



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



FINANCE COMMITTEE

September 7, 2022

10:00 A.M.



AGENDA

I. CALL TO ORDER

II. PUBLIC COMMENTS

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

III. OPENING REMARKS

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



AGENDA

IV. ACTION ITEMS

- A. Consider approval of Finance Committee meeting minutes – June 8, 2022
- B. Review and possible action on 2022-23 All Systems Annual Budget and the Amended 2021-22 Annual Budget

V. DISCUSSION ITEMS

- A. Overview of District Finances and Financial Operations
- B. Discuss status of implementing recommendations from Security Audit
- C. Opportunity for Committee members to provide feedback on the Finance Committee meeting or request potential future agenda items

VI. ADJOURNMENT



AGENDA

IV. ACTION ITEMS

- A. Consider Approval of Finance Committee Minutes –
June 8, 2022

Recommend Approval of Finance Committee Minutes –
June 8, 2022



NORTH
TEXAS
MUNICIPAL
WATER
DISTRICT



AGENDA

Jeanne Chipperfield
Deputy Director
NTMWD

IV. ACTION ITEMS

- B. Review and possible action on 2022-23 All Systems Annual Budget and the Amended 2021-22 Annual Budget



NORTH
TEXAS
MUNICIPAL
WATER
DISTRICT



Bois d'Arc Lake Overall Dam Site



NORTH
TEXAS
MUNICIPAL
WATER
DISTRICT

2022-2023 ANNUAL BUDGET



WATER
SERVICES



WASTEWATER
SERVICES



SOLID WASTE
SERVICES



Leonard Water
Treatment Plant



Sister Grove Regional Water
Resource Recovery Facility



121 Regional
Disposal Facility

Introduction / Overview



Bois d'Arc Lake



Leonard Water Treatment Plant



Sister Grove Regional
Water Resource Recovery
Facility (RWRRF)

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

District Departments

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

Board of Directors

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

Members/Customers

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



PRIMARY BUDGET CHANGES

FY22 Amended Budget:

- Regional Solid Waste System (RSWS) has higher than anticipated FY22 revenue from the sale of landfill gas. FY22 Amended Budget allocated \$1,350,000 of this revenue to the RSWS Capital Improvement Fund. Member cost per ton estimated at \$38.13, below the budgeted \$38.25.
- Recommend revising the transfer down to \$297,900, reducing the amended cost per ton to \$36.16 and increased credit memos to the members of this system, during these challenging times.

FY23 Budget:

- Sabine Creek WWTP August 2022 bond sale had better than anticipated interest rates. The FY23 Budget was based on an interest rate of 4.62%. The final interest rate is 4.18%. The FY23 budget savings to the system is just over \$400,000. Average annual savings thereafter are over \$296,000.
- Recommend reducing the FY23 Budget from \$7,266,900 to \$6,847,000



FY23 PERFORMANCE METRICS ALIGNED TO STRATEGIC PLAN

Goal 1: Service

1.1 – High Quality Services

- Meet Water Demands
- Monitor for Zebra Mussels
- Water Reuse
- WW Plant Permit Compliance **(New)**
- Sanitary Sewer Overflows
- Phosphorus Control – Protect water supply and improve water quality

1.2 – Successfully Deliver Capital Program

- Deliver Projects using Minimal Change Orders – Successfully and efficiently deliver the capital programs **(New)**

1.3 – Proactive Asset & Maintenance Management

- Preventative Maintenance **(New)**
- Water Loss within System **(New)**
- Fleet Asset Availability – Optimize fleet maintenance operations

1.4 – Reliable and Resilient Systems

- Solid Waste Transfer Trailer Payload
- 121 RDF Soil Usage in Landfilling Operations
- 121 RDF Annual Density of Airspace



FY23 PERFORMANCE METRICS ALIGNED TO STRATEGIC PLAN

Goal 2: Stewardship

2.1 – Efficient Business Practices

- Reduction in Chemical Cost

Goal 3: Partnership

3.1 – Well-Informed & Educated Public

- Community Outreach Events – Increase public awareness and strengthen stakeholder support

3.2 – Engaged Members, Customers and Stakeholders

- Odor Control Management – Foster sensitivity to neighboring properties and communities

Goal 4: People

4.2 – Safe and Healthy Employees

- Incident Rate (Safety) – Reduce safety incidents through employer and leadership engagement **(New)**

Details for Performance Metrics can be found in the Annual Budget Document



BOND SALES (\$M PROJECT COSTS)

FY23 Bond Sales:

- UEFIS \$25M
- RSWS \$25M
- RWS \$455M
- RWWS \$118M
- Muddy Creek WWTP \$57M
- Forney Mustang Creek Interceptor System \$25M



Budget Drivers



FISCAL CHALLENGES

Budgeting in a time of unprecedented economic conditions

Labor Challenges

- Labor shortages
- Higher turnover rates
- Highest inflation in 40 Years
- ✓ Pay adjustments based on comp study recommendations with goal of improving recruitment, retention and compensation package

Chemical Costs

- Continued supply chain issues
- Volatility on chemical markets
- ✓ Quarterly index-based unit price adjustments on chemical contracts and optimization efforts at treatment facilities

Capital Projects

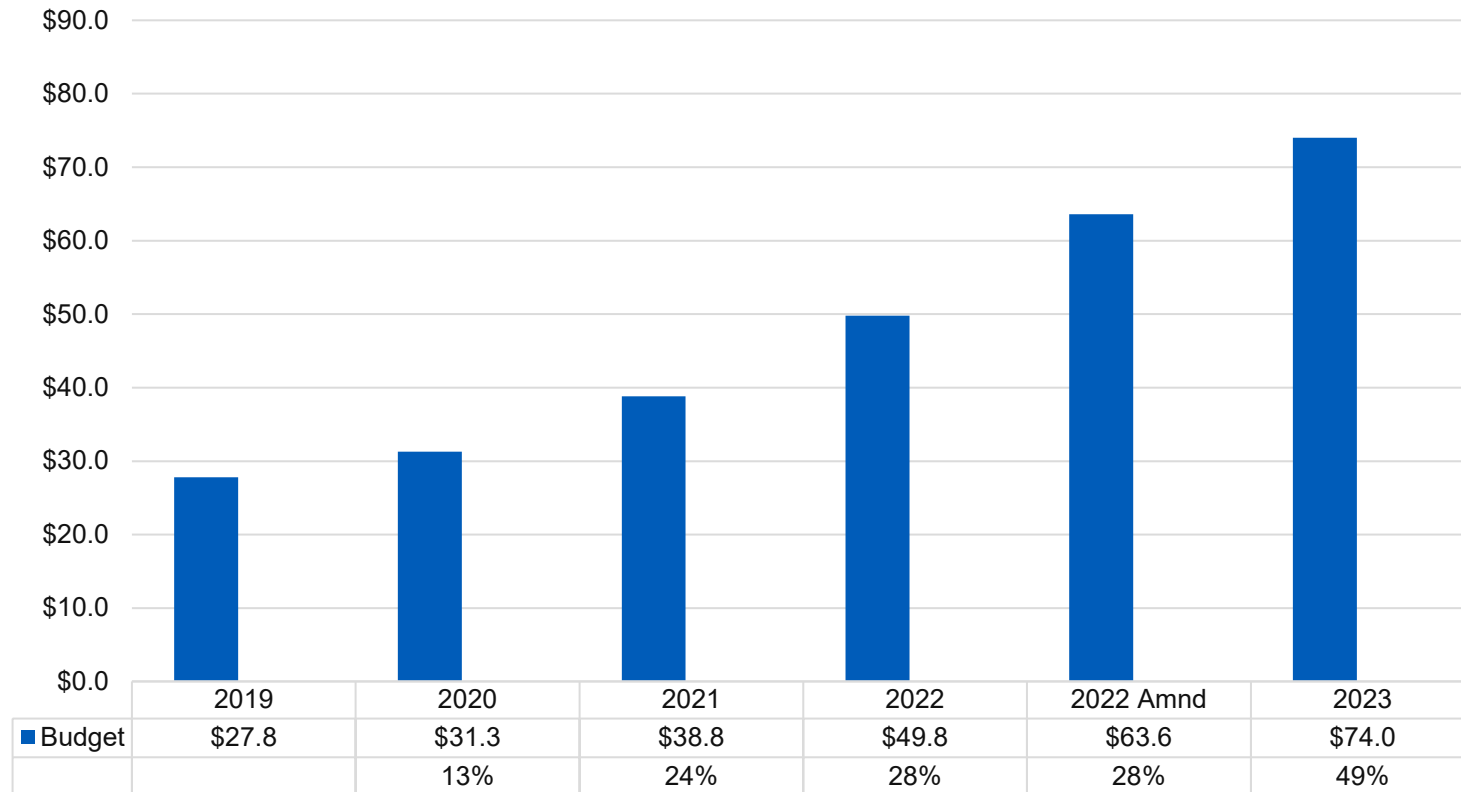
- Continued growth in region and increased demands
- Construction costs highly unstable
- ✓ Adjustments to project budgets based on inflation and higher interest rates
- ✓ Include long-term water supply needs in long-term planning





REGIONAL WATER SYSTEM CHEMICAL BUDGET PROJECTIONS

Regional Water System
Chemical Budget Projections (\$M)



FY23 increase percentage as compared to FY22 Original Budget



CIP ANNUAL INFLATION ADJUSTMENT

Description

- CIP costs adjusted annually for inflation based on Engineering News Record Construction Cost Index (CCI) for Dallas area
- 3% used for annual adjustment in all previous years through FY 2021 except one year for 4%
- June 2021 decision to use 5% for FY 2022 CIP items and 4% for all future years as it was uncertain it would be temporary or permanent
- 12-month CCI increase between 16% and 19% in the last ten months; 1979 was the last time with CCI increasing higher than 15%

Recommendation

- Use 18% for CIP items scheduled for FY2023 and beyond except for the items with the costs updated in 2022 dollars
- Continue to monitor CCI and actual bid data

History of 12-Month CCI Changes

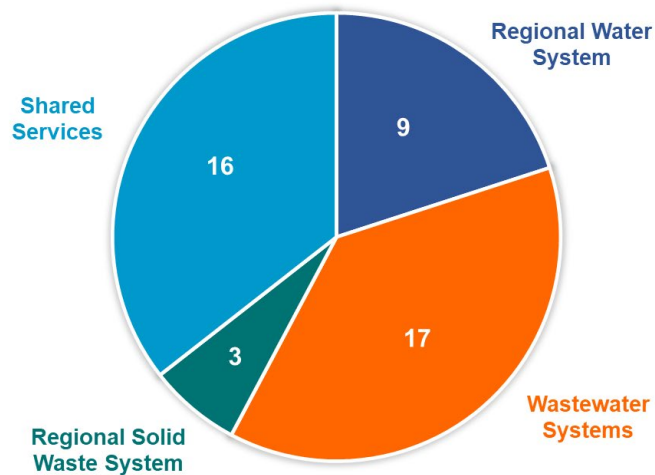
YEAR (June)	CCI	% CHG
2022	7588	+18.1
2021	6424	+7.8
2020	5961	+0.8
2019	5913	+1.0
2018	5857	+1.3
2017	5785	+3.7
2016	5575	+1.7
2015	5537	-0.3
2014	5480	+0.4
2013	5458	+0.7
2012	5420	-0.3
2011	5436	+1.2



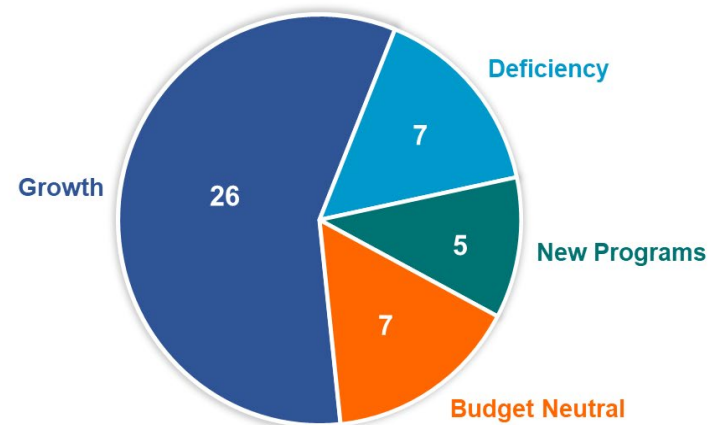
NEW POSITIONS – BY SYSTEM AND DRIVER

System	Positions	Driver	Positions
Regional Water System	9	Growth – New & Expanded Facilities	26
Wastewater Systems	17	Deficiency	7
Regional Solid Waste System	3	New Programs and Expanded Level of Service	5
Shared Services	16	Budget Neutral	7
TOTAL	45	TOTAL	45

SYSTEM TOTALS



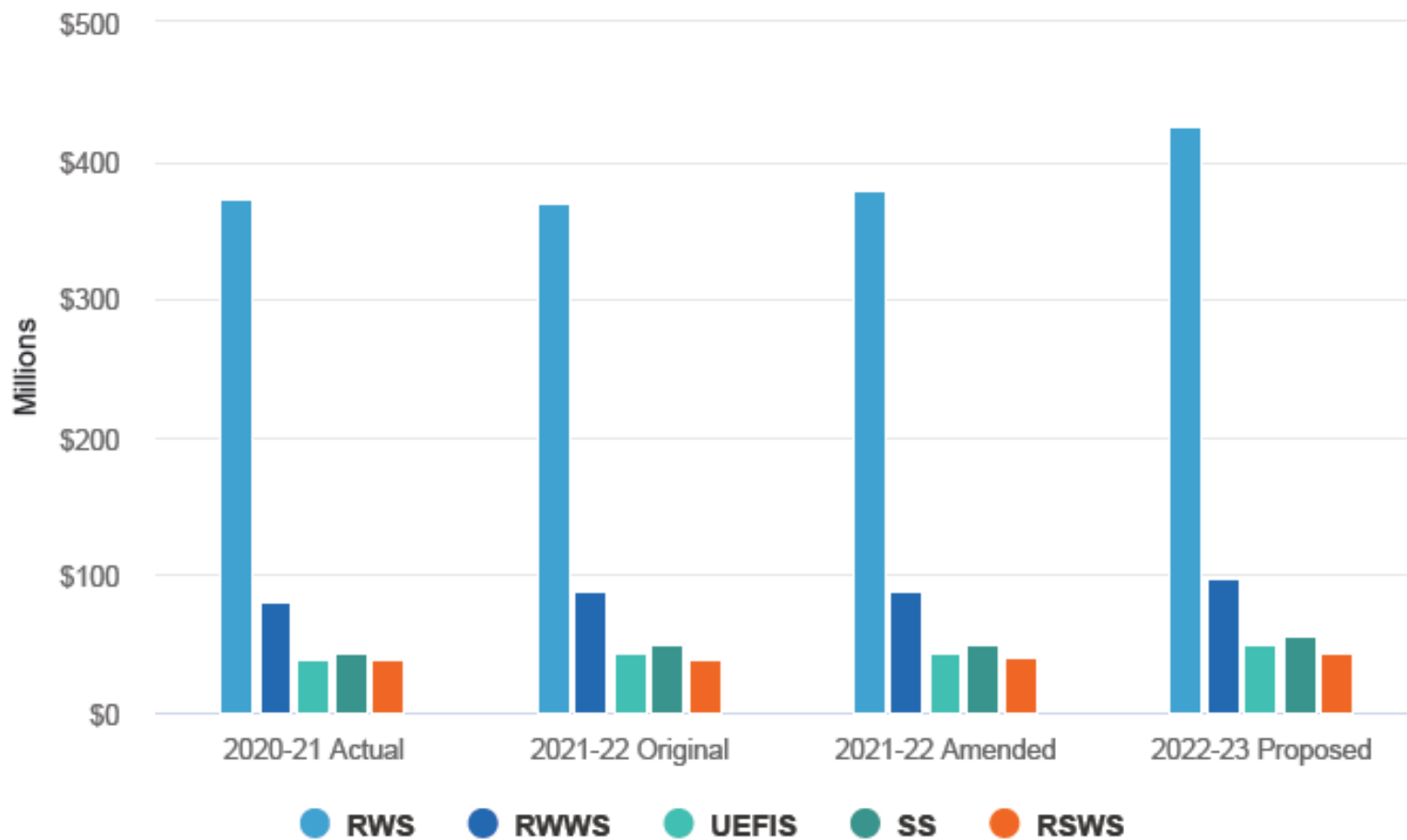
DRIVER TOTALS



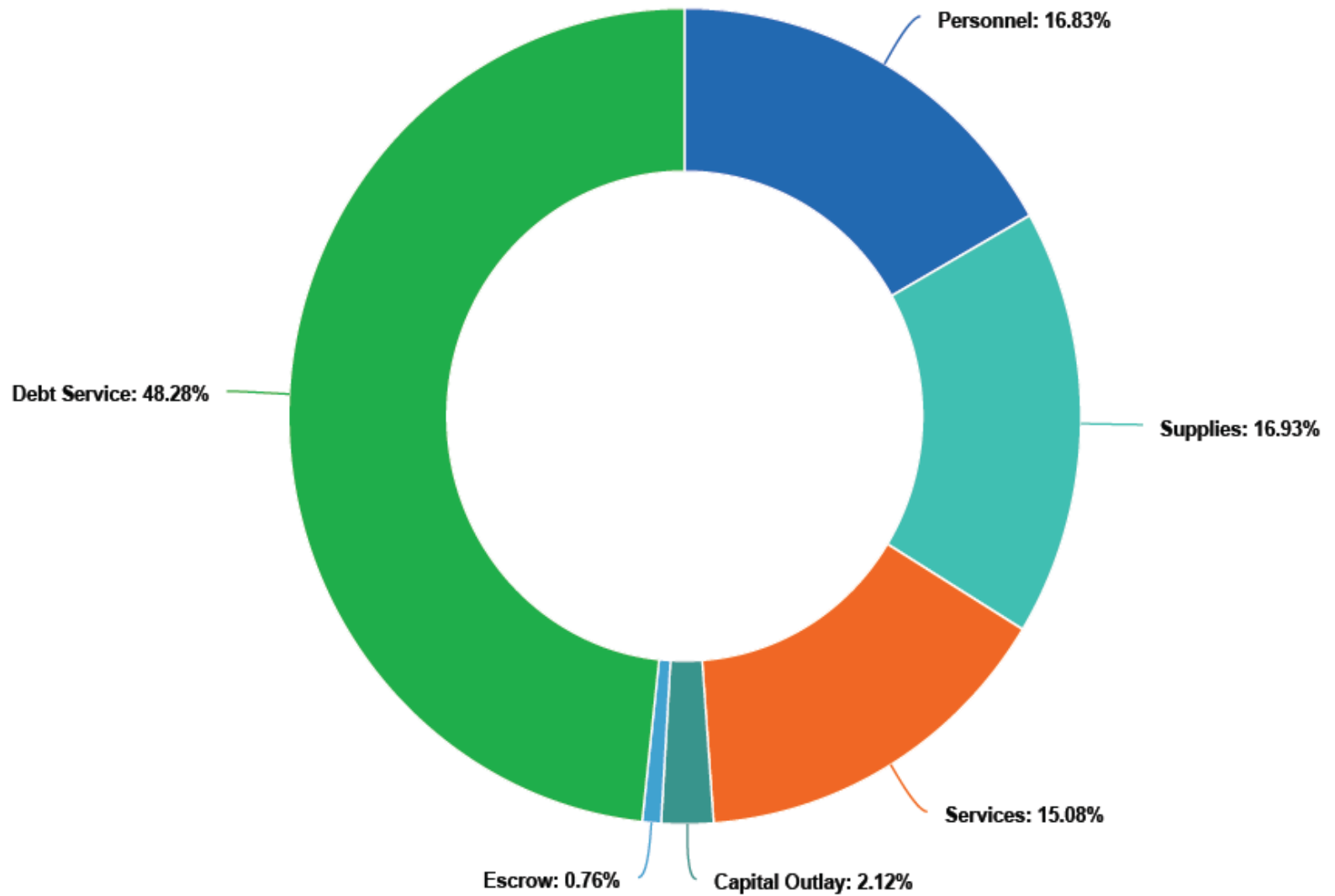


Budgets

ALL SYSTEMS BUDGETED EXPENDITURES



PROPOSED BUDGET EXPENSES BY CATEGORY





WATER RATE CALCULATION

	Billion Gallons
Water Year (WY) 2022 Annual Minimums	121.90
Add WY 2022 Increases to Minimums	6.84
Subtract WY 2022 – Drawdowns	<u><2.28></u>
WY23 Annual Minimums	126.46

Total Requirement, divided by “Minimums”

$$\frac{\$429 \text{ M}}{126.46 \text{ BG}} = \$3.39 \text{ FY23 Proposed Budget}$$

RWS – FY23 Minimums

	22 Minimum	23 Minimum	Change to Minimum
	(1,000 gal)	(1,000 gal)	(1,000 gal)
Allen	6,002,360	6,345,484	343,124
Farmersville	279,486	274,168	(5,318)
Forney	2,398,194	2,754,485	356,291
Frisco	12,194,343	14,146,008	1,951,665
Garland	13,674,674	13,136,918	(537,756)
McKinney	11,935,830	12,417,706	481,876
Mesquite	8,254,231	7,867,721	(386,510)
Plano	26,600,916	25,655,890	(945,026)
Princeton	751,294	1,137,352	386,058
Richardson	10,968,729	10,586,918	(381,811)
Rockwall	4,188,942	4,739,824	550,882
Royse City	659,940	846,122	186,182
Wylie	1,873,784	1,850,497	(23,287)
Total Members	99,782,723	101,759,093	1,976,370
Total Customers	22,121,410	24,704,458	2,583,048
TOTAL	121,904,133	126,463,551	4,559,418



FY23 BUDGET SCHEDULE

September

- Board considers adoption of FY22 Amended Budget and FY23 Proposed Budget at September Board meeting. If adopted, FY23 charge letters will be mailed to the Members and Customers.

October

- FY22 Final billing letters sent to non-water Members and Customers on October 31.



RECOMMENDATION

The Executive Director and NTMWD staff recommend the approval of the 2022-23 All Systems Annual Budget and the Amended 2021-22 Annual Budget



AGENDA

Jeanne Chipperfield
Deputy Director
NTMWD

V. DISCUSSION ITEMS

A. Overview of District Finances and Financial Operations



FINANCE OVERVIEW

Comprised of 3 departments:

- 1. Accounting**
- 2. Finance**
- 3. Purchasing (FY23 Procurement)**
 - Shared Services Departments providing services to internal customers
 - Work across the organization and with all departments to manage the District's finances efficiently
 - Work with finance teams at Member cities and Customers to manage financial aspects of contracts and often work directly to structure debt to be manageable to the participants (primarily in smaller systems)

Value added to District by providing centralized financial services that improve operational efficiency and reduce costs; enhance analysis; and establish standardized financial processes and procedures.



FINANCE OVERVIEW

Awards and Recognition

- Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) - 31 consecutive years
- Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) - 3 consecutive years
- Certificate of Investment Policy from the Government Treasurer's Organization of Texas (GTOT) - 3rd consecutive cycle
- Achievement of Excellence in Procurement Award from the National Procurement Institute (NPI) – 1st time
- Texas Comptroller of Public Accounts Traditional Finances Star – awarded in November 2020
- Texas Comptroller of Public Accounts Debt Obligations Star – awarded in December 2021





KEY RESPONSIBILITIES

Finance

Budget Management and
Strategic Financial
Planning

Cash and Investment
Portfolio Management

Banking

Debt Management

Accounting

Financial Reporting

Accounts Payable

Accounts Receivable

Project/Cost Accounting

Payroll

Procurement

Purchase of
Goods/Services >\$25,000

Vendor and Contract
Management

P-Card Program
Oversight (FY23)

Compliance with State
Procurement Statutes



FY22 BY THE NUMBERS

Finance

- \$ 590M Operating Budget
- \$1.5B Cash and Investment Portfolio
- 67 Outstanding Bond Issues
- \$5.7B Outstanding Debt
- \$890M Capital Project Budget
- 3 Extendable Commercial Paper Programs (\$575M)
- Strategic Financial Planning and modeling for 30 Systems

Accounting

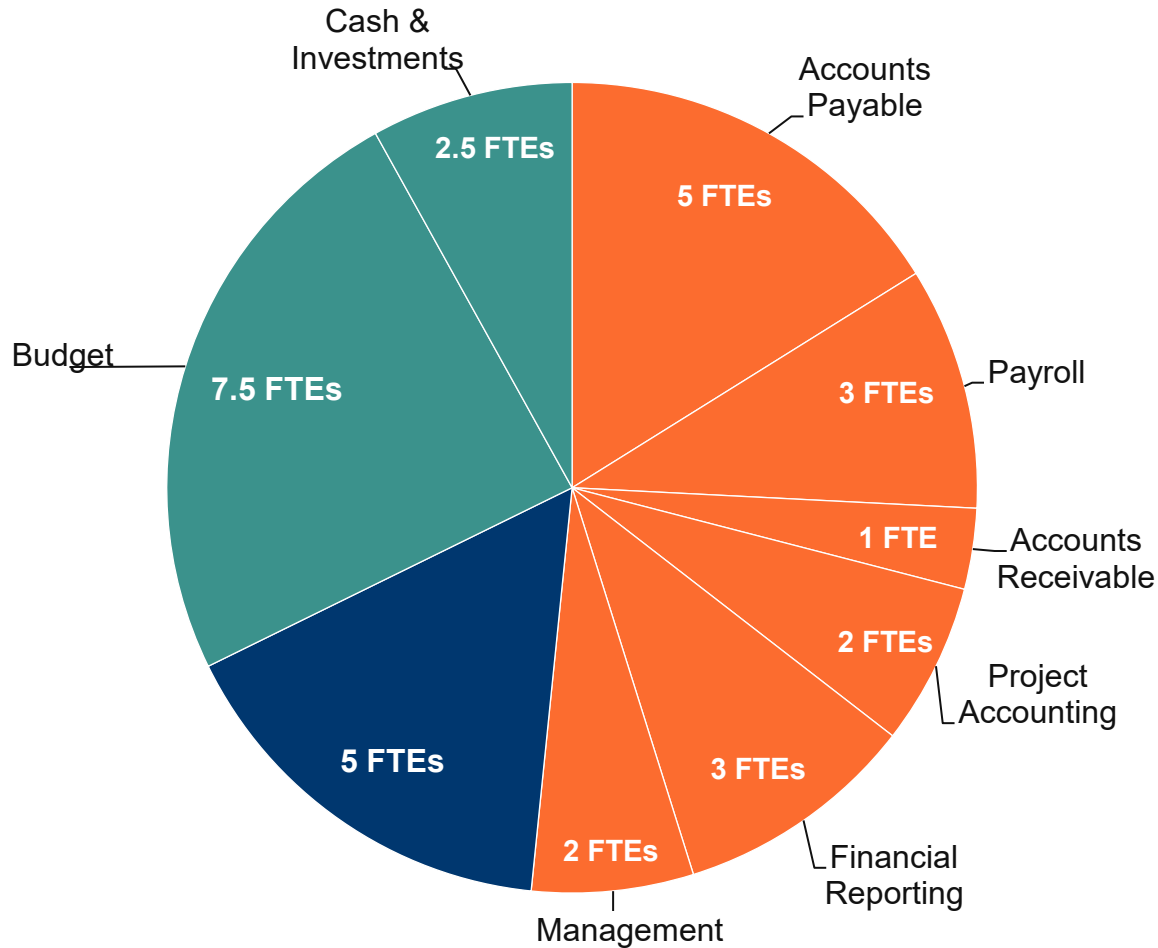
- CIP Projects YTD:
 - 165 Open
 - 28 Closed
 - 16 Placed in Service
- 14K Requisitions
- 5K Vendors
- 9.3K Payments
- 3K Invoices Processed
- 18K P-Card Transactions

Procurement

- 217 Procurements Managed - \$2.9M Cost Avoidance
- 240 Active Contracts Managed
- Participate in 47 Co-operatives
- 15 District-wide Accounts established and managed such as Home Depot, Amazon with co-op pricing



FY23 FINANCE STAFFING LEVELS



- Accounting, 16 FTEs, 52%
- Procurement, 5 FTEs, 16%
- Finance, 10 FTEs, 32%



INDICATORS OF EFFECTIVENESS

- High bond ratings and recent upgrades
- Unmodified (clean) audit opinion and no/few material weaknesses
- Industry group recognition – Government Finance Officers and National Procurement Institute
- Benchmarking to industry data (up-coming)



FINANCIAL REPORTING AND TRANSPARENCY EFFORTS

- Currently provide monthly financial report with budget and year to date data; monthly financial statements; and cash/investment reporting.
 - FY22 Increased the narrative to provide additional context to the numbers in the monthly report
 - FY23 Transition to quarterly reporting
 - Continue to post monthly financials on website
- FY23 Begin benchmarking District data to AWWA benchmark report and utilize results to assess performance and identify areas to for continuous improvement
- FY23 Evaluate feasibility of implementing website changes to receive Texas State Comptroller's Office Transparency Star for Contracts and Procurement



CURRENT PROJECTS

- Evaluation and planning for the Procurement Department's role in contracting for Capital Improvement Program projects
- Initiating new procurements for long-standing contracts such as the investment advisor and actuarial services
- Implementing new Governmental Accounting Standards Board (GASB) pronouncements for inclusion in upcoming Annual Comprehensive Financial Reports (ACFR).
 - Accounting for operating leases
 - Subscription-based information technology arrangements
 - Compensated absences
- Implementing BDL Shoreline permitting process accounting and billing processes.



STRATEGIC INITIATIVES

- ✓ Implementing enhanced performance measures and reporting
- ✓ Evaluate and consider adjusting customer city surcharge as recommended by Independent Review of RWS
- ✓ Standardize the Process and Methodology for Accepting New Members and Customers
- ✓ Analyze Purchase Card Spending to Maximize Savings Opportunities
- ✓ Vendor Management and Contract Performance Program
- ✓ Provide for Emergency Funding needs in Wastewater System

Finance Department will support and participate in the implementation of many of the other initiatives.



AGENDA

Jeanne Chipperfield
Deputy Director
NTMWD

V. DISCUSSION ITEMS

- B. Discuss status of implementing recommendations from Security Audit



AGENDA

V. DISCUSSION ITEMS

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

VI. ADJOURNMENT