



## NORTH TEXAS MUNICIPAL WATER DISTRICT

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### MINUTES OF WORK SESSION MEETING OF THE BOARD OF DIRECTORS FEBRUARY 29, 2024

The North Texas Municipal Water District (NTMWD) Board of Directors met in a work session meeting on Thursday, February 29, 2024, 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 Richard Peasley called the meeting to order at approximately 1:00 p.m.

President Peasley advised the following regarding the meeting:

The meeting today is being conducted in person and by videoconference 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.

President Peasley offered the invocation.

#### II. ROLL CALL/ANNOUNCEMENT OF QUORUM

The roll was called, and attendance was confirmed as follows:

<b>DIRECTOR</b>	<b>IN PERSON</b>	<b>REMOTE</b>
Terry Sam <b>ANDERSON</b>	√	
Kalen <b>BOREN</b>	Absent	
John <b>CARR</b>	√	
Rick <b>CROWLEY</b>	√	
George <b>CRUMP</b>	√	

Lori Barnett <b>DODSON</b>	√	
Phil <b>DYER</b>	√	
Joe <b>FARMER</b>	√	
Marvin <b>FULLER</b>		√
David <b>HOLLIFIELD</b>	√	
Chip <b>IMRIE</b>	√	
Blair <b>JOHNSON</b>	Absent	
Ronald <b>KELLEY</b>	Absent	
James <b>KERR</b>	Absent	
Geralyn <b>KEVER</b>	√	
Rick <b>MANN</b>		√
Jack <b>MAY</b>	√	
Don <b>PASCHAL</b>	√	
Richard <b>PEASLEY</b>	√	
Randy <b>ROLAND</b>	√	
Lynn <b>SHUYLER</b>	Absent	
Keith <b>STEPHENS</b>	Absent	
Jody <b>SUTHERLAND</b>	√	
John <b>SWEEDEN</b>	√ - arrived 3:46 pm	
Larry <b>THOMPSON</b>		√

The following NTMWD legal and professional consultants attended the meeting:

- Lauren Kalisek – Lloyd Gosselink Rochelle & Townsend
- Jennifer Ivy – Carollo Engineers

**III. 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

Executive Director Jenna Covington provided an overview of today's agenda. She advised that the first matter is the Customer Premium (for the Regional Water System) that has been an ongoing discussion for the past several years. The most recent Board of Directors discussion was held in May, 2023. She reviewed the presenters for today's discussion.

Executive Director Covington advised that the second matter for today's discussion is regarding Customer Board Representation. She stated that staff will seek feedback from Board members on whether the current structure of the Board is sufficient to represent the interests of the Members and Customers, and, whether the Board is interested in an engagement approach to discuss this further and hear additional stakeholders' perspectives.

Executive Director Covington also advised that Brian Brooks would provide more background and input received from the Members and Customers. It was noted that some Customers have expressed a desire to have assurances that representation will be considered. Executive Director Covington added that the next Working Group meeting (includes representatives of Member and Customer cities) is scheduled for April 4<sup>th</sup>.

#### **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 comments.

#### **V. DISCUSSION ITEMS**

##### **A. Regional Water System - Customer Premium**

Deputy Director Jeanne Chipperfield reviewed the following background points related to the Customer Premium:

- Regional Water System Customer Premium of 5-cents per 1,000 gallons since 1970; Topic of discussion for many years without any changes

- Public Utilities Commission (PUC) Settlement Agreement required Independent Financial Review (IFR) to include Customer Premium as study task
- 2021 IFR consultant's report recommended further study of Customer Premium; the Board agreed, directing staff to move forward
- Carollo was selected to conduct premium study (Fall 2022)
- Several methodologies were studied and approaches presented to Board (Spring 2023)
- Board, Member Cities and Customers reviewed, provided feedback on impacts, defensibility, and appropriateness
- May 2023, Board paused its discussions to allow time for Members and Customers to meet and seek agreement on a defensible methodology

Ms. Chipperfield advised that since October 2023, several meetings have been held with representatives of the Member and Customer cities. The groups reviewed the Customer Premium rates and contract information and held discussions regarding potential alternative Customer Premium methodologies. The perspectives of each group includes the following:

#### Member Perspectives

- Prioritize recognition of their commitment to and investment in the District via a premium
- Viewed historical effective premium as a target rate for new methodology
- Recommend Customers transition to new contract which allows for rolling averages to determine annual minimums as an important tool to smooth annual growth

#### Customer Perspectives

- Prioritize representation with the NTMWD Board along with resolving premium
- Want to understand purpose and use of premium revenue
- Several customers expressed interest in backing District's debt

Ms. Chipperfield advised that an alternative methodology was developed by the District's rate consultant, Carollo, and introduced Jennifer Ivy who presented a methodology based on ideas generated during the group meetings.

Ms. Ivy provided detailed examples of a methodology that applies a 2-tiered premium which charges a 5-cent premium on current volumes plus a 5 percent growth allowance, and a percentage-based premium on growth over 5 percent. The initial model assumed a 5 percent growth premium; an additional model assumes a 10 percent growth premium as requested by the Members. She noted that this approach incentivizes conservation. Several handouts, charts and example projections were reviewed.

Several Directors offered comments on the presentation and others had questions on the data presented and growth projections provided by the entities. Alternative approaches and considerations were offered.

At 2:40 p.m. President Peasley announced the need for an Executive Session of the Board of Directors to discuss Agenda Item V.A. pursuant to Texas Government Code, Section 551.071 Consultation with Attorney.

President Peasley 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 3:08 p.m. The public teleconference line was reconnected. No action was taken in Executive Session. No action was taken in Open Session.

*A brief recess was taken.*

## **B. Customer Board Representation**

Board Liaison and Assistant to the General Manager Brian Brooks reviewed the comments regarding Customer Board Representation made by Executive Director Covington earlier in the meeting. He reviewed the discussion questions for today as follows:

- 1) Is the current structure of the Board of Directors sufficient to represent the interests of the Members and Customers?
- 2) Is the Board interested in an engagement approach to discuss further and hear additional stakeholders' perspectives?

Mr. Brooks briefly reviewed that Directors are appointed by Member cities but make decisions on behalf of the entire region. He noted that the Board Policies Manual, Section 7.4 defines the Ethical Responsibilities of Officers.

Mr. Brooks reviewed that as a result of the Independent Financial Report, Customer listening sessions were implemented in the Spring of 2022. Two topics became the focus of those sessions: Changes to the Customer Premium Methodology and Customer representation and a path to membership. In the Fall of 2023, a City Manager Working Group was created. Discussions revealed a concern about commitment to consider the question of Customer representation, and a request for Board assurance that the topic will be considered.

Mr. Brooks provided further detail as to the common themes of these meetings as follows:

### Customer perspective:

- Customers are expected to fulfill the same obligations as the Members without input into decisions
- Desire a defined path to Membership
- Desire to have a voice at the Board level

### Member perspective:

- Focus on a simple solution
- Board is large enough
- No desire for further annexation

### Consensus

- Issue of Customer Representation needs to be resolved
- Expanding the Board could create unnecessary challenges

Brainstormed concepts

- Two ex-officio members at the Board Meetings (non-voting)
- Assigning existing Directors as a point of contact for Customers
- A Customer Advisory Committee

For some additional information, Mr. Brooks reviewed that currently there are 38 Customers. Included in that number are 16 cities and 22 utility districts. The first city Customer was Fate, added in 1957. The most recent city Customer added was Bonham in 2004. The first non-city customer was Nevada Special Utility District, added in 1960, and the most recent added was Blackland WSC in 2021. The 2023 water consumption totals for Customers was provided. Mr. Brooks added that some water Customers also have wastewater services.

President Peasley opened the floor for comments from the Directors on the two questions posed. Several commented that staff has done an excellent job of treating Members and Customers the same when it comes to service or issues. Several commented that they feel the current structure of the Board does represent the interests of both Members and Customers. Several expressed that providing a written policy on how to go about submitting requests or concerns to the District might be beneficial. Possible Committee meeting opportunities to have input beyond the routine Public Comment period was discussed. Executive Director Covington stated she would discuss further a possible policy with President Peasley.

**VI. ADJOURNMENT**

There being no further business, the meeting adjourned at approximately 4:13 p.m.

APPROVED:

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RICHARD PEASLEY, President

ATTEST:

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DAVID HOLLIFIELD, Secretary