

NORTH TEXAS MUNICIPAL WATER DISTRICT

RESOLUTION NO. 24-52

A RESOLUTION ESTABLISHING A NEW CUSTOMER RATE AND PREMIUM METHODOLOGY FOR THE REGIONAL WATER SYSTEM OF THE NORTH TEXAS MUNICIPAL WATER DISTRICT.

WHEREAS, pursuant to that certain “North Texas Municipal Water District Regional Water Supply Facilities Amendatory Contract” as amended and executed by the North Texas Municipal Water District (NTMWD) and Member Cities (Member City Contract), each fiscal year NTMWD establishes a rate per 1,000 gallons of water volume to be paid by Member Cities to recover the Annual Requirement as defined by such contract (Member City Rate); and

WHEREAS, in 1970, NTMWD adopted a water rate applicable to non-member customers of the Regional Water System (Customers) in the amount of 5-cents plus the Member City Rate per 1,000 gallons of water volume (Customer Rate) and such Customer Rate has not been revised or changed since its adoption; and

WHEREAS, the value of the differential between the Customer Rate as a percentage of the Member City Rate has declined since 1970; and

WHEREAS, to resolve a dispute and related litigation among the Member Cities over the Member City Contract, the Member Cities and NTMWD executed a 2020 Settlement Agreement that includes a requirement for NTMWD to engage a third party to perform a financial management review every three years, including an examination of the collection and application of system revenues including the Customer Rate (Independent Review); and,

WHEREAS, the Independent Review report dated November 2021 recommended NTMWD perform a detailed cost of service and rate study to refine and document the basis for a long-term Customer Rate; and

WHEREAS, in October 2022 the District engaged Carollo Engineers, Inc. to conduct the recommended study in accordance with accepted industry standards and utility rate setting principles (Carollo Rate Study); and

WHEREAS, the Carollo Rate Study indicated that the use of accepted industry standards and utility rate setting principles led to unacceptable levels of rate volatility; and

WHEREAS, the NTMWD Board of Directors determined that an opportunity for negotiation of a Customer Rate methodology was in the best interest of NTMWD and the region, and representatives of Member Cities and Customers were willing to engage in such negotiation; and

WHEREAS, a working group of Member Cities' city managers and Customer city managers was assembled that has worked from October 2023 through August 2024 (Work Group); and

WHEREAS, the Work Group expressed a desire to incentivize conservation through a negotiated Customer Rate methodology; and

WHEREAS, a majority of the Work Group recommends the negotiated Customer Rate methodology be commensurate with the 2.8% historical average premium paid by Customers; and

WHEREAS, the majority of the Work Group recommends a tiered approach to establishing a new Customer Rate methodology, allowing for a lower premium on existing volumes; and

WHEREAS, the Work Group recommendations are supported by a majority of representatives of Member Cities and Customers who participated in the Work Group; and

WHEREAS, the Board gives due consideration to the work and recommendations of the Work Group and finds that such recommendations would be of benefit to the region if implemented;

NOW, THEREFORE, THE BOARD OF DIRECTORS IN A REGULAR MEETING DETERMINES AND RESOLVES THAT:

1. Defined terms appearing the Recitals to this resolution above are incorporated for all purposes.
2. Subject to applicable existing Customer contract provisions, NTMWD shall use the following methodology for establishing the Customer Rate as a part of its annual budget and rate setting process.
3. The Regional Water System Customer Rate is established at 5-cents per 1,000 gallons over the Member City Rate for the fiscal years 2024-25; 2025-26; 2026-27; 2027-28, ending on September 30, 2028.
4. The Regional Water System Customer Rate is established at the Member City Rate plus 2.8% for the fiscal year beginning October 1, 2028 and each fiscal year thereafter.
5. NTMWD shall make available to Customers until July 31, 2028 a new Customer contract template that phases in the new Customer Rate methodology by establishing a legacy annual minimum volume and applying a cap as follows:
 - a. Legacy Premium Component: For that portion of Customer's annual minimum equal to its FY 2028 annual minimum plus 5% ("Legacy Volume") the Customer Rate applied shall be the Member City Rate plus 5-cents ("Legacy Charge");

- b. Growth Premium Component: For that portion of the Customer’s annual minimum greater than the Legacy Volume (“Growth Volume”), the Customer Rate applied shall be the Member City Rate plus 10% (“Growth Charge”); and
 - c. Effective Premium Cap: For the purposes of this calculation, “Effective Rate” means the amount to be paid by Customer per 1,000 gallons resulting from calculation of the Legacy Premium Component and the Growth Premium Component. If the Customer’s calculated Effective Rate exceeds the Member City Rate plus 2.8%; the Customer Rate shall be adjusted to result in payment by Customer that equals the Member City Rate plus 2.8% (“Effective Premium Rate”). After a Customer reaches the Effective Premium Rate, the Customer Rate cannot fall below the Effective Premium Rate.
 - d. This phase in will only be available to Customers executing the new Customer contract template prior to July 31, 2028.
6. The new Customer Rate methodology described herein is of benefit to Customers and the region in that it:
- a. Provides certainty on the Customer Rate for years to come;
 - b. Incentivizes conservation; and
 - c. Allows a reasonable phase in for Customers through recognition of the Legacy Premium Component and Effective Premium Cap.
7. NTMWD will honor existing Customer Contract terms for those Customers that do not chose to move to the new Customer contract template; but NTMWD anticipates many Customers will find the new template to be of benefit for the reasons described herein.

NTMWD acknowledges and appreciates the efforts of the Member and Customer Work Group and other local leaders that have led to a regionally developed recommendation on the Customer Rate as adopted in this resolution.

THIS RESOLUTION ADOPTED BY THE NTMWD BOARD OF DIRECTORS IN A REGULAR MEETING ON NOVEMBER 21, 2024, IN THE ADMINISTRATIVE OFFICES OF THE NTMWD, WYLIE, TEXAS.

DONALD IMRIE, Secretary

GEORGE CRUMP, President

(SEAL)