



NORTH TEXAS MUNICIPAL WATER DISTRICT

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EXECUTIVE COMMITTEE MEETING MINUTES JULY 13, 2022

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

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

I. CALL TO ORDER

President Jack May served as Presiding Officer and called the meeting to order at approximately 1:00 p.m. on Wednesday, July 13, 2022.

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

Executive Committee Members		
1	May, Jack (President)	In Person
2	Peasley, Richard (Vice-President)	Remote
3	Crump, George (Secretary)	Remote
4	Dyer, Phil (Past President)	Remote

Other Directors were in attendance along with Executive Director Jenna Covington and members of the NTMWD management team.

The following consultants participated by videoconference:

- Lauren Kalisek – Lloyd Gosselink Rochelle & Townsend
- Lewis Isaacks and Mark Walsh – Saunders Walsh & Beard

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 comments.

III. OPENING REMARKS

- A. Chairman/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

President May advised that at the last meeting he mentioned Rockwall and Richardson were the only two remaining cities to make Director appointments. Since then, Rockwall appointed Rick Crowley and Richardson appointed Randy Roland. President May advised that new Committee assignments are effective this month.

Executive Director Jenna Covington spoke regarding hot and dry weather conditions. This summer compares to other hottest summers on record. The safety of the District's employees that work outside is of concern. She added that conditions have caused a significant increase on demands.

Executive Director Covington advised there will be an opportunity on July 28th to take individual profile photos of new or returning Directors. New Director Orientation will be held on Board meeting day from 11 a.m. - 2 p.m. Other Directors are invited if they would like a refresher and overview of the District. There will be a quarterly member and customer tour of the water plant on Friday.

IV. ACTION ITEMS

- A. Consider approval of Executive Committee meeting minutes – June 8, 2022

Upon a motion by Director Richard Peasley and a second by Director Phil Dyer, the Executive Committee voted unanimously to approve the June 8, 2022 meeting minutes.

V. DISCUSSION ITEMS

- A. Agendas for July Board meeting and Committee meetings

Executive Director Jenna Covington reviewed the following:

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1. Budget Work Session – the Budget Work Session will be July 21st starting at 1:00 p.m. with lunch starting at 12:00 p.m. in the Administration Building.
2. Real Estate Committee meeting – the Real Estate Committee will meet Wednesday, July 27th at 1:00 p.m. and the agenda is being developed.
3. Water Committee meeting - the Water Committee will meet Wednesday, July 27th at 3:00 p.m. There will be an update on drought conditions, water supply availability, water production, water conservation measures, Water Resource and Emergency Management Plan, and related topics as well as an update on stream gage and zebra mussel monitoring efforts.
4. Regular Board meeting - the Regular Board meeting is Thursday, July 28th at 2:30 p.m. Director Larry Parks will be recognized for his service on the Board.
5. A Board Tour is planned for August 5th of the Environmental Services Building at 9:30-11:30 a.m. with lunch afterwards.

B. Departmental updates

Deputy Director Jeanne Chipperfield reviewed the following:

1. Administrative Services

- Staff is pleased to introduce Ike Obi, the newly hired Assistant Deputy for Human Resources. Ike previously served as the human resources director in the Cities of McKinney and Irving. He has experience implementing many of the HR initiatives included in our new strategic plan.
- Work is wrapping up on the compensation study and plan to present the results and recommendations at the August Personnel Committee meeting.
- The investment banks have been selected to manage the upcoming Sabine Creek Regional Wastewater System bond sale. The approximately \$73 million bond sale is scheduled to be approved on the August Board agenda. As presented to the Finance committee in June, this will be a negotiated sale due to several factors such as the lower credit ratings, smaller size of the two (2) Member Cities – Royse City and Fate, the potential use of bond insurance and significant increase in the amount of outstanding debt. With guidance from our financial advisor, we have selected Raymond James to be the senior manager with FHN and Citi as co-managers. These firms were selected based on their prior participation in the District's competitive sales, underwriter rankings within the State, and established relationships with the District. This is being discussed today since we are not having an August Finance Committee meeting.
- One of Jenna's recent updates (6/26) included information about the issuance of our FY21 single audit report. We had one finding in that report with a recommendation to create a grant administration policy. Although not included in the June Finance Committee Administration and Finance Policies Manual amendments due to timing of the single audit report

(issued in late June), the grant administration policy amendment will be included in the August Policy Committee meeting.

- The Finance team is working on a Request for Proposals to procure new contracts for actuarial services and investment advisory services.
- More detail will be given at next week's budget workshop, but I want to mention that the District does not anticipate a Water variable cost rebate this year due to the significant cost increases in chemicals. This information is included in our most recent letter to both our Member Cities and the Customers. Last week, each Board Member was forwarded a copy of their city's letter.

2. Engineering and Capital Improvement Program

Deputy Director Cesar Baptista reviewed the following:

- There have been higher than normal temperatures for the months of June and July. Our power providers, Calpine and Direct Energy, have informed us that ERCOT has increased oversight and has implemented a more conservative approach in managing power demands following Winter Storm URI.
- ERCOT has adjusted grid operations and increased communications to market participants. Calpine and Direct Energy also informed us despite extremely high demand conditions the grid has been performing well and thus far with limited price volatility.
- Forecasts indicate continued above normal temperatures for the remainder of the month and likely throughout August. There is little margin for error with daily peak loads approaching capacity limits. Any unexpected outages of generation or transmission network during those peak periods could result in the need to have rolling blackouts of the distribution network to maintain grid stability.
- What the rolling blackout means to the District:
 - Regarding the Wylie Treatment Plant, it is powered directly from Oncor's transmission system so it most likely will not experience rolling blackouts.
 - The rest of the District's satellite facilities (lift stations, pumps stations, other smaller plants) can be subject to the rolling blackouts since they are powered through various power distribution systems.
 - The hope is that would not be the case because through the District's Senate Bill 3 efforts, staff has coordinated with all power utility providers the location and meters of all NTMWD critical facilities. There are no guarantees, but the hope is that our facilities would be higher priority if they do implement rolling blackouts.
 - Through the years the District has installed backup generators at our critical facilities and quick-connect setups to provide power to those facilities in case we do lose power. Because of these efforts to install those generators NTMWD is in a much better position to manage power failures than in years past.
- The District's power providers believe that ERCOT is in a good position right now. They also informed us that ERCOT has several tools in its toolbox it can use to prevent issuing rolling outages, i.e., these are Ancillary

Services (Demand Response) as well as spending millions of dollars for reserving extra power generation.

- Overall, the District is protected at the Wylie Plant from rolling blackouts and has a good plan to provide temporary power to our other satellite facilities in case of rolling blackouts.
- Regarding Capital projects, we have had several projects where bids came in significantly higher than the engineer's estimates. As a result, we are revisiting the timing and scopes of several projects to minimize the impact of the higher costs to our capital program. Contractors and vendors are citing lack of available resources, increasing material and equipment cost, price volatility, and a very saturated market as the main drivers for the higher bids. We will provide more information at next week's budget workshop regarding this matter and its overall impact to District operations.

3. Solid Waste and Integrated Services

Deputy Director Jeff Mayfield reviewed the following:

- Last week he met with Jason Little, Melissa City Manager to continue discussions regarding the potential sale of property south of the 121 Regional Disposal Facility (RDF) to be used for a park. The City had recently contracted for an appraisal, and they shared the document with him. Staff will be reviewing the appraisal and then continue internal discussions via future Real Estate and Solid Waste Committee agendas and follow up with a future meeting with the City of Melissa.
- In IT, Plante Moran is in the middle stage of performing an organizational assessment of the department. They are looking at optimal organizational structure, current staffing skill sets and appropriateness for position, and overall staffing, processes and technology improvements. The study is on track to be completed by the end of August.
- In Environmental Services, MGT is performing a laboratory services cost assessment to analyze the cost of laboratory tests, conduct a comparative cost survey of other labs in the metroplex, and work with lab staff to develop a recommended fee structure for internal and external customers. This study is on track to be completed by the end of September.
- In Solid Waste, at the request of the Solid Waste member cities, Burns and McDonnell is performing an assessment of the compost operation contracted to the City of Plano branded as Texas Pure Products. The study will:
 - Evaluate current site conditions and provide estimated cost per ton if compost program operations were conducted by a different third-party contractor.
 - Evaluate the Custer Road Transfer Station site for operational efficiency and to determine the maximum daily yard waste material

processing rate and the number of customers able to be processed daily.

- Evaluate the 121 RDF compost operation to determine the compost processing timeframe from receipt of ground wood chips to finished product, as well as operational efficiencies to reduce that timeframe.
- Recommend modifications to the current contract structure and current site.

The study is anticipated to be completed by the end of August and the results of this study will be presented to the Solid Waste Member Cities, the Solid Waste Committee and the full Board.

4. Water and Wastewater

Deputy Director Billy George reviewed the following:

Water

- The District is experiencing system-wide demands at record levels in this ongoing drought, the first since 2015. Yesterday was NTMWD's highest total water pumping day on record with 628 million gallons per day being pumped over the 24-hour period. Previously, NTMWD's highest pumping day was 603 MGD over a 24-hour period in 2011. In terms of water consumption, we saw two (2) Member Cities and five (5) Customers take over 100% of their annual water delivery amount at the end of June. There is still a month left in the water year, so the number of entities surpassing their annual amount of water will grow.

Staff reported on the status of raw water supplies at the May Water Committee meeting, and our raw water availability looks good for this summer and that remains true. We also know that the Leonard Water Treatment Plant was scheduled to be online this summer and was needed to meet the highest water demand scenarios. That will not occur until next summer. Staff members are continuing to watch the demand growth very closely to quantify NTMWD's ability to meet growing demands. We have some room for demands to increase production right now, but there is uncertainty in how high demands will grow.

There have been some cities and water utilities that have been forced to reduce water demands in some ways. The Upper Trinity Regional Water District recently entered into water demand restrictions, and we are seeing some Customers have challenges meeting their demands. We are working with them to help where we can, but many of their challenges are internal to their systems.

The potential for regional drought responses by NTMWD is being looked at very closely. Wayne Larson hosted a Communication Committee & Water Educators meeting yesterday where the subject was touched on briefly. It will be a major topic at next week's scheduled Partnering Meeting with our Members and Customers, and we will include a discussion item on this month's Water Committee meeting.

Internally, meetings are being held to stay coordinated on NTMWD's preparations and actions related to drought response. Some of the items staff members are working through include:

- Regional growth in water demands like never before.
 - Coordination on water infrastructure limitations for both water treatment and conveyance.
 - The threat of regional power outages we are hearing about from ERCOT. The calls for reduced power consumption could have impacts on NTMWD's or our Member's/Customer's ability to provide water. We will continue to work through what potential rolling outages means for the region.
 - NTMWD Water Resource and Emergency Management Plan provides a framework to guide our response during extreme drought or emergency conditions and we are using that plan to help guide us going forward.
 - The magnitude of regional water demands is very dependent on rainfall. If we do get substantial rain, our demand situation will change very quickly.
- Last month the Environmental Protection Agency (EPA) issued an interim health advisory (HA) lifetime exposure limits for PFOA and PFOS, contaminants of emerging concern commonly referred to as "forever chemicals" in the press. A summary of those advisories as well as links to more information was included in a recent weekly email update from the Executive Director. We are following the issue closely to understand what may be required of utilities in the future. During a recent online seminar, EPA staff indicated they anticipate releasing a draft drinking water standard for PFOA and PFOS in early 2023. We will continue to track this issue closely and provide updates to the Board as needed.

Wastewater

- Notification of Enforcement (NOE) was received from TCEQ regarding a Force Main Air Relief Valve (ARV) failure and spill that took place in Plano near the intersection of Chaparral Road and Clover Leaf Drive on May 17, 2022. The spill, approximately 2,760 gallons of untreated wastewater ran down the hill and entered a nearby pond, which resulted in ten fish being killed. Staff are following up with a written response regarding immediate steps taken to limit the spill and impact to the community, as well as providing documentation of preventative maintenance checks performed at this location.
- Staff presented to the City of Farmersville City Council last night and provided an update on the status of their wastewater treatment plant (WWTP), which is operated by NTMWD as part of the Sewer System. The presentation was well received. The City Manager did state his intention to review the City's options to operate the WWTP in the future and that he would bring that analysis back to the City Council. The City is going to be looking at the possibility of taking over operation of the WWTP.

It was noted that the water level at Bois d'Arc Lake is doing well.

President May commented that some of the Member Cities have increased their storage capacity which helps to reduce the strain on the District.

It was suggested by Director George Crump, who was in attendance, that the District should communicate with the City Councils, as well as the City Managers and staff regarding the District's services.

In response to a question from Director Richard Peasley, Mr. George responded that conservation efforts by the District are effective, however those communicated by the cities are most effective at the local level due to their enforcement authority.

C. New Member Process and Customer City Feedback on Representation

Attorney Lauren Kalisek reviewed that the Member City process was raised in the Public Utility Commission Rate Case, and input from the Member Cities and Customers was received on the matter earlier this year in response to the Amawalk Report.

Attorney Kalisek advised that the NTMWD enabling legislation provides the process to add new Member Cities. It also provides a list of the original Member Cities which includes Farmersville, Forney, Garland, McKinney, Mesquite, Plano, Princeton, Rockwall, Royse City and Wylie.

The process to add new Member Cities ("Annexation") includes:

- "Annexation" petition of at least 50 area landowners submitted to NTMWD.
- The NTMWD Board of Directors determines that annexation "would be to the interest of the territory and the District".
- NTMWD requests TCEQ to annex the area into the District.
- TCEQ holds a public hearing on the question of whether the territory "will be benefitted by the improvements, works and facilities then owned or operated or contemplated to be owned or operated by the District".
- TCEQ calls an election on the question of whether the territory should be annexed to NTMWD.
- If majority of votes cast are in favor of annexation, TCEQ issues an order confirming the annexation.

Attorney Kalisek advised that the enabling legislation also establishes Board membership, specifically stating that each Member City with 5,000 or greater residents appoints two (2) Directors; each Member City with less than 5,000 residents appoints one (1) Director.

Attorney Kalisek reviewed previous annexations done for the Cities of Richardson (1973), Allen (1998), and Frisco (2001). She advised that those City Councils passed Resolutions. She noted that NTMWD was the sole provider of water, wastewater, and solid waste services to these Cities. These Cities were also some of the fastest growing in the state at the time. The Cities worked cooperatively with NTMWD to support a regional system, and the District benefited from leadership provided by these new Member Cities.

Attorney Kalisek advised that in 2016 the NTMWD Board of Directors adopted Resolution 16-40 suspending any new annexation petitions in order to focus on

the Bois d'Arc Lake completion. The Resolution also stated the Board would consider a policy clarifying the process once Bois d'Arc Lake was completed and at the appropriate time.

Attorney Kalisek reviewed the recent Stakeholder feedback received following the Amawalk Report from Member City managers, and from Customers during the Listening Sessions. Additionally, a Memorandum was received from Raftelis Consulting, a company engaged by Customers to review the Amawalk Report. Common themes from all the contacts were regarding the purpose of the Customer Premium, Membership, Governance and Representation, and Equity.

At 1:55 p.m. President May announced the need for an Executive Session of the Committee to discuss Items V. C. and V. D. 1-2 on the agenda pursuant to the Texas Government Code, Section 551.071, Consultation with Attorney.

- D. Update on litigation and/or potential litigation involving North Texas Municipal Water District/advice from legal counsel, including:
1. Buffalo Creek Parallel Interceptor Phase I project
 2. Update on contractual issues with a contractor performing residuals removal, hauling and disposal

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

Open Session reconvened at 2:41 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.

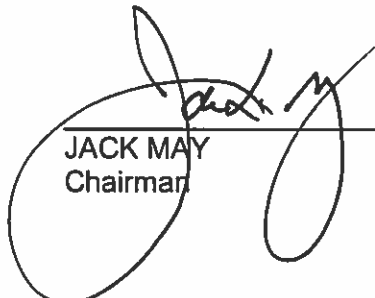
- E. Opportunity for Committee members to provide feedback on Executive Committee meeting or request potential future agenda items

No follow up items were requested and there were no requests for future agenda items.

VI. ADJOURNMENT

There being no further business, the meeting was adjourned at approximately 2:41 p.m.

APPROVED:



JACK MAY
Chairman