



NORTH TEXAS MUNICIPAL WATER DISTRICT
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FINANCE COMMITTEE MEETING MINUTES
JUNE 8, 2022

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

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

I. CALL TO ORDER

Chairman Chip Imrie served as Presiding Officer and called the meeting to order at approximately 3:00 p.m. on Wednesday, June 8, 2022.

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

Finance Committee Members		Attendance
1	Chip Imrie, Chair	In Person
2	George Crump	Remote
3	Kalen Boren	Remote
4	Don Gordon	Remote
5	Blair Johnson	Remote
6	James Kerr	Remote

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

The following consultants participated by telephone:

- Sheila Gladstone, Lloyd Gosselink Rochelle & Townsend

- Nick Bulaich, Hilltop Securities
- Alan Raynor, McCall Parkhurst & Horton

II. PUBLIC COMMENTS

Prior to the start of the meeting, speakers must complete and submit a "Public Comment Registration Form." During the public comment portion of the meeting, speakers will be recognized by name and asked to provide their comments. The time limit is three (3) minutes per speaker, not to exceed a total of thirty (30) minutes for all speakers. The Committee may not discuss these items but may respond with factual or policy information.

There were no requests for public comment.

III. OPENING REMARKS

- A. Chairman/Executive Director/Committee Champion Status Report concerning legislation and regulatory matters, budgets, current projects and ongoing programs of the District

Deputy Director Jeanne Chipperfield advised that on May 31st the Regional Water System update letters were sent to the cities with each respective Director being copied. She advised that the letter included that currently the District is not budgeting for a 2022 variable rebate to the cities due to the chemical cost overrun the District is experiencing. The forecast will continue to be reviewed by staff but currently if a rebate is provided it would result in net negative revenues over expenses at the end of the year. She added there will be more discussion on this later in the meeting.

IV. ACTION ITEMS

- A. Consider approval of Finance Committee meeting minutes – April 13, 2022

Upon a motion by Director George Crump and a second by Director James Kerr, the Finance Committee voted unanimously to approve the meeting minutes for April 13, 2022.

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

Jeanne Chipperfield presented this item. She presented proposed draft changes to the Administration and Finance Policies Manual. The proposed changes are included in the following sections:

- Section 1. General Investment Policy
- Section 4. Water Rebate Policy
- Section 6. Purchasing Policy
- Section 10. Handgun Policy
- Section 11. Fund Balance Policy
- Section 12. Debt Management Policy.

Ms. Chipperfield reviewed the details and noted those that are included as a result of the Independent Review.

Ms. Chipperfield requested feedback from the Committee and advised that plans are to present the draft to the Policy Committee in August and then to the Board in August or September.

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

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

Jeanne Chipperfield presented this item. She reviewed that the Sabine Creek Regional Wastewater System serves the cities of Fate and Royce City. The project is to expand this system to 7 million gallons per day. It was noted that the depreciable life of this asset is 40 years and 90 percent of the engineering is complete.

Ms. Chipperfield advised that engineering work in the amount of \$3.195 million was awarded through prior bond issues. This agenda item is to recommend the issuance of 2022 bonds for the construction, inspections, construction phase engineering and property acquisition in the amount of \$70 million. The uses of the funds were reviewed. It was noted that the bids will be received by mid-July prior to the bond sale. The bond sale will be sized according to the bids received.

Ms. Chipperfield advised that staff is recommending 30-year bonds with interest only for the first three (3) years to mitigate the near-term impact. The estimated annual payment is approximately \$4.925 million at an estimated interest rate of 4.6 percent. She advised that the District's bond counsel is recommending a negotiated sale on August 25, 2022. Preselected underwriters would market and sell the bonds on behalf of the District. It was explained that the underwriters must comply with Senate Bill 13 and the State Comptroller's Office is assessing them to determine if they qualify for governmental bond sales. A list of qualified firms will be published by the Comptroller's office. A schedule for the bond sale was provided.

In response to a Director's question, Deputy Director Cesar Baptista advised that a 10 percent contingency is included with a project.

In response to a Director's questions, Ms. Chipperfield advised that the District is comfortable with the \$70 million sale and the two entities served by the Wastewater System are aware of the interest only payments. A question was raised as to why not move forward on the sale since the interest rates are likely to increase. Ms. Chipperfield responded that we will wait for the bids before sizing the bonds so we don't sell too much or too little. Assistant Deputy Erik Felthous added that other

bonds will be paid off in 2023 and until then, interest only payments will ease the impact of the new bonds.

Nick Bulaich with Hilltop Securities and Alan Raynor with McCall Parkhurst & Horton were available to respond to questions.

Upon a motion by Director Don Gordon and a second by Director Kalen Boren, the Finance Committee voted unanimously to recommend approval to the Board of Directors.

V. DISCUSSION ITEMS

B. Discuss Fiscal Year 2023 Budget Development

Deputy Director Chipperfield presented this item. She provided an overview of the District's annual budget cycle schedule as it relates to the District's departments, the Board of Directors and the Member and Customer cities. She reviewed that staff is proposing including 45 additional personnel for the FY 2023 budget and advised that the personnel budget is expected to increase approximately \$13.3 million, including benefits, salary adjustments and the new personnel.

Other cost increases expected in the new budget are for chemicals, fuel, and electric power. Additionally, the debt service total for six (6) bond issuances is increasing by an additional \$17.1 million. Ms. Chipperfield reviewed that cash funding for Regional Water System construction is being increased by an additional \$5 million based on the Independent Review recommendations. She also reviewed that next year will be the 4th year of a five-year phase in period for Shared Services Cost Allocation. Some of those allocations will be simplified by moving some of the shared services into direct costs.

Ms. Chipperfield advised that 22 of the District's 31 systems are at or below the Strategic Financial Plans. She reviewed those that are above and the related dollar amounts. A graph reflecting expenditures by system was reviewed.

Ms. Chipperfield advised that there will be a July Work Session with the Board and another in August if needed. In September, the Finance Committee will consider the FY 2022 amended budget and the proposed FY 2023 budget. Final Board consideration of both will be in September.

In response to a Director's question regarding power costs for this summer, Executive Director Jenna Covington responded that the District pre-purchases power years in advance and routinely anticipates the summertime expenses. It was also discussed that the Purchasing (Procurement) Department is reviewing all the District's contracts and terms and will be considering bidding out financial services at some point.

Ms. Chipperfield added that the chemical costs will continue to be reviewed during the budget process.

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

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

VI. ADJOURNMENT

There being no further business, the meeting was adjourned at 4:04 p.m.

APPROVED:



CHIP IMRIE
Chairman