u>
Internal Service Funds:				
Deferred pension outflow	6,929,107	-	1,261,125	8,190,232
Deferred OPEB outflow	828,720	2,124,021	-	2,952,741
	<u>7,757,827</u>	<u>2,124,021</u>	<u>1,261,125</u>	<u>11,142,973</u>
Total	<u>\$ 40,844,050</u>	<u>\$ 4,319,718</u>	<u>\$ 159,610</u>	<u>\$ 45,910,969</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG -TERM DEBT

Long-term debt consists of the following at September 30, 2021:

	Original Borrowing	Balance at October 1, 2020	Issued	Retired or Refunded	Balance at September 30, 2021	Amounts due Within One Year
Water System:						
Water revenue bonds 03/21-09/51, 2.00-5.25%	\$2,429,153,000	\$1,295,585,000	\$ 76,055,000	\$ 77,790,000	\$ 1,293,850,000	\$ 56,840,000
Water direct placement 03/21-09/49, .960-3.43%	1,476,980,000	1,404,500,000	-	36,790,000	1,367,710,000	37,380,000
U.S. govt contracts payable, direct borrowing	44,220,432	24,952,694	-	24,952,694	-	-
	<u>3,950,353,432</u>	<u>2,725,037,694</u>	<u>76,055,000</u>	<u>139,532,694</u>	<u>2,661,560,000</u>	<u>94,220,000</u>
Regional Wastewater:						
Wastewater revenue bonds, 12/20-06/51, 2.00-5.00%	451,360,000	372,820,000	24,270,000	16,170,000	380,920,000	17,055,000
Wastewater direct placement 12/20-06/50, .020-.170%	496,535,000	458,920,000	37,615,000	2,770,000	493,765,000	5,205,000
	<u>947,895,000</u>	<u>831,740,000</u>	<u>61,885,000</u>	<u>18,940,000</u>	<u>874,685,000</u>	<u>22,260,000</u>
Sewer System:						
Rockwall contract revenue bonds, 12/20-06/28, 5.50-5.75%	2,960,000	1,555,000	-	160,000	1,395,000	165,000
Mustang Creek Interceptor System revenue bonds, 12/20-06/50, 2.50- 5.125%	34,455,000	32,165,000	-	700,000	31,465,000	730,000
Rockwall-Heath contract revenue bonds 12/20-06/25, 4.10-4.25%	3,020,000	1,025,000	-	185,000	840,000	195,000
Terrell contract revenue bonds 12/20-06/35, 3.00-5.00%	10,465,000	8,430,000	-	425,000	8,005,000	440,000
Stewart Creek contract revenue bonds, 12/20-06/35, 3.00-5.00%	69,685,000	53,220,000	-	2,570,000	50,650,000	2,670,000
Little Elm contract revenue bonds, 12/20-06/23, 2.00%	3,555,000	1,175,000	-	380,000	795,000	390,000
Parker Creek Interceptor System, revenue bonds, 12/20-06/23, 5.125%	2,615,000	600,000	-	190,000	410,000	200,000
Sabine Creek Interceptor System revenue bonds, 12/20-6/23, 5.125%	2,115,000	485,000	-	155,000	330,000	160,000
Sabine Creek Wastewater System revenue bonds, 12/20-6/42, 2.00-4.00%	20,095,000	11,530,000	3,190,000	1,100,000	13,620,000	1,130,000
Muddy Creek Wastewater System revenue bonds 12/20-06/40, 2.00- 5.00%	32,630,000	14,690,000	8,830,000	1,915,000	21,605,000	1,990,000
Muddy Creek Interceptor revenue bonds 12/20-06/24, 3.00-4.00%	2,135,000	950,000	-	225,000	725,000	235,000
Buffalo Creek Interceptor revenue bonds 12/20-06/50, 2.00-5.00%	50,525,000	13,610,000	28,075,000	1,390,000	40,295,000	1,470,000
Rockwall Water Pumping Facilities bonds 12/20-06/26, 4.50-4.60%	2,145,000	875,000	-	130,000	745,000	135,000

NOTE 8. LONG -TERM DEBT (CONTINUED)

	Original Borrowing	Balance at October 1, 2020	Issued	Retired or Refunded	Balance at September 30, 2021	Amounts due Within One Year
Sewer System (continued):						
Panther Creek Wastewater System bonds 12/20-06/40, 2.50-5.00%	56,400,000	28,320,000	-	3,015,000	25,305,000	3,165,000
Lower East Fork Interceptor bonds 12/20-06/26, 3.00-5.00%	10,745,000	6,930,000	-	1,030,000	5,900,000	1,080,000
Parker Creek Parallel Interceptor bonds 12/20-06/36, 2.00-3.00%	3,045,000	2,575,000	-	120,000	2,455,000	120,000
	<u>306,590,000</u>	<u>178,135,000</u>	<u>40,095,000</u>	<u>13,690,000</u>	<u>204,540,000</u>	<u>14,275,000</u>
Solid Waste System- revenue bonds, 03/21-09/37, 3.00-5.00%	79,705,000	49,180,000	-	3,135,000	46,045,000	3,275,000
Interceptor System - revenue bonds, 12/20-06/51, 2.00-6.25%	536,935,000	317,030,000	81,460,000	14,020,000	384,470,000	14,645,000
Total	<u>\$5,821,478,432</u>	<u>\$4,101,122,694</u>	<u>\$ 259,495,000</u>	<u>\$ 189,317,694</u>	<u>\$ 4,171,300,000</u>	<u>\$ 148,675,000</u>

Pledged Revenue

Throughout the years, the District has issued revenue bonds and U.S. Government Notes with pledged revenues as collateral.

Pledged revenues generally include gross revenues of the District’s respective Systems, and includes specifically certain payments to be received by the District from the Systems’ member cities and contracting parties. The Member Cities and contracting parties are obligated to make payments in amounts sufficient to pay the principal and interest of the debt, which were issued to provide funding for construction and capital improvement projects.

The total amount of the pledge is equal to the remaining outstanding debt service requirements for the District’s bonds and notes.

For the year ended September 30, 2021, bond debt service of \$274,140,657 was fully secured by 100% of pledged revenues of \$565,674,044 and interest earned on accounts restricted for debt service.

For the year ended September 30, 2021, debt service on U.S. Government Notes was refunded in July 2021.

NOTE 8. LONG -TERM DEBT (CONTINUED)

In the Statement of Net Position, the long-term liabilities include premiums net of discounts of \$132,130,369 in the Water System, \$29,262,228 in the Regional Wastewater System, \$9,611,006 in the Sewer System, \$3,018,630 in the Solid Waste System and \$27,669,025 in the Interceptor System.

Other long term debt activity for the year ended September 30, 2021, was as follows:

	Balance at October 1, 2020	Additions	Deletions	Balance at September 30, 2021
Water System:				
Premiums	\$ 136,812,354	\$ 8,893,589	\$ (13,575,574)	\$ 132,130,369
	<u>136,812,354</u>	<u>8,893,589</u>	<u>(13,575,574)</u>	<u>132,130,369</u>
Regional Wastewater:				
Premiums	30,013,082	1,747,494	(2,498,348)	29,262,228
	<u>30,013,082</u>	<u>1,747,494</u>	<u>(2,498,348)</u>	<u>29,262,228</u>
Sewer System:				
Premiums	8,836,925	2,277,352	(1,494,714)	9,619,563
Discounts	(10,813)	-	2,256	(8,557)
	<u>8,826,112</u>	<u>2,277,352</u>	<u>(1,492,458)</u>	<u>9,611,006</u>
Solid Waste System:				
Premiums	3,484,346	-	(465,716)	3,018,630
	<u>3,484,346</u>	<u>-</u>	<u>(465,716)</u>	<u>3,018,630</u>
Interceptor System:				
Premiums	25,976,702	4,435,271	(2,742,948)	27,669,025
	<u>25,976,702</u>	<u>4,435,271</u>	<u>(2,742,948)</u>	<u>27,669,025</u>
Total	<u>\$ 205,112,596</u>	<u>\$ 17,353,706</u>	<u>\$ (20,775,044)</u>	<u>\$ 201,691,258</u>

Revenue bonds outstanding at September 30, 2021, are secured as follows:

- *Water Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the District's Water System.
- *Regional Wastewater Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the District's Regional Wastewater System and payments made to the District from the Cities of Plano, Mesquite, McKinney, Forney, Allen, Frisco, Princeton, Prosper, Rockwall, Seagoville and Heath.
- *Rockwall Contract Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the District's sewage disposal system serving the City of Rockwall.
- *Mustang Creek Interceptor Revenue Bonds* — Payments to be made to the District by the City of Forney.
- *Rockwall/Heath Water Storage Facilities Revenue Bonds* — Payments to be made to the District by the Cities of Rockwall and Heath.
- *Terrell Water Transmission Facilities Contract Revenue Bonds* — Payments to be made to the District by the City of Terrell.
- *Stewart Creek Contract Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the Stewart Creek Wastewater System and payments made to the District by the City of Frisco.
- *Little Elm Contract Revenue Bonds* — Payments made to the District by the Town of Little Elm.
- *Parker Creek Interceptor System Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the Parker Creek Interceptor System and payments made to the District by the Cities of Fate and Royse City.
- *Sabine Creek Interceptor System Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the Sabine Creek Interceptor System and payments made to the District by the City of Royse City.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG -TERM DEBT (CONTINUED)

- *Sabine Creek Wastewater System Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the Sabine Creek Wastewater System and payments made to the District by the Cities of Fate and Royse City.
- *Muddy Creek Wastewater System Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the Muddy Creek Wastewater System and payments made to the District by the Cities of Murphy and Wylie.
- *Muddy Creek Interceptor System Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the Muddy Creek Interceptor System and payments made to the District by the Cities of Murphy and Wylie.
- *Buffalo Creek Interceptor System Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the Buffalo Creek Interceptor System and payments made to the District by the Cities of Forney, Heath and Rockwall.
- *Rockwall Water Pumping Facilities Bonds* — Payments to be made to the District by the City of Rockwall.
- *Panther Creek Wastewater System Bonds* — Assignment of the gross revenues to be derived from the operation of the Panther Creek Wastewater System and payments made to the District by the City of Frisco.
- *Lower East Fork Interceptor System Bonds* — Assignment of the gross revenues to be derived from the operation of the District's Lower East Fork Interceptor System and payments made to the District by the Cities of Mesquite and Seagoville.
- *Parker Creek Parallel Wastewater Interceptor Bonds* — Assignment of the gross revenues to be derived from the operation of the Parker Creek Interceptor System and payments made to the District by the City of Fate.
- *Solid Waste System Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the District's Solid Waste System.
- *Interceptor System Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the District's Upper East Fork Interceptor System.

Interest and redemption (sinking) funds, reserve funds and contingency funds have been established, as required, in accordance with bond resolutions. Funds may be placed in secured time deposits or invested in direct obligations of, or obligations guaranteed by, the U.S. government. Interest earned is retained in the applicable funds or transferred to meet debt service requirements in accordance with bond resolutions.

Premiums and discounts on bonds are amortized over the life of the debt using the effective interest method.

During the year, the District issued revenue bonds in the amounts of \$76,055,000 in the Water System primarily for the improvement of the District's Water system, including construction and inspection of the Wylie WTP Conversion to Biological Active Filtration Construction, additional Clearwells at the Wylie WTP, the Apollo pump station electrical and mechanical system improvements, and refunding a portion of the District's outstanding debt for savings, \$61,885,000 in the Wastewater System primarily for the Rowlett Creek RWWTP Peak Flow Management Phase II improvements, construction and inspection of the Wilson Creek RWWTP Aeration Basin improvements, construction and inspection of the Wilson Creek RWWTP Step Feed improvements, the design and construction of the South Mesquite RWWTP system Peak Flow Management and Expansion Phase I and other system improvements, \$40,095,000 in the Sewer System primarily for the design of the Sabine Creek RWWTP Expansion to 6 MGD, preliminary and final designs of the Muddy Creek WWTP Peak Flow Storage and Expansion, the construction and inspection of the Muddy Creek WWTP Operation Building improvements, construction and inspection of the Buffalo Creek Parallel Interceptor Phase I, obtaining property for the Buffalo Creek Interceptor Tunnel and other system improvements, \$81,460,000 in the Interceptor System primarily for the construction and inspection of the North McKinney Transfer Lift Station, the construction and inspection of the North McKinney Transfer Force Main, and other system improvements.

During the year, the District issued revenue refunding bonds in the amounts of \$40,470,000 in the Water System to refund a portion of the District's outstanding debt. As a result of the current refunding, the District decreased its aggregate debt service payment to maturity by \$4,761,497 and realized an economic gain (difference between the present value of debt service payments of the old debt and the new debt) of \$7,729,870.

At September 30, 2021, defeased bonds outstanding totaled \$0.

NOTE 8. LONG -TERM DEBT (CONTINUED)

For current and advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. At September 30, 2021, the amount of the unamortized deferred amount on refundings is \$22,455,784.

Additional debt information

The District’s outstanding notes from direct borrowings related to governmental contracts of \$24,952,694 was refunded in July 2021.

As disclosed in this note, the District’s outstanding revenue bonds including direct placement revenue bonds are secured by and payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the pledged revenues.

A number of the District’s bond issues have separately purchased insurance on them. The insurance contains a provision that in the event, the District defaults on a scheduled payment of principal or interest, all or a portion becomes due under the policy. The bonds are payable solely from the sources of funds pledged to the payment of the bonds. Payment of the principal and interest is not subject to acceleration.

The District’s outstanding revenue bonds from direct placements of \$1,367,710,000 for Water and \$493,765,000 for Wastewater contain a provision that if the District defaults on the payment of the principal and interest of the bond when due, there is no right to the acceleration of maturity of the Bonds. The District is eligible to seek relief from its creditors under chapter 9 of the U.S. Bankruptcy Code.

The Board has authorized using Extended Commercial Paper (ECP) in the Water System (not to exceed \$250M), Regional Wastewater System (not to exceed \$150M), and Interceptor System (not to exceed \$75M). As of September 30, 2021, the District has not requested or received any funds from any of the ECP programs.

Annual requirements to retire revenue bonds outstanding, including interest, are:

	Water System			Water System - Direct Placement		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 56,840,000	\$ 56,000,361	\$ 112,840,361	\$ 37,380,000	\$ 38,306,598	\$ 75,686,598
2023	60,825,000	52,872,240	113,697,240	38,010,000	37,671,817	75,681,817
2024	63,825,000	49,811,115	113,636,115	38,680,000	36,996,949	75,676,949
2025	62,190,000	46,683,665	108,873,665	39,400,000	36,275,965	75,675,965
2026	64,305,000	43,639,965	107,944,965	40,165,000	35,510,487	75,675,487
2027-2031	354,130,000	171,472,350	525,602,350	214,130,000	164,267,985	378,397,985
2032-2036	302,515,000	93,640,981	396,155,981	242,990,000	135,295,164	378,285,164
2037-2041	170,925,000	43,964,481	214,889,481	281,085,000	97,222,897	378,307,897
2042-2046	126,820,000	17,714,394	144,534,394	328,280,000	49,625,693	377,905,693
2047-2051	31,475,000	2,060,745	33,535,745	107,590,000	4,742,716	112,332,716
	<u>\$ 1,293,850,000</u>	<u>\$ 577,860,297</u>	<u>\$ 1,871,710,297</u>	<u>\$ 1,367,710,000</u>	<u>\$ 635,916,271</u>	<u>\$ 2,003,626,271</u>

NOTE 8. LONG -TERM DEBT (CONTINUED)

	Regional Wastewater System			Regional Wastewater System - Direct Placement		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 17,055,000	\$ 15,280,258	\$ 32,335,258	\$ 5,205,000	\$ 178,641	\$ 5,383,641
2023	14,190,000	14,372,981	28,562,981	8,155,000	178,641	8,333,641
2024	14,820,000	13,709,556	28,529,556	7,705,000	178,641	7,883,641
2025	15,490,000	13,042,181	28,532,181	8,705,000	178,641	8,883,641
2026	16,190,000	12,316,500	28,506,500	12,665,000	178,641	12,843,641
2027-2031	70,505,000	51,077,350	121,582,350	91,550,000	893,202	92,443,202
2032-2036	59,520,000	37,448,201	96,968,201	91,875,000	893,202	92,768,202
2037-2041	69,105,000	25,268,332	94,373,332	93,335,000	893,202	94,228,202
2042-2046	81,795,000	11,715,981	93,510,981	95,755,000	794,587	96,549,587
2047-2051	22,250,000	1,380,975	23,630,975	78,815,000	279,494	79,094,494
	<u>\$ 380,920,000</u>	<u>\$ 195,612,315</u>	<u>\$ 576,532,315</u>	<u>\$ 493,765,000</u>	<u>\$ 4,646,892</u>	<u>\$ 498,411,892</u>

	Sewer System			Solid Waste System		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 14,275,000	\$ 7,343,736	\$ 21,618,736	\$ 3,275,000	\$ 1,872,131	\$ 5,147,131
2023	15,390,000	6,707,279	22,097,279	3,460,000	1,716,681	5,176,681
2024	13,355,000	6,021,344	19,376,344	3,615,000	1,552,281	5,167,281
2025	13,050,000	5,441,776	18,491,776	3,775,000	1,371,531	5,146,531
2026	13,385,000	4,870,540	18,255,540	3,945,000	1,182,781	5,127,781
2027-2031	45,970,000	18,245,032	64,215,032	14,175,000	3,551,257	17,726,257
2032-2036	45,015,000	9,970,569	54,985,569	12,375,000	1,394,438	13,769,438
2037-2041	20,210,000	4,677,000	24,887,000	1,425,000	44,531	1,469,531
2042-2046	14,245,000	2,291,300	16,536,300	-	-	-
2047-2051	9,645,000	515,144	10,160,144	-	-	-
	<u>\$ 204,540,000</u>	<u>\$ 66,083,720</u>	<u>\$ 270,623,720</u>	<u>\$ 46,045,000</u>	<u>\$ 12,685,631</u>	<u>\$ 58,730,631</u>

	Interceptor System			Total All Systems		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 14,645,000	\$ 13,230,160	\$ 27,875,160	\$ 148,675,000	\$ 132,211,885	\$ 280,886,885
2023	15,330,000	13,247,968	28,577,968	155,360,000	126,767,607	282,127,607
2024	16,095,000	12,518,718	28,613,718	158,095,000	120,788,604	278,883,604
2025	15,685,000	11,736,293	27,421,293	158,295,000	114,730,052	273,025,052
2026	17,620,000	10,988,468	28,608,468	168,275,000	108,687,382	276,962,382
2027-2031	92,465,000	41,922,849	134,387,849	882,925,000	451,430,025	1,334,355,025
2032-2036	78,660,000	24,848,533	103,508,533	832,950,000	303,491,088	1,136,441,088
2037-2041	46,100,000	14,372,325	60,472,325	682,185,000	186,442,768	868,627,768
2042-2046	48,030,000	8,812,106	56,842,106	694,925,000	90,954,061	785,879,061
2047-2051	39,840,000	2,684,481	42,524,481	289,615,000	11,663,555	301,278,555
	<u>\$ 384,470,000</u>	<u>\$ 154,361,901</u>	<u>\$ 538,831,901</u>	<u>\$ 4,171,300,000</u>	<u>\$ 1,647,167,027</u>	<u>\$ 5,818,467,027</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFERRED INFLOWS OF RESOURCES

At September 30, 2021, deferred inflows of resources consisted of the following:

	Balance at October 1, 2020	Additions	Deletions	Balance at September 30, 2021
Water System:				
Deferred pension inflow	\$ 1,360,627	\$ -	\$ (503,709)	\$ 856,918
Deferred OPEB inflow	408,246	8,234	-	416,480
	<u>1,768,873</u>	<u>8,234</u>	<u>(503,709)</u>	<u>1,273,398</u>
Regional Wastewater:				
Deferred pension inflow	1,634,210	-	(316,590)	1,317,620
Deferred OPEB inflow	465,158	8,764	-	473,922
	<u>2,099,368</u>	<u>8,764</u>	<u>(316,590)</u>	<u>1,791,542</u>
Sewer System:				
Deferred pension inflow	597,647	-	(146,233)	451,414
Deferred OPEB inflow	233,544	4,638	-	238,182
	<u>831,191</u>	<u>4,638</u>	<u>(146,233)</u>	<u>689,596</u>
Solid Waste System:				
Deferred pension inflow	1,479,466	-	(282,363)	1,197,103
Deferred OPEB inflow	372,587	6,795	-	379,382
	<u>1,852,053</u>	<u>6,795</u>	<u>(282,363)</u>	<u>1,576,485</u>
Interceptor System:				
Deferred pension inflow	153,334	-	(50,961)	102,373
Deferred OPEB inflow	76,826	1,625	-	78,451
	<u>230,160</u>	<u>1,625</u>	<u>(50,961)</u>	<u>180,824</u>
Internal Service Funds:				
Deferred pension inflow	4,753,442	-	(985,510)	3,767,932
Deferred OPEB inflow	1,633,361	31,680	-	1,665,041
Deferred insurance proceeds	44,352	-	(44,352)	-
	<u>6,431,155</u>	<u>31,680</u>	<u>(1,029,862)</u>	<u>5,432,973</u>
Total	<u>\$ 13,212,800</u>	<u>\$ 61,736</u>	<u>\$ (2,329,718)</u>	<u>\$ 10,944,818</u>

The Shared Services Fund had an additional deferred inflow as of October 1, 2020 of \$44,352 that represented an acquisition of net position that applied to a future period. This amount represented the unspent portion of the advance funds the District received from the insurance company for the hail damage repairs during the 2016 fiscal year. As of September 30, 2021 there were no outstanding funds.

NOTE 10. RETIREMENT PLAN

Plan Description

The District provides a Retirement Plan for Employees of North Texas Municipal Water District (the Plan), a single employer defined benefit pension plan, for all of its eligible full-time employees through an AETNA Life Insurance Company group pension defined benefit fund contract. The Plan is administered by the District’s Executive Director/General Manager. The Plan does not issue separate financial statements. An employee will become a participant in the Plan on the first day of the month which coincides with or next follows the attainment of age 21 and the completion of two years of eligibility service.

Benefits Provided

Benefits are established and may be amended by the District’s Board of Directors. Benefits provided by the Plan include retirement, disability and preretirement death benefits. The benefit formula provides for a 10-year certain and continuous annuity. Preretirement death benefits are provided as a lump sum equal to the greater of the present value of the accrued benefit or current vested wages. The benefit at retirement is calculated as follows:

- *Normal Retirement (age 65)* — 3% of career compensation plus 1% of all yearly compensation in excess of covered compensation for each year.
- *Early Retirement (over age 55 with at least 20 years of service)* — The annual accrued benefit equals the accrued benefit based on service to the early retirement date, reduced by 5% for each year a member retires before the normal retirement date. There is no reduction in benefits for a member who retires whose age plus years of service total at least 85 (80 effective January 1, 2018).
- *Late Retirement (after normal retirement date)* — The benefit accrued to the late retirement date.
- *Disability (certified to be permanently and totally disabled on or after May 1, 1990)* — 60% of final average monthly compensation reduced by 64% of Social Security disability.

Employees Covered by Benefit Terms

As of January 1, 2021, the participants comprised the following:

Active participants	831
Terminated vested participants	171
Disabled Participants	1
Retired participants	174
Beneficiaries	20
Total number of participants	<u>1,197</u>

The Plan’s assets are invested in pooled mutual and commingled funds and are stated at fair value as determined by the Plan’s custodian.

Contributions

The District’s annual minimum contribution is actuarially calculated based on the amount required to prevent the unfunded liability from increasing. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the actuarial accrued liability as set forth below. The unfunded actuarial accrued liability is amortized over a closed period of 30 years beginning January 1, 2014.

Effective January 1, 2018, employees who enter service on or after January 1, 2018 shall make mandatory contributions to the Plan at the rate of 5% of annual earnings and subject to 3.5% plan interest rate credits per year.

For the plan year ended December 31, 2020, the District made contributions of \$8,108,000, which represent 12.87% of annual covered payroll. These contributions were based on actuarially determined contribution requirements through an actuarial valuation performed at January 1, 2021. For the fiscal year ended September 30, 2021, the District made contributions of \$7,848,000 of which contributions subsequent to the measurement date through September 30, 2021 were \$3,790,000.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

Valuation date	January 1, 2020	January 1, 2021
Measurement date	December 31, 2019	December 31, 2020
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.00%	2.00%
Salary increases including inflation	4.00%	4.00%
Mortality	Pub-2010 General Mortality with MP-2019 mortality improvement scales	Pub-2010 General Mortality with MP-2019 mortality improvement scales

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Discount Rate

	<u>December 31, 2019</u>	<u>December 31, 2020</u>
Discount rate	8.00%	8.00%
Long-term expected rate of return, net of investment expense	8.00%	8.00%

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

The District has a history of paying at least 100% of the Actuarially Determined Contribution (previously termed the Annual Required Contribution) which is based on a closed amortization period, meaning that the payment of the Actuarially Determined Contribution each year will bring the plan to a 100% funded position by the end of the amortization period. The projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

NOTE 10. RETIREMENT PLAN (CONTINUED)

Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman’s investment consulting practice as of December 31, 2020.

Asset Class	Index	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	BAML 3-Mon Tbill	3.59%	-0.49%	-0.47%
US Short Bonds	Barclays 1-3 Yr Gvt/Credit	22.78%	0.45%	0.43%
US Long Bonds	Barclays LT Gvt/Credit		1.87%	1.50%
US Credit Bonds	Barclays Credit		1.61%	1.47%
US Large Caps	S&P 500	73.63%	3.93%	2.74%
US Small Caps	Russell 2000		5.09%	3.08%
US Large Growth	Russell 1000 Growth		4.12%	2.54%
US Large Value	Russell 1000 Value		4.22%	3.03%
US Mid Cap Growth	Russell MidCap Growth		4.78%	2.50%
Assumed Inflation - Mean			2.21%	2.21%
Assumed Inflation - Standard Deviation			1.65%	1.65%
Portfolio Real Mean Return			2.98%	2.32%
Portfolio Nominal Mean Return			5.19%	4.57%
Portfolio Standard Deviation				11.72%
Long-Term Expected Rate of Return				8.00%

* As outlined in the Plan’s investment policy dated December 31, 2015.

Sensitivity Analysis

The following presents the net pension liability of the NTMWD, calculated using the discount rate of 8.00%, as well as what the NTMWD’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Total pension liability	\$ 177,004,525	\$ 155,525,132	\$ 137,839,310
Fiduciary net position	109,779,061	109,779,061	109,779,061
Net pension liability	67,225,464	45,746,071	28,060,249

Pension Expense

For the year ended September 30, 2021, the District recognized pension expense of \$21,996,321 of which \$9,485,402 was allocated to the Support Fund, \$4,848,139 was allocated to the Water System, \$3,047,126 was allocated to the Wastewater System, \$1,407,475 was allocated to the Sewer System, \$2,717,715 was allocated to the Solid Waste System, and \$490,464 was allocated to the Interceptor System.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLAN (CONTINUED)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ (1,824,317)	\$ 9,793,129
Changes of assumptions	(4,662,342)	4,121,691
Net difference between projected and actual earnings	(1,206,701)	-
Contributions made subsequent to measurement date	-	3,790,000
Total	<u>\$ (7,693,360)</u>	<u>\$ 17,704,820</u>

Investment gains/losses are recognized in pension expense over a period of five years; economic/demographic gains/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members, currently 7.1 years for 2021.

\$3,790,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. The net amounts of the employer's other balances of deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2022	\$ 1,298,061
2023	1,969,173
2024	(358,570)
2025	1,418,494
2026	927,565
Thereafter	966,737
	<u>\$ 6,221,460</u>

NOTE 10. RETIREMENT PLAN (CONTINUED)

Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Increase (Decrease)</u>	<u>Net Pension Liability (a) - (b)</u>
		<u>Plan Fiduciary Net Position (b)</u>	
Balances as of September 30, 2020	\$ 124,390,397	\$ 98,049,843	\$ 26,340,554
Changes for the year:			
Service cost	3,725,591		3,725,591
Interest on total pension liability	12,541,673		12,541,673
Effect of plan changes	13,025,999		13,025,999
Effect of economic/demographic gains or losses	2,104,282		2,104,282
Effect of assumptions changes or inputs	4,794,071		4,794,071
Benefit payments	(5,056,881)	(5,056,881)	-
Employer contributions		8,108,000	(8,108,000)
Member contributions		577,140	(577,140)
Net investment income		8,100,959	(8,100,959)
Administrative expenses		-	-
Balances as of September 30, 2021	<u>\$ 155,525,132</u>	<u>\$ 109,779,061</u>	<u>\$ 45,746,071</u>

The District's total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions described above. There have been no significant changes between the valuation date and the fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB 67 and 68.

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Total pension liability	\$ 124,390,397	\$ 155,525,132
Fiduciary net position	98,049,843	109,779,061
Net pension liability	26,340,554	45,746,071
Fiduciary net position as a % of total pension liability	78.82%	70.59%

The plan has not had a formal actuarial experience study performed.

Pension Plan Fiduciary Net Position

	<u>December 31, 2019</u>	<u>December 31, 2020</u>
Assets		
Cash and cash equivalents	\$ 927,928	\$ 3,943,173
Receivables and prepaid expenses	-	-
Investments:		
Fixed income	11,887,458	25,006,262
Stocks	85,234,457	80,829,626
Total investments	<u>97,121,915</u>	<u>105,835,888</u>
Total assets	<u>98,049,843</u>	<u>109,779,061</u>
Liabilities		
Total liabilities	<u>-</u>	<u>-</u>
Net position restricted for pensions	<u>\$ 98,049,843</u>	<u>\$ 109,779,061</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS AND CONTINGENCIES

Commitments

Remaining commitments under construction contracts as of September 30, 2021 were as follows:

<u>Payable from:</u>	<u>Capital Improvement Funds</u>	<u>Restricted Bond Funds</u>	<u>Total Commitments</u>
Water System	\$ 118,155,844	\$ 361,562,240	\$ 479,718,084
Regional Wastewater System	630,544	397,796,127	398,426,671
Sewer System	2,885,186	34,732,508	37,617,694
Solid Waste System	509,170	191,535	700,705
Interceptor System	1,024,535	144,370,262	145,394,797
	<u>\$ 123,205,279</u>	<u>\$ 938,652,672</u>	<u>\$ 1,061,857,951</u>

Contingencies

The District is involved in threatened litigation and lawsuits arising in the ordinary course of business, including claims involving contract disputes. In the opinion of the District's management, potential liability in these matters will not have a material impact on the financial statements as of September 30, 2021.

NOTE 12. CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require the District to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the District accrues a portion of these estimated closure and postclosure care costs in each period based on landfill capacity used as of each Statement of Net Position date. At September 30, 2021, a liability of \$6,806,826 for landfill closure and postclosure care costs has been accrued in the Solid Waste System Fund in the accompanying statement of net position.

<u>Beginning Liability</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Liability</u>
\$ 6,584,346	\$ 222,480	-	\$ 6,806,826

The \$6,806,826 reported as landfill closure and postclosure care liability at September 30, 2021, includes \$221,681 for Transfer Stations, \$1,586,473 for the Maxwell Creek Landfill, \$2,957,186 for the McKinney Landfill and \$2,041,486 for the 121 Regional Disposal Facility, which represents the cumulative amount reported to date based on the use of 17% of the estimated capacity of the 121 Regional Disposal Facility. The Maxwell Creek Landfill was closed during 2006 and the McKinney Landfill was closed during 2009. The District will recognize the remaining cost of closure and postclosure care of \$9,718,228 for the 121 Regional Disposal Facility as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care at September 30, 2021. Based upon the current utilization of capacity, the remaining expected life of the 121 Regional Disposal Facility is estimated to be 69.9 years. Actual costs may be higher due to inflation, changes in technology, or changes in laws or regulations.

The District is required to provide financial assurance for closure and postclosure care to the State of Texas. In accordance with current regulations, a local government may demonstrate financial assurance for closure and postclosure care, or corrective action by satisfying certain requirements. Management of the District believes they have satisfied such requirements.

NOTE 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased for fire and extended coverage for the buildings, plants, structures and contents with a \$25,000 deductible per occurrence. Commercial insurance is also provided under a commercial floater policy, which covers the heavy off-road equipment with a \$10,000 deductible per occurrence. The District is a member of a public entity risk pool operating as a common risk management and insurance program for a number of water districts and river authorities within the State of Texas. Coverage provided by the pool consists of workers’ compensation, general liability, automobile liability, directors’ and officers’ liability, and automobile physical damage. Annual premiums are paid to the pool. The pool is self-sustaining through member premiums and the purchase of reinsurance through commercial companies. The amount of settlements did not exceed insurance coverage for the last three fiscal years.

The District maintains a self-insurance program for the employee group medical program. A third-party administrator is utilized to provide claims administration and payment of claims. Insurance is purchased to provide specific stop loss and aggregate stop loss protection.

The liability for insurance claims is based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities are based upon the insurance company’s figures for the District’s liability for termination claims upon the termination of the policy year and the stop loss premium for any claims above the District’s liability. Additionally, the liability for unpaid claims includes the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage, and subrogation. The liability is reported with accounts payable and accrued liabilities in the Statement of Net Position. Changes in the employees’ health claims liability amount in fiscal September 30, 2021 and 2020 were:

Fiscal Year	Liability Beginning of Year	Claims Incurred and Change in Estimates	Current Year Claim Payments	Liability End of Year
2020	\$ 1,756,382	\$ 13,131,157	\$ 13,168,647	\$ 1,718,892
2021	1,718,892	14,454,014	14,404,878	1,768,028

NOTES TO FINANCIAL STATEMENTS

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS

Plan Description and Benefits Provided

The District's defined benefit other postemployment benefits (OPEB) plan provides OPEB in the form of health and dental insurance benefits for certain retirees and their spouses up to age 65 through a single-employer defined medical plan. These benefits are funded 100 percent by the District for the currently eligible retirees and their spouses. A third-party administrator is utilized to provide claims administration and the District pays claims directly to the insurance provider. Insurance is purchased to provide specific stop loss and aggregate stop loss protection. The District does not issue separate audited financial statements for its plan.

Employees Covered by Benefit Terms

As of September 30, 2021, the participants comprised the following:

Actives	815
Retirees	75
Beneficiaries	18
Spouses of Retirees	50
Total number of participants	958

Contributions

The District's funding policy is established and may be amended by the District's Board of Directors. The District has established an irrevocable trust fund to accumulate assets for payment of future OPEB benefits. The District pre-funds benefits through contributions to the trust. The current funding policy is to contribute at least the Actuarially Determined Contribution as calculated by the actuary. The Actuarially Determined Contribution is the sum of the current year's normal cost plus an amount necessary to amortize the unfunded liability over a closed 20-year period beginning October 1, 2017. Currently, the District pays benefits on a pay-as-you-go basis.

Actuarial Assumptions

The total OPEB liability in the September 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	October 1, 2020	October 1, 2021
Measurement date	September 30, 2020	September 30, 2021
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.30%	2.20%
Salary increases including inflation	3.00%	3.00%
Long -Term Expected Rate of Return	7.50%	7.50%
Healthcare Cost Trend Rates (Medical)	5.9% for 2020, gradually decreasing to 4.5% from 2027-2033 and increasing to 4.6% from 2034-2042 and ultimately decreasing to 3.7% in 2076.	5.4% for 2021, gradually decreasing to 4.4% in 2029-2033 and increasing to 4.5% from 2034-2041 and ultimately decreasing to 3.7% in 2073.
Healthcare Cost Trend Rates (Dental)	3.95% for 2020-2042 and gradually decreasing to 3.69% in 2076.	3% for 2021-2073.

Mortality rates (pre-retirement) were based on the PUB-2010 General Employees Amount-Weighted Table with Mortality Improvement Scale MP-2020 on a generational basis with healthy annuitant rates after benefit commencement. Mortality rates (post-retirement) were based on the PUB-2010 General Retirees Amount-Weighted Table with Mortality Improvement Scale MP-2020 on a generational basis.

The plan has not had a formal actuarial experience study performed.

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**OPEB Plan Fiduciary Net Position**

	<u>September 30, 2020</u>	<u>September 30, 2021</u>
Assets		
Cash and cash equivalents	\$ 11,311	\$ 41,211
Receivables and prepaid expenses	-	-
Investments:		
Fixed income	1,772,051	2,056,476
Stocks	5,274,251	5,595,344
Real estate	-	-
Alternative investments	1,777,398	2,792,237
Total investments	<u>8,823,700</u>	<u>10,444,057</u>
Total assets	<u>8,835,011</u>	<u>10,485,268</u>
Liabilities		
Total liabilities	<u>-</u>	<u>-</u>
Net position restricted for OPEB	<u>\$ 8,835,011</u>	<u>\$ 10,485,268</u>

Net OPEB Liability

The District's total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and then was projected to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 75.

Long-Term Expected Rate of Return

The assumption for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of June 30, 2021.

Asset Class	Index	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	BAML 3-Mon Tbill	0.39%	-0.32%	-0.32%
US Core Fixed Income	Barclays Aggregate	14.72%	1.37%	1.26%
US High Yield Bonds	BAML High Yield	4.90%	3.95%	3.37%
Global Bonds	Citi WGBI	0.00%	-0.13%	-0.41%
US Large Caps	S&P 500	10.36%	5.15%	3.65%
US Equity Market	Russell 3000	10.55%	5.33%	3.70%
US Small Caps	Russell 2000	5.88%	6.58%	3.89%
US Mid Caps	Russell MidCap	4.98%	5.71%	3.66%
Foreign Developed Equity	MSCI EAFE NR	8.91%	6.27%	4.52%
Emerging Markets Equity	MSCI EM NR	6.73%	8.64%	4.95%
US REITs	FTSE NAREIT Equity REIT	5.95%	5.75%	3.57%
Master Limited Partnerships	Alerian MLP	6.99%	6.48%	3.11%

NOTES TO FINANCIAL STATEMENTS

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Long-Term Expected Rate of Return - continued

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Hedge FOF Strategic	HFRI FOF Strategic	10.08%	3.60%	2.90%
Hedge Funds - Event-Driven	HFRI Event-Driven	9.56%	3.86%	1.16%
Assumed Inflation - Mean			2.30%	2.30%
Assumed Inflation - Standard Deviation			1.16%	1.16%
Portfolio Real Mean Return			4.85%	3.96%
Portfolio Nominal Mean Return			7.15%	6.35%
Portfolio Standard Deviation				13.07%
Long-Term Expected Rate of Return				7.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50% and has not changed from the previous year. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The District contributes only the amount necessary to pay current year benefits and all cash flows are assumed to occur on average halfway through the year.

Changes in Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balances as of September 30, 2020	\$ 13,064,568	\$ 8,835,011	\$ 4,229,557
Changes for the year:			
Service cost	473,286	-	473,286
Interest on total OPEB liability	1,015,339	-	1,015,339
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	4,781,716	-	4,781,716
Effect of assumptions changes or inputs	480,872	-	480,872
Benefit payments	(1,963,496)	-	(1,963,496)
Employer contributions	2,127,708	-	2,127,708
Member contributions	29,202	-	29,202
Net investment income	-	1,650,257	(1,650,257)
Administrative expenses	(193,414)	-	(193,414)
Balances as of September 30, 2021	\$ 19,815,781	\$ 10,485,268	\$ 9,330,513

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity Analysis

The following presents the net OPEB liability of the District, calculated using the discount rate of 7.5%, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Total OPEB liability	\$ 21,209,822	\$ 19,815,781	\$ 18,578,348
Fiduciary net position	10,485,268	10,485,268	10,485,268
Net OPEB liability	<u>\$ 10,724,554</u>	<u>\$ 9,330,513</u>	<u>\$ 8,093,080</u>

The following presents the net OPEB liability of the District, calculated using the current healthcare cost trend rate of 5.4%, as well as what the District’s net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (4.4%) or 1 percentage point higher (6.4%) than the current healthcare cost trend rate.

	1% Decrease 4.4%	Current Trend Rate 5.4%	1% Increase 6.4%
Total OPEB liability	\$ 18,488,801	\$ 19,815,781	\$ 21,340,607
Fiduciary net position	10,485,268	10,485,268	10,485,268
Net OPEB liability	<u>\$ 8,003,533</u>	<u>\$ 9,330,513</u>	<u>\$ 10,855,339</u>

Deferred Outflows/Inflows of Resources Related to OPEB

At September 30, 2021, the District reported deferred inflows and outflows of resources from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (2,262,496)	\$ 4,785,032
Changes of assumptions	(402,260)	965,333
Net difference between projected and actual earnings	(586,702)	-
Total	<u>\$ (3,251,458)</u>	<u>\$ 5,750,365</u>

Amounts currently reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	Amount
2022	\$ 228,087
2023	205,628
2024	131,101
2025	120,470
2026	415,031
Thereafter	1,398,590
	<u>\$ 2,498,907</u>

Note that additional future deferred inflows and outflows of resources may impact these numbers.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. RECENTLY ISSUED GASB STATEMENTS

The District has implemented the following new accounting pronouncements:

GASB Statement No. 84, *Fiduciary Activities* is now effective for periods beginning after December 15, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. As a result of the implementation of this standard the District has included the Pension and OPEB Trust as Fiduciary funds in this report

GASB Implementation Guide No. 2019-1, Implementation Guidance Update – 2019. This Implementation Guide provides guidance that clarifies, explains, or elaborates on GASB Statements. It amends questions in *Implementation Guide No. 2015-1* and *Implementation Guide No. 2017-2, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Questions in paragraph 4 are new Category B guidance in the hierarchy of generally accepted accounting principles. Questions in paragraph 5 amend questions in previously issued Implementation Guides.

GASB Implementation Guide No. 2019-2, Fiduciary Activities. This Implementation Guide provides guidance that clarifies, explains, or elaborates on the requirements of Statement No. 84, *Fiduciary Activities*. It supersedes *Implementation Guide No. 2015-1*, Questions 6.6.1 and 7.81.2. It also amends questions in *Implementation Guide No. 2015-1*, *Implementation Guide No. 2016-1, Implementation Guide Update-2016*, and *Implementation Guide No. 2017-2, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

The GASB has issued the following statements which will be effective in future years as described below and in accordance with GASB Statement No. 95. The impact on the District's financial statements of implementation has not yet been determined for the following:

GASB Statement No. 87, *Leases* is now effective for periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61* is now effective for periods beginning after December 15, 2019. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

GASB Statement No. 91, *Conduit Debt Obligations* is now effective for periods beginning after December 15, 2021. The primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB Statement No. 92, *Omnibus* paragraphs 6, 7, 8, and 12 is now effective for periods beginning after June 15, 2021. The primary objective is to address implementation issues which have been identified related to GASB 87, *Leases*, reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, to reporting assets accumulated for postemployment benefits; the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs); reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments.

NOTE 15. RECENTLY ISSUED GASB STATEMENTS (CONTINUED)

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of paragraphs 13 and 14 are now effective for fiscal years beginning after June 15, 2021. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This statement is effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

PENSION & OPEB TREND INFORMATION (UNAUDITED)

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North Texas Municipal Employee Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years
(Dollar amounts in 1,000s)

	As of the Measurement Date December 31 for the Fiscal Year Ended September 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total Pension Liability (TPL)										
Service cost	\$ 3,726	\$ 3,712	\$ 3,428	\$ 2,897	\$ 2,517	\$ 3,058	\$ 2,166	\$ 2,005	N/A	N/A
Interest on total pension liability	12,542	10,062	9,451	8,582	7,643	6,614	6,387	5,854	N/A	N/A
Effect of plan changes	13,026	-	-	(843)	-	-	-	-	N/A	N/A
Effect of economic/demographic gains or (losses)	2,104	(1,312)	5,496	6,366	(2,503)	8,442	(4,871)	1,527	N/A	N/A
Effect of assumptions changes or inputs	4,794	(243)	(3,039)	(1,928)	(1,115)	(6,899)	-	154	N/A	N/A
Benefit payments	(5,057)	(4,749)	(4,517)	(3,507)	(3,092)	(2,617)	(2,055)	(1,700)	N/A	N/A
Net change in TPL	31,135	7,469	10,819	11,568	3,450	8,599	1,627	-	N/A	N/A
TPL, beginning	124,390	116,921	106,102	94,534	91,085	82,486	80,859	73,020	55,436	47,048
TPL, ending (a)	\$155,525	\$124,390	\$116,921	\$106,102	\$ 94,534	\$ 91,085	\$ 82,486	\$ 80,859	\$73,020	\$55,436
Fiduciary Net Position (FNP)										
Employer contributions	\$ 8,108	\$ 6,808	\$ 6,450	\$ 6,765	\$ 5,957	\$ 4,999	\$ 5,595	\$ 4,945	N/A	N/A
Member contributions	577	347	98	-	-	-	-	-	N/A	N/A
Investment income net of investment expenses	8,101	15,158	(5,315)	9,686	5,284	(1,337)	3,689	7,436	N/A	N/A
Benefit payments	(5,057)	(4,749)	(4,517)	(3,507)	(3,092)	(2,617)	(2,055)	(1,700)	N/A	N/A
Administrative expenses	-	-	-	-	-	(195)	(180)	(159)	N/A	N/A
Net change in FNP	11,729	17,564	(3,284)	12,944	8,149	850	7,049	10,522	N/A	N/A
FNP, beginning	98,050	80,486	83,770	70,827	62,678	61,828	54,779	44,257	35,949	32,430
FNP, ending (b)	109,779	98,050	80,486	83,770	70,827	62,678	61,828	54,779	44,257	35,949
Net Pension Liability, ending = (a) - (b)	\$ 45,747	\$ 26,341	\$ 36,435	\$ 22,331	\$ 23,708	\$ 28,407	\$ 20,658	\$ 26,081	\$28,763	\$19,487
FNP as a % of TPL	70.59%	78.82%	68.84%	78.95%	74.92%	68.81%	74.96%	67.75%	60.61%	64.85%
Covered payroll	\$ 53,290	\$ 42,877	\$ 41,022	\$ 33,587	\$ 31,778	\$ 30,085	\$ 26,655	\$ 25,929	\$24,859	\$24,256
Net pension liability as a % of covered payroll	85.85%	61.43%	88.82%	66.49%	74.61%	94.42%	77.50%	100.59%	115.70%	80.34%

Notes to Schedule:

Changes of assumptions. The mortality assumptions were updated from Projection Scale MP-2016 to Projection Scale MP-2017. Data prior to 2014 is not available. Additional years' information will be displayed as it becomes available.

NOTE: The District implemented GASB Statement No. 68 in FY2015. Information in this table has been determined as of the measurement date (December 31) of the net pension liability and will ultimately contain information for ten years.

North Texas Municipal Employee Retirement System
Schedule of Employer Contributions
Last 10 Fiscal Years
(Dollar amounts in 1,000s)

	Fiscal Year Ended September 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially Determined Contribution	\$ 7,599	\$ 6,510	\$ 5,195	\$ 5,213	\$ 5,034	\$ 4,600	\$ 4,386	\$ 4,504	\$ 4,555	\$ 3,841
Actual Employer Contribution	7,848	8,108	6,450	6,765	5,957	4,999	5,595	4,945	5,022	3,925
Contribution Deficiency (Excess)	(249)	(1,598)	(1,255)	(1,552)	(923)	(399)	(1,209)	(441)	(467)	(84)
Covered Payroll*	\$ 62,977	\$ 54,413	\$ 47,598	\$ 33,587	\$ 31,778	\$ 30,085	\$ 26,655	\$ 25,929	\$ 24,859	\$ 24,256
Contributions as a % of Covered Payroll	12.46%	14.90%	13.55%	20.14%	18.75%	16.62%	20.99%	19.07%	20.20%	16.18%

* Covered payroll for 2019-2021 is for the fiscal year period ended September 30. Covered payroll for 2011-2018 is for the fiscal year period ending December 31 within each year.

North Texas Municipal Employee Retirement System
Money-Weighted Rate of Return
Fiscal Year Ended September 30

Fiscal Year Ended September 30	Net Money-Weighted Rate of Return
2012	N/A
2013	N/A
2014	16.58%
2015	6.64%
2016	-2.15%
2017	8.36%
2018	13.48%
2019	-6.29%
2020	18.56%
2021	8.18%

Data prior to 2014 is not available. Additional years' information will be displayed as it becomes available.

North Texas Municipal Employee Other Postemployment Benefits Plan
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years
(Dollar amounts in 1,000s)

	Fiscal Year Ended September 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB Liability										
Service cost	\$ 473	\$ 405	\$ 374	\$ 406	\$ 432	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	1,015	923	953	832	826	N/A	N/A	N/A	N/A	N/A
Changes on benefit terms	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	4,782	(828)	(1,677)	1,046	(1,258)	N/A	N/A	N/A	N/A	N/A
Effect of assumptions changes or inputs	481	662	(83)	(634)	104	N/A	N/A	N/A	N/A	N/A
Benefit payments	(1,963)	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Employer contributions	2,128	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Member contributions	29	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(194)	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	6,751	1,162	(433)	1,650	104	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	13,065	11,902	12,335	10,685	10,581	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending (a)	19,816	13,065	11,902	12,335	10,685	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position (FNP)										
Employer contributions	\$ -	\$ 50	\$ -	\$ 696	\$ 600	N/A	N/A	N/A	N/A	N/A
Net investment income	1,650	565	227	428	600	N/A	N/A	N/A	N/A	N/A
Benefit payments	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Administrative expenses	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Net change in FNP	1,650	615	227	1,124	1,200	N/A	N/A	N/A	N/A	N/A
FNP, beginning	8,835	8,220	7,993	6,869	5,669	N/A	N/A	N/A	N/A	N/A
FNP, ending (b)	10,485	8,835	8,220	7,993	6,869	N/A	N/A	N/A	N/A	N/A
Net OPEB liability, ending = (a) - (b)	\$ 9,331	\$ 4,230	\$ 3,682	\$ 4,342	\$ 3,816	N/A	N/A	N/A	N/A	N/A
FNP as a % of total OPEB liability	52.91%	67.62%	69.06%	64.80%	64.28%	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll (as reported with pension data)	\$ 62,977	\$ 54,413	\$ 47,598	\$ 33,587	\$ 31,778	N/A	N/A	N/A	N/A	N/A
Net OPEB liability as a % of covered payroll	14.82%	7.77%	7.74%	12.93%	12.01%	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Changes of benefit terms. There were no substantial changes to benefits between 2020 and 2021.

Changes of assumptions. Per capita claims and trend rates were updated to reflect recent claims data.

Data prior to 2017 is not available. Additional years' information will be displayed as it becomes available.

North Texas Municipal Employee Other Postemployment Benefits Plan
Schedule of NTMWD Contributions
Last 10 Fiscal Years
(Dollar amounts in 1,000s)

	Fiscal Year Ended September 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially Determined Contribution	\$ 905	\$ 819	\$ 864	\$ 832	\$ 669	N/A	N/A	N/A	N/A	N/A
Actual Employer Contribution	-	50	-	696	600	N/A	N/A	N/A	N/A	N/A
Contribution Deficiency (Excess)	905	769	864	137	69	N/A	N/A	N/A	N/A	N/A
Covered Payroll	\$ 62,977	\$ 54,413	\$ 47,598	\$ 33,587	\$ 31,778	N/A	N/A	N/A	N/A	N/A
Contributions as a % of Covered Payroll	0.00%	0.09%	0.00%	2.07%	1.89%	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Valuation Timing	Actuarial valuations for funding purposes are performed annually as of October 1.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent; Closed
Amortization Period	16
Asset Valuation Method	Market Value
Inflation	2.20%
Salary Increases	3.00%
Discount Rate	7.50%
Healthcare Cost Trend Rates (Medical)	5.4% for 2021, gradually decreasing to 4.4% in 2029-2033 and increasing to 4.5% from 2034-2041 and ultimately decreasing to 3.7% in 2073.
Healthcare Cost Trend Rates (Dental)	3% for 2021-2073.
Retirement age	Participants are assumed to retire at the earlier of their Normal Retirement Age or the eligibility for unreduced early retirement benefit under the Retirement Plan.
Mortality	Pre-retirement: PUB-2010 General Employees Amount-Weighted Table with Mortality Improvement Scale MP-2020 on a generational basis with healthy annuitant rates after benefit commencement. Post-retirement: PUB-2010 General Retirees Amount-Weighted Table with Mortality Improvement Scale MP-2020 on a generational basis. Disability retirement: PUB-2010 Disabled Retirees Amount-Weighted Table with Mortality Improvement Scale MP-2020 on a generational basis. Survivor retirement: PUB-2010 Contingent Survivors Amount-Weighted Table with Mortality Improvement Scale MP-2020 on a generational basis.

2017 and 2018 payroll as reported with pension data. 2019 through 2021 payroll shows fiscal year ending September 30 reported with OPEB data.

Data prior to 2017 is not available. Additional years' information will be displayed as it becomes available.

Changes in Actuarial Assumptions Since Prior Valuation

Effective October 1, 2021, the following changes were made to the actuarial assumptions:

- Per capita claims and trend rates were updated to reflect recent claims data.

North Texas Municipal Employee Other Postemployment Benefits Plan
Money-Weighted Rate of Return
Fiscal Year Ended September 30

Fiscal Year Ended September 30	Net Money-Weighted Rate of Return
2012	NA
2013	NA
2014	NA
2015	NA
2016	NA
2017	10.68%
2018	5.94%
2019	3.41%
2020	0.50%
2021	19.15%

Data prior to 2017 is not available. Additional years' information will be displayed as it becomes available.

APPENDIX B

NORTH TEXAS MUNICIPAL WATER DISTRICT
SABINE CREEK REGIONAL WASTEWATER SYSTEM

WATERWORKS AND SEWER SYSTEM FINANCIAL DATA ⁽¹⁾
FOR CERTAIN MEMBER CITIES

(1) The following condensed operating schedules in this Appendix B have been compiled using a presentation customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, debt service payments and expenditures identified as capital.

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CITY OF ROYSE CITY, TEXAS

WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2021	2020	2019	2018	2017
<u>Revenues</u>	<u>\$ 13,169,933</u>	<u>\$ 9,589,954</u>	<u>\$ 7,957,392</u>	<u>\$ 7,702,976</u>	<u>\$ 5,884,168</u>
<u>Expenditures</u>					
Water Purchased	\$ 1,738,201	\$ 1,506,989	\$ 1,432,070	\$ 1,264,177	\$ 1,130,606
Other ⁽¹⁾	<u>4,890,560</u>	<u>3,175,938</u>	<u>3,600,731</u>	<u>2,807,188</u>	<u>2,653,531</u>
	<u>\$ 6,628,761</u>	<u>\$ 4,682,927</u>	<u>\$ 5,032,801</u>	<u>\$ 4,071,365</u>	<u>\$ 3,784,137</u>
Net Income	<u>\$ 6,541,172</u>	<u>\$ 4,907,027</u>	<u>\$ 2,924,591</u>	<u>\$ 3,631,611</u>	<u>\$ 2,100,031</u>
Water Customers	6,927	5,566	4,897	4,734	4,205

(1) Excludes depreciation and interest expense.

Monthly Water Rates – (Effective January 2018)

	<u>Gallons</u>	<u>Residential</u>	<u>Commercial</u>
First	3,000	\$28.06 (Minimum)	\$37.42 (Minimum)
	3,001 - 10,000	5.72	8.12
	10,001 - 15,000	7.15	8.12
	15,001 -25,000	8.95	8.12
	25,001 +	10.28	8.12

MONTHLY SEWER RATES – (EFFECTIVE JANUARY 2018)

	<u>Gallons</u>	<u>Residential</u>	<u>Commercial</u>
First	3,000	\$32.68 (Minimum)	\$50.28 (Minimum)
	3,001 - 10,000	7.54	7.54
	10,001 - 15,000	7.54	7.54
	15,001 -25,000	7.54	7.54
	25,001 +	7.54	7.54

CITY OF FATE, TEXAS

WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
<u>Operating Revenues</u>	2021	2020	2019	2018	2017
Charges for Sales and Services	\$ 10,419,310	\$ 9,842,459	\$ 8,276,465	\$ 7,940,054	\$ 6,618,065
Impact Fees	-	-	-	622,884	857,786
Investment Income	72,227	146,929	248,575	157,967	51,064
Impact Developer Fees	3,474,521	4,124,891	2,728,831	2,724,543	2,752,057
Miscellaneous	35,271	35,998	5,028	4,180	6,393
	<u>\$ 14,001,329</u>	<u>\$ 14,150,277</u>	<u>\$ 11,258,899</u>	<u>\$ 11,449,628</u>	<u>\$ 10,285,365</u>
<u>Expenditures</u> ⁽¹⁾					
Personal Services	\$ 895,706	\$ 791,358	\$ 672,471	\$ 622,170	\$ 511,652
Supplies and Materials	230,375	276,612	182,119	196,568	169,951
Maintenance and Repairs	116,249	157,522	83,269	56,355	95,024
Contractual Services	5,590,807	4,970,026	5,123,142	4,132,074	3,938,813
Utilities	-	-	72,037	77,465	90,524
Total	<u>\$ 6,833,137</u>	<u>\$ 6,195,518</u>	<u>\$ 6,133,038</u>	<u>\$ 5,084,632</u>	<u>\$ 4,805,964</u>
Net Income	<u>\$ 7,168,192</u>	<u>\$ 7,954,759</u>	<u>\$ 5,125,861</u>	<u>\$ 6,364,996</u>	<u>\$ 5,479,401</u>
Water Customers	7,019	6,308	5,814	4,798	4,533
Sewer Customers	5,919	5,172	4,536	3,731	4,536

(1) Excludes depreciation.

COVERAGE AND FUND BALANCES

Average Annual Principal and Interest Requirements, 2022-2037	\$ 414,700
Coverage of Average Annual Debt Service Requirements by 9-30-21 Net Income	17.29 Times
Maximum Debt Service Requirements, 2028	\$ 418,050
Coverage of Maximum Debt Service Requirements by 9-30-21 Net Income	17.15 Times
Water and Sewer System Revenue Bonds Outstanding, 9/30/21	\$ 5,050,000

Monthly Water Rates – (Effective August 6, 2018)

	Residential		Non-Residential	
	Inside City	Outside City	Inside City	Outside City
0.625 inch meter	\$ 21.32	\$ 26.65	\$ 21.32	\$ 26.65
0.750 inch meter	21.32	26.65	21.32	26.65
1.000 inch meter	53.29	66.61	53.29	66.61
1.500 inch meter	106.58	133.23	106.58	133.23
2.000 inch meter	170.53	213.16	170.53	213.16
3.000 inch meter	319.80	399.75	319.80	399.75
4.000 inch meter	533.00	666.25	533.00	666.25
6.000 inch meter	1,066.00	1,332.50	1,066.00	1,332.50
8.000 inch meter	1,705.60	2,132.00	1,705.60	2,132.00
10.000 inch meter	2,451.80	3,064.75	2,451.80	3,064.75
	Residential		Non-Residential	
	Inside City	Outside City	Inside City	Outside City
0-5,000 gallons	\$ 4.90	\$ 6.13	\$ 5.14	\$ 6.53
5,001 - 10,000 gallons	6.62	8.28	6.94	8.68
10,001 - 100,000 gallons	8.93	11.16	9.37	11.71
Over 100,000 gallons	12.51	15.64	12.65	15.91

MONTHLY SEWER RATES – (EFFECTIVE AUGUST 6, 2018)

		Residential		Non-Residential	
		Inside City	Outside City	Inside City	Outside City
0.625	inch meter	\$ 33.80	\$ 42.25	\$ 33.80	\$ 42.25
0.750	inch meter	33.80	42.25	33.80	42.25
1.000	inch meter	81.49	101.86	81.49	101.86
1.500	inch meter	162.98	203.76	162.98	203.76
2.000	inch meter	260.77	325.96	260.77	325.96
3.000	inch meter	488.94	611.18	488.94	611.18
4.000	inch meter	814.89	1,018.61	814.89	1,018.61
6.000	inch meter	1,629.79	2,037.24	1,629.79	2,037.24
8.000	inch meter	2,607.66	3,259.58	2,607.66	3,259.58
10.000	inch meter	3,747.96	4,684.95	3,747.96	4,684.95

		Residential		Non-Residential	
		Inside City	Outside City	Inside City	Outside City
Per 1,000	gallons	\$ 4.71	\$ 5.89	\$ 4.71	\$ 5.89

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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September 22, 2022

NORTH TEXAS MUNICIPAL WATER DISTRICT
SABINE CREEK REGIONAL WASTEWATER SYSTEM
CONTRACT REVENUE BONDS,
SERIES 2022,
DATED AUGUST 15, 2022
\$ _____

AS BOND COUNSEL for the North Texas Municipal Water District (the "Issuer"), in connection with the issuance of the Sabine Creek Regional Wastewater System Contract Revenue Bonds, Series 2022 (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the Resolution of the Issuer authorizing the issuance and sale of the Bonds (the "Bond Resolution").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments relating to the authorization of the Bond to be initially delivered (the "Initial Bond") and the Bonds to be delivered in substitution therefor (the "Definitive Bonds") and the issuance and delivery of the Initial Bond, including the executed Initial Bond and a printed form for the Definitive Bonds initially made available by the Issuer for conversion of and exchange for the Initial Bond.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and the Initial Bond has been duly issued and delivered, all in accordance with law, and that, except as may be limited by laws relating to sovereign immunity and to bankruptcy, reorganization, and other similar matters affecting creditors' rights, (i) the covenants and agreements in the Bond Resolution constitute valid and binding obligations of the Issuer, and the Bonds constitute valid and legally binding special obligations of the Issuer, which, together with other bonds, are secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, including the Gross Revenues of the Issuer's Sabine Creek Regional Wastewater System, and including specifically certain payments to be received by the District from the Cities of Fate and Royse City, Texas (the "Participants"), under the "Sabine Creek Regional Wastewater System Contract", dated March 3, 2003 (the "Contract"), among the Participants and the Issuer, and all similar contracts with any Additional Participants as permitted in the Contract, and (ii) the Contract is authorized by law, has been duly executed, is valid, and is legally binding upon and enforceable by the parties thereto in accordance with their respective terms and provisions.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue additional parity revenue bonds which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues.

THE ISSUER also has reserved the right, subject to the restrictions stated in the Bond Resolution, to amend the Bond Resolution with the approval of the holders or owners of fifty-one percent in principal amount of all outstanding bonds which are secured by and payable from a first lien on and pledge of the aforesaid Pledged Revenues.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Bond Resolution.

IT IS FURTHER OUR OPINION, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Member Cities, or the adequacy of the Pledged Revenues, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

Financial Advisory Services
Provided By



NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

ADMINISTRATIVE MEMORANDUM NO. 5851

AMENDMENT TO THE ADMINISTRATION AND FINANCE POLICIES MANUAL RESOLUTION NO. 22-36

ACTION (*What*)

Authorize amending the Administration and Finance Policies Manual as follows: (a) Section 1, General Investment Policy; (b) Section 4, Water Variable Cost Rebate Policy; (c) Section 6, Purchasing Policy; (d) Section 10, Handgun Policy; (e) Section 11, Fund Balance Policy; (f) Section 12, Debt Management Policy; (g) add Section 13, Grant Management Policy; and (h) Exhibit A, NTMWD Investment Strategy Statement.

PURPOSE (*Why*)

The amendments are recommended for the following purposes: reviewing and amending the General Investment Policy to comply with the Public Funds Investment Act; amending the Handgun Policy to account for the opening of Bois d'Arc Lake; amending the Fund Balance Policy and the Debt Management Policy to implement the Board approved Independent Review recommendations; adding the Grant Management Policy to remediate the FY21 Single Audit finding. Other changes are based on circumstances and alignment with best practices.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors amend the NTMWD Administration and Finance Policies Manual as follows: (a) Section 1, General Investment Policy; (b) Section 4, Water Variable Cost Rebate Policy; (c) Section 6, Procurement Policy; (d) Section 10, Handgun Policy; (e) Section 11, Fund Balance Policy; (f) Section 12, Debt Management Policy; (g) add Section 13, Grant Management Policy; and (h) Exhibit A, NTMWD Investment Strategy Statement; and adopt Resolution No. 22-36, approving NTMWD's Investment Policy and Investment Strategies; and a statement documenting that the policy was reviewed by the Board in compliance with the Public Funds Investment Act.

Staff reviewed Sections 1, 4, 6, 10, 11, 12 and Exhibit A of the Administration and Finance Policies Manual with the Finance Committee on June 8, 2022, and Sections 1, 4, 6, 10, 11, 12, 13 and Exhibit A with the Policy Committee on August 10, 2022. The Finance and Policy Committees recommend the amendment to the Administration and Finance Policies Manual.

DRIVER(S) FOR THIS PROJECT

<input checked="" type="checkbox"/> Regulatory Compliance	<input type="checkbox"/> Asset Condition
<input type="checkbox"/> Capacity	<input type="checkbox"/> Redundancy/Resiliency
<input type="checkbox"/> Relocation or External Requests	<input type="checkbox"/> Operational Efficiency
<input type="checkbox"/> Safety	<input checked="" type="checkbox"/> Administrative
<input checked="" type="checkbox"/> Policy	<input type="checkbox"/> Other _____

BACKGROUND

- In April 2016, the Board Policies Manual combined many existing Administration and Finance- related policies into the Administration and Finance Polices Manual, which was adopted by the Board of Directors.
- The NTMWD Administration and Finance Policies Manual was amended in October 2016 to include the Handgun Policy.
- The NTMWD Administration and Finance Policies Manual was amended in November 2017 to include the Fund Balance Policy.
- The NTMWD Administration and Finance Policies Manual was amended in December 2018 to include additional Investment Brokers.
- The NTMWD Administration and Finance Policies Manual was amended in October 2019 to establish minimum fund balances for the Capital Improvement and Contingency Funds in the Regional Water System.
- The NTMWD Administration and Finance Policies Manual was amended in February 2020 to establish NTMWD Records retention schedule in accordance with the Texas State Library and Archives Commission (TSLAC) retention Schedule.
- The NTMWD Administration and Finance Policies Manual was amended in July 2020 to create uniform procedures for obtaining goods and services in a manner consistent with generally accepted purchasing procedures and legally mandated standards and to amend the Fund Balance Policy to include and set the Rate Stabilization Fund.
- The NTMWD Administration and Finance Policies Manual was amended in June 2021 to incorporate recommendations from the Government Treasurer's Organization of Texas and Hilltop Securities Asset Management, LLC, that add clarity and expand on current topics to the General Investment Policy. Amending the Fund Balance Policy added the Support Services Operating Fund, Support Services Contingency Fund, and the health Insurance Fund, as well as clarity to the previously listed funds. Adding the Debt Policy documents that debt will not exceed the life of the assets, requirements for refundings and bond sales, and establishes guidelines for the District's Extendable Commercial Paper Programs.
- The NTMWD Administration and Finance Policies Manual was amended in September 2021 to change delegate signature authority, general exemptions, and minor verbiage changes in the Purchasing Policy.
- The NTMWD Administration and Finance Policies Manual is being amended in August 2022. Amending the General Investment Policy removes the US Government Notes and the Rate Stabilization Fund, and adds Arbitrage Funds. Amending the Water Variable Cost Rebate Policy adds Variable Cost to the name, discontinues use of budgeted excess rate to determine rebates, starts determining variable cost by calculating budgeted variable cost less actual variable costs, and changes the timing of the potential payment from September to November. Amending the Procurement Policy updates the department and policy names from Purchasing to Procurement, adds management's responsibility for controls for their department's procurement procedures, and oversight for their department's purchasing card

activities. Amending the Handgun Policy implements policy changes in anticipation of Bois d'Arc Lake opening and aligns with Texas Penal Code allowing licensed and unlicensed handgun carriers to carry accordingly. Amending the Fund Balance Policy to set a target balance of the Regional Water System Operating and Contingency Funds (combined), of 150 days of expenses, and allow operating funds to be reserved for selected existing contract encumbrances at year end. Amending the Debt Management Policy to list debt structuring options such as level debt service, level principal, interest only, and capitalized interest. Adding the Grant Management Policy establishes departmental responsibilities to ensure sound management and compliance with the applicable regulations for any grants and assigns oversight to the Accounting Department. Amending the NTMWD Investment Strategy Statement to align with the changes to the General Investment Policy.

REVIEW

- Attached is a copy of the redlined version of the proposed changes to the Administration and Finance Policies Manual and Resolution No. 22-36.
- A copy of the complete Administration and Finance Policies Manual is included as Appendix C.

NORTH TEXAS MUNICIPAL WATER DISTRICT

RESOLUTION NO. 22-36

A RESOLUTION APPROVING NTMWD INVESTMENT POLICY AND INVESTMENT STRATEGY

WHEREAS, the Public Funds Investment Act of Texas as amended, requires the Board of Directors of the North Texas Municipal Water District to annually review its investment policy and investment strategy,

NOW, THEREFORE, THE BOARD OF DIRECTORS IN A REGULAR MEETING DETERMINES AND RESOLVES THAT:

1. After reviewing Section I., Investment Policy and the Investment Strategy of the NTMWD Administration and Finance Policies Manual, the Board of Directors hereby directs that the written Investment Policy and Investment Strategy be implemented and followed by the NTMWD staff.

THIS RESOLUTION ADOPTED BY THE NTMWD BOARD OF DIRECTORS IN A REGULAR MEETING ON AUGUST 25, 2022, IN THE ADMINISTRATIVE OFFICES OF THE NTMWD, WYLIE, TEXAS.

GEORGE CRUMP, Secretary

JACK MAY, President

(Seal)

North Texas Municipal Water District

Administration and Finance Policies Manual

Adopted April 2016
Amended October 2016
Amended November 2017
Amended December 2018
Amended October 2019
Amended February 2020
Amended July 2020
Amended June 2021
Amended September 2021
Amended August 2022

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SECTION 1. GENERAL INVESTMENT POLICY

1.1. Governing Authority

This Investment Policy is in accordance with Chapter 2256 of the Texas Government Code, the Public Funds Investment Act (the “Act”). The investment strategy conforms to governing legislation and other legal requirements. In addition to this Policy, borrowed funds shall be managed by their respective governing resolution, and by all applicable state and federal regulations.

1.2. Purpose and Scope

This Investment Policy establishes authorized officers to invest NTMWD funds, how NTMWD funds shall be invested, and guidelines for periodic reviews of investments.

This Investment Policy applies to all of the investment activities for NTMWD funds excluding certain trust and pension funds contractually invested by outside managers, e.g., Retirement/Pension, and Employee Deferred Compensation.

This policy includes all funds listed and accounted for in the District’s ~~Comprehensive~~ Annual Comprehensive Financial Report (~~CAFRACFR~~) which includes the following:

1. Unrestricted Funds
 - Operating Funds
 - Capital Improvement Funds
 - Preventative Maintenance Funds
 - ~~U.S. Government Notes~~
 - ~~Rate Stabilization Funds~~
 - Support Services Escrow Funds
 - Health Insurance Holding Funds

2. Restricted Funds
 - Construction Funds
 - Interest and Redemption (Sinking) Funds
 - Reserve Funds
 - Contingency Funds
 - Reserve for Maintenance Funds
 - Arbitrage Liability Funds

Pooling of Funds

NTMWD will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration.

Investment income shall be allocated to the various funds based on their respective investment participation, in accordance with generally accepted accounting principles.

1.3. Investment Strategy and Objectives

In conjunction with the annual review, the Board shall review the separate written Investment Strategy Statement, included as Exhibit “A,” for each of NTMWD's funds, and adopt revisions or additional Investment Strategy Statements as needed. The Statement describes the investment objectives according to the following priorities:

1. Investment suitability;
2. Preservation and safety of principal;
3. Liquidity;
4. Marketability prior to maturity of each investment;
5. Diversification; and,
6. Yield.

The primary objective of all investment activity is the preservation of capital and the safety of principal throughout the portfolio. Each investment transaction shall seek to avoid capital losses, whether from securities default or erosion of market value.

The investment portfolio will maintain liquidity to meet reasonably anticipated cash flow requirements. This will be accomplished by structuring the portfolio so securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, not all possible cash demands can be anticipated; the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in local government investment pools and/or money market mutual funds or which offer same-day liquidity for short-term funds.

NTMWD’s portfolio shall be designed with the objective of regularly meeting or exceeding the average yield on three-month U.S. Treasury bills. This appropriate indicator is the benchmark for lower risk investment transactions and therefore comprise a minimum standard for NTMWD’s portfolio’s rate of return. The investment strategy shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles.

1.4. Responsibility and Controls

Authority to Invest

The Executive Director/General Manager (“ED/GM”) or his/her designee shall be the “Investment Officer” of NTMWD. The ED/GM shall designate one or more Alternate Investment Officers to perform the duties of managing NTMWD funds in the absence of the Investment Officer. The authorized Investment Officer can deposit, withdraw, invest, transfer, execute documentation, and otherwise manage NTMWD funds according to the rules governing NTMWD’s funds, including but not limited to this Policy.

The Investment Officer and Alternate Investment Officers shall attend at least ten hours of training within 12 months of assuming these duties that addresses investment controls, security risks,

strategy risks, market risks, diversification of investment portfolio and compliance with the Public Funds Investment Act. Thereafter, the Investment Officer, Alternate Investment Officers and all District personnel involved with investments shall attend an investment training session not less than once in a two-year period that begins on the first day of the fiscal year and consists of the two consecutive fiscal years after that date and receive not less than eight hours of training related to investment responsibilities. This investment training shall be taught by an independent source as listed in Exhibit “B.”

Prudent Investment Management and Standard of Care

Investment Officers exercising due diligence while acting in accordance with written procedures and this investment policy, shall be relieved of personal responsibility for individual security credit risk or market price changes; provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The standard of prudence used by the Investment Officer shall be the “prudent investor rule” as set forth in the Act and shall be applied in the context of managing an overall portfolio within the applicable legal constraints. The Act states:

“Investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.”

Standards of Ethics

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall adhere to NTMWD’s “Code of Conduct” policies. Additionally, they shall file with the Texas Ethics Commission and NTMWD’s Board of Directors a statement disclosing any personal business relationship with an entity seeking to sell investments to NTMWD or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investments to NTMWD. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of NTMWD.

Establishment of Internal Controls

The ED/GM or his/her designee will oversee the Investment Officer in the maintenance of a system of internal controls over the investment activities of NTMWD.

1.5. Reporting

The Investment Officer shall prepare a quarterly investment report, including a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the previous quarter. This management summary will be prepared in a manner that will allow NTMWD to ascertain whether investment activities during the reporting period have conformed to the investment policy. The Board of Directors will receive the quarterly report; prepared and signed by the Investment Officer and the Alternate Investment Officer. The report will include the following:

1. Describe in detail the investment position of NTMWD;
2. State the reporting period beginning book and market value, fully accrued interest during the period, and ending book and market value for the period for each pooled fund group;
3. State the reporting period ending book and market value for each investment security by asset type and fund type;
4. State the maturity date of each investment security;
5. State the fund type for which each investment security was purchased, and;
6. State the compliance of the investment portfolio with NTMWD's Investment Policy and Investment Strategy Statement and the Public Funds Investment Act.

NTMWD, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to NTMWD's Investment Policy and Investment Strategy Statement. If NTMWD purchases securities other than money market funds, investment pools or accounts offered by its depository bank, an independent auditor shall formally review the reports prepared by the Investment Officer annually. Then, these results of the review will be reported to the Board of Directors.

1.6. Authorized Investment Advisors and Broker/Dealers

An approved list of Authorized Investment Advisors (if applicable) and Broker/Dealers will provide investment transaction services to NTMWD are listed in Exhibit "C".

1. Investment Advisors shall adhere to the spirit, philosophy and specific term of this Policy and shall invest within the same "Standard of Care" as applied to NTMWD.

The Investment Officer will select and establish criteria to evaluate Investment Advisors including:

1. Adherence to NTMWD's policies and strategies;
 2. Portfolio performance and transaction pricing within accepted risk constraints;
 3. Responsiveness to NTMWD's request for services and information;
 4. Understanding of the inherent fiduciary responsibility of investing public funds; and
 5. Similarity in philosophy and strategy with NTMWD's objectives.
2. Broker/Dealers shall adhere to the spirit and philosophy of this Policy and shall avoid

recommending or suggesting transactions outside of such standard.

The approved security broker/dealers are selected by creditworthiness and/or other factors, such as FINRA broker check. In addition, the Board of Directors will at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of Financial Industry Regulatory Authority (FINRA) certification
- Proof of state registration
- Completed broker/dealer questionnaire Certification of having read, understood, and agreeing to comply with NTMWD's investment policy. In addition, they have implemented reasonable procedures and controls in an effort to preclude investment transactions conducted that are not authorized by the NTMWD's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio or requires an interpretation of subjective investment standards.

1.7. Safekeeping and Custody

1. Delivery vs. Payment

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible custody account prior to the release of funds.

2. Safekeeping

Securities will be held by an independent third-party custodian selected by NTMWD and held in NTMWD's name as evidenced by safekeeping receipts of the institution with which the securities are deposited. The safekeeping institution shall annually provide a copy of their most recent report on internal controls.

3. Internal Controls

The Investment Officer shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed annually by the investment committee, where present, and with the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, third-party misrepresentation, unanticipated changes in financial markets, or imprudent actions by employees and officers of NTMWD.

1.8. Suitable and Authorized Investments

1. Investment Types –The following investments will be permitted by this policy:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government;
- U.S. government agency and instrumentality obligations unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its respective agencies and instrumentalities, excluding mortgage backed and asset backed securities
- A certificate of deposit or share certificate is an authorized investment if the certificate is issued by a depository institution that has its main office or a branch in this state and is:
 - a. Secured in accordance with Chapter 2257 or in any other manner and amount provided by law for deposits of NTMWD; or
 - b. Secured by obligations that are described in Section 2256.009(a) of the Act, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgaged backed securities of the nature described by Section 2256.009(b) of the Act; and
 - c. Solicited for bid orally, in writing, electronically, or any combination of those methods.
- Fully collateralized repurchase agreements meeting the requirements described by the Public Funds Investment Act. The term includes direct security repurchase agreements entered into by NTMWD and reverse repurchase agreements only obtained in connection with investment by NTMWD in an Eligible Investment Pool. All NTMWD repurchase agreement transactions shall be governed by a signed master repurchase agreement.
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation

The following maximum limits, by instrument, are established for the District’s total portfolio to be followed at time of purchase:

- U.S. Treasury Securities 100%
- U.S. Agencies and Instrumentalities75%
 - U.S. Agency Bullet.75%
 - U.S. Agency Callable25%
- Certificates of Deposit.....40%
- Repurchase Agreements.....40%
- Money Market Mutual Funds.....25%

- Authorized Investment Pools.....100%
- If an authorized investment in the District’s portfolio is rated in a way that causes it to become an unauthorized investment, the Investment Officer shall review the investment to determine whether it would be more prudent to hold the investment until its maturity, or to redeem the investment;
- The District is not required to liquidate investments that were authorized investments at the time of purchase;
- Investments not specifically listed in this policy are strictly prohibited.

2. Collateralization

All bank and savings and loan association deposits of NTMWD shall be federally insured or collateralized with eligible securities. Financial institutions serving as depository of NTMWD Funds (“Depositories”) will be required to sign a Depository Pledge Agreement with NTMWD and a third-party safekeeping institution (the “Agreement”). The Agreement shall define NTMWD’s rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, and shall be:

- in writing;
- executed by the Depository, NTMWD, and the third-party safekeeping institution (“Safekeeping Institution”) contemporaneously with the acquisition of the asset;
- approved by the Depository's Board of Directors or the loan committee of the Depository and a copy of the meeting minutes must be delivered to NTMWD; and
- part of the Depository's “official record” continuously since its execution.

Allowable Collateral

1. Collateralized Deposit - Eligible securities for collateralization of deposits are defined by the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended and meet the constraints of this Policy.
2. Repurchase Agreement - Securities underlying repurchase agreements are limited to cash, United States Government, Agencies and Instrumentalities obligations, which are eligible for wire transfer (i.e., book entry) to NTMWD's designated Safekeeping Institution through the Federal Reserve System and meet the constraints of the Act.

Collateral Levels

1. Collateralized Deposits - The market value of the principal portion of collateral pledged for collateralized deposits must at all times be equal to or greater than the amount of the deposit plus accrued interest, less the applicable level of FDIC insurance.

2. Repurchase Agreements - A repurchase agreement's purchase security market value shall include the accrued interest applicable to the security. The security's market value must be maintained at the minimum level of 102% of the repurchase agreement's principal value.

Collateral Substitution

Collateralized deposits and repurchase agreements often require substitution of collateral. Any broker, dealer or financial institution requesting substitution must contact the Investment Officer for approval and settlement. The substituted security's value will be calculated and substitution approved if its value is equal to or greater than the required security level. The Investment Officer, or a designee, must provide written notification of the decisions to the bank or the Safekeeping Institution holding the security prior to any security release. Substitution is allowable for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense. The Investment Officer may limit substitution if substitution becomes excessive or abusive.

3. Protection of Principal

NTMWD shall seek to control the risk of loss due to the failure of a security issuer or grantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Policy, by qualifying the Investment Provider with whom NTMWD will transact, by collateralization and through portfolio diversification by maturity and type.

1.9. Investment Diversification and Constraints

1. Diversification by Investment Type

Diversification by investment type shall provide NTMWD's portfolio with a reduction in credit risk. Bond proceeds may be invested in a single security or investment if the Investment Officer determines that such an investment is necessary to comply with Federal arbitrage restrictions or to facilitate arbitrage recordkeeping and calculation.

2. Diversification by Investment Maturity

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Maturity guidelines, at the time of purchase, by fund are as follows:

- Operating Funds - The weighted average days to maturity for the operating fund portfolio shall be less than 270 days and the maximum allowable maturity shall be 18 months.
- Construction Funds - The investment maturity of Construction Funds shall be limited to the anticipated expenditure schedule. Bond proceeds (excluding Reserve and Interest and Sinking Funds) shall generally be limited to the anticipated cash flow requirement.

- Interest and Sinking Funds - Interest and Sinking Funds shall be invested to ensure adequate funding for each consecutive debt service payment. The Investment Officer shall invest in such a manner as not to exceed an “unfunded” debt service date with the maturity of any investment. An unfunded debt service date is defined as a coupon or principal payment date that does not have cash or investment securities available to satisfy said payment.
- Debt Service Reserve Funds - Market conditions, Bond Resolution constraints, and Arbitrage regulation compliance will be considered when formulating Reserve Fund strategy. Maturity limitation shall generally not exceed the call provisions of the Bond Resolution and shall not exceed the final maturity of the bond issue.
- Contingency - The weighted average days to maturity for the fund portfolios shall be less than 180 days and the maximum allowable maturity shall be 3 months.
- Reserve for Maintenance Funds – The weighted average days to maturity for the fund portfolios shall be less than 180 days and the maximum allowable maturity shall be 3 months
- ~~Rate Stabilization Funds – The weighted average days to maturity for the fund portfolios shall be less than 180 days and the maximum allowable maturity shall be 3 months.~~
- Arbitrage Liability Funds – The weighted average days to maturity for the arbitrage fund portfolio shall be less than 270 days and the maximum allowable maturity shall be 18 months.
- Health Insurance Holding Funds – The weighted average days to maturity for the Health Insurance Holding Funds portfolio shall be less than 270 days and the maximum allowable maturity shall be 18 months.

1.10. Term of Investments

The maximum term of any investment may not exceed ten (10) years from the settlement date.

1.11. Competitive Bidding

The Investment Officer shall attempt to obtain competitive bids from at least three approved brokers or financial institutions on all purchases and sales of investment instruments transacted on the secondary market. In the case of the purchases executed by the approved Investment Advisor, the Investment Advisor shall obtain at least three bids from their list of approved brokers and provide documentation accordingly with the trade ticket.

1.12. Portfolio Pricing Source

When determining the market value of NTMWD’s securities, prices shall be obtained from a reputable and independent source including but not limited to Bloomberg, the Wall Street Journal, Intercontinental Exchange (ICE), and the District’s safekeeping agent. In the event NTMWD has retained the services of a Registered Investment Advisor, the advisor shall also provide security pricing from ICE, Bloomberg or similarly recognized pricing services.

1.13. Policy Considerations

This policy shall be reviewed on an annual basis. Any changes must be submitted by the Investment Officer. Additionally, it shall be approved by the investment oversight committee or authoritative body acting in such capacity.

1.14. Approval of Investment Policy

The Investment Policy shall be formally approved and adopted by the governing body of NTMWD and reviewed annually.

SECTION 2. INVESTMENT POLICY FOR RETIREMENT FUND AND RETIREE HEALTH INSURANCE PROGRAM

2.1. Purpose and Scope

This Investment Policy applies to all of the investment activities of the NTMWD Retirement Fund (the “Retirement Fund”), including the Retiree Health Insurance Program (the “Program”), and establishes guidelines for those who can invest NTMWD funds, for how NTMWD funds will be invested, and for when and how a periodic review of investments will be made.

Retiree Health Insurance Program

Funding for the Retiree Health Insurance Program shall be included in NTMWD's annual operating budget and:

1. NTMWD's contributions to the Program shall be irrevocable;
2. Program assets shall be used for the exclusive benefit of the participants of the Program; and
3. Program assets shall be protected from creditors.

2.2. Responsibility and Controls

The Finance/Audit Committee shall manage the investment of funds of the Retirement Fund and the Program. The ED/GM or his/her designee shall be the “Investment Officer” of NTMWD. The ED/GM shall designate one or more Alternate Investment Officers to perform the duties of the Investment Officer in the absence of the Investment Officer. The Investment Officer is authorized to deposit, withdraw, invest, transfer, execute documentation, and otherwise manage NTMWD funds according to the instructions of the Finance/Audit Committee. The Finance/Audit Committee acting in accordance with these policies and procedures shall be relieved of personal liability.

Controls

The Finance/Audit Committee members adhere to NTMWD's “Code of Conduct” Policies. Additionally, the Finance/Audit Committee shall file with NTMWD's Board of Directors a statement disclosing any personal business relationship with an entity seeking to sell investments to NTMWD or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investments to NTMWD. The ED/GM will oversee the Investment Officer in the maintenance of a system of internal controls over the investment activities of NTMWD.

2.3. Reporting and Advisors

Reporting

The Investment Officer will provide a quarterly comprehensive report for the Retirement Fund and the Program, signed by the Investment Officer and Alternate Investment Officer, to NTMWD's Board of Directors within a reasonable time after the end of the period. This investment report shall:

1. Describe in detail the investment position of the funds.
2. State the reporting period beginning book and market value, additions or changes to the book and market value during the period, and ending book and market value for the period of each investment.
3. State the compliance of the investment portfolio with this Investment Policy.

NTMWD, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to this Investment Policy and strategies.

Investment Advisors and Investment Providers

Selection of Investment Advisors and Investment Providers will be performed by the Finance/Audit Committee. The Financial/Audit Committee will establish criteria to evaluate Investment Advisors and Providers including:

1. Adherence to NTMWD's policies and strategies.
2. Portfolio performance and transaction pricing within accepted risk constraints.
3. Responsiveness to NTMWD's request for services and information.
4. Understanding of the inherent fiduciary responsibility of investing public funds.

2.4. Investment Policies and Strategies

Authorized Investments

Investments described below are authorized as eligible securities for the funds of the Retirement Fund and Program. The purchase of specific issues may at times be restricted or prohibited by the Finance/Audit Committee. NTMWD funds governed by this Investment Policy may be invested in:

1. Obligations of the United States or its agencies and instrumentalities.
2. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its respective agencies and instrumentalities.
3. Collateralized deposits issued by state and national banks and savings and loan associations that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor.

4. Mutual Funds or commingled funds, which may include equities or bonds in their portfolio.
5. Money market funds and other pooled fixed rate investments.

Protection of Principal

Safety of principal is provided through diversification in the portfolio of investments. The overall allocation of investments should fall within the following ranges:

Fixed Income Investments	20% to 80%
Equities	20% to 80%

The mutual funds or commingled funds portion of the portfolio is to be diversified so that no one mutual fund or commingled fund represents more than 50% of the mutual fund or commingled fund portion.

2.5. Voting

For the Audit/Finance Committee to take any action on the investment of funds of the Retirement Fund or the Program, a two-thirds majority vote must be obtained.

SECTION 3. EMERGENCY EXPENDITURES

3.1. Overview

The financial operation of NTMWD is controlled by the Board of Directors through the Annual Budget by the adoption of an appropriation resolution. From time to time it is necessary for emergency expenditures to be authorized that were not planned in the Annual Budget. This policy outlines how NTMWD may make emergency expenditures when necessary, prior to Board action.

An emergency is a condition when the failure to immediately repair equipment could endanger the delivery system; endanger the service provided by NTMWD to the municipalities with which it contracts; or cause deterioration to facilities that could result in a failure of the system. Under these circumstances, the ED/GM may declare an emergency and, using the best judgment possible, develop a plan to remedy the apparent problem on a temporary or permanent basis in accordance with the following procedures.

3.2. Executive Director/General Manager – Less Than \$25,000

When an emergency condition has been declared and the cost will over-expend the budget of a Fund, the ED/GM may expend up to \$25,000 for the necessary repairs or replacements. The ED/GM will, at the next regular meeting of the Board of Directors, detail in a memorandum the emergency, the planned action, and the cost, and request that the Board amend the planned budget.

3.3. Executive Committee - \$25,000 to \$100,000

When an emergency condition has been declared and the expenditure to implement the planned repair or replacement will cost between \$25,000 and \$100,000, and the cost will over-expend the budget of a Fund, the ED/GM may counsel with the members of the Executive Committee of the Board of Directors (President, Vice President, Secretary, and Past President) and proceed with the majority approval of the Executive Committee. The ED/GM will, at the next regular meeting of the Board of Directors, detail in a memorandum the emergency, the planned action, and the cost, and request that the Board amend the planned budget.

3.4. Board of Directors – More Than \$100,000

When an emergency condition has been declared and the plan of action for repair or replacement exceeds \$100,000, and the cost will over expend the budget of a Fund, a special meeting of the Board of Directors will be required to authorize the expenditure.

SECTION 4. WATER VARIABLE COST REBATE PROCEDURES-POLICY

4.1. Overview

This policy is intended to provide a framework with which the Board of Directors, on an annual basis, may consider a rebate of monies paid by the ~~member~~ Member cities-Cities and customers, when such cities' and customers' demands for water do not ~~require NTMWD to~~ meet or exceed ~~its-their~~ annual system volume requirement. ~~When approved, refunds would be in an amount equal to the estimated variable cost savings (power, chemicals, etc.) that resulted for NTMWD because of the decreased demands.~~ This policy is intended to ~~reward-incentivize~~ reward water conservation and ~~assist-reward~~ the ~~member~~ Member cities-Cities and customers when their actions result in reduced water deliveries and greater water conservation.

4.2. Procedure

The following provides a description of the program and required procedures:

- ~~1.~~ ~~The rebate shall be calculated according to a formula based upon the estimated per unit reduction in expenditure for variable cost incurred by NTMWD, as determined annually by the Board of Directors.~~
- ~~2.1.~~ To be eligible for a rebate, the ~~member~~ Member city-City or customer shall:
 - a. have had water demands supplied at volumes less than its annual minimum volume requirement as established in the Budget Resolution;
 - b. not currently be establishing an annual minimum volume requirement by contract negotiation.
- ~~3.2.~~ The volume eligible for rebate, if authorized by the Board of Directors, would be the difference between the annual minimum volume requirement as established in the Budget Resolution and the actual usage by the ~~member~~ Member city-City or customer during the most recently completed 12-month water year (August 1 through July 31).
- ~~3.~~ ~~The total amount of funds to be considered for rebate shall be calculated as the difference between the budgeted fiscal year variable costs, as determined annually by the Board of Directors, and the corresponding fiscal year unaudited variable expenses in the Regional Water System. If variable expenses are greater than the budgeted fiscal year variable costs/charges, no rebate shall be administered.~~
- ~~4.~~ ~~The total amount of funds to be considered for rebate shall be allocated amongst all eligible Member Cities and customers based on such Member City or customer's proportionate share of the total volume eligible for rebated as determined in Item 2 above.~~
- ~~4.5.~~ Each year at the ~~August-October~~ Board of Directors meeting, the ~~Board of Directors~~ ED/GMED/GM will provide the Board of Directors a list of

~~member-Member cities-Cities~~ and customers eligible for rebate, if any, ~~the estimated rate of the rebate,~~ and the total amount of funds to be considered for rebate (~~the original budget of the variable cost less actual use~~). The item shall be a “discussion item” on the ~~August-October~~ agenda.

After considering the financial condition of NTMWD, the Board of Directors shall either instruct the ED/GM to place the rebates on the ~~September-November~~ agenda for consideration or accept the report as information only.

5-6. Should the Board of Directors elect to provide a rebate at the ~~September-November~~ Board of Directors meeting, the ED/GM shall ~~provide-authorize~~ payment to the eligible ~~member-Member cities-Cities~~ and customers within 30 days of the Board’s action.

6-7. The Board shall follow the above-referenced procedure on an annual fiscal year basis.

SECTION 5. IDENTITY THEFT PREVENTION PROGRAM

5.1. Purpose

This Policy is to authorize an Identity Theft Prevention Program (“Program”) for NTMWD pursuant to the Federal Trade Commission Red Flags Rules (“Rules”), which implement Section 114 of the Fair and Accurate Credit Transactions Act of 2003. The Program is to provide for the identification, detection and responses to patterns, practices, or specific activities – known as “red flags” – that could indicate identity theft.

5.2. Definitions

Following are definitions set forth in the Rules:

1. Identity Theft – fraud committed using the Identifying Information of another person.
2. Red Flag – a pattern, practice or specific activity that indicates the possible existence of Identity Theft.
3. Identifying Information – any name or number that may be used, alone or in conjunction with any other information, to identify a specific person. Such information may include name, address, telephone number, social security number, date of birth, government issued driver’s license or identification number, alien registration number, government passport number, employer or taxpayer identification number, unique electronic identification number, computer’s internet protocol address, or routing code.

5.3. Identification of Red Flags

In order to detect potential identity theft, NTMWD has identified the following Red Flags in each of the listed categories:

Suspicious Documents:

- Identification document appears to be forged, altered or inauthentic
- Identification document on which a person’s photograph or physical description is not consistent with the person presenting the document
- Application for service appears to have been altered or forged

Suspicious Personal Identifying Information

- Driver’s license number, address or phone number presented that is the same as another customer
- A person fails to provide complete personal Identifying Information on the application when reminded to do so
- A person’s Identifying Information is not consistent with the information that is on file for the customer
- Identifying Information presented that is consistent with fraudulent activity such as an invalid phone number

Suspicious Account Activity or Unusual Use of Account

- Notice to NTMWD that the customer is not receiving mail sent by NTMWD
- Notice to NTMWD that the account has unauthorized activity
- Account used in a way that is not consistent with prior use (e.g., very high activity where low activity was previously the norm)

Alerts from Others

- Notice to NTMWD from a customer, identity theft victim, law enforcement or other person, that NTMWD has opened or is maintaining a fraudulent account for a person engaged in identity theft.

5.4. Procedures to Prevent and Mitigate Identity Theft

In order to enhance the detection of the Red Flags identified above associated with the opening of a new account, NTMWD personnel will take the following steps to obtain and verify the identity of the person opening the account:

- Require certain Identifying Information such as name, address, driver's license or other identification.
- Verify the customer's identity (example – review driver's license).
- Review documentation showing the existence of a business entity and independently contact the business entity.

For an existing account, NTMWD personnel will verify the validity of requests to change billing address.

In the event NTMWD personnel detect any of the above identified Red Flags, such personnel shall immediately notify the ED/GM or his/her designee, who will determine the appropriate action to be taken. Such action may include:

- Continue to monitor the account for further evidence of Identity Theft
- Contact the customer
- Deny request to open a new account
- Close an existing account
- Notify local law enforcement

In order to further minimize the likelihood of identity theft, NTMWD will take the following steps with respect to its internal operating procedures:

- Require and keep only the customer information necessary for NTMWD business purposes
- Ensure that employees do not leave sensitive papers on their desks when not at their work stations
- Require employee escorts accompany visitors who enter areas where sensitive files are kept
- Install anti-virus and anti-spyware programs on any computers that run on NTMWD servers and ensure that programs are periodically updated
- Ensure access to computer information is controlled using passwords that must be periodically changed

5.5. Program Administration

NTMWD's Board of Directors, after approving the initial Identity Theft Prevention Program, shall designate the ED/GM or his/her designee to administer the Program. Program administration responsibilities include:

- Assigning specific responsibility for the Program's implementation;
- Reviewing staff reports about compliance with the Rule;
- Approving important changes to the Program; and
- Monitoring the activities of any service providers covered by the Red Flags Rule.

The ED/GM's designee shall review the Program annually and provide a report to the ED/GM evaluating the effectiveness of the Program in addressing the risk of identity theft, any significant incidents of identity theft and NTMWD's response, and any recommendations for changes to the Program based on new technology or new tactics of identity thieves.

SECTION 6. PURCHASINGPROCUREMENT POLICY

It is the goal of NTMWD to obtain quality goods and services at reasonable cost by generating competition whenever possible. The Executive Director/General Manager, in an Administrative Directive, will create procedures, guidance and instruction to be followed by NTMWD employees for purchasing activities.

6.1. Purpose

The purpose of this policy is to:

1. Establish authority of the purchasing-procurement function within NTMWD;
2. Establish purchasing-procurement guidelines to obtain goods and services in a consistent manner;
3. Serve as stewards of NTMWD funds by exercising fiduciary responsibility through compliance with applicable laws, internal policies, directives, and industry best practices;
4. Ensure the purchasing-procurement system is fair and equitable;
5. Provide for increased efficiency in public purchasingprocurement;
6. Foster effective competition from all segments of the supplier community;
7. Safeguard the integrity of the purchasing-procurement system and protect against corruption, waste, fraud and abuse.

6.2. Application

1. This purchasing-procurement policy applies to all NTMWD employees and officials involved in the purchasing-procurement process. Adherence to this policy and NTMWD Personnel Policies Manual, Section II, is an individual and department/system responsibility. A breach or unauthorized departure from the procedures derived from this policy may result in removal from the purchasing procurement process and possible criminal penalties.
2. This policy applies to NTMWD purchases made with All Systems Budget funds approved by the Board in the annual operating budget.
3. This policy excludes grant, bond, and capital improvement funded projects outlined in the Board approved annual budget.

6.3. ~~Purchasing-Procurement~~ Authority

The ~~Executive Director/General Manager~~ NTMWD Board of Directors has designated the ~~Purchasing-Procurement~~ Department as being the procurement authority for NTMWD. The ~~Purchasing-Procurement~~ Manager will have the right to determine which method of purchase provides the best value for NTMWD, adopt operational procedures consistent with sound business practices and applicable state law; and oversee the purchase of materials, goods, professional, and general services applicable under Section 6.2.2 of this policy.

6.4. Signature Authority

1. This section applies to expenditures funded in the annual operating budget approved by the Board and awarded by contract, agreement, modification, purchase order, and/or change order.
 - a. Signature authority of \$100,000.00 or more is granted to the Executive Director/General Manager, or their designee.
 - b. Signature authority between up to and \$99,999.99 is granted to Deputy Directors, or their designee.
 - c. Signature authority up to \$24,999.99 is granted to Assistant Deputies, or their designee for an amount not to exceed \$10,000.00. Signature authority up to \$24,999.99 is granted to the ~~Purchasing-Procurement~~ Manager, or their designee. If Assistant Deputies or ~~Purchasing-Procurement~~ Manager need to delegate their signature authority, approval is required from their Deputy Director.
2. Requisition approval levels for the NTMWD financial system are outlined in Administrative Directive No. 10.
3. Signature Authorization on Checks

All checks written for services or goods purchased by NTMWD, in any amount, must be signed by at least two individuals. The primary signees are the Executive Director/General Manager and the Deputy Director of Administrative Services. The Executive Director/General Manager shall designate alternate signees in the event of absence of the primary signees. Delegated signature authority card is on file at the bank.

6.5. Centralized and Decentralized ~~Purchasing-Procurement~~ Functions

1. NTMWD shall maintain a centralized ~~purchasing-procurement~~ function applicable to expenditures made under Section 6.2.2 of this policy. As such, the following applies:
 - a. The ~~Purchasing-Procurement~~ Department is responsible for administration of the ~~purchasing-procurement~~ policy and directives, consolidation of purchases

when applicable, and analysis of prices paid.

- b. Department expenditures between \$0.01 and \$24,999.99 may be reviewed by the Purchasing-Procurement Department to verify compliance with this policy.
 - c. Expenditures of \$25,000.00 and above will be facilitated through the Purchasing-Procurement Department.
2. The following areas are considered decentralized and it shall be the overseeing Deputy Director's responsibility to abide by applicable Board policies, statutes, and related requirements:
 - a. Expenditures not funded in NTMWD's annual Board approved All Systems Budget that can include, but are not limited to:
 - 1) Grant funded projects;
 - 2) Bond funded projects;
 - 3) Capital improvement funded projects;
 - 4) Construction and related professional services managed by NTMWD's Engineering Department.

6.6. Purchasing-Procurement Thresholds

Applies to purchases made with funding approved by the Board in the annual operating budget.

1. For Purchases of \$25,000.00 or more
 - a. The Purchasing-Procurement Department will facilitate the appropriate competitive process and award via written contract and/or purchase order.
 - i. Contracts entered into through the Procurement Department must have a commencement date and a specific expiration date. The standard duration for a contract without reissuing a competitive solicitation is five years. This includes renewal and/or extension periods.
 - ii. Exceptions to the standard duration must be approved in writing by the overseeing Assistant Deputy.
2. For Purchases between \$3,000.00 and \$24,999.99
 - a. User departments must request ~~and receive~~ price quotations in writing from a minimum of three sources, or purchase through an approved cooperative contract.
 - b. User departments must make reasonable efforts to assure that the best value is being obtained for NTMWD and must ~~document-ensure documentation of~~ quotations or cooperative ~~contract~~contracts and make reference in the notes

section of the purchase requisition.

- c. If an increase to the original award causes the amount to exceed \$24,999.99, user departments must first contact the Purchasing-Procurement Department.
3. For Purchases between \$0.01 and \$2,999.99
 - a. User departments shall seek a source with fair and reasonable pricing, competitive quotations are encouraged, but are not required. These may be purchased prior to completion of a purchase requisition.
 - b. User departments The responsible Manager shall make reasonable efforts to assure that the best value is being obtained for NTMWD.
 - b.c. User departments management is responsible for maintaining controls and oversight for their department's procurement procedures.
 4. Change Order Thresholds
 - a. The original award amount may not be increased by more than 25 percent, unless approved by the Executive Director/General Manager.
 - b. The original award amount may not be decreased by more than 25 percent without the consent of the contractor.

6.7. Personal, Professional and Consulting Services

1. NTMWD must follow the Professional Services Procurement Act and facilitate the process as outlined in Texas Government Code Chapter 2254 to award professional services defined in statute.
2. For personal, professional, and consulting services that are not defined in Chapter 2254 but “require special knowledge or attainment and a higher order of learning, skill, and intelligence,” per *Op. Tex. Att’y Gen. Nos. JM-1038 (1989), JM-940 (1988), MW-344 (1981)*, a competitive process based upon demonstrated competence, qualifications, and a fair and reasonable price may be used for expenditures of \$25,000.00 or more.

6.8. Cooperative Purchasing

NTMWD participates in purchasing programs of various local, state and national cooperatives. The Purchasing-Procurement Department acts as the official representative for NTMWD in all matters relating to cooperative purchasing programs.

1. Purchasing-Procurement Department Responsibility:
 - a. For purchases of \$25,000.00 or more, the Purchasing-Procurement Department may garner competition within cooperatives to obtain the best value for NTMWD;

- b. All purchasing-related interlocal and cooperative agreements must be reviewed by the ~~Purchasing-Procurement~~ Manager and entered into through the ~~Purchasing Procurement~~ Department;
 - c. The ~~Purchasing-Procurement~~ Department will maintain a list of approved interlocal and cooperative purchasing programs that can be found on the ~~Purchasing Procurement~~ Department's NTMWD intranet page;
 - 1) For interlocal or cooperative purchasing programs that are not found on this list, the ~~Purchasing-Procurement~~ Department must first review, recommend approval, and obtain proper authorization before the agreement is used.
2. Department Responsibility:
- a. For purchases of \$24,999.99 and under;
 - i. ~~Departments~~ must follow instructions found on the NTMWD Procurement intranet page on how to search, review and purchase through each cooperative.
 - ~~i-ii.~~ ~~departments-Departments~~ may garner competition within cooperatives to obtain the best value for NTMWD;
 - ~~a.b.~~ For new purchasing-related interlocal or cooperative agreements, departments must submit an approval request to the ~~Purchasing-Procurement~~ Department before the agreement is used.

6.9. General Exemptions

The following is an inclusive list of exemptions to this policy:

- 1. Emergency Expenditures
 - a. For emergency expenditures, NTMWD must adhere to the process as outlined in the **NTMWD Administration and Finance Policies Manual, Section III Emergency Expenditures.**
 - 1) Emergency conditions include:
 - a) A purchase made because of a public calamity that requires the immediate appropriation of money to preserve the property of NTMWD;
 - b) A purchase necessary to preserve or protect public health or safety;
 - c) A purchase necessary because of unforeseen damage to public machinery, equipment, or other property;
- 2. A purchase for personal, professional, or planning services;
- 3. A purchase of land or right-of-way;

4. Electricity, unless as described in Administrative Directive No. 42;
5. Advertising, other than legal notices;
6. Sole and Single Source Purchases of \$25,000.00 or more
 - a. To qualify as a sole source, the good or service must be obtained from only one source due to patents, copyrights, secret processes, or natural monopolies. The purchase of captive replacement parts or components for equipment that is already owned by NTMWD may be considered for acquisition as a sole source good or service. Sole source also applies to films, manuscripts, books, and gas, water, or other utility services.
 - b. Single source purchases are available from more than one source but have a justifiable reason to purchase from a single source (e.g., natural monopoly created by having a sole distribution in Texas for a particular product or piece of equipment).
 - c. Sole and single source requests for goods and services require completion of the Sourcing Justification Form and submission to the Purchasing-Procurement Department for verification and approval prior to purchase of goods and services.

6.10. Roles and Responsibilities in the Purchasing-Procurement Process

Applies to purchases made with funds approved by the Board in the annual operating budget.

1. NTMWD employees must:
 - a. Not purchase any goods or services for personal benefit;
 - b. Not authorize product demonstrations, trials or wear tests with intent to purchase without prior notification given to the Purchasing-Procurement Department;
 - c. Not obligate NTMWD for the purchase of goods that are delivered for use on a trial basis;
 - d. Not commit to acquire goods or services without an authorized purchase order;
 - e. Not use purchasing strategies to avoid the requirements of this Policy such as “Component,” “Separate,” or “Sequential”.
2. No officer or employee of NTMWD can participate on an evaluation committee or make a recommendation of award if they have a financial interest, direct or indirect, in the contract with NTMWD, or shall be financially interested, direct or indirect, in the sale to NTMWD of any materials, supplies, or services.

3. No persons writing specifications that are to be awarded through a NTMWD competitive solicitation process, including vendors and NTMWD personnel, shall receive any direct or indirect financial benefit from utilization of such specifications and in accordance with the NTMWD Personnel Policies Manual.
4. A vendor that prepares specifications in a bid/proposal should contractually agree that neither it nor its subsidiaries, or other entity with financial affiliation will be permitted to bid/propose on the project.
5. The Purchasing-Procurement Department is responsible for the following:
 - a. Purchases of \$25,000.00 or more whose funding has been approved by the Board in the annual operating budget;
 - 1) Solicit, advertise, and facilitate the award of purchase orders and contracts to vendors;
 - b. Foster a transparent and competitive purchasing-procurement process, whether the item is subject to bid or not;
 - c. Ensure applicable statutory compliance;
 - d. Determine the best method to procure the requested goods or services;
 - e. Determine responsive and responsible bidders;
 - f. Work with departments to ensure prompt delivery of goods or services, as requested;
 - g. Contact contractors in regard to breach of contract and/or poor performance, as requested;
 - h. Develop change orders, contract modifications, renewals and other contract actions for awards made through the Purchasing-Procurement Department;
 - i. Train personnel involved in the purchasing-procurement process;
 - j. Notify the department regarding violations of this Purchasing-Procurement Policy;
 - k. Assist in combining purchases of similar items to allow for better pricing and establishing of a centralized, competitive atmosphere;
 - l. Verify that appropriate departments have been notified of any purchase that may impact their department.

6. User Departments are responsible for the following:
- a. Purchases up to \$24,999.99 that have been approved by the Board in the annual operating budget;
 - b. For purchases of \$3,000.00 and above, departments must enter a requisition in the financial system and verify its approval *prior to* placing orders against it;
 - c. Departments must verify contract and/or quoted pricing prior to entering, approving, or receiving a NTMWD order;
 - d. Departments must submit an approved ~~Bid Initiation~~Procurement Request form through Laserfiche to start the ~~purchasing~~ process for ~~purchases goods or services~~ of \$25,000.00 or more;
 - e. Departments must provide scopes of work and specifications to the Purchasing Procurement Department for goods or services of \$25,000.00 or more;
 - f. Identify and ensure internal stakeholders from other departments have reviewed and approved scopes of work and specifications that directly impact their department;
 - g. Managers are responsible for ensuring employees under their control comply with all ~~purchasing~~procurement policies, and for ensuring personnel have completed the mandatory ~~purchasing~~procurement training. A signed and completed “North Texas Municipal Water District Employee Certification of Compliance with Ethics Policies” form must be on file. Department personnel may be removed from the ~~purchasing~~procurement process for policy violations;
 - h. Prior approval must be obtained from a Deputy Director or Executive Director/General Manager for a request to change cost evaluation criteria to less than forty percent (40%) when a request for proposal or best value bid solicitation method is used;
 - i. Departments are responsible for oversight of their solicitation and contracts to include, but not limited to:
 - 1) Specification development and approval;
 - 2) Technical evaluation of bid and proposal responses, assist in determining bidder responsibility, and provide recommendation of award;
 - 3) Monitor budget;
 - 4) Monitor contractor performance and compliance to ensure it meets specifications;
 - 5) Receive and inspect goods and ensure delivered items meet specifications and packaging documents are accurate. Inspect for damages;

- 6) Submit receiving tickets to Accounts Payable within three working days;
- 7) Review invoices to ensure they are correct;
- 8) Establish and maintain professional communication with contractors;
- 9) Provide documentation to the Purchasing-Procurement Department for change orders and contract modifications;
- 10) Address performance issues promptly and maintain detailed documentation in a Laserfiche contract file, and;
- 11) Notify the Purchasing-Procurement Department if performance issues are not easily resolved.

6.11. Vendor Relations and Vendor Performance

1. No NTMWD employee is required to place their time at the disposal or discretion of salespeople.
2. For purchases \$25,000.00 or more, the Purchasing-Procurement Department will facilitate correspondence with vendors, with the exception of when technical or other details make it necessary to assign such correspondence to the department.
3. Prices and other specific information received from vendors will be considered confidential during the purchasing-procurement process. Once the process has been awarded, information received from one supplier will not be divulged to another supplier unless through an open records request.
4. Departments must work with their Purchasing-Procurement Department representative to foster open competition.
5. If product/service demonstrations or budgetary information is needed, departments are to contact their Purchasing-Procurement Department representative. Purchasing-Procurement will communicate with the supplier to ensure understanding that the request is undertaken only as a means to gather additional information and the provision of a budgetary quote(s) or product demonstration to NTMWD in no way obligates NTMWD to any present or future financial commitment of any kind.

6.12. Advertisement and Notice Requirements

For bids and proposals of \$25,000.00 or more, notice of the bid request and of the time and place at which the sealed bids will be publicly opened and read aloud must be published at least once a week for two consecutive weeks in a newspaper of general circulation in Collin County and on NTMWD's website through the electronic bidding system. The date of the first publication must be at least 14 days before the date set to open the sealed bids. The Purchasing-Procurement Department will be responsible for preparing and submitting the request to publish the notice, and for publicly opening and reading aloud the bids.

6.13. Electronic Bidding

Electronic sealed bids or proposals must be in compliance with state law which requires the identification, security, and confidentiality of electronic bids or proposals to remain effectively unopened until the proper time.

6.14. Purchasing-Procurement Code of Ethics

1. NTMWD strictly adheres to conducting business activities at an uncompromising level of integrity and abides by NTMWD's Code of Ethics as outlined in NTMWD Personnel Policies Manual, Section 2.2 Ethics, Gifts, and Conflicts of Interest.
2. In addition, NTMWD adheres to The Institute for Public Procurement (NIGP) Code of Ethics. These principles shall govern the conduct of every employee involved, directly or indirectly, in NTMWD's purchasing-procurement process.

6.15. Bid Protests

1. Any active or prospective bidder or proposer who is aggrieved in connection with a solicitation for goods or services may protest.
2. If a department is made aware of or is contacted by a vendor regarding a protest relating to the advertising of bid notices, deadline, solicitation openings, and all other related procedures, as well as any protests relating to alleged improprieties or ambiguities in the specifications, the department must either contact the Purchasing-Procurement Manager or instruct the vendor to contact the Purchasing-Procurement Manager.
3. The Purchasing-Procurement Manager will attempt to determine the reasons behind the potential protest, and failing to satisfy the vendor, will instruct the vendor to prepare a written protest.

6.16. Request to Withdraw Bid After Closing

No bid may be withdrawn after bid closing without acceptable reason given in writing and with the approval of the Purchasing-Procurement Manager.

6.17. Post Award Debriefing

Vendors have the right to request a debriefing and be furnished with the basis for the selection, decision and award of any purchase. Purchasing-Procurement will coordinate the vendor meeting and the user department may be required to attend and actively participate in all requested debriefing sessions.

6.18. Exceptions to Purchasing-Procurement Policy

Exceptions to this policy must be approved by a Deputy Director and/or the Executive Director/General Manager and must be submitted in writing to the Purchasing-Procurement Manager.

6.19. Credit Applications

All requests for vendor credit accounts or new NTMWD customer applications for expenditures must be sent to the Purchasing-Procurement Department for approval.

6.20. Purchasing Card Program

NTMWD has established a Purchasing Card Program for the purchase of relatively small-dollar items. Use of the card is not, however, intended to replace the bid process where that process is appropriate. This program will allow the acquisition of materials and services in a timely manner and increase processing efficiencies. The cards must be used in accordance with NTMWD's Purchasing Policy.

The responsibility for card control ultimately rests with the employee using the card. Department management is responsible for maintain controls and oversight of purchasing card purchases. This policy is designed to protect both the employee and NTMWD. Violation of this policy may result in loss of the privilege of using the card and in disciplinary action.

Personal use of the card

All purchases made on the Purchasing Card should be for official NTMWD business only. **Use of the card for personal purchases is strictly prohibited.** Misuse of the card will result in revocation of the card, disciplinary action up to termination, and possible filing of criminal charges.

Guidelines for use of the card

All purchases must be made in compliance with NTMWD's Purchasing-Procurement Policy. As a cardholder, the employee is responsible for all charges made to the card and as one to whom purchasing authority has been delegated to insure that all purchase activity is conducted in compliance with NTMWD's Ethics, Gifts, and Conflicts of Interest Policy in the Personnel Policies Manual. The card should be kept secure and protected at all times and used only by the cardholder. Individual purchases on the Purchasing Card are limited to a per transaction dollar limit, including freight, as established by the cardholder department.

Lost or stolen cards

Lost or stolen Purchasing Cards shall be immediately reported to the Accounting Department via email to pcard@ntmwd.com or by calling the Assistant Accounting Manager or Staff Accountant.

The cardholder is responsible for obtaining itemized receipts for all Purchasing Card purchases.

SECTION 7. RECORDS MANAGEMENT POLICY

All NTMWD records shall, at a minimum, be retained in accordance with the Texas State Library and Archives Commission (TSLAC) schedules, whether electronic or hard copy.

The Board of Directors shall appoint a Records Management Officer to ensure that the maintenance, storage and disposition of NTMWD records are carried out in accordance with the requirements of the Texas Local Government Records Act, the requirements of the Texas State Library and Archives Commission, and the directives and procedures of the NTMWD. Each NTMWD department shall appoint a Records Liaison Officer who will be thoroughly familiar with all records created by that department and will work with the Records Management Officer to properly implement this Policy for that department.

The ED/GM will create procedures in the form of an Administrative Directive to provide instructions and procedures to be followed by employees of NTMWD for efficient, economical, and effective controls and processes for the creation, distribution, organization, maintenance, use and disposition of all Records, from their creation to their ultimate disposition, consistent with the Local Government Records Act and accepted records management practices. All Records shall be created, maintained and disposed of in accordance with that Directive.

Please refer questions about the detailed Records Management procedures to the Records Management Officer.

SECTION 8. HIPAA

8.1. Purpose

The purpose of this policy is to ensure that NTMWD, a Covered Entity under the federal Health Insurance Portability and Accountability Act (HIPAA), is in compliance with the Act.

8.2. Definitions

Business Associate: A person or entity that performs a function that requires the creation, use or disclosure of PHI for a Covered Entity and is not considered part of the workforce.

Covered Entity: A Group Health Plan that provides or pays the cost of medical care; a health care clearinghouse; or a healthcare provider. NTMWD is considered a Covered Entity.

Group Health Plan: An employee welfare benefit plan as defined by the Employee Retirement Income Security Act (ERISA), including insured and self-insured plans that pay for items and services for medical care for employees and/or their dependents directly through insurance, reimbursement or that otherwise has 50 or more participants or is administered by an entity other than the employer that has established and maintains the health plan.

Health Insurance Portability and Accountability Act (HIPAA): Federal law that, in part, protects both an individual's rights to keep and/or transfer his/her health insurance when moving from one job to another, and the privacy of the individual's Protected Health Information.

Privacy Officer: Individual responsible for the development and implementation of policies and procedures necessary for HIPAA compliance. This individual is responsible for providing information and handling the administration of request for records. The ED/GM or his/her designee shall serve as the Privacy Officer for NTMWD.

Protected Health Information (PHI): Health information that contains unique features or details that allow an individual to be identified.

8.3. Protected Health Information

The following items have been identified as PHI and are maintained by the Privacy Officer:

- Health Insurance Enrollment Applications
- Insurance Claims Reports

The following items have been identified as PHI and are maintained by the Business Associate:

- Health Insurance Enrollment Applications
- Explanation of Benefits (EOB's) as provided by the Employee
- Other items as provided by the Employee

All identified PHI will be maintained in secured files located in the Human Resources Department. Access to these files will be limited to the Privacy Officer and other Human Resources and Accounting personnel that may, from time to time, have access on a must-need basis. NTMWD will not accept

explanation of benefit forms or medical bills from employees or family members of employees. Such information is to be directed to the Business Associate for assistance with payment concerns.

NTMWD may disclose information about an employee in response to a court proceeding, in response to a subpoena or other legal process. Information may be accessed for business legal requirements, e.g., situations regarding child support or by the expressed written consent of the employee.

8.4. Complaint Procedure

Complaints of potential violations of this policy should be forwarded to the Privacy Officer. The Privacy Officer will follow the Complaint Procedure as outlined in the NTMWD Personnel Policy Manual to resolve all conflicts. Any questions regarding this policy should be directed to the Privacy Officer.

SECTION 9. EMPLOYEE CONCESSION COMMITTEE

The sale of food and beverage on NTMWD property and in NTMWD facilities is a benefit to the employees and to the NTMWD. Adequate, clean, and economical vending machines can provide a convenience to the employee. It is the belief of NTMWD that any profit from vending machines should be used for the benefit of the employees, and that a committee of employees should determine such use.

The employee committee shall be composed of a Chairman and four members, each with a term of two years. The ED/GM shall appoint the Chairman, who will then appoint the Committee members.

It is the objective of the Employee Concession Committee to:

- Provide clean and adequate vending machines for use of NTMWD employees;
- Establish charges that will cover costs and provide capital to purchase additional equipment;
- Develop a plan to use any profits for the benefit of NTMWD employees such as holiday parties, summer picnics, or other approved purposes.

The ED/GM reserves the right to veto plans, which in his judgment are not in the best interest of NTMWD and its employees.

The Chairman of the committee shall be responsible to the ED/GM for the activities of the committee and the employee concession operations. Any problems should be brought to the attention of the ED/GM.

SECTION 10. HANDGUN POLICY

It is the policy of the North Texas Municipal Water District (“NTMWD”), in accordance with Texas Penal Code [46.03546.02](#), [46.03](#) & [46.04](#), to allow the holder of a valid handgun license or unlicensed carrier to carry his or her weapon in buildings or portions of a building owned or occupied by NTMWD which are open to the public, if the weapon is concealed or carried in a shoulder or belt holster, except that such person shall not be allowed to carry a handgun into a room where an Open Meeting subject to Chapter 551 of the Texas Government Code is being held (Public Meeting).

A Public Meeting is a meeting which had been posted under Section 551 of the Government Code at which a quorum is present whether the meeting is held in a room on NTMWD premises or at another location and includes:

- A meeting of the Board of Directors.
- A meeting of a Committee of the Board of Directors
- A public hearing, workshop or training session at which the Board of Directors is present.
- Any other meeting involving the Board of Directors properly posted and conducted under Chapter 551 Texas Government Code.

The proper signage will be posted advising the public of this policy.

In accordance with the Texas Penal Code and as adopted in Section 2.11 of NTMWD’s “Personnel Policy Manual” NTMWD employees, including contract and temporary employees, are prohibited from carrying a weapon outside their personal vehicle while in the course and scope of performing their job for NTMWD, or while attending any NTMWD sponsored function, whether or not they are on the NTMWD’s property at the time. NTMWD employees may store a firearm or ammunition they are lawfully entitled to possess in a locked privately owned vehicle in the District parking lot as set forth in Section 2.11 of the NTMWD Personnel Policy Manual. Employees of contractors or subcontractors lawfully entitled to possess a handgun who enter on to NTMWD property are prohibited from carrying a weapon outside their vehicle and shall keep all firearms and ammunition in a locked vehicle while on NTMWD property.

This policy does not restrict the ability of police officers, deputy sheriffs, [Texas Parks and Wildlife Department agents or other](#) State, Federal or local enforcement or security guards to lawfully carry a weapon on NTMWD premises including in rooms where Open Meetings are being held, whether said rooms are on NTMWD Premises or at another location.

Nothing in this policy authorizes access to any portion of NTMWD property by a [Handgun License Holder](#) licensed or unlicensed handgun holder where public access is otherwise prohibited or restricted for health, safety or security reasons or as provided by NTMWD policy, Federal or State Law.

SECTION 11. FUND BALANCE POLICY

The purpose of this policy is to set guidelines for NTMWD's Fund Balances. Fund Balance shall be defined as the total amount of Cash and Investments (at Purchase Cost) plus Accounts Receivable less Accounts Payable, and less any Remaining Payments to be made on Contracts and Agreements that have been awarded by the Board of Directors. The intent of this policy is to ensure that NTMWD maintains adequate Fund Balances to:

1. Provide sufficient cash flow liquidity for NTMWD's operations
2. Secure and maintain investment grade bond ratings
3. Minimize revenue shortfalls
4. Provide funds for unforeseen expenditures ~~related to~~including emergencies
5. Comply with contractual and bond covenant obligations

Guidelines for Fund Balances Ending as of September 30 are as follows:

1. Operating Funds:
 - a. Definition: The Operating Funds pay for operating expenses including maintenance, minor capital outlay, and other operational expenses.
 - b. Regional Water System – Minimum Balance based on 90 Days' Budgeted Operations and Maintenance (O&M) Expense~~expense~~ for the next Fiscal Year and maintain a minimum 130-150 Days of Budgeted O&M expense with a target of 150 Days cumulative fund balance within the Operating and Contingency Fund.
 - c. All Other ~~(Break-Even)~~ Systems including Support-Shared Service Internal Service Fund – shall be maintained at \$0.
 - d. Excess operating funds in each system may be transferred to that system's:
 - 1) Capital Improvement Fund,
 - 2) Contingency or Escrow Fund, or
 - 3) Equipment Replacement Fund,~~or~~
 - 4) ~~Rate Stabilization Fund~~

~~After the annual post-audit review or prior to the year-end close-out and with approval of the Finance/Audit Committee as required by this policy.~~

2. Capital Improvement Funds:
 - a. Definition: Funded by either budgeted transfers from operating funds or funds directly provided by cities, Capital Improvement Funds cash finance projects within the Capital Improvement Plans.

- b. Regional Water System Capital Improvement Fund Minimum Balance shall be maintained at a minimum of \$15,000,000 and budget at 5-15% of historical 5-year average annual capital spending. End-of-year balances not required for reserve replenishment may be utilized for cash financed construction or extendable commercial paper defeasance up to 15% of the historical 5-year average annual capital spending.
 - c. All Other ~~system's~~ System's Capital Improvement Funds Minimum Balances shall be maintained at the projected ending balances set forth in the most recent Strategic Financial Plan Projections.
3. Construction Funds:
- a. Definition: Funded by the issuance of revenue bonds or extendable commercial paper, Construction Funds are used to debt finance projects within the Capital Improvement Plans.
 - b. ~~No Minimum Balance required. based on the amount of the Initial Bond Proceeds plus Interest Earnings less Past Project payments and less Future Project Payments to be paid on Contracts Awarded by the NTMWD Board of Directors~~ The fund will remain open until final remaining balance is transferred to the Interest and Sinking Fund as required by the Bond Resolution.
4. Interest & Sinking Funds:
- a. Definition: The Interest and Sinking Funds pay the principal and interest on each system's debt service obligations.
 - b. Minimum Balance based on 1/12 of the Next Year's Debt Service Payment multiplied by the Number of Months since the Last Debt Service Payment as required by the Bond Resolution.
- ~~5. U.S. Government Notes Fund (Regional Water System):~~
- ~~a. Definition: Debt Service issued in the Regional Water System through the United States Army Corps of Engineers.~~
 - ~~b.c. Minimum Balance based on 1/12 of the Next Year's Debt Service Payment multiplied by the Number of Months since the Last Debt Service Payment~~
- 6.5. Debt Service Reserve Funds:
- a. Definition: Funded by bond proceeds, Debt Service Reserve Funds ~~is~~ are required in accordance with the System's Bond Resolutions.
 - b. Minimum Balance based on the Average Annual Debt Service Payments on the Outstanding Bonds as required by the Bond Resolution.

7.6. Pipeline Reserve Fund – Chapman (Regional Water System):

- a. Definition: Funded by budgeted transfers from operating funds, these funds are 50% NTMWD and 50% the City of Irving. These reserve funds are used for repairs and projects on the Chapman Pump Station and Pipeline.
- b. \$500,000 Maximum Balance as required by the June 4, 1998 Irving Operations Agreement.

8.7. Contingency Funds:

- a. Definition: Funded by budgeted transfers from operating funds, ~~Reserve for Maintenance~~Contingency Funds are used for large unforeseen expenses or to set aside funds for contract commitments that extend past fiscal year end.
- b. Regional Water System - ~~A minimum balance of \$20,000,000. Shall maintain a minimum of 130-150 Days of budgeted O&M Expense with a target 150 Days cumulative fund balance within the Operating and Contingency Fund. Funds available at fiscal year-end will be contributed to such balances, up to 150 Days cumulative.~~
- c. Little Elm Water Transmission Facilities - \$50,000 Maximum Balance as required by the March 27, 2003 Water Transmission Facilities Contract.
- d. Plano Water Transmission Facilities - \$75,000 Maximum Balance as required by the March 27, 1997 Water Transmission Facilities Contract.
- e. Stewart Creek Wastewater Treatment Plant - \$100,000 Maximum Balance as required by the October 27, 2011 Wastewater Contract.
- f. Muddy Creek Wastewater Treatment Plant - \$15,000 Maximum Balance as required by the May 27, 1999 Wastewater Contract.
- g. ~~Support Shared~~ Services Internal Service Fund – ~~Maximum~~ Balance maintained at based on 15-30 Days' Budgeted Operations and Maintenance Expense with a target of 30 Days for the next Fiscal Year. Fund balance may be used for offsetting extraordinary O&M Expenses or purchase large one-time capital expenditures in the next fiscal year.
- h. All Other Systems' Contingency Funds ~~Minimum~~ Minimum Balances shall be maintained at the projected ending balances set forth in the most recent Strategic Financial Plan Projections.

9.8. Reserve for Maintenance Funds:

- a. Definition: Funded by budgeted transfers from operating funds, Reserve for Maintenance Funds are used for large unforeseen expenses.
- b. Kaufman Four-One Water Distribution Facilities: \$75,000 Maximum Balance as required by the October 2, 1989 Water Supply Contract.
- c. All Other Systems' Reserve For Maintenance Fund Minimum Balances shall be maintained at the funding target set forth in the most recent Strategic Financial Plan Projections.

10.9. Preventative Maintenance Escrow Funds:

- a. Definition: Funded by budgeted transfers from operating funds, the Preventative Maintenance Escrow Funds are used for large operations and maintenance and maintenance inspection projects that occur approximately once every five to ten years for certain systems. Funds required for the large tasks are collected over a course of years with the objective to reduce large expenditure variances in systems.
- b. All Systems' Preventative Maintenance and Equipment Replacement Fund Minimum Balances shall be maintained at the projected ending balances set forth in the most recent Strategic Financial Plan Projections.

11.10. Equipment Replacement Escrow Funds:

- a. Definition: Funded by budgeted transfers from operating funds, the Equipment Replacement Escrow Funds are used for purchasing one-time short term capital purchases.
- b. All Systems' Equipment Replacement Fund Minimum Balances shall be maintained at the projected ending balances set forth in the most recent Strategic Financial Plan Projections.

~~12.~~ ~~Rate Stabilization Fund (Regional Water System):~~

- ~~a. Definition: The Rate Stabilization Fund is used for assistance to minimize RWS rate fluctuations on a one-time occurrence.~~
- ~~b. Maximum balance for the Regional Water system shall be maintained at \$7,000,000~~

13.11. Health Insurance Holding Funds:

- a. Definition: The Health Insurance Holding Funds are used to operate the District's Health Insurance Fund for Active Employees and Retirees.

- b. Cumulative ~~Maximum~~ Balance for the Active and Retiree Health Insurance Holding Funds shall be maintained at a minimum of 2-4 months' worth of expenses.

Fund Balances shall be evaluated by NTMWD Staff as of September 30 each Fiscal Year. This Policy and the September 30 Fund Balances shall be reviewed by NTMWD Staff with the Finance Committee within a reasonable time after completion of the annual financial audit.

SECTION 12. DEBT MANAGEMENT POLICY

12.1. Purpose

This policy sets guidelines for NTMWD's management of debt. NTMWD issues debt to primarily fund major capital improvements, expansions and repairs to existing facilities for projects identified in the Capital Improvement Plan of each System. NTMWD does not issue debt to fund routine operation and maintenance expenses or for the primary purpose of investing bond proceeds. The types of debt that can be issued are long term revenue bonds in accordance ~~to~~ with each system's bond resolution and short-term Extendable Commercial Paper (ECP) in systems authorized by the NTMWD Board of Directors. For matters not addressed in the policy, legal requirements will prevail.

12.2. Responsibilities and Standards of Care

Employees involved in the debt management process will act as responsible stewards and shall refrain from personal business activity that could conflict with the proper execution and management for the debt management program, or that could impair their ability to make impartial decisions. Employees shall abide by NTMWD's Code of Ethics as outlined in NTMWD Personnel Policies Manual, Section 2.2 Ethics, Gifts, and Conflicts of Interest.

NTMWD shall consider the current debt service payments over the life of outstanding bonds and attempt to maintain level debt service payments unless it is determined that a nonlevel debt service structure would achieve a more desirable result on the system's rates/revenue requirements. Debt issuance schedules shall be determined based upon anticipated funding needs and delivered in a manner that best manages the system's costs over time. Long-term debt shall be issued at a fixed rate, and the term of the debt may not exceed the expected useful life of the project being financed.

Use of specific debt products will be based on analysis provided by the District's Finance Management Department and Financial Advisor (FA). Recommendations to the Board of Directors will be provided by NTMWD's Executive Staff including but not limited to the Executive Director, Deputy Director of Administrative Services, and Assistant Deputy – Finance.

12.3. Issuance of Debt

NTMWD will use the services of an independent ~~Financial Advisor (FA)~~ for advice on the structuring of new debt, financial analysis of various options, including refunding opportunities, the rating review process, the marketing and marketability of NTMWD debt obligations, issuance and post-issuance services, the preparation of offering documents and other services as necessary. The FA shall not bid on nor underwrite any NTMWD debt issues. NTMWD will be informed by the FA of changes in state and federal legislation related to debt management. The FA shall evaluate credit enhancements for each debt issuance and evaluate the need of bond insurance when applicable and provide recommendation.

Bonds may be sold through competitive sales, negotiated sales or private placement.

NTMWD has, but is not limited to the following options when structuring its debt sales:

- Level debt service
- Structured debt service
- Periods of interest only
- Capitalized interest

Different financing options may be used individually or together. Selection of an option or options will be based on the specific circumstances of the project to be financed while considering the financial impact to the system customers.

Debt may be issued to refund existing debt for restructuring purposes to increase debt capacity, improve debt coverage ratios in specific years or improve debt service structure. Refunding existing debt may be ~~Taxable-taxable~~ or ~~Tax-Exempt-exempt~~, and the District shall require a minimum of 3.00% ~~Present-present~~ Value-value ~~Savings-savings~~ to consider a refunding unless the refunding is undertaken for debt restructuring purposes. A Parameter Bond Resolution for refunding existing debt or new money projects may be recommended for approval to the NTMWD Board of Directors seeking to ‘pre-approve’ a refunding transaction subject to certain parameters.

12.4. Disclosure and Monitoring of Debt

NTMWD shall comply with continuing disclosure requirements under SEC Rule 15-c2-12 and its bond documents. NTMWD may use a contracted party to complete continuing disclosure requirements and an arbitrage consultant shall be used to determine federal law compliance. NTMWD shall provide an annual report of outstanding debt obligations in accordance ~~to~~ with Texas House Bill No. 1378 and provide a link to debt information on the NTMWD website.

12.5. Procedures for Budgeting and Preparing to Issue Extendable Commercial Paper Bonds

1. Staff will provide the Assistant Deputy - Finance with an estimate of capital needs for the upcoming budget year by March 1. The Assistant Deputy - Finance will determine if long-term debt and/or ECP will be used during the budget year to finance the capital needs, although such determination is not required for the issuance of ECP during the year.
2. Principal and interest will be budgeted each fiscal year for all financings including ECP Bonds. For ECP Bonds, interest will be budgeted at an estimate of the District’s 30 year borrowing cost. Any excess principal and interest collected will be used to (i) pay off outstanding ECP Bonds or bonds, and/or (ii), other purposes allowed by the contract.
3. The Board of Directors will annually approve a resolution authorizing bonds to currently refund ECP.
- 3.4. If market conditions are favorable and the outstanding ECP amount is nearing the District’s maximum authorization amount, the District may exercise its option to issue

long term fixed rate bonds. The Executive Director, Deputy Director Administrative Services, and Assistant Deputy – Finance have been delegated to act as the District’s Authorized Representative to issue ECP bonds and to issue long term bonds to retire ECP bonds.

- 4.5. The District’s obligation to pay the principal of and interest on each ECP bond when due is a limited obligation of the District payable solely from ~~Proceeds~~ proceeds of the sale of ECP Bonds, a subordinate lien on ~~Pledged~~ pledged Revenues ~~revenues~~ (as further described in each resolution that authorizes the ECP bond program), or long term refunding bonds issued to refinance ECP Bonds and any funds held and lawfully available for such purpose.
- 5.6. All transactions in ECP bonds between the Dealer, the Issuing and Paying Agent, and the District shall be in accordance with the ECP bond financing documents and with the customs and practices in the commercial paper market regarding settlement and delivery, to the extent not inconsistent with the ECP bond financing documents.

SECTION 13. GRANT MANAGEMENT POLICY

13.1. Purpose and Scope

This policy sets guidelines for NTMWD's management of grants. This policy is applicable to any NTMWD department submitting grant applications to agencies outside the District for funds, materials, or equipment to be received and administered by the NTMWD. The goals and objectives of the NTMWD department should be established early in the planning process and should not change based on changes in the availability of funding sources sought and received.

NTMWD staff, before applying for a grant, should review the rules, regulations and requirements applicable to each particular grant program to determine that such rules, regulations and requirements align with the NTMWD's visions and goals. Also, District staff should consider that it can be reasonably expected that the NTMWD will be able to comply with the known applicable rules, regulations and requirements of such grant program.

No grant will be accepted that will incur management reporting costs greater than the grant amount. Such costs include, but are not limited to, indirect costs, overhead and any other items needed to administer the grant.

The objectives of this Policy include:

- To ensure proper oversight of all grant funds appropriated to the NTMWD
- To minimize the NTMWD's risk of non-compliance with grant requirements
- To ensure proper administration and accounting of all grants

For matters not addressed in the policy, Texas statute and Federal requirements will prevail.

13.2. Definitions

Grant: an award of financial assistance in the form of money or property by a funding source including the federal government, state government, or other local governments.

Department: the NTMWD requestor and/or group accepting responsibility for administration and oversight of the grant.

13.3. Central Responsibility

The Board of Directors authorizes the Executive Director to implement any procedures and controls that minimize the NTMWD's risk for non-compliance with grant requirements and the Deputy Director (Administrative Services) or their delegate for providing support to requesting departments. The Accounting Department will maintain a central file for all grants in order to facilitate management reporting and overall monitoring.

For Federal Grants, the Accounting Department should ensure compliance with the Federal Office of Management and Budget (OMB) general requirements and any other state and/or federal requirements specified in the grant conditions. The Accounting Department will review expenses

for obvious non-compliance and will act as liaison with independent auditors. All NTMWD departments shall submit any/all grant information required by the Accounting Department to carry out its oversight responsibilities.

If grant applications have special conditions, a copy of such conditions must be given to the Accounting Department for assistance in compliance monitoring. If grant guidelines require the NTMWD to abide by different procurement procedures other than those adopted by the NTMWD, the department should resolve the situation with the Accounting Department prior to submitting the application.

13.4. Monitoring of Grants

Departments are responsible for developing a monitoring plan and monitoring the financial status of grants. The Accounting Department will provide departments with regular access to monthly financial reports for such monitoring. Departments must review the monthly financial reports and notify the Accounting Department promptly of any discrepancies noted and/or any additional reports needed. Any line-item budget amendments must be approved by the grantor prior to grant expenses being made in order to avoid lost grant funds when/if amendments are denied.

Departments must also monitor grants for compliance with all applicable federal, state, and local regulations and ensure that grant expenses remain in compliance with grant procurement policies and procedures. For example, equipment procured with grant funds must be disposed of in accordance with the terms of the grant. Federal grants must meet requirements set out in the Uniform Grant Guidance, as applicable.

13.5. Grant-funded Procurements

Departments should follow the NTMWD's and grantor's policies and procedures for all practices including procurement for the selection of contractors and vendors.

13.6. Closeout Procedures

Departments will ensure proper closeout of all grant funds including coordinating with the Accounting Department to return any unspent funds to the grantor at the end of the term of the grant. According to the OMB Uniform Grants Guidance §200.343, the NTMWD must submit all financial, performance, and other reports required under the grant within 90 days after the grant award expires or is terminated.

ADOPTION BY BOARD OF DIRECTORS

The Administration and Finance Policies in this Manual have been passed and approved, as amended, by the Board of Directors of the North Texas Municipal Water District, in a Regular Meeting of the Board, on this ~~23rd~~-25th day of ~~July~~-August ~~2020~~2022, and attested to by the signature of the President and Secretary, as indicated below.

~~PHIL DYER~~GEORGE CRUMP, Secretary ~~LARRY PARKS~~JACK MAY,
President

(SEAL)

EXHIBIT A

NTMWD INVESTMENT STRATEGY STATEMENT

PREFACE

It is the policy of the North Texas Municipal Water District that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State legislation, Federal arbitrage regulations, applicable Bond Resolution requirements, adopted Investment Policy, and adopted Investment Strategy.

In accordance with the Public Funds Investment Act, NTMWD investment strategies shall address the following priorities (in order of importance):

- Understanding the suitability of the investment to the financial requirements of NTMWD;
- Preservation and safety of principal;
- Liquidity;
- Marketability of the investment prior to maturity;
- Diversification of the investment portfolio; and,
- Yield.

Effective investment strategy development coordinates the primary objectives of NTMWD's Investment Policy and cash management procedures to enhance interest earnings and reduce investment risk. Aggressive cash management will increase the available "investment period" and subsequently interest earnings. Maturity selections shall be based on cash flow and market conditions to take advantage of various interest rate cycles. NTMWD's portfolio shall be designed and managed in a timely manner responsive to the public trust and consistent with the Investment Policy.

Each major fund type has varying cash flow requirements and liquidity needs. Therefore, specific strategies shall be implemented considering the fund's unique requirements. NTMWD funds shall be analyzed and invested according to the following major fund types:

- A. Operating Funds
- B. Construction Funds
- C. Interest and Sinking Funds
- D. Debt Service Reserve Funds
- E. Contingency Funds
- F. Reserve for Maintenance Funds
- ~~G. Rate Stabilization Funds~~
- G. Arbitrage Liability Funds
- H. Health Insurance Holding Funds

INVESTMENT STRATEGY

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund-type are as follows:

A. OPERATING FUNDS

1. Suitability

Any investment eligible in the Investment Policy is suitable for Operating Funds.

2. Safety of Principal

All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the weighted average days to maturity of the Operating Fund portfolios to less than 270 days and restricting the maximum allowable maturity to 18 months, the price volatility of the overall portfolio will be minimized.

3. Liquidity

The Operating Funds require short-term liquidity. Repurchase agreements and short-term investment pools shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

4. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

5. Diversification

Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of NTMWD. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through 18 months.

6. Yield

Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month treasury bill portfolio shall be the minimum yield objective.

B. CONSTRUCTION FUNDS

1. Suitability

Any investment eligible in the Investment Policy is suitable for Construction Funds.

2. Safety of Principal

All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the Construction Fund's portfolio to not exceed the anticipated expenditure schedule, the market risk of the overall portfolio will be minimized.

3. Liquidity

NTMWD funds used for Construction programs have reasonably predictable draw down schedules. Therefore, investment maturities shall generally follow the anticipated cash flow requirements. Investment pools shall provide readily available funds generally equal to one month's anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request, this investment structure is commonly referred to as a flexible repurchase agreement.

4. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

5. Diversification

Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for bond proceeds and other construction funds. With bond proceeds, if investment rates exceed the applicable arbitrage yield, NTMWD is best served by locking in most investments. If the arbitrage yield cannot be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger amounts. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield with any NTMWD funds.

6. Yield

Achieving a positive spread to the applicable arbitrage yield is the desired objective for bond proceeds. Non-bond proceeds construction and capital project funds will target a rolling portfolio of six-month treasury bills.

C. INTEREST AND SINKING FUNDS

1. Suitability

Any investment eligible in the Investment Policy is suitable for Interest and Sinking Funds.

2. Safety of Principal

All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the Interest and Sinking Fund's portfolio to not exceed the debt service payment schedule, the market risk of the overall portfolio will be minimized.

3. Liquidity

Interest and Sinking Funds have predictable payment schedules. Therefore, investment maturities shall not exceed the anticipated cash flow requirements. Investment pools shall provide a competitive yield alternative for short-term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any debt service payment, this investment structure is commonly referred to as a flexible repurchase agreement.

4. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

5. Diversification

Market conditions influence the attractiveness of fully extending maturity to the next "unfunded" payment date. Generally, if investment rates are trending down, NTMWD is best served by locking in most investments. If interest rates are flat or trending up, then concurrent market conditions will determine the attractiveness of extending maturity or investing in shorter alternatives. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

6. Yield

Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three month treasury bill portfolio shall be the minimum yield objective.

D. DEBT SERVICE RESERVE FUNDS

1. Suitability

Any investment eligible in the Investment Policy is suitable for the Debt Service Reserve Funds. Bond resolution constraints and insurance company restrictions create issue-specific considerations in addition to the Investment Policy.

2. Safety of Principal

All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur, by managing the Debt Service Reserve Fund's portfolio maturities to not exceed the call provisions of the bond issue, will reduce the investment's market risk if NTMWD's bonds are called and the reserve fund liquidated. No investment maturity shall exceed the final maturity of the bond issue. Annual mark-to-market requirements or specific maturity and average life limitations within the bond issues' documentation will influence the attractiveness of market risk and reduce the opportunity for maturity extension.

3. Liquidity

Debt Service Reserve Funds have no anticipated expenditures. The funds are deposited to provide annual debt service payment protection to NTMWD's bond holders. The funds are "returned" to NTMWD at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of security diversification and liquidity. Generally, if investment rates exceed the applicable arbitrage yield for a specific bond issue, NTMWD is best served by locking in investment maturities and reducing liquidity. If the arbitrage yield cannot be exceeded, then concurrent market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.

4. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

5. Diversification

Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for Debt Service Reserve Funds. At no time shall the final debt service payment date of the bond issue be exceeded in an attempt to bolster yield.

6. Yield

Achieving a positive spread to the applicable arbitrage yield is the desired objective.

E. CONTINGENCY FUNDS

1. Suitability

Any investment eligible in the Investment Policy is suitable for Contingency Funds.

2. Safety of Principal

All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the weighted average days to maturity of the Contingency Fund's portfolio to less than 180 days and restricting the maximum allowable maturity to 3 months, the price volatility of the overall portfolio will be minimized.

3. Liquidity

The Contingency Funds require the greatest short-term liquidity of any of the fund types. Repurchase agreements and short-term investment pools shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

4. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

5. Diversification

Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of NTMWD. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through 3 months.

6. Yield

Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio shall be the minimum yield objective.

F. RESERVE FOR MAINTENANCE FUNDS

1. Suitability

Any investment eligible in the Investment Policy is suitable for the Reserve for Maintenance Funds.

2. Safety of Principal

All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the weighted average days to maturity of the Reserve for Maintenance Fund's portfolio to less than 180 days and restricting the maximum allowable maturity to 3 months, the price volatility of the overall portfolio will be minimized.

3. Liquidity

The Reserve for Maintenance Funds require the greatest short-term liquidity of any of the fund types. Repurchase agreements and short-term investment pools shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

4. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

5. Diversification

Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of NTMWD. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through 3 months.

6. Yield

Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio shall be the minimum yield objective.

~~G. RATE STABILIZATION FUNDS~~

~~1. Suitability~~

~~Any investment eligible in the Investment Policy is suitable for the Rate Stabilization Funds.~~

~~2. Safety of Principal~~

~~All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the weighted average days to maturity of the Rate Stabilization Fund's portfolio to less than 180 days and~~

~~restricting the maximum allowable maturity to 3 months, the price volatility of the overall portfolio will be minimized.~~

~~3. Liquidity~~

~~The Rate Stabilization Funds require the greatest short-term liquidity of any of the fund types. Repurchase agreements and short-term investment pools shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed-maturity investments.~~

~~4. Marketability~~

~~Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security type of less than a quarter of a percentage point shall define an efficient secondary market.~~

~~5. Diversification~~

~~Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of NTMWD. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through 3 months.~~

~~6. Yield~~

~~Attaining a competitive market yield for comparable security types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio shall be the minimum yield objective.~~

G. ARBITRAGE LIABILITY FUNDS

1. Suitability

Any investment eligible in the Investment Policy is suitable for Arbitrage Liability Funds.

2. Safety of Principal

All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the weighted average days to maturity of the Arbitrage Liability Fund portfolios to less than 270 days and restricting the maximum allowable maturity to 18 months, the price volatility of the overall portfolio will be minimized.

3. Liquidity

The Arbitrage Liability Funds require relatively short-term liquidity. Repurchase agreements and short-term investment pools shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

4. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

5. Diversification

Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of NTMWD. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through 18 months.

6. Yield

Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month treasury bill portfolio shall be the minimum yield objective.

H. HEALTH INSURANCE HOLDING FUNDS

1. Suitability

Any investment eligible in the Investment Policy is suitable for Health Insurance Holding Funds.

2. Safety of Principal

All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the weighted average days to maturity of the Health Insurance Holding Fund portfolios to less than 270 days and restricting the maximum allowable maturity to 18 months, the price volatility of the overall portfolio will be minimized.

3. Liquidity

The Health Insurance Holding Funds require relatively short-term liquidity. Repurchase agreements and short-term investment pools shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

4. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer

prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

5. Diversification

Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of NTMWD. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through 18 months.

6. Yield

Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month treasury bill portfolio shall be the minimum yield objective.

EXHIBIT B

AUTHORIZED INVESTMENT TRAINING SOURCES

Government Finance Officers Association
Government Finance Officers Association of Texas
University of North Texas Center for Public Management
Government Treasurer's Organization of Texas
Hilltop Securities
Texas CLASS
Alliance of Texas Treasury Associations
Texas Treasury Management Association
Texas Municipal League
Texas Association of Counties
Texas Association of School Boards
Texas Water Conservation Association

EXHIBIT C

AUTHORIZED INVESTMENT ADVISORS

Hilltop Securities Asset Management, LLC.

AUTHORIZED BROKERS

Hilltop Securities, Inc.
Multi-Bank Securities, Inc.
FTN Financial Capital Markets

NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

ADMINISTRATIVE MEMORANDUM NO. 5852

INTERLOCAL COOPERATION AGREEMENT BETWEEN
THE CITY OF RICHARDSON AND
THE NORTH TEXAS MUNICIPAL WATER DISTRICT
REGARDING
PROJECT NO. 101-0338-13, METER VAULT STANDARDIZATION,
SET POINT CONTROL, PHASE IV, AND
PROJECT NO. 101-0566-20, 36-INCH PLANO WEST SIDE PIPELINE

RESOLUTION NO. 22-37

ACTION (*What*)

Authorize the execution of an Interlocal Cooperation Agreement (ILA) with the City of Richardson.

PURPOSE (*Why*)

Due to the size, complexity, proximity, and timing of both the Richardson and NTMWD project components, it is recommended that these two construction projects be managed and constructed by a lead entity to maximize overall coordination. This ILA governs the agreed terms by which the Richardson and NTMWD project components will be constructed by one Construction Manager at-Risk (CMAR) Agreement, contracted by the City of Richardson.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the Executive Director to execute an Interlocal Agreement (ILA) as follows.

- 1) Authorize the Executive Director to execute an Interlocal Cooperation Agreement with the City of Richardson
- 2) Adopt Resolution No. 22-37, "*A Resolution Authorizing an Interlocal Cooperation Agreement between the City of Richardson and the North Texas Municipal Water District (Parties) Regarding the joint construction of the City of Richardson's Water Improvements to Expand the 825 Pressure Zone Capacity of the City's Water Distribution System and the NTMWD's Richardson Delivery Point No. 2 Meter Vault, part of Project No. 101-0338-13, Meter Vault Standardization, Set Point Control Phase IV and a portion of the Plano West Side Pipeline, serving the Richardson Delivery point No. 2, part of project No. 101-0566-20*"

Contracting

Party: City of Richardson, Texas (City)

Purpose: Execution of Interlocal Agreement

Project: No. 101-0338-13, Meter Vault Standardization, Set Point Control Phase IV; and No. 101-0566-20, 36-inch Plano West Side Pipeline

Amount: \$0

Strategic Objective: 3.3 Durable Strategic Partnerships

DRIVER(S) FOR THIS PROJECT

<input type="checkbox"/> Regulatory Compliance	<input type="checkbox"/> Asset Condition
<input checked="" type="checkbox"/> Capacity	<input checked="" type="checkbox"/> Redundancy/Resiliency
<input type="checkbox"/> Relocation or External Requests	<input type="checkbox"/> Operational Efficiency
<input type="checkbox"/> Safety	<input type="checkbox"/> Administrative
<input type="checkbox"/> Policy	<input type="checkbox"/> Other _____

BACKGROUND

- The Project includes complementary efforts that were initiated as separate projects of both NTMWD and the City.
- The Richardson component consists principally of:
 - Approximately 6,500 linear feet (LF) of 30-inch diameter pipe; 2,100 LF of 20-inch diameter pipe, and 2,100 LF of 12-inch diameter pipe. These are to run between the Richardson No. 2 Delivery Point (at the Northside Pump Station near the intersection of Renner Road and Synergy Park Blvd.) and along Renner Road to Alma Road.
 - Expansion of the Northside Pump Station with a new 15 million gallons per day (MGD) pump station and 5 million gallon (MG) ground storage tank.
- The NTMWD component consists principally of elements of two projects:
 - The Plano Westside Pipeline, approximately 4,450 LF of 30-inch diameter water transmission line along Renner Road from Custer Blvd. to the Richardson No. 2 Delivery Point site.
- A new water meter vault and related electrical and control building near the City's new Northside II Pump Station.
- On June 6, 2022, Richardson and NTMWD executed a Letter of Intent to enter into an ILA for the joint construction of both Richardson and NTMWD components. The City has decided to approach this joint effort as a Construction Manager At-Risk (CMAR) delivery method.
- This ILA governs the terms of both the CMAR pre-construction phase and construction phase of this Project.
- The CMAR is providing pre-construction services including, but not limited to, construction cost estimating, constructability reviews, sequence planning, and scheduling efforts. This recommendation covers the execution of this ILA only, and authorization to proceed with construction activities will be brought to the Board as separate action at a later time.
- The Richardson City Council approved this ILA in their August 8, 2022 Council Meeting.

INTERLOCAL AGREEMENT

The Interlocal Agreement in detail is provided as a separate document. The general notable terms are as follows:

- NTMWD and consultant, as part of the design, will comply with City Ordinances, will submit applicable applications to the City for site plan platting, and will bear the costs of any required easements or right-of-way (ROW) associated with the NTMWD project components.
- NTMWD and the City will share copies of draft design deliverable and Opinions of Probable Construction Costs with one another as available.
- During the Pre-construction phase, the City will invoice NTMWD a pro-rata share (currently anticipated at 18%) of CMAR Preconstruction Fees on a monthly basis. Authorization for NTMWD's share of these will be recommended to the Board as a separate action in the near future, as the Agreement between Richardson and the CMAR is finalized.
- Following review and approval of NTMWD's design by the City, NTMWD will prepare, complete and submit Contract Bid Documents to the City in the form of a Bid Alternate to be included in Richardson's Bid Package.
- Following successful construction bidding by the City and their CMAR, NTMWD staff will review for concurrence and prepare a recommendation to the Board in the form of Board Agenda Item. Upon authorization from the Board NTMWD will provide a cash deposit with the City in an amount of 125% of the Bid "Construction Cost" amount.
- A true-up will be conducted at the completion of the projects and any unused NTMWD funds will be returned to the NTMWD.
- Included is the Interlocal Agreement.

FUNDING

FUND(S): No funding is requested at this time.

NORTH TEXAS MUNICIPAL WATER DISTRICT

RESOLUTION NO. 22-37

**A RESOLUTION AUTHORIZING AN
INTERLOCAL COOPERATION AGREEMENT BETWEEN
THE CITY OF RICHARDSON AND
THE NORTH TEXAS MUNICIPAL WATER DISTRICT (PARTIES)
REGARDING THE JOINT CONSTRUCTION OF THE CITY OF
RICHARDSON'S WATER IMPROVEMENTS TO EXPAND THE 825
PRESSURE ZONE CAPACITY OF THE CITY'S WATER DISTRIBUTION
SYSTEM AND THE NTMWD'S RICHARDSON DELIVERY POINT NO. 2
METER VAULT, PART OF PROJECT NO. 101-0338-13, METER VAULT
STANDARDIZATION, SET POINT CONTROL PHASE IV AND A PORTION OF
THE PLANO WEST SIDE PIPELINE, SERVING THE RICHARDSON
DELIVERY POINT NO. 2, PART OF PROJECT NO. 101-0566-20**

WHEREAS, Richardson has selected a Construction Manager at-Risk ("CMAR") for Construction of Water Improvements to Expand the 825 Pressure Zone Capacity of the City's Water Distribution System ("**Project**"). The **Project** includes an "**NTMWD Component**" and a "**Richardson Component**". The **Richardson Component** consists of approximately 6,500 linear feet (LF) of 30-inch diameter, 2,100 LF of 20-inch diameter, and 2,100 LF of 12-inch diameter water lines to be constructed from the Northside Pump Station to Alma Road, expansion of the Northside Pump Station with a new 15 million gallons per day (MGD) Northside II Pump Station and 5 million gallon (MG) Ground Storage Tank. The **NTMWD Component** includes construction of a portion of the NTMWD Plano Westside Project, consisting of approximately 4,450 LF of 30-inch diameter water transmission line along Renner Road and Point North Parkway and Richardson No. 2 Water Metering Station facility near Point North Parkway at 725 Synergy Park Blvd, Richardson, Texas 75080 to be known as the Northside II Pump Station; and

WHEREAS, NTMWD desires to enter into an Interlocal Cooperation Agreement with Richardson for the construction and connection of a NTMWD Component and related site improvements (the "NTMWD Component") within an easement along Renner Road and on property owned by University of Texas, Dallas adjacent to the Northside II Pump Station to be constructed contemporaneously with the construction of the 825 Pressure Zone Water System improvements by the CMAR selected by the City of Richardson to construct the **Project** ("Richardson's Contractor"); and

WHEREAS, NTMWD has requested that the City of Richardson include the NTMWD Project in competitive bid documents for the Project as an alternate bid item to afford NTMWD and Richardson an opportunity to coordinate the construction of the two projects thereby avoiding conflicts and confusion and allowing both the Richardson Component and the NTMWD Component to be completed and become operational at or about the same time; and

WHEREAS, Richardson desires to cooperate with NTMWD; and

WHEREAS, the Texas Interlocal Cooperation Act, contained in Chapter 791 of the Texas Government Code, authorizes Texas local governments to contract with one or more other local governments to perform governmental functions and services under the terms of said Act; and

WHEREAS, the governing bodies of each Party find that this project or undertaking is necessary for the benefit of the public and that each Party has the legal authority to provide the

governmental function or service which is the subject matter of this Agreement; and

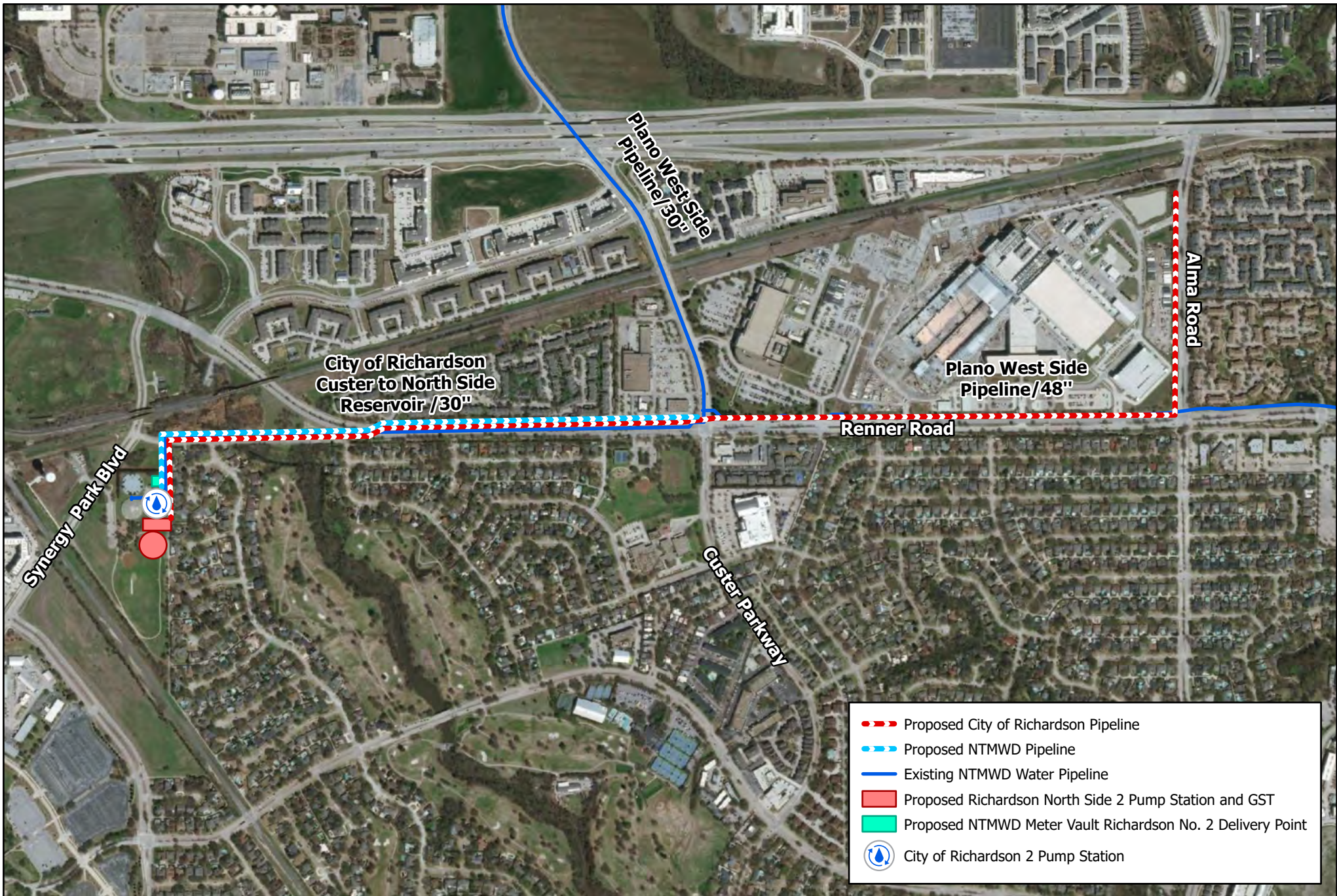
WHEREAS, the Parties, in paying for the performance of governmental functions or in performing such governmental functions, shall make payments therefore only from current revenues legally available to such Party.







THIS RESOLUTION ADOPTED BY THE NTMWD BOARD OF DIRECTORS IN A REGULAR MEETING ON AUGUST 25, 2022, IN THE ADMINISTRATIVE OFFICES OF THE NTMWD, WYLIE, TEXAS.

GEORGE CRUMP, Secretary

JACK MAY, President

(Seal)



-  Proposed City of Richardson Pipeline
-  Proposed NTMWD Pipeline
-  Existing NTMWD Water Pipeline
-  Proposed Richardson North Side 2 Pump Station and GST
-  Proposed NTMWD Meter Vault Richardson No. 2 Delivery Point
-  City of Richardson 2 Pump Station



**Interlocal Cooperation Agreement with
 City of Richardson and NTMWD Joint CMAR
 Project Nos. 101-0338-13 and 101-0566-20
 Administrative Memorandum No. 5852**



INTERLOCAL COOPERATION AGREEMENT BETWEEN
THE CITY OF RICHARDSON, TEXAS AND
THE NORTH TEXAS MUNICIPAL WATER DISTRICT

This Interlocal Cooperation Agreement (“Agreement”) is made and entered by and between the City of Richardson, Texas (“Richardson”), a home-rule municipality operating under the laws of the State of Texas, and the North Texas Municipal Water District (“NTMWD”), a Texas conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article XVI, Section 59 of the Texas Constitution, pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, as amended, which parties are sometimes referred to singly as “Party” and collectively as “Parties.”

R E C I T A L S

- WHEREAS, Richardson has selected a Construction Manager at Risk (“CMAR”) for Construction of Water Improvements to Expand the 825 Pressure Zone Capacity of the City’s Water Distribution System (“**Project**”). The **Project** includes an “**NTMWD Component**” and a “**Richardson Component**”. The **Richardson Component** consists of approximately 6,500 Linear Feet (LF) of 30-inch diameter, 2,100 LF of 20-inch diameter, and 2,100 LF of 12-inch diameter water lines to be constructed from the Northside Pump Station to Alma Road, expansion of the Northside Pump Station with a new 15 Million Gallons per Day (MGD) Northside II Pump Station and 5 Million Gallon (MG) Ground Storage Tank. The **NTMWD Component** includes construction of a portion of the NTMWD Plano Westside Project, consisting of approximately 4,450 LF of 30-inch water transmission line along Renner Road and Point North Parkway and Richardson #2 Water Metering Station facility near Point North Parkway at 725 Synergy Park Blvd, Richardson, Texas 75080 to be known as the Northside II Pump Station; and
- WHEREAS, NTMWD desires to enter into an Interlocal Cooperation Agreement with Richardson for the construction and connection of a NTMWD Component and related site improvements (the “NTMWD Component”) within an easement along Renner Road and on property owned by University of Texas, Dallas adjacent to the Northside II Pump Station to be constructed contemporaneously with the construction of the 825 Pressure Zone Water System improvements by the CMAR selected by the City of Richardson to construct the **Project** (“Richardson’s Contractor”); and
- WHEREAS, NTMWD has requested that the City of Richardson include the NTMWD Project in competitive bid documents for the Project as an alternate bid item to afford NTMWD and Richardson an opportunity to coordinate the construction of the two projects thereby avoiding conflicts and confusion and allowing both the Richardson Component and the NTMWD Component to be completed and become operational at or about the same time; and
- WHEREAS, Richardson desires to cooperate with NTMWD; and

WHEREAS, the Texas Interlocal Cooperation Act, contained in Chapter 791 of the Texas Government Code, authorizes Texas local governments to contract with one or more other local governments to perform governmental functions and services under the terms of said Act; and

WHEREAS, the governing bodies of each Party find that this project or undertaking is necessary for the benefit of the public and that each Party has the legal authority to provide the governmental function or service which is the subject matter of this Agreement; and

WHEREAS, the Parties, in paying for the performance of governmental functions or in performing such governmental functions, shall make payments therefore only from current revenues legally available to such Party.

NOW, THEREFORE, in consideration of the above recitals, the mutual promises that follow and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged by the Parties, the Parties agree as follows:

1. The foregoing recitals are found to be true and correct and are fully incorporated into the body of this Agreement and become a part hereof.
2. NTMWD shall comply with the Code of Ordinances, City of Richardson, Texas (“Richardson Code”) and submit applications to Richardson to obtain approval of a record plat and a site plan for the NTMWD Component, which approval shall not be unreasonably withheld. NTMWD shall at its costs obtain easements (and if necessary, exercise eminent domain to acquire the easements) required for construction of the NTMWD Component upon private properties along the Plano Westside Project alignment. NTMWD shall use good faith efforts to acquire such easements and/or rights-of-way such that construction shall not be negatively impacted provided that construction activities on said NTMWD Component do not commence before March 31, 2023, unless otherwise mutually agreed upon in accordance with paragraph 15 below.
3. NTMWD will provide copies of draft design deliverables and opinions of probable cost to the City for review by the CMAR during preconstruction services.
4. NTMWD shall also obtain Richardson’s approval of all design and construction drawings for the NTMWD Component, which approval shall not be unreasonably withheld.
5. After Richardson’s approval of the NTMWD Component is obtained, NTMWD shall prepare and provide to Richardson the plan sheets, detail sheets, specifications, bid form and all other documentation required for the NTMWD Component to be included as a Bid Alternate in Richardson’s bid package for the Project.
6. Richardson shall incorporate the documentation provided by NTMWD for the NTMWD Component as a Bid Alternate in the bid package for the Project (“Bid Package”) and afford NTMWD an opportunity to review the Bid Package prior to its release for bids.
7. Richardson shall competitively bid the Project as one overall project in strict accordance with the competitive bid laws of the State of Texas. NTMWD shall cooperate with Richardson to respond to any questions regarding the NTMWD Component and prepare any addendum that might be necessary regarding the NTMWD Component in a timely fashion. Upon receipt of bids, Richardson shall provide NTMWD written notice of the Richardson recommended

bidder(s) for the Bid Package (“Bidder”) and shall include a copy or access to the Bidder’s Bid Package. Notwithstanding anything to the contrary herein Richardson shall have the right to reject all bids in its sole discretion.

8. NTMWD shall have ten (10) business days to review the Bidder’s Bid Package and inform Richardson whether NTMWD desires to accept the Bid Alternate for the NTMWD Component. Expressly conditioned upon approval by NTMWD’s Board, within five (5) business days after such approval by NTMWD’s Board, NTMWD shall pay the City a cash deposit in the amount of 125% of the total costs to be incurred for the NTMWD Component as set forth in the Bidder’s response to the Bid Alternate (the “Construction Funds”). If the actual costs for the NTMWD Component are more than the Construction Funds provided due to approved change orders, NTMWD shall pay up to 125% of such additional amounts as may be reasonably required by City, following NTMWD Board approval. City shall not approve a change order for work for the NTMWD Component without first providing written notice thereof to NTMWD for review and having received the additional amount.
9. NTMWD shall reimburse the City on a pro-rated basis for all costs incurred that are not direct cost of work associated with the Bid Alternate and paid for by the Construction Funds. The City shall invoice NTMWD bimonthly for the pro-rated share of costs including, but not limited to, program management fees, CMAR preconstruction, procurement and construction phase fees, material general conditions, general requirements, traffic management, materials testing, include program manager fees and CMAR preconstruction phase and procurement services. Upon execution of this Interlocal Agreement, the pro-rated amount for the NTMWD will be 18% based on the most recent Opinions of Probable Cost for each component provided by the respective Engineers of Record at the time of this agreement. Upon final payment to the CMAR and completion of a final accounting, the pro-rated cost basis will be updated based on actual amounts paid for the Project, with each party’s respective liability for indirect costs “trued up” at that time.
10. If NTMWD does not wish to accept the Bidder or the Bid Alternate amount bid for the NTMWD Component, or if NTMWD fails to timely respond, Richardson may award the Richardson Component to the Bidder but shall not include an award for the NTMWD Component. In no case shall Richardson award a contract or a bid for the Alternate Bid for the NTMWD component unless and until NTMWD has provided the Construction Funds.
11. Contingent upon NTMWD’s acceptance of the Bidder and Bid Alternate amount for the NTMWD Component, at all times during the construction of the Project, Richardson shall have primary control and final approval authority regarding the Bidder’s work on the NTMWD Component. Contingent upon NTMWD’s acceptance of the Bidder and Bid Alternate amount for the NTMWD Component, NTMWD shall provide onsite inspection services for the NTMWD Component in addition to Richardson’s inspection services. Contingent upon NTMWD’s acceptance of the Bidder and Bid Alternate amount for the NTMWD Component, NTMWD’s inspector will coordinate with Richardson’s Construction Manager and onsite inspector on the NTMWD Component regarding any construction related items, issues, or concerns including defective work regarding said NTMWD Component. All communications with the Bidder regarding the NTMWD Component shall be conveyed through Richardson to CMAR.
12. NTMWD agrees to provide a Final Acceptance Letter to Richardson for the NTMWD Component, prior to Richardson determining the NTMWD Component to be substantially complete and/or finally complete.

13. Following Richardson final acceptance of the Project and completion of any punch-list items or other required work for final acceptance of the Project, Richardson shall promptly refund to NTMWD any amounts remaining in the Construction Funds.
14. Any notice or communication required or permitted hereunder shall be in writing and shall be deemed to be delivered when actually received or, regardless of whether actually received or not, (i) when deposited with Federal Express, DHL, UPS, or other nationally recognized overnight courier service, (ii) when received if delivered by hand, or (iii) when deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to the addressee as follows or to such other address as shall hereafter be designated by written notice by the addressee:

If to Richardson: City of Richardson
Don Magner,
City Manager
411 W. Arapaho Road
Richardson, Texas 75080

With Copy to: Peter G. Smith
Nichols Jackson Dillard Hager & Smith LLP
1800 Ross Tower
500 North Akard
Dallas, Texas 75201

If to NTMWD: North Texas Municipal Water District
Jennafer P. Covington,
Executive Director/General Manager
501 East Brown St.
Wylie, Texas 75098

With Copy to: Mark A. Walsh
Saunders, Walsh & Beard
6850 TPC Drive, Suite 210
McKinney, Texas 75070

The Parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its addresses any other address by at least fifteen (15) days' written notice to the Party hereto.

15. This Agreement may not be amended except by an instrument in writing signed by authorized representatives of the Parties. The terms of this Agreement shall be binding upon and inure to the benefit of all Parties and their permitted successors and assigns.
16. This Agreement and the rights and duties of the Parties arising out of this Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to the conflict of laws rules thereof. Venue for any dispute under this Agreement shall lie exclusively in the state courts and federal courts of Dallas County, Texas.
17. The provisions of this Agreement are severable, and if any court shall ever hold any word,

phrase, clause, sentence, paragraph, section, or other part of this Agreement or the application of it to any person or circumstance of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Agreement to other persons or circumstances will not be affected by that and this Agreement will be construed as if it had never contained such invalid or unconstitutional portion therein.

18. Counterparts. This Agreement may be executed in counterparts. Each of the counterparts shall be deemed an original instrument, but all of the counterparts shall constitute one and the same instrument.
19. Effective Date. This Agreement shall become effective on the last date of execution hereof by the Parties.
20. Contract Administration. This Agreement shall be administered on behalf of the City by the City Manager, or designee. The City Manager is authorized to execute on behalf of City any amendments to this Agreement and any instruments related hereto.

Signature Page to Follow

EXECUTED on this _____ day of _____, 2022.

CITY OF RICHARDSON, TEXAS

By: _____
Don Magner
City Manager

ATTEST:

AIMEE NEMER,
City Secretary

APPROVED AS TO FORM:

Peter G. Smith
City Attorney

EXECUTED on this _____ day of _____, 2022.

NORTH TEXAS MUNICIPAL WATER DISTRICT

By: _____
Jennafer P. Covington
Executive Director/General Manager

NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

ADMINISTRATIVE MEMORANDUM NO. 5853

SABINE CREEK REGIONAL WASTEWATER SYSTEM
SABINE CREEK WASTEWATER TREATMENT PLANT
EXPANSION TO 7 MGD
PROJECT NO. 308-0576-20

TABULATION OF BIDS AND AWARD OF CONTRACT
CONSTRUCTION MANAGEMENT SERVICES AGREEMENT
AND
ENGINEERING CONSTRUCTION SERVICES AGREEMENT

ACTION *(What)*

Authorize award of a construction contract, award engineering services during construction, and award construction management and inspection services for the Sabine Creek Wastewater Treatment Plant (WWTP) Expansion to seven (7) million gallons per day (MGD).

PURPOSE *(Why)*

The service area of the Sabine Creek WWTP has a rapidly growing population and additional treatment capacity is needed for the anticipated additional wastewater flows associated with growth demands.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the award of contracts as follows:

Contractor:	Construction Contract:	Eagle Contracting, LLC
	Construction Management Agreement:	Plummer Associates, Inc.
	Engineering Services Agreement	AECOM Technical Services, Inc.

Scope: Construction, Construction Management, and Engineering Services

Project: No. 308-0576-20, Sabine Creek Wastewater Treatment Plant Expansion to 7 MGD (formerly Expansion to 6 MGD)

Amount:	Construction Contract:	\$69,831,000.00
	Construction Management Agreement:	\$ 3,939,953.00
	Engineering Services Agreement	\$ 2,766,538.00

Strategic Objective: 1.2 Successfully Deliver Capital Program
1.4 Reliable and Resilient Systems

This will be an item on the August 24, 2022, Wastewater Committee meeting agenda.

DRIVER(S) FOR THIS PROJECT

<input checked="" type="checkbox"/> Regulatory Compliance	<input type="checkbox"/> Asset Condition
<input checked="" type="checkbox"/> Capacity	<input type="checkbox"/> Redundancy/Resiliency
<input type="checkbox"/> Relocation or External Requests	<input type="checkbox"/> Operational Efficiency
<input type="checkbox"/> Safety	<input type="checkbox"/> Administrative
<input type="checkbox"/> Policy	<input type="checkbox"/> Other _____

BACKGROUND

PROJECT PURPOSE

- The Sabine Creek WWTP was completed in 2006 with a treatment capacity of 1.5 million gallons per day annual average daily flow and a peak 2-hour flow of 4.5 MGD and expanded to 3 MGD annual average daily flow and peak 2-hour flow of 9 MGD.
- The Feasibility Study and Master Plan for Sabine Creek Wastewater Treatment Plant drafted by Tetra Tech, Inc., (NTMWD Project No. 308-554-20) indicated an expansion of the treatment processes to 6 MGD annual average daily flow and a 2-hour peak flow of 18 MGD are needed to meet the wastewater flow projections for the service area. The study also indicated peak instantaneous flow can be up to 21.2 MGD. The Sabine Creek WWTP is being expanded to 7 MGD so that all the planned expansions can be located outside the flood plain as recommended by AECOM during the preliminary engineering phase of the final design.
- A major amendment to the permit has been submitted to the Texas Commission on Environmental Quality (TCEQ) to increase the current plant permit from 5 MGD to 7 MGD.

PROJECT COMPONENTS

- Influent junction box for Parker Creek and Sabine Creek Interceptors
- Influent lift station to supplement the existing lift station and new supporting electrical building
- New headworks facility with additional screens and grit removal
- Aeration basins with new blower building and secondary clarification
- Disc filter and Ultraviolet (UV) disinfection expansion
- Dewatering equipment replacement and expansion
- Electrical building, utility transformer and new diesel generator for increased plant loads
- Instrumentation and control improvements
- Odor control improvements
- Road modifications and site work
- Yard pipe and a new parallel outfall to the creek

TABULATION OF BIDS

Sealed bids for construction were received at 2:00 p.m. on Tuesday, July 19, 2022, as tabulated below:

Bidder	Total Bid	Recommendation
Eagle Contracting, LLC	\$69,831,000.00	Lowest responsible bid Recommended for Award
Archer Western Construction, LLC	\$71,872,145.08	
Gracon Construction, Inc.	\$74,216,285.00	
ENGINEER'S OPINION OF PROBABLE COST	\$65,000,000.00	

LOWEST RESPONSIBLE BIDDER HISTORY

Eagle Contracting, LLC has successfully completed or is currently in construction on several projects for the NTMWD:

- Project No. LEFIS 05-1, Lower East Fork Interceptor Lift Station (completed January 2008)
- Project No. 062, Muddy Creek Regional Wastewater Treatment Plant Expansion No. 1 (completed February 2008)
- Project No. 116, Panther Creek Wastewater Treatment Plant Expansion (completed March 2011)
- Project No. 101-0375-14, Wylie Water Treatment Plant I Rapid Mix and Sedimentation Improvements (completed March 2021)
- Project No. 101-0480-17, High Service Pump Station 3-1 Improvements (completed July 2021)
- Project No 310-0450-17, Muddy Creek Wastewater Treatment Plant Aeration Basin, Odor Control, and Backup Power Improvements (completed January 2021)
- Project No. 301-0432-16, Floyd Branch Regional Wastewater Treatment Plant Process Optimization Improvements (estimated completion August 2022)
- Project No. 101-0548-19, Bonham and Tawakoni Water Treatment Plant Improvements - Bonham Water Treatment Plant (currently in construction, estimated completion Spring 2023)

Based on their standing as lowest responsible bidder, the information provided, and reports by the supplied references, the NTMWD staff and AECOM Technical Services, Inc., recommend award of the contract to Eagle Contracting, LLC.

ENGINEERING CONSTRUCTION SERVICES AGREEMENT

Engineering construction services for the Sabine Creek WWTP will be provided by AECOM Technical Services, Inc.

The services will consist of:

- Prepare and submit monthly invoices, review and approve sub-consultant invoice
- Provide Project Mates updates
- Review shop drawings submittals
- Review monthly construction schedules and progress payments submitted by contractor

- Review preliminary and final operations and maintenance (O&M) manuals
- Prepare equipment list forms
- Provide responses to requests for information
- Evaluate preliminary change orders
- Assist with development of change orders
- Visit site during the monthly project meeting to review contractor's progress and quality of work
- Attend process controls workshops
- Provide site visits by structural engineer
- Participate in process start-up
- Develop record drawings

NTMWD will utilize AECOM Technical Services, Inc. for engineering construction services for the 36-month period. The cost to NTMWD related to the Engineering Construction Services is \$2,766,538.00.

CONSTRUCTION MANAGEMENT SERVICES

NTMWD will utilize an external Construction Manager and Outsourced Inspection Staff to cover all civil, electrical, control and instrumentation inspection. The cost to NTMWD related to this external inspection is \$3,939,953.00.

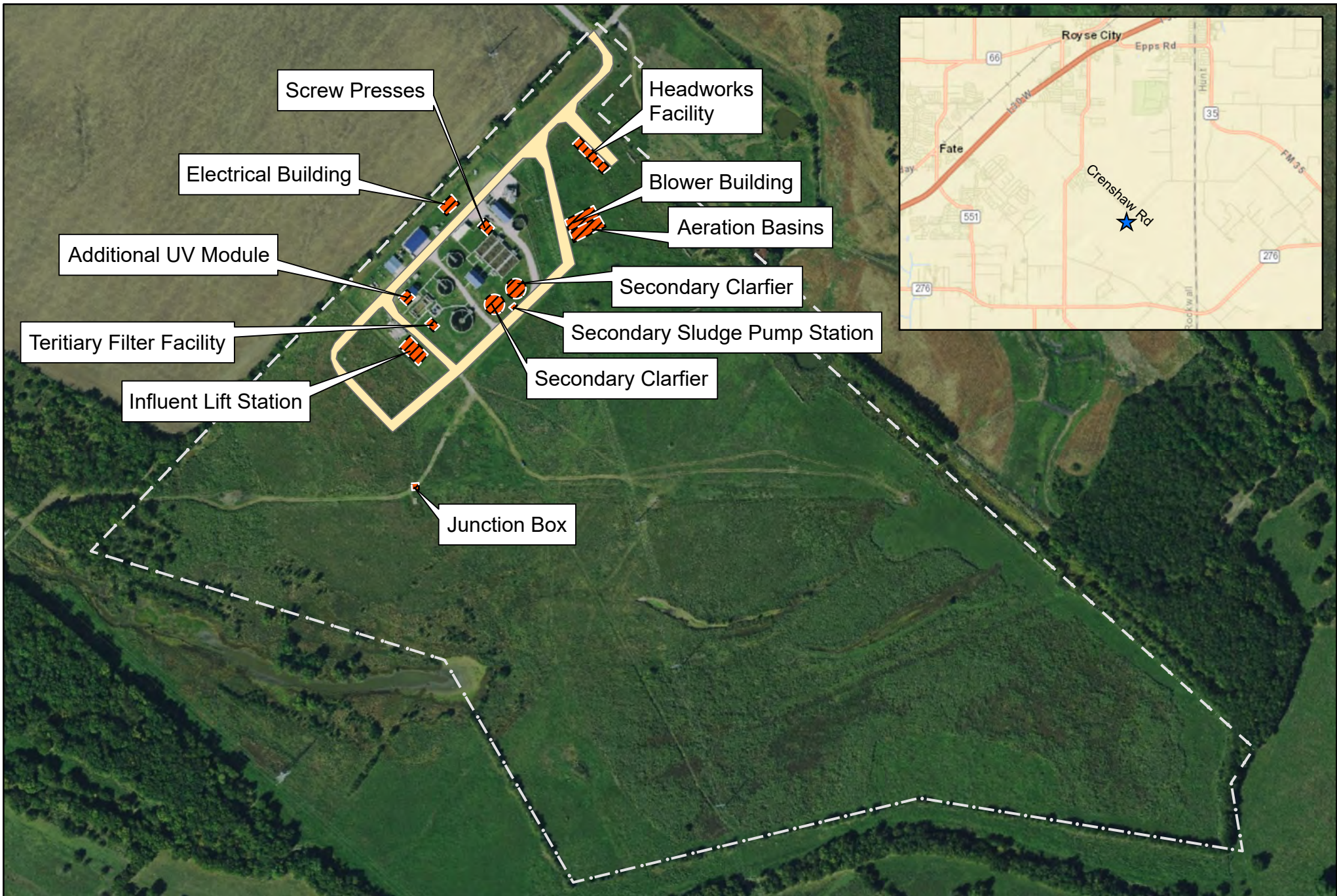
CONSTRUCTION MANAGEMENT SERVICES AGREEMENT

- The engineering department normally provides inspection services for NTMWD projects. Due to current project workload the NTMWD staff recommends that Plummer Associates, Inc. (Plummer), be retained to provide full-service construction management and inspection services for this project for the full 36-month period. These out-sourced activities will be overseen by NTMWD staff.
- Plummer has proposed a fee of \$3,939,953.00, which includes to a total of 23,286 hours of coverage at a rate of \$169.20 per hour. The hour total is based on assumed maximum need of all form of inspection and management. The proposed hourly rate aligns with current levels for similar contracted services.
- NTMWD staff will oversee the activities and utilization of the contracted personnel.

NTMWD staff recommends this as the current anticipated maximum effort required to complete the project.

FUNDING

FUND(S): Funding in the amount of \$69,831,000.00 to Eagle Contracting, LLC, \$2,766,538.00 to AECOM Technical Services, Inc. and \$3,939,953.00 to Plummer Associates, Inc. is to be made available from the issuance of Sabine Creek Regional Wastewater System Series 2022 Bonds planned for August 25, 2022.



Sabine Creek WWTP Expansion to 7 MGD
Project No. 308-0576-20
Administrative Memorandum No. 5853



NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

ADMINISTRATIVE MEMORANDUM NO. 5854

UPPER EAST FORK INTERCEPTOR SYSTEM
NORTH MCKINNEY PARALLEL INTERCEPTOR
PROJECT NO. 501-0504-18

CHANGE ORDER NO. 1

ACTION *(What)*

Authorize Change Order No. 1 with McKee Utility Contractors, Inc.

PURPOSE *(Why)*

The purpose of this change order is to lower the new parallel interceptor elevation closer to the existing North McKinney Interceptor elevation to maximize the combined capacity of the parallel interceptors, minimize risk of surcharging, and provide flexibility to serve and accommodate a future extension of the new interceptor northward to meet future flows and growth from McKinney north of the existing Princeton points of entries. This change also includes a deductive item for reducing the new 84-inch steel casing wall thickness.

RECOMMENDATION

The Executive Director, NTMWD staff and Teague, Nall, and Perkins, Inc. recommend the Board of Directors authorize a construction change order as follows:

Contractor: McKee Utility Contractors, Inc.
Scope: Construction, Change Order No. 1
Project: No. 501-0504-18 North McKinney Parallel Interceptor
Amount: \$869,643.16
Strategic Objectives: 1.2 Successfully Deliver Capital Program
1.4 Reliable and Resilient System

This will be an item on the August 24, 2022, Wastewater Committee meeting agenda.

DRIVER(S) FOR THIS PROJECT

- | | |
|----------------------------------------------------------|-------------------------------------------------|
| <input type="checkbox"/> Regulatory Compliance | <input type="checkbox"/> Asset Condition |
| <input checked="" type="checkbox"/> Capacity | <input type="checkbox"/> Redundancy/Resiliency |
| <input type="checkbox"/> Relocation or External Requests | <input type="checkbox"/> Operational Efficiency |
| <input type="checkbox"/> Safety | <input type="checkbox"/> Administrative |
| <input type="checkbox"/> Policy | <input type="checkbox"/> Other _____ |

PROJECT PURPOSE

- Provide additional conveyance capacity to meet the immediate and projected flow conditions in the North McKinney basin due to population growth.
- Increase gravity flow capacity from the discharge point of the Princeton Parallel Force Main and also the Wilson Creek Sub-Basin to the McKinney Lift Station at the Wilson Creek RWWTP.

PROJECT COMPONENTS

- Provide approximately 11,600 linear feet of 48-inch to 66-inch pipe and associated appurtenances from the discharge point of the Princeton parallel force main to the McKinney Lift Station at the Wilson Creek RWWTP.
- Provide approximately 11,600 linear feet of 4-inch conduit along the entire North McKinney Parallel Interceptor alignment for future fiber optic installation.
- Provide approximately 7,000 linear feet of 5-strand barbed wire fence along the property boundary of USACE near Evans Road as part of the USACE-required easement grantee package.
- The USACE is requiring three other tree mitigation projects as part of this easement grantee package and those mitigation projects will be awarded in a later contract.

PROPOSED CHANGE ORDER

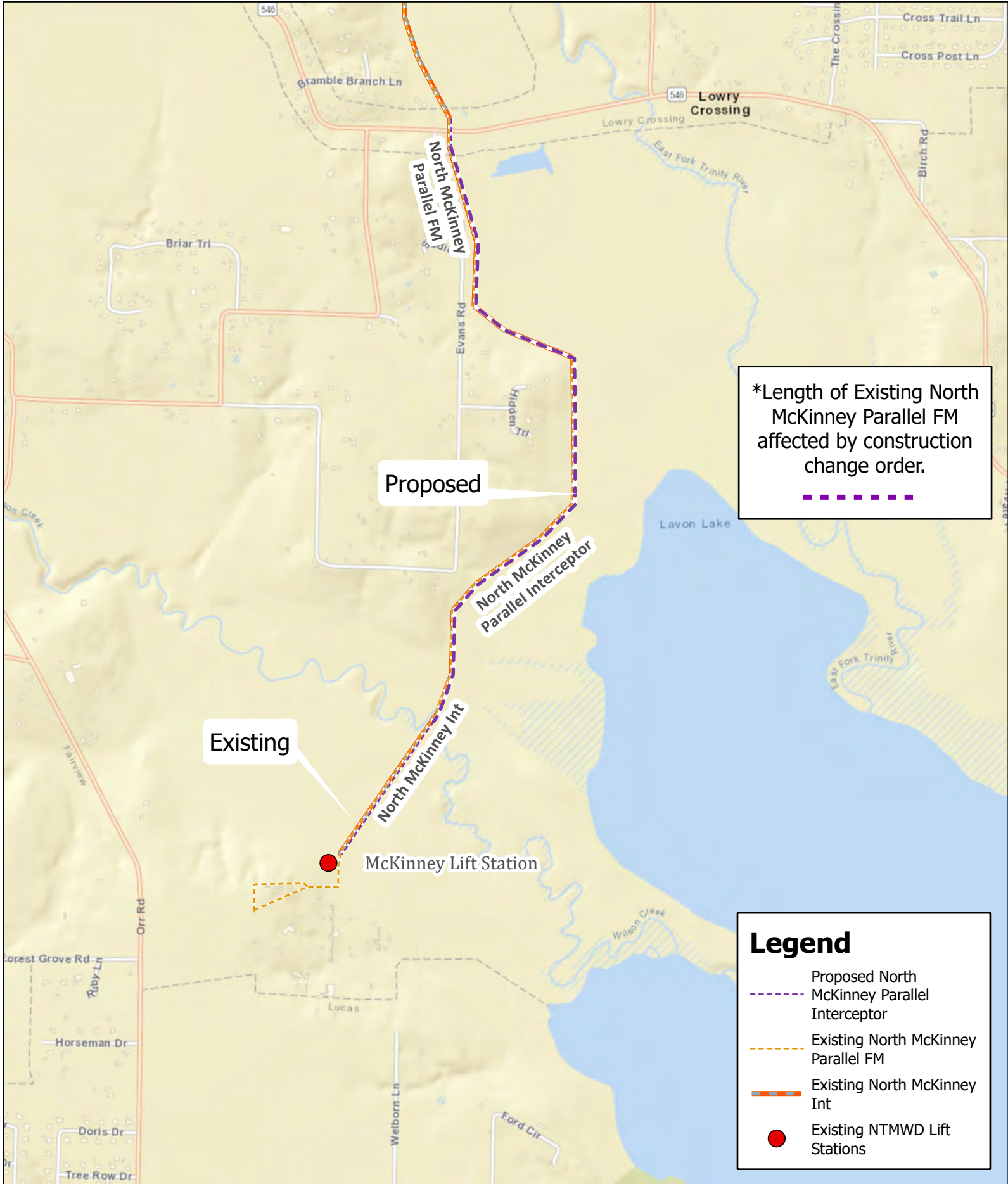
- In May 2022, the UEFIS Capacity Assurance Phase III (Optimization) prepared a Princeton Area Improvements Technical Memorandum that recommended a future Phase II (upstream) segment of the North McKinney Parallel Interceptor to serve growth and convey buildout flows from the north. To accommodate that future upstream project NTMWD staff recommend lowering the current interceptor project to a lower elevation to accommodate the future extension. This change will result in the new North McKinney Parallel Interceptor capacity of approximately 23 MGD. The existing North McKinney Interceptor capacity is approximately 8.9 MGD. The combined capacity of both interceptors are sufficient to meet the new flow projections.
- Gradually lower the elevation of North McKinney Parallel Interceptor for approximately 8,853 linear feet to match the invert elevation of existing North McKinney Interceptor.
- Lower the elevation of the overflow interconnect to balance the flows between both interceptors
- Enlarge and modify the upstream manhole with a stub-out to accommodate a future Phase II connection
- Add 60 calendar days to the contract time
- Reduce the 84-inch steel casing wall thickness across the creek from original design size of 1.375-inch to 1-inch for approximately 460 linear feet of casing

CHANGE ORDER NO. 1

Description	Amount	Days
Original Contract	\$10,084,531.50	540
Prior Change Order(s) Total	\$0.00	0
Proposed Change Order No. 1		
Lower interceptor	\$969,643.16	60
Casing size reduction	(\$100,000.00)	0
Proposed Change Order No. 1 Increase	\$869,643.16	60
Revised Contract Amount	\$10,954,174.66	600

FUNDING

FUND(S): Funding to McKee Utility Contractors Inc. of \$600,000 is to be made available in the Upper East Fork Interceptor System 2017 Construction Fund and \$269,643.16 is to be made available in the Upper East Fork Interceptor System 2020 Construction Fund.



*Length of Existing North McKinney Parallel FM affected by construction change order.

Legend

- Proposed North McKinney Parallel Interceptor
- Existing North McKinney Parallel FM
- Existing North McKinney Int
- Existing NTMWD Lift Stations

**North McKinney Parallel Interceptor
Project No. 501-0504-18
Administrative Memorandum No. 5854**



NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

ADMINISTRATIVE MEMORANDUM NO. 5855

UPPER EAST FORK INTERCEPTOR SYSTEM
PRESTON ROAD LIFT STATION EXPANSION
PROJECT NO. 501-0559-20

RESOLUTION NO. 22-38

LAND ACQUISITION PROGRAM

ACTION (*What*)

Authorize funding and resolution to acquire fee simple property and easements needed for the Preston Road Lift Station Expansion.

PURPOSE (*Why*)

Additional acreage is needed to upgrade and expand facilities due to growth in the service area.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors:

- 1) Authorize the Executive Director to execute a land acquisition program for the Preston Road Lift Station Expansion, Project No. 501-0559-20, in the amount of \$1,500,000; and,
- 2) Adopt Resolution No. 22-38, *“A Resolution Authorizing the Use of Eminent Domain to Acquire Property for the Preston Road Lift Station Expansion, Project No. 501-0559-20, and Delegating the Authority to Initiate Condemnation Proceedings to the NTMWD Executive Director.”*

Consultant: N/A

Scope: Land acquisition and the necessary support services to facilitate purchasing of fee simple property and easements for the project

Project: Project No. 501-0559-20, Preston Road Lift Station Expansion

Amount: \$1,500,000

Strategic Objective: 1.1 High Quality Services

This was an item on the July 27, 2022, Real Estate Committee meeting agenda.

DRIVER(S) FOR THIS PROJECT

<input type="checkbox"/> Regulatory Compliance	<input type="checkbox"/> Asset Condition
<input checked="" type="checkbox"/> Capacity	<input type="checkbox"/> Redundancy/Resiliency
<input type="checkbox"/> Relocation or External Requests	<input type="checkbox"/> Operational Efficiency
<input type="checkbox"/> Safety	<input type="checkbox"/> Administrative
<input type="checkbox"/> Policy	<input type="checkbox"/> Other _____

PROJECT PURPOSE

- Preston Road Lift Station (PRLS) is being upgraded and expanded to meet projected peak flow demands.
- Existing facility upgrades will improve capacity from 29.5 MGD to 36.5 MGD.
- Expansion of the PRLS and wet well are required to meet the projected ultimate capacity needs of 60 MGD that will be served by the parallel 121 Force Mains.
- NTMWD owns the land at PRLS, the acreage of which is inadequate to accommodate the proposed upgrades and expansion.
- Approximately 1.2 acres of land for purchase, 0.2 acres of permanent and 1.0 acre of temporary easements are recommended for acquisition as described in Exhibit "A" (line list).

SUPPORT SERVICES

- Employ the firm of Saunders, Walsh & Beard, Attorneys & Counselors, to act as counsel on the acquisition of the properties.
- Employ an appraiser to provide appropriate reports.
- Employ a title company to provide professional services related to certain property ownership issues.
- Employ survey services to perform title survey for purchase and acquisition, and verify property lines and potential easement locations when necessary.
- Employ contracted land agents, coordinators, and/or acquisition company(s) to assist in transaction management and easement acquisition.

FUNDING

FUND(S): Funding in the amount of \$1,500,000 is to be made available in the Upper East Fork Interceptor System 2020 Construction Fund.

NORTH TEXAS MUNICIPAL WATER DISTRICT

RESOLUTION NO. 22-38

A RESOLUTION AUTHORIZING THE USE OF EMINENT DOMAIN TO ACQUIRE PROPERTY FOR THE PRESTON ROAD LIFT STATION EXPANSION, PROJECT NO. 501-0559-20, AND DELEGATING AUTHORITY TO INITIATE CONDEMNATION PROCEEDINGS TO THE NTMWD EXECUTIVE DIRECTOR

WHEREAS, the NTMWD Board of Directors previously authorized the Engineering Services Agreement for the Preston Road Lift Station (PRLS) Expansion, Project No. 501-0559-20 (Project), by Consent Agenda Item No. 20-02-09; and,

WHEREAS, NTMWD owns the land at the PRLS site; and,

WHEREAS, additional acreage is needed at the PRLS site to allow facilities to be upgraded and expanded to meet projected peak flow demands; and,

WHEREAS, the PRLS site is surrounded by unimproved tracts of land suitable for expansion; and,

WHEREAS, it is necessary to proceed with the acquisition of property and easements for construction, operation and maintenance of the Project improvements; and

WHEREAS, it may be necessary to acquire the property required for the Project through the use of eminent domain in the event negotiations are unsuccessful; and,

WHEREAS, it may be necessary to hire contracted land agents or acquisition companies, appraisers, and attorneys, in order to negotiate easements required for the Project; and,

WHEREAS, adequate funds in the amount of \$1,500,000 for project 501-0559-20 is available in the Upper East Fork Interceptor System 2020 Construction Fund for the acquisition of properties needed for the Project.

NOW, THEREFORE, THE BOARD OF DIRECTORS IN A REGULAR MEETING DETERMINES AND RESOLVES THAT:

1. There is a public need for and that the public welfare and convenience are to be served by the acquisition of property to allow for additional facilities, associated with the Preston Road Lift Station Expansion, Project No. 501-0559-20.
2. It is in the best interest and is necessary to acquire approximately 1.2 acres in Fee Simple, 0.2 acres in permanent easement, and 1.0 acre in temporary easement for the Project and across the properties described in Exhibit "A" attached hereto, and incorporated by reference herein, to provide the required working area for prosecution of the work, and operation and maintenance of the facilities.
3. The Executive Director is authorized to employ surveyors to assist in the acquisition process, as required.
4. The power to initiate eminent domain proceedings is hereby delegated to the Executive Director and he is hereby authorized to take all steps necessary to acquire the easements

for the Project; including the hiring of negotiators, transaction managers, appraisers, surveyors, Title Company, and attorneys.

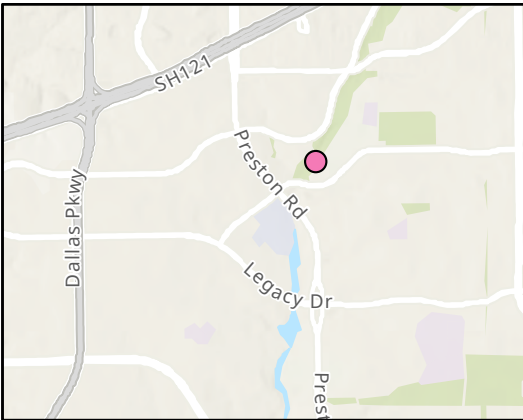
5. The Executive Director is authorized to employ the firm of Saunders, Walsh & Beard, Attorneys and Counselors, to represent the NTMWD in these land transactions, including filing of Petitions for Condemnation on properties when the Executive Director determines the property cannot be secured through negotiations and after issuance of a final offer letter in accordance therewith.
6. A budget of \$1,500,000 is authorized for this land acquisition program.

THIS RESOLUTION ADOPTED BY THE NTMWD BOARD OF DIRECTORS IN A REGULAR MEETING ON AUGUST 25, 2022, IN THE ADMINISTRATIVE OFFICES OF THE NTMWD, WYLIE, TEXAS.

GEORGE CRUMP, Secretary

JACK MAY, President

(Seal)



Legend

- Preston Rd Lift Station
- Proposed Property Acquisition
- Temporary Construction Easement
- Permanent Easement



**Preston Road Lift Station Expansion
Land Acquisition Program
Project No. 501-0559-20
Administrative Memorandum No. 5855**



EXHIBIT "A"

UPPER EAST FORK INTERCEPTOR SYSTEM
PRESTON ROAD LIFT STATION EXPANSION
PROJECT NO. 501-0559-20

LINE LIST

Parcel No.	Property Owner	Fee Simple (Acres)	Permanent Easement (Acres)	Temporary Easement (Acres)
01	Trinity Presbyterian Church	1.20	0.00	0.70
02	City of Plano	0.00	0.20	0.30
TOTAL ACREAGE		1.20	0.20	1.00

NORTH TEXAS MUNICIPAL WATER DISTRICT

AUGUST 2022

ADMINISTRATIVE MEMORANDUM NO. 5856

WASTEWATER SYSTEM
SABINE CREEK WASTEWATER TREATMENT PLANT
EXPANSION TO 7 MGD
PROJECT NO. 308-0576-20

RESOLUTION NO. 22-39

LAND, RIGHT-OF-WAY ACQUISITION PROGRAM

ACTION *(What)*

Authorize funding and resolution to acquire fee simple property and easements in order to facilitate expansion improvements of the Sabine Creek Wastewater Treatment Plant (WWTP) project.

PURPOSE *(Why)*

Floodplain boundaries limit the Sabine Creek WWTP site's developable area. Additional land is needed to meet the Texas Commission on Environmental Quality's buffer requirements after expansion. Easements are also necessary to install an outfall pipeline.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors:

- 1) Authorize the Executive Director to execute a property and right-of-way acquisition program for the Sabine Creek Wastewater Treatment Plant Expansion, Project No. 308-0576-20, in the amount of \$1,400,000; and,
- 2) Adopt Resolution No. 22-39, "*A Resolution Authorizing the Use of Eminent Domain to Acquire Property and Right-of-Way for the Sabine Creek Wastewater Treatment Plant Expansion to 7 MGD, Project No. 308-0576-20, and Delegating the Authority to Initiate Condemnation Proceedings to the NTMWD Executive Director.*"

Consultant: N/A

Scope: Land and Right-of-Way acquisition and the necessary support services to facilitate purchasing of fee simple property and easements for the project

Project: Project No. 308-0576-20, Sabine Creek Wastewater Treatment Plant (WWTP) Expansion

Amount: \$1,400,000

Strategic Objective: 1.2 Successfully Deliver Capital Program
1.4 Reliable and Resilient Systems

This was an item on the July 28, 2022, Real Estate Committee meeting agenda.

DRIVER(S) FOR THIS PROJECT

<input checked="" type="checkbox"/> Regulatory Compliance	<input type="checkbox"/> Asset Condition
<input checked="" type="checkbox"/> Capacity	<input type="checkbox"/> Redundancy/Resiliency
<input type="checkbox"/> Relocation or External Requests	<input type="checkbox"/> Operational Efficiency
<input type="checkbox"/> Safety	<input type="checkbox"/> Administrative
<input type="checkbox"/> Policy	<input type="checkbox"/> Other _____

PROJECT PURPOSE

- Sabine Creek WWTP will undergo a multi-phased expansion to increase capacity to 7 MGD, and ultimately 19 MGD.
- The majority of the WWTP property is located within the flood plain, rendering it undevelopable.
- Texas Commission on Environmental Quality (TCEQ) requires wastewater treatment units be located 150 feet from the property boundary.
- In order to expand the plant within the developable area and meet the TCEQ requirement, additional land must be acquired.
- A new outfall pipeline must be installed to accommodate the additional effluent to be discharged into Sabine Creek.
- Approximately 10.6 acres of land for purchase, 0.3 acres of permanent and 0.1 acres of temporary easements are recommend for acquisition as described in Exhibit "A" (line list).

SUPPORT SERVICES

- Employ the firm of Saunders, Walsh & Beard, Attorneys & Counselors, to act as counsel on the acquisition of the properties.
- Employ an appraiser to provide appropriate reports.
- Employ a title company to provide professional services related to certain property ownership issues.
- Employ survey services to perform title survey for purchase and acquisition, and verify property lines and potential easement locations when necessary.
- Employ contracted land agents, coordinators, and/or acquisition company(s) to assist in transaction management and easement acquisition.

FUNDING

FUND(S): Funding in the amount of \$1,400,000 is to be made available from the issuance of Sabine Creek Regional Wastewater System Series 2022 Bonds planned for August 25, 2022.

NORTH TEXAS MUNICIPAL WATER DISTRICT

RESOLUTION NO. 22-39

A RESOLUTION AUTHORIZING THE USE OF EMINENT DOMAIN TO ACQUIRE PROPERTY AND RIGHT-OF-WAY FOR THE SABINE CREEK WASTEWATER TREATMENT PLANT EXPANSION TO 7 MGD, PROJECT NO. 308-0576-20, AND DELEGATING AUTHORITY TO INITIATE CONDEMNATION PROCEEDINGS TO THE NTMWD EXECUTIVE DIRECTOR

WHEREAS, the NTMWD Board of Directors previously authorized the Engineering Services Agreement for the Sabine Creek Wastewater Treatment Plant Expansion to 7 MGD, Project No. 308-0576-20 (Project), by Administration Memo No. 5643; and,

WHEREAS, Texas Commission on Environmental Quality (TCEQ) requires wastewater treatment units be located 150 feet from the property boundary; and

WHEREAS, flood plain covers the majority of the wastewater treatment plant (WWTP) property, limiting the developable area; and

WHEREAS, expanding the plant within the developable area while meeting the TCEQ requirement requires additional land be acquired; and,

WHEREAS, vacant land abuts the WWTP property in locations that will allow the TCEQ requirement to be met; and,

WHEREAS, a new outfall pipeline must be installed to accommodate the additional effluent to be discharged into Sabine Creek

WHEREAS, it is necessary to proceed with the acquisition of property and easements for construction, operation and maintenance of the Project improvements; and

WHEREAS, it may be necessary to acquire the property required for the Project through the use of eminent domain in the event negotiations are unsuccessful; and,

WHEREAS, it may be necessary to hire contracted land agents or acquisition companies, appraisers, and attorneys, in order to negotiate easements required for the Project; and,

WHEREAS, adequate funds in the amount of \$1,400,000 for project 308-0576-20 is to be made available from the issuance of Sabine Creek Regional Wastewater System Series 2022 Bonds planned for August 25, 2022.

NOW, THEREFORE, THE BOARD OF DIRECTORS IN A REGULAR MEETING DETERMINES AND RESOLVES THAT:

1. There is a public need for and that the public welfare and convenience are to be served by the acquisition of property and easement to allow for additional facilities, associated with the Sabine Creek Wastewater Treatment Plant (WWTP) Expansion to 7 MGD, Project No. 308-0576-20.
2. It is in the best interest and is necessary to acquire approximately 10.6 acres in Fee Simple, 0.3 acres in permanent easement, and 0.1 acres in temporary easement for the Project and across the properties described in Exhibit "A" attached hereto, and incorporated by

reference herein, to provide the required working area for prosecution of the work, and operation and maintenance of the facilities.

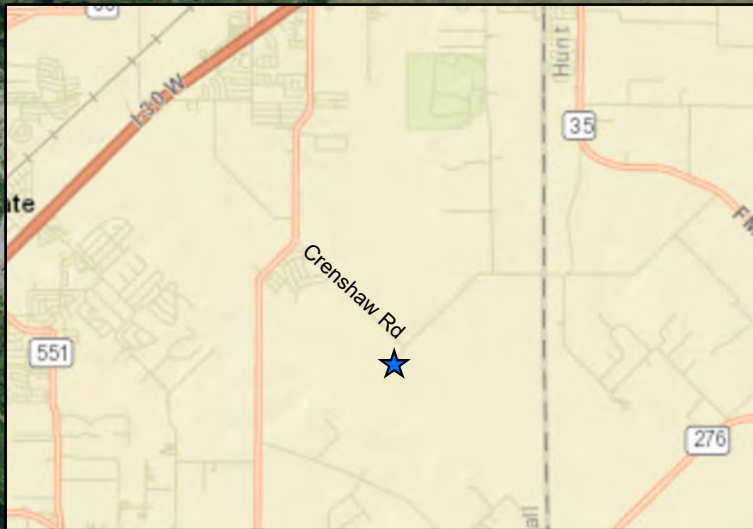
3. The Executive Director is authorized to employ surveyors to assist in the acquisition process, as required.
4. The power to initiate eminent domain proceedings is hereby delegated to the Executive Director and she is hereby authorized to take all steps necessary to acquire the easements for the Project; including the hiring of negotiators, transaction managers, appraisers, surveyors, Title Company, and attorneys.
5. The Executive Director is authorized to employ the firm of Saunders, Walsh & Beard, Attorneys and Counselors, to represent the NTMWD in these land transactions, including filing of Petitions for Condemnation on properties when the Executive Director determines the property cannot be secured through negotiations and after issuance of a final offer letter in accordance therewith.
6. A budget of \$1,400,000 is authorized for this land acquisition program.

THIS RESOLUTION ADOPTED BY THE NTMWD BOARD OF DIRECTORS IN A REGULAR MEETING ON AUGUST 25, 2022, IN THE ADMINISTRATIVE OFFICES OF THE NTMWD, WYLIE, TEXAS.

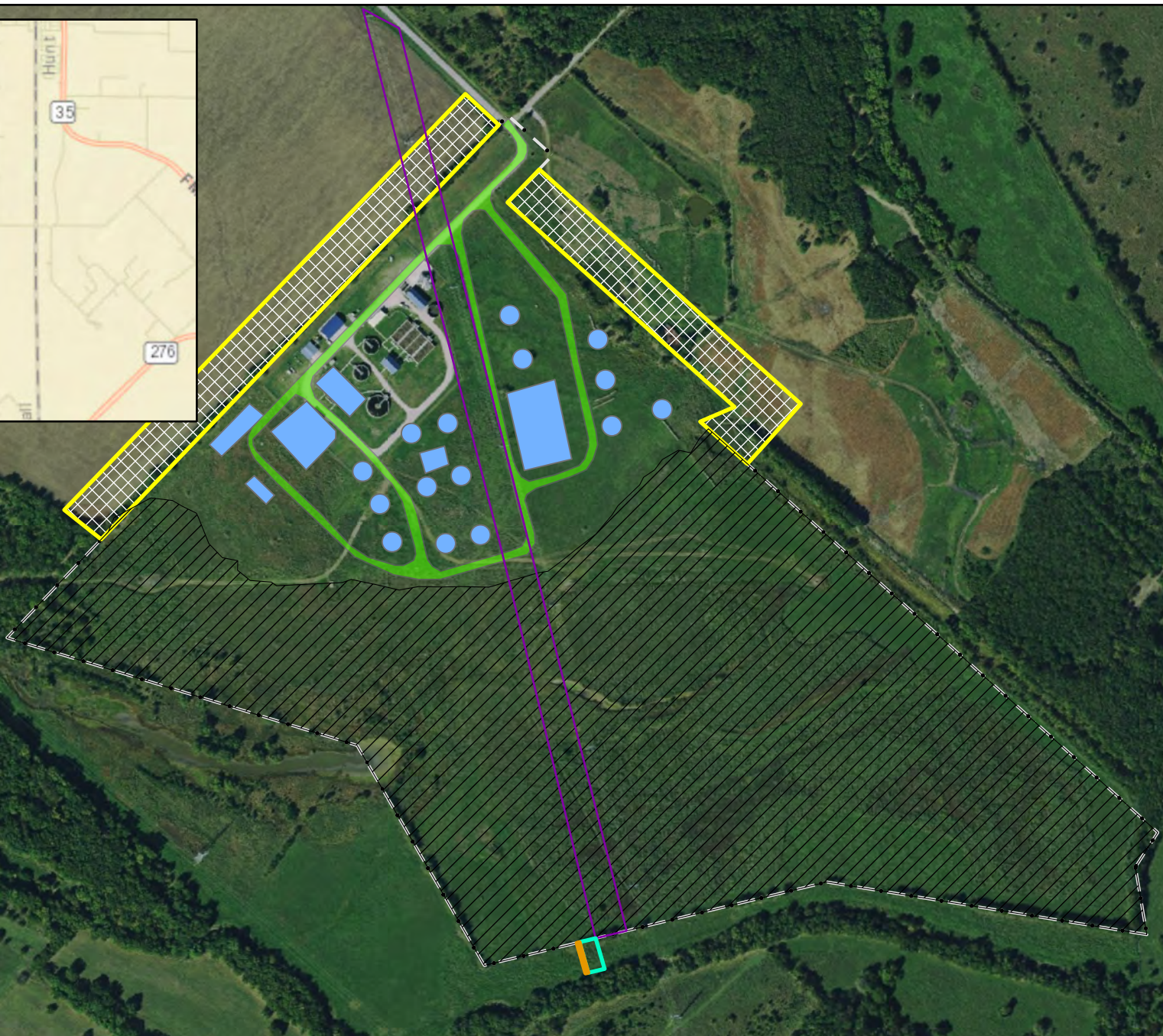
GEORGE CRUMP, Secretary

JACK MAY, President

(Seal)



- Legend**
- Proposed Property Acquisition
 - Sabine Creek Property
 - Oncor Easement
 - Permanent Easement
 - TCE
 - Future Facilities
 - FEMA Flood Plain
 - Plant Roads



Sabine Creek WWTP Expansion to 7 MGD
Project No. 501-0576-22
Administrative Memorandum No. 5856



EXHIBIT "A"

WASTEWATER SYSTEM
SABINE CREEK WASTEWATER TREATMENT PLANT
OUTFALL PIPELINE
PROJECT NO. 308-0576-20

LINE LIST

Parcel No.	Property Owner	Permanent Easement (Acres)	Temporary Easement (Acres)
01	Edwin R Walker and Sara T Walker, Husband and Wife	0.30	0.10
TOTAL ACREAGE		0.30	0.10

WASTEWATER SYSTEM
SABINE CREEK WASTEWATER TREATMENT PLANT
EXPANSION TO 7 MGD
PROJECT NO. 308-0576-20

LINE LIST

Parcel No.	Property Owner	Fee Simple (Acres)
01	Waterscape 4 LLC	6.48
02	David D. & Lorena G. Boyd; James K. and Donielle A. Villwok	4.12
TOTAL ACREAGE		10.60