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Fiscal Year 2023 Water and Wastewater Wholesale Rate Adjustments Frequently Asked Questions

Updated as of 9/28/2022

Where can I get more information about the North Texas Municipal Water District (NTMWD) rate adjustments?

The webpage www.NTMWD.com/MoreThanWater has details about the budget and explains the elements that go into providing water, wastewater, and solid waste services.

How do I know if the adjusted rates for wholesale water and wastewater will affect my utility bill?

NTMWD is a wholesale provider for water, wastewater, and solid waste services in the North Texas region. Each system has its own members and customers with separate wholesale rates needed to operate and maintain the systems. The final rate in your utility bill is set by your direct provider, i.e., your city or direct water utility. See below for a list of cities and utilities who receive wholesale services from NTMWD or contact your direct provider.

- [Our Water System](#) – comprised of 13 Member Cities and 34 Customer Cities and Utilities serving over two million in up to 80 communities across a 2,200-square mile service area.
- [Our Wastewater System](#) – regional wastewater services in 24 communities with a population of over 1.4 million residents.
- [Our Solid Waste System](#) – comprised of five Member Cities providing regional solid waste disposal services to approximately 930,000.

Why are wholesale rates for the NTMWD water and wastewater services being adjusted?

Rates are being adjusted due to the economic impacts of labor challenges to maintain and recruit employees, increasing expenses of chemicals and supplies to maintain services, and the ongoing costs to capital projects to maintain and build services for the growing region. The impacts are due to a variety of global and domestic issues including growth, inflation, supply chain issues, the COVID-19 pandemic, and the war in Ukraine. In summary, NTMWD is adjusting rates to address the people, product and planning necessary to continue providing essential services that are critical to public health and safety with reliable water and wastewater services.

Can you explain how NTMWD is budgeting for its labor challenges?

People are essential to the operations of the NTMWD, and much is being done to ensure that employees are in place for the current and future needs of providing reliable services every day to the region.

Like many organizations across the country, NTMWD has experienced higher turnover rates and challenges filling its open positions more than in previous years. Maintaining current employees and recruiting new employees, with the education and experience necessary, to help operate a regional system of providing clean, safe water and efficient wastewater operations continues to be a daunting task within a very competitive job market. Additionally, the highest inflation rates in 40 years are impacting the current compensation structure in place for paying employees.

NTMWD completed a compensation study by an independent consultant to review current payrates and related concerns compared to the external job market. The results have created new opportunities for employees to earn more competitive wages and other benefits to help stabilize the turnover rate and position NTMWD as an employer of choice for a new wave of professionals seeking a career in water, wastewater, and solid waste. Current pay grades for employees, many of whom are entry level positions or operational staff, are being adjusted to create new pathways for longevity within NTMWD which will help address turnover rates and reduce job vacancies.

Can you explain how NTMWD is budgeting for the challenges of increasing expenses of chemicals and supplies?

There are specific products essential to the operation of producing safe, reliable drinking water and collecting and treating wastewater. NTMWD requires various chemicals, supplies, and tools for employees to perform their daily tasks to maintain our essential services.

NTMWD has witnessed continued supply chain issues with various products necessary for services, programs, and operations. There is extreme volatility with the chemical vendors increasing their prices and being unable to sustain consistent pricing. For example, in 2022 the actual cost of chemical purchase increased by 48 percent compared to the planned budget cost based on the historical costs of chemicals and accounts for about half of the overall wholesale water rate increase.

NTMWD pivoted to innovative methods to adjust to these unstable prices for necessary products. This included new methods of bidding and securing chemicals and creating new partnerships with vendors to align their supply chain inconsistencies with our needs for consistent delivery.

Can you explain how NTMWD is budgeting for the challenges meeting the needs of the growing population in our region?

Planning is an essential aspect of NTMWD as it continues to address growth in our region. NTMWD is experiencing an extraordinary rise in the population of its service area with an estimated more than 55,000 new residents moving into the area every year. Currently, NTMWD serves a population of over two million – through our Member Cities and Customers – with reliable, safe drinking water. In addition, the District provides wastewater conveyance and treatment services for about 1.4 million.

With more people choosing to move to North Texas, there comes increased demands for water and wastewater services. The impacts of growth are reflected in the record of 117 billion gallons of water NTMWD treated and distributed last year, up 14 billion gallons from the previous year. This increase in distribution meant that about half of the communities we serve used more water than ever before. NTMWD conveys and treats approximately 44 billion gallons of wastewater annually.

NTMWD consistently addresses changing regulatory requirements, aging infrastructure, and growth costs to stay ahead of the anticipated population projections and plan for the future needs of the communities we serve. It is critically important that our region implement tactics that will secure the long-term availability of water and the infrastructure that allows the processing of wastewater. Approximately, 51 percent of NTMWD's Fiscal Year 2023 budget is dedicated to meet the infrastructure requirements of our growing region.

Construction costs have become increasingly high and unstable. For example, there has been an 18 percent increase in the past 12 months of the Construction Cost Index (CCI). The CCI considers the costs of materials, labor and equipment and compares it to a national average of 30 major U.S. cities. The market increases impact NTMWD's approximately \$980 million budgeted for new or active, multi-year capital projects across the District.

How much are water and wastewater rates being adjusted?

NTMWD's wholesale water rates will be adjusted 13 percent, the first adjustment in our water rates since 2020. The wastewater wholesale rate adjustment will be between 8.4 and 12 percent depending on your direct provider. Member Cities and Customers have different rules and regulations regarding the charges they pass on to their direct customers, so the final cost may vary depending upon your direct utility provider. NTMWD encourages you to reach out to your direct utility provider.

You say “wholesale” rates - who sets the final rate I see on my water bill?

NTMWD is a wholesale provider, which means your direct utility purchases the water and wastewater services from us to provide to you. The amount you are charged in your utility bill is a combination of the District's wholesale rate plus your direct provider's costs of service.

What has NTMWD done to reduce its operating costs and the need to adjust rates?

NTMWD staff are constantly exploring effective and efficient uses of resources to be good stewards of the budget. Here are few examples of their efforts in financial management and operations and energy:

- The implementation of a new financing tool, Extendable Commercial Paper Programs (ECP) in the Regional Water System, Regional Wastewater System and Upper East Fork Interceptor System. This short-term financial program allows NTMWD to appropriate capital projects without issuing long-term debt upfront and issue ECP notes as required for cash flow purposes.
- NTMWD refinanced Regional Water System bonds in Fiscal Year 22 which resulted in total savings of more than \$39 million between 2022-2032.

- The Regional Solid Waste System bond rating was upgraded by Standard & Poor's from an AA rating to an AA+ rating.
- The Purchasing Department continues to implement its Competitive Bid and Proposal process. This provided a Fiscal Year 22 Cost Avoidance of more than \$4 million.
- Wastewater operations implemented its Solids De-watering Optimization at Wilson Creek Regional Wastewater Treatment Plant and at the current construction at the Rowlett Creek Regional Wastewater Treatment Plant. This resulted in a 30 percent reduction in bio-solids hauling and removal and the costs associated with those operations.
- Water operations implemented the Chemical Optimization at Wylie Water Treatment Complex. This resulted in a reduction of chemicals used in the treatment process that produced a cost avoidance of approximately \$700,000. In addition to the budgetary savings, the need for extra maintenance associated with our lime system was reduced.
- Energy strategies have allowed NTMWD to minimize the impacts of increasing energy costs. NTMWD works closely with power utilities and retail electric providers to accurately forecast anticipated energy needs and lock in enough fixed price blocks of power to keep energy costs predictable and to achieve the best practical rates. In addition, the NTMWD waters operation's team reduces pumping in the hot peak hours of the summer months to help the Texas power grid and minimize NTMWD exposure to high power prices.

NTMWD continues to be good stewards of its budget and has kept wholesale water rates the same for the past 3 years even though, according to the Consumer Price Index, inflation from 2020 to 2022 was a cumulative total of 16.9 percent.

NTMWD was found to have reasonable expenses and appropriate balances as determined by an Independent Financial Review as a part of the rate case settlement with four of its Member Cities. NTMWD also implemented the majority of the 16 recommendations made by the review to enhance its financial practices and approaches.

Can you project when rates will level off or decrease?

Rates will continue to be adjusted as the population of the 10-county service area of NTMWD grows. The District provides services in some of the fastest growing counties in the country, and we continue to see more than 55,000 new customers moving in the service area each year. NTMWD needs to maintain its people, products, and planning to ensure we protect public health and safety through our water, wastewater, and solid waste services.

If the supply chain issues get resolved, could rates be updated?

The cost of products and supplies needed to operate the regional system will remain unstable for the foreseeable future, and the projected high population growth continues. Those factors will have an ongoing impact on the annual budgeting process for NTMWD as it works with its Member Cities and Customers to plan for future needs.

We have modified our annual chemical purchasing program to a quarterly pricing practice. This gives our vendors the ability to adjust to market volatility to adequately supply us with the

critical chemicals we need for public safety and achieve the best possible price at that time in the market.

Does conservation have any impact on rates?

Water conservation efforts by consumers has a direct impact on the quantity of water they use in their daily lives and ultimately their individual bills from their direct utility providers. Collective conservation efforts by the region can help NTMWD defer some capital projects effecting the overall budgeting needs. Regional growth and being good stewards of our limited resources continues to be a key component in planning our budget. Participating in our free webinars on conservation programs and registering for the free WaterMyYard.org program which offers conservation tips for outdoor irrigation are opportunities everyone can take to help change the regional behaviors on water use.