



NORTH TEXAS MUNICIPAL WATER DISTRICT

**501 E. Brown Street
Wylie, Texas 75098
(972) 442-5405**

Board of Directors Agenda

Thursday, April 25, 2024

2:30 PM

**REGULAR MEETING (IN PERSON
AND BY VIDEOCONFERENCE)**

Notice is hereby given pursuant to V.T.C.A., Government Code, Chapter 551, that the Board of Directors of North Texas Municipal Water District (NTMWD) will hold a regular meeting in person and by videoconference, accessible to the public, on Thursday, April 25, 2024, at 2:30 p.m., at the following meeting location: NTMWD Administrative Offices, 501 E. Brown Street, Wylie, Texas 75098.

The Presiding Officer and a quorum of the Board of Directors will be present at the meeting location or by videoconference with two-way video and audio communication between Board members participating at the meeting location and by videoconference. The public may attend the meeting in person at the meeting location. Audio and video of Board members participating by videoconference will be broadcast live and will be visible to members of the public. The meeting will be recorded and available on the NTMWD website after the meeting.

Members of the public wishing to listen to live audio of 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

II. INVOCATION

III. PLEDGE OF ALLEGIANCE

IV. PLEDGE OF ALLEGIANCE TO THE TEXAS FLAG

V. ROLL CALL/ANNOUNCEMENT OF QUORUM

VI. OPENING REMARKS

- A. President's Remarks concerning current events, recognitions, conduct of meeting, posted agenda items, committee assignments, and related matters

- B. Executive Director's Status Report concerning legislation and regulatory matters, strategic plan, 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

A. Board Memo: April 19, 2024

[24B-4](#)

VII. 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.

VIII. DISCUSSION ITEMS

There are no discussion items.

IX. EXECUTIVE SESSION

The Presiding Officer will announce that the meeting will move into closed executive session and identify the agenda items to be discussed in executive session. At the conclusion of the executive session, the public meeting will resume.

A. Consultation with Attorney (Tex. Gov't Code Section 551.071)

1. John Avrit v. NTMWD, Cause No. 493-02510-2022, In the 493rd District Court for Collin County, Texas
2. Steven Watson, Roderick Givan, and David Love v. North Texas Municipal Water District and Jerry Zumwalt, Civil Action No. 4:23-cv-00314-SDJ
3. Carolyn Salzar v. North Texas Municipal Water District, Case No. 4:22-cv-00341

X. RECONVENE INTO REGULAR SESSION

In accordance with Texas Government Code, Chapter 551, the Board of Directors of NTMWD will reconvene into regular session to consider action, if any, on matters discussed in Executive Session.

XI. CONSENT AGENDA ITEMS

The Consent Agenda allows the Board of Directors to approve all routine, noncontroversial items with a single motion, without the need for discussion by the entire Board. Any item may be removed from consent and considered individually upon request of a Board member or NTMWD staff member.

A. March 2024 Regular Board Meeting Minutes [24C-16](#)

The Executive Director and NTMWD staff recommend the Board of Directors approve the minutes of the regular Board meeting held on Thursday, March 28, 2024, as presented.

B. Modification of Capital Projects Request [24C-17](#)

Recommend the Board of Directors approve the April 2024, Modification of Capital Projects Request as presented.

**C. Princeton Lift Station Expansion; Project No. 501-0617-22 [24C-18](#)
Engineering Services Agreement**

Authorize funding for engineering services for final design of the Princeton Lift Station Expansion project.

XII. AGENDA ITEMS FOR INDIVIDUAL CONSIDERATION**GENERAL / ADMINISTRATIVE AGENDA ITEMS****A. Muddy Creek Regional Wastewater System Contract Revenue Bonds, Series 2024 [24-6006](#)**

Request authorization to issue Revenue Bonds for the Muddy Creek Regional Wastewater System.

B. NTMWD's 2022-2027 Strategic Plan Resolution No. 24-13 [24-6007](#)

Adopt Resolution No. 24-13 related to NTMWD's 2022-2027 Strategic Plan.

WATER AGENDA ITEMS**C. Authorizing the Acceptance of Applications for Agreements Under the Bois d'Arc Lake Shoreline Management Plan; Resolution No. 24-14 [24-6008](#)**

Adopt a resolution authorizing the full implementation of the Bois d'Arc Lake Shoreline Management Plan (the Plan) and to authorize the Executive Director or their designee to take certain actions to begin accepting applications for agreements under the Plan and to administer the Plan.

- D. Interlocal Agreement between the North Texas Municipal Water District (NTMWD), Upper Trinity Regional Water District (UTRWD) and the Greater Texoma Utility Authority (GTUA) for a Regional Water System Study** [24-6009](#)
- Approve Interlocal Agreement (ILA) between the North Texas Municipal Water District, Upper Trinity Regional Water District, and the Greater Texoma Utility Authority for a New Regional Water System Study.
- E. McKinney Delivery Point No. 3 to McKinney Delivery Point No. 4 Pipeline; Project No. 101-0505-18, Tabulation Of Bids And Award of Contract, and Inspection Services** [24-6010](#)
- Authorize award of a construction contract and internal inspection services.
- F. North System Air Valve Improvements; Project No. 101-0442-16; Additional Engineering Services** [24-6011](#)
- Authorize additional funding to an existing engineering services agreement (ESA) for engineering services for the North System Air Valve Improvements project, Phase III.
- G. Shiloh Pump Station Improvements Phase I; Engineering Services Agreement; 101-0648-24** [24-6012](#)
- Authorize funding for an engineering services agreement for the design of the Shiloh Pump Station Improvements, Phase I Project.
- H. Wylie Water Treatment Plant Raw Water Pump Station No. 3 Improvements; Engineering Services Agreement; Project No. 101-0649-24** [24-6013](#)
- Authorize funding for an engineering services agreement for design of the Wylie Water Treatment Plant (WTP) Raw Water Pump Station No. 3 Improvements project.
- I. Wylie Water Treatment Plant Raw Water Pump Station No. 4; Engineering Services Agreement; Project No. 101-0647-24** [24-6014](#)
- Authorize funding for an engineering services agreement for a feasibility study and conceptual design of the Wylie Water Treatment Plant (WTP) Raw Water Pump Station No. 4.

WASTEWATER AGENDA ITEMS

- J. Muddy Creek Wastewater Treatment Plant Expansion to 12.5 MGD and Operations Building Improvements; Project Nos. 310-0592-21 and 310-0535-19; Tabulation of Bids and Award of Contract, Engineering Services Agreement, and Internal Inspection Services** [24-6015](#)

Authorize award of a construction contract, engineering services agreement, and internal inspection services for the Wastewater Treatment Plant (WWTP) Expansion to 12.5 million gallons per day (MGD) and Operations Building Improvements projects.

- K. Beck Branch Parallel Interceptor Phase II and Plano Spring Creek Force Main Parallel; Project No. 501-0439-16; Tabulation of Bids and Award of Contract and Inspection Services** [24-6016](#)

Award a construction contract and authorize internal inspection services for the Beck Branch Parallel Interceptor Phase II and Plano Spring Creek Force Main Parallel portion of the Beck Branch Parallel Interceptor Improvements project.

- L. Stover Creek Force Main; Project No. 501-0624-23 Engineering Services Agreement - Right-of-Way Support Services** [24-6017](#)

Authorize funding for professional services for the Stover Creek Force Main project.

XIII. CLOSING ITEMS

- A. Opportunity for Board members to provide feedback or request potential future agenda items.

XIV. ADJOURNMENT

REQUIRED LEGAL NOTICES

The Board of Directors is authorized by the Texas Open Meetings Act to convene in closed or executive session for certain purposes. These purposes include receiving legal advice from its attorney (Section 551.071); discussing real property matters (Section 551.072); discussing gifts and donations (Section 551.073); discussing personnel matters (Section 551.074); or discussing security personnel or devices (Section 551.076). If the Board of Directors determines to go into executive session on any item on this agenda, the Presiding Officer will announce that an executive session will be held and will identify the item to be discussed and provision of the Open Meetings Act that authorizes the closed or executive session.

Persons with disabilities who plan to attend the NTMWD meeting and who may need auxiliary aids or services are requested to contact Shannon Sauceman in the NTMWD Administrative Offices at (972) 442-5405 as soon as possible. All reasonable efforts will be taken to make the appropriate arrangements.

Pursuant to Section 30.05, Penal Code (criminal trespass), a person may not enter this property with a firearm. Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun. Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly.



NORTH TEXAS MUNICIPAL WATER DISTRICT

501 E. Brown Street
Wylie, Texas 75098
(972) 442-5405

4/25/2024

Board Memorandum No. 24B-4

TO: Board of Directors

FROM: Jenna Covington, Executive Director

DATE: April 19, 2024

SUBJECT: April 25, 2024, Board Meeting

The past month has been very busy for the District. Both the Board and the staff have been working hard to tackle several “big rocks.” Although it has been a demanding period, I am pleased about the positive progress happening all around.

Strategic Initiative Highlight – 1.2.1 Complete Phases One and Two of the Bois d’Arc Lake Program

April marks another major milestone in the decades-long development of Bois d’Arc Lake – the opening of the lake to the public. As we reach these points of achievement, I think it is important to reflect on the immense effort it has taken to arrive at these historic accomplishments.

At 8:00 AM on Wednesday, April 17, 2024, Bois d’Arc Lake officially opened to the public after months of preparation and patience as rains slowly filled the lake. People from nearby communities and throughout the state eagerly anticipated being among the first to enjoy the lake. Over the next few months, we anticipate thousands of visitors anxious to experience this much-anticipated recreational attraction.



The task of opening the lake to the public has been an incredible achievement in and of itself. Establishing Lake Operations and all the responsibilities that go along with it was a new endeavor for the District. Without prior experience in running a lake, the District had to build a program from scratch. From the hiring of the Lake

Manager and an entire maintenance crew to developing rules, regulations, and permitting, everything had to be in place as the Bois d'Arc Lake was finishing construction.

Part of the success of this project is due to the careful coordination with partners and stakeholders in Fannin County. While the lake serves as a vital water supply for over 2.2 million people, it also serves as a major economic development catalyst for the region. The growth in residential and commercial opportunities to the area cannot be overstated. However, without our strong partnerships formed through consistent and responsive communication and engagement, the District would not be able to move Bois d'Arc Lake forward.

Finally, I want to offer sincere appreciation to all of those involved in making the public opening a reality. From the boots on the ground working tirelessly to make the opening safe and organized to our partners at the Fannin County Sheriff's Office and Texas Parks and Wildlife, their incredible efforts will allow Bois d'Arc Lake to become a special place for memories to be made for generations.

Member and Customer Annual Meetings

April and May are traditionally busy months with our annual meetings with Member Cities and Customers. These meetings provide a platform for the District to exchange information and gather feedback.

For the Members, we have had the opportunity to meet with nine of the thirteen cities. The topics discussed have been focused on long-range water supply, Customer premium and representation, water conservation, and capital projects related to each city. Every conversation has been positive and productive. The remaining four meetings should be completed in the next three weeks.

Of the thirty-five Customers, the District has been able to meet with twenty-three. These meetings are attended by a staff team including Assistant Deputies for Water Operations, Water Resources, and Wastewater as well as relevant managers. Similar to the Member City meetings, these conversations cover a host of general topics and specific project updates.

Scheduling almost 50 meetings over our 2,200 square miles is an arduous task; however, these touchpoints are invaluable ways to convey important information and receive critical input from our Members and Customers.



4/25/2024

Consent Agenda Item No. 24C-16

March 2024 Regular Board Meeting Minutes

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors approve the minutes of the regular Board meeting held on Thursday, March 28, 2024, as presented.

Note: See the attached document for detailed information.



NORTH TEXAS MUNICIPAL WATER DISTRICT
501 E. Brown Street • Wylie, Texas 75098 (972)
442-5405 – Phone
(972) 295-6440 – Fax

**MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
MARCH 28, 2024**

The North Texas Municipal Water District (NTMWD) Board of Directors met in a regular meeting on Thursday, March 28, 2024, at 2:30 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 2:30 p.m.

President Peasley advised the following regarding the meeting:

The meeting today is being conducted in person 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.

II. INVOCATION

Director Jack May offered the invocation.

III. PLEDGE OF ALLEGIANCE

Assistant Deputy Zeke Campbell and the Operations Team led the Pledge of Allegiance.

IV. PLEDGE OF ALLEGIANCE TO THE TEXAS FLAG

Assistant Deputy Zeke Campbell and the Operations Team led the Pledge of Allegiance to the Texas Flag.

V. ROLL CALL/ANNOUNCEMENT OF QUORUM

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

<i>DIRECTOR</i>	<i>IN PERSON</i>	<i>REMOTE</i>
Terry Sam ANDERSON	Absent	
Kalen BOREN	Absent	
John CARR		√
Rick CROWLEY	√	
George CRUMP	√	
Lori Barnett DODSON		√
Phil DYER		√
Joe FARMER	√	
Marvin FULLER		√
David HOLLIFIELD	√	
Chip IMRIE		
Blair JOHNSON	√	
Ronald KELLEY	√	
James KERR		√
Geralyn KEVER	√	
Rick MANN	√	
Jack MAY	√	
Don PASCHAL	√	
Richard PEASLEY	√	
Randy ROLAND		√
Lynn SHUYLER	Absent	
Keith STEPHENS	√	
Jody SUTHERLAND		√
John SWEEDEN	√	
Larry THOMPSON	√	

The following NTMWD legal and professional consultants attended the meeting:

- Lauren Kalisek, Sara Thornton – Lloyd Gosselink Rochelle & Townsend
- Lewis Isaacks, Mark Walsh – Saunders, Walsh, & Beard

VI. OPENING REMARKS

- A. President's Remarks concerning current events, recognitions, conduct of meeting, posted agenda items, committee assignments, and related matters

President Peasley stated that as mentioned in this month's Executive Committee meeting, he asked that a Special Working Group be formed to examine ways to enhance communication and engagement with the District's Customers. The following Directors volunteered to serve in this group: Directors John Carr, Rick Crowley, David Hollifield, Randy Roland, and Jody Sutherland. Director Marvin Fuller will lead the group.

President Peasley stated that the group will be tasked with:

- Identifying current methods for Customer engagement with the Board and staff.
- Determining the District's awareness of the Customer viewpoint and identify areas of Customer concerns the District may not be addressing.
- Brainstorming potential approaches to address the gaps in understanding and communication.
- Developing recommendations.
- Presenting findings to the Executive Committee.

President Peasley expressed his appreciation to these Directors.

President Peasley announced that Director David Hollifield has been reappointed by the City of Royce City at their March 26th Council meeting.

President Peasley reviewed the tentative meeting schedule for April 2024 as follows:

- Wednesday, April 10: Executive and Finance Committees
- Wednesday, April 24: Water and Wastewater Committees
- Thursday, April 25: Board Meeting

President Peasley offered comments regarding the Real Estate and Water committee meetings he attended this week.

- 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 announced that the American Water Works Association has recognized the Operations Team at the Wylie Water Treatment Plant IV with the *Partnership for Safe Water Director's Award*. This award recognizes the District's optimization efforts and water quality accomplishments. The award will be presented at the American Water Works Association Conference in Anaheim, California in May. Zeke Campbell introduced the Operations Team.

VII. 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 comment.

VIII. DISCUSSION ITEMS**A. NTMWD Strategic Plan Annual Update**

Executive Director Covington provided opening remarks on this item. She advised that some modifications to the Plan are being proposed, adding that there are no plans to change the Vision, Mission, Values or Goals as previously adopted. She advised that David Kelly, Government Affairs and Special Projects Manager, is responsible for coordinating and managing the Plan and would provide an overview.

David Kelly stated that originally the Plan was developed in 2015 and in 2022, the Plan was rearranged. He added it is used to as a "bottom up" tool for operations of the District. He reviewed the Objectives and the status of Initiatives within the Plan. Proposed updates to the following were reviewed in detail that included:

- One proposed additional Objective in Goal 4 People [4.4 Employer of Choice]
- Seven initiatives completed and come off the Plan
- Four initiatives transition to the next phase including:
[Bois d'Arc Lake Phase 1; Lower East Fork Wastewater Systems; Long Range Water Supply Plan; Emergency Preparedness]
- Major Modifications made to several Initiatives including:
[Cloud First becomes Technology Modernization; PFAS is now a standalone Initiative]
- Ten new Initiatives are added to the Plan

Executive Director Covington offered closing remarks and advised that consideration of these proposed changes will be on the April Board of Directors agenda.

Discussion and feedback from Directors followed.

At 3:45 p.m. President Peasley announced a 10 minute recess.

IX. EXECUTIVE SESSION

At 3:58 p.m. President Peasley announced the need for an Executive Session of the Board of Directors to discuss items:

A. Texas Government Code, Section 551.071 Consultation with Attorney

1. ARK Contracting Services, LLC v. North Texas Municipal Water District; Lockwood Andrews & Newnam, Inc.; Freese and Nichols, Inc.; and Garver, LLC - 471st District, Collin County

2. City of Heath v. North Texas Municipal Water District, City of Forney and the City of Rockwall - 5th Court of Appeals, Dallas, Texas; Case No. 05-23-00558-CV; From the 439th Judicial District Court, Rockwall County, Texas, Trial Court Cause No. 1-22-0704
3. Alan Thomas Decker v. NTMWD, Phillips and Jordan, Inc., Archer Western Construction, LLC, and Hammett Excavation in the 336th District Court of Fannin County, Texas
4. North Texas Municipal Water District vs. Encore Wire Corporation, Case No. 001-00768-2022, Collin County, Texas
5. Legal briefing on March 14, 2024, Sanitary Sewer Overflow at Lower White Rock Creek Lift Station

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

X. RECONVENE INTO REGULAR SESSION

In accordance with Texas Government Code, Chapter 551, the Board of Directors of NTMWD will reconvene into regular session to consider action, if any, on matters discussed in Executive Session.

Open Session reconvened at 5:35 p.m. The public teleconference line was reconnected. No action was taken in Executive Session. No action was taken in Open Session.

XI. CONSENT AGENDA ITEMS

President Peasley inquired whether any Director would like to remove an item from the Consent Agenda for separate discussion. He requested Item E. be pulled from the Consent Agenda.

Upon a motion by Director Geralyn Kever to approve the Consent Agenda items A – D and F - G, and a second by Director Larry Thomspson, the Board of Directors voted unanimously to approve the Consent Agenda items. Directors Carr, Kerr, Roland and Sutherland were absent from the vote.

- A. **February 2024 Regular Board Meeting Minutes**
The Executive Director and NTMWD staff recommend the Board of Directors approve the minutes of the regular Board meeting held on Thursday, February 22, 2024, as presented.
- B. **February 2024 Board Work Session Meeting Minutes**
The Executive Director and NTMWD staff recommend the Board of Directors approve the minutes of the Board Work Session meeting held on Thursday, February 29, 2024, as presented.
- C. **Modification of Capital Projects Request**
Recommend the Board of Directors approve the March 2024, Modification of Capital Projects Request as presented.

D. **Wylie Water Treatment Plant Backup Power Improvements- Authorization for Alternate Project Delivery Method; Project No. 101-0564-20; Resolution No. 24-12**

Authorize the use of Construction Manager At-Risk (CMAR) project delivery method for the Wylie Water Treatment Plant (WTP) Backup Power Improvements project.

Item E. was pulled from the Consent Agenda for separate discussion and vote.

E. **Multiple Systems Maintenance Facilities Central Region, Phase II; Engineering Services Agreement, Additional Services No. 6; Project No. 101-0445-16**

Authorize additional construction phase support services to Stantec Architecture, Inc. for the Multiple System Maintenance Facilities Central Region, Phase II.

Deputy Director Cesar Baptista briefed the Board on this item. He advised that this building is approximately 40,000 square feet and is intended to house the District's Environmental Services Department, Maintenance Department, and storage. The contractor for this building, Tegrity, is behind schedule due to several challenges including staffing, subcontractors, and supplier issues. The building was scheduled to be completed in September 2023 and is only halfway done at this time. The owner has been on-site several times and is committed to completing the job with a new completion target of October 2024.

The cost of this agreement is \$126,114.

Upon a motion by Director Geralyn Kever and a second by Director Don Paschal, the Board of Directors voted unanimously to approve Consent Item E. Directors Carr, Kerr, Roland and Sutherland were absent from the vote.

F. **Gateway Drive Transfer Station, Environmental Site Assessment Project No. 401-0644-24; Engineering Services Agreement**

Authorization of an engineering services agreement to conduct a Phase I Environmental Site Assessment and records search for the future site of the Gateway Drive Transfer Station.

G. **Memorandum of Understanding between the North Texas Municipal Water District and the City of Plano for Providing Electricity to the 121 RDF Landfill Odor Management System**

Approve Memorandum of Understanding between the North Texas Municipal Water District and the City of Plano for providing electricity to the 121 Regional Disposal Facility Odor Management System.

XII. AGENDA ITEMS FOR INDIVIDUAL CONSIDERATION

WATER AGENDA ITEMS

A. **Per- and Polyfluoroalkyl Substances (PFAS) Management Roadmap Project No. 101-0645-24; Engineering Services Agreement**

Authorize an engineering services agreement for the development of the Per-and Polyfluoroalkyl Substances (PFAS) Management Roadmap.

Director John Sweeden advised that the Water Committee reviewed this item yesterday and voted to recommend the Board authorize an engineering services agreement for the development of the PFAS Management Roadmap.

This Roadmap involves a holistic approach for assessing the District's water, wastewater, and solid waste systems in relation to response and management of PFAS within and between these systems. The outcome of the Roadmap will guide decisions and investments related to PFAS compliance within the next 5-10 years.

Upon a motion by Director John Sweeden and a second by Director Don Paschal, the Board of Directors voted unanimously to approve. Directors Carr, Kerr, Roland and Sutherland were absent from the vote.

B. Leonard Water Treatment Plant Phase II; Project No. 101-0600-21; Tabulation of Bids and Award of Contract

Authorize award of a construction contract for the Leonard Water Treatment Plant Phase II Expansion Project.

Director John Sweeden advised that the Water Committee discussed this item yesterday and voted to recommend the Board authorize award of a construction contract for the Leonard Water Treatment Plant Phase II Expansion Project.

This contract is for an additional 70 million gallons per day water treatment capacity at Leonard Water Treatment Plant making additional use of the Bois d'Arc Lake water supply for growing regional water demands.

Upon a motion by Director John Sweeden and a second by Director Larry Thompson, the Board of Directors voted unanimously to approve. Directors Carr, Kerr, Roland and Sutherland were absent from the vote.

**C. Leonard Water Treatment Plant Phase II; Project No. 101-0600-21
Leonard WTP Terminal Storage Reservoir Phase II; Project No. 101 0601 21
Bois d'Arc Lake Raw Water Pump Station Phase II; Project No. 101 0602 21
Leonard WTP High Service Pump Station Phase II; Project No. 101 0603 22
Additional Services for Construction Management and Inspection – Construction Phase**

Recommend Board authorization for additional construction management and inspection services, and Internal Inspection Services for the construction of four projects that comprise the Bois d'Arc Lake System Phase II Program.

Director John Sweeden advised that the Water Committee reviewed this item yesterday and voted to recommend the Board authorize additional construction management and inspection services, and Internal Inspection Services for the construction of four projects that comprise the Bois d'Arc Lake System Phase II Program.

This agreement will provide outsourced technical and administrative resources for the daily activities related with the oversight, construction management, and quality assurance, and supplemental inspection support of the NTMWD internal Inspectors during the construction across the four projects of the Bois d'Arc Lake System Phase II Program.

Upon a motion by Director John Sweeden and a second by Director Rick Crowley, the Board of Directors voted unanimously to approve. Directors Carr, Kerr, Roland and Sutherland were absent from the vote.

D. Development Agreement between the North Texas Municipal Water District and the Kansas City Southern Railway Company regarding a future Rail Spur project in Wylie, Texas; Project No. 101-0646-24; Resolution No. 24-10

Authorize the execution of a Development Agreement between the North Texas Municipal Water District and the Kansas City Southern Railway Company, d/b/a CPKC.

Director John Sweeden advised that the Water Committee reviewed this item yesterday and voted to recommend the Board authorize the execution of a Development Agreement between the NTMWD and the Kansas City Southern Railway Company, d/b/a CPKC.

CPKC is constructing a spur track that will cross NTMWD's Lake Texoma 96-inch raw waterline and NTMWD's Wylie to Rockwall 48-inch waterline, in Wylie, Texas. The CPKC project will require steel casing to be installed around NTMWD's waterlines to protect the pipelines from heavy railroad loads.

Upon a motion by Director John Sweeden and a second by Director Don Paschal, the Board of Directors voted unanimously to approve Resolution No. 24-10. Directors Carr, Kerr, Roland and Sutherland were absent from the vote.

E. Contract for reservation, diversion, and use of raw water by and between the City of Garland and the North Texas Municipal Water District

Authorize execution of a Contract between the North Texas Municipal Water District and the City of Garland for reservation, diversion, and use of raw water for industrial use from Lavon Lake.

Director John Sweeden advised that the Water Committee reviewed this item yesterday and voted to recommend the Board authorize execution a contract between the NTMWD and the City of Garland for reservation, diversion, and use of raw water for industrial use from Lavon Lake.

This will renew the long-standing agreement to allow the City of Garland continued access to raw water at its electric power generation facility adjacent to Lavon Lake.

Upon a motion by Director John Sweeden and a second by Director Don Paschal, the Board of Directors voted unanimously to approve. Directors Carr, Kerr, Roland and Sutherland were absent from the vote.

WASTEWATER AGENDA ITEMS

F. North McKinney Parallel Interceptor Mitigation Projects; Project No. 501-0504-18; Tabulation of Bids and Award of Contract and Inspection Services

Authorize award of a construction contract and internal inspection services.

Director Keith Stephens advised that the Wastewater Committee discussed this item at its February meeting. This action will authorize award of a construction contract and internal inspection services for mitigation work as required by the United States Army Corps of Engineers easement agreement for the North McKinney Parallel Interceptor.

Upon a motion by Director Keith Stephens and a second by Director Rick Mann, the Board of Directors voted unanimously to approve. Directors Carr, Kerr, Roland and Sutherland were absent from the vote.

LAND ACQUISITION / RIGHT OF WAY AGENDA ITEMS

G. Future Opening and Operation of Public Recreational Areas and Associated Facilities on Bois d'Arc Lake; Resolution No. 24-11

Adopt a resolution authorizing the future opening and operation of public recreational areas and associated facilities on Bois d'Arc Lake to the public and authorize the Executive Director or their designee to take certain actions associated with the initial and subsequent openings and closures of the lake.

Director Ron Kelley advised that the Real Estate Committee reviewed this item yesterday and voted to recommend the Board adopt a resolution authorizing the future opening and operation of public recreational areas and associated facilities on Bois d'Arc Lake to the public and authorize the Executive Director or their designee to take certain actions associated with the initial and subsequent openings and closures of the lake.

As part of its commitment to and partnership with Fannin County for the development of Bois d'Arc Lake, NTMWD has agreed to construct, operate and maintain the three public recreational areas and associated facilities to provide recreational and economic benefits to the public and to Fannin County.

In response to a request from Director Kever, Deputy Director Billy George advised that the NTMWD is working closely with the Fannin County Sheriff's Department, the Texas Parks and Wildlife Department, and TxDOT to ensure that all safety measures are in place prior to the lake opening. It was made clear that at this time the exact opening date is not known for the boat ramps, and it was noted that there are no established parks around the perimeter. Several Directors expressed caution in how the District makes its announcements regarding the future opening of the lake.

Upon a motion by Director Ron Kelley and a second by Director Blair Johnson, the Board of Directors voted unanimously to approve Resolution No. 24-11. Directors Carr, Kerr, Roland and Sutherland were absent from the vote.

XIII. CLOSING ITEMS

- A. Opportunity for Board members to provide feedback or request potential future agenda items.

There were no comments or requests for potential future agenda items.

XIV. ADJOURNMENT

There being no further business, the meeting was adjourned at approximately 6:05 p.m.

APPROVED:

RICHARD PEASLEY, President

ATTEST:

DAVID HOLLIFIELD, Secretary

DRAFT



4/25/2024

Consent Agenda Item No. 24C-17

Modification of Capital Projects Request

RECOMMENDATION

Recommend the Board of Directors approve the April 2024, Modification of Capital Projects Request as presented.

Note: See the attached document for detailed information.

MODIFICATION OF CAPITAL PROJECTS REQUEST

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the Modification of Capital Projects Request in accordance with NTMWD's Board Policies Manual for project changes greater than \$100,000 and less than \$500,000.

I. CONSTRUCTION CHANGE ORDERS ONLY

WATER SYSTEM

- a. None.

WASTEWATER SYSTEM

- a. Project No. 501-0439-16, Beck Branch Parallel Interceptor Phase II and Plano Spring Creek Force Main Parallel

Description	Amount	Days
Payment to ECS Environmental Solutions for the cost of eight odor control canisters, ordered under the original construction contract, that have been fabricated and delivered to the job site	\$95,570.89	0
Requested Contract Amount	\$95,570.89	0

Funding in the amount of \$95,570.89 to Jones-Bell, LLC, dba ECS Environmental Solutions, is available in the Upper East Fork Interceptor System Construction Funds.

- b. Project No. Project No. 301-0426-16, Sister Grove Regional Water Resource Recovery Facility, Amendment No. 10

Description	Amount	Days
Original Contract Amount	\$359,134,722.91	991
Prior Change Order(s) Total	\$9,057,528.87	157
Change Order No. 6		
Contract Modification Request (CMR) 042 – Medium voltage cable lengths, Bid Package (BP) 2.1 and 4.4	\$195,355.54	0
CMR 058 – Stiff creek modifications, BP O2.01, 1.11 and 2.10	\$294,265.00	0
Reallocation from Amendment 7, Guaranteed Maximum Price (GMP) No. 6, Allowance Item No. OA.-ALL.2 Fiber Optic	(\$195,355.54)	
Reallocation from Amendment 7, GMP No. 6, Allowance Item OA.-ALL.3 TxDOT Work	(\$294,265.00)	
Additional time associated with GMP-7 work components. Funding for GMP-7 was approved under Administrative Memorandum No. 24-5996	\$0.00	443
Change Order No. 6 Increase	\$0.00	443
Revised Contract Amounts	\$368,192,251.78	1,591

Original Completion Dates: Substantial – July 28, 2023; Final – September 29, 2023

Revised Completion Dates: Substantial – March 17, 2025; Final – May 21, 2025

No additional funding is being requested for Change Order No. 6 to Garney Companies, Inc.

SOLID WASTE SYSTEM

- a. None.

II. AUTHORIZATION TO ISSUE CONSTRUCTION FINAL PAYMENT ONLY

Work on the following projects is substantially complete with only minor deficiencies remaining. Final payment in the total amounts shown will be made on these projects when completion of all deficiency items is verified.

WATER SYSTEM

- a. None.

WASTEWATER SYSTEM

- a. None.

SOLID WASTE SYSTEM

- a. None.

III. CONSTRUCTION CHANGE ORDER AND AUTHORIZATION TO ISSUE FINAL PAYMENT ONLY

Work on the following projects is substantially complete with only minor deficiencies remaining. Final payment in the total amounts shown will be made on these projects when

all work associated with the change order shown on the tabulation shall have been completed and accepted, and completion of all deficiency items is verified.

WATER SYSTEM

- a. None.

WASTEWATER SYSTEM

- a. None.

SOLID WASTE SYSTEM

- a. None.

IV. AMENDMENTS TO ENGINEERING, INSPECTION AND/OR LEGAL SERVICES ONLY:

WASTEWATER SYSTEM

- a. Project No. 301-0426-16, Sister Grove Regional Water Resource Recovery Facility

Description	Amount
Original Legal Services Agreement	\$20,000.00
Prior Additional Services	\$20,000.00
Proposed Additional Services	\$75,000.00
Supplement the prior legal services for the development of Construction Manager At-Risk amendments; assistance with upcoming mediation with a bid package contractor, and assistance with right-of-way requests	
Revised Legal Services Amount	\$115,000.00

The cumulative additional amount requested exceeds 25% of the original value. NTMWD staff recommends approval of the additional service on this report in lieu of an individual Administrative Memorandum due to the amount requested and the need for legal services on the Sister Grove Regional Water Resource Recovery Facility project.

Funding in the amount of \$75,000.00 to Saunders, Walsh & Beard, Attorneys & Counselors (SW&B), is available in the Regional Wastewater System Capital Improvement Fund.

SOLID WASTE SYSTEM

- a. None.



4/25/2024

Consent Agenda Item No. 24C-18

Upper East Fork Interceptor System

Princeton Lift Station Expansion; Project No. 501-0617-22 Engineering Services Agreement

SUBJECT

Authorize funding for engineering services for final design of the Princeton Lift Station Expansion project.

PURPOSE

The purpose of this project is to increase wastewater conveyance capacity serving growth in Princeton and to replace the lift station's roof due to condition.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the Executive Director to execute an engineering services agreement (ESA) as follows:

Consultant: AECOM Technical Services, Inc. (AECOM)

Scope: Final Engineering Design

Project: No. 501-0617-22, Princeton Lift Station Expansion

Amount: \$292,000

Strategic Objective: 1.2: Successfully Deliver Capital Program 1.4: Reliable and Resilient Systems

Committee: This will be an item at the April 24, 2024, Wastewater Committee meeting agenda

DRIVER(S) FOR THIS PROJECT

- | | |
|--|---|
| <input type="checkbox"/> Regulatory Compliance | <input checked="" type="checkbox"/> Asset Condition |
| <input checked="" type="checkbox"/> Capacity | <input type="checkbox"/> Redundancy/Resiliency |
| <input type="checkbox"/> Relocation or External Requests | <input type="checkbox"/> Operational Efficiency |
| <input type="checkbox"/> Safety | <input type="checkbox"/> Administrative |
| <input type="checkbox"/> Policy | <input type="checkbox"/> Other _____ |

BACKGROUND**PROJECT PURPOSE**

- Increase the capacity of the Princeton Lift Station No. 2 from 12 million gallons per day (MGD) to approximately 14.7 MGD by increasing the size of the existing pump impellers as recommended in the Princeton Conceptual Design Report, by AECOM dated February 2024.
- Replace the existing lift station roof as recommended by the Princeton Lift Station Condition Assessment Report, by HDR, Inc., dated August 2023.
- The planning level estimated construction cost is \$2,314,000.

PROJECT COMPONENTS

- Replace and upsize pump impellers
- Replace badly deteriorated roof

BASIC SERVICES

- Project management
- Final design engineering services
- Bid phase services

SPECIAL SERVICES

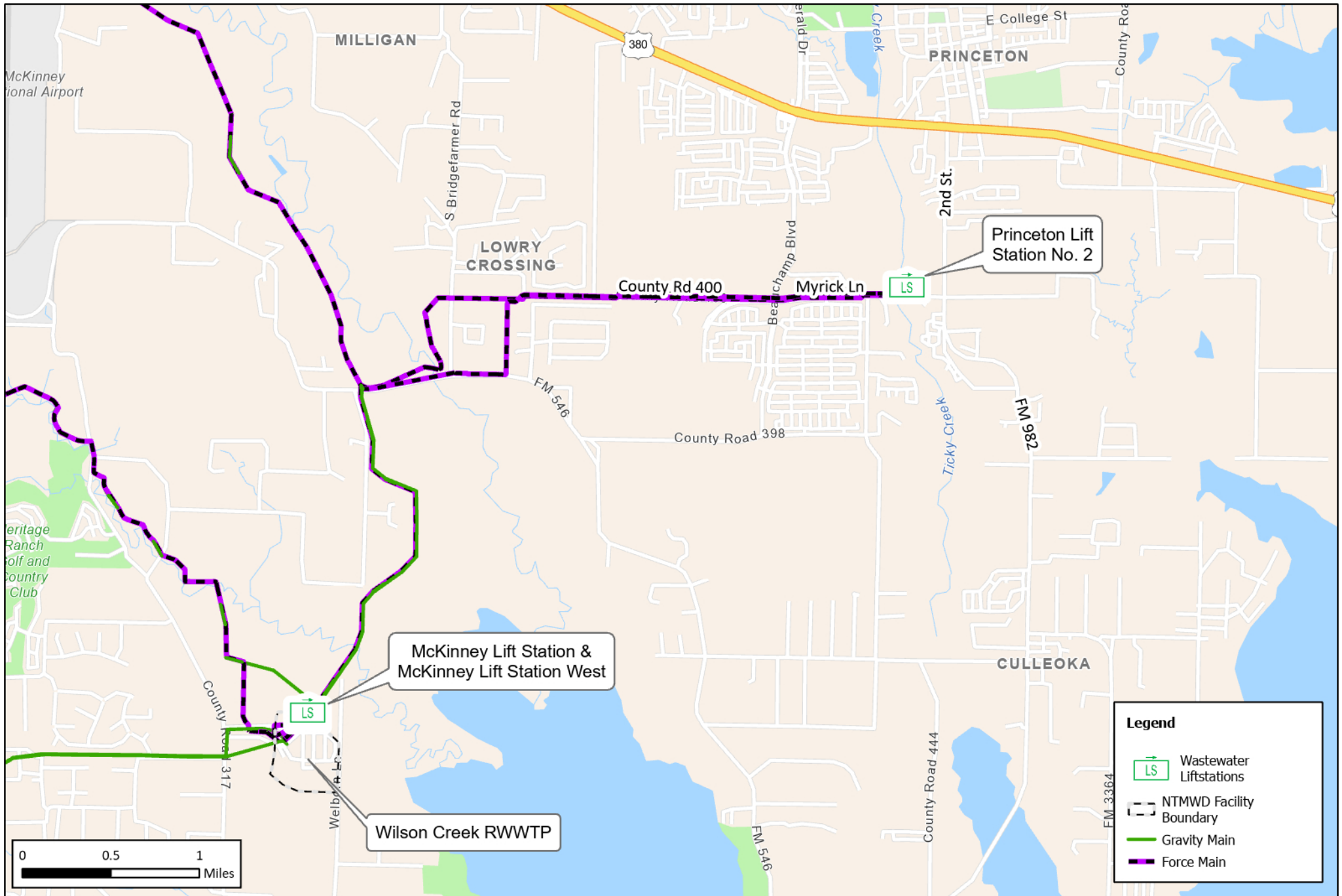
- None

ENGINEERING SERVICES FEE

Description	Amount
Basic Services	\$292,000
Special Services	\$0.00
Requested Amount	\$292,000

FUNDING

Funding in the amount of \$292,000 to AECOM Technical Services, Inc. is to be made available utilizing the Upper East Fork Interceptor System Extendable Commercial Paper (ECP) Program as the appropriation source; actual issuance of ECP notes will occur as cash needs arise.





4/25/2024

Administrative Memorandum No. 24-6006

Muddy Creek Regional Wastewater System Contract Revenue Bonds, Series 2024

SUBJECT

Request authorization to issue Revenue Bonds for the Muddy Creek Regional Wastewater System.

PURPOSE

These bonds will fund construction for plant expansion and improvements to the operations building at the Muddy Creek Wastewater Treatment Plant.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors adopt Resolution No. 24-09, *"A Resolution Authorizing the Issuance, Sale and Delivery of North Texas Municipal Water District Muddy Creek Regional Wastewater System Contract Revenue Bonds, Series 2024; and Approving and Authorizing Instruments and Procedures Relating Thereto."*

Consultant: N/A

Scope: Fund Improvements to the Muddy Creek Regional Wastewater System

Project: Muddy Creek Regional Wastewater System Projects

Amount: Approximately \$86.3 million of 2024 revenue bonds will be issued.
Actual amount to be determined at date of pricing.

Strategic Objective: 2.3 Rigorous Financial Management

Committee: This item was on the February 7, 2024, Finance Committee meeting agenda

DRIVER(S) FOR THIS PROJECT

<input type="checkbox"/> Regulatory Compliance	<input type="checkbox"/> Asset Condition
<input checked="" type="checkbox"/> Capacity	<input type="checkbox"/> Redundancy/Resiliency
<input type="checkbox"/> Relocation or External Requests	<input checked="" type="checkbox"/> Operational Efficiency
<input type="checkbox"/> Safety	<input type="checkbox"/> Administrative
<input type="checkbox"/> Policy	<input type="checkbox"/> Other _____

BACKGROUND

- The Finance Committee met on February 7, 2024, to review the proposed bond sale including:
 - Muddy Creek WWTP Expansion to 12.5 MGD - Construction
 - Muddy Creek WWTP Ops Building Improvements - Construction
- Staff and members of Hilltop Securities, Inc. also presented the Finance Committee with timelines for the sale and a summary of the financing plan.
- At this time, it is expected that approximately \$86.3 million of 2024 revenue bonds will be issued. The actual amount of the bond sale will be determined on the date of pricing.
- The transaction will be sold via competitive bid on April 25, 2024, and the estimated interest rate is 4.4%.
- NTMWD bond counsel, McCall, Parkhurst & Horton, LLP, has prepared the attached Bond Resolution and NTMWD financial advisor, Hilltop Securities, Inc., has prepared the attached Preliminary Official Statement.
- Representatives from McCall, Parkhurst & Horton, LLP, as well as Hilltop Securities, Inc., will be available at the Board meeting to review the documents and financing procedures.

FUNDING

N/A

RESOLUTION NO. 24-09

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF
NORTH TEXAS MUNICIPAL WATER DISTRICT MUDDY CREEK
REGIONAL WASTEWATER SYSTEM CONTRACT REVENUE BONDS,
SERIES 2024; AND APPROVING AND AUTHORIZING INSTRUMENTS
AND PROCEDURES RELATING THERETO

WHEREAS, North Texas Municipal Water District (the "Issuer") is a political subdivision of the State of Texas, being a conservation and reclamation district created and functioning under Article 16, Section 59 of the Texas Constitution, pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, as amended (the "Act");

WHEREAS, the Board of Directors of the Issuer is authorized to issue the bonds hereinafter authorized pursuant to Chapter 30, Texas Water Code and other applicable laws.

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF NORTH TEXAS MUNICIPAL WATER DISTRICT THAT:

Section 1. AMOUNT AND PURPOSE OF THE BONDS. The bond or bonds of North Texas Municipal Water District (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount not to exceed \$95,000,000, for the purpose of providing funds for (I) CONSTRUCTING THE MUDDY CREEK WASTEWATER TREATMENT PLANT (WWTP) EXPANSION TO 12.5 MGD; CONSTRUCTING THE MUDDY CREEK WWTP OPERATIONS BUILDING IMPROVEMENTS; AND OTHER SYSTEM IMPROVEMENTS; (II) FUNDING THE RESERVE FUND TO THE EXTENT NECESSARY; AND (III) PAYING THE COSTS INCIDENT TO THE ISSUANCE AND DELIVERY OF THE BONDS.

Section 2. DESIGNATION OF THE BONDS. Each bond issued pursuant to this Resolution shall be designated: "NORTH TEXAS MUNICIPAL WATER DISTRICT MUDDY CREEK REGIONAL WASTEWATER SYSTEM CONTRACT REVENUE BOND, SERIES 2024", and initially there shall be issued, sold, and delivered hereunder a single fully registered bond, without interest coupons, payable in installments of principal (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, having serial maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided. The term "Bonds" as used in this Resolution shall mean and include collectively the Initial Bond and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

Section 3. INITIAL DATE, DENOMINATION, NUMBER, MATURITIES, INITIAL REGISTERED OWNER, AND CHARACTERISTICS OF THE INITIAL BOND.

(a) As authorized by Chapter 1371, Texas Government Code, the President of the Board of Directors, the Executive Director, the Deputy Director - Administrative Services, and Assistant Deputy - Finance of the Issuer are each hereby designated as an "Authorized Officer" of

the Issuer, and each is hereby authorized, appointed, and designated as the officer or employee of the Issuer authorized to act on behalf of the Issuer, which actions shall be evidenced by a certificate executed by such Authorized Officer (the "Approval Certificate") for a period not to extend beyond April 25, 2025, in the selling and delivering of the Bonds and carrying out the other procedures specified in this Resolution, including the use of a book-entry only system with respect to the Bonds and the execution of an appropriate letter of representations if deemed appropriate, the determining and fixing of the date and the date of delivery of the Bonds, any additional or different designation or title by which the Bond shall be known, the price at which the Bonds will be sold (but in no event less than 97% of the principal amount of the Bonds), the principal amount (not exceeding \$95,000,000) of the Bonds, the amount of each maturity of principal thereof, the due date of each such maturity (not exceeding forty years from the date of the Bonds), the rate of interest to be borne by each such maturity (but in no event to result in the net effective interest rate on the Bonds exceeding 6.50%), the initial interest payment date, the date or dates of optional redemption thereof, any mandatory sinking fund redemption provisions, and procuring bond insurance, if any, approving modifications to this Resolution and executing such instruments, documents and agreements as may be necessary with respect thereto, and all other matters relating to the issuance, sale and delivery of the Bonds

(b) The Initial Bond is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Bond, without interest coupons, in the denomination and aggregate principal amount set forth in the Approval Certificate (not exceeding \$95,000,000), numbered TR-1, payable in annual installments of principal to the initial registered owner thereof or to the registered assignee or assignees of said Initial Bond or any portion or portions thereof (in each case, the "registered owner"), with the annual installments of principal of the Initial Bond to be payable on the dates, respectively, and in the principal amounts, respectively, and may and shall be prepaid or redeemed prior to the respective scheduled due dates of installments of principal thereof, all as set forth in the Approval Certificate.

(c) The Initial Bond (i) if so provided in the Approval Certificate, may and/or shall be prepaid or paid on the respective scheduled due dates of installments of principal thereof, (ii) may be assigned and transferred, (iii) may be converted and exchanged for other bonds, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Initial Bond shall be payable, all as provided, and in the manner required or indicated, in the Approval Certificate and the FORM OF INITIAL BOND set forth in this Resolution.

Section 4. INTEREST. The unpaid principal balance of the Initial Bond shall bear interest from the date of delivery the Initial Bond to the Purchaser (as defined in Section 32 hereof) to the respective scheduled due dates, or to the respective dates of prepayment or redemption, if any, of the installments of principal of the Initial Bond, and said interest shall be payable, all in the manner provided and at the rates and on the dates stated in the Approval Certificate and the FORM OF INITIAL BOND set forth in this Resolution.

Section 5. FORM OF INITIAL BOND. The form of the Initial Bond, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be endorsed on the Initial Bond, shall be substantially as follows:

FORM OF INITIAL BOND

NO. TR-1

\$ _____ *

UNITED STATES OF AMERICA
STATE OF TEXAS
NORTH TEXAS MUNICIPAL WATER DISTRICT
MUDDY CREEK REGIONAL
WASTEWATER SYSTEM CONTRACT REVENUE BOND,
SERIES 2024

NORTH TEXAS MUNICIPAL WATER DISTRICT (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to _____ *, or to the registered assignee or assignees of this Bond or any portion or portions hereof (in each case, the "registered owner") the aggregate principal amount of _____ * DOLLARS in annual installments of principal due and payable on JUNE 1 in each of the years, and in the respective principal amounts, as set forth in the following schedule:

<u>Year*</u>	<u>Principal Amount*</u>	<u>Year*</u>	<u>Principal Amount*</u>
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and to pay interest, calculated on the basis of a 360-day year composed of twelve 30-day months, from the date of initial delivery of this Bond to the Purchaser (as defined in the Bond Resolution (hereinafter defined)), on the balance of each such installment of principal, respectively, from time to time remaining unpaid, at the rates as follows:

<u>Year*</u>	<u>Rate*</u>	<u>Year*</u>	<u>Rate*</u>
	%		%

with said interest being payable semiannually on each June 1 and December 1, commencing _____, _____ *, thereafter while this Bond or any portion hereof is outstanding and unpaid.

*From Approval Certificate.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal and the interest on this Bond are payable to the registered owner hereof through the services of The Bank of New York Mellon Trust Company, National Association, in Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. Payment of all principal of and interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each principal and/or interest payment date by check dated as of such date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of this Bond (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such principal and/or interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. The Issuer covenants with the registered owner of this Bond that on or before each principal and/or interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the Bond Fund confirmed by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on this Bond, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the City where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND has been authorized in accordance with the Constitution and laws of the State of Texas FOR THE PURPOSE OF PROVIDING FUNDS (i) FOR THE ACQUISITION, CONSTRUCTION, AND IMPROVEMENT OF THE MUDDY CREEK REGIONAL WASTEWATER SYSTEM, (ii) TO FUND A RESERVE FUND (AS DEFINED IN THE BOND RESOLUTION) TO THE EXTENT NECESSARY, AND (iii) TO PAY COSTS OF ISSUANCE OF THIS BOND.

ON _____, ____*, or on any date whatsoever thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the particular portion of this Bond to be prepaid or redeemed shall be selected and designated by the Issuer (provided that a portion of this Bond may be redeemed only in an integral multiple of \$5,000), at the prepayment or redemption price of the par or principal amount thereof, plus accrued interest to the date fixed for prepayment or redemption.

*From Approval Certificate.

*[THE PRINCIPAL INSTALLMENTS OF THIS BOND maturing on June 1, ____ and June 1, ____ are subject to mandatory prepayment or redemption prior to maturity in part, at a price equal to the principal amount of this Bond or portions hereof to be prepaid or redeemed plus accrued interest to the date of prepayment or redemption, on June 1 in each of the years and in the amounts as follows:

Principal Installment due on June 1, ____

Years

Amounts

Principal Installment due on June 1, ____

Years

Amounts

The amount of any principal installment of this Bond required to be prepaid or redeemed pursuant to the operation of such mandatory prepayment or redemption provisions shall be reduced, at the option and direction of the Issuer, by the principal amount of such principal installment of this Bond which, at least 50 days prior to the mandatory prepayment or redemption date (1) shall have been acquired by the Issuer at a price not exceeding such principal amount plus accrued interest to the date of purchase thereof, or (2) shall have been purchased by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding such principal amount plus accrued interest to the date of purchase, or (3) shall have been prepaid or redeemed pursuant to the optional prepayment or redemption provisions and not theretofore credited against a mandatory prepayment or redemption requirement.]

AT LEAST 30 days prior to the date fixed for any such prepayment or redemption a written notice of such prepayment or redemption shall be mailed by United States mail, postage prepaid, by the Paying Agent/Registrar to the registered owner hereof at the address of such registered owner appearing on the registration books of the Issuer kept by the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of such notice. Any notice so mailed shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. By the date fixed for any such prepayment or redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required prepayment or redemption price for this Bond or the portion hereof which is to be so prepaid or redeemed, plus accrued interest thereon to the date fixed for prepayment or redemption. If such written notice of prepayment or redemption is given, and if due provision for such payment

*From Approval Certificate, if applicable.

is made, all as provided above, this Bond, or the portion thereof which is to be so prepaid or redeemed, thereby automatically shall be treated as prepaid or redeemed prior to its scheduled due date, and shall not bear interest after the date fixed for its prepayment or redemption and shall not be regarded as being outstanding except for the right of the registered owner to receive the prepayment or redemption price plus accrued interest to the date fixed for prepayment or redemption from the Paying Agent/Registrar out of the funds provided for such payment.

THIS BOND, to the extent of the unpaid principal balance hereof, or any unpaid portion hereof in any integral multiple of \$5,000, may be assigned by the initial registered owner hereof and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar for cancellation, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment by the initial registered owner of this Bond, or any portion or portions hereof in any integral multiple of \$5,000, to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. Any instrument or instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any such portion or portions hereof by the initial registered owner hereof. A new bond or bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds) or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond or any portion or portions hereof, but solely in the form and manner as provided in the next paragraph hereof for the conversion and exchange of this Bond or any portion hereof. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

AS PROVIDED above and in the Bond Resolution, this Bond, to the extent of the unpaid principal balance hereof, may be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the assignee or assignees duly designated in writing by the initial registered owner hereof, or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, in any denomination or denominations in any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute bond issued in exchange for any portion of this Bond shall have a single stated principal maturity date), upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. If this Bond or any portion hereof is assigned and transferred or converted each bond issued in exchange for any portion hereof shall have a single stated principal maturity date corresponding to the due date of the installment of principal of this Bond or portion hereof for which the substitute bond is being exchanged, and shall bear interest at the rate applicable to and borne by such installment of principal or portion thereof. Such bonds, respectively, shall be subject to redemption prior to maturity on the same dates and for the same prices as the corresponding

installment of principal of this Bond or portion hereof for which they are being exchanged. No such bond shall be payable in installments but shall have only one stated principal maturity date. AS PROVIDED IN THE BOND RESOLUTION, THIS BOND IN ITS PRESENT FORM MAY BE ASSIGNED AND TRANSFERRED OR CONVERTED ONCE ONLY, and to one or more assignees, but the bonds issued and delivered in exchange for this Bond or any portion hereof may be assigned and transferred, and converted, subsequently, as provided in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging this Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make any such transfer, conversion, or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for prepayment or redemption prior to maturity, within 45 days prior to its prepayment or redemption date.

IN THE EVENT any Paying Agent/Registrar for this Bond is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owner of this Bond.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the Issuer which, together with other bonds, are secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, including the Gross Revenues of the District's Muddy Creek Regional Wastewater System, and including specifically certain payments to be received by the District from the Cities of Wylie and Murphy, Texas (the "Participants"), under the "Muddy Creek Regional Wastewater System Contract", dated May 27, 1999, among the Participants and the District, and any payments to be received by the District under all similar contracts with any future Additional Participants as defined and permitted in said contracts.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue Additional Bonds payable from and secured by a first lien on and pledge of the "Pledged Revenues" on a parity with this Bond.

THE ISSUER also has reserved the right to amend the Bond Resolution with the approval of the registered owners of 51% in principal amount of all outstanding bonds secured by and payable from a first lien on and pledge of the "Pledged Revenues," subject to the restrictions stated in the Bond Resolution.

THE REGISTERED OWNER hereof shall never have the right to demand payment of this Bond or the interest hereon out of any funds raised or to be raised by taxation or from any source whatsoever other than specified in the Bond Resolution.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between the registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the Issuer and countersigned with the manual or facsimile signature of the Secretary of the Board of Directors of the Issuer, has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond, and has caused this Bond to be dated as of _____*.

Secretary, Board of Directors,
North Texas Municipal Water District

President, Board of Directors,
North Texas Municipal Water District

(DISTRICT SEAL)

FORM OF REGISTRATION CERTIFICATE OF THE
COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

Section 6. ADDITIONAL CHARACTERISTICS OF THE BONDS. Registration and Transfer. (a) The Issuer shall keep or cause to be kept at the principal corporate trust office of The Bank of New York Mellon Trust Company, National Association, in Dallas, Texas (the "Paying Agent/Registrar") books or records of the registration and transfer of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the

*From Approval Certificate.

Paying Agent/Registrar shall make such transfers and registrations as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing (i) the assignment of the Bond, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute Bond or Bonds shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Bond, to the extent of the unpaid or unredeemed principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Bonds issued and delivered in conversion of and exchange for the Initial Bond shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Bond or any portion thereof is assigned and transferred or converted the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Bond is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Bonds in exchange for the unassigned balance of the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is exchanged. A form of assignment shall be printed or endorsed on each Bond, excepting the Initial Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Bonds or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Bond or Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners

of such new Bond or Bonds), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 6(d), below, for the conversion and exchange of Bonds by any registered owner of a Bond. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer and delivery of a substitute Bond or Bonds, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of any Bond or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or, (ii), if the Bonds are subject to redemption, with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(b) Ownership of Bonds. The entity in whose name any Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Resolution, whether or not such Bond shall be overdue, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(c) Payment of Bonds and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, and to act as its agent to convert and exchange or replace Bonds, all as provided in this Resolution. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of Bonds, and all replacements of Bonds, as provided in this Resolution.

(d) Conversion and Exchange or Replacement; Authentication. Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid principal balance or principal amount thereof, may, upon surrender of such Bond at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, in the denomination of \$5,000, or any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid principal balance or principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Bond is assigned and transferred or converted each substitute Bond issued in exchange for any portion of the Initial Bond shall have

a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If any Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution and may again be converted and exchanged or replaced. It is specifically provided that any Bond authenticated in conversion of and exchange for or replacement of another Bond on or prior to the first scheduled Record Date for the Initial Bond shall bear interest from the date of the Initial Bond, but each substitute Bond so authenticated after such first scheduled Record Date shall bear interest from the interest payment date next preceding the date on which such substitute Bond was so authenticated, unless such Bond is authenticated after any Record Date but on or before the next following interest payment date, in which case it shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any substitute Bond the interest on the Bond for which it is being exchanged is due but has not been paid, then such Bond shall bear interest from the date to which such interest has been paid in full. THE INITIAL BOND issued and delivered pursuant to this Resolution is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for or replacement of any Bond or Bonds issued under this Resolution there shall be printed a certificate, in the form substantially as follows:

"PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK TRUST MELLON
COMPANY, NATIONAL ASSOCIATION
Paying Agent/Registrar

Dated: _____

Authorized Representative"

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the above Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for conversion and exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Chapter 1201, Texas Government Code, the duty of conversion and exchange or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the converted and exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bond which originally was issued pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting any such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange or replacement of Bonds or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii), if the Bonds are subject to redemption, with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(e) In General. All Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the registered owners thereof, (ii) if so provided in the Approval Certificate may and/or shall be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Bonds, (v) shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF SUBSTITUTE BOND set forth in this Resolution.

(f) Payment of Fees and Charges. The Issuer hereby covenants with the registered owners of the Bonds that it will (i) pay the standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Bonds, when due, and (ii) pay the fees and charges of the Paying Agent/Registrar for services with respect to the transfer of registration of Bonds, and with respect to the conversion and exchange of Bonds solely to the extent above provided in this Resolution.

(g) Substitute Paying Agent/Registrar. The Issuer covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution, and

that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

Section 7. FORM OF SUBSTITUTE BONDS. The form of all Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, including the form of Paying Agent/Registrar's Certificate to be printed on each of such Bonds, and the Form of Assignment to be printed on each of the Bonds, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution.

FORM OF SUBSTITUTE BOND

THE FOLLOWING TWO BRACKETED PARAGRAPHS ARE TO BE DELETED IF BOND IS NOT BOOK-ENTRY ONLY:

[Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC") to the Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

As provided in the Bond Resolution referred to herein, until the termination of the system of book-entry-only transfers through DTC, and notwithstanding any other provision of the Bond Resolution to the contrary, this Bond may be transferred, in whole but not in part, only to a nominee of DTC, or by a nominee of DTC to DTC or a nominee of DTC, or by DTC or a nominee of DTC to any successor securities depository or any nominee thereof.]

NO. R-__

PRINCIPAL
AMOUNT
\$_____

UNITED STATES OF AMERICA
STATE OF TEXAS
NORTH TEXAS MUNICIPAL WATER DISTRICT
MUDDY CREEK REGIONAL
WASTEWATER SYSTEM CONTRACT REVENUE BOND,
SERIES 2024

<u>INTEREST RATE</u>	<u>MATURITY</u> <u>DATE</u>	<u>ISSUE DATE</u>	<u>CUSIP NO.</u>
_____%	JUNE 1, ____	_____*	_____

ON THE MATURITY DATE specified above NORTH TEXAS MUNICIPAL WATER DISTRICT (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to CEDE & CO., or to the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount of _____ and to pay interest thereon, calculated on the basis of a 360-day year composed of twelve 30-day months, from the Issue Date specified above, to the Maturity Date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; with interest being payable semiannually on each June 1 and December 1, commencing _____, ____**, except that if the date of authentication of this Bond is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of The Bank of New York Mellon Trust Company, National Association, in Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next

*Date of Delivery of Initial Bond to the Purchaser (as defined in Section 32 hereof)

**From Approval Certificate.

preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. However, notwithstanding the foregoing provisions, the payment of such interest may be made by any other method acceptable to the Paying Agent/Registrar and requested by, and at the risk and expense of, the registered owner hereof. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the Bond Fund confirmed by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the City where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of a series of Bonds dated as of _____*, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$_____* ,FOR THE PURPOSE OF PROVIDING FUNDS (i) FOR THE ACQUISITION, CONSTRUCTION, AND IMPROVEMENT OF THE MUDDY CREEK REGIONAL WASTEWATER SYSTEM, (ii) TO FUND A RESERVE FUND (AS DEFINED IN THE BOND RESOLUTION) TO THE EXTENT NECESSARY, AND (iii) TO PAY COSTS OF ISSUANCE OF THIS BOND.

ON _____, ____*, or on any date whatsoever thereafter, the outstanding Bonds may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the maturities and amounts of the Bonds to be redeemed shall be selected and designated by the Issuer and within a maturity the particular Bonds or portions thereof to be selected by the Paying Agent/Registrar by lot or other customary method of random selection (provided that a portion of this Bond may be redeemed only in an integral multiple of \$5,000), at redemption price of the principal amount thereof, plus accrued interest to the date fixed for redemption.

**[THE BONDS maturing on June 1, ____ and June 1, ____ (the "Term Bonds") are subject to mandatory redemption prior to maturity in part, by lot or other customary random method selected by the Paying Agent/Registrar, at a redemption price equal to the principal amount of the Term Bonds or portions thereof to be redeemed plus accrued interest to the redemption date, on June 1 in each of the years and in the principal amounts as follows:

*From Approval Certificate.

**From Approval Certificate, if applicable.

Term Bonds maturing on June 1, _____

Years

Amounts

Term Bonds maturing on June 1, _____

Years

Amounts

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option and direction of the Issuer, by the principal amount of the Term Bonds of such maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, *[or] (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase*[, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.]

DURING ANY PERIOD in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository.

AT LEAST 30 days prior to the date fixed for any such redemption a written notice of such redemption shall be mailed by United States mail, postage prepaid, by the Paying Agent/Registrar to the registered owner hereof at the address of such registered owner appearing on the registration books of the Issuer kept by the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of such notice. Any notice so mailed shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. By the date fixed for any such redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required redemption price for this Bond or the portion hereof which is to be so redeemed, plus accrued interest thereon to the date fixed for prepayment or redemption. If such written notice of redemption is given, and if due provision for such payment is made, all as provided above, this Bond, or the portion thereof which is to be so redeemed, thereby automatically shall be treated as redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for its redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such

payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Bond Resolution.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond or any portion hereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond or portion thereof called for redemption prior to maturity within 45 days prior to its redemption date. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee, or assignees, as the

case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the Issuer which, together with other bonds, are secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, including the Gross Revenues of the District's Muddy Creek Regional Wastewater System, and including specifically certain payments to be received by the District from the Cities of Wylie and Murphy, Texas (the "Participants"), under the "Muddy Creek Regional Wastewater System Contract", dated May 27, 1999, among the Participants and the District, and any payments to be received by the District under all similar contracts with any future Additional Participants as defined and permitted in said contracts.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue Additional Bonds payable from and secured by a first lien on and pledge of the "Pledged Revenues" on a parity with this Bond and series of which it is a part.

THE ISSUER also has reserved the right to amend the Bond Resolution with the approval of the registered owners of 51% in principal amount of all outstanding bonds secured by and payable from a first lien on and pledge of the "Pledged Revenues," subject to the restrictions stated in the Bond Resolution.

THE REGISTERED OWNER hereof shall never have the right to demand payment of this Bond or the interest hereon out of any funds raised or to be raised by taxation or from any source whatsoever other than specified in the Bond Resolution.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such

terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the Issuer and attested and countersigned with the manual or facsimile signature of the Secretary of the Board of Directors of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

XXXXXXXXXXXX
Secretary, Board of Directors,
North Texas Municipal Water District

XXXXXXXXXXXX
President, Board of Directors
North Texas Municipal Water District

(DISTRICT SEAL)

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, NATIONAL ASSOCIATION
Paying Agent/Registrar

Dated: _____

Authorized Representative

FORM OF ASSIGNMENT

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

Please Insert Social Security or
Other Identifying Number of Assignee

/ _____ /

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint
_____ to transfer said Bond on the books kept for registration thereof
with full power of substitution in the premises.

Date: _____

Signature Guaranteed: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon
the face of the within Bond in every particular, without alteration or enlargement
or any change whatever; and

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in
a Securities Transfer Association recognized signature guarantee program.

FORM OF STATEMENT OF INSURANCE

STATEMENT OF INSURANCE*

Section 8. ADDITIONAL DEFINITIONS. In addition to the terms defined in the recitals
or otherwise herein, as used in this Resolution the following terms shall have the meanings set
forth below, unless the text hereof specifically indicates otherwise:

The term "Additional Bonds" shall mean the additional parity revenue bonds permitted to
be authorized in the future in this Resolution.

The term "Additional Participants" shall mean a city or cities in addition to the Cities of
Wylie and Murphy with which the District makes a contract for receiving, transporting, treating,
and/or disposing of Wastewater (as defined in the Contract) through the System.

*From Approval Certificate.

The term "Board" shall mean the Board of Directors of the Issuer, being the governing body of the Issuer, and it is further resolved that the declarations and covenants of the Issuer contained in this Resolution are made by, and for and on behalf of the Board and the Issuer, and are binding upon the Board and the Issuer for all purposes.

The terms "Bond Resolution" and "Resolution" mean this resolution authorizing the Bonds.

The term "Bonds" means collectively the Initial Bond as described and defined in Sections 1 and 2 of this Resolution, and all substitute bonds exchanged therefor as well as all other substitute and replacement bonds issued pursuant to this Resolution.

The term "Contract" shall mean collectively the Muddy Creek Regional Wastewater Contract, dated as of May 27, 1999, among the Issuer and the Participants, together with all similar contracts which may be executed in the future between the Issuer and Additional Participants, as defined and permitted in the aforesaid contracts.

The terms "District" and "Issuer" shall mean North Texas Municipal Water District.

The terms "District's System", "Issuer's System", and "System" shall mean all of the Issuer's facilities acquired, constructed, used, or operated by the Issuer for receiving, transporting, treating, and disposing of Wastewater (as defined in the Contract) of and for the Participants, pursuant to the Contract, including the contracts with Additional Participants (but excluding any facilities acquired or constructed with Special Facilities Bonds, and excluding any facilities required to transport Wastewater to any Point of Entry (as defined in the Contract) of the System), together with any improvements, enlargements, or additions to said System facilities and any extensions, repairs, or replacements of said System facilities acquired, constructed, used, operated, or otherwise incorporated into or made a part of said System facilities in the future by the Issuer. Said terms shall include only those facilities which are acquired, constructed, used, or operated by the Issuer to provide service to Participants pursuant to the Contract, including any contracts with Additional Participants, and which, as determined by the Issuer, can economically and efficiently provide service to Participants.

The term "fiscal year" shall mean the 12 month period beginning each October 1, or such other 12 month period hereafter established by the Issuer as a fiscal year for the purposes of this Resolution.

The term "Gross Revenues of the System" shall mean all of the revenues, income, rentals, rates, fees, and charges of every nature derived by the Board or the Issuer from the operation and/or ownership of the System, including specifically all payments constituting the "Annual Requirement" (consisting of the "Operation and Maintenance Component" and the "Bond Service Component"), and all other payments and amounts received by the Board or the Issuer from the Participants pursuant to the Contract, including any contracts with Additional Participants.

The term "Net Revenues of the System" shall mean the Gross Revenues of the System less the Operation and Maintenance Expense of the System.

The term "Operation and Maintenance Expense" shall mean all costs of operation and maintenance of the Issuer's System including, but not limited to, repairs and replacements, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, and any other supplies, services, administrative costs, and equipment necessary for proper operation and maintenance of the Issuer's System, any payments required to be made under the Contract into the Contingency Fund (as defined in the Contract), payments made for the use or operation of any property, payments of fines, and payments made by Issuer in satisfaction of judgments or other liabilities resulting from claims not covered by Issuer's insurance or not paid by one particular Participant arising in connection with the operation and maintenance of the Issuer's System. Depreciation shall not be considered an item of Operation and Maintenance Expense.

The term "Parity Bonds" shall mean collectively (i) the Bonds, (ii) the outstanding the outstanding "North Texas Municipal Water District Muddy Creek Wastewater System Contract Revenue Refunding Bonds, Series 2016," in the original principal amount of \$5,645,000, authorized by a resolution of the Issuer on March 24, 2016 (the "2016 Bond Resolution"), (iii) the outstanding "North Texas Municipal Water District Muddy Creek Regional Wastewater System Contract Revenue Bonds, Series 2019," in the original principal amount of \$8,540,000 (the "2019 Bond Resolution"), and (iv) the outstanding "North Texas Municipal Water District Muddy Creek Regional Wastewater System Contract Revenue Bonds, Series 2021," in the original principal amount of \$8,830,000 (the "2021 Bond Resolution").

The term "Participants" shall mean collectively the City of Wylie, in Collin County, Texas and the City of Murphy, in Collin County, Texas, together with all Additional Participants.

The term "Pledged Revenues" shall mean: (a) the Gross Revenues of the System and (b) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which in the future may, at the option of the Issuer, be pledged to the payment of the Bonds or the Additional Bonds.

The term "Special Facilities Bonds" shall mean revenue obligations of the District which are not secured by or payable from Annual Payments under the Contract, but which are payable solely from other sources; but Special Facilities Bonds may be made payable from payments from any person, including any Participant, under a separate contract whereunder the facilities to be acquired or constructed are declared not to be part of the system and are not made payable from the Annual Payments as defined in the Contract.

Section 9. PLEDGE. (a) The Bonds authorized by this Resolution are hereby designated as, and shall be, "Additional Bonds" as permitted by Section 22 of the 2016 Bond Resolution, the 2019 Bond Resolution, and the 2021 Bond Resolution and it is hereby determined, declared, and resolved that all of the Parity Bonds, including the Bonds authorized by this Resolution, are and

shall be secured and payable equally and ratably on a parity, and that Sections 9 through 25 of this Resolution substantially restate and are supplemental to and cumulative of the applicable and pertinent provisions of the resolution authorizing the issuance of the previously issued Parity Bonds, with Sections 9 through 25 of this Resolution being equally applicable to all of the Parity Bonds, including the Bonds.

(b) The Parity Bonds and any Additional Bonds, and the interest thereon, are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged to the establishment and maintenance of the Bond Fund and the Reserve Fund as provided in this Resolution.

Section 10. REVENUE FUND. There has been created and established and there shall be maintained at an official depository of the Issuer (which must be a member of the Federal Deposit Insurance Corporation) a separate fund to be entitled the "North Texas Municipal Water District Muddy Creek Regional Wastewater System Contract Revenue Bonds Revenue Fund" (hereafter called the "Revenue Fund"). All Gross Revenues of the System shall be credited to the Revenue Fund immediately upon receipt.

Section 11. BOND FUND. For the sole purpose of paying the principal of and interest on all outstanding Parity Bonds and any Additional Bonds, as the same come due, there has been created and established and shall be maintained at the Paying Agent/Registrar, a separate fund to be entitled the "North Texas Municipal Water District Muddy Creek Regional Wastewater System Contract Revenue Bonds Bond Fund" (hereinafter called the "Bond Fund").

Section 12. RESERVE FUND. There has been created and established pursuant to this Resolution, and there shall be maintained at the Paying Agent Registrar, a separate fund to be entitled the "North Texas Municipal Water District Muddy Creek Regional Wastewater System Contract Revenue Bonds Reserve Fund" (hereinafter called the "Reserve Fund"). The Reserve Fund shall be used solely for the purpose of finally retiring the last of the outstanding Parity Bonds and Additional Bonds, or for paying principal of and interest on any outstanding Parity Bonds and Additional Bonds, when and to the extent the amount in the Bond Fund is insufficient for such purpose.

Section 13. DEPOSITS OF PLEDGED REVENUES. The Pledged Revenues shall be deposited into the Bond Fund and the Reserve Fund when and as required by this Resolution.

Section 14. INVESTMENTS. Money in any Fund established pursuant to this Resolution may, at the option of the Issuer be invested in any or all of the authorized investments described in the Public Funds Investment Act, Chapter 2256, Texas Government Code (or any successor statute), in which the Issuer may purchase, sell and invest its funds and funds under its control; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of the 15th day of January of each

year. Interest and income derived from such deposits and investments shall be credited to the Fund from which the deposit or investment was made. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or Additional Bonds. No investment of any Fund shall be made in any way which would violate any provision of this Resolution.

Section 15. FUNDS SECURED. Money in all Funds described in this Resolution, to the extent not invested, shall be secured in the manner prescribed by law, including particularly, the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended, for securing funds of the Issuer.

Section 16. DEBT SERVICE REQUIREMENTS. The Issuer shall transfer from the Pledged Revenues and deposit to the credit of the Bond Fund the amounts, at the times, as follows:

(1) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Bond Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Parity Bonds and any Additional Bonds on the next succeeding interest payment date; and

(2) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Bond Fund and available for such purpose, to pay the principal scheduled to mature and come due, and/or mandatorily required to be redeemed prior to maturity, on the Parity Bonds and any Additional Bonds on the next succeeding principal payment date or mandatory redemption date, if any.

Section 17. RESERVE REQUIREMENTS. Out of proceeds of the Bonds, there shall be deposited to the credit of the Reserve Fund an amount of money, if any, sufficient to cause the Reserve Fund to contain money and/or investments in market value equal to the average annual principal and interest requirements on all Parity Bonds which will be outstanding immediately after issuance of the Bonds. So long as the money and investments in the Reserve Fund are at least equal to the average annual principal and interest requirements on all then outstanding Parity Bonds and Additional Bonds (the "Required Amount"), no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than said Required Amount in market value, then, subject and subordinate to making the required deposits to the credit of the Bond Fund, the Issuer shall transfer from Pledged Revenues and deposit to the credit of the Reserve Fund, on or before the 25th day of each month, a sum equal to 1/60th of the average annual principal and interest requirements of all then outstanding Parity Bonds, until the Reserve Fund is restored to said Required Amount. So long as the Reserve Fund contains said Required Amount, all amounts in excess of such Required Amount shall, on or before the 10th day prior to each interest payment date, be deposited to the credit of the Bond Fund; and otherwise any earnings from the deposit and investment of the Reserve Fund shall be retained in the Reserve Fund.

Section 18. DEFICIENCIES. If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose.

Section 19. EXCESS PLEDGED REVENUES. Subject to making the required deposits to the credit of the Bond Fund and the Reserve Fund, when and as required by this Resolution, or any Resolution authorizing the issuance of Additional Bonds, the excess Pledged Revenues first shall be used to pay the Operation and Maintenance Expenses of the System, and then, subject to paying such Operation and Maintenance Expenses of the System, may be used for any other lawful purpose.

Section 20. PAYMENT OF PARITY BONDS AND ADDITIONAL BONDS. On or before the last day of each May and of each November hereafter while any of the Parity Bonds or Additional Bonds are outstanding and unpaid, the Issuer shall make available to the paying agents therefor, out of the Bond Fund or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Parity Bonds and Additional Bonds as will accrue or mature on the June 1 or December 1 immediately following.

Section 21. FINAL DEPOSITS. At such times as the aggregate amount of money and investments in the Bond Fund and the Reserve Fund are at least equal in market value to (1) the aggregate principal amount of all unpaid (unmatured and matured) outstanding Parity Bonds and Additional Bonds, plus (2) the aggregate amount of all unpaid interest, including all unpaid (unmatured and matured) outstanding interest coupons, appertaining to such Parity Bonds and Additional Bonds, no further deposits need be made into the Bond Fund or the Reserve Fund. In determining the amount of such Parity Bonds and Additional Bonds, and unpaid interest appertaining thereto, outstanding at any time, there shall be subtracted and excluded the amount of any such Parity Bonds and Additional Bonds, and unpaid interest appertaining thereto, which shall have been duly called for redemption and for which funds shall have been deposited with the paying agents therefor sufficient for such redemption.

Section 22. ADDITIONAL BONDS. (a) The Issuer shall have the right and power at any time and from time to time, and in one or more Series or issues, to authorize, issue, and deliver additional parity revenue bonds (herein called "Additional Bonds"), in any amounts, for any lawful purpose of relating to the System, including the refunding of any Parity Bonds or Additional Bonds. Such Additional Bonds, if and when authorized, issued, and delivered in accordance with this Resolution, shall be secured by and made payable equally and ratably on a parity with the Parity Bonds, and all other outstanding Additional Bonds, from a first lien on and pledge of the Pledged Revenues.

(b) The Bond Fund and the Reserve Fund shall secure and be used to pay all Additional Bonds as well as the Parity Bonds. However, each Resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of any other Resolution or Resolutions authorizing Additional

Bonds to be deposited to the credit of the Bond Fund, the Issuer shall deposit to the credit of the Bond Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the average annual principal and interest requirements of all Parity Bonds and Additional Bonds which will be outstanding after the issuance and delivery of the then proposed Additional Bonds; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash immediately after the delivery of the then proposed Additional Bonds, or, at the option of the Issuer, by the deposit of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in monthly installments, made on or before the 25th day of each month following the adoption of the Resolution authorizing the issuance of the then proposed Additional Bonds, of not less than 1/60th of said required additional amount (or 1/60th of the balance of said required additional amount not deposited in cash as permitted above).

(c) All calculations of average annual principal and interest requirements made pursuant to this Section shall be made as of and from the date of the Additional Bonds then proposed to be issued.

(d) The principal of all Additional Bonds must be scheduled to be paid or mature on June 1 of the years in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on June 1 and December 1.

Section 23. FURTHER REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, Series, or issue of Additional Bonds shall be issued or delivered unless the President and the Secretary of the Board sign a written certificate to the effect that the Issuer is not in default as to any covenant, condition, or obligation in connection with all outstanding Parity Bonds and Additional Bonds, and the Resolutions authorizing same, and that the Bond Fund and the Reserve Fund each contains the amount then required to be therein.

Section 24. GENERAL COVENANTS. The Issuer further covenants and agrees that:

(a) PERFORMANCE. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and each resolution authorizing the issuance of Additional Bonds, and in each and every Parity Bond and Additional Bond; that it will promptly pay or cause to be paid the principal of and interest on every Bond and Additional Bond, on the dates and in the places and manner prescribed in such resolutions and Parity Bonds or Additional Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Bond Fund and the Reserve Fund; and any holder of the Parity Bonds or Additional Bonds may require the Issuer, its Board, and its officials and employees, to carry out, respect, or enforce the covenants and

obligations of this Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its Board, and its officials and employees.

(b) **ISSUER'S LEGAL AUTHORITY.** The Issuer is a duly created and existing conservation and reclamation district of the State of Texas pursuant to Article 16, Section 59 of the Texas Constitution, and Chapter 62, Acts of the 52nd Legislature of Texas, Regular Session, 1951, as amended (originally compiled as Vernon's Ann. Tex. Civ. St. Article 8280-141), and is duly authorized under the laws of the State of Texas to create and issue the Parity Bonds; that all action on its part for the creation and issuance of the Parity Bonds has been duly and effectively taken, and that the Parity Bonds in the hands of the holders and owners thereof are and will be valid and enforceable special obligations of the Issuer in accordance with their terms.

(c) **TITLE.** It has or will obtain lawful title to, or the lawful right to use and operate, the lands, buildings, and facilities constituting the System, that it warrants that it will defend, the title to or lawful right to use and operate, all the aforesaid lands, buildings, and facilities, and every part thereof, for the benefit of the holders and owners of the Parity Bonds and Additional Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Bonds and Additional Bonds in the manner prescribed herein, and has lawfully exercised such rights.

(d) **LIENS.** It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or the System, that it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and that it will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Board.

(e) **OPERATION OF SYSTEM.** While the Parity Bonds or any Additional Bonds are outstanding and unpaid it will cause the System to be continuously and efficiently operated and maintained in good condition, repair, and working order, and at a reasonable cost.

(f) **FURTHER ENCUMBRANCE.** While the Parity Bonds or any Additional Bonds are outstanding and unpaid, the Issuer shall not additionally encumber the Pledged Revenues in any manner, except as permitted in this Resolution in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants,

and agreements of this Resolution and any resolution authorizing the issuance of Additional Bonds; but the right of the Issuer and the Board to issue revenue bonds payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) **SALE OF PROPERTY.** While the Parity Bonds or any Additional Bonds are outstanding and unpaid, the Issuer will maintain its current legal corporate status as a conservation and reclamation district, and the Issuer shall not sell, convey, mortgage, or in any manner transfer title to, or lease, or otherwise dispose of the entire System, or any significant or substantial part thereof; provided that whenever the Issuer deems it necessary to dispose of any machinery, fixtures, and equipment, it may sell or otherwise dispose of such machinery, fixtures, and equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined by the Issuer that no such replacement or substitute is necessary.

(h) **INSURANCE.** (1) It will cause to be insured (including self-insurance) such parts of the System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including fire and extended coverage insurance. Public liability and property damage insurance shall also be carried unless the general counsel for Issuer, or the Attorney General of Texas, gives a written opinion to the effect that the Issuer, the Board, and its officers and employees, are not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Issuer shall not be required to carry insurance on the works being constructed, but the contractor shall be required to carry appropriate insurance. All such policies shall be open to the inspection of the Bondholders and their representatives at all reasonable times.

(2) Upon the happening of any loss or damage covered by insurance from one or more of said causes, the Issuer shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Issuer. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the Issuer for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

(a) for the redemption prior to maturity of the Parity Bonds and Additional Bonds, if any, ratably in the proportion that the outstanding principal of each Series or issue of Parity Bonds or Additional Bonds bears to the total outstanding principal of all Parity Bonds and Additional Bonds; provided that if on any such occasion the principal of any such Series or issue is not subject to redemption, it shall not be regarded as outstanding in making the foregoing computation; or

(b) if none of the outstanding Parity Bonds or Additional Bonds is subject to redemption, then for the purchase on the open market and retirement of said Parity Bonds

and Additional Bonds, in the same proportion as prescribed in the foregoing clause (a), to the extent practicable; provided that the purchase price for any such Parity Bond or Additional Bonds shall not exceed the redemption price of such Parity Bond or Additional Bond on the first date upon which it becomes subject to redemption; or

(c) to the extent that the foregoing clauses (a) and (b) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at an official depository of the Issuer, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (a) and/or (b) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

(3) The annual audit hereinafter required shall contain a list of all such insurance policies carried, together with a statement as to whether or not all insurance premiums upon such policies have been paid.

(i) **RATE COVENANT.** It will fix, establish, maintain, and collect such rentals, rates, charges, and fees for the use and availability of the System as are necessary to produce Gross Revenues of the System sufficient, together with any other Pledged Revenues, (a) to make all payments and deposits required to be made into the Bond Fund, and to maintain the Reserve Fund, as required by the resolutions authorizing all Parity Bonds and Additional Bonds, and (b) to pay all Operation and Maintenance Expenses of the System.

(j) **RECORDS.** Proper books of record and account will be kept in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the System, the Pledged Revenues, and all Funds described in this Resolution; and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any bondholder.

(k) **AUDITS.** Each year while any of the Parity Bonds or Additional Bonds are outstanding, an audit will be made of its books and accounts relating to the System and the Pledged Revenues by an independent certified public accountant or an independent firm of certified public accountants.

(l) **GOVERNMENTAL AGENCIES.** It will comply with all of the terms and conditions of any and all agreements applicable to the System and the Parity Bonds or Additional Bonds entered into between the Issuer and any governmental agency, and the Issuer will take all action necessary to enforce said terms and conditions; and the Issuer will obtain and keep in full force and effect all franchises, permits, and other requirements necessary with respect to the acquisition, construction, operation, and maintenance of the System.

(m) **CONTRACTS WITH PARTICIPANTS.** It will comply with the terms and conditions of the Contract, including any contracts with Additional Participants, and will cause the

Participants to comply with all of their obligations thereunder by all lawful means; and the Issuer agrees to prepare an annual budget as required by the Contract.

Section 25. AMENDMENT OF RESOLUTION. (a) The holders or owners of Parity Bonds and Additional Bonds aggregating 51% in principal amount of the aggregate principal amount of then outstanding Parity Bonds and Additional Bonds shall have the right from time to time to approve any amendment to this Resolution or any resolution authorizing the issuance of Additional Bonds, which may be deemed necessary or desirable by the Issuer, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in said resolutions or in the Parity Bonds or Additional Bonds so as to:

- (1) Make any change in the maturity of the outstanding Parity Bonds or Additional Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Parity Bonds or Additional Bonds;
- (3) Reduce the amount of the principal payable on the outstanding Parity Bonds or Additional Bonds;
- (4) Modify the terms of payment of principal of or interest on the outstanding Parity Bonds or Additional Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the holders of less than all of the Parity Bonds and Additional Bonds then outstanding;
- (6) Change the minimum percentage of the principal amount of Parity Bonds and Additional Bonds necessary for consent to such amendment.

(b) If at any time the Issuer shall desire to amend a resolution under this Section, the Issuer shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, or in the City of Austin, Texas, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Paying Agent for each Series of Parity Bonds and Additional Bonds for inspection by all holders of Parity Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each holder of Parity Bonds and Additional Bonds.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of notice or other service of written notice the Issuer shall receive an instrument or instruments executed by the holders or owners of at least 51% in aggregate principal amount of all Parity Bonds and Additional Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically

consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Issuer may adopt the amendatory resolution in substantially the same form.

(d) Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, the resolution being amended shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Issuer and all the holders or owners of then outstanding Parity Bonds and Additional Bonds and all future Additional Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

(e) Any consent given by the holder or owner of a Parity Bond or Additional Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section and shall be conclusive and binding upon all future holders or owners of the same Parity Bond or Additional Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the holder or owner who gave such consent, or by a successor in title, by filing notice thereof with each Paying Agent for each Series of Parity Bonds and Additional Bonds, Texas, and the Issuer, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the then outstanding Parity Bonds and Additional Bonds as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of this Section, the fact of the holding of Parity Bonds or Additional Bonds in bearer, coupon form by any holder thereof and the amount and numbers of such Parity Bonds and Additional Bonds, and the date of their holding same, may be provided by the affidavit of the person claiming to be such holder, or by a certificate executed by any trust company, bank, banker, or any other depository wherever situated showing that at the date therein mentioned such person had on deposit with such trust company, bank, banker, or other depository, the Parity Bonds or Additional Bonds described in such certificate. The ownership of all registered Parity Bonds and Additional Bonds shall be ascertained by the registration books pertaining thereto kept by the registrar. The Issuer may conclusively assume that such holding or ownership continues until written notice to the contrary is served upon the Issuer.

Section 26. DEFEASANCE OF BONDS. (a) Each of the Bonds, including the Initial Bond and each of the other Bonds (as hereinbefore defined), and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will

insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues as provided in this Resolution, and such principal and interest shall be payable solely from such money or Government Obligations.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer.

(c) The term "Government Obligations" as used in this Section shall mean the following obligations, which may or may not be in book-entry form, (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

(d) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Resolution.

Section 27. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.

(a) Replacement Bonds. In the event any outstanding Bonds or Bond authorized by this Resolution is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner applying for a replacement bond shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their

satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the registered owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Bonds duly issued under this Resolution.

(e) Authority for Issuing Replacement Bonds. In accordance with Chapter 1201, Texas Government Code, this Section of this Resolution shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 6(d) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

Section 28. COVENANTS REGARDING TAX-EXEMPTION. (a) Covenants. The Issuer covenants to refrain from any action which would adversely affect, or to take such action to assure, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code, or if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds five percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of five percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or five percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is, directly or indirectly, used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action that would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with --

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the Bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

For purposes of the foregoing, the Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds.

(b) Compliance with Code. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs its President, Executive Director, Deputy Director - Administrative Services, or Assistant Deputy - Finance to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds. The Issuer covenants to comply with the covenants contained in this section after defeasance of the Bonds.

(c) Rebate Fund. In order to facilitate compliance with the above covenant (a)(9), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation, the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(d) Written Procedures. Unless superseded by another action of the Issuer to ensure compliance with the covenants contained herein regarding private business use, remedial actions,

arbitrage and rebate, the Issuer hereby adopts and establishes the instructions attached hereto as Exhibit A as their written procedures applicable to Bonds issued pursuant to the Contract.

Section 29. ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT. The Issuer covenants to account for the expenditure of Bond proceeds and investment earnings to be used for the construction or acquisition of the property constituting the projects financed or refinanced with proceeds of the sale of the Bonds on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made or (2) such construction or acquisition is completed. The foregoing notwithstanding, the Issuer shall not expend proceeds of the Bonds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds or (2) the date the Bonds are retired, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest on the Bonds.

Section 30. DISPOSITION OF PROJECT. The Issuer covenants that the property constituting the projects financed or refinanced with proceeds of the Bond will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bond. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest on the Bonds.

Section 31. CUSTODY, APPROVAL, AND REGISTRATION OF INITIAL BOND; BOND COUNSEL'S OPINION, CUSIP NUMBERS, INSURANCE, AND PREAMBLE. The President of the Board of Directors of the Issuer is hereby authorized to have control of the Initial Bond issued hereunder and all necessary records and proceedings pertaining to the Initial Bond pending its delivery and its investigation, examination, and approval by the Attorney General of the State of Texas, and its registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Initial Bond said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate on or attached to the Initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the Initial Bond. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Initial Bond or on any Bonds issued and delivered in conversion of and exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. If insurance is obtained on any of the Bonds, the Initial Bond and all insured Bonds shall bear an appropriate legend concerning insurance as

provided by the insurer. The preamble to this Resolution is hereby adopted and made a part hereof for all purposes.

Section 32. SALE OF BONDS; PURCHASE AGREEMENT. Pursuant to the authorizations in Section 3 hereof, as approved by the Authorized Officer, the Bonds may be sold either pursuant to the taking of bids therefor or pursuant to a purchase agreement (the "Purchase Agreement") with a purchaser or purchasers (collectively, the "Purchaser") to be approved by an Authorized Officer, and any supplements thereto which may be necessary to accomplish the issuance of Bonds. Such Purchase Agreement is hereby authorized to be dated, executed and delivered on behalf of the Issuer by an Authorized Officer, with such changes therein as shall be approved by the Authorized Officer, the execution thereof by the Authorized Officer to constitute evidence of such approval. The delegation of authority to the Authorized Officer to approve the final terms of the Bonds as set forth in this Resolution is, and the decisions made by the Authorized Officer pursuant to such delegated authority will be, in the best interests of the Issuer, and the Authorized Officer is authorized to make a finding to such effect in the Approval Certificate.

Section 33. OFFICIAL STATEMENT. A Preliminary Official Statement relating to the Bonds is hereby authorized to be approved by the Authorized Officer distributed to prospective investors and other interested parties in connection with the underwriting and sale of the Bonds, with such changes therein as shall be approved by the Authorized Officer, including such changes as are necessary for distribution as a final Official Statement. It is further officially found, determined, and declared that the statements and representations contained in said Preliminary Official Statement are true and correct in all material respects. The use and distribution by the Purchaser of the Official Statement relating to the Bonds, is hereby approved. For the purpose of review by the Purchaser prior to purchasing the Bonds, the Issuer deems said Preliminary Official Statement to have been "final as of its date" within the meaning of Securities and Exchange Commission Rule 15c2-12.

Section 34. FURTHER PROCEDURES. The President and Secretary, respectively, of the Board of Directors of the Issuer, the Executive Director of the Issuer, and all other officers, employees, and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the Issuer all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Bond Resolution, the Bonds, the sale of the Bonds, and any Notice of Sale and/or Official Statement. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 35. DTC REGISTRATION. The Bonds initially shall be issued and delivered in such manner that no physical distribution of the Bonds will be made to the public, and the Depository Trust Company ("DTC"), New York, New York, initially will act as depository for the Bonds. DTC has represented that it is a limited purpose trust company incorporated under the

laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered under Section 17A of the federal Securities Exchange Act of 1934, as amended, and the Issuer accepts, but in no way verifies, such representations. The Initial Bond authorized by this Resolution shall be delivered to and registered in the name of the Purchaser. However, it is a condition of delivery and sale that the Purchaser, immediately after such delivery, shall cause the Paying Agent/Registrar, as provided for in this Resolution, to cancel said Initial Bond and deliver in exchange therefor a substitute Bond for each maturity of such Initial Bond, with each such substitute Bond to be registered in the name of CEDE & CO., the nominee of DTC, and it shall be the duty of the Paying Agent/Registrar to take such action. It is expected that DTC will hold the Bonds on behalf of the Purchaser and/or the DTC Participants, as defined and described in the Official Statement referred to and approved in Section 33 hereof (the "DTC Participants"). So long as each Bond is registered in the name of CEDE & CO., the Paying Agent/Registrar shall treat and deal with DTC in all respects the same as if it were the actual and beneficial owner thereof. It is expected that DTC will maintain a book entry system which will identify beneficial ownership of the Bonds by DTC Participants in integral amounts of \$5,000, with transfers of ownership being effected on the records of DTC and the DTC Participants pursuant to rules and regulations established by them, and that the substitute Bonds initially deposited with DTC shall be immobilized and not be further exchanged for substitute Bonds except as hereinafter provided. The Issuer is not responsible or liable for any functions of DTC, will not be responsible for paying any fees or charges with respect to its services, will not be responsible or liable for maintaining, supervising, or reviewing the records of DTC or the DTC Participants, or protecting any interests or rights of the beneficial owners of the Bonds. It shall be the duty of the Purchaser and the DTC Participants to make all arrangements with DTC to establish this book-entry system, the beneficial ownership of the Bonds, and the method of paying the fees and charges of DTC. The Issuer does not represent, nor does it in any way covenant that the initial book-entry system established with DTC will be maintained in the future. The Issuer reserves the right and option at any time in the future, in its sole discretion, to terminate the DTC (CEDE & CO.) book-entry only registration requirement described above, and to permit the Bonds to be registered in the name of any owner. If the Issuer exercises its right and option to terminate such requirement, it shall give written notice of such termination to the Paying Agent/ Registrar and to DTC, and thereafter the Paying Agent/Registrar shall, upon presentation and proper request, register any Bond in any name as provided for in this Resolution. Notwithstanding the initial establishment of the foregoing book-entry system with DTC, if for any reason any of the originally delivered substitute Bonds is duly filed with the Paying Agent/Registrar with proper request for transfer and substitution, as provided for in this Resolution, substitute Bonds will be duly delivered as provided in this Resolution, and there will be no assurance or representation that any book-entry system will be maintained for such Bonds.

Section 36. CONTINUING DISCLOSURE UNDERTAKING.

- (a) Annual Reports.

The Issuer shall provide or cause to be provided annually to the MSRB, (1) within six months after the end of each fiscal year ending in or after 2024, financial information and operating data of the general type included in the final Official Statement authorized by Section 33 of this Resolution, (i) with respect to the Issuer, in tables numbered 1 through 4, and (ii) with respect to each Significant Obligated Persons in Appendix B, and (2) when and if available, audited financial statements of the Issuer and each Significant Obligated Person. Any financial statements so to be provided shall be prepared in accordance with generally accepted accounting principles or such other accounting principles as the Issuer or any such Significant Obligated Person may be required to employ from time to time pursuant to state law or regulation. If the audit of such financial statements of the Issuer or a Significant Obligated Person is not complete within 12 months after the respective fiscal year end, then the Issuer shall provide or cause to be provided by each Significant Obligated Person unaudited financial statements within such 12-month period and audited financial statements when and if the audit report on such statements become available

If the Issuer or any such Significant Obligated Person changes its fiscal year, the Issuer will notify or cause the Significant Obligated Person to notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer or any such Significant Obligated Person otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating date to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC

(b) Event Notices.

The Issuer shall notify the MSRB, or cause a Significant Obligated Person to notify, in a timely manner, of any of the following events with respect to the Bonds, not in excess of ten Business Days after occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to the rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Issuer or a Significant Obligated Person;

13. The consummation of a merger, consolidation, or acquisition involving the Issuer or a Significant Obligated Person or the sale of all or substantially all of the assets of the Issuer or a Significant Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

15. Incurrence of a Financial Obligation of a Significant Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of a Significant Obligated Person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of a Significant Obligated Person, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph 12 is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer or a Significant Obligated Person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction

over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the Issuer or a Significant Obligated Person in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer or a Significant Obligated Person; (b) as used in clauses 14 and 15 above, the term "Financial Obligation" means: (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation shall not include Municipal Securities as to which a final official statement has been provided to the MSRB consistent with the Rule; the term "Municipal Securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a state or any political subdivision thereof, or any agency or instrumentality of a state or any political subdivision thereof, or any municipal corporate instrumentality of one or more states and any other Municipal Securities described by Section 3(a)(29) of the Securities Exchange Act of 1934, as the same may be amended from time to time.

The Issuer shall notify or cause the appropriate Significant Obligated Person to notify, in an electronic format as prescribed by the MSRB, the MSRB, in a timely manner, of any failure by the Issuer or any such Significant Obligated Person to provide financial information or operating data in accordance with Section 36(a) of this Resolution by the time required by such Section.

(c) Limitations, Disclaimers, and Amendments.

The Issuer shall be obligated to observe and perform or cause a Significant Obligated Person to observe and perform the covenants specified in this Section for so long as, but only for so long as, such Significant Obligated persons remains a "Significant Obligated Person" with respect to the Bonds, except that the Issuer in any event will give notice of any deposit made in accordance with Section 26 hereof that causes Bonds no longer to be Outstanding.

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide or cause to be provided only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide or cause to be provided any other information that may be relevant or material to a complete presentation of the Issuer's or any Significant Obligated Person's financial results, condition or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT VERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIED PERFORMANCE.

No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under this Resolution for purposes of any other provision of this Resolution.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

The provisions of this Section may be changed prior to delivery of the Bonds in order to conform to the requirements of any amendments to the Rule which become applicable to the Bonds prior to the delivery thereof to the purchaser. Any such changes shall be approved by the Authorized Officer as evidenced by the Approval Certificate.

The provisions of this Section may be amended by the Issuer from time to time after issuance of the Bonds to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identify, nature, status, or type of operations of the Issuer or any Significant Obligated Person, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with Subsection (a) hereof an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

(d) Definitions.

As used in this Section, the following terms have the meanings ascribed to such terms below:

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission and any successor to its duties.

"Significant Obligated Person" means, at any point in time, any Participant, Additional Participant, or other party contracting with the Issuer, in any case whose payments to the Issuer for the use of or service from the System in the calendar year preceding any such determination, exceeded 10% of the Gross Revenues of the System.

Section 37. ATTORNEY GENERAL FEES. The Issuer hereby authorizes and directs payment, from legally available funds of the Issuer, of the nonrefundable examination fee of the Attorney General of the State of Texas required by Section 1202.004, Texas Government Code, as amended.

Section 38. REPEAL OF CONFLICTING RESOLUTIONS. All resolutions and all parts of any resolutions which are in conflict or inconsistent with this Resolution are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

Section 39. SECURITY INTEREST. Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under Section 9 of this Resolution, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the Issuer under Section 9 of this Resolution is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 40. EFFECTIVENESS. This Resolution shall be effective from and after the date of adoption thereof by the Issuer; provided, however, if the Bonds authorized by this Resolution

are not issued prior to April 25, 2025, this Resolution shall be void ab initio and shall be of no force and effect.

EXHIBIT "A"

WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS

A. Arbitrage. With respect to the investment and expenditure of the proceeds of the Bonds and any Additional Bonds (the "Obligations") the Issuer's Executive Director and Deputy Director – Administrative Services (the "Responsible Persons") will :

For Obligations issued for newly acquired property or constructed property:

- instruct the appropriate person or persons that the construction, renovation or acquisition of the facilities must proceed with due diligence and that binding contracts for the expenditure of at least 5% of the proceeds of the Obligations will be entered into within 6 months of the date of delivery of the Obligations (the "Issue Date");
- monitor that at least 85% of the proceeds of the Obligations to be used for the construction, renovation or acquisition of any facilities are expended within 3 years of the Issue Date;
- restrict the yield of the investments (other than those in the Reserve Fund) to the yield on the Obligations after 3 years of the Issue Date;
- monitor all amounts deposited into a sinking fund or funds, e.g., the Interest and Redemption Fund and the Reserve Fund, to assure that the maximum amount invested at a yield higher than the yield on the Obligations does not exceed an amount equal to the debt service on the Obligations in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Obligations for the immediately preceding 12-month period;
- assure that no more than 50% of the proceeds of the Obligations are invested in an investment with a guaranteed yield for 4 years or more;
- assure that the maximum amount of the Reserve Fund invested at a yield higher than the yield on the Obligations will not exceed the lesser of (1) 10% of the original principal amount of the Obligations, (2) 125% of the average annual debt service on the Obligations measured as of the Issue Date, or (3) 100% of the maximum annual debt service on the Obligations as of the Issue Date;

For Obligations issued for refunding purposes:

- monitor the actions of the escrow agent (to the extent an escrow is funded with proceeds) to assure compliance with the applicable provisions of the escrow agreement, including with respect to reinvestment of cash balances;

For all Obligations:

- maintain any official action of the Issuer (such as a reimbursement resolution) stating its intent to reimburse itself or the Participants with the proceeds of the Obligations any amount expended prior to the Issue Date for the acquisition, renovation or construction of the facilities;
- assure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS;
- assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (i) at least every 5 years after the Issue Date and (ii) within 30 days after the date the Obligations are retired.

B. Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the Obligations the Responsible Persons will:

- monitor the date on which the facilities are substantially complete and available to be used for the purpose intended;
- monitor whether, at any time the Obligations are outstanding, any person, other than the Issuer or the Participants, the employees of the Issuer or the Participants, the agents of the Issuer or the Participants or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;
- monitor whether, at any time the Obligations are outstanding, any person, other than the Issuer or the Participants, the employees of the Issuer or the Participants, the agents of the Issuer or the Participants or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);
- monitor whether, at any time the Obligations are outstanding, any person, other than the Issuer or the Participants, the employees of the Issuer or the Participants, the agents of the Issuer or the Participants or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;
- determine whether, at any time the Obligations are outstanding, any person, other than the Issuer or the Participants, has a naming right for the facilities or any other contractual right granting an intangible benefit;
- determine whether, at any time the Obligations are outstanding, the facilities are sold or otherwise disposed of; and

- take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the resolution authorizing the Obligations.

C. **Record Retention.** The Responsible Persons will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Obligations and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Obligations. If any portion of the Obligations is refunded with the proceeds of another series of tax-exempt obligations, such records shall be maintained until the three (3) years after the refunding obligations are completely extinguished. Such records can be maintained in paper or electronic format.

D. **Responsible Persons.** Each Responsible Person shall receive appropriate training regarding the Issuer's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the facilities financed with the proceeds of the Obligations. The foregoing notwithstanding, the Responsible Persons are authorized and instructed to retain such experienced advisors and agents as may be necessary to carry out the purposes of these instructions.

Dated April 5, 2024

Ratings:

Moody's: "A1"

S&P: "AA"

(See "BOND INSURANCE" and
"OTHER INFORMATION -
Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel to the District, interest on the Bonds will be excludable from gross income for purposes of federal income taxation under statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.

THE BONDS ARE **NOT** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.



\$84,545,000*

**NORTH TEXAS MUNICIPAL WATER DISTRICT
MUDDY CREEK REGIONAL WASTEWATER SYSTEM CONTRACT REVENUE BONDS, SERIES 2024**

Dated Date: April 15, 2024

Due: June 1, as shown on page 2

Interest Accrues: Delivery Date (defined below)

PAYMENT TERMS . . . Interest on the \$84,545,000* North Texas Municipal Water District Muddy Creek Regional Wastewater System Contract Revenue Bonds, Series 2024, (the "Bonds") will accrue from the date of initial delivery thereto (the "Delivery Date") to the initial purchaser thereof (the "Initial Purchaser") and will be payable on December 1 and June 1 of each year until maturity or prior redemption, commencing December 1, 2024, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, National Association, currently in Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are special obligations of the District, secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Resolution authorizing the Bonds, including the Gross Revenues of the Muddy Creek Regional Wastewater System, and including specifically certain payments to be received by the District from the "Participants", collectively the Cities of Murphy and Wylie, Texas, and any future Additional Participants pursuant to the contracts with said Participants and any Additional Participants.

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (i) Constructing the Muddy Creek Wastewater Treatment Plant (WWTP) Expansion to 12.5 MGD; Constructing the Muddy Creek WWTP Operations Building Improvements; and other System improvements; (ii) funding the Reserve Fund to the extent necessary; and (iii) paying the costs incident to the issuance and delivery of the Bonds.

BOND INSURANCE . . . The District has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, the Initial Purchaser may elect to purchase, at its sole expense, municipal bond insurance to insure the Bonds. (See "BOND INSURANCE" and "BOND INSURANCE - Bond Insurance Risk Factors" herein.)

MATURITY SCHEDULE

See Schedule on page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser (as defined herein) and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see APPENDIX C - "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on May 23, 2024.

BIDS DUE THURSDAY, APRIL 25, 2024, AT 10:30 AM, CDT

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale and Bidding Instructions.

MATURITY SCHEDULE*

CUSIP Prefix: 66283A⁽¹⁾

Principal Amount	Maturity June 1	Rate	Initial Yield	CUSIP Suffix ⁽¹⁾	Principal Amount	Maturity June 1	Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 1,225,000	2025				\$ 2,715,000	2040			
1,375,000	2026				2,855,000	2041			
1,440,000	2027				2,995,000	2042			
1,515,000	2028				3,120,000	2043			
1,590,000	2029				3,250,000	2044			
1,670,000	2030				3,385,000	2045			
1,750,000	2031				3,530,000	2046			
1,840,000	2032				3,685,000	2047			
1,930,000	2033				3,845,000	2048			
2,030,000	2034				4,020,000	2049			
2,130,000	2035				4,200,000	2050			
2,235,000	2036				4,390,000	2051			
2,345,000	2037				4,590,000	2052			
2,465,000	2038				4,805,000	2053			
2,590,000	2039				5,030,000	2054			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned to this issue by the CUSIP Global Services and are included solely for the convenience of the owners of the Bonds. Neither the District, the Financial Advisor, nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

REDEMPTION OPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on June 1, 2033, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale and Bidding Instructions.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, broker, salesperson, or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an "official statement" of the District with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of no more than the information permitted by the Rule.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "Continuing Disclosure of Information" for a description of the District's undertaking to provide certain information on a continuing basis.

Neither the District nor its Financial Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

The cover page of this Official Statement contains certain information for general reference only and is not intended as a summary of the offering. Investors should read the entire Official Statement, including all schedules and appendices hereto, to obtain information essential to making an informed investment decision.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, and achievements to be different from future results, performance, and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The Bonds are exempt from registration with the Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Bonds in accordance with applicable securities law provisions of the jurisdiction in which the Bonds have been registered, qualified or exempted should not be regarded as a recommendation thereof.

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT	North Texas Municipal Water District (the "District") is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to Chapter 62, Acts of the 52nd Legislature of Texas, Regular Session, 1951, as amended (the "District Act").
THE BONDS	The Bonds are issued as \$84,545,000* Muddy Creek Regional Wastewater System Contract Revenue Bonds, Series 2024 (the "Bonds"). The Bonds mature on June 1 in each of the years and in the amounts shown on page 2 hereof (see "THE BONDS – Description of the Bonds").
PAYMENT OF INTEREST	Interest on the Bonds accrues from the date of initial delivery thereof (the "Delivery Date"), at the rates shown on page 2 hereof, and is payable on December 1, 2024, and each June 1 and December 1 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS – Optional Redemption").
RESERVE FUND REQUIREMENT	The District is required to accumulate and maintain, and currently has on deposit, in the Reserve Fund (as defined herein) an aggregate amount of money and/or investments equal in market value to the average annual principal and interest requirements (the "Reserve Required Amount") on all outstanding Parity Bonds (hereinafter defined). To the extent necessary, out of proceeds of the Bonds, here shall be deposited to the credit of the Reserve Fund an amount of money sufficient to cause the Reserve Fund to contain the Required Amount.
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the District Act, Chapter 30, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended, and other applicable laws (see "THE BONDS - Authority for Issuance").
SECURITY FOR THE BONDS	The Bonds are special obligations of the District, secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Resolution (as defined herein), including the Gross Revenues of the District's Muddy Creek Regional Wastewater System (as defined herein), and including specifically certain payments to be received by the District from the "Participants", collectively the Cities of Murphy and Wylie, Texas, and any future Additional Participants pursuant to the contracts with said Participants and any Additional Participants. The Bonds are on parity in all respects with the North Texas Municipal Water District Muddy Creek Regional Wastewater System Contract Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds"), the North Texas Municipal Water District Muddy Creek Regional Wastewater System Contract Revenue Bonds, Series 2019 (the "Series 2019 Bonds"), and the North Texas Municipal Water District Muddy Creek Regional Wastewater System Contract Revenue Bonds, Series 2021 (the "Series 2021 Bonds") that will remain outstanding after issuance of the Bonds (collectively, the "Outstanding Bonds" and, together with the Bonds, the "Parity Bonds").
OPTIONAL REDEMPTION	The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on June 1, 2033, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (i) Constructing the Muddy Creek Wastewater Treatment Plant (WWTP) Expansion to 12.5 MGD; Constructing the Muddy Creek WWTP Operations Building Improvements; and other System improvements; (ii) funding the Reserve Fund to the extent necessary; and (iii) paying the costs incident to the issuance and delivery of the Bonds.
MUNICIPAL BOND INSURANCE AND RATINGS	Applications have been made for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, other than Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") as a result of such Insurance, will be paid by the Initial Purchaser. The Bonds and the Outstanding Bonds are rated "A1", by Moody's and "AA" by S&P (see "BOND INSURANCE" and "OTHER INFORMATION - Ratings").
BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").
PAYMENT RECORD	Neither the District nor any Participant has ever defaulted in payment of its bonds, including the Outstanding Bonds.

* Preliminary, subject to change.

NORTH TEXAS MUNICIPAL WATER DISTRICT DISTRICT OFFICIALS, STAFF AND CONSULTANTS

BOARD OF DIRECTORS

Richard Peasley, Frisco, President
George Crump, Farmersville, Vice President
David Hollifield, Royse City, Secretary

ALLEN Joe Farmer James Kerr	FORNEY Kalen Boren John Carr	FRISCO Lynn Shuyler	GARLAND Jack May Lori Barnett Dodson
McKINNEY Geraldyn Keever Donald E. Paschal, Jr.	MESQUITE Terry Sam Anderson Rick Mann	PLANO Ron Kelley Phil Dyer	PRINCETON Jody Sutherland Larry Thompson
RICHARDSON Randy Roland John Sweeden	ROCKWALL Chip Imrie Rick Crowley	ROYSE CITY Blair Johnson	WYLIE Marvin Fuller Keith Stephens

MANAGEMENT & STAFF

Executive Director/General Manager	Jennafer P. Covington
Deputy Director of Administrative Services.	Jeanne Chipperfield
Deputy Director of Engineering & CIP.	Cesar Baptista
Deputy Director of Water & Wastewater.	Billy George
Deputy Director of Solid Waste & Integrated Services.	Jeff Mayfield
General Counsel.	Christina Tsevoukas

CONSULTANTS AND ADVISORS

Bond Counsel.....	McCall, Parkhurst & Horton L.L.P Dallas, Texas
Financial Advisor	Hilltop Securities Inc. Fort Worth, Texas

For additional information regarding the District, please contact:

Ms. Jeanne Chipperfield Mr. Drew Farris North Texas Municipal Water District P.O. Box 2408 Wylie, Texas 75098 (972) 442-5405	or	Mr. Nick Bulaich Mr. David K. Medanich Hilltop Securities Inc. 777 Main Street, Suite 1525 Fort Worth, TX 76102 (817) 332-9710
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PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$84,545,000*
NORTH TEXAS MUNICIPAL WATER DISTRICT
MUDDY CREEK REGIONAL WASTEWATER SYSTEM
CONTRACT REVENUE BONDS, SERIES 2024

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$84,545,000* North Texas Municipal Water District Muddy Creek Regional Wastewater System Contract Revenue Bonds, Series 2024 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution authorizing the Bonds (the "Bond Resolution" or "Resolution") to be adopted on the date of sale of the Bonds which will authorize the issuance of the Bonds, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the North Texas Municipal Water District (the "District") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, Hilltop Securities Inc. ("HilltopSecurities"), Fort Worth, Texas.

THE NORTH TEXAS MUNICIPAL WATER DISTRICT

The North Texas Municipal Water District (the "District") is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, 1951, as amended (the "District Act"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing and transportation of such water to its thirteen District Member Cities (as defined below) and other customers located in North Central Texas. Under the Texas Constitution and laws of the State of Texas, including the District Act, the District has broad powers to effectuate flood control and the conservation and use, for all beneficial purposes, of storm and floodwaters and unappropriated flow waters and, as a necessary aid to these purposes, the specific authority to construct, own and operate water supply, treatment and distribution facilities and sewage gathering, transmission and disposal facilities, and to collect, transport, treat, dispose of, and control all municipal, domestic, industrial, or communal waste, whether in fluid, solid or composite state.

The District currently serves a 2,200 square-mile area located in ten counties in the State of Texas and comprises all of the territory of its current Member Cities, viz., Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Allen, Forney, Frisco, and Royse City (together with any cities which subsequently become member cities of the District, the "District Member Cities"). The District's Administrative Office is located at 505 East Brown Street, Wylie, Texas. The District is governed by a 25-member Board of Directors. Each District Member City having a population of 5,000 or more is represented by two members on the Board of Directors and each District Member City of less than 5,000 is represented by one member on the Board of Directors. Members of the Board of Directors are appointed by the governing bodies of the respective District Member Cities for two-year terms.

In addition to its Muddy Creek Regional Wastewater System (herein after defined), the District, in cooperation with certain area cities, has established and implemented the Water System, the Upper East Fork Wastewater Interceptor System, the Stewart Creek Regional Wastewater System, the Regional Wastewater System, Sabine Creek Regional Wastewater System, Panther Creek Regional Wastewater System, Lower East Fork Wastewater Interceptor System and the Trinity East Fork Solid Waste Disposal System (the "Regional Systems") wherein the District, pursuant to contracts and other agreements, has accepted the responsibility to design, acquire, construct, complete, operate, maintain, and from time to time enlarge, improve and expand the systems to provide facilities to adequately receive, transport, treat and dispose of wastewater and solid waste of such cities and future additional cities. These Regional Systems were created, exist and operate as completely separate and independent Regional Systems, and except for moderate cost-sharing enterprises, the financial transactions and other activities associated with the operation and maintenance of each system are kept separate and apart, and are not in any manner commingled or connected with any of the other systems. While all District Member Cities are contracting partners for the Water System, not all District Member Cities participate in the District's other Regional Systems. **Revenues from the Water System, the Upper East Fork Wastewater Interceptor System, the Stewart Creek Regional Wastewater System, Regional Wastewater System, Sabine Creek Regional Wastewater System, Panther Creek Regional Wastewater System, the Lower East Fork Wastewater Interceptor System, and the Trinity East Fork Solid Waste Disposal System are not pledged to the payment of the Bonds.**

* Preliminary, subject to change.

MUDDY CREEK REGIONAL WASTEWATER SYSTEM

Pursuant to the terms and conditions of the Muddy Creek Regional Wastewater System Contract dated as of May 27, 1999 (together with all similar contracts with any future Additional Participants, the "Contract"), among the District, the Cities of Murphy and Wylie, Texas (together with any future Additional Participants, collectively the "Participants"), the District has accepted the responsibility to design, acquire, construct, complete, own, operate and maintain the Muddy Creek Regional Wastewater System to receive and treat wastewater from the Participants in order to control water pollution, and protect, improve and enhance the water quality of the Trinity River.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (i) Constructing the Muddy Creek Wastewater Treatment Plant (WWTP) Expansion to 12.5 MGD; Constructing the Muddy Creek WWTP Operations Building Improvements; and other System improvements; (ii) funding the Reserve Fund to the extent necessary; and (iii) paying the costs incident to the issuance and delivery of the Bonds.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds

Principal Amount of Bonds	\$	-
Premium		-
Total Sources of Funds	\$	-

Uses of Funds

Deposit to Construction Fund	\$	-
Deposit to Debt Service Reserve Fund		-
Estimated Costs of Issuance		-
Total Uses of Funds	\$	-

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated April 15, 2024, and mature on June 1 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from the date of initial delivery thereof (the "Delivery Date"), at the rates shown on page 2 hereof, to the Initial Purchaser (herein defined), and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on June 1 and December 1 of each year, commencing December 1, 2024 until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein after defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the provisions and authority provided by the District Act, Chapter 30, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended, and other applicable laws. Under the Texas Constitution and laws of the State of Texas, including the District Act, the District has broad powers to (1) impound, control, store, preserve, treat, transmit and use storm and floodwater, the water of rivers and streams, and underground water, for irrigation, power, and all other useful purposes, and to supply water for municipal, domestic, power, industrial and commercial uses and purposes, and all other beneficial uses and purposes; (2) collect, transport, process, treat, dispose of, and control, all municipal, domestic, industrial, or commercial waste whether in fluid, solid, or composite state, including specifically the control, abatement, or reduction of all types of pollution, and (3) to refund obligations issued for the foregoing purposes.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are special obligations of the District, secured by and payable from an irrevocable first lien on and pledge of the "Pledged Revenues", together with any additional parity bonds which may be issued in the future ("Additional Bonds") as defined in the Resolution authorizing this series of Bonds, including the Gross Revenues of the District's Muddy Creek Regional Wastewater System, and including specifically certain payments to be received by the District from the Participants (the Cities of Murphy and Wylie, Texas) pursuant to the Contract with said Participants, and from any future Additional Participants, pursuant to all similar contracts with any Additional Participants. Each Participant represents and covenants that all payments made by it under the Contract shall constitute reasonable and necessary "expenses of operation and maintenance" of its combined waterworks and sewer system, as defined in Section 1502.056, Texas Government Code, and that all such payments will be made from the gross revenues of its combined waterworks and sewer system. All payments required by the Contract to be made by each Participant shall constitute reasonable and necessary operation and maintenance expenses of its combined water and sewer system, with the effect that the obligation to make such payments from revenues of such combined water and sewer system shall have priority over any obligation to make any payments from such revenues of principal, interest, or otherwise, with respect to all bonds or other obligations heretofore or hereafter issued by such Participant.

The District is obligated to pay the principal of and interest on the Bonds solely from and to the extent of the payments to be received from the Participants pursuant to the Contract. No other entity, including the State of Texas, any political subdivision thereof (other than the Participants), or any other public or private body, is obligated, directly, indirectly, contingently, or in any other manner, to pay such principal or interest from any other source whatsoever. The owners of the Bonds shall never have the right to demand payment of the Bonds out of any other funds of the District except the Pledged Revenues. No part of the physical property of any Participant of the System is encumbered by any lien or security interest for the benefit of the owners of the Bonds.

The Bonds are on a parity in all respects with the outstanding the Series 2016 Bonds, the Series 2019 Bonds, and the Series 2021 Bonds (collectively, the "Outstanding Bonds") (the Bonds and the Outstanding Bonds, collectively, the "Parity Bonds").

RESERVE FUND REQUIREMENT . . . The District is required to accumulate and maintain in the Reserve Fund an aggregate amount of money and/or investments equal in market value to the average annual principal and interest requirements on all outstanding Parity Bonds (the "Required Amount"). Out of proceeds of the Bonds, there shall be deposited to the credit of the Reserve Fund an amount of money, if any, sufficient to the cause, the Reserve Fund to contain an amount at least equal to the Required Amount. So long as the money and investments in the Reserve Fund are at least equal to the Required Amount, no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than said Required Amount in market value, then, subject and subordinate to making the required deposits to the credit of the Bond Fund, the Issuer shall transfer from Pledged Revenues and deposit to the credit of the Reserve Fund, on or before the 25th day of each month, a sum equal to 1/60th of the average annual principal and interest requirements of all then outstanding Parity Bonds, until the Reserve Fund is restored to said Required Amount. So long as the Reserve Fund contains said Required Amount, all amounts in excess of such Required Amount shall, on or before the 10th day prior to each interest payment date, be deposited to the credit of the Bond Fund; and otherwise any earnings from the deposit and investment of the Reserve Fund shall be retained in the Reserve Fund.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on June 1, 2033, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption. If fewer than all of the Bonds are to be redeemed, the District may select the maturities and amounts of Bonds to be redeemed. If fewer than all the Bonds within a maturity are to be redeemed, the Bonds, or portions thereof, to be redeemed shall be selected by lot or other customary method of random selection (or by DTC in accordance with the procedures while the Bonds are in the Book-Entry-Only System). If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE . . . The Resolution provides for the defeasance of Bonds when the payment of the principal of such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized entity, in trust (1) money sufficient to make such payment and/or (2) Government Obligations which mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar for the Bonds. The Resolution provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. Provided, however, the District has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS . . . The District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend the provisions of the Resolution; except that, without consent of the registered owners of all of the Bonds then outstanding, no such amendment, addition or rescission may (1) make any change in the maturity of the outstanding Parity Bonds or Additional Bonds; (2) reduce the rate of interest borne by any of the outstanding Parity Bonds or Additional Bonds; (3) reduce the amount of the principal payable on the outstanding Parity Bonds or Additional Bonds; (4) modify the terms of payment of principal or interest on the outstanding Parity Bonds or Additional Bonds, or impose any conditions with respect to such payment; (5) affect the rights of the holders of less than all of the Parity Bonds and Additional Bonds then outstanding; (6) change the minimum percentage of the principal amount of Parity Bonds and Additional Bonds necessary for consent to such amendment.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by the Depository Trust Company ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for the Bonds in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participant to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the District, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor or the Underwriters.

Effect of Termination of Book-Entry-Only System. In the event the Book-Entry-Only System with respect to the Bonds is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Bonds is discontinued by the District, printed bond certificates will be issued to the respective holders of the Bonds, as the case may be, and the respective Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Resolution, summarized under "Transfer, Exchange, and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial paying agent/registrar is The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (the "Paying Agent/Registrar"). In the Resolution, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or by (ii) with respect to any Bond or portion thereof called for redemption within 45 days prior to its redemption date.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the preceding month.

BONDHOLDERS' REMEDIES . . . The Resolution does not establish specific events of default with respect to the Bonds. Under State law and the Resolution, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Resolution. No assurance can be given that a mandamus or other legal action to enforce a remedy under the Resolution would be successful. The enforcement of any such remedy may be difficult and time consuming. The Resolution does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition. The Texas Supreme Court has ruled, that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, registered owners may not be able to bring such a suit against the District for breach of the Bonds or Resolution covenants in the absence of District action. Chapter 1371, Texas Government Code as amended, ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "The Bonds – Authority for Issuance"), the District has not waived the defense of sovereign immunity with respect thereto. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of contract revenues of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce the remedies under the Resolution would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state courts); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The District may not be placed into bankruptcy involuntarily. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

BOND INSURANCE

General . . . The District has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost will be paid by the Initial Purchaser. Any fees to be paid to S&P or Moody's as a result of said insurance will be paid by the District. It will be the responsibility of the Initial Purchaser to disclose the existence of insurance, its terms, and the effect thereof with respect to the reoffering of the Bonds. If the District obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Bonds (the "Policy"), the final Official Statement shall disclose certain information relating to the Insurer and the Policy.

Bond Insurance Risk Factors . . . In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the sources of funds pledged to the payment of the Bonds (see "The Bonds – Security and Source of Payment"). In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

If a Policy is acquired, the long-term ratings on the Bonds will be dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on Bonds, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds.

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the District, the Financial Advisor or the Initial Purchaser have made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers . . . Moody's Investor Services, Inc. ("Moody's"), S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), and Fitch Ratings (collectively, the "Rating Agencies") have, in the past, downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Bonds and the claims paying ability of any such bond insurer, particularly over the life of the Bonds.

HISTORICAL OPERATING INFORMATION

The following table presents condensed financial information for the Muddy Creek Regional Wastewater System of the District for each fiscal year ended September 30, 2019 through September 30, 2023. These Statements have been compiled using accounting principles customarily employed in the determination of revenues available for payment of bonded debt service and, in all instances, exclude depreciation, transfers of debt service requirements and expenditures identified as capital. Excerpts of District's combined financial statements for the fiscal year ended September 30, 2023 appear in Appendix A, hereto attached.

TABLE 1 - SCHEDULE OF MUDDY CREEK REGIONAL WASTEWATER SYSTEM OPERATING INFORMATION

	Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Revenues					
Muddy Creek Wastewater Service Fees	\$9,785,609	\$7,724,989	\$7,338,205	\$6,765,592	\$6,560,840
Interest Income & Other	\$840,790	\$389,215	\$371,512	\$480,720	\$545,885
Total Gross Revenues	<u>\$10,626,399</u>	<u>\$8,114,204</u>	<u>\$7,709,717</u>	<u>\$7,246,312</u>	<u>\$7,106,725</u>
Operating Expenses ⁽¹⁾	<u>\$5,948,476</u>	<u>\$4,844,699</u>	<u>\$5,591,859</u>	<u>\$4,891,399</u>	<u>\$4,552,840</u>
Net Income	<u>\$4,677,923</u>	<u>\$3,269,505</u>	<u>\$2,117,858</u>	<u>\$2,354,913</u>	<u>\$2,553,885</u>
Muddy Creek Regional Wastewater System Revenue Bonds Outstanding (as of 12-31-23) ⁽²⁾					\$ 101,730,000
Average Annual Principal and Interest Requirements, 2024-2054 ⁽²⁾					\$ 5,796,479
Coverage of Average Annual Principal and Interest Requirements by 9-30-23 Gross Revenues Available for Debt Service					1.83x
Maximum Annual Principal and Interest Requirements, 2026 ⁽²⁾					\$ 7,166,613
Coverage of Maximum Annual Principal and Interest Requirements by 9-30-23 Gross Revenues Available for Debt Service ⁽³⁾					1.48x
Interest and Sinking Fund (as of 2-29-24)					\$ 3,819,790
Reserve Fund (as of 2-29-24)					\$ 1,483,968

(1) Excludes depreciation.

(2) Includes the Bonds. Preliminary, subject to change.

(3) The Participants share the cost for wastewater transportation on the basis of proportional flows. Charges are based on current budgeted expenditures and are allocated to each Participant at the beginning of the year based on estimated flows (subject to certain minimums). At the end of the year the actual cost of each Participant is determined based on actual flows (subject to certain minimums) and final billing adjustments are applied accordingly. See "Payments by Contracting Parties" in "Summary of Certain Provisions of the Muddy Creek Regional Wastewater System Contract" herein.

TABLE 2 – SCHEDULE OF REVENUES – EXISTING WASTEWATER SYSTEM CONTRACTS

	Fiscal Year Ended September 30,					
	2023		2022		2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
<u>Member City</u>						
Wylie	\$ 7,325,332	74.95%	\$ 5,823,842	75.25%	\$ 5,488,182	74.95%
Murphy	2,448,391	25.05%	1,915,996	24.75%	1,834,456	25.05%
Total	<u>\$ 9,773,723</u>	<u>100.00%</u>	<u>\$ 7,739,838</u>	<u>100.00%</u>	<u>\$ 7,322,638</u>	<u>100.00%</u>

DEBT INFORMATION

TABLE 3 - DEBT SERVICE REQUIREMENTS

Fiscal Year Ended	Outstanding Debt			The Bonds ⁽¹⁾			Total Outstanding Debt	Percent of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2024	\$ 1,325,000	\$ 550,650	\$1,875,650	\$ -	\$ -	\$ -	\$ 1,875,650	
2025	1,375,000	507,200	1,882,200	1,225,000	4,048,307	5,273,307	7,155,507	
2026	1,430,000	462,563	1,892,563	1,375,000	3,899,050	5,274,050	7,166,613	
2027	810,000	410,175	1,220,175	1,440,000	3,830,300	5,270,300	6,490,475	
2028	845,000	377,775	1,222,775	1,515,000	3,758,300	5,273,300	6,496,075	11.15%
2029	875,000	343,975	1,218,975	1,590,000	3,682,550	5,272,550	6,491,525	
2030	910,000	313,225	1,223,225	1,670,000	3,603,050	5,273,050	6,496,275	
2031	945,000	276,825	1,221,825	1,750,000	3,519,550	5,269,550	6,491,375	
2032	970,000	243,575	1,213,575	1,840,000	3,432,050	5,272,050	6,485,625	
2033	1,005,000	211,975	1,216,975	1,930,000	3,340,050	5,270,050	6,487,025	24.40%
2034	1,035,000	181,825	1,216,825	2,030,000	3,243,550	5,273,550	6,490,375	
2035	1,065,000	153,450	1,218,450	2,130,000	3,142,050	5,272,050	6,490,500	
2036	1,095,000	126,356	1,221,356	2,235,000	3,035,550	5,270,550	6,491,906	
2037	1,125,000	95,006	1,220,006	2,345,000	2,923,800	5,268,800	6,488,806	
2038	1,155,000	62,794	1,217,794	2,465,000	2,806,550	5,271,550	6,489,344	40.80%
2039	605,000	28,975	633,975	2,590,000	2,683,300	5,273,300	5,907,275	
2040	615,000	14,606	629,606	2,715,000	2,553,800	5,268,800	5,898,406	
2041	-	-	-	2,855,000	2,418,050	5,273,050	5,273,050	
2042	-	-	-	2,995,000	2,275,300	5,270,300	5,270,300	
2043	-	-	-	3,120,000	2,151,756	5,271,756	5,271,756	56.03%
2044	-	-	-	3,250,000	2,023,056	5,273,056	5,273,056	
2045	-	-	-	3,385,000	1,884,931	5,269,931	5,269,931	
2046	-	-	-	3,530,000	1,741,069	5,271,069	5,271,069	
2047	-	-	-	3,685,000	1,586,631	5,271,631	5,271,631	
2048	-	-	-	3,845,000	1,425,413	5,270,413	5,270,413	73.42%
2049	-	-	-	4,020,000	1,252,388	5,272,388	5,272,388	
2050	-	-	-	4,200,000	1,071,488	5,271,488	5,271,488	
2051	-	-	-	4,390,000	882,488	5,272,488	5,272,488	
2052	-	-	-	4,590,000	679,450	5,269,450	5,269,450	
2053	-	-	-	4,805,000	467,163	5,272,163	5,272,163	95.06%
2054	-	-	-	5,030,000	238,925	5,268,925	5,268,925	100.00%
	<u>\$ 17,185,000</u>	<u>\$ 4,360,950</u>	<u>\$ 21,545,950</u>	<u>\$ 84,545,000</u>	<u>\$ 73,599,913</u>	<u>\$ 158,144,913</u>	<u>\$ 179,690,863</u>	

(1) Average life of the issue – 18.876 Years. Interest on the Bonds has been calculated at the average rate of 4.48% for purposes of illustration. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF DEBT . . . The District does not anticipate issuing additional Muddy Creek Regional Wastewater System Revenue debt over the next 12 months.

PENSION PLAN

The District provides a single employer defined benefit pension plan (the Plan) for all of its eligible full-time employees through an AETNA Life Insurance Company group pension defined benefit fund contract. The Plan is administered by the District's Executive Director/General Manager. The plan does not issue separate financial statements. An employee becomes a participant in the Plan on the date of full-time employment. Effective January 1, 2018, employees who enter service on or after January 1, 2018 shall make mandatory contributions to the Plan at the rate of 5% of annual earnings and subject to 3.5% plan interest rate credits per year. The Plan's most recent valuation, dated January 1, 2023, reflects assumption changes recommended by the District's actuaries, who prepared an experience study to determine the appropriateness of the current assumptions. The District determines an annual Actuarially Determined Contribution (ADC) sufficient to fund the current year benefit accruals and an amortization payment towards the unfunded actuarial accrued liability (UAAL). The UAAL as of January 1, 2023 is being amortized as a level percentage of pay over a closed period of 21 years. Future years' amortization payments will be composed of annual layers amortized over closed periods between 10-20 years, depending on the source of the UAAL. The District contributes its ADC to the Plan annually. As of January 1, 2023, the UAAL of the Plan was \$101.656 million, with a funded ratio (ratio of actuarial value of assets to accrued liabilities) of 52.53%.

See "APPENDIX A – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT – Note 10 – Retirement Plan" for a more detailed discussion of the Plan. The District's contribution to the Plan for the fiscal year ended September 30, 2023, was \$12,500,000, of which contributions subsequent to the measurement date through September 30, 2023 were \$10,046,410.

OTHER POST-EMPLOYMENT BENEFITS

The District's defined benefit other postemployment benefits (OPEB) plan provides OPEB in the form of health and dental insurance benefits for certain retirees and their spouses up to age 65 through a single-employer defined benefit medical plan. These benefits are funded 100 percent by the District for the currently eligible retirees and their spouses, if the retiree had 20 years of District service. For those with less than 20 years of service, the retiree receives a 5% discount off of the total cost of the premium for each year of District service they have. A third-party administrator is utilized to provide claims administration and the District pays claims directly to the insurance provider. Insurance is purchased to provide specific stop loss and aggregate stop loss protection.

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SELECTED PROVISIONS OF THE BOND RESOLUTION

The following statements summarize certain portions of the Bond Resolution to be adopted by the Board of Directors authorizing the issuance, sale and delivery of the Bonds and do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Resolution. As used in this Summary, the term "Issuer" refers to the District as otherwise defined herein.

There follow certain provisions of the Resolution which do not purport to be complete. For a full statement of all matters of fact relating to the Bonds reference should be made to the Resolution.

ADDITIONAL DEFINITIONS. In addition to the terms defined in the recitals or otherwise herein, as used in this Resolution the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term "Additional Bonds" shall mean the additional parity revenue bonds permitted to be authorized in the future in this Resolution.

The term "Additional Participants" shall mean shall mean a city or cities in addition to the Cities of Wylie and Murphy with which the District makes a contract for receiving, transporting, treating, and/or disposing of Wastewater (as defined in the Contract) through the System.

The term "Board" shall mean the Board of Directors of the Issuer, being the governing body of the Issuer, and it is further resolved that the declarations and covenants of the Issuer contained in this Resolution are made by, and for and on behalf of the Board and the Issuer, and are binding upon the Board and the Issuer for all purposes.

The terms "Bond Resolution" and "Resolution" mean this resolution authorizing the Bonds.

The term "Bonds" means collectively the Initial Bond as described and defined in Sections 1 and 2 of this Resolution, and all substitute bonds exchanged therefor as well as all other substitute and replacement bonds issued pursuant to this Resolution.

The term "Contract" shall mean collectively the Muddy Creek Regional Wastewater Contract, dated as of May 27, 1999, among the Issuer and the Participants, together with all similar contracts which may be executed in the future between the Issuer and Additional Participants, as defined and permitted in the aforesaid contracts.

The terms "District" and "Issuer" shall mean North Texas Municipal Water District.

The terms "District's System", "Issuer's System", and "System" shall mean all of the Issuer's facilities acquired, constructed, used, or operated by the Issuer for receiving, transporting, treating, and disposing of Wastewater (as defined in the Contract) of and for the Participants, pursuant to the Contract, including the contracts with Additional Participants (but excluding any facilities acquired or constructed with Special Facilities Bonds, and excluding any facilities required to transport Wastewater to any Point of Entry (as defined in the Contract) of the System), together with any improvements, enlargements, or additions to said System facilities and any extensions, repairs, or replacements of said System facilities acquired, constructed, used, operated, or otherwise incorporated into or made a part of said System facilities in the future by the Issuer. Said terms shall include only those facilities which are acquired, constructed, used, or operated by the Issuer to provide service to Participants pursuant to the Contract, including any contracts with Additional Participants, and which, as determined by the Issuer, can economically and efficiently provide service to Participants.

The term "fiscal year" shall mean the 12 month period beginning each October 1, or such other 12 month period hereafter established by the Issuer as a fiscal year for the purposes of this Resolution.

The term "Gross Revenues of the System" shall mean all of the revenues, income, rentals, rates, fees, and charges of every nature derived by the Board or the Issuer from the operation and/or ownership of the System, including specifically all payments constituting the "Annual Requirement" (consisting of the "Operation and Maintenance Component" and the "Bond Service Component"), and all other payments and amounts received by the Board or the Issuer from the Participants pursuant to the Contract, including any contracts with Additional Participants.

The term "Net Revenues of the System" shall mean the Gross Revenues of the System less the Operation and Maintenance Expense of the System.

The term "Operation and Maintenance Expense" shall mean all costs of operation and maintenance of the Issuer's System including, but not limited to, repairs and replacements, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, and any other supplies, services, administrative costs, and equipment necessary for proper operation and maintenance of the Issuer's System, any payments required to be made under the Contract into the Contingency Fund (as defined in the Contract), payments made for the use or operation of any property, payments of fines, and payments made by Issuer in satisfaction of judgments or other liabilities resulting from claims not covered by Issuer's insurance or not paid by one particular Participant arising in connection with the operation and maintenance of the Issuer's System. Depreciation shall not be considered an item of Operation and Maintenance Expense.

The term "Parity Bonds" shall mean collectively (i) the Bonds, (ii) the outstanding "North Texas Municipal Water District Muddy Creek Regional Wastewater System Contract Revenue Refunding Bonds, Series 2016" in the original principal amount of \$5,645,000 authorized by a resolution of the Issuer on March 24, 2016 (the "2016 Bond Resolution"), (iii) the outstanding "North Texas Municipal Water District Muddy Creek Regional Wastewater System Revenue Bonds, Series 2019" in the original principal amount of \$8,540,000 authorized by a resolution of the Issuer on February 28, 2019 (the "2019 Bond Resolution"), and (iv) the outstanding "North Texas Municipal Water District Muddy Creek Regional Wastewater System Contract Revenue Bonds, Series 2021" in the original principal amount of \$8,830,000 authorized by a resolution of the Issuer on February 25, 2021 (the "2021 Bond Resolution").

The term "Participants" shall mean collectively the City of Wylie, in Collin County, Texas and the City of Murphy, in Collin County, Texas, together with all Additional Participants.

The term "Pledged Revenues" shall mean: (a) the Gross Revenues of the System and (b) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which in the future may, at the option of the Issuer, be pledged to the payment of the Bonds or the Additional Bonds.

The term "Special Facilities Bonds" shall mean revenue obligations of the District which are not secured by or payable from Annual Payments under the Contract, but which are payable solely from other sources; but Special Facilities Bonds may be made payable from payments from any person, including any Participant, under a separate contract whereunder the facilities to be acquired or constructed are declared not to be part of the system and are not made payable from the Annual Payments as defined in the Contract.

PLEDGE. (a) The Bonds authorized by this Resolution are hereby designated as, and shall be, "Additional Bonds" as permitted by Sections 22 and 23, of the 2012 Bond Resolution, the 2016 Bond Resolution, the 2019 Bond Resolution and the 2021 Bond Resolution, and it is hereby determined, declared, and resolved that all of the Parity Bonds, including the Bonds authorized by the Resolution, are and shall be secured and payable equally and ratably on a parity, and that Sections 9 through 25 of the Resolution substantially restate and are supplemental to and cumulative of the applicable and pertinent provisions of the resolution authorizing the issuance of the previously issued Parity Bonds, with Sections 9 through 25 of the Resolution being equally applicable to all of the Parity Bonds, including the Bonds.

(b) The Parity Bonds and any Additional Bonds, and the interest thereon, are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged to the establishment and maintenance of the Bond Fund and the Reserve Fund as provided in this Resolution.

REVENUE FUND. There has been created and established and there shall be maintained at an official depository of the Issuer (which must be a member of the Federal Deposit Insurance Corporation) a separate fund to be entitled the "North Texas Municipal Water District Muddy Creek Regional Wastewater System Revenue Bonds Revenue Fund" (hereafter called the "Revenue Fund"). All Gross Revenues of the System shall be credited to the Revenue Fund immediately upon receipt.

BOND FUND. For the sole purpose of paying the principal of and interest on all outstanding Parity Bonds and any Additional Bonds, as the same come due, there has been created and established and shall be maintained at the Paying Agent/Registrar, a separate fund to be entitled the "North Texas Municipal Water District Muddy Creek Regional Wastewater System Revenue Bonds Bond Fund" (hereinafter called the "Bond Fund").

RESERVE FUND. There has been created and established pursuant to this Resolution, and there shall be maintained at the Paying Agent Registrar, a separate fund to be entitled the "North Texas Municipal Water District Muddy Creek Regional Wastewater System Revenue Bonds Reserve Fund" (hereinafter called the "Reserve Fund"). The Reserve Fund shall be used solely for the purpose of finally retiring the last of the outstanding Parity Bonds and Additional Bonds, or for paying principal of and interest on any outstanding Parity Bonds and Additional Bonds, when and to the extent the amount in the Bond Fund is insufficient for such purpose.

DEPOSITS OF PLEDGED REVENUES. The Pledged Revenues shall be deposited into the Bond Fund and the Reserve Fund when and as required by this Resolution.

INVESTMENTS. Money in any Fund established pursuant to this Resolution may, at the option of the Issuer be invested in any or all of the authorized investments described in the Public Funds Investment Act, Chapter 2256, Texas Government Code (or any successor statute), in which the Issuer may purchase, sell and invest its funds and funds under its control; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of the 15th day of January of each year. Interest and income derived from such deposits and investments shall be credited to the Fund from which the deposit or investment was made. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or Additional Bonds. No investment of any Fund shall be made in any way which would violate any provision of this Resolution.

FUNDS SECURED. Money in all Funds described in this Resolution, to the extent not invested, shall be secured in the manner prescribed by law, including particularly, the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended, for securing funds of the Issuer.

DEBT SERVICE REQUIREMENTS. The Issuer shall transfer from the Pledged Revenues and deposit to the credit of the Bond Fund the amounts, at the times, as follows:

- (1) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Bond Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Parity Bonds and any Additional Bonds on the next succeeding interest payment date; and
- (2) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Bond Fund and available for such purpose, to pay the principal scheduled to mature and come due, and/or mandatorily required to be redeemed prior to maturity, on the Parity Bonds and any Additional Bonds on the next succeeding principal payment date or mandatory redemption date, if any.

RESERVE REQUIREMENTS. Out of proceeds of the Bonds, there shall be deposited to the credit of the Reserve Fund an amount of money, if any, sufficient to cause the Reserve Fund to contain money and/or investments in market value equal to the average annual principal and interest requirements on all Parity Bonds which will be outstanding immediately after issuance of the Bonds. So long as the money and investments in the Reserve Fund are at least equal to the average annual principal and interest requirements on all then outstanding Parity Bonds and Additional Bonds (the "Required Amount"), no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than said Required Amount in market value, then, subject and subordinate to making the required deposits to the credit of the Bond Fund, the Issuer shall transfer from Pledged Revenues and deposit to the credit of the Reserve Fund, on or before the 25th day of each month, a sum equal to 1/60th of the average annual principal and interest requirements of all then outstanding Parity Bonds, until the Reserve Fund is restored to said Required Amount. So long as the Reserve Fund contains said Required Amount, all amounts in excess of such Required Amount shall, on or before the 10th day prior to each interest payment date, be deposited to the credit of the Bond Fund; and otherwise any earnings from the deposit and investment of the Reserve Fund shall be retained in the Reserve Fund.

DEFICIENCIES. If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose.

EXCESS PLEDGED REVENUES. Subject to making the required deposits to the credit of the Bond Fund and the Reserve Fund, when and as required by this Resolution, or any Resolution authorizing the issuance of Additional Bonds, the excess Pledged Revenues first shall be used to pay the Operation and Maintenance Expenses of the System, and then, subject to paying such Operation and Maintenance Expenses of the System, may be used for any other lawful purpose.

PAYMENT OF PARITY BONDS AND ADDITIONAL BONDS. On or before the last day of each May and of each November hereafter while any of the Parity Bonds or Additional Bonds are outstanding and unpaid, the Issuer shall make available to the paying agents therefor, out of the Bond Fund or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Parity Bonds and Additional Bonds as will accrue or mature on the June 1 or December 1 immediately following.

FINAL DEPOSITS. At such times as the aggregate amount of money and investments in the Bond Fund and the Reserve Fund are at least equal in market value to (1) the aggregate principal amount of all unpaid (unmatured and matured) outstanding Parity Bonds and Additional Bonds, plus (2) the aggregate amount of all unpaid interest, including all unpaid (unmatured and matured) outstanding interest coupons, appertaining to such Parity Bonds and Additional Bonds, no further deposits need be made into the Bond Fund or the Reserve Fund. In determining the amount of such Parity Bonds and Additional Bonds, and unpaid interest appertaining thereto, outstanding at any time, there shall be subtracted and excluded the amount of any such Parity Bonds and Additional Bonds, and unpaid interest appertaining thereto, which shall have been duly called for redemption and for which funds shall have been deposited with the paying agents therefor sufficient for such redemption.

ADDITIONAL BONDS. (a) The Issuer shall have the right and power at any time and from time to time, and in one or more Series or issues, to authorize, issue, and deliver additional parity revenue bonds (herein called "Additional Bonds"), in any amounts, for any lawful purpose of relating to the System, including the refunding of any Parity Bonds or Additional Bonds. Such Additional Bonds, if and when authorized, issued, and delivered in accordance with this Resolution, shall be secured by and made payable equally and ratably on a parity with the Parity Bonds, and all other outstanding Additional Bonds, from a first lien on and pledge of the Pledged Revenues.

(b) The Bond Fund and the Reserve Fund shall secure and be used to pay all Additional Bonds as well as the Parity Bonds. However, each Resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of any other Resolution or Resolutions authorizing Additional

Bonds to be deposited to the credit of the Bond Fund, the Issuer shall deposit to the credit of the Bond Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the average annual principal and interest requirements of all Parity Bonds and Additional Bonds which will be outstanding after the issuance and delivery of the then proposed Additional Bonds; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash immediately after the delivery of the then proposed Additional Bonds, or, at the option of the Issuer, by the deposit of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in monthly installments, made on or before the 25th day of each month following the adoption of the Resolution authorizing the issuance of the then proposed Additional Bonds, of not less than 1/60th of said required additional amount (or 1/60th of the balance of said required additional amount not deposited in cash as permitted above).

(c) All calculations of average annual principal and interest requirements made pursuant to this Section shall be made as of and from the date of the Additional Bonds then proposed to be issued.

(d) The principal of all Additional Bonds must be scheduled to be paid or mature on June 1 of the years in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on December 1 and June 1.

FURTHER REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, Series, or issue of Additional Bonds shall be issued or delivered unless the President and the Secretary of the Board sign a written certificate to the effect that the Issuer is not in default as to any covenant, condition, or obligation in connection with all outstanding Parity Bonds and Additional Bonds, and the Resolutions authorizing same, and that the Bond Fund and the Reserve Fund each contains the amount then required to be therein.

GENERAL COVENANTS. The Issuer further covenants and agrees that:

(a) **PERFORMANCE.** It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and each resolution authorizing the issuance of Additional Bonds, and in each and every Parity Bond and Additional Bond; that it will promptly pay or cause to be paid the principal of and interest on every Bond and Additional Bond, on the dates and in the places and manner prescribed in such resolutions and Parity Bonds or Additional Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Bond Fund and the Reserve Fund; and any holder of the Parity Bonds or Additional Bonds may require the Issuer, its Board, and its officials and employees, to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its Board, and its officials and employees.

(b) **ISSUER'S LEGAL AUTHORITY.** The Issuer is a duly created and existing conservation and reclamation district of the State of Texas pursuant to Article 16, Section 59 of the Texas Constitution, and Chapter 62, Acts of the 52nd Legislature of Texas, Regular Session, 1951, as amended (originally compiled as Vernon's Ann. Tex. Civ. St. Article 8280-141), and is duly authorized under the laws of the State of Texas to create and issue the Parity Bonds; that all action on its part for the creation and issuance of the Parity Bonds has been duly and effectively taken, and that the Parity Bonds in the hands of the holders and owners thereof are and will be valid and enforceable special obligations of the Issuer in accordance with their terms.

(c) **TITLE.** It has or will obtain lawful title to, or the lawful right to use and operate, the lands, buildings, and facilities constituting the System, that it warrants that it will defend, the title to or lawful right to use and operate, all the aforesaid lands, buildings, and facilities, and every part thereof, for the benefit of the holders and owners of the Parity Bonds and Additional Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Bonds and Additional Bonds in the manner prescribed herein, and has lawfully exercised such rights.

(d) **LIENS.** It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or the System, that it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and that it will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Board.

(e) **OPERATION OF SYSTEM.** While the Parity Bonds or any Additional Bonds are outstanding and unpaid it will cause the System to be continuously and efficiently operated and maintained in good condition, repair, and working order, and at a reasonable cost.

(f) **FURTHER ENCUMBRANCE.** While the Parity Bonds or any Additional Bonds are outstanding and unpaid, the Issuer shall not additionally encumber the Pledged Revenues in any manner, except as permitted in this Resolution in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Resolution and any resolution authorizing the issuance of Additional Bonds; but the right of the Issuer and the Board to issue revenue bonds payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) **SALE OF PROPERTY.** While the Parity Bonds or any Additional Bonds are outstanding and unpaid, the Issuer will maintain its current legal corporate status as a conservation and reclamation district, and the Issuer shall not sell, convey, mortgage, or in any manner transfer title to, or lease, or otherwise dispose of the entire System, or any significant or substantial part thereof; provided that whenever the Issuer deems it necessary to dispose of any machinery, fixtures, and equipment, it may sell or otherwise dispose of such machinery, fixtures, and equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined by the Issuer that no such replacement or substitute is necessary.

(h) **INSURANCE.** (1) It will cause to be insured (including self-insurance) such parts of the System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including fire and extended coverage insurance. Public liability and property damage insurance shall also be carried unless the general counsel for Issuer, or the Attorney General of Texas, gives a written opinion to the effect that the Issuer, the Board, and its officers and employees, are not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Issuer shall not be required to carry insurance on the works being constructed, but the contractor shall be required to carry appropriate insurance. All such policies shall be open to the inspection of the Bondholders and their representatives at all reasonable times.

(2) Upon the happening of any loss or damage covered by insurance from one or more of said causes, the Issuer shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Issuer. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the Issuer for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

- (a) for the redemption prior to maturity of the Parity Bonds and Additional Bonds, if any, ratably in the proportion that the outstanding principal of each Series or issue of Parity Bonds or Additional Bonds bears to the total outstanding principal of all Parity Bonds and Additional Bonds; provided that if on any such occasion the principal of any such Series or issue is not subject to redemption, it shall not be regarded as outstanding in making the foregoing computation; or
- (b) if none of the outstanding Parity Bonds or Additional Bonds is subject to redemption, then for the purchase on the open market and retirement of said Parity Bonds and Additional Bonds, in the same proportion as prescribed in the foregoing clause (a), to the extent practicable; provided that the purchase price for any such Parity Bond or Additional Bonds shall not exceed the redemption price of such Parity Bond or Additional Bond on the first date upon which it becomes subject to redemption; or
- (c) to the extent that the foregoing clauses (a) and (b) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at an official depository of the Issuer, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (a) and/or (b) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

(3) The annual audit hereinafter required shall contain a list of all such insurance policies carried, together with a statement as to whether or not all insurance premiums upon such policies have been paid.

(i) **RATE COVENANT.** It will fix, establish, maintain, and collect such rentals, rates, charges, and fees for the use and availability of the System as are necessary to produce Gross Revenues of the System sufficient, together with any other Pledged Revenues, (a) to make all payments and deposits required to be made into the Bond Fund, and to maintain the Reserve Fund, as required by the resolutions authorizing all Parity Bonds and Additional Bonds, and (b) to pay all Operation and Maintenance Expenses of the System.

(j) **RECORDS.** Proper books of record and account will be kept in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the System, the Pledged Revenues, and all Funds described in this Resolution; and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any bondholder.

(k) AUDITS. Each year while any of the Parity Bonds or Additional Bonds are outstanding, an audit will be made of its books and accounts relating to the System and the Pledged Revenues by an independent certified public accountant or an independent firm of certified public accountants.

(l) GOVERNMENTAL AGENCIES. It will comply with all of the terms and conditions of any and all agreements applicable to the System and the Parity Bonds or Additional Bonds entered into between the Issuer and any governmental agency, and the Issuer will take all action necessary to enforce said terms and conditions; and the Issuer will obtain and keep in full force and effect all franchises, permits, and other requirements necessary with respect to the acquisition, construction, operation, and maintenance of the System.

(m) CONTRACTS WITH PARTICIPANTS. It will comply with the terms and conditions of the Contract, including any contracts with Additional Participants, and will cause the Participants to comply with all of their obligations thereunder by all lawful means; and the Issuer agrees to prepare an annual budget as required by the Contract.

AMENDMENT OF RESOLUTION. (a) The holders or owners of Parity Bonds and Additional Bonds aggregating 51% in principal amount of the aggregate principal amount of then outstanding Parity Bonds and Additional Bonds shall have the right from time to time to approve any amendment to this Resolution or any resolution authorizing the issuance of Additional Bonds, which may be deemed necessary or desirable by the Issuer, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in said resolutions or in the Parity Bonds or Additional Bonds so as to:

- (1) Make any change in the maturity of the outstanding Parity Bonds or Additional Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Parity Bonds or Additional Bonds;
- (3) Reduce the amount of the principal payable on the outstanding Parity Bonds or Additional Bonds;
- (4) Modify the terms of payment of principal of or interest on the outstanding Parity Bonds or Additional Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the holders of less than all of the Parity Bonds and Additional Bonds then outstanding;
- (6) Change the minimum percentage of the principal amount of Parity Bonds and Additional Bonds necessary for consent to such amendment.

(b) If at any time the Issuer shall desire to amend a resolution under this Section, the Issuer shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, or in the City of Austin, Texas, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Paying Agent for each Series of Parity Bonds and Additional Bonds for inspection by all holders of Parity Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each holder of Parity Bonds and Additional Bonds.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of notice or other service of written notice the Issuer shall receive an instrument or instruments executed by the holders or owners of at least 51% in aggregate principal amount of all Parity Bonds and Additional Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Issuer may adopt the amendatory resolution in substantially the same form.

(d) Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, the resolution being amended shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Issuer and all the holders or owners of then outstanding Parity Bonds and Additional Bonds and all future Additional Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

(e) Any consent given by the holder or owner of a Parity Bond or Additional Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders or owners of the same Parity Bond or Additional Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the holder or owner who gave such consent, or by a successor in title, by filing notice thereof with each Paying Agent for each Series of Parity Bonds and Additional Bonds, Texas, and the Issuer, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the then outstanding Parity Bonds and Additional Bonds as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of this Section, the fact of the holding of Parity Bonds or Additional Bonds in bearer, coupon form by any holder thereof and the amount and numbers of such Parity Bonds and Additional Bonds, and the date of their holding same, may be provided by the affidavit of the person claiming to be such holder, or by a certificate executed by any trust company, bank, banker, or any other depository wherever situated showing that at the date therein mentioned such person had on deposit with such trust company, bank, banker, or other depository, the Parity Bonds or Additional Bonds described in such certificate. The ownership of all registered Parity Bonds and Additional Bonds shall be ascertained by the registration books pertaining thereto kept by the registrar. The Issuer may conclusively assume that such holding or ownership continues until written notice to the contrary is served upon the Issuer.

DEFEASANCE OF BONDS. (a) Each of the Bonds, including the Initial Bond and each of the other Bonds (as hereinbefore defined), and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues as provided in this Resolution, and such principal and interest shall be payable solely from such money or Government Obligations.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer.

(c) The term "Government Obligations" as used in this Section shall mean (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

(d) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Resolution.

DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) Replacement Bonds. In the event any outstanding Bonds or Bond authorized by this Resolution is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner applying for a replacement bond shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the registered owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall

constitute a contractual obligation of the Issuer whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Bonds duly issued under this Resolution.

(e) Authority for Issuing Replacement Bonds. In accordance with Chapter 1201, Texas Government Code, this Section of this Resolution shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 6(d) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

COVENANTS REGARDING TAX-EXEMPTION. (a) Covenants. The Issuer covenants to refrain from any action which would adversely affect, or to take such action to assure, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

- (1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code, or if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;
- (2) to take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds five percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of five percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;
- (3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or five percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is, directly or indirectly, used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;
- (4) to refrain from taking any action that would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;
- (5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;
- (6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with --
 - (A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the Bonds are issued,
 - (B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and
 - (C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Bonds;
- (7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage), section 149(g) of the Code (relating to hedge bonds),
- (8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings): and

- (9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

For purposes of the foregoing, the Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds.

(b) Compliance with Code. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs its President, Executive Director, Deputy Director-Administrative Services and Assistant Deputy-Finance to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds. The Issuer covenants to comply with the covenants contained in this section after defeasance of the Bonds.

(c) Rebate Fund. In order to facilitate compliance with the above covenant (a)(9), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation, the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(d) Written Procedures. Unless superseded by another action of the Issuer to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitrage and rebate, the Issuer hereby adopts and establishes the instructions attached hereto as Exhibit A as their written procedures applicable to Bonds issued pursuant to the Contract.

ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT. The Issuer covenants to account for the expenditure of Bond proceeds and investment earnings to be used for the construction or acquisition of the property constituting the projects financed or refinanced with proceeds of the sale of the Bonds on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made or (2) such construction or acquisition is completed. The foregoing notwithstanding, the Issuer shall not expend proceeds of the Bonds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds or (2) the date the Bonds are retired, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest on the Bonds.

DISPOSITION OF PROJECT. The Issuer covenants that the property constituting the projects financed or refinanced with proceeds of the Bond will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bond. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest on the Bond.

SUMMARY OF CERTAIN PROVISIONS OF THE MUDDY CREEK REGIONAL WASTEWATER SYSTEM CONTRACT WITH THE CITIES OF WYLIE AND MURPHY

The District entered into contracts, dated May 27, 1999 (together with any similar contracts with Additional Participants, collectively the "Contract"), with the Cities of Wylie and Murphy, Texas (together with any Additional Participants, the "Participants"), which provide for the acquisition, construction, improvement, operation and maintenance, of a Regional Wastewater System (the "System"). Pursuant thereto the District has accepted the responsibility of providing facilities to adequately receive, transport, treat and dispose of the Participants' wastewater. Capitalized terms used in this Section shall have the meanings assigned to them in the Contract. Pertinent provisions of the Contract are as follows:

Facilities and Initial Contract. In order to provide services for receiving, transporting, treating, and disposing of Wastewater for Participants, the District will use its best efforts to design, acquire, construct, and complete the System, as generally described in the Engineering Report with respect to Wylie and Murphy, and as generally described in appropriate additional engineering reports hereafter to be obtained with respect to any Participant and will operate and maintain the System, and from time to time enlarge, improve, repair, replace, and/or extend the System to provide service to the Participants. The District shall obtain and hold in its name all required discharge permits from the appropriate Federal and State agencies, and each Participant shall assist the District in obtaining same. The District shall provide, manage, operate, and maintain the System in such manner as it determines is necessary for providing adequate, efficient, and economical service to Participants, and shall have the right to provide single plants, multiplants, or combine two or more plants, and to use or discontinue the use of any facilities of the System as the District deems necessary.

Discharge. In consideration of the payments to be made under its respective contract with the District, each of the Participants have and shall have the right to discharge all of its Wastewater from its respective sewer system into the District's System, provided that such Wastewater meets the requirements for quantity and quality as set forth in its respective contracts with the District; and further provided that, as to Wastewater from areas not currently being served by the Plant, the District is able to obtain permits for the treatment and discharge of such quantity and quality of Wastewater and that discharge of such Wastewater to the System may be made only after notice by the District that it is ready to receive the same pursuant to the Contract.

Points of Entry. Each Participant may discharge all such Wastewater generated from such Participant's sewer system into the designated Point or Points of Entry for such Participant.

Conveyance to Point of Entry. It shall be the sole responsibility of each Participant to transport, or cause to be transported, at no cost to the other Participants, its Wastewater to its Point or Points of Entry.

Quantity at Points of Entry. (a) The quantity of Wastewater conveyed to the Point or Points of Entry shall be metered by the District and the total annual contributing flow of Wastewater received during any Fiscal Year shall be used to determine each Participant's Annual Payment and the Basic Charge for service as set forth in Article V; (b) the maximum discharge rate is defined as a rate in million gallons per day (MGD), exceeded for a period of sixty minutes, which, if continued over a period of 24 hours, would be equal to 3.50 times the Participant's average daily flow during that Fiscal Year; and (c) any Participant exceeding the maximum discharge rate shall have a surcharge applied to the next Fiscal Year's Annual Payment equal to 1% of the Annual Payment in that Fiscal Year for each 1/10th that the ratio of the maximum discharge to the average daily flow exceeds 3.50.

Quality. Each Participant agrees to limit discharge into the District's System to Wastewater that complies with quality requirements the District finds it necessary from time to time to establish in order to meet standards imposed by regulatory agencies having appropriate jurisdiction or to protect the water quality for water supply purposes. No discharge shall be made into the System which would cause the District to violate any permit granted, or any rule or regulation promulgated, by any State or Federal agency having jurisdiction over the District. Each Participant specifically covenants that it will enact and enforce procedures which will prohibit or prevent customers of its sewer system from making any discharge which would cause such Participant to violate the provisions of the Contract or any applicable State or Federal permit, law, rule, or regulation. To enable the highest degree of treatment in the most economical manner possible, certain solids, liquids, and gases have been and are hereby prohibited from entering the System, either absolutely or in excess of established standards, and the prohibited discharges will be listed and furnished to all Participants, with a minimum of sixty days of notice before the effective date thereof.

Financing. The District will issue its Bonds, in amounts and at times as determined by the District, to provide the System.

Annual Requirement. It is acknowledged and agreed that payments to be made under the Contract will be the only source available to the District to provide the Annual Requirement; and that the District has a statutory duty to establish and from time to time to revise the charges for services to be rendered and made available to Participants hereunder so that the Annual Requirement shall at all times be not less than an amount sufficient to pay or provide for the payment of:

- (a) An "Operation and Maintenance Component" equal to the amount paid or payable for all Operation and Maintenance Expense; and

(b) A "Bond Service Component" equal to:

- (1) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds if permitted by any Bond Resolution; and
- (2) during each Fiscal Year, the proportionate part of any special or reserve funds required to be established and/or maintained by the provisions of any Bond Resolution; and
- (3) an amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of any Bond Resolution; and
- (4) the charges of paying agents and registrars for paying principal of, redemption premium, if any, and interest on, all Bonds, and for registering and transferring Bonds.

Payments By Participants. (a) For services to be rendered to each Participant by the District under the Contract and other similar contracts, if any, each Participant has agreed to pay, at the time and in the manner hereinafter provided, its proportionate share of the Annual Requirement, which shall be determined as hereafter described and shall constitute a Participant's Annual Payment or Adjusted Annual Payment. For the Fiscal Year beginning on October 1, 1999, and for each Fiscal Year thereafter each Participant's proportionate share of the Annual Requirement shall, subject to the subsequent provisions hereof, be a percentage obtained by dividing such Participant's estimated contributing flow to the System for the next succeeding Flow Year or portion thereof by the total estimated contributing flow to the System by all Participants during such Flow Year or portion thereof. The calculation of each Annual Payment as determined herein, and each Adjusted Annual Payment, shall be determined as provided in this Section. The terms "contributing flow to the System" and "contributing flow" as used in the Contract with respect to any Flow Year, commencing with the Flow Year beginning August 1, 1999, shall mean the greater of (i) the actual metered contributing flow of a Participant or (ii) the minimum annual contributing flow for which a Participant has agreed to pay, which minimum annual contributing flow for Wylie and Murphy are as follows:

Wylie	400,000 gallons per day
Murphy	200,000 gallons per day

Each Participant's Annual Payment shall be calculated by the District by multiplying such Participant's estimated percentage of the estimated total contributing flow times the Annual Requirement. Each Participant's Annual Payment shall be made to the District in monthly installments, on or before the twentieth (20th) day of each month, for its required part of the Annual Requirement for each Fiscal Year, commencing with the Fiscal Year beginning October 1, 1999. Such payments shall be made in accordance with a Schedule of Payments for each Fiscal Year which will be supplied to each Participant. At the close of the Fiscal Year which commenced on October 1, 1999, and for each Fiscal Year thereafter, the District shall redetermine each Participant's percentage by dividing each Participant's contributing flow to the System by the total contributing flow of all Participants. Each Participant's Adjusted Annual Payment shall be calculated by multiplying each Participant's redetermined percentage times the Annual Requirement. The difference between the Adjusted Annual Payment and the Annual Payment, if any, when determined, shall be applied as a credit or a debit to each Participant's account with the District and shall be credited or debited to such Participant's next subsequent monthly payment or payments.

(b) If a Participant fails to pay its monthly charge on or before the twentieth (20th) day of any month, it shall incur and pay a penalty of fifteen percent of the amount due together with any legal or other costs incurred by the District in collecting the amount due. The District is authorized to discontinue service to any Participant which fails to make any monthly payment, and which, after written notice, does not make such payment.

(c) If, during any Fiscal Year, the District begins providing services to an Additional Participant, each Participant's Annual Payment for such Fiscal Year shall be redetermined consistent with the provisions of the Contract.

(d) Each Participant's Annual Payment also shall be adjusted and redetermined for the balance of any applicable Fiscal Year, consistent with the provisions of the Contract, and initially based on estimated contributing flow, at any time during any Fiscal Year if:

- (i) Additions, enlargements, repairs, extensions, or improvements to the System are placed in service by the District which require an increase and redetermination of the Annual Requirement; or
- (ii) Unusual or extraordinary expenditures for operation and maintenance of the System are required which are not provided for in the Annual Budget or in a Bond Resolution; or
- (iii) A Participant's contributing flow to the System, after the beginning of the Flow Year, is estimated to be substantially different from that on which Annual Payments are based as determined by the District, to the extent that such difference in flow will substantially affect such Participant's Budget, and consequently such Participant's Annual Payment to the District; or

- (iv) The District issues additional Bonds, the payments in connection with which require an increase and redetermination of the Annual Requirement; or
 - (v) It appears to the District that for any other reason it will not receive the full amount of the Annual Requirement unless such adjustment and redetermination are made.
- (e) The District shall give all Participants at least 21 days written notice prior to consideration by the Board of Directors of the District of making any Adjusted Annual Payment for any Participant during any Fiscal Year.
- (f) The Annual Payment set forth in this section shall be considered the Basic Charge for service hereunder, and each Participant shall pay a surcharge for excess BOD and/or SS as provided in Section 4.02, and for excessive discharge in the manner set forth in Section 3.04(c).
- (g) The District shall establish and maintain a separate fund entitled the "Muddy Creek Contingency Fund." The Contingency Fund shall be used solely for the purpose of paying unexpected or extraordinary Operation and Maintenance Expenses of the System for which funds are not otherwise available under the Contract. The Contingency Fund shall initially be funded, and any subsequent deficiency shall be restored, with amounts included as Operation and Maintenance Expenses in the Annual Budget, not to exceed \$3,000 for any Fiscal Year, up to a maximum of \$15,000. So long as the Contingency Fund contains money and investments not less than \$15,000 in market value, any surplus in the Contingency Fund shall be applied and credited towards the payment of Operation and Maintenance Expenses.
- (h) The facilities and services of the System to be provided to each Participant pursuant to the Contract are and will be essential and necessary to the operation of such Participant's combined waterworks and sanitary sewer system, and all payments to be made hereunder by each Participant will constitute reasonable and necessary "operating expenses" of such Participant's combined waterworks and sanitary sewer system, within the meaning of Section 30.030, Texas Water Code, as amended, and Article 1113, Vernon's Texas Civil Statutes (now Section 1502.056(c), Texas Government Code), and the provisions of all ordinances authorizing the issuance of all waterworks and sanitary sewer system revenue bond issues of such Participant, with the effect that such Participant's obligation to make payments from its waterworks and sanitary sewer system revenues under the Contract shall have priority over its obligations to make payments of the principal of and interest on any and all of its waterworks and sanitary sewer system revenue bonds. Each Participant agrees to fix and collect such rates and charges for waterworks and sanitary sewer system services to be supplied by its waterworks and sanitary sewer system as will make possible the prompt payment of all expenses of operating and maintaining its entire waterworks and sanitary sewer system, including all payments, obligations, and indemnities contracted hereunder, and the prompt payment of the principal of and interest on its bonds payable from the net revenues of its waterworks and sanitary sewer system. The District shall never have the right to demand payment of the amounts due under the Contract from funds raised or to be raised from taxation by a Participant. Each Participant's payments under the Contract shall be made pursuant to the authority granted by Section 30.030, Texas Water Code, as amended, and Article 1113, Vernon's Texas Civil Statutes (now Section 1502.056(c), Texas Government Code). Recognizing the fact that the Participants urgently require the facilities and services covered by the Contract, and that such facilities and services are necessary for actual use and for stand-by purposes; and further recognizing that the District will use the payments received from the Participants hereunder to pay, secure, and finance the issuance of its Bonds, it is hereby agreed that the Participants shall be obligated unconditionally, and without offset or counterclaim, to make the payments designated as the "Bond Service Component" of the Annual Requirement, in the manner provided in the Contract, regardless of whether or not the District actually provides such facilities and services, or whether or not any Participant actually receives or uses such facilities and services, and regardless of the validity or performance of the other parts of this or any other contract, and such "Bond Service Component" shall in all events be applied and used for providing debt service and other requirements of the Bonds, and the holders of the Bonds shall be entitled to rely on the foregoing agreement and representation, regardless of any other agreement between the District and the Participants. Each Participant further agree that it shall be obligated to make the payments designated as the "Operation and Maintenance Component" of the Annual Requirement as described in Section 5.02 of the Contract, so long as the District is willing and able to provide the facilities and services contemplated hereunder to any Participant.
- (i) On or before August 1 of each year, commencing August 1, 1999, the District will furnish each Participant with a tentative budget and an estimated schedule of monthly payments to be made by such Participant for the ensuing Fiscal Year. On July 1 of each year, commencing July 1, 1999, the District shall be in a position to furnish any Participant an estimate of the Participant's annual requirement. On or before October 1 of each year, commencing October 1, 1999, the District shall furnish such Participant with a finalized schedule of the monthly payments to be made by such Participant to the District for the ensuing Fiscal Year. Each Participant agrees that it will make such payments to the District on or before the twentieth (20th) day of each month of such Fiscal Year. If any Participant shall dispute the Annual Budget, and proceed as provided in Article VII, such Participant nevertheless promptly shall make the payment or payments determined by the District, and if it is subsequently determined by agreement that such disputed payments made by such Participant should have been less, the District shall promptly revise, reallocate, and readjust the charges among all Participants then being served by the District in such manner that such Participant will recover its overpayment. In the event any Participant is assessed a surcharge for excess BOD and/or SS, the District will bill such Participant for such surcharge on or before the tenth (10th) day of the month following the determination of the surcharge and such Participant shall pay such surcharge on or before the twentieth (20th) day of the month of receipt of any such bill. Any such surcharge collected by the District shall be applied by the District against the total cost of Operation and Maintenance Expense of the System.

(j) If any Participant's Annual Payment is redetermined as is herein provided, the District will promptly furnish such Participant with an updated schedule of monthly payments reflecting such redetermination.

(k) All interest income earned by the investment of any Funds created pursuant to any Bond Resolution shall be credited towards the payment of the Bond Service Component and taken into account in determining the Annual Requirement; except that as to any Acquisition or Construction Fund created from any Bond proceeds all interest income earned by the investment thereof may, at the option of the District, be credited to such Acquisition or Construction Fund and used for the System purposes for which the Bonds are issued, or be credited towards the payment of the Bond Service Component.

Annual Budget. (a) Not less than sixty (60) days before the commencement of each Fiscal Year while the Contract, is in effect, the District shall cause its tentative budget for operation and maintenance of the System for the ensuing Fiscal Year to be prepared and a copy thereof filed with each Participant. If no protest or request for a hearing on such tentative budget is presented to the District within thirty (30) days after such filing of the tentative budget by one or more Participants, the tentative budget for the System, when adopted by the District's Board of Directors, shall be considered for all purposes as the "Annual Budget" for the ensuing Fiscal Year. But if a protest or request for a hearing is duly filed, it shall be the duty of the District to fix the date and time for a hearing on the tentative budget. The Board of Directors of the District shall consider the testimony and showings made in such hearing. The Board of Directors of the District may adopt the budget or make such amendments thereof as to it may seem proper. The budget thus approved by the Board of Directors of the District shall be the Annual Budget for the next ensuing Fiscal Year.

(b) The Annual Budget may be amended to provide for transfers of budgeted funds between expenditure accounts, provided however that said transfers do not result in an overall increase in budgeted funds as provided in the Annual Budget. The Annual Budget may be amended and increased through formal action by the Board of Directors of the District, if required. Certified copies of any amended Annual Budget and the resolution authorizing same shall be filed immediately by the District with each Participant.

Other Use of System. Nothing contained in the Contract shall in any way affect any payments to the District by a Participant or rates charged by the District to such Participant for the providing of water, wastewater or other services or facilities pursuant to other contractual relationships between the District and such Participant.

Annual Audit of System. The District shall, at the close of each Fiscal Year, commencing with the fiscal year beginning October 1, 1999, cause an annual audit of the System to be prepared.

District Contracts with Additional Participants. (a) The District reserves the right to contract with subsequent Additional Participants to provide the services of the System to such Additional Participants; provided that the terms and provisions of such contracts with Additional Participants shall be, to the extent practicable and applicable, the same as the terms and provisions of the Contract except that with respect to any Local Wastewater Facilities of such Additional Participant which are to be acquired, operated, or used by the District as a part of the System as a result of such contract, the District and the Additional Participant may agree in such contract for mutually acceptable payments in connection therewith from Bond proceeds or as an Operation and Maintenance Expense of the System (provided that in any formula used for determining such payments, the value attributed to such Local Wastewater Facilities shall not exceed a sum equal to the principal amount of all then outstanding bonds or other obligations issued by the Additional Participant to acquire and construct such Local Wastewater Facilities), and except that such contract shall provide for payments calculated on the basis of adequate minimum flows as hereinafter provided. The District shall not enter into contracts for any services by the System except with persons which become Additional Participants, or as otherwise provided in the Contract.

(b) A Person may become an Additional Participant in the following manner and under the following conditions;

- (i) A formal request must be submitted to the District furnishing information on the area to be served, a description of existing facilities, and the latest annual audit of such proposed Additional Participant's waterworks and/or sewer systems, if any.
- (ii) Such proposed Additional Participant must provide funds for any necessary engineering studies if funds are not available from the appropriate Federal or State agencies. The preliminary studies must determine or estimate, for the ensuing five year period, the size and type of any proposed facilities, their estimated cost, and estimated flows of Wastewater, so as to enable the District to ascertain or estimate the requirements of the proposed Additional Participant for the ensuing five year period.
- (iii) After all preliminary data is developed, the Board of Directors of the District shall call a hearing and notify all Participants to review the request of the proposed Additional Participant. The Board of Directors of the District then shall determine if the proposed Additional Participant shall become a Participant.

(c) Each Additional Participant must agree to make minimum payments under its contract, on the basis of estimated annual minimum flows, that would provide amounts annually at least sufficient, as determined by the District, to pay:

- (i) all of the annual Operation and Maintenance Component of the Annual Requirement which is attributable to any Local Wastewater Facilities of such Additional Participant which are to be acquired, operated, used, or improved by the District as part of the System and any other new and additional facilities of the System provided and designated by the District to serve such Participant, less any amount thereof attributable to the use of any part of said facilities for the benefit of any other Participant; and
- (ii) an amount (to be credited and applied to the Bond Service Component of each Annual Requirement), at least equal to:
 - (A) all of that part of the Bond Service Component of each future Annual Requirement attributable to Bonds issued to acquire or improve any existing Local Wastewater Facilities of such Additional Participant to be a part of the System, and all Bonds issued to provide any other new and additional facilities for the System to serve such Additional Participant, plus
 - (B) a percentage of the Bond Service Component of each future Annual Requirement for all then outstanding Bonds equal to the then estimated percentage of use by such proposed Additional Participant of any portion of the then existing System; and
- (iii) an annual amount (to be credited to the Bond Service Component of the Annual Requirement and/or to the Operation and Maintenance Component of the Annual Requirement, at the option of the District) as estimated and determined by the District to equalize the previous capital cost (including the cost of previously constructed excess capacity) of facilities to be used to provide service to the Additional Participant.

Additional Capacity and Facilities. As the responsible agency for the establishment, administration, management, operation, and maintenance of the System, the District will, from time to time, determine when and to what extent it is necessary to provide additions, enlargements, improvements, repairs, and extensions to the System to receive, transport, treat, and dispose of Wastewater of any Participants, including all Additional Participants, and to issue its Bonds to accomplish such purposes, and all Participants, including Additional Participants, shall be obligated to pay both the Operation and Maintenance Component and the Bond Service Component included in the Annual Requirement with respect to the entire System, as expanded, as provided in Section 5.03 of the Contract; provided that this Section shall not be construed so as to reduce or alter the requirements of Section 8.02 of the Contract with respect to minimum payments.

Term of Contract. The Contract shall continue in force from the effective date hereof at least until all Bonds, including any Bonds issued to refund same, shall have been paid in full; and shall also remain in force thereafter throughout the useful life of the System.

INVESTMENTS

The District invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the Board of Directors of the District. Both State law and the District's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits or (ii) where (a) the funds are invested by the District through a depository institution that has a main office or branch office in the State and that is selected by the District; (b) the depository institution selected by the District arranges for the deposit of funds in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (d) the depository institution acts as a custodian for the District with respect to the certificates of deposit; and (e) at the same time that the certificates of deposit are issued, the depository institution selected by the District receives deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the funds invested by the District through the depository institution selected under clause (ii)(a) above (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest District funds without express written authority from the Board of Directors.

ADDITIONAL PROVISIONS . . . Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or Resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or Resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the District Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

TABLE 4 - CURRENT INVESTMENTS

As of December 31, 2023, investable funds of the District's Muddy Creek Regional Wastewater System were invested as follows:

Description	Percent ⁽¹⁾	Market Value	Book Value
FHLB NOTE	7.27%	\$ 745,766	\$ 754,680
FHLMC NOTE	3.18%	326,665	329,995
FNMA NOTE	0.27%	28,053	28,038
Treasury Bill	2.39%	245,433	245,264
Treasury Note	4.24%	435,545	435,786
State Pools	82.64%	8,479,245	8,479,245
	100.00%	<u>\$ 10,260,707</u>	<u>\$ 10,273,010</u>

(1) Based Upon Market Value.

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof, ("Existing Law") (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See APPENDIX C - Form of Bond Counsel's Opinion.

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate, (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds. Further, no assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Bonds (the "Original Issue Discount Bonds") may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owners of interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds, although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

OTHER INFORMATION

RATINGS

The Bonds and the Outstanding Bonds are rated "A1" by Moody's Investors Service Inc. and "AA" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations, and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds (See "BOND INSURANCE – Claims Paying Ability and Financial Strength of Municipal Bond Insurers" and " – Bond Insurance Risk Factors" for a description of the current state of the financial guaranty insurance industry and information regarding downgrading and negative changes to the rating outlook of multiple financial guaranty insurers).

LITIGATION

The District is a party to various claims and lawsuits arising in the normal course of District operations. However, to the knowledge of the District, there is no pending, or to its knowledge threatened, litigation or other proceeding against the District that could have a material adverse financial impact upon the District or its operations.

At the time of the initial delivery of the Bonds, the District will provide the Initial Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of said Bonds.

CYBERSECURITY

In November 2023, the District detected a ransomware incident affecting its business computer network and phone system. The business computer network and phone system were promptly restored, and the District's employees continued working through the event. The District's core water, wastewater, and solid waste services were not impacted by the incident, and the District continued to provide such services to its communities without interruption. The District did not pay a ransom.

The District promptly engaged third-party forensic specialists who are actively investigating the extent of any unauthorized activity, including a review of any potentially impacted District data and whether any personally identifiable information was compromised. The District has reported the incident to all required parties, including State and federal agencies. To the District's knowledge and belief, the cybersecurity incident did not have a material adverse effect on its operations or financial condition. However, the District cannot predict the likelihood of future cyber security incidents or whether such incidents could have a materially adverse effect on the operations or financial condition of the District.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041, Texas Government Code, provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" above. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with a capital of one million dollars or more, and savings and loan associations. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, provides that the Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The District will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, a copy of which opinion is attached to this Official Statement as Appendix C. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Bond Resolution. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from District and Participants records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreements for the benefit of the holders and beneficial owners of the Bonds. Under the agreement the District has agreed to provide or cause to be provided with respect to itself and each Significant Obligated Person certain updated financial information and operating data annually and the District will be obligated to provide timely notice of certain events. For purposes of such agreement, the "Significant Obligated Person" means any Participant, or Additional Participant, or other party contracting with the District whose payments to the District for use of or service from the System in the calendar year preceding any such determination exceeded 10% of the Gross Revenues of the System. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Market Access ("EMMA") system.

ANNUAL REPORTS . . . The District will provide or cause each Significant Obligated Person to provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under tables numbered 1 through 4 and all quantitative financial information and operating data with respect to each Significant Obligated Person of the general type included in Appendix B to this Official Statement. The District will provide, or cause each Significant Obligation Person to provide, this information within 6 months after the end of each fiscal year ending in and after 2024. The District will additionally provide or cause to be provided audited financial statements for each Significant Obligated Person when and if available, and unaudited financial statements within 12 months after fiscal year end, unless audited financial statements have been provided sooner. Any such financial statements will be prepared in accordance with general accepted accounting principles or such other accounting principles or the Significant Obligated Persons may be required to employ from time to time pursuant to State law or regulation. The District or a Significant Obligated Person may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission (the "SEC").

Each Significant Obligated Person's current fiscal year end is September 30. Accordingly, updated information included in the above-referenced tables and Appendix B must be provided by March 31 in each year, and audited financial statements for the preceding fiscal year must be provided by September 30 of each year, unless the District or a Significant Obligated Person changes its respective fiscal year. If such Significant Obligated Person changes its fiscal year, the District will notify or cause such Significant Obligated Person to notify the MSRB of the change. If the District or Significant Obligated person fails to provide updated information as described above, the District will provide, or cause the Significant Obligated Person to provide timely notice of the failure to the MSRB.

NOTICE OF CERTAIN EVENTS . . . The District will also provide, or cause a Significant Obligated Person to provide, timely notices of certain events to the MSRB. The District will provide notice (not in excess of ten (10) business days after the occurrence of the event) of any of the following events with respect to the Bonds: (1) Principal and interest payment delinquencies; (2) Non-payment related defaults, if material; (3) Unscheduled draws on debt service reserves reflecting financial difficulties; (4) Unscheduled draws on credit enhancements reflecting financial difficulties; (5) Substitution of credit or liquidity providers, or their failure to perform; (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability,

Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security; (7) Modifications to the rights of security holders, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution or sale of property securing repayment of the securities, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the District, or a Significant Obligated Person; (13) the consummation of a merger, consolidation, or acquisition involving the District, or a Significant Obligated Person, or the sale of all or substantially all of the assets of the District, or a Significant Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation, as defined by the Rule, of the District or a Significant Obligated Person (which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District or a Significant Obligated Person any of which affect security holders, if material; (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District or a Significant Obligated Person, any of which reflect financial difficulties.

AVAILABILITY OF INFORMATION . . . The District and each Significant Obligated Person have agreed to provide the foregoing information to the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The District has agreed to update, or cause each Significant Obligated Person to update, information and to provide or cause the Significant Obligated Person to provide notices of events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its or any Significant Obligated Person's financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the respective Significant Obligated Person, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the Parity Bonds consent to the amendment or (b) any person unaffiliated with the District or the Significant Obligated Person (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, the District has agreed to include or cause the Significant Obligated Person to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the District believes it has complied in all material respects with its previous continuing disclosure undertakings, entered into pursuant to the Rule, except as follows:

In its Buffalo Creek Wastewater Interceptor System Contract Revenue Refunding Bonds, Series 2012, Buffalo Creek Wastewater Interceptor System Contract Revenue Refunding and Improvement Bonds, Series 2019, and Buffalo Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2020, the District agreed that it would provide or cause the Significant Obligated Person to provide certain updated financial information and operating data annually to the MSRB, which information would include audited financial statements, provided an audit is commissioned and the audit is completed in time. The District further agreed that if audited financial statements were not available by the required time, the District would provide or cause to be provided unaudited financial statements within the required time, which is six months after the end of each fiscal year of the Significant Obligated Person (March 31 in each year) and would provide or cause to be provided audited financial statements when and if such audited financial statements became available. For fiscal years ending 2018-2022, the City of Rockwall, Texas, filed its audited financial statements after the March 31 deadline in each year. In addition, with respect to the Series 2012, 2019 and 2020 Bonds, the City of Heath did not timely file its audited financial statements for fiscal year ended 2019 and 2022 by the March 31 deadline. The District filed certain financial information of the type included in Appendix C of the official statements, and unaudited financial statements for the City of Heath for fiscal year 2022 by the required time.

In addition, in connection with its North Texas Municipal Water District Water Transmission Facilities Contract Revenue Refunding Bonds (City of Terrell Project), Series 2014, the District agreed that it would provide or cause the City of Terrell (the "City") to provide certain updated financial information and operating data annually to the MSRB, including audited financial statements for the District and the City when and if available, and unaudited financial statements within 12 months after fiscal year end, unless audited financial statements have been provided sooner. The City did not file audited or unaudited financial statements for fiscal year ended 2020 within 12 months after the end of its fiscal year, but audited financial statements were filed when they became available.

FINANCIAL ADVISOR

HilltopSecurities serves as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

The Financial Advisor to the District has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid of _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on page 2 of the Official Statement at a price of par plus a cash premium (if any) of \$ _____. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser of the Bonds. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the Initial Purchaser will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District.

The Resolution authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Initial Purchaser.

NORTH TEXAS MUNICIPAL WATER DISTRICT

/s/ _____
JENNAFER P. COVINGTON
Executive Director/General Manager

APPENDIX A

EXCERPTS FROM THE
NORTH TEXAS MUNICIPAL WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the North Texas Municipal Water District Comprehensive Annual Financial Report for the Year Ended September 30, 2023, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITOR'S REPORT

*Members of the Board of Directors
North Texas Municipal Water District
City of Wylie, Texas*

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of each major fund and the aggregate remaining fund information for the North Texas Municipal Water District (the District), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the District, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Money-Weighted Rate of Return – Retirement Plan, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of NTMWD Contributions and Money-Weighted Rate of Return - OPEB* on pages 5-10, 63, 66, 67, 68, 71 and 72, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2024, on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and looping, and the "LLP" being written in a more straightforward, blocky style.

Crowe LLP

Plano, Texas
February 8, 2024

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (Unaudited)

As management of the North Texas Municipal Water District ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District as of and for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished with our letter of transmittal, which can be found in the Introductory section of this report.

Financial Highlights

As of September 30, 2023:

- Total assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$2.11 billion.
- The District's total net position increased approximately \$154 million, or 7.90 percent.
- During the year, the District's total revenues increased by approximately \$92 million or 13.63 percent, and total expenses increased by approximately \$110 million, or 24.38 percent.
- The District issued \$29 million in revenue bonds for various projects and to refinance outstanding debt to take advantage of favorable interest rates.
- Construction of the Bois d'Arc Lake, Leonard Water Treatment Plant (WTP), Wylie WTP II Improvements, Sister Grove Wastewater Treatment Plant (WWTP) and various other WWTP improvements led the way in capital expenditures totaling over \$240 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of two components: 1) fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information intended to furnish additional detail to support the basic financial statements.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the District can be divided into two categories: Proprietary Funds and Fiduciary Funds.

Proprietary Funds. The District maintains two different types of proprietary funds: enterprise funds and internal service funds.

Enterprise Funds. An enterprise fund is used to report the functions that are business-type activities. The District reports five major enterprise funds: Water, Regional Wastewater, Sewer, Solid Waste and Interceptor.

Internal Service Funds. Internal service funds are used to accumulate and allocate costs internally amongst the District's various systems. The District uses internal service funds to account for its administrative support services, maintenance services, technical services, inspectors revenue, information technology support services, and insurance benefits to District employees, participating dependents, and eligible retirees.

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 12 through 19 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources that are under the District's control, but are for the benefit of parties outside the District. The District's pension and OPEB trust are reported under the fiduciary funds. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 20 through 21 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found starting on page 22 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplemental information can be found beginning on page 63 of this report.

North Texas Municipal Water District's Net Position

	As of September 30			
	2023	2022	Increase/ (Decrease)	Percent Change
ASSETS:				
Current assets - unrestricted	\$ 272,159,938	\$ 266,431,610	\$ 5,728,328	2.2%
Current assets - restricted	91,080,914	73,060,923	18,019,991	24.7%
Noncurrent assets - restricted	964,980,541	1,150,733,862	(185,753,321)	-16.1%
Capital assets-net	5,384,491,490	5,081,560,687	302,930,803	6.0%
Total assets	6,712,712,883	6,571,787,082	140,925,801	2.1%
Total deferred outflows of resources	76,305,470	41,433,734	34,871,736	84.2%
Total assets and deferred outflows of resources	6,789,018,353	6,613,220,816	175,797,537	2.7%
LIABILITIES:				
Long-term liabilities outstanding	4,145,144,728	4,239,136,787	(93,992,059)	-2.2%
Current and other liabilities	530,964,290	407,434,419	123,529,871	30.3%
Total liabilities	4,676,109,018	4,646,571,206	29,537,812	0.6%
Total deferred inflows of resources	5,181,412	13,321,651	(8,140,239)	-61.1%
Total liabilities and deferred inflows of resources	4,681,290,430	4,659,892,857	21,397,573	0.5%
NET POSITION:				
Net investment in capital assets	1,734,270,828	1,585,820,870	148,449,958	9.4%
Restricted	262,426,104	234,821,681	27,604,423	11.8%
Unrestricted	111,030,991	132,685,408	(21,654,417)	-16.3%
Total net position	\$ 2,107,727,923	\$ 1,953,327,959	\$ 154,399,964	7.9%

The largest portion of the District's net position (82.3 percent) reflects its investment in capital assets (e.g., land, reservoir facilities, water treatment facilities and wastewater disposal facilities) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its member and customer cities; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves are not intended to be used to liquidate these liabilities.

An additional portion of the District's net position (12.5 percent) represents resources that are subject to external restrictions on how they may be used. The District's restricted net position consists primarily of the reserve funds required by bond resolutions.

The remaining balance of the District's net position represents unrestricted net position (5.3 percent) and may be used to meet the District's ongoing obligations. The overall increase in net position of \$154,399,964, or 7.9 percent, during the current fiscal year indicates an improved financial position.

While the Statement of Net Position provides the components of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at year-end, the Statement of Revenues, Expenses and Changes in Net Position provides information on the source of the change during the year.

North Texas Municipal Water District's Changes in Net Position

	Year Ended September 30		Increase	Percent
	2023	2022	(Decrease)	Change
Operating Revenues:				
Water sales	\$ 420,935,131	\$ 370,408,583	\$ 50,526,548	13.6%
Wastewater service fees	198,930,141	173,430,008	25,500,133	14.7%
Solid waste service fees	40,894,421	38,586,524	2,307,897	6.0%
Intragovernmental	77,422,127	66,725,390	10,696,737	16.0%
Insurance premiums	20,601,527	17,378,872	3,222,655	18.5%
Other operating revenues	4,524,592	5,200,451	(675,859)	-13.00%
Total Operating Revenues	763,307,939	671,729,828	91,578,111	13.6%
Operating Expenses:				
Personnel	116,792,740	96,731,663	20,061,077	20.7%
Claims Paid	18,535,644	15,500,985	3,034,659	19.6%
Administrative Charges	1,905,769	2,061,634	(155,865)	-7.6%
Operating Supplies	108,095,080	86,613,642	21,481,438	24.8%
Operating Services	201,500,453	162,223,484	39,276,969	24.2%
Depreciation/amortization	111,945,502	86,126,599	25,818,903	30.0%
Total Operating Expenses	558,775,188	449,258,007	109,517,181	24.4%
Operating Income	204,532,751	222,471,821	(17,939,070)	-8.1%
Nonoperating Revenues (Expenses):				
Investment income (expense)	60,313,933	(7,398,800)	67,712,733	-915.2%
Miscellaneous revenue (expense)	127,617	27,631	99,986	361.9%
Grant income	33,508	28,958	4,550	15.7%
Gain (loss) on sale of capital assets	833,606	267,590	566,016	211.5%
Contribution revenue (expense)	61,070	20,207,696	(20,146,626)	-99.7%
Interest expense	(111,502,521)	(106,863,739)	(4,638,782)	4.3%
Net Nonoperating Revenues (Expenses)	(50,132,787)	(93,730,664)	43,597,877	-46.5%
Change in Net Position	154,399,964	128,741,157	25,658,807	19.9%
Net Position - Beginning	1,953,327,959	1,824,586,802	128,741,157	7.1%
Net Position - Ending	\$ 2,107,727,923	\$ 1,953,327,959	\$ 154,399,964	7.9%

Total revenues for the District for the years ended September 30, 2023 and 2022 were \$763,307,939 and \$671,729,828, respectively. The \$91,578,111 increase in total revenues was primarily driven by increases in water sales and wastewater service fees. The member city water rate for FY23 increased to \$3.39 per 1,000 gallons, an increase of \$.40 from FY22. The member cost for wastewater services increased from \$2.39 in FY22 to \$2.57 in FY23.

Total expenses for the District for the years ended September 30, 2023 and 2022 were \$558,775,188 and \$449,258,007, respectively. Several key factors, primarily increased personnel, operating supplies and services and depreciation expense, account for the \$109,517,181 increase in total expenses from 2022 to 2023. The increase in personnel expense is attributed to 46 new budgeted positions, average 5% merit increases, an internal pay compression analysis that resulted in salary adjustments, retirement plan funding increases and adjustments to the District's policies related to time off benefits, overtime, insurance and pay. The increase in operating supplies is the direct result of continued inflation on prices for chemicals, fuel, electrical, computer, safety and office supplies. Operating services increased primarily in the areas of electric power, maintenance and shared services. Electric power increased due to increased demand and rising costs, including new facilities coming online in FY23. Maintenance costs increased as a result of higher costs related to pipeline and vehicle maintenance, as well as increased costs for residual hauling, rehabilitation projects, and other miscellaneous maintenance costs.

The District's Internal Service Fund accounts for support services, as well as insurance benefits to District employees, participating dependents, and eligible retirees. Intragovernmental revenues are derived from direct and indirect allocations based on historical costs and trends. The allocation amounts and percentages are calculated based on a multi-faceted review including department specific metrics and manager input. These revenues are offset by specific operating expenses including personnel, supplies and services, including shared services which increased in FY23.

The District's revenues are derived from charges to Member Cities and Customers, primarily for the sale and treatment of water and wastewater. Member Cities and Customers generally contract to pay amounts equal to the District's operating and maintenance expenses, debt service requirements and any other obligations payable from the revenues of the District. In the Regional Wastewater System, Sewer System, Solid Waste System and Interceptor System, the charges for services are adjusted accordingly at the end of each year to a break-even basis. In the Water System, variable costs that are below budget, are rebated to the Member Cities and Customers on a proportionate basis. Each member city's or customer's share of the variable rebate is determined by actual use compared to their annual minimum requirements. Any Water System excess or shortage, after accounting for variable rebate costs, can be transferred to or from the Operating and/or the Contingency Fund subject to Fund Balance Policy limits. Funds in excess of policy limits are returned to the Member Cities.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Capital Assets and Debt Administration

Capital Assets

The District's capital assets as of September 30, 2023, amounted to \$5,384,491,490 (net of accumulated depreciation). These capital assets include land and land improvements, reservoir facilities, water treatment and transmission facilities, wastewater treatment facilities, buildings and other equipment and water rights. The total increase in the District's investment in capital assets for the current year was 6.0%.

Major capital asset events during the current fiscal year included the following:

- Completion of the Leonard Water Treatment Plant totaling approximately \$282.8 million;
- Water Treatment Plant (WTP) improvements, including WTP II Structural improvements, filter improvements to WTP IV, and improvements to the Wylie WTP Ammonia Systems, the cost of these additions was \$60 million;
- Completion of the Rowlett Ck WWTP Peak Flow Improvements totaling approximately \$54 million;
- Improvements to McKinney Lift Stations, Transfer Stations, Interceptors and Force Mains; the cost of additions to construction-in-progress was approximately \$49 million;
- Sister Grove WWTP and Plant Site development totaling more than \$88 million;
- Construction of the treated water pipeline from Leonard WTP to McKinney No. 4, Leonard Water Treatment Plant and Leonard WTP HSPS; the cost of additions to construction-in-progress during the fiscal year was approximately \$31 million;
- Bois d'Arc raw water pipeline, Bois d'Arc raw water pump station, Bois d'Arc reservoir and dam, archaeological survey, Bois d'Arc boat ramps, Bois d'Arc Fannin County road and bridge improvements, and mitigation property; the cost of additions to construction-in-progress during the fiscal year was approximately \$26 million;
- Capitalized improvements of Upper East Fork Lift Stations and Interceptor Lines, including North McKinney, Indian Creek and Rowlett Creek facilities totaling approximately \$64.7 million.

Additional information on the District's construction commitments can be found in Note 11 of this report.

North Texas Municipal Water District's Capital Assets (net of accumulated depreciation/amortization)

	As of September 30		Increase	Percent
	2023	2022	(Decrease)	Change
Land	\$ 349,496,699	\$ 84,807,914	\$ 264,688,785	312.1%
Easements	93,174,510	76,035,685	17,138,825	22.5%
Land improvements	274,745,693	278,780,705	(4,035,012)	-1.4%
Water treatment, storage and transmission facilities	2,387,670,666	1,580,885,917	806,784,749	51.0%
Wastewater treatment and disposal facilities	879,460,774	698,670,503	180,790,271	25.9%
Solid waste transfer and disposal facilities	52,958,316	49,444,474	3,513,842	7.1%
Reservoir facilities and water rights	352,200,693	282,301,848	69,898,845	24.8%
Buildings	69,563,046	71,675,833	(2,112,787)	-2.9%
Automobiles and trucks	8,886,120	6,493,010	2,393,110	36.9%
Office furniture and fixtures	230,839	223,719	7,120	3.2%
Other equipment	38,699,941	39,676,782	(976,841)	-2.5%
Lease and subscription right-of-use assets	1,807,238	-	1,807,238	100.0%
Construction in progress	875,596,955	1,912,564,297	(1,036,967,342)	-54.2%
Total	<u>\$ 5,384,491,490</u>	<u>\$ 5,081,560,687</u>	<u>\$ 302,930,803</u>	<u>6.0%</u>

Additional information on the District's capital assets can be found in Note 4 of this report.

Debt Administration

At the end of the current fiscal year, the District had total outstanding debt of \$4,101,070,000. Of this amount 61% is reflected in the Water System revenue bonds and 21% is reflected in the Regional Wastewater System revenue bonds. For the ECP, 52% is reflected in the Water System, 32% in the Wastewater System and 16% in the Interceptor System.

North Texas Municipal Water District's Outstanding Debt

	As of September 30		Increase	Percent
	2023	2022	(Decrease)	Change
Revenue bonds	\$ 3,997,070,000	\$ 4,121,855,000	\$ (124,785,000)	-3.0%
Extendable commercial paper	104,000,000	17,000,000	87,000,000	511.8%
Total	<u>\$ 4,101,070,000</u>	<u>\$ 4,138,855,000</u>	<u>\$ (37,785,000)</u>	<u>-1.3%</u>

During the current fiscal year, the District refinanced a portion of the existing debt in order to take advantage of favorable interest rates. The result is expected to decrease future debt service payments by \$0 in the Water System.

The District's revenue bonds have been rated as follows for both FY23 and FY22:

	Moody's	S&P
Water System	Aa1	AAA
Wastewater System	Aa2	AAA
Solid Waste System	Aa2	AA+
Interceptor System	Aa1	AAA

Additional information on the District's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

The Annual Budget outlines the District's plans to provide high-quality, cost-effective service to its Member Cities and Customers. According to the Dallas Federal Reserve, the local economy has slowed but it appears to be on track for a soft landing. The job market continues to be resilient albeit slightly worse than the prior year. Inflation has continued its trend downward as higher interest rates are having an impact. The State of Texas and our local economy surrounding the Dallas/Fort Worth Metroplex is known for its traditionally lower cost of living which has attracted a large migration of new residents from across the U.S. to now call our service area home. However, consumer prices have increased at a faster rate in Texas than the national average. Inflationary pressures are beginning to show some signs of cooling as the Federal Reserve maintains its aggressive monetary tightening policy despite the signs of moderating pricing pressure.

The District increased rates by \$0.30 / 1,000 gallons to \$3.69 / 1,000 gallons for FY24. This represented a 9% increase and was necessary to cover increasing operating and capital costs. The District's Board of Directors goal of meeting the contractual obligation of the participating cities, within state and federal laws while protecting the environment, continues to be accomplished with reasonable cost in all systems.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of the Accounting Manager, P.O. Box 2408, Wylie, Texas 75098 or Accounting@NTMWD.com.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS SEPTEMBER 30, 2023

	Water System	Regional Wastewater System
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 79,219,021	\$ 9,891,209
Investments	82,864,953	1,691,628
Accounts receivable	17,554,155	3,304,488
Contracts receivable	-	-
Due from other funds	8	81,163
Prepaid expenses	6,999,075	792,706
Unbilled receivables	-	1,420,816
Total current unrestricted assets	186,637,212	17,182,010
Restricted assets:		
Cash and cash equivalents	30,243,539	17,592,201
Interest receivable	361,765	106,244
Due from other funds	252,795	2,774,470
Unbilled receivables	-	-
Total current restricted assets	30,858,099	20,472,915
TOTAL CURRENT ASSETS	217,495,311	37,654,925
NONCURRENT ASSETS:		
Restricted assets:		
Cash and cash equivalents	208,029,831	226,871,150
Investments	166,441,874	78,392,190
Total noncurrent restricted assets	374,471,705	305,263,340
Capital assets:		
Land	314,458,336	20,854,911
Easements	77,578,168	40,598
Construction-in-progress	281,882,199	348,787,239
Land improvements	283,177,546	1,321,303
Water treatment, storage, and transmission facilities	2,889,869,755	-
Wastewater treatment and disposal facilities	-	572,481,949
Solid waste transfer and disposal facilities	-	-
Reservoir facilities and water rights	494,380,821	-
Buildings	16,934,865	3,563,518
Automobiles and trucks	2,085,691	3,524,349
Office furniture and fixtures	42,008	101,610
Other equipment	29,430,671	15,256,619
Lease and subscription right-of-use assets	81,746	54,656
Less: accumulated depreciation/amortization	(719,537,375)	(163,220,269)
Net capital assets	3,670,384,431	802,766,483
TOTAL NONCURRENT ASSETS	4,044,856,136	1,108,029,823
TOTAL ASSETS	4,262,351,447	1,145,684,748
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred loss on refunding	2,103,686	1,237,103
Deferred pension outflow	8,492,683	9,532,508
Deferred OPEB outflow	1,125,386	1,186,757
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,721,755	11,956,368
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,274,073,202	\$ 1,157,641,116

See notes to the basic financial statements.

Sewer System	Solid Waste System	Interceptor System	Total Enterprise Funds	Internal Service Fund
\$ 14,596,417	\$ 9,704,952	\$ 7,621,598	\$ 121,033,197	\$ 15,538,642
-	5,144,112	1,739,507	91,440,200	-
2,170,950	301,930	991,414	24,322,937	-
-	-	-	-	30,000
38,211	707,066	13,401	839,849	1,390,395
411,516	451,078	133,254	8,787,629	785,209
422,199	1,023,545	221,939	3,088,499	4,903,381
17,639,293	17,332,683	10,721,113	249,512,311	22,647,627
10,405,048	1,044,900	10,668,888	69,954,576	-
100,840	4,649	84,789	658,287	-
2,040,456	2,058,900	1,658,162	8,784,783	2,201,258
-	9,482,010	-	9,482,010	-
12,546,344	12,590,459	12,411,839	88,879,656	2,201,258
30,185,637	29,923,142	23,132,952	338,391,967	24,848,885
66,660,866	54,023,093	60,453,461	616,038,401	-
64,051,018	4,038,170	36,018,888	348,942,140	-
130,711,884	58,061,263	96,472,349	964,980,541	-
436,498	13,662,831	84,123	349,496,699	-
3,079,791	-	12,475,953	93,174,510	-
74,304,569	2,396,626	168,226,322	875,596,955	-
417,138	10,890,996	-	295,806,983	1,910,708
46,501,709	-	-	2,936,371,464	-
248,474,769	-	380,390,519	1,201,347,237	-
-	96,192,501	-	96,192,501	-
-	-	-	494,380,821	-
192,616	43,852,730	1,673,848	66,217,577	27,731,608
809,139	6,730,766	1,037,048	14,186,993	9,411,091
-	-	-	143,618	986,713
5,582,827	35,351,062	6,390,939	92,012,118	14,213,538
59,872	24,729	-	221,003	2,442,456
(93,276,336)	(83,593,949)	(100,803,568)	(1,160,431,497)	(26,921,606)
286,582,592	125,508,292	469,475,184	5,354,716,982	29,774,508
417,294,476	183,569,555	565,947,533	6,319,697,523	29,774,508
447,480,113	213,492,697	589,080,485	6,658,089,490	54,623,393
712,831	683,834	1,132,070	5,869,524	-
4,372,683	8,379,759	1,388,804	32,166,437	29,885,807
623,686	916,884	225,385	4,078,098	4,305,604
5,709,200	9,980,477	2,746,259	42,114,059	34,191,411
\$ 453,189,313	\$ 223,473,174	\$ 591,826,744	\$ 6,700,203,549	\$ 88,814,804

(Continued)

STATEMENT OF NET POSITION - PROPRIETARY FUNDS SEPTEMBER 30, 2023

	Water System	Regional Wastewater System
LIABILITIES		
CURRENT LIABILITIES:		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 22,178,962	\$ 4,390,564
Due to other funds	924,161	3,432,912
Customers' advance payments	12,558,180	5,242,598
Total payable from unrestricted assets	35,661,303	13,066,074
Payable from restricted assets:		
Accounts payable and accrued liabilities	75,213,129	37,109,101
Due to other funds	179,655	54,152
Accrued landfill closure and post-closure care cost	-	-
Accrued interest payable on notes	365,370	235,430
Accrued interest payable on revenue bonds	7,127,409	4,629,399
Accrued interest payable on lease and SBITA liability	-	-
Current portion of note payable	54,000,000	33,000,000
Current portion of revenue bonds	100,215,000	22,525,000
Total payable from restricted assets	237,100,563	97,553,082
TOTAL CURRENT LIABILITIES	272,761,866	110,619,156
NONCURRENT LIABILITIES:		
Accrued landfill closure costs	-	-
Accrued vacation—less current portion	448,306	458,803
Accrued sick—less current portion	489,746	754,906
Net pension liability	15,573,594	15,630,263
Net OPEB liability	1,857,069	2,005,417
Lease and SBITA liability	45,318	30,603
Deferred compensation	-	-
Long-term debt—less current portion	2,459,055,463	832,228,517
TOTAL NONCURRENT LIABILITIES	2,477,469,496	851,108,509
TOTAL LIABILITIES	2,750,231,362	961,727,665
DEFERRED INFLOWS OF RESOURCES:		
Deferred pension inflow	158,629	543,698
Deferred OPEB inflow	205,404	263,090
Deferred grant income	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	364,033	806,788
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,750,595,395	962,534,453
NET POSITION:		
Net investment in capital assets	1,240,336,125	151,275,318
Restricted for debt service	154,025,770	48,682,924
Unrestricted	129,115,912	(4,851,579)
TOTAL NET POSITION	\$ 1,523,477,807	\$ 195,106,663

See notes to the basic financial statements.

Sewer System	Solid Waste System	Interceptor System	Total Enterprise Funds	Internal Service Fund
\$ 7,624,445	\$ 3,035,870	\$ 2,684,712	\$ 39,914,553	\$ 15,159,818
2,429,864	2,080,986	1,759,651	10,627,574	2,262,748
2,224,495	1,140,321	2,001,368	23,166,962	89,070
12,278,804	6,257,177	6,445,731	73,709,089	17,511,636
6,927,727	19,099,854	12,925,221	151,275,032	-
24,875	-	67,281	325,963	-
-	6,646,320	-	6,646,320	-
-	-	121,282	722,082	-
3,455,871	287,735	4,172,906	19,673,320	-
-	-	-	-	25,848
-	-	17,000,000	104,000,000	-
13,605,000	4,635,000	16,095,000	157,075,000	-
24,013,473	30,668,909	50,381,690	439,717,717	25,848
36,292,277	36,926,086	56,827,421	513,426,806	17,537,484
-	2,835,690	-	2,835,690	-
160,685	414,060	80,799	1,562,653	1,334,915
273,415	465,549	114,764	2,098,380	2,192,175
7,140,889	13,392,827	2,332,215	54,069,788	47,586,814
1,036,477	1,558,690	371,605	6,829,258	7,173,613
31,119	9,427	-	116,467	1,539,512
-	-	-	-	135,000
290,321,385	75,440,460	360,624,638	4,017,670,463	-
298,963,970	94,116,703	363,524,021	4,085,182,699	59,962,029
335,256,247	131,042,789	420,351,442	4,598,609,505	77,499,513
53,977	539,840	(21,032)	1,275,112	1,168,497
126,146	221,816	34,908	851,364	886,439
1,000,000	-	-	1,000,000	-
1,180,123	761,656	13,876	3,126,476	2,054,936
336,436,370	131,804,445	420,365,318	4,601,735,981	79,554,449
87,203,475	81,725,580	143,955,822	1,704,496,320	29,774,508
29,014,909	6,173,209	24,529,292	262,426,104	-
534,559	3,769,940	2,976,312	131,545,144	(20,514,153)
\$ 116,752,943	\$ 91,668,729	\$ 171,461,426	\$ 2,098,467,568	\$ 9,260,355

(Concluded)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS YEAR ENDED SEPTEMBER 30, 2023

	Water System	Regional Wastewater System
OPERATING REVENUES:		
Water sales	\$ 420,935,131	\$ -
Wastewater service fees	-	94,498,034
Solid waste service fees	-	-
Intragovernmental	-	-
Insurance premiums	-	-
Other operating revenues	352,299	212,921
Total operating revenues	421,287,430	94,710,955
OPERATING EXPENSES:		
Personnel	17,075,407	17,156,517
Claims Paid	-	-
Administrative Charges	-	-
Operating Supplies:		
Chemicals	68,144,424	5,414,948
Other supplies	5,980,265	4,662,782
Operating Services:		
Electric power	21,538,288	3,920,595
Wholesale water purchases	5,486,485	-
Consulting	2,838,569	283,913
Maintenance	16,579,227	1,465,333
Shared services	47,771,126	11,244,996
Other services	27,014,813	7,672,494
Depreciation/amortization	72,461,718	12,909,097
Total operating expenses	284,890,322	64,730,675
OPERATING INCOME	136,397,108	29,980,280
NONOPERATING REVENUES (EXPENSES):		
Investment income (expense)	28,322,697	16,410,305
Miscellaneous revenue (expense)	-	-
Grant income	33,508	-
Gain (loss) on sale of capital assets	(24,626)	(167,375)
Contribution revenue (expense)	407,432	-
Interest expense	(75,543,124)	(13,188,512)
Total nonoperating revenues (expenses)	(46,804,113)	3,054,418
Income (loss) before contributions and transfers	89,592,995	33,034,698
CHANGE IN NET POSITION	89,592,995	33,034,698
NET POSITION AT OCTOBER 1, 2022	1,433,884,812	162,071,965
NET POSITION AT SEPTEMBER 30, 2023	\$ 1,523,477,807	\$ 195,106,663

See notes to the basic financial statements.

Sewer System	Solid Waste System	Interceptor System	Total Enterprise Funds	Internal Service Fund
\$ -	\$ -	\$ -	\$ 420,935,131	\$ -
56,471,466	-	47,960,641	198,930,141	-
-	40,894,421	-	40,894,421	-
-	-	-	-	77,422,127
-	-	-	-	20,601,527
432,703	3,130,107	101,811	4,229,841	294,751
56,904,169	44,024,528	48,062,452	664,989,534	98,318,405
8,877,314	14,762,920	3,076,871	60,949,029	55,843,711
-	-	-	-	18,535,644
-	-	-	-	1,905,769
2,274,872	48,813	4,600,379	80,483,436	-
2,473,466	5,619,587	640,997	19,377,097	8,234,547
2,567,692	205,422	1,407,902	29,639,899	181,061
-	-	-	5,486,485	-
213,682	731,752	587,628	4,655,544	2,504,223
930,374	811,431	2,519,793	22,306,158	3,468,830
6,586,227	3,254,704	5,044,397	73,901,450	-
8,310,796	5,540,297	3,173,305	51,711,705	7,645,098
8,533,250	6,642,640	8,123,450	108,670,155	3,275,347
40,767,673	37,617,566	29,174,722	457,180,958	101,594,230
16,136,496	6,406,962	18,887,730	207,808,576	(3,275,825)
7,684,444	1,571,607	6,118,270	60,107,323	206,610
-	-	-	-	127,617
-	-	-	33,508	-
(6,164)	972,031	52,875	826,741	6,865
(346,362)	-	-	61,070	-
(9,905,930)	(1,787,732)	(11,077,223)	(111,502,521)	-
(2,574,012)	755,906	(4,906,078)	(50,473,879)	341,092
13,562,484	7,162,868	13,981,652	157,334,697	(2,934,733)
13,562,484	7,162,868	13,981,652	157,334,697	(2,934,733)
103,190,459	84,505,861	157,479,774	1,941,132,871	12,195,088
\$ 116,752,943	\$ 91,668,729	\$ 171,461,426	\$ 2,098,467,568	\$ 9,260,355

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS YEAR ENDED SEPTEMBER 30, 2023

	Water System	Regional Wastewater System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 430,820,288	\$ 93,704,682
Cash received from other funds	-	447,891
Cash received from (paid to) others	260,340	134,774
Cash paid to suppliers for goods and services	(154,252,566)	(26,251,664)
Cash paid for employee services	(10,354,964)	(10,096,697)
Cash paid to other funds	(47,077,073)	(13,723,734)
Net cash provided by operating activities	219,396,025	44,215,252
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	-	-
Cash paid for capital assets	(171,608,402)	(126,230,286)
Proceeds from extended commercial paper	60,000,000	28,000,000
Interest paid on long-term debt	(88,933,626)	(14,551,622)
Interest paid on notes	(838,685)	(551,262)
Principal payments on long-term debt	(96,875,000)	(22,345,000)
Principal payments on notes	(11,000,000)	-
Payments for bond issue costs	-	-
Grant income	33,508	-
Net cash provided by (used for) capital and related financing activities	(309,222,205)	(135,678,170)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale and maturity of investments	289,666,001	119,267,479
Purchases of investments	(222,254,267)	(65,746,229)
Interest received	20,719,178	13,728,008
Net cash provided by (used for) investing activities	88,130,912	67,249,258
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,695,268)	(24,213,660)
CASH AND CASH EQUIVALENTS—Beginning of year	319,187,659	278,568,220
CASH AND CASH EQUIVALENTS—End of year	\$ 317,492,391	\$ 254,354,560
RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION		
Unrestricted cash and cash equivalents	\$ 79,219,021	\$ 9,891,209
Restricted cash and cash equivalents	238,273,370	244,463,351
	\$ 317,492,391	\$ 254,354,560
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 136,397,108	\$ 29,980,280
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation/amortization	72,461,718	12,909,097
Change in operating assets and liabilities:		
Accounts receivable and unbilled receivable	(2,317,034)	(754,856)
Prepaid expenses	(734,613)	185,823
Pension related deferred outflows of resources	(4,663,517)	(5,206,053)
OPEB related deferred outflows of resources	(180,049)	(177,405)
Net pension liability	6,581,931	7,347,646
Pension related deferred inflows of resources	(1,013,183)	(1,131,053)
OPEB related deferred inflows of resources	(77,620)	(76,480)
Net OPEB liability	181,671	179,003
Subscription liability	45,318	30,603
Due to/from other funds	(227,217)	654,428
Accounts payable, accrued liabilities, and developers' deposits	3,193,063	346,153
Accrued vacation and accrued sick	(15,389)	86,638
Landfill liability	-	-
Customers' advance payments	9,763,838	(158,572)
	82,998,917	14,234,972
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 219,396,025	\$ 44,215,252
NONCASH TRANSACTION DISCLOSURES		
Change in landfill liability	\$ -	\$ -
Gain (loss) on disposal of capital assets	(36,050)	353,795
Amortization of bond-related items	(14,295,707)	(1,913,538)
Change in fair value of investments	(4,555,942)	(1,774,762)
Change in liabilities related to capital assets	(11,101,029)	(18,899,530)
Change in actuarial value of net pension liability	(6,581,931)	(7,347,646)

See notes to the basic financial statements

Sewer System	Solid Waste System	Interceptor System	Total Enterprise Funds	Internal Service Fund
\$ 55,585,805	\$ 36,632,050	\$ 46,758,361	\$ 663,501,186	\$ -
773	3,632,322	45,184	4,126,170	72,792,691
52,689	2,417,974	89,793	2,955,570	4,205,738
(16,492,176)	(17,568,411)	(13,958,485)	(228,523,302)	(34,371,213)
(5,251,735)	(8,981,678)	(1,913,468)	(36,598,542)	(34,160,816)
(8,108,815)	(3,203,335)	(4,714,274)	(76,827,231)	(91,631)
25,786,541	12,928,922	26,307,111	328,633,851	8,374,769
-	31,998,159	-	31,998,159	-
(32,380,112)	(9,729,023)	(52,634,843)	(392,582,666)	(4,912,186)
-	-	10,000,000	98,000,000	-
(9,956,797)	(2,010,631)	(13,247,968)	(128,700,644)	-
-	-	(314,157)	(1,704,104)	-
(15,640,000)	(3,705,000)	(15,330,000)	(153,895,000)	-
-	-	-	(11,000,000)	-
-	(438,430)	-	(438,430)	-
-	-	-	33,508	-
(57,976,909)	16,115,075	(71,526,968)	(558,289,177)	(4,912,186)
55,041,245	6,465,205	112,348,284	582,788,214	-
(93,608,781)	(8,707,665)	(60,234,053)	(450,550,995)	-
6,429,337	2,120,946	5,077,989	48,075,458	334,226
(32,138,199)	(121,514)	57,192,220	180,312,677	334,226
(64,328,567)	28,922,483	11,972,363	(49,342,649)	3,796,809
155,990,898	35,850,462	66,771,584	856,368,823	11,741,833
\$ 91,662,331	\$ 64,772,945	\$ 78,743,947	\$ 807,026,174	\$ 15,538,642
\$ 14,596,417	\$ 9,704,952	\$ 7,621,598	\$ 121,033,197	\$ 15,538,642
77,065,914	55,067,993	71,122,349	685,992,977	-
\$ 91,662,331	\$ 64,772,945	\$ 78,743,947	\$ 807,026,174	\$ 15,538,642
\$ 16,136,496	\$ 6,406,962	\$ 18,887,730	\$ 207,808,576	\$ (3,275,825)
8,533,250	6,642,640	8,123,450	108,670,155	3,275,347
(1,347,034)	(799,614)	(344,502)	(5,563,040)	1,752,092
91,559	(13,577)	(1,867)	(472,675)	(21,376)
(2,623,216)	(4,431,938)	(863,712)	(17,788,436)	(17,168,129)
(92,584)	(132,701)	(36,231)	(618,970)	(646,765)
3,702,317	6,255,085	1,219,019	25,105,998	24,230,526
(569,911)	(962,869)	(187,654)	(3,864,670)	(3,729,900)
(39,916)	(57,209)	(15,620)	(266,845)	(278,824)
93,420	133,896	36,558	624,548	652,591
31,119	9,427	-	116,467	1,565,360
689,520	(320,643)	(70,019)	726,069	(758,673)
806,901	(171,373)	368,984	4,543,728	2,739,004
102,362	72,565	26,641	272,817	(49,729)
-	836,213	-	836,213	-
272,258	(537,942)	(835,666)	8,503,916	89,070
9,650,045	6,521,960	7,419,381	120,825,275	11,650,594
\$ 25,786,541	\$ 12,928,922	\$ 26,307,111	\$ 328,633,851	\$ 8,374,769
\$ -	\$ 836,213	\$ -	\$ 836,213	\$ -
-	(17,610)	(16,524)	283,611	(84,397)
(1,014,265)	(343,081)	(2,341,929)	(19,908,520)	-
(369,003)	(106,631)	(880,079)	(7,686,417)	-
(3,525,282)	(422,992)	(4,018,705)	(37,967,538)	-
(3,702,317)	(6,255,085)	(1,219,019)	(25,105,998)	(24,230,526)

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS SEPTEMBER 30, 2023

	Total ⁽¹⁾
ASSETS	
Cash and cash equivalents	\$ 7,809,901
Investments	114,393,176
TOTAL ASSETS	<u>122,203,077</u>
LIABILITIES	
Accrued expenses and benefits payable	<u>-</u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION:	
Restricted for pensions	112,499,757
Restricted for postemployment benefits other than pensions	9,703,320
TOTAL NET POSITION	<u>\$ 122,203,077</u>

(1) Information presented for the Pension Trust Fund is as of December 31, 2022.
Information presented for the OPEB Trust Fund is as of September 30, 2023.

See notes to the basic financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS

YEAR ENDED SEPTEMBER 30, 2023

	Total ⁽¹⁾
Additions:	
Contributions:	
Employer	\$ 9,203,590
Member	3,682,521
Total contributions	<u>12,886,111</u>
Net investment income:	
Interest and dividends	4,964,784
Equity fund income, net	-
Net increase in fair value of investments	(16,784,039)
Less investment expenses:	
Direct investment expense	363,994
Total investment expenses	<u>363,994</u>
Net investment income	<u>(12,183,249)</u>
Other income	<u>-</u>
Total Additions	<u>702,862</u>
Deductions:	
Service benefits	11,012,114
Total Deductions	<u>11,012,114</u>
Net increase (decrease)	(10,309,252)
Net position	
Beginning of year	132,512,329
End of year	<u><u>\$ 122,203,077</u></u>

(1) Information presented for the Pension Trust Fund is as of December 31, 2022.

Information presented for the OPEB Trust Fund is as of September 30, 2023.

See notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Texas Municipal Water District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article XVI, Section 59, of the Texas Constitution, pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, as amended (the Act). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing and transportation of such water to its 13 member cities (as defined below) and other customers located in North Central Texas. Under the State of Texas Constitution and the Statutes, the District has broad powers to effect flood control and the conservation and use, for all beneficial purposes, of storm and floodwaters and unappropriated flow waters and, as a necessary aid to these purposes, the specific authority to construct, own and operate water supply, treatment, and distribution facilities and sewage gathering, transmission and disposal facilities and to collect, transport, treat, dispose of and control all municipal, domestic, industrial, or communal waste, whether in fluid, solid, or composite state.

The District comprises all of the territory of its member cities: Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse City, and Wylie (the member cities). The District's Administrative Office is located at 501 E. Brown Street, Wylie, Texas. The District is governed by a 25-member Board of Directors. Each member city having a population of 5,000 or more is represented by two members on the Board of Directors. A member city with a population of less than 5,000 (Farmersville) is represented by one member on the Board of Directors. Members of the Board of Directors are appointed by the governing bodies of the respective member cities for two-year terms.

Basis of Presentation - Fund Financial Statements

The fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses.

The District reports the following proprietary fund types:

Enterprise Funds. The District reports its activities in five major enterprise funds: Water System, Regional Wastewater System, Sewer System, Solid Waste System and Interceptor System.

The Water System owns and operates a wholesale water treatment and transmission system consisting of raw water facilities, water treatment works and water transmission facilities and provides treated water to municipalities, water supply corporations, and individual customers.

The Regional Wastewater, Sewer, and Interceptor Systems own and operate wastewater treatment and disposal systems consisting of facilities to receive, treat and dispose of wastewater.

The Solid Waste System owns and operates landfill sites and solid waste transfer stations.

Internal Service Fund. This fund accounts for support services, as well as insurance benefits to District employees, participating dependents, and eligible retirees.

Fiduciary funds are used to account for assets held on behalf of outside parties. The District reports the following fiduciary fund types:

Pension and Other Employee Benefit Trust Funds. These funds account for the operations of the retirement and other postemployment benefits. The Pension Trust is reported on a calendar year basis as of December 31, 2022 and the OPEB Trust is reported on a fiscal year basis, which reflects each of the trusts measurement dates respectively.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Measurement Focus and Basis of Accounting**

The accompanying basic financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The District's operating revenues are derived from charges to cities, primarily for the sale and treatment of water, wastewater and solid waste. The District constructs facilities to provide services to others, which are financed in part by the issuance of its revenue bonds. Users, primarily member cities, generally contract to pay amounts equal to the District's operating and maintenance expenses, debt service requirements and any other obligations payable from the revenues of the District. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Cash and Cash Equivalents

All highly liquid investments (including restricted assets) with original maturities of three months or less when purchased are considered to be cash equivalents.

Deposits

The District's collateral agreement requires that all deposits be fully collateralized by government securities or Texas municipal bonds rated A or better that have a fair value exceeding the total amount of cash and investments held at all times.

Investments

All of the District's investments, except for investment pools, are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Investments in U.S. government securities are guaranteed or insured by the U.S. government. Investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost also in accordance with GASB Statement No. 72. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Accounts Receivable

Management considers accounts receivable to be fully collectible as of September 30, 2023; accordingly, no allowance for doubtful accounts is deemed necessary. As of September 30, 2023, 71% of total accounts receivable was attributed to the member cities.

Material and Supplies Inventory

Inventory of supplies and parts is maintained at different warehouses for use in the operation and is recorded as an expense when consumed or placed in service. Inventory is valued based on first-in-first-out methodology.

Capital Assets

All purchased capital assets are stated at historical cost unless they are determined to be impaired based on GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Donated capital assets are reported at acquisition value based on GASB Statement No. 72, *Fair Value Measurement and Application*.

Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

According to the District's capitalization policy, assets capitalized have an original cost of \$5,000 or more and two or more years of estimated useful life. Depreciation is calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Water treatment, storage and transmission facilities	40 to 75 years
Wastewater treatment and disposal facilities	30 to 50 years
Solid waste transfer and disposal facilities	40 years
Land improvements	20 years
Water rights	50 years
Reservoir facilities	50 years
Buildings	10 to 40 years
Automobiles and trucks	5 years
Office furniture and fixtures	7 to 10 years
Other equipment	5 to 20 years

Leases and Subscription-Based Information Technology Arrangements (SBITA)

In accordance with GASB Statement No. 87, *Leases*, a lessee is required to recognize an intangible right-to-use lease asset and a lease liability, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be during the lease term. The right-to-use leased asset is initially measured as the initial amount of the lease liability, adjusted for certain indirect costs and amortized on a straight-line basis over the shorter of the lease term or its useful life.

District as Lessee. The District is a lessee for noncancelable leases of land and equipment. The District recognizes a lease liability, reported with noncurrent liabilities, and a right-to-use leased asset reported with other capital assets, on the Statement of Net Position. The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the right-to-use leased asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

District as Lessor. As of September 30, 2023, the District is not a lessor that meets the pronouncement requirement.

In accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, the District is required to recognize an intangible right-to-use subscription asset and a SBITA liability. At the commencement of a SBITA contract, the District initially measures the SBITA liability at the present value of payments expected to be made during the subscription term. Subsequently, the SBITA liability is reduced by the principal portion of subscription payments made. The right-to-use subscription asset is initially measured as the initial amount of the SBITA liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. The SBITA asset is amortized on a straight-line basis over its useful life.

The District monitors changes in circumstances that would require a remeasurement of its SBITA arrangement and will remeasure the SBITA right-to-use subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA right-to-use assets are reported with other capital assets and SBITA liabilities are reported with noncurrent liabilities on the Statement of Net Position.

Deferred Inflow/Outflow of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category - 1) deferred charges on refunding, 2) deferred amounts related to pension and 3) deferred amounts related to OPEB. The deferred charges on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts for pension and OPEB relate to the differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Deferred Inflow/Outflow of Resources (continued)**

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The District reports deferred amounts related to pension and OPEB.

Compensated Absences

Employees are allowed to accumulate vacation within certain limitations. Payment for accrued vacation (within limits) is payable upon termination. Payment for accrued sick leave (within limits) is paid upon retirement. As of September 30, 2023, a liability of \$6,510,813 for unused vacation and \$6,575,255 for unused sick leave has been accrued. The short-term portion is included in "accounts payable and accrued liabilities" in the accompanying Statement of Net Position. A summary of changes in accrued vacation and sick leave for the year ended September 30, 2023 is as follows:

	Beginning Liability	Additions	Reductions	Ending Liability	Amount due within one year
Vacation	\$ 5,675,786	\$ 1,178,159	\$ 343,132	\$ 6,510,813	\$ 3,613,245
Sick	6,113,296	722,918	260,959	6,575,255	2,284,700

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Investments are reported at fair value.

Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is reported as (1) net investment in capital assets; (2) restricted for debt service and; (3) unrestricted. When both restricted and unrestricted net position are available for use, it is the District's policy to use restricted net position first, then unrestricted net position.

Revenues

Charges for treated water are based upon the current budgeted expenditure requirements (including debt service payments and excluding charges for depreciation and amortization) and amounts designated by the Board of Directors for capital improvements. Charges for wastewater and solid waste disposal are based upon the current budgeted expenditure requirements (including debt service payments and excluding charges for depreciation and amortization) and are adjusted for the difference between budgeted and actual expenditures for the same period. The District derives approximately 62% of its revenues from the cities of Allen, Frisco, Garland, McKinney, Mesquite, Plano, and Richardson. Such revenues derived directly from the respective systems are defined by the District as operating revenues. All other revenues not directly related to the operations of the systems are reported as non-operating revenues. Revenues are shown net of rebates and/or excess billings.

Expenses

Direct charges attributable to the operations of the District's systems, including depreciation and amortization, are reported as operating expenses. Interest expense and other similar charges are reported as non-operating expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Intragovernmental Transactions**

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. Transactions that would be treated as revenue or expense if they involved organizations external to the District are similarly treated when involving funds of the District. Major transactions that fall into this category include payments for support services and payments in lieu of insurance premiums to the Internal Service Fund.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

The District has evaluated subsequent events through the filing of this report, and determined that there have been no events that would require adjustments to our disclosures.

NOTE 2. RESTRICTED ASSETS

Restricted assets represent amounts reserved for:

- *Construction* — Construction of facilities, restricted by purpose of the debt issuance.
- *Interest and Redemption (Sinking)* — Current interest and principal of bonded indebtedness.
- *Reserve* — Payment of final serial maturity on bonded indebtedness or payment of interest and principal of bonded indebtedness when and to the extent the amount in the interest and redemption (sinking) fund is insufficient.
- *Contingency* — Unexpected or extraordinary expenses for which funds are not otherwise available or for debt service to the extent of interest and redemption (sinking) fund deficiencies as required by bond covenants.
- *Reserve for Maintenance* — Escrow for future maintenance expenses.

NOTE 2. RESTRICTED ASSETS (CONTINUED)

The cash and cash equivalents, investments, and interest receivable components of each fund represented by restricted assets are as follows:

Funds	Cash and Cash Equivalents	Investments	Interest Receivable
Water:			
Construction	\$ 135,315,382	\$ 66,570,051	\$ 137,941
Interest and Sinking	30,243,539	-	-
Reserve	31,179,365	99,871,823	223,824
Contingency	41,213,814	-	-
Reserve for Maintenance	321,270	-	-
	<u>238,273,370</u>	<u>166,441,874</u>	<u>361,765</u>
Regional Wastewater:			
Construction	218,175,210	47,697,372	48,173
Interest and Sinking	17,592,201	-	-
Reserve	5,202,662	30,694,818	58,071
Arbitrage	996,021	-	-
Reserve for Maintenance	2,497,257	-	-
	<u>244,463,351</u>	<u>78,392,190</u>	<u>106,244</u>
Sewer:			
Construction	62,469,133	45,422,293	67,402
Interest and Sinking	10,405,047	-	-
Reserve	3,403,571	18,628,725	33,438
Reserve for Maintenance	788,163	-	-
	<u>77,065,914</u>	<u>64,051,018</u>	<u>100,840</u>
Solid Waste:			
Construction	32,999,887	987,770	1,214
Interest and Sinking	1,044,900	-	-
Reserve	2,362,209	3,050,400	3,435
Reserve for Maintenance	1,372,383	-	-
Reserve for Equipment Replacement	17,288,614	-	-
	<u>55,067,993</u>	<u>4,038,170</u>	<u>4,649</u>
Interceptor:			
Construction	52,998,831	23,763,644	53,596
Interest and Sinking	10,668,888	-	-
Reserve	5,868,154	12,255,244	31,193
Reserve for Maintenance	1,586,476	-	-
	<u>71,122,349</u>	<u>36,018,888</u>	<u>84,789</u>
Total	<u>\$ 685,992,977</u>	<u>\$ 348,942,140</u>	<u>\$ 658,287</u>

Unbilled receivables of \$9,482,010 that are reflected as restricted assets in the Solid Waste System represent member cities' obligations for closure and postclosure costs related to solid waste landfills. Based on the contracts for services, member cities will be billed for the actual costs incurred to close the landfills.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS

The District maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested by the Investment Officer to enhance diversification and interest earnings. The pooled interest earned is allocated to the funds based on each fund's cash and investment balance at the end of each month.

A. Deposits

At September 30, 2023, the carrying amount of cash deposits was \$10,518,236 and total bank balance was \$11,568,018. During 2022-2023, the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the entity or its agent in the entity's name. At September 30, 2023, the District also held petty cash of \$3,000.

B. Investments

Legal provisions generally permit the District to invest in direct and indirect obligations of the United States of America or its agencies, certain certificates of deposit, repurchase agreements, public funds investment pools and mutual funds. During the year ended September 30, 2023, the District did not own any types of securities other than those permitted by statute.

The District invests in multiple Local Government Investment Pools (LGIP), including LOGIC, Texas CLASS, Texas CLASS Government and TexPool. The District has an undivided beneficial interest in the pool of assets held by the related investment pools. These underlying investments and deposits are fully insured by Federal depository insurance or collateralized by securities. The investment objectives of the pools are safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return. Authorized investments include obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, certificates of deposit and repurchase agreements.

LOGIC

Hilltop Securities INC. (HTS) and J.P. Morgan Investment Management INC are the Co-Administrators of Texas Local Government Investment Cooperative (LOGIC) with HTS providing distribution, administration, Participant support, and marketing services while J.P. Morgan Investment Management provides investment management, custody, and fund accounting services. LOGIC was created as an investment pool for its Participants pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants. The Board of Trustees is LOGIC's governing body and is comprised of employees, officers or elected officials of Participant Government Entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of the Pool. LOGIC uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares.

Texas CLASS

Public Trust Advisors, LLC provides advisory services and administration and marketing services to Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS), which has two separate investment pools: Texas CLASS and Texas CLASS Government. The purpose of the Trust is to establish one or more investment funds through which a Participant may pool any of its funds or funds under its control in order to preserve principal, to maintain the liquidity of the Participant, and to maximize yield. These goals are in accordance with the Public Funds Investment Act, Section 2256.01, Texas Government Code, or other laws of the State of Texas, from time to time in effect, governing the investment of funds of a Participant or funds under its control. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board is comprised of active members of the pool and elected by the Participants, guided by the Advisory Board. The Board is responsible for selecting the Administrator and Investment Advisors. UMB Bank, NA serves as the Custodian for Texas CLASS.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)**TexPool**

The Comptroller of Public Accounts (the "Comptroller") is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company (the "Trust Company"), which is authorized to operate TexPool. Federated Investors, Inc. ("Federated"), under an agreement with the Comptroller, acting on behalf of the Trust Company, provides administrative and investment services to TexPool. The Texas Local Government Investment Pools (the "TexPool Portfolios") have been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Comptroller maintains oversight of the services provided to the TexPool Portfolios by Federated. In addition, the TexPool Advisory Board advises on the Investment Policies for the TexPool Portfolios. The Advisory Board is composed equally of participants in the TexPool Portfolios and other persons who do not have a business relationship with the TexPool Portfolios who are qualified to advise the TexPool Portfolios. TEXPOOL uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TEXPOOL is the same as the net asset value of TEXPOOL shares.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

The District has recurring fair value measurements as presented in the table below. The District's investment balances and weighted average maturity of such investments are as follows:

	September 30, 2023	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	Percent Total Investments	Weighted Average Maturity (Days)
<i>Investments not Subject to Level Reporting:</i>				
<i>Investment Pools*:</i>				
LOGIC	\$ 185,595,935	\$ -	14.82%	39
Texas CLASS - CP	271,285,126	-	21.66%	49
Texas CLASS - Government	115,793,174	-	9.25%	23
Texpool	239,369,345	-	19.11%	26
<i>Investments by Fair Value Level:</i>				
<i>U. S. Government Agency Securities:</i>				
Fannie Mae Note	18,992,610	18,992,610	1.52%	395
Federal Home Loan Mortgage Corp. Note	127,724,440	127,724,440	10.20%	295
Federal Home Loan Bank Note	86,028,140	86,028,140	6.87%	352
Federal Home Loan Bank Discount Note	79,399,640	79,399,640	6.34%	55
U. S. Treasury Bill	4,972,100	4,972,100	0.40%	40
U. S. Treasury Note	123,265,410	123,265,410	9.84%	230
<i>Total Value</i>	<u>\$ 1,252,425,920</u>	<u>\$ 440,382,340</u>		

Portfolio Weighted Average Maturity

110

*Investment Pools are exempt for level reporting.

U.S. Government Agency Securities and *U.S. Treasury Notes* classified in Level 2 of the fair value hierarchy are valued using both active market prices observable for each identical or similar securities and other observable inputs provided by a reputable and independent source including but not limited to Bloomberg, the Wall Street Journal, Intercontinental Exchange (ICE), and the District's safekeeping agent. In the event the District has retained the services of a Registered Investment Advisor, the advisor shall also provide security pricing from ICE, Bloomberg or similarly recognized pricing services. Since the District does not have visibility to the market pricing all such securities are classified as Level 2.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, addresses common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Credit risk is the risk that a security issuer may default on an interest or principal payment. State law and the District's investment policy limits the District to investments in high quality rated instruments that have been evaluated by agencies such as Standard and Poor's or Moody's Investor Service.

Custodial credit risk is the risk that a depository financial institution will not be able to recover collateral securities that are in the possession of an outside party. The District monitors collateral balances at the bank to ensure they are backed by quality rated instruments.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Concentration of credit risk is the risk associated with holding investments that are not pools and full faith credit securities in excess of 5% of the total portfolio. The investment policy of the District specifies the following limitations on the amount that can be invested in any one instrument at the time of purchase.

Instrument	Limitations
U.S. TREASURY SECURITIES	100%
U.S. AGENCIES & INSTRUMENTALITIES	75%
U.S. AGENCY BULLET	75%
U.S. AGENCY CALLABLE	25%
CERTIFICATES OF DEPOSIT	40%
REPURCHASE AGREEMENTS	40%
MONEY MARKET MUTUAL FUNDS	25%
AUTHORIZED INVESTMENT POOLS	100%

At September 30, 2023, investments, other than external investment pools, that represent 5% or more of the District's investments are as follows:

Issue	Investment Type	Reported Amount
FHLMC NOTE	Federal agency notes	\$ 127,724,440
FHLB NOTE	Federal agency notes	86,028,140
FHLB DISCOUNT NOTE	Federal agency notes	79,399,640
U.S. TREASURY NOTE	Treasury note	123,265,410

The District held a total of \$440,382,340 in securities that equated to 35.17% of the total investment portfolio.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. There is no formal policy relating to interest rate risk. However, the District manages its exposure to interest rate risk by investing in investment pools which purchase a combination of short term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. At September 30, 2023, \$121,131,300 of the District's portfolio had a weighted average maturity of greater than one year.

Foreign currency risk is the potential for loss due to fluctuations in exchange rates. The District is not exposed to foreign currency risk.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds, resulting in the following investment income:

	Water System	Regional Wastewater System	Sewer System	Solid Waste System	Interceptor System	Internal Service Funds	Total
Investment income:							
Interest	\$ 23,766,755	\$ 14,888,134	\$ 7,315,445	\$ 1,464,977	\$ 5,238,193	\$ 206,610	\$ 52,880,114
Arbitrage rebate	-	(252,592)	-	-	-	-	(252,592)
Net changes in the fair value of investments	4,555,942	1,774,763	368,999	106,630	880,077	-	7,686,411
Investment income:	<u>\$ 28,322,697</u>	<u>\$ 16,410,305</u>	<u>\$ 7,684,444</u>	<u>\$ 1,571,607</u>	<u>\$ 6,118,270</u>	<u>\$ 206,610</u>	<u>\$ 60,313,933</u>

In accordance with GASB Statement No. 31, the net changes in the fair value of investments take into account all changes in fair value (including purchases and sales) that occurred during the year. These portfolio value changes are unrealized unless sold.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

C. Summary of Cash and Investments

	Water System	Regional Wastewater System	Sewer System	Solid Waste System	Interceptor System	Internal Service Funds	Total
Unrestricted:							
Cash and cash equivalents	\$ 79,219,021	\$ 9,891,209	\$ 14,596,417	\$ 9,704,952	\$ 7,621,598	\$ 15,538,642	\$ 136,571,839
Investments	82,864,953	1,691,628	-	5,144,112	1,739,507	-	91,440,200
Total unrestricted	162,083,974	11,582,837	14,596,417	14,849,064	9,361,105	15,538,642	228,012,039
Restricted-current:							
Cash and cash equivalents	30,243,539	17,592,201	10,405,048	1,044,900	10,668,888	-	69,954,576
Total restricted-current	30,243,539	17,592,201	10,405,048	1,044,900	10,668,888	-	69,954,576
Restricted -non-current:							
Cash and cash equivalents	208,029,831	226,871,150	66,660,866	54,023,093	60,453,461	-	616,038,401
Investments	166,441,874	78,392,190	64,051,018	4,038,170	36,018,888	-	348,942,140
Total restricted-non-current	374,471,705	305,263,340	130,711,884	58,061,263	96,472,349	-	964,980,541
Total Restricted	404,715,244	322,855,541	141,116,932	59,106,163	107,141,237	-	1,034,935,117
Total	\$ 566,799,218	\$ 334,438,378	\$ 155,713,349	\$ 73,955,227	\$ 116,502,342	\$ 15,538,642	\$ 1,262,947,156

Amounts included in unrestricted cash and cash equivalents and investments are comprised of the following:

	Water System	Regional Wastewater System	Sewer System	Solid Waste System	Interceptor System	Internal Service Funds	Total
Unrestricted:							
Operating Funds	\$ 66,449,631	\$ 8,201,640	\$ 4,075,980	\$ 4,656,319	\$ 4,172,828	\$ 7,121,695	\$ 94,678,093
Petty Cash	500	-	-	2,500	-	-	3,000
Capital Improvement Funds	95,633,843	2,901,678	4,961,885	10,190,245	4,077,906	-	117,765,557
Contingency Funds	-	-	-	-	-	4,413,367	4,413,367
Preventative Maintenance	-	479,519	5,558,552	-	1,110,371	-	7,148,442
Employee Insurance Funds	-	-	-	-	-	2,614,485	2,614,485
Retiree Insurance Funds	-	-	-	-	-	1,389,095	1,389,095
Total unrestricted	\$ 162,083,974	\$ 11,582,837	\$ 14,596,417	\$ 14,849,064	\$ 9,361,105	\$ 15,538,642	\$ 228,012,039

Refer to Note 2 for a detail of restricted assets and Note 11 for commitments under construction contracts.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

At September 30, 2023, the District had the following deposits and investments:

	Credit Quality Ratings	Fair Value	Weighted Average Maturity
Unrestricted Cash and Investments			
Cash and cash equivalents:			
Deposits with a financial institution	Not Rated	\$ 10,517,823	N/A
Cash on hand	Not Rated	3,000	N/A
Texas CLASS - CP	AAAmm	30,012,112	49 Days
Texas CLASS - Government	AAAmm	11,561,809	23 Days
TexPool	AAAmm	84,477,095	26 Days
Total cash and cash equivalents		136,571,839	
Investments—Securities of U.S. Government Agencies:			
Treasury Note - US Treasuries	Aaa	46,084,865	162 Days
FHLB - Federal Home Loan Bank	Aaa	14,234,258	139 Days
FHLB - Federal Home Loan Bank Discount Note	Aaa	27,798,130	53 Days
FHLMC - Federal Home Loan Mortgage Corp.	Aaa	991,160	65 Days
FNMA - Fannie Mae	Aaa	2,331,787	58 Days
Total Securities of U.S. Government Agencies		91,440,200	
Total Unrestricted Investments and Cash Equivalents		228,012,039	
Restricted Cash and Investments			
Cash and cash equivalents:			
Deposits with a financial institution	Not Rated	413	N/A
LOGIC	AAAmm	185,595,935	39 Days
Texas CLASS - CP	AAAmm	241,273,014	49 Days
Texas CLASS - Government	AAAmm	104,231,365	23 Days
TexPool	AAAmm	154,892,250	26 Days
Total cash and cash equivalents		685,992,977	
Investments—Securities of U.S. Government Agencies:			
Treasury Bill - US Treasuries	Aaa	4,972,100	40 Days
Treasury Note - US Treasuries	Aaa	77,180,545	271 Days
FHLB - Federal Home Loan Bank	Aaa	71,793,882	394 Days
FHLB - Federal Home Loan Bank Discount Note		51,601,510	56 Days
FHLMC - Federal Home Loan Mortgage Corp.	Aaa	126,733,280	296 Days
FNMA - Fannie Mae	Aaa	16,660,823	443 Days
Total Securities of U.S. Government Agencies		348,942,140	
Total Restricted Investments and Cash Equivalents		1,034,935,117	
Total Cash and Investments		\$ 1,262,947,156	

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

D. Pension and OPEB Trust Fund Cash, Cash Equivalents, and Investments

GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The balance per bank of cash on deposit in the Pension Trust Fund and the carrying value was \$548,198 as of December 31, 2022. The balance per bank of cash on deposit in the OPEB Trust Fund and the carrying value was \$90,648 as of September 30, 2023. Additional cash in the amount of \$2,793,240 was held by Aetna as of December 31, 2022 to cover the monthly benefit payments. See below for the detail of investments held.

The assets of the District's Employee Benefit Pension Plan are administered by the North Texas Municipal Water District Finance Committee of the Board of Directors. The District has contracted with Westwood Trust, Commonwealth Financial, and Aetna as ancillary trustees and custodians for the District's investments and those investments are respectively held by each of these trustees and custodians.

The District has contracted with Westwood Trust for trust administration, and the District's OPEB Plan investments are held in the Investment Trust by its trustee and custodian Westwood Trust (the "Trustee").

Investments	Pension Trust Fund ⁽¹⁾	OPEB Trust Fund	Quoted Prices in Active Markets for Identical Assets (Level 1)
Money Market Funds			
Fidelity Government Money Market Capital Reserves	\$ 27,450	\$ -	N/A
Equity Funds			
American Capital Income Builder	26,858,303	-	26,858,303
American Income Fund of America	31,076,258	-	31,076,258
Largecap Value Equity - EB	5,377,444	971,208	6,348,652
Baron Emerging Markets Fund Institutional Shares	1,538,870	475,600	2,014,470
Allcap Growth Equity - EB	5,807,946	-	5,807,946
iShares Russell 1000 Value Index Fund	2,050,869	-	2,050,869
Pgim Jennison Growth Fund R6	-	964,453	964,453
Smidcap Value Equity - EB	1,588,378	482,476	2,070,854
Smallcap Value Equity - EB	2,645,505	484,334	3,129,839
Westwood Smallcap Growth Fund - Inst	959,653	-	959,653
Vanguard FTSE Developed Markets Index Fund ETF Shares	2,649,989	658,773	3,308,762
Vanguard Scottsdal Vng Rus2000grw	1,492,775	467,445	1,960,220
Fixed Income Funds			
Core Investment Grade Bond - EB	10,362,920	2,169,146	12,532,066
Westwood High Income Fund Instl	4,096,682	742,020	4,838,702
Specialty Funds			
Westwood Total Return Fund Instl	5,122,080	934,493	6,056,573
Westwood Alternative Income Fund Ultra	2,786,043	403,234	3,189,277
Income Opportunity - EB	4,717,154	859,490	5,576,644
Total Investments and Cash Equivalents	\$ 109,158,319	\$ 9,612,672	\$ 118,743,541

(1) Information presented for the Pension Trust Fund is as of December 31, 2022.

The Pension Trust Fund is invested in a Money Market Fund (Fidelity Government Money Market Capital Reserves) which is valued at Net Asset Value and is therefore excluded from leveling above. See discussion earlier in this note regarding inputs for each level.

Neither the Pension Trust Fund or OPEB Trust Fund have unfunded commitments and therefore may redeem investments at any time to pay for benefits.

NOTE 4. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance at October 1, 2022	Additions and Transfers	Disposals and Transfers	Adjustments	Balance at September 30, 2023
Nondepreciable:					
Land	\$ 84,807,914	\$ 265,360,021	\$ 671,236	\$ -	\$ 349,496,699
Easements	76,035,685	18,287,399	1,148,574	-	93,174,510
Construction in progress	1,912,564,297	419,342,896	1,456,310,238	-	875,596,955
Total nondepreciable assets	2,073,407,896	702,990,316	1,458,130,048	-	1,318,268,164
Depreciable:					
Land improvements	287,507,874	10,209,817	-	-	297,717,691
Water treatment, storage and transmission facilities	2,083,889,159	856,909,045	4,426,740	-	2,936,371,464
Wastewater treatment and disposal facilities	995,613,758	205,882,675	149,196	-	1,201,347,237
Solid waste transfer and disposal facilities	91,032,691	5,159,810	-	-	96,192,501
Reservoir facilities and water rights	415,933,554	78,447,267	-	-	494,380,821
Buildings	93,796,606	165,289	12,710	-	93,949,185
Automobiles and trucks	20,194,479	5,143,606	1,740,001	-	23,598,084
Office furniture and fixtures	1,063,182	67,149	-	-	1,130,331
Other equipment	104,986,951	8,936,048	7,697,343	-	106,225,656
Total depreciable assets	4,094,018,254	1,170,920,706	14,025,990	-	5,250,912,970
Amortizable:					
Equipment lease assets	-	974,916	-	-	974,916
Subscription assets	-	1,688,543	-	-	1,688,543
Total amortizable assets	-	2,663,459	-	-	2,663,459
Total depreciable/amortizable assets	4,094,018,254	1,173,584,165	14,025,990	-	5,253,576,429
Less accumulated depreciation/amortization on:					
Land improvements, depreciation	(8,727,169)	(14,244,829)	-	-	(22,971,998)
Water treatment, storage and transmission facilities, depreciation	(503,003,242)	(47,586,528)	(1,888,972)	-	(548,700,798)
Wastewater treatment and disposal facilities, depreciation	(296,943,255)	(25,056,714)	(113,506)	-	(321,886,463)
Solid waste transfer and disposal facilities, depreciation	(41,588,217)	(1,645,968)	-	-	(43,234,185)
Reservoir facilities and water rights, depreciation	(133,631,706)	(8,548,422)	-	-	(142,180,128)
Buildings, depreciation	(22,120,773)	(2,269,771)	(4,405)	-	(24,386,139)
Automobiles and trucks, depreciation	(13,701,469)	(2,200,683)	(1,190,188)	-	(14,711,964)
Office furniture and fixtures, depreciation	(839,463)	(60,029)	-	-	(899,492)
Other equipment, depreciation	(65,310,169)	(9,574,915)	(7,359,369)	-	(67,525,715)
Equipment lease assets, amortization	-	(297,514)	-	-	(297,514)
Subscription assets, amortization	-	(460,129)	-	(98,578)	(558,707)
Total accumulated depreciation/amortization	(1,085,865,463)	(111,945,502)	(10,556,440)	(98,578)	(1,187,353,103)
Total depreciable/amortizable assets—net	3,008,152,791	1,061,638,663	3,469,550	(98,578)	4,066,223,326
TOTAL CAPITAL ASSETS—NET	\$ 5,081,560,687	\$ 1,764,628,979	\$ 1,461,599,598	\$ (98,578)	\$ 5,384,491,490

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS, CONTINUED

At September 30, 2023, capital assets by system were the following:

	Net Depreciable Assets	Net Amortizable Assets	Total Net Capital Assets
Water System	\$ 3,670,337,583	\$ 46,848	\$ 3,670,384,431
Regional Wastewater System	802,735,397	31,086	802,766,483
Sewer System	286,551,096	31,496	286,582,592
Solid Waste System	125,498,661	9,631	125,508,292
Interceptor System	469,475,184	-	469,475,184
Internal Service Funds	28,086,331	1,688,177	29,774,508
Total	<u>\$ 5,382,684,252</u>	<u>\$ 1,807,238</u>	<u>\$ 5,384,491,490</u>

NOTE 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At September 30, 2023, accounts payable and accrued liabilities consisted of the following:

	Water System	Regional Wastewater System	Sewer System	Solid Waste System	Interceptor System	Internal Service Funds	Total
Payable to vendors/ contractors	\$ 83,041,561	\$ 36,319,729	\$ 7,687,104	\$ 2,274,381	\$ 12,699,588	\$ 3,856,184	\$ 145,878,547
Insurance claims liability	-	-	-	-	-	2,215,829	2,215,829
Arbitrage liability	-	941,648	-	-	-	-	941,648
Escrow liability	13,021,270	2,976,776	6,346,716	18,660,997	2,696,846	4,324,805	48,027,410
Compensated absences	777,560	742,751	251,293	559,828	131,572	3,434,941	5,897,945
Accrued payroll and related benefits	551,700	518,761	267,059	640,518	81,927	1,328,059	3,388,024
Total	\$ 97,392,091	\$ 41,499,665	\$ 14,552,172	\$ 22,135,724	\$ 15,609,933	\$ 15,159,818	\$ 206,349,403
Payable from unrestricted assets	\$ 22,178,962	\$ 4,390,564	\$ 7,624,445	\$ 3,035,870	\$ 2,684,712	\$ 15,159,818	\$ 55,074,371
Payable from restricted assets	75,213,129	37,109,101	6,927,727	19,099,854	12,925,221	-	151,275,032
Total	\$ 97,392,091	\$ 41,499,665	\$ 14,552,172	\$ 22,135,724	\$ 15,609,933	\$ 15,159,818	\$ 206,349,403

NOTE 6. INTERFUND BALANCES

At September 30, 2023, interfund balances consisted of the following:

	Due From Other Funds	Due To Other Funds
Water System	\$ 252,803	\$ 1,103,816
Regional Wastewater System	2,855,633	3,487,064
Sewer System	2,078,667	2,454,739
Solid Waste System	2,765,966	2,080,986
Interceptor System	1,671,563	1,826,932
Internal Service Funds	3,591,653	2,262,748
Total	\$ 13,216,285	\$ 13,216,285

The above interfund balances are a result of routine administrative type transactions in the normal course of business and are expected to be repaid in less than one year.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFERRED OUTFLOWS OF RESOURCES

At September 30, 2023, deferred outflows of resources consisted of the following:

	Balance at October 1, 2022	Additions	Deletions	Balance at September 30, 2023
Water System:				
Deferred loss on refunded debt	\$ 2,285,469	\$ -	\$ (181,783)	\$ 2,103,686
Deferred pension outflow	3,829,166	4,663,517	-	8,492,683
Deferred OPEB outflow	945,337	180,049	-	1,125,386
	<u>7,059,972</u>	<u>4,843,566</u>	<u>(181,783)</u>	<u>11,721,755</u>
Regional Wastewater:				
Deferred loss on refunded debt	1,547,597	-	(310,494)	1,237,103
Deferred pension outflow	4,326,455	5,206,053	-	9,532,508
Deferred OPEB outflow	1,009,352	177,405	-	1,186,757
	<u>6,883,404</u>	<u>5,383,458</u>	<u>(310,494)</u>	<u>11,956,368</u>
Sewer System:				
Deferred loss on refunded debt	1,004,031	-	(291,200)	712,831
Deferred pension outflow	1,749,467	2,623,216	-	4,372,683
Deferred OPEB outflow	531,102	92,584	-	623,686
	<u>3,284,600</u>	<u>2,715,800</u>	<u>(291,200)</u>	<u>5,709,200</u>
Solid Waste System:				
Deferred loss on refunded debt	957,423	-	(273,589)	683,834
Deferred pension outflow	3,947,821	4,431,938	-	8,379,759
Deferred OPEB outflow	784,183	132,701	-	916,884
	<u>5,689,427</u>	<u>4,564,639</u>	<u>(273,589)</u>	<u>9,980,477</u>
Interceptor System:				
Deferred loss on refunded debt	1,425,568	-	(293,498)	1,132,070
Deferred pension outflow	525,092	863,712	-	1,388,804
Deferred OPEB outflow	189,154	36,231	-	225,385
	<u>2,139,814</u>	<u>899,943</u>	<u>(293,498)</u>	<u>2,746,259</u>
Internal Service Funds:				
Deferred pension outflow	12,717,678	17,168,129	-	29,885,807
Deferred OPEB outflow	3,658,839	646,765	-	4,305,604
	<u>16,376,517</u>	<u>17,814,894</u>	<u>-</u>	<u>34,191,411</u>
Total deferred outflows of resources	<u>\$ 41,433,734</u>	<u>\$ 36,222,300</u>	<u>\$ (1,350,564)</u>	<u>\$ 76,305,470</u>

NOTE 8. LONG -TERM DEBT

At September 30, 2023, long-term debt consisted of the following :

	Original Borrowing	Balance at October 1, 2022	Issued	Retired or Refunded	Balance at September 30, 2023	Amounts due Within One Year
Water System:						
Water revenue bonds 3/23-9/51, 2.00-5.00%	\$ 2,629,713,000	\$ 1,208,875,000	\$ -	\$ 58,865,000	\$ 1,150,010,000	\$ 61,535,000
Water direct placement 3/23-9/49, 1.060-3.43%	1,476,980,000	1,330,330,000	-	38,010,000	1,292,320,000	38,680,000
	4,106,693,000	2,539,205,000	-	96,875,000	2,442,330,000	100,215,000
Regional Wastewater:						
Wastewater revenue bonds, 12/22-6/51, 2.00-5.00%	451,360,000	363,865,000	-	14,190,000	349,675,000	14,820,000
Wastewater direct placement 12/22-6/50, .020-.170%	496,535,000	488,560,000	-	8,155,000	480,405,000	7,705,000
	947,895,000	852,425,000	-	22,345,000	830,080,000	22,525,000
Sewer System:						
Rockwall contract revenue bonds, 12/22-6/28, 5.75%	2,960,000	1,230,000	-	175,000	1,055,000	190,000
Mustang Creek Interceptor System revenue bonds, 12/22-6/50, 2.50- 5.125%	34,455,000	30,735,000	-	770,000	29,965,000	800,000
Rockwall-Heath contract revenue bonds 12/22-6/25, 4.20-4.25%	3,020,000	645,000	-	205,000	440,000	215,000
Terrell contract revenue bonds 12/22-6/35, 3.25-5.00%	10,465,000	7,565,000	-	455,000	7,110,000	475,000
Stewart Creek contract revenue bonds, 12/22-6/35, 3.00-5.00%	69,685,000	47,980,000	-	2,780,000	45,200,000	2,890,000
Little Elm contract revenue bonds, 12/21-6/23, 2.00%	3,555,000	405,000	-	405,000	-	-
Parker Creek Interceptor System, revenue bonds, 12/21-6/23, 5.125%	2,615,000	210,000	-	210,000	-	-
Sabine Creek Interceptor System revenue bonds, 12/21-6/23, 5.125%	2,115,000	170,000	-	170,000	-	-
Sabine Creek Wastewater System revenue bonds, 12/22-6/52, 2.00- 5.00%	101,710,000	94,105,000	-	1,295,000	92,810,000	640,000
Muddy Creek Wastewater System revenue bonds 12/22-6/40, 2.00- 4.00%	32,630,000	19,615,000	-	2,430,000	17,185,000	1,325,000
Muddy Creek Interceptor revenue bonds 12/22-6/24, 3.00%	2,135,000	490,000	-	240,000	250,000	250,000
Buffalo Creek Interceptor revenue bonds 12/22-6/50, 2.00-5.00%	50,525,000	38,825,000	-	1,550,000	37,275,000	1,625,000
Buffalo Creek Interceptor direct placement 12/21-6/52, 1.10-2.52%	38,615,000	38,615,000	-	250,000	38,365,000	250,000
Rockwall Water Pumping Facilities bonds 12/22-6/26, 4.55-4.60%	2,145,000	610,000	-	140,000	470,000	150,000

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG -TERM DEBT (CONTINUED)

	Original Borrowing	Balance at September 30, 2022	Issued	Retired or Refunded	Balance at September 30, 2023	Amounts due Within One Year
Sewer System (continued):						
Panther Creek Wastewater System bonds 12/22-6/40, 2.50-5.00%	36,190,000	22,140,000	-	3,315,000	18,825,000	3,480,000
Lower East Fork Interceptor bonds 12/22-6/26, 3.00-4.00%	10,745,000	4,820,000	-	1,125,000	3,695,000	1,180,000
Parker Creek Parallel Interceptor bonds 12/21-6/36, 2.00-3.00%	3,045,000	2,335,000	-	125,000	2,210,000	135,000
	406,610,000	310,495,000	-	15,640,000	294,855,000	13,605,000
Solid Waste System- revenue bonds, 3/23-9/43, 3.00-5.00%	116,435,000	49,905,000	29,110,000	3,705,000	75,310,000	4,635,000
Interceptor System - revenue bonds, 12/22-6/51, 2.00-6.25%	536,935,000	369,825,000	-	15,330,000	354,495,000	16,095,000
Total	\$ 6,114,568,000	\$ 4,121,855,000	\$ 29,110,000	\$ 153,895,000	\$ 3,997,070,000	\$ 157,075,000

Pledged Revenue

Throughout the years, the District has issued revenue bonds and U.S. Government Notes with pledged revenues as collateral.

Pledged revenues generally include gross revenues of the District's respective Systems, and includes specifically certain payments to be received by the District from the Systems' member cities and contracting parties. The Member Cities and contracting parties are obligated to make payments in amounts sufficient to pay the principal and interest of the debt, which were issued to provide funding for construction and capital improvement projects.

The total amount of the pledge is equal to the remaining outstanding debt service requirements for the District's bonds and notes.

For the year ended September 30, 2023, bond debt service of \$282,595,643 was fully secured by 100% of pledged revenues of \$664,989,534 and interest earned on accounts restricted for debt service. Also, the Interceptor System ECP Debt service amount of \$268,132 was paid directly from Operating and is not included in the pledged revenues.

Arbitrage

The Federal Tax Reform Act of 1986 imposes a rebate requirement with respect to certain long-term obligations. Under this act, an arbitrage amount may be required to be rebated to the United States Treasury for interest on the bonds to qualify for exclusion from gross income for federal income tax purposes. Rebutable arbitrage is computed as of each installment computation date. The arbitrage rebate calculation as of the most recent such date indicates that \$941,648 is due. Future calculations might result in adjustments to this determination.

NOTE 8. LONG -TERM DEBT (CONTINUED)

In the Statement of Net Position, the long-term liabilities include premiums net of discounts of \$116,940,463 in the Water System, \$24,673,517 in the Regional Wastewater System, \$9,071,385 in the Sewer System, \$4,765,460 in the Solid Waste System and \$22,224,638 in the Interceptor System.

Other premiums and discounts related to long term debt activity for the year ended September 30, 2023, were as follows:

	Balance at October 1, 2022	Additions	Deletions	Balance at September 30, 2023
Water System:				
Premiums	\$ 131,417,952	\$ -	\$ (14,477,489)	\$ 116,940,463
	<u>131,417,952</u>	<u>-</u>	<u>(14,477,489)</u>	<u>116,940,463</u>
Regional Wastewater:				
Premiums	26,897,549	-	(2,224,032)	24,673,517
	<u>26,897,549</u>	<u>-</u>	<u>(2,224,032)</u>	<u>24,673,517</u>
Sewer System:				
Premiums	10,383,383	-	(1,307,248)	9,076,135
Discounts	(6,534)	-	1,784	(4,750)
	<u>10,376,849</u>	<u>-</u>	<u>(1,305,464)</u>	<u>9,071,385</u>
Solid Waste System:				
Premiums	2,932,400	2,449,729	(616,669)	4,765,460
	<u>2,932,400</u>	<u>2,449,729</u>	<u>(616,669)</u>	<u>4,765,460</u>
Interceptor System:				
Premiums	24,860,066	-	(2,635,428)	22,224,638
	<u>24,860,066</u>	<u>-</u>	<u>(2,635,428)</u>	<u>22,224,638</u>
Total	<u>\$ 196,484,816</u>	<u>\$ 2,449,729</u>	<u>\$ (21,259,082)</u>	<u>\$ 177,675,463</u>

Revenue bonds outstanding at September 30, 2023 are secured as follows:

- **Water Revenue Bonds** — Assignment of the gross revenues to be derived from the operation of the District's Water System.
- **Regional Wastewater Revenue Bonds** — Assignment of the gross revenues to be derived from the operation of the District's Regional Wastewater System and payments made to the District from the Cities of Plano, Mesquite, McKinney, Forney, Allen, Frisco, Princeton, Prosper, Rockwall, Seagoville and Heath.
- **Rockwall Contract Revenue Bonds** — Assignment of the gross revenues to be derived from the operation of the District's sewage disposal system serving the City of Rockwall.
- **Mustang Creek Interceptor Revenue Bonds** — Payments to be made to the District by the City of Forney.
- **Rockwall/Heath Water Storage Facilities Revenue Bonds** — Payments to be made to the District by the Cities of Rockwall and Heath.
- **Terrell Water Transmission Facilities Contract Revenue Bonds** — Payments to be made to the District by the City of Terrell.
- **Stewart Creek Contract Revenue Bonds** — Assignment of the gross revenues to be derived from the operation of the Stewart Creek Wastewater System and payments made to the District by the City of Frisco.
- **Sabine Creek Wastewater System Revenue Bonds** — Assignment of the gross revenues to be derived from the operation of the Sabine Creek Wastewater System and payments made to the District by the Cities of Fate and Royse City.
- **Muddy Creek Wastewater System Revenue Bonds** — Assignment of the gross revenues to be derived from the operation of the Muddy Creek Wastewater System and payments made to the District by the Cities of Murphy and Wylie.
- **Muddy Creek Interceptor System Revenue Bonds** — Assignment of the gross revenues to be derived from the operation of the Muddy Creek Interceptor System and payments made to the District by the Cities of

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG -TERM DEBT (CONTINUED)

- Murphy and Wylie.
- *Buffalo Creek Interceptor System Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the Buffalo Creek Interceptor System and payments made to the District by the Cities of Forney, Heath and Rockwall.
- *Rockwall Water Pumping Facilities Bonds* — Payments to be made to the District by the City of Rockwall.
- *Panther Creek Wastewater System Bonds* — Assignment of the gross revenues to be derived from the operation of the Panther Creek Wastewater System and payments made to the District by the City of Frisco.
- *Lower East Fork Interceptor System Bonds* — Assignment of the gross revenues to be derived from the operation of the District's Lower East Fork Interceptor System and payments made to the District by the Cities of Mesquite and Seagoville.
- *Parker Creek Parallel Wastewater Interceptor Bonds* — Assignment of the gross revenues to be derived from the operation of the Parker Creek Interceptor System and payments made to the District by the City of Fate.
- *Solid Waste System Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the District's Solid Waste System.
- *Interceptor System Revenue Bonds* — Assignment of the gross revenues to be derived from the operation of the District's Upper East Fork Interceptor System.

Interest and redemption (sinking) funds, reserve funds and contingency funds have been established, as required, in accordance with bond resolutions. Funds may be placed in secured time deposits or invested in direct obligations of, or obligations guaranteed by, the U.S. government. Interest earned is retained in the applicable funds or transferred to meet debt service requirements in accordance with bond resolutions.

Premiums and discounts on bonds are amortized over the life of the debt using the effective interest method.

During the year, the District issued revenue bonds in the amounts of \$29,110,000 in the Solid Waste System primarily for the construction and inspection of the 121 RDF Shop addition and the construction and inspection of the 121 RDF South Slope Closure, and other system improvements.

At September 30, 2023, defeased bonds outstanding totaled \$0.

For current and advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. At September 30, 2023, the amount of the unamortized deferred amount on refundings is \$5,869,524.

Additional debt information

As disclosed in this note, the District's outstanding revenue bonds including direct placement revenue bonds are secured by and payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the pledged revenues.

A number of the District's bond issues have separately purchased insurance on them. The insurance contains a provision that in the event, the District defaults on a scheduled payment of principal or interest, all or a portion becomes due under the policy. The bonds are payable solely from the sources of funds pledged to the payment of the bonds. Payment of the principal and interest is not subject to acceleration.

The District's outstanding revenue bonds from direct placements of \$1,292,320,000 for Water and \$480,405,000 for Wastewater contain a provision that if the District defaults on the payment of the principal and interest of the bond when due, there is no right to the acceleration of maturity of the Bonds. The District is eligible to seek relief from its creditors under chapter 9 of the U.S. Bankruptcy Code.

The Board has authorized using Extendable Commercial Paper (ECP) in the Water System (not to exceed \$250M), Regional Wastewater System (not to exceed \$150M), and Interceptor System (not to exceed \$75M). As of September 30, 2023, the District has outstanding ECP notes of \$54,000,000 in the Water System, \$33,000,000 in the Wastewater System, and \$17,000,000 in the Interceptor System.

NOTE 8. LONG -TERM DEBT (CONTINUED)

Annual requirements to retire revenue bonds outstanding, including interest, are:

	Water System			Water System - Direct Placement		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 61,535,000	\$ 48,531,958	\$ 110,066,958	\$ 38,680,000	\$ 36,996,949	\$ 75,676,949
2025	59,595,000	45,708,508	105,303,508	39,400,000	36,275,966	75,675,966
2026	61,430,000	42,943,859	104,373,859	40,165,000	35,510,487	75,675,487
2027	64,510,000	39,940,059	104,450,059	40,985,000	34,699,970	75,684,970
2028	64,690,000	36,784,359	101,474,359	41,835,000	33,847,041	75,682,041
2029-2033	345,580,000	137,586,855	483,166,855	224,500,000	153,854,468	378,354,468
2034-2038	242,985,000	69,276,793	312,261,793	257,160,000	121,148,844	378,308,844
2039-2043	144,940,000	32,508,225	177,448,225	298,880,000	79,267,793	378,147,793
2044-2048	90,900,000	9,214,673	100,114,673	306,080,000	28,211,195	334,291,195
2049-2052	13,845,000	548,430	14,393,430	4,635,000	125,145	4,760,145
	<u>\$ 1,150,010,000</u>	<u>\$ 463,043,719</u>	<u>\$ 1,613,053,719</u>	<u>\$ 1,292,320,000</u>	<u>\$ 559,937,858</u>	<u>\$ 1,852,257,858</u>

	Regional Wastewater System			Regional Wastewater System - Direct Placement		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 14,820,000	\$ 13,709,556	\$ 28,529,556	\$ 7,705,000	\$ 178,641	\$ 7,883,641
2025	15,490,000	13,042,181	28,532,181	8,705,000	178,641	8,883,641
2026	16,190,000	12,316,499	28,506,499	12,665,000	178,641	12,843,641
2027	15,770,000	11,587,825	27,357,825	18,310,000	178,641	18,488,641
2028	16,485,000	10,872,687	27,357,687	18,310,000	178,641	18,488,641
2029-2033	62,695,000	45,077,414	107,772,414	91,570,000	893,201	92,463,201
2034-2038	61,010,000	32,568,964	93,578,964	92,340,000	893,201	93,233,201
2039-2043	75,055,000	20,123,143	95,178,143	94,195,000	888,516	95,083,516
2044-2048	62,960,000	6,294,006	69,254,006	96,935,000	633,330	97,568,330
2049-2052	9,200,000	366,800	9,566,800	39,670,000	88,158	39,758,158
	<u>\$ 349,675,000</u>	<u>\$ 165,959,075</u>	<u>\$ 515,634,075</u>	<u>\$ 480,405,000</u>	<u>\$ 4,289,611</u>	<u>\$ 484,694,611</u>

	Sewer System			Sewer System - Direct Placement		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 13,355,000	\$ 9,621,038	\$ 22,976,038	\$ 250,000	\$ 746,572	\$ 996,572
2025	13,050,000	9,041,470	22,091,470	750,000	743,822	1,493,822
2026	14,970,000	8,470,234	23,440,234	1,115,000	735,572	1,850,572
2027	10,915,000	7,878,706	18,793,706	1,125,000	723,307	1,848,307
2028	11,210,000	7,462,769	18,672,769	1,140,000	710,932	1,850,932
2029-2033	56,495,000	30,634,269	87,129,269	5,890,000	3,358,677	9,248,677
2034-2038	47,540,000	20,272,263	67,812,263	6,340,000	2,920,055	9,260,055
2039-2043	33,115,000	13,797,456	46,912,456	6,985,000	2,269,575	9,254,575
2044-2048	33,475,000	8,180,081	41,655,081	7,810,000	1,439,485	9,249,485
2049-2052	22,365,000	2,200,213	24,565,213	6,960,000	440,461	7,400,461
	<u>\$ 256,490,000</u>	<u>\$ 117,558,499</u>	<u>\$ 374,048,499</u>	<u>\$ 38,365,000</u>	<u>\$ 14,088,458</u>	<u>\$ 52,453,458</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG -TERM DEBT (CONTINUED)

	Solid Waste System			Interceptor System		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 4,635,000	\$ 3,321,047	\$ 7,956,047	\$ 16,095,000	\$ 12,518,718	\$ 28,613,718
2025	4,980,000	2,957,531	7,937,531	15,685,000	11,736,293	27,421,293
2026	5,205,000	2,708,531	7,913,531	17,620,000	10,988,468	28,608,468
2027	4,895,000	2,448,281	7,343,281	19,585,000	10,164,268	29,749,268
2028	5,105,000	2,203,531	7,308,531	20,545,000	9,244,743	29,789,743
2029-2033	20,025,000	8,454,488	28,479,488	84,860,000	34,104,062	118,964,062
2034-2038	18,940,000	4,429,713	23,369,713	66,415,000	19,680,615	86,095,615
2039-2043	11,525,000	1,355,600	12,880,600	44,220,000	12,191,281	56,411,281
2044-2048	-	-	-	48,275,000	6,351,275	54,626,275
2049-2052	-	-	-	21,195,000	904,050	22,099,050
	<u>\$ 75,310,000</u>	<u>\$ 27,878,722</u>	<u>\$ 103,188,722</u>	<u>\$ 354,495,000</u>	<u>\$ 127,883,773</u>	<u>\$ 482,378,773</u>
	Total All Systems					
	Principal	Interest	Total			
2024	\$ 157,075,000	\$ 125,624,479	\$ 282,699,479			
2025	157,655,000	119,684,412	277,339,412			
2026	169,360,000	113,852,291	283,212,291			
2027	176,095,000	107,621,057	283,716,057			
2028	179,320,000	101,304,703	280,624,703			
2029-2033	891,615,000	413,963,434	1,305,578,434			
2034-2038	792,730,000	271,190,448	1,063,920,448			
2039-2043	708,915,000	162,401,589	871,316,589			
2044-2048	646,435,000	60,324,045	706,759,045			
2049-2052	117,870,000	4,673,257	122,543,257			
	<u>\$ 3,997,070,000</u>	<u>\$ 1,480,639,715</u>	<u>\$ 5,477,709,715</u>			

Lease and SBITA Payables

Lease Payable. As of September 30, 2023, the District's total lease liability is \$655,582. The total lease liability payable within one year is \$200,289.

SBITA Payable. As of September 30, 2023, the District's total SBITA liability is \$1,000,398, plus \$25,847 accrued interest payable. The total SBITA liability payable within one year is \$518,310.

NOTE 8. LONG -TERM DEBT (CONTINUED)

Lease and SBITA liabilities consist of the following at September 30, 2023:

	Balance at October 1, 2022	Additions	Deletions	Balance at September 30, 2023
Water System:				
Lease liability	\$ -	\$ 62,860	\$ (17,542)	\$ 45,318
Subscription liability	-	3,027	(3,027)	-
	-	65,887	(20,569)	45,318
Regional Wastewater:				
Lease liability	-	42,654	(12,051)	30,603
	-	42,654	(12,051)	30,603
Sewer System:				
Lease liability	-	46,197	(15,078)	31,119
	-	46,197	(15,078)	31,119
Solid Waste System:				
Lease liability	-	17,089	(7,662)	9,427
	-	17,089	(7,662)	9,427
Internal Service Funds:				
Lease liability	-	705,721	(166,607)	539,114
Subscription liability	-	1,679,665	(679,267)	1,000,398
	-	2,385,386	(845,874)	1,539,512
Total	\$ -	\$ 2,557,213	\$ (901,234)	\$ 1,655,979

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG -TERM DEBT (CONTINUED)

The following is a summary schedule of future lease and SBITA payments by fund type as of September 30, 2023:

	Internal Service Funds - Leases			Internal Service Funds - SBITA		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 151,692	\$ 5,772	\$ 157,464	\$ 518,310	\$ 32,028	\$ 550,338
2025	141,298	4,239	145,537	444,917	15,462	460,379
2026	131,039	2,745	133,784	37,171	1,229	38,400
2027	113,061	1,329	114,390	-	-	-
2028	2,024	12	2,036	-	-	-
	<u>\$ 539,114</u>	<u>\$ 14,097</u>	<u>\$ 553,211</u>	<u>\$ 1,000,398</u>	<u>\$ 48,719</u>	<u>\$ 1,049,117</u>

	Water System - Leases			Wastewater System - Leases		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 16,656	\$ 359	\$ 17,015	\$ 12,118	\$ 145	\$ 12,263
2025	15,765	224	15,989	11,455	77	11,532
2026	11,129	96	11,225	7,030	23	7,053
2027	1,768	13	1,781	-	-	-
2028	-	-	-	-	-	-
	<u>\$ 45,318</u>	<u>\$ 692</u>	<u>\$ 46,010</u>	<u>\$ 30,603</u>	<u>\$ 245</u>	<u>\$ 30,848</u>

	Sewer System - Leases			Solid Waste System - Leases		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 12,135	\$ 151	\$ 12,286	\$ 7,687	\$ 19	\$ 7,706
2025	9,863	91	9,954	1,740	2	1,742
2026	7,722	34	7,756	-	-	-
2027	1,399	3	1,402	-	-	-
2028	-	-	-	-	-	-
	<u>\$ 31,119</u>	<u>\$ 279</u>	<u>\$ 31,398</u>	<u>\$ 9,427</u>	<u>\$ 21</u>	<u>\$ 9,448</u>

	Total All Systems - Leases			Total All Systems - SBITA		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 200,288	\$ 6,446	\$ 186,765	\$ 518,310	\$ 32,028	\$ 550,338
2025	180,121	4,633	171,480	444,917	15,462	460,379
2026	156,920	2,898	152,765	37,171	1,229	38,400
2027	116,228	1,345	117,573	-	-	-
2028	2,024	12	2,036	-	-	-
	<u>\$ 655,581</u>	<u>\$ 15,334</u>	<u>\$ 630,619</u>	<u>\$ 1,000,398</u>	<u>\$ 48,719</u>	<u>\$ 1,049,117</u>

NOTE 9. DEFERRED INFLOWS OF RESOURCES

At September 30, 2023, deferred inflows of resources consisted of the following:

	Balance at October 1, 2022	Additions	Deletions	Balance at September 30, 2023
Water System:				
Deferred pension inflow	\$ 1,171,812	\$ -	\$ (1,013,183)	\$ 158,629
Deferred OPEB inflow	283,024		(77,620)	205,404
	<u>1,454,836</u>	<u>-</u>	<u>(1,090,803)</u>	<u>364,033</u>
Regional Wastewater:				
Deferred pension inflow	1,674,751	-	(1,131,053)	543,698
Deferred OPEB inflow	339,570	-	(76,480)	263,090
	<u>2,014,321</u>	<u>-</u>	<u>(1,207,533)</u>	<u>806,788</u>
Sewer System:				
Deferred pension inflow	623,888	-	(569,911)	53,977
Deferred OPEB inflow	166,062	-	(39,916)	126,146
Deferred grant revenue	1,000,000	-	-	1,000,000
	<u>1,789,950</u>	<u>-</u>	<u>(609,827)</u>	<u>1,180,123</u>
Solid Waste System:				
Deferred pension inflow	1,502,709	-	(962,869)	539,840
Deferred OPEB inflow	279,025	-	(57,209)	221,816
	<u>1,781,734</u>	<u>-</u>	<u>(1,020,078)</u>	<u>761,656</u>
Interceptor System:				
Deferred pension inflow	166,622	-	(187,654)	(21,032)
Deferred OPEB inflow	50,528	-	(15,620)	34,908
	<u>217,150</u>	<u>-</u>	<u>(203,274)</u>	<u>13,876</u>
Internal Service Funds:				
Deferred pension inflow	4,898,397	-	(3,729,900)	1,168,497
Deferred OPEB inflow	1,165,263	-	(278,824)	886,439
	<u>6,063,660</u>	<u>-</u>	<u>(4,008,724)</u>	<u>2,054,936</u>
Total	<u>\$ 13,321,651</u>	<u>\$ -</u>	<u>\$ (8,140,239)</u>	<u>\$ 5,181,412</u>

As of September 30, 2023, the Buffalo Creek Interceptor Fund had deferred grant income of \$1,000,000 that represents the Clean Water Principal Grant income received in May 2022.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLAN

Plan Description

The District provides a Retirement Plan for Employees of North Texas Municipal Water District (the Plan), a single employer defined benefit pension plan, for all of its eligible full-time employees through an AETNA Life Insurance Company group pension defined benefit fund contract. The Plan is administered by the District's Executive Director/General Manager. The Plan does not issue separate financial statements. An employee will become a participant in the Plan on the date of full-time employment.

Benefits Provided

Benefits are established and may be amended by the District's Board of Directors. Benefits provided by the Plan include retirement, disability and preretirement death benefits. The benefit formula provides for a 10-year certain and continuous annuity. Preretirement death benefits are provided as a lump sum equal to the greater of the present value of the accrued benefit or current vested wages. The benefit at retirement is calculated as follows:

- *Normal Retirement (age 65)* — 3% of career compensation plus 1% of all yearly compensation in excess of covered compensation for each year.
- *Early Retirement (over age 55 with at least 20 years of service)* — The annual accrued benefit equals the accrued benefit based on service to the early retirement date, reduced by 5% for each year a member retires before the normal retirement date. There is no reduction in benefits for a member who retires whose age plus years of service total at least 80.
- *Late Retirement (after normal retirement date)* — The benefit accrued to the late retirement date.
- *Disability (certified to be permanently and totally disabled on or after May 1, 1990)* — 60% of final average monthly compensation reduced by 64% of Social Security disability.

Employees Covered by Benefit Terms

As of January 1, 2023, the following numbers of employees were covered by the benefit terms:

Active employees	838
Inactive employees entitled to but not yet receiving benefits (Vested Terminated)	181
Inactive employees entitled to but not yet receiving benefits (Nonvested Terminated)	79
Inactive employees or beneficiaries currently receiving benefits	264
Total	<u>1,362</u>

Contributions

The District's annual minimum contribution is actuarially calculated. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the actuarial accrued liability as set forth below. Effective January 1, 2023, the unfunded actuarial liability is amortized using a closed period, layered amortization approach. The unfunded actuarial liability comprises various sources, and under the layered amortization approach each component source of unfunded actuarial liability is amortized over a separated closed period.

Effective January 1, 2018, employees who enter service on or after January 1, 2018 shall make mandatory contributions to the Plan at the rate of 5% of annual earnings and subject to 3.5% plan interest rate credits per year.

For the plan year ended December 31, 2022, the District made contributions of \$9,203,590, which represent 13.94% of annual covered payroll. These contributions were based on actuarially determined contribution requirements through an actuarial valuation performed at January 1, 2022. For the fiscal year ended September 30, 2023, the District made contributions of \$12,500,000 of which contributions subsequent to the measurement date through September 30, 2023 were \$10,046,410.

Net Pension Liability

The District's Net Pension Liability reported for the fiscal year ending September 30, 2023 was measured as of December 31, 2022, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that same date.

NOTE 10. RETIREMENT PLAN (CONTINUED)**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	January 1, 2022	January 1, 2023
Measurement date	December 31, 2021	December 31, 2022
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.00%	2.50%
Salary increases including inflation	4.00%	2.5% to 6.5%, including inflation
Mortality	Pub-2010 General Mortality with MP-2021 mortality improvement scales	Amount-weighted General Tables (i.e., PubG-2010) projected generationally using Scale MP-2021.

Many of the actuarial assumptions used in this valuation were based on the results of an actuarial experience study performed as of December 31, 2022. Several demographic and economic assumptions were updated to reflect recommended assumptions from this study. A detail of the changes can be found in the Required Supplementary Information.

Long-Term Expected Rate of Return

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage which is based on the nature and mix of current and expected plan investments. This weighted-return is then increased by expected inflation and reduced by assumed investment expenses. Best estimates of geometric real rates of return for each major asset class included in the Plans asset allocation as of December 31, 2022 are summarized in the following tables:

Asset Class	Allocation	Long-Term Expected Real Rate of Return	Target Allocation Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	7.00%	0.25%	0.018%
Fixed Income	29.00%	2.00%	0.580%
U.S. Equities	46.00%	7.25%	3.335%
International Equities	15.00%	5.25%	0.788%
Alternative Income	3.00%	2.24%	0.123%
Total	100.00%		4.844%
Real Rate of Investment Return Assumption			4.844%
Assumed Inflation			2.500%
Assumed Investment Expenses			-0.200%
Unrounded Expected Long-Term Rate of Return			7.144%
Selected Rounded Expected Long-Term Rate of Return			7.25%

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions will be made in amounts equal to the actuarially determined contribution amounts. Based on those assumptions, the plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	December 31, 2021	December 31, 2022
Discount rate	7.75%	7.25%
Long-term expected rate of return, net of investment expense	7.75%	7.25%

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLAN (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of September 30, 2022	\$ 176,144,765	\$ 123,824,689	\$ 52,320,076
Changes for the year:			
Service cost	4,949,449	-	4,949,449
Interest on total pension liability	13,718,893	-	13,718,893
Differences between expected and actual experience	9,110,773	-	9,110,773
Contributions - Employer	-	9,203,590	(9,203,590)
Contributions - Employer	-	977,896	(977,896)
Net investment income	-	(13,198,929)	13,198,929
Benefit payments, including refunds of employee contributions	(8,307,489)	(8,307,489)	-
Administrative expenses	-	-	-
Assumption changes	18,539,968	-	18,539,968
Balances as of September 30, 2023	<u>\$ 214,156,359</u>	<u>\$ 112,499,757</u>	<u>\$ 101,656,602</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability, calculated using the discount rate of 7.25%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Employer's Net Pension Liability	\$ 133,480,019	\$ 101,656,602	\$ 75,569,470

Pension Expense

For the year ended September 30, 2023, the District recognized pension expense of \$19,285,391 of which \$9,471,590 was allocated to the Support Fund, \$2,572,842 was allocated to the Water System, \$2,872,156 was allocated to the Wastewater System, \$1,447,216 was allocated to the Sewer System, \$2,445,080 was allocated to the Solid Waste System, and \$476,507 was allocated to the Interceptor System.

The components of pension expense for the fiscal year ended September 20, 2023 are as follows:

Pension Expense	October 1, 2022 to September 30, 2023
Service cost	\$ 4,949,449
Interest on total pension liability	13,718,893
Amortization of differences between expected and actual experience	3,784,828
Amortization of changes of assumptions	3,411,532
Member contributions	(977,896)
Projected earnings on pension plan investments	(9,667,676)
Amortization of differences between projected and actual earnings on plan investments	4,066,261
Pension Plan administrative expense	-
Pension expense	<u>\$ 19,285,391</u>

NOTE 10. RETIREMENT PLAN (CONTINUED)**Deferred Outflows/Inflows of Resources Related to Pensions**

At September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,583,689	\$ (821,101)
Changes of assumptions	24,434,647	(1,622,508)
Net difference between projected and actual earnings	12,987,498	-
Contributions made subsequent to measurement date	10,046,410	-
Total	<u>\$ 62,052,244</u>	<u>\$ (2,443,609)</u>

Year Ended September 30	Net Outflows/(Inflows) of Resources
2024	\$ 8,934,878
2025	10,711,942
2026	10,221,013
2027	11,312,726
2028	5,492,781
Thereafter*	2,888,885
	<u>\$ 49,562,225</u>

*Note that additional future deferred inflows and outflows of resources may impact these numbers.

Pension Plan Fiduciary Net Position

	January 1, 2022	January 1, 2023
Assets		
Cash and cash equivalents	\$ 4,611,487	\$ 7,719,253
Receivables and prepaid expenses	-	-
Investments:		
Fixed income	25,528,977	28,733,195
Alternative Investments	13,126,186	12,625,277
Stocks	80,558,039	63,422,032
Total investments	<u>119,213,202</u>	<u>104,780,504</u>
Total assets	<u>123,824,689</u>	<u>112,499,757</u>
Liabilities		
Total liabilities	<u>-</u>	<u>-</u>
Net position restricted for pensions	<u>\$ 123,824,689</u>	<u>\$ 112,499,757</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLAN (CONTINUED)

Changes in Pension Plan Fiduciary Net Position

	January 1, 2022	January 1, 2023
Additions:		
Contributions:		
Employer	\$ 6,300,000	\$ 9,203,590
Member	782,754	977,896
Total contributions	7,082,754	10,181,486
Net investment income:		
Interest and dividends	2,883,018	4,964,784
Net increase in fair value of investments	11,857,120	(17,830,025)
Less investment expenses:		
Direct investment expense	353,624	333,688
Total investment expenses	353,624	333,688
Net investment income	14,386,514	(13,198,929)
Total Additions	21,469,268	(3,017,443)
Deductions:		
Benefit Payments including refunds of employee contributions	7,423,640	8,307,489
Administrative expenses	-	-
Other	-	-
Total Deductions	7,423,640	8,307,489
Net increase (decrease)	14,045,628	(11,324,932)
Net position		
Beginning of year	109,779,061	123,824,689
End of year	\$ 123,824,689	\$ 112,499,757

NOTE 11. COMMITMENTS AND CONTINGENCIES**Commitments**

Remaining commitments under construction contracts as of September 30, 2023 were as follows:

Payable from:	Capital Improvement Funds	Restricted Bond Funds	Total Commitments
Water System	\$ 74,455,043	\$ 196,442,996	\$ 270,898,039
Regional Wastewater System	73,750	192,837,122	192,910,872
Sewer System	4,084,107	61,408,823	65,492,930
Solid Waste System	885,399	20,449,614	21,335,013
Interceptor System	2,904,544	149,005,120	151,909,664
	<u>\$ 82,402,843</u>	<u>\$ 620,143,675</u>	<u>\$ 702,546,518</u>

Contingencies

The District is involved in threatened litigation and lawsuits arising in the ordinary course of business, including claims involving contract disputes. In the opinion of the District's management, potential liability in these matters will not have a material impact on the financial statements as of September 30, 2023.

NOTE 12. CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require the District to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the District accrues a portion of these estimated closure and postclosure care costs in each period based on landfill capacity used as of each Statement of Net Position date. At September 30, 2023, a liability of \$9,482,010 for landfill closure and postclosure care costs has been accrued in the Solid Waste System Fund in the accompanying statement of net position.

Beginning Liability	Additions	Reductions	Ending Liability
\$ 8,645,797	\$ 836,213	\$ -	\$ 9,482,010

The \$9,482,010 reported as landfill closure and postclosure care liability at September 30, 2023, includes \$247,161 for Transfer Stations, \$1,768,822 for the Maxwell Creek Landfill, \$3,297,085 for the McKinney Landfill and \$4,168,942 for the 121 Regional Disposal Facility, which represents the cumulative amount reported to date based on the use of 19% of the estimated capacity of the 121 Regional Disposal Facility. The Maxwell Creek Landfill was closed during 2006 and the McKinney Landfill was closed during 2009. The District will recognize the remaining cost of closure and postclosure care of \$17,420,611 for the 121 Regional Disposal Facility as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care at September 30, 2023. Based upon the current utilization of capacity, the remaining expected life of the 121 Regional Disposal Facility is estimated to be 92.4 years. Actual costs may be higher due to inflation, changes in technology, or changes in laws or regulations.

The District is required to provide financial assurance for closure and postclosure care to the State of Texas. In accordance with current regulations, a local government may demonstrate financial assurance for closure and postclosure care, or corrective action by satisfying certain requirements. Management of the District believes they have satisfied such requirements.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased for fire and extended coverage for the buildings, plants, structures and contents with a \$25,000 deductible per occurrence. Commercial insurance is also provided under a commercial floater policy, which covers the heavy off-road equipment with a \$10,000 deductible per occurrence. The District is a member of a public entity risk pool operating as a common risk management and insurance program for a number of water districts and river authorities within the State of Texas. Coverage provided by the pool consists of workers' compensation, general liability, automobile liability, directors' and officers' liability, and automobile physical damage. Annual premiums are paid to the pool. The pool is self-sustaining through member premiums and the purchase of reinsurance through commercial companies. The amount of settlements did not exceed insurance coverage for the last three fiscal years.

The District maintains a self-insurance program for the employee group medical program. A third-party administrator is utilized to provide claims administration and payment of claims. Insurance is purchased to provide specific stop loss and aggregate stop loss protection.

The liability for insurance claims is based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities are based upon the insurance company's figures for the District's liability for termination claims upon the termination of the policy year and the stop loss premium for any claims above the District's liability. Additionally, the liability for unpaid claims includes the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage, and subrogation. The liability is reported with accounts payable and accrued liabilities in the Statement of Net Position. Changes in the employees' health claims liability amount in fiscal September 30, 2023 and 2022 were:

Fiscal Year	Liability Beginning of Year	Claims Incurred and Change in Estimates	Current Year Claim Payments	Liability End of Year
2022	\$ 1,768,028	\$ 15,630,851	\$ 15,500,985	\$ 1,897,894
2023	1,897,894	18,853,579	18,535,644	2,215,829

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS**Plan Description and Benefits Provided**

The District's defined benefit other postemployment benefits (OPEB) plan provides OPEB in the form of health and dental insurance benefits for certain retirees and their spouses up to age 65 through a single-employer defined medical plan. These benefits are funded 100 percent by the District for the currently eligible retirees and their spouses. A third-party administrator is utilized to provide claims administration and the District pays claims directly to the insurance provider. Insurance is purchased to provide specific stop loss and aggregate stop loss protection.

The District does not issue separate audited financial statements for its plan.

Employees Covered by Benefit Terms

As of September 30, 2023, the participants comprised of the following:

	Medical	Dental
Medical benefit actives	883	883
Retirees and retiree spouses	128	129
Total number of participants	1,011	1,012

Contributions

The District's funding policy is established and may be amended by the District's Board of Directors. The District has established an irrevocable trust fund to accumulate assets for payment of future OPEB benefits. The District pre-funds benefits through contributions to the trust. The current funding policy is to contribute at least the Actuarially Determined Contribution as calculated by the actuary. The Actuarially Determined Contribution is the sum of the current year's normal cost plus an amount necessary to amortize the unfunded liability over a closed 20-year period beginning October 1, 2017. Currently, the District pays benefits on a pay-as-you-go basis.

Actuarial Assumptions

The total OPEB liability in the September 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Valuation date	October 1, 2021	October 1, 2022
Measurement date	September 30, 2022	September 30, 2023
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.20%	2.50%
Salary increases including inflation	3.00%	2.5% to 6.5% including inflation
Long -Term Expected Rate of Return	7.50%	7.25%
	6.5% for FY23 decreasing .50% per year to 4.50% for FY27, then to an ultimate rate of 4.20% for later years	6.5% for FY24 decreasing .50% per year to 4.50% for later years (medical)
Healthcare Cost Trend Rates (Medical)		
Healthcare Cost Trend Rates (Dental)	3% each year for all years	3.30% each year for all years

Mortality rates (pre-retirement) were based on the Pub-2010 General Employees amount-weighted mortality tables with MP-2021 Projection Scale projected generationally from the year 2010. Mortality rates (post-retirement) were based on the Pub-2010 General Healthy Retiree mortality tables with MP-2021 projected generationally from the year 2010. Mortality rates (retirees) were based on the Pub-2010 General Healthy Retiree amount-weighted mortality tables with MP-2021 Projection Scale projected generationally from the year 2010. Mortality rates (retiree spouses) were based on the Pub-2010 General Contingent Survivor amount-weighted mortality tables with MP-2021 Projection Scale projected generationally from the year 2010. Mortality rates (disabled retirees) were based on the Pub-2010 General Disabled Retiree amount-weighted mortality tables with MP-2021 Projection Scale projected generationally from the year 2010.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate

Discount Rate: 7.25% in the current year; 7.50% in the previous year.

Projected Cash Flows: Projected cash flows into the plan are equal to the greater of projected benefit payments out of the plan or the projected actuarially determined contribution in accordance with Paragraph No. 50 of GASB No. 74 and Paragraph No. 30 of GASB No. 75.

Long-Term Expected Rate of Return: 7.25%; The plan operates on a pay-as-you-go (PAYGO) basis and accumulates assets in a trust in addition to the PAYGO amount.

Municipal Bond Rate: 4.09% as of September 30, 2023; the source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. In describing their index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Years of Projected Benefit Payments to which Long-Term Expected Rate of Return Applies: All years

Long-Term Expected Rate of Return

In accordance with Paragraph No. 48 of GASB No. 74 and Paragraph No. 36 of GASB No. 75, the discount rate should be the single rate that reflects the following: (a) the long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (i) the OPEB plan's fiduciary net position (i.e., plan assets) is projected to be sufficient to make projected benefit payments and (ii) OPEB plan assets are expected to be invested using a strategy to achieve that return, and (b) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions in (a) are not met.

For each future period, if the amounts of the OPEB plan's fiduciary net position is projected to be greater than or equal to the benefit payments that are projected to be made in that period and OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, the actuarial present value of benefit payments projected to be made in the period should be determined using the long-term expected rate of return on those investments discussed in (a) above. Per paragraph No. 40 of GASB No. 75, the long-term expected rate of return should be based on the mix of current and expected OPEB plan investments over a period representative of the expected length of time between (1) the point at which a plan member begins to provide service to the employer and (2) the point at which all benefits to the plan member have been paid. For this purpose, the long-term expected rate of return should be determined net of OPEB plan investment expense but without reduction for OPEB plan administrative expense. The municipal bond discussed in (b) above should be used to calculate the actuarial present value of all other benefit payments. The discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values determined using the long-term rate of return and the municipal bond rate applied to the appropriate periods as described above.

Based on guidance in Illustration B2 of Appendix B to GASB Implementation Guide 2017-3, Accounting and Financial Reporting for Postemployment, Benefit Plans other than Pensions, as of September 30, 2023, the accumulated funds and expected contributions are projected to be sufficient to cover benefit payments in all future years. Therefore, the discount rate at the end of the measurement year must be based solely on the long-term expected rate of return on OPEB plan investments, discussed in (a) above. Discount rate information is summarized in the table.

Equivalent Single Discount Rate Determination	Beginning of Fiscal Year	End of Fiscal year
Measurement Date	09/30/2022	09/30/2023
Long-term Expected Rate of return (LTROR)	7.50%	7.25%
Bond Buyer Index of general obligation 20-year bonds	4.02%	4.09%
Projected year of asset depletion	None*	None*
Single Discount Rate equivalent to using:		
(a) LTROR for years prior to depletion date and		
(b) the 20-year bond rate for years on and after depletion date	7.50%	7.25%

* Accumulated Funds and expected contributions are projected to cover benefit payments in all future years.

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**Sensitivity Analysis**

The following presents the net OPEB liability as of September 30, 2023, as well as what the Net OPEB liability would be if were calculated using the discount rate that is 1-percentage point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net OPEB liability	\$ 15,987,872	\$ 14,002,871	\$ 12,206,338

The following presents the net OPEB liability as of September 30, 2023, as well as what the Net OPEB liability would be if were calculated using the healthcare cost trend rates that are 1-percentage point lower (5.50% for FY24 decreasing to 3.5% by FY28) or 1-percentage-point higher (7.5% for FY24 decreasing to 5.50% by FY28) than the current healthcare cost trend rates:

	1% Decrease (5.50% decreasing to 3.20%)	Current Healthcare Cost Trend Rates (6.5% decreasing to 4.20%)	1% Increase (7.50% decreasing to 5.20%)
Net OPEB liability	\$ 11,692,929	\$ 14,002,871	\$ 16,718,841

Deferred Outflows/Inflows of Resources Related to OPEB

At September 30, 2023, the District reported deferred inflows and outflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,163,289	\$ (1,375,114)
Changes of assumptions	2,345,709	(362,689)
Net difference between projected and actual earnings	874,704	-
Total	<u>\$ 8,383,702</u>	<u>\$ (1,737,803)</u>

Amounts currently reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	Net Outflows/ (Inflows) of Resources
2024	\$ 1,074,488
2025	1,063,857
2026	1,358,416
2027	974,332
2028	1,129,653
Thereafter*	1,045,153
	<u>\$ 6,645,899</u>

*Note that additional future deferred inflows and outflows of resources may impact these numbers.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of September 30, 2022	\$ 21,413,372	\$ 8,687,640	\$ 12,725,732
Changes for the year:			
Service cost	917,085	-	917,085
Interest on total OPEB liability	1,573,361	-	1,573,361
Changes of benefit terms	(817,528)	-	(817,528)
Differences between expected and actual experience	1,389,617	-	1,389,617
Effect of assumptions changes or inputs	1,934,909	-	1,934,909
Benefit payments	(2,704,625)	(2,704,625)	-
Employer contributions	-	2,704,625	(2,704,625)
Member contributions	-	-	-
Net investment income	-	1,015,680	(1,015,680)
Administrative expenses	-	-	-
Balances as of September 30, 2023	\$ 23,706,191	\$ 9,703,320	\$ 14,002,871

The District's total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and then was projected to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 75.

	September 30, 2022	September 30, 2023
Total OPEB liability	\$ 21,413,372	\$ 23,706,191
Fiduciary net position	8,687,640	9,703,320
Net OPEB liability	\$ 12,725,732	\$ 14,002,871
Fiduciary net position as a % of total OPEB liability	40.57%	40.93%

OPEB Plan Fiduciary Net Position

	September 30, 2022	September 30, 2023
Assets		
Cash and cash equivalents	\$ 16,221	\$ 90,648
Receivables and prepaid expenses	-	-
Investments:		
Fixed income	2,493,639	2,911,166
Stocks	3,949,251	4,504,289
Real estate	-	-
Alternative investments	2,228,529	2,197,217
Total investments	8,671,419	9,612,672
Total assets	8,687,640	9,703,320
Liabilities		
Total liabilities	-	-
Net position restricted for OPEB	\$ 8,687,640	\$ 9,703,320

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**Changes in OPEB Plan Fiduciary Net Position**

	September 30, 2022	September 30, 2023
Additions:		
Contributions:		
Member	\$ 3,125,157	\$ 2,704,625
Total contributions	3,125,157	2,704,625
Net investment income:		
Interest and dividends	-	-
Net increase in fair value of investments	(1,764,319)	1,045,986
Less investment expenses:		
Direct investment expense	33,309	30,306
Total investment expenses	33,309	30,306
Net investment income	(1,797,628)	1,015,680
Other income	-	-
Total Additions	1,327,529	3,720,305
Deductions:		
Service benefits	3,125,157	2,704,625
Total Deductions	3,125,157	2,704,625
Net increase (decrease)	(1,797,628)	1,015,680
Net position		
Beginning of year	10,485,268	8,687,640
End of year	<u>\$ 8,687,640</u>	<u>\$ 9,703,320</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 15. RECENTLY ISSUED GASB STATEMENTS

The District has implemented the following new accounting pronouncements:

GASB Statement No. 91, *Conduit Debt Obligations* is now effective for periods beginning after December 15, 2021. The primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. There was no material impact on the District's financial statements as a result of implementation.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of paragraphs 13 and 14 were implemented in the prior year with no material impact to the financial statements. The requirements in paragraph 11b were implemented in the current year with no material impact on the District's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This statement was implemented in the current year with no material impact on the District's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

GASB Statement No. 99, *Omnibus 2022*. The standard addresses a number of practice issues for certain previously issued GASB statements, as well as providing additional guidance for accounting and reporting for financial guarantees. This statement was implemented in the current year with no material impact on the District's financial statements.

The GASB has issued the following statements which will be effective in future years as described below and in accordance with GASB Statement No. 95. The impact on the District's financial statements of implementation has not yet been determined for the following:

GASB Statement No. 99, *Omnibus 2022*, remaining provisions are effective for periods beginning after June 15, 2023. The standard addresses a number of practice issues for certain previously issued GASB statements, as well as providing additional guidance for accounting and reporting for financial guarantees.

GASB issued Statement No. 100, *Accounting Changes and Error Corrections*, effective for periods beginning after June 15, 2023. The standard is intended to improve the clarity of accounting and financial reporting for accounting changes and error corrections in order to provide greater consistency of application in practice with more understandable and relevant information.

GASB issued Statement No. 101, *Compensated Absences*, effective for periods beginning after December 15, 2023 (for the District's fiscal year ending September 30, 2025). The standard aligns the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures.

GASB issued Statement No. 102, *Certain Risk Disclosures*, effective for periods beginning after June 15, 2024). The standard requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date of the financial statements are issued.

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FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

PENSION & OPEB TREND INFORMATION (UNAUDITED)

North Texas Municipal Employee Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years
(Dollar amounts in 1,000s)

	As of the Measurement Date December 31 for the Fiscal Year Ended September 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability (TPL)										
Service cost	\$ 4,949	\$ 3,726	\$ 3,726	\$ 3,712	\$ 3,428	\$ 2,897	\$ 2,517	\$ 3,058	\$ 2,166	\$ 2,005
Interest on total pension liability	13,718	12,449	12,542	10,062	9,451	8,582	7,643	6,614	6,387	5,854
Effect of plan changes	-	-	13,026	-	-	(843)	-	-	-	0
Effect of economic/ demographic gains or (losses)	9,111	3,480	2,104	(1,312)	5,496	6,366	(2,503)	8,442	(4,871)	1,527
Effect of assumptions changes or inputs	18,540	8,389	4,794	(243)	(3,039)	(1,928)	(1,115)	(6,899)	0	154
Benefit payments	(8,307)	(7,424)	(5,057)	(4,749)	(4,517)	(3,507)	(3,092)	(2,617)	(2,055)	(1,700)
Net change in TPL	38,011	20,620	31,135	7,469	10,819	11,568	3,450	8,599	1,627	7840
TPL, beginning	176,145	155,525	124,390	116,921	106,102	94,534	91,085	82,486	80,859	73,020
						\$				
TPL, ending (a)	\$214,156	\$176,145	\$155,525	\$124,390	\$116,921	106,102	\$94,535	\$91,085	\$82,486	\$80,860
Fiduciary Net Position (FNP)										
Employer contributions	\$ 9,203	\$ 6,300	\$ 8,108	\$ 6,808	\$ 6,450	\$ 6,765	\$ 5,957	\$ 4,999	\$ 5,595	\$ 4,945
Member contributions	978	783	577	347	98	-	-	-	-	0
Investment income net of investment expenses	(13,199)	14,387	8,101	15,158	(5,315)	9,686	5,284	(1,337)	3,689	7,436
Benefit payments	(8,307)	(7,424)	(5,057)	(4,749)	(4,517)	(3,507)	(3,092)	(2,617)	(2,055)	(1,700)
Administrative expenses	-	-	-	-	-	-	-	(195)	(180)	(159)
Net change in FNP	(11,325)	14,046	11,729	17,564	(3,284)	12,944	8,149	850	7,049	10,522
FNP, beginning	123,825	109,779	98,050	80,486	83,770	70,827	62,678	61,828	54,779	44,257
FNP, ending (b)	112,500	123,825	109,779	98,050	80,486	83,771	70,827	62,678	61,828	54,779
Net Pension Liability, ending = (a) - (b)	\$101,656	\$ 52,320	\$ 45,746	\$ 26,340	\$ 36,435	\$ 22,331	\$ 23,708	\$ 28,407	\$20,658	\$26,081
FNP as a % of TPL	52.53%	70.30%	70.59%	78.82%	68.84%	78.95%	74.92%	68.81%	74.96%	67.75%
Covered payroll	\$ 66,021	\$ 49,341	\$ 53,290	\$ 42,877	\$ 41,022	\$ 33,587	\$ 31,778	\$ 30,085	\$26,655	\$25,929
Net pension liability as a % of covered payroll	153.98%	106.04%	85.85%	61.43%	88.82%	66.49%	74.61%	94.42%	77.50%	100.59%

NOTE: The District implemented GASB Statement No. 68 in FY2015. Information in this table has been determined as of the measurement date (December 31) of the Net Pension Liability.

Notes to Schedule of Changes in Net Pension Liability and Related Ratios**Changes in Methods**

The following methods have been updated since the previous valuation:

Actuarial Value of Assets

Current: Market Value of Assets as of the valuation date equals Fair Value plus any receivable contributions made or to be made for a prior plan year.

Prior: Assets are valued at the market value as reported by the trustee as of the valuation date, including any receivable contributions made for a prior plan year which were not recognized by the trustee as of the asset valuation date.

Amortization of Unfunded Accrued Liability

Current: The Entry Age Normal actuarial funding method is used in determining the contribution requirements for the plan. The actuarial funding method is the procedure by which the actuary annually identifies a series of annual contributions which, along with current assets and future investment earnings, will fund the expected plan benefits. The Entry Age Normal funding method compares the excess of the present value of expected future plan benefits over the current value of plan assets. This difference represents the expected present value of current and future contributions that will be paid into the plan. The contributions are divided into two components: an annual normal cost (or current cost) and an amortization charge for the unfunded accrued liability.

The normal cost for the plan is the sum of individually determined normal costs for each active participant. Each active participant's normal cost is the current annual contribution in a series of annual contributions which, if made throughout the participant's total period of employment, would fund his expected benefits from the plan. Each participant's normal cost is calculated to be an annual constant percentage of his expected compensation in each year of employment.

The plan's current accrued liability is the excess of the present value of expected future benefits over the present value of all future remaining normal cost contributions of active participants. The unfunded accrued liability is the amount by which the actuarial accrued liability exceeds the current plan assets. The unfunded accrued liability is recalculated each time a valuation is performed and is amortized as a level percentage of pay amount over a closed period in layers. The initial transition layer as of January 1, 2023 is amortized over 21 years.

Prior: Level dollar amount over a closed period initially set at 30 years beginning on January 1, 2014.

Changes in Assumptions

The following assumptions have been updated since the previous valuation:

Retirement

Current: Active participants are assumed to retire in accordance with specified annual rates.

Prior: Active participants are assumed to retire at the earlier of their Normal Retirement Age or the eligibility for unreduced early retirement benefit.

Termination

Current: Active participants are assumed to terminate their employment for causes other than death or retirement in accordance with annual rates based upon the actuary's review of recent termination experience in this plan, adjusted for the actuary's future expectations.

Prior: Active participants are assumed to terminate their employment for causes other than death or retirement.

Social Security Taxable Wage Base Increase

Current: The benefits of this plan are determined, in part, by 35-year averages of the Social Security Taxable Wage Base. The Social Security Taxable Wage Base is assumed to increase at an annual rate of 3.00%.

Prior: 4.00%

Salary Increases:

Current: Participant compensation is assumed to increase in accordance with annual rates based upon the actuary's review of recent wage growth experience in this plan, adjusted for the actuary's future expectations.

Prior: 4.00% per annum, compounded annually.

General Price Inflation:

Current: The assumed investment return (discount rate) and other assumptions with an inflationary component include the same inflation assumption of 2.50% attributable to changes in general price levels.

Prior: 2.00% per annum, compounded annually

COLA Increase

Current: Cost-of-living adjustments (COLAs) for current and future retirees and beneficiaries are assumed to be 2.00% compounded annually.

Prior: 2.00% for 2022, 3.00% for 2023-2025 due to market expectations, and then reverting to 2.00% per annum, compounded annually.

Recognition of IRC Benefit and Compensation Limitations

Current: The benefit and compensation limitations under IRC Sections 415(b) and 401(a)(17) have been reflected in the determination of plan costs, and these limits are assumed to increase at the annual rate of 2.50%.

Prior: 0%.

The above assumptions were updated to reflect the Actuarial Experience Study for the 5-year period ending December 31, 2022 as published on June 28, 2023.

North Texas Municipal Employee Retirement System
Schedule of Employer Contributions
Last 10 Fiscal Years
(Dollar amounts in 1,000s)

	Fiscal Year Ended September 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 11,762	\$ 9,478	\$ 7,599	\$ 6,510	\$ 5,195	\$ 5,213	\$ 5,034	\$ 4,600	\$ 4,386	\$ 4,504
Actual Employer Contribution	12,500	6,300	8,108	6,808	6,450	6,765	5,957	4,999	5,595	4,945
Contribution Deficiency (Excess)	(738)	3,178	(249)	(1,598)	(1,255)	(1,552)	(923)	(399)	(1,209)	(441)
Covered Payroll*	\$ 72,059	\$ 58,287	\$ 53,444	\$ 54,413	\$ 47,598	\$ 33,587	\$ 31,778	\$ 30,085	\$ 26,655	\$ 25,929
Contributions as a % of Covered Payroll	17.35%	10.81%	15.17%	12.51%	13.55%	20.14%	18.75%	16.62%	20.99%	19.07%

Notes to Schedule:

Valuation Date: January 1, 2023

Actuarially determined contribution rates are calculated as of January 1, which is the most recent valuation date prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates for 2023:

Actuarial cost method	Entry age
Amortization method	Level percent, layered closed periods
Remaining amortization period	Layered amortization with 21 years remaining on unfunded accrued liability at date of transition to layered approach
Asset valuation method	5-year smoother market value
Inflation	2.50%
Salary increases	2.50% to 6.50%, including inflation
Investment rate of return	7.25% net of pension plan investment expenses, including inflation
Retirement age	Rates that vary by age
Mortality	Amount-weighted General Tables (i.e. PubG-2010) projected generationally using Scale MP-2021 mortality improvement rates

* Covered payroll for 2019-2023 is for the fiscal year period ended September 30. Covered payroll for 2014-2018 is for the fiscal year period ending December 31 within each year.

North Texas Municipal Employee Retirement System

Money-Weighted Rate of Return**Fiscal Year Ended September 30**

Fiscal Year Ended September 30	Net Money-Weighted Rate of Return
2014	16.58%
2015	6.64%
2016	-2.15%
2017	8.36%
2018	13.48%
2019	-6.29%
2020	18.56%
2021	8.18%
2022	13.16%
2023	-10.58%

North Texas Municipal Employee Other Postemployment Benefits Plan
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years
(Dollar amounts in 1,000s)

	Fiscal Year Ended September 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total OPEB Liability										
Service cost	\$ 917	\$ 482	\$ 473	\$ 405	\$ 374	\$ 406	\$ 432	N/A	N/A	N/A
Interest on total OPEB liability	1,573	1,405	1015	923	953	832	826	N/A	N/A	N/A
Changes on benefit terms	(817)	2,267	-	-	-	-	-	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	1,390	732	4,782	(828)	(1,677)	1,046	(1,258)	N/A	N/A	N/A
Effect of assumptions changes or inputs	1,935	(164)	481	662	(83)	(634)	104	N/A	N/A	N/A
Benefit payments	(2,705)	(3,125)	(1,963)	-	-	-	-	N/A	N/A	N/A
Employer contributions	-	-	2,128	-	-	-	-	N/A	N/A	N/A
Member contributions	-	-	29	-	-	-	-	N/A	N/A	N/A
Administrative expenses	-	-	(194)	-	-	-	-	N/A	N/A	N/A
Net change in total OPEB liability	2,293	1,597	6,751	1,162	(433)	1,650	104	N/A	N/A	N/A
Total OPEB liability, beginning	21,413	19,816	13,065	11,902	12,335	10,685	10,581	N/A	N/A	N/A
Total OPEB liability, ending (a)	23,706	21,413	19,816	13,065	11,902	12,335	10,685	N/A	N/A	N/A
Fiduciary Net Position (FNP)										
Employer contributions	\$ 2,705	\$ 3,125	\$ -	\$ 50	\$ -	\$ 696	\$ 600	N/A	N/A	N/A
Net investment income	1,016	(1,798)	1650	565	227	428	600	N/A	N/A	N/A
Benefit payments	(2,705)	(3,125)	-	-	-	-	-	N/A	N/A	N/A
Administrative expenses	-	-	-	-	-	-	-	N/A	N/A	N/A
Net change in FNP	1,016	(1,798)	1,650	615	227	1,124	1,200	N/A	N/A	N/A
FNP, beginning	8,687	10,485	8,835	8,220	7,993	6,869	5,669	N/A	N/A	N/A
FNP, ending (b)	9,703	8,687	10,485	8,835	8,220	7,993	6,869	N/A	N/A	N/A
Net OPEB liability, ending = (a) - (b)	\$ 14,003	\$ 12,726	\$ 9,331	\$ 4,230	\$ 3,682	\$ 4,342	\$ 3,816	N/A	N/A	N/A
FNP as a % of total OPEB liability	40.93%	40.57%	52.91%	67.62%	69.06%	64.80%	64.28%	N/A	N/A	N/A
Covered-employee payroll (as reported with pension data)	\$ 72,059	\$ 58,287	\$ 62,977	\$ 54,413	\$ 47,598	\$ 33,587	\$ 31,778	N/A	N/A	N/A
Net OPEB liability as a % of covered-employee payroll	19.43%	21.83%	14.82%	7.77%	7.74%	12.93%	12.01%	N/A	N/A	N/A

NOTE: Data prior to 2017 is not available. Additional years' information will be displayed as it becomes available.

Notes to Schedule of Changes in OPEB and Related Ratios**Changes in Assumptions**

The following assumptions have been updated since the previous valuation:

Retirement:

Current: Active participants are assumed to retire in accordance with specified annual rates.

Prior: A participant who has attained the Rule of 80 is assumed to retire in accordance with annual rates.

Termination:

Current: Active participants are assumed to terminate their employment for causes other than death or retirement in accordance with annual rates based upon the actuary's review of recent termination experience in this plan, adjusted for the actuary's future expectations.

Prior: Active participants are assumed to terminate their employment for causes other than death or retirement.

Dependency Status and Coverage Elections:

Current: Marital status and spouse coverage elections in accordance with employer records were used for current retired participants. For future retired participants and their spouses, female spouses are assumed to be three years younger than their male counterparts. 65% of members who elect coverage for themselves upon retirement are assumed to elect coverage for their spouse.

These assumptions are based on the actuary's review of recent dependency status and coverage elections, adjusted for the actuary's future expectations. The experience study was completed in June 2023.

Prior: Marital status and spouse coverage elections in accordance with employer records were used for current retired participants. For future retired participants and their spouses, female spouses are assumed to be three years younger than their male counterparts. 60% of the members who elect coverage for themselves upon retirement are assumed to elect coverage for their spouse.

Expenses:

Current: For medical benefits, administration expenses directly related to the payment of benefits are \$76.46 per member per month for 2024. For dental benefits, administration expenses directly related to the payment of benefits are included in the assumed per capita claims costs.

Prior: For medical benefits, administration expenses directly related to the payment of benefits are \$210.96 per member per month for 2022. For dental benefits, administration expenses directly related to the payment of benefits are included in the assumed per capital claims costs.

Discount Rate:

Current: The expected long-term rate of return is 7.25% for fiscal year 2023. The Bond Buyer Index Rate 20-year Bonds is 4.09% for fiscal year 2023. The Discount rate is 7.25% for fiscal year 2023.

Prior: The expected long-term rate of return is 7.50% for fiscal year 2022. The Bond Buyer Index Rate 20-year Bonds is 4.02% for fiscal year 2022. The Discount rate is 7.50% for fiscal year 2022.

Health Benefit Cost and Retiree Contribution Trend:

Current: Medical rates of 6.50% from Fiscal Year 2023 to 2024. 6.00% from Fiscal Year 2024 to 2025. 5.50% from Fiscal Year 2025 to 2026. 5.00% from Fiscal Year 2026 to 2027. 4.50% from Fiscal Year 2027 to 2028 and beyond. Dental rates were 3.30% for each fiscal year.

Prior: Medical rates of 6.50% from Fiscal Year 2022 to 2023. 6.00% from Fiscal Year 2023 to 2024. 5.50% from Fiscal Year 2024 to 2025. 5.00% from Fiscal Year 2025 to 2026. 4.50% from Fiscal Year 2026 to 2027. 4.20% from Fiscal Year 2027 to 2028 and beyond. Dental rates are 3.00% for each fiscal year.

Expense Trend Rate:

Current: Expenses are assumed to increase at an annual rate of 4.50% for all years for medical benefits.

Prior: Expenses are assumed to increase at an annual rate of 4.20% for all years for medical benefits.

Assumed Per Capita Claims:

Current: Deductibles, copayments, coinsurance levels and retiree contribution levels are assumed to increase at the same rate as the health benefit cost trend, consistent with the expected operation of the substantive plan (i.e., the proportion of non-Medicare expenses covered by the employer/employee is assumed to remain constant).

Prior: Assumed per Capita Health Benefit Cost (Medical) by age for Fiscal Year 2023.

General Price Inflation:

Current: Both the Health Benefit Cost Trend and the Discount Rate include the same inflationary element attributable to changes in general price levels. These rates have been developed using 2.50% as the expected annual general price inflation.

Prior: 2.20%.

Salary Scale:

Current: Participant compensation assumption is based upon the actuary's review of recent wage growth experience in this plan, adjusted for the actuary's future expectations. The experience study was completed in June 2023.

Prior: The increase in the levels of participant compensation is assumed to occur at an annual rate of 3.00% (including inflation).

Assumptions for Per Capita Health Benefit Costs and Health Benefits Cost and Retiree Contribution Trend were updated to reflect recent experience and its effect on our short-term expectations. The administrative expense assumptions, for expenses which are directly related to the payment of benefits, were updated to reflect current expense levels. All other assumption changes were made to reflect the District's adoption of the recommended assumptions from the Actuarial Experience Study for the 5-year period ending December 31, 2022 as published on June 28, 2023.

North Texas Municipal Employee Other Postemployment Benefits Plan

Schedule of NTMWD Contributions

Last 10 Fiscal Years

(Dollar amounts in 1,000s)

	Fiscal Year Ended September 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 2,428	\$ 1,539	\$ 905	\$ 819	\$ 864	\$ 832	\$ 669	N/A	N/A	N/A
Actual Employer Contribution	2,705	3,125	-	50	-	696	600	N/A	N/A	N/A
Contribution Deficiency (Excess)	(277)	(1,586)	905	769	864	137	69	N/A	N/A	N/A
Covered-employee Payroll	\$ 72,059	\$ 58,287	\$ 62,977	\$ 54,413	\$ 47,598	\$ 33,587	\$ 31,778	N/A	N/A	N/A
Contributions as a % of Covered-employee Payroll	3.75%	5.36%	0.00%	0.09%	0.00%	2.07%	1.89%	N/A	N/A	N/A

Notes to Schedule:

Valuation Timing	Actuarial valuations for funding purposes are performed annually as of October 1.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent; Closed
Amortization Period	15
Asset Valuation Method	Market Value
Inflation	2.50%
Salary Increases	2.50% to 6.50% including inflation
Discount Rate	7.25%
Healthcare Cost Trend Rates (Medical)	6.5% for FY 2024, decreasing 0.50% per year to an ultimate rate of 4.50% for later years (medical)
Healthcare Cost Trend Rates (Dental)	3.30% each year for all years
Retirement age	Age-based table of rates upon attainment of eligibility for unreduced pension benefits.
Mortality	Pre-retirement: PUB-2010 General Employees Amount-Weighted Table with Mortality Improvement Scale MP-2021 Projection Scale projected generationally from the year 2010
	Post-retirement: Pub-2010 General Healthy Retiree amount-weighted mortality tables with MP-2021 Projection Scale projected generationally from the year 2010
	Disability retirement: Pub-2010 General Disabled Retiree amount-weighted mortality tables with MP-2021 Projection Scale projected generationally from the year 2010
	Retirees: Pub-2010 General Healthy Retiree amount-weighted mortality tables with MP-2021 Projection Scale projected generationally from year 2010.
	Retiree Spouses: PUB-2010 Contingent Survivors Amount-Weighted Table with MP-2021 Projection Scale projected generationally from the year 2010.

2017 and 2018 payroll as reported with pension data. 2019 through 2022 payroll shows fiscal year ending September 30 reported with OPEB data.

Data prior to 2017 is not available. Additional years' information will be displayed as it becomes available.

North Texas Municipal Employee Other Postemployment Benefits Plan

Money-Weighted Rate of Return
Fiscal Year Ended September 30

Fiscal Year Ended September 30	Net Money-Weighted Rate of Return
2014	NA
2015	NA
2016	NA
2017	10.68%
2018	5.94%
2019	3.41%
2020	0.50%
2021	19.15%
2022	-17.14%
2023	11.69%

Data prior to 2017 is not available. Additional years' information will be displayed as it becomes available.

APPENDIX B

NORTH TEXAS MUNICIPAL WATER DISTRICT MUDDY CREEK REGIONAL WASTEWATER SYSTEM

WATERWORKS AND SEWER SYSTEM FINANCIAL DATA ⁽¹⁾ FOR CERTAIN MEMBER CITIES

(1) The following condensed operating schedules in this Appendix B have been compiled using a presentation customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, debt service payments and expenditures identified as capital.

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CITY OF MURPHY, TEXAS

WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
<u>Revenues</u>	2023	2022	2021	2020	2019
	<u>\$ 14,150,842</u>	<u>\$ 13,046,539</u>	<u>\$ 11,766,956</u>	<u>\$ 12,140,659</u>	<u>\$ 11,229,080</u>
<u>Expenditures</u>					
Water Purchased	\$ 8,915,307	\$ 7,482,477	\$ 7,235,192	\$ 7,456,639	\$ 6,980,822
Other ⁽¹⁾	<u>1,367,982</u>	<u>1,211,148</u>	<u>1,725,833</u>	<u>1,379,921</u>	<u>1,555,373</u>
	<u>\$ 10,283,289</u>	<u>\$ 8,693,625</u>	<u>\$ 8,961,025</u>	<u>\$ 8,836,560</u>	<u>\$ 8,536,195</u>
Net Income	<u>\$ 3,867,553</u>	<u>\$ 4,352,914</u>	<u>\$ 2,805,931</u>	<u>\$ 3,304,099</u>	<u>\$ 2,692,885</u>
Water Customers	6,328	6,359	6,385	6,364	6,302
Sewer Customers	6,142	6,156	6,182	6,201	6,117

(1) Excludes depreciation.

Monthly Water Rates – (Effective October 2023)

Residential		
Gallons	Rate	Total
0 - 15,000	\$ 6.35	\$95.25
15,001 - 30,000	6.72	\$100.80 = \$196.05
30,001 - 45,000	7.15	\$107.25 = \$303.30
45,001 - 60,000	7.65	\$107.25 = \$418.05
60,001 +	8.22	\$418.05 plus usage over 60,001 gallons
Sprinkler/Irrigation		
Gallons	Rate	Total
0 - 15,000	\$ 6.84	\$102.60
15,001 - 30,000	7.26	\$108.90 = \$211.50
30,001 - 45,000	7.79	\$116.85 = \$328.35
45,001 - 60,000	8.39	\$125.85 = \$454.20
60,001 +	9.07	\$454.20 plus usage over 60,001 gallons
Base Rates per meter size:		
3/4 inch meter (Residential Standard)	R1,S1	\$ 29.70
1 inch meter	R2,S2	\$ 48.97
1 1/2 inch meter	R3,S3	\$ 99.44
2 inch meter	R4,S4	\$ 158.80
3 inch meter	R5,S5	\$ 296.82
4 inch meter	R6,S6	\$ 494.21

Larger meters will be charged \$15.00 times the living unit equivalent according to the Water and Wastewater Impact Fee Update.

MONTHLY SEWER RATES – (EFFECTIVE OCTOBER 2023)

Minimum Fee		Classification	
Commercial	\$ 23.06	Commercial	\$ 4.41
HOA	\$ 23.06	HOA	\$ 4.41
Residential	\$ 23.06	Residential	\$ 4.41
Church	\$ 23.06	Church	\$ 4.41

Volumetric rate (per 1,000 gallons) based on 3-month (November, January and February) winter average of water usage for Residential Only.

Effective April 1, 2010 the City of Murphy began winter averaging for the purpose of calculating sewer charges on utility bills. The Sewer charges are based on water consumption averages for three months (November, January and February). The average consumption will be analyzed annually and new rates take effect the first of April each year.

CITY OF WYLIE, TEXAS

WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
<u>Revenues</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	<u>\$ 30,982,398</u>	<u>\$ 27,371,622</u>	<u>\$ 24,400,005</u>	<u>\$ 23,047,261</u>	<u>\$ 20,662,507</u>
<u>Expenditures</u>					
Water Purchased	\$ 6,338,042	\$ 5,508,470	\$ 5,515,752	\$ 5,606,379	\$ 5,349,094
Other ⁽¹⁾	<u>13,651,673</u>	<u>12,211,577</u>	<u>10,594,852</u>	<u>10,203,056</u>	<u>9,546,127</u>
	<u>\$ 19,989,715</u>	<u>\$ 17,720,047</u>	<u>\$ 16,110,604</u>	<u>\$ 15,809,435</u>	<u>\$ 14,895,221</u>
Net Income	<u>\$ 10,992,683</u>	<u>\$ 9,651,575</u>	<u>\$ 8,289,401</u>	<u>\$ 7,237,826</u>	<u>\$ 5,767,286</u>
Water Customers	13,189	13,025	12,778	12,959	13,027
Sewer Customers	18,300	17,830	17,369	16,965	17,118

(1) Excludes depreciation.

MONTHLY WATER RATES – (EFFECTIVE OCTOBER 2023)

Residential Water	
Monthly minimum charge for 1st 1,000 gallons of metered water consumption	\$20.83
1,001 to 10,000 gallons	\$7.10 per thousand
10,001 to 20,000 gallons	\$9.20 per thousand
20,001 to 40,000 gallons	\$11.96 per thousand
More than 40,000 gallons	\$15.55 per thousand
Residential Irrigation	
Monthly minimum charge for 1st 1,000 gallons of metered water consumption	\$20.83
Over 1,000 gallons	\$10.16 per thousand
Residential Sewer	
Flat Rate	\$57.91
65+ Disabled	\$40.85
Commercial and Multi-Family Water	
Monthly minimum charge for 1st 1,000 gallons	\$28.44
Volume charge for all consumption exceeding 1st 1,000 gallons (per 1,00 gal)	\$8.04 per thousand
Commercial Sewer	
Minimum Sewer	\$44.09
Over 1,000 gallons	\$6.13 per thousand
Multi-Unit Sewer	\$57.91 per unit

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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May 23, 2024

NORTH TEXAS MUNICIPAL WATER DISTRICT
MUDDY CREEK REGIONAL WASTEWATER SYSTEM
CONTRACT REVENUE BONDS,
SERIES 2024,
DATED APRIL 15, 2024
\$_____

AS BOND COUNSEL for the North Texas Municipal Water District (the "Issuer"), in connection with the issuance of the Muddy Creek Regional Wastewater System Contract Revenue Bonds, Series 2024 (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the Resolution of the Issuer authorizing the issuance and sale of the Bonds (the "Resolution").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments relating to the authorization of the Bond to be initially delivered (the "Initial Bond") and the Bonds to be delivered in substitution therefor (the "Definitive Bonds") and the issuance and delivery of the Initial Bond, including the executed Initial Bond and a printed form for the Definitive Bonds initially made available by the Issuer for conversion of and exchange for the Initial Bond.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Initial Bond and Definitive Bonds have been duly authorized and the Initial Bond has been duly issued and delivered, all in accordance with law, and that, except as may be limited by laws relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights, (i) the covenants and agreements in the Bond Resolution constitute valid and binding obligations of the Issuer, and the Initial Bond constitutes and Definitive Bonds will constitute valid and legally binding special obligations of the Issuer, which, are secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, including the Gross Revenues of the Issuer's Muddy Creek Regional Wastewater System, and including specifically certain payments to be received by the Issuer from the Cities of Wylie and Murphy, Texas (the "Participants"), under the "Muddy Creek Regional Wastewater System Contract", dated May 27, 1999 (the "Contract"), among the Participants and the Issuer, and any payments to be received by the Issuer under all similar contracts with any Additional Participants as defined and permitted in the Contract, and (ii) the Contract is authorized by law, has been duly executed, is valid, and is legally binding upon and enforceable by the parties thereto in accordance with their respective terms and provisions.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue additional parity revenue bonds which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues.

THE ISSUER also has reserved the right, subject to the restrictions stated in the Bond Resolution, to amend the Bond Resolution with the approval of the holders or owners of fifty-one percent in principal amount of all outstanding bonds which are secured by and payable from a first lien on and pledge of the aforesaid Pledged Revenues.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Bond Resolution.

IN OUR OPINION, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

WE HAVE ACTED AS BOND COUNSEL for the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exemption of the interest on the Bonds from federal income taxes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Participants, or the adequacy of the Pledged Revenues, and have not assumed any responsibility with respect thereto.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

Municipal Advisory Services
Provided By





4/25/2024

Administrative Memorandum No. 24-6007

**NTMWD's 2022-2027 Strategic Plan
Resolution No. 24-13**

SUBJECT

Adopt Resolution No. 24-13 related to NTMWD's 2022-2027 Strategic Plan.

PURPOSE

The purpose of strategic planning is to provide direction and focus by way of a written document validated by the Board of Directors. With a clearly articulated vision, mission, and core values, the District has organized a set of goals and objectives that sets a five-year roadmap for success. The revised plan proposed for adoption includes the addition of an additional objective.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors adopt Resolution No. 24-13, "A Resolution Adopting NTMWD's 2022-2027 Strategic Plan ."

Strategic Objective: 2.1 - Efficient Business Practices

DRIVER(S) FOR THIS PROJECT

- | | |
|--|--|
| <input type="checkbox"/> Regulatory Compliance | <input type="checkbox"/> Asset Condition |
| <input type="checkbox"/> Capacity | <input type="checkbox"/> Redundancy/Resiliency |
| <input type="checkbox"/> Relocation or External Requests | <input checked="" type="checkbox"/> Operational Efficiency |
| <input type="checkbox"/> Safety | <input type="checkbox"/> Administrative |
| <input type="checkbox"/> Policy | <input type="checkbox"/> Other _____ |

BACKGROUND

Since 2015, the District has developed and adopted a strategic plan to provide high-level guidance for decision-making, prioritization of efforts, and a systematic plan to accomplish our Vision and Mission.

Over the years, staff, under the direction and coordination of the Board, has evolved the plan to include a five-year planning horizon, more focused objectives, as well as better tracking of the staff-level initiatives to achieve success.

In 2022 the Board adopted the 2022-2027 Strategic Plan which reaffirmed the Vision, Mission, Core Values, and Goals, as well as set new Objectives. This five-year plan remains active and applicable. Annually staff reviews the progress of this plan and updates initiatives that advance the objectives.

At the March 28, 2024, Board meeting, staff proposed the addition of an Objective under Goal 4: People - Build a talented, competent, and committed team. "Objective 4.4 Employer of Choice" is designed to foster employee engagement and maintain a positive employee experience. Since a change to the strategic objectives requires approval by the Board, the adoption of the associated Resolution 24-13 will reaffirm the Vision, Mission, Core Values, and Goals as well as the revised Objectives.

FUNDING

NA

NORTH TEXAS MUNICIPAL WATER DISTRICT

RESOLUTION NO. 24-13

A RESOLUTION ADOPTING THE NTMWD 2022-2027 STRATEGIC PLAN

WHEREAS, the Strategic Plan was developed in 2015 consisting of the vision, mission, goals, and core values to ensure that priorities are clearly communicated to the NTMWD staff and Member Cities and Customers of the NTMWD; and,

WHEREAS, the Board of Directors adopted the 2016-2017 Strategic Plan on November 17, 2016, reaffirming the District's vision, mission, core values, goals, and objectives; and,

WHEREAS, the Board of Directors adopted the first five-year Strategic Plan was revised in 2019 to update the goals and objectives of the District while maintaining the vision, mission, and values to ensure that priorities are clearly communicated to the NTMWD staff and Member Cities and Customers of the NTMWD; and,

WHEREAS, with the adoption of the 2019-2024 Strategic Plan on October 24, 2019, the Board of Directors adopted the first five-year strategic plan which included a reaffirmation of NTMWD's vision, mission, and core values, as well as the establishment of new goals and strategic objectives.

WHEREAS, the current 2022-2027 Strategic Plan with new objectives was adopted on March 24, 2022, and has served as an essential guide for the development of key initiatives intended to advance the District's goals; and,

WHEREAS, staff conducted a comprehensive internal review of emerging priorities within the District, utilizing input from all departments and levels of the organization to determine the initiatives and action items needed to progress towards achieving these goals; and,

WHEREAS, the NTMWD Board of Directors met and reviewed the status of the strategic plan and received a recommendation to reaffirm the plan with the addition of an objective; and,

WHEREAS, the adoption of the attached revised 2022-2027 Strategic Plan is considered to be in the best interest of the NTMWD.

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

The NTMWD 2022-2027 Strategic Plan is hereby adopted by the Board of Directors.

THIS RESOLUTION ADOPTED BY THE NTMWD BOARD OF DIRECTORS IN A REGULAR MEETING ON APRIL 25, 2024, IN THE ADMINISTRATIVE OFFICES OF THE NTMWD, WYLIE, TEXAS.

DAVID HOLLIFIELD, Secretary

RICHARD PEASLEY, President



OUR VISION

Regional service through unity:
meeting our region's needs
today and tomorrow



OUR MISSION

Provide high quality and dependable
water, wastewater and solid waste
services in a cost efficient manner

GOAL
01

SERVICE

Provide superior
water, wastewater
and solid waste
services today and
tomorrow

GOAL
02

STEWARDSHIP

Responsibly
manage public
resources to ensure
responsiveness,
effectiveness and
efficiency

GOAL
03

PARTNERSHIP

Actively collaborate
with members,
customers,
partners,
employees and
stakeholders

GOAL
04

PEOPLE

Build a talented,
competent and
committed team

OBJECTIVE 1.1

High Quality
Services

OBJECTIVE 2.1

Efficient Business
Practices

OBJECTIVE 3.1

Well-Informed and
Educated Public

OBJECTIVE 4.1

Highly Skilled
Workforce

OBJECTIVE 1.2

Successfully Deliver
Capital Program

OBJECTIVE 2.2

Conscientious
Environmental
Stewardship

OBJECTIVE 3.2

Engaged Members,
Customers and
Stakeholders

OBJECTIVE 4.2

Safe and Healthy
Employees

OBJECTIVE 1.3

Proactive Asset and
Maintenance
Management

OBJECTIVE 2.3

Rigorous Financial
Management

OBJECTIVE 3.3

Durable Strategic
Partnerships

OBJECTIVE 4.3

Performance-Driven
Culture

OBJECTIVE 1.4

Reliable and
Resilient Systems

OBJECTIVE 2.4

Systematic Risk
Management

OBJECTIVE 3.4

Effective
Organizational
Communication

OBJECTIVE 4.4

Employer of
Choice

OUR CORE VALUES



INTEGRITY

WE ARE HONEST,
TRUSTWORTHY,
TRANSPARENT AND
RELIABLE IN OUR WORDS
AND ACTIONS AND
ACCOUNTABLE FOR WHAT
WE SAY AND DO.



TRUST

WE ARE RELIED ON TO BE
EFFECTIVE, HONEST,
OPEN AND CONSISTENT,
AND TO SERVE OUR
CUSTOMERS' BEST
INTERESTS.



RESPECT

WE TREAT OUR
CUSTOMERS AND
EACH OTHER WITH
COURTESY, KINDNESS
AND FAIRNESS.



UNITY

WE DO WHAT'S BEST
FOR OUR CUSTOMERS
AND THE REGION
—ALL-IN TOGETHER.



SAFETY

WE MITIGATE RISKS IN
OUR DAILY ACTIVITIES TO
MINIMIZE ACCIDENTS AND
INJURIES, AND PROTECT
OUR PUBLIC HEALTH AND
ENVIRONMENT; WE TAKE
CARE OF EACH OTHER
SO WE CAN FULFILL OUR
MISSION.



TEAMWORK

WE COOPERATE AND
COLLABORATE WITH
EACH OTHER, OUR
CUSTOMERS AND
PARTNERS TO MEET OUR
REGION'S NEEDS TODAY
AND TOMORROW.



4/25/2024

Administrative Memorandum No. 24-6008

Water System

Authorizing the Acceptance of Applications for Agreements Under the Bois d’Arc Lake Shoreline Management Plan; Resolution No. 24-14

SUBJECT

Adopt a resolution authorizing the full implementation of the Bois d’Arc Lake Shoreline Management Plan (the Plan) and to authorize the Executive Director or their designee to take certain actions to begin accepting applications for agreements under the Plan and to administer the Plan.

PURPOSE

The Plan is designed to protect and manage the Bois d’Arc Lake shoreline, protect and maintain water quality within the lake, promote the safe use of the shoreline and waters by the general public, and allow for recreational uses to support the economy of Fannin County.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors adopt Resolution No. 24-14, “A Resolution of the Board of Directors of the North Texas Municipal Water District Authorizing the Acceptance of Applications for Agreements under the Bois d’Arc Lake Shoreline Management Plan.”

Consultant: None

Scope: Authorize the Executive Director or their designee to commence accepting applications for agreements under the Bois d’Arc Lake Shoreline Management Plan

Project: N/A

Amount: \$0

Strategic Objective: 3.3.2: Implement Bois d’Arc Lake Shoreline Management Plan

Committee: This was a discussion item on the March 27, 2024, Real Estate Committee meeting agenda

DRIVER(S) FOR THIS PROJECT

- | | |
|--|--|
| <input type="checkbox"/> Regulatory Compliance | <input type="checkbox"/> Asset Condition |
| <input type="checkbox"/> Capacity | <input type="checkbox"/> Redundancy/Resiliency |
| <input type="checkbox"/> Relocation or External Requests | <input type="checkbox"/> Operational Efficiency |
| <input type="checkbox"/> Safety | <input checked="" type="checkbox"/> Administrative |
| <input checked="" type="checkbox"/> Policy | <input type="checkbox"/> Other _____ |

BACKGROUND

- Bois d'Arc Lake (the Lake) is a water supply reservoir developed to meet the needs of the District's Member Cities and Customers.
- As part of the planning and development of Bois d'Arc Lake and in partnership with Fannin County stakeholders, NTMWD made a number of commitments to support recreational opportunities and economic benefits associated with the lake.
- The District, in its operation of the Lake, recognizes its responsibility to be a good steward of the state and its natural resources and to help protect the health, safety, and general welfare of the public.
- Given the importance of the Lake as a significant public water supply source for the District, the District adopted Resolution 20-53 Authorizing the Adoption, Implementation, and Enforcement of the Bois d'Arc Lake Shoreline Management Plan (the "Plan") to protect and manage the Lake shoreline, protect and maintain water quality within the Lake, promote the safe use of the shoreline and waters by the general public, and allow for some recreational uses to support the economy of Fannin County.
- The Plan establishes guidelines and standards for public and private uses and improvements on NTMWD-owned property along the Bois d'Arc Lake shoreline.
- The Plan was developed and adopted in advance of the impoundment and filling of Bois d'Arc Lake in order to provide adequate time for District staff to make preparations to begin implementing the Plan and to provide information to Fannin County stakeholders for planning purposes.
- In December 2023, Administrative Memorandum 23-5974 authorized amendments to the Plan necessary to reflect current administrative systems and processes, updated agreement templates, and to provide additional guidance to future applicants seeking approval for certain shoreline uses and improvements.
- Resolution No. 20-53 establishes Board and staff authorities for implementing and amending the Plan and provides that the Board would take subsequent action prior to full implementation of the Plan, including but not limited to, authorizing staff to begin accepting applications for agreements approved for use under the Plan.
- The District has the resources, systems and processes necessary to administer the Plan and is making final preparations to begin implementing the Plan.
- Resolution No. 24-14 intended to authorize the Executive Director or their designee to begin full implementation of the Plan by commencing to accept applications for agreements approved for use under the Plan and to take additional actions necessary to administer the plan as authorized by Resolution No. 20-53.

4/25/2024

Administrative Memorandum No. 24-6008

FUNDING

No funding is requested.

NORTH TEXAS MUNICIPAL WATER DISTRICT

RESOLUTION NO. 24-14

A RESOLUTION AUTHORIZING THE ACCEPTANCE OF APPLICATIONS FOR AGREEMENTS UNDER THE BOIS D'ARC LAKE SHORELINE MANAGEMENT PLAN

WHEREAS, the North Texas Municipal Water District (the "District") provides wholesale treated water to member cities and customers in its service area covering all or parts of Collin, Dallas, Denton, Fannin, Grayson, Hopkins, Hunt, Kaufman, Rains, Rockwall, and Van Zandt Counties in North Central Texas; and

WHEREAS, the District has a statutory obligation to plan and secure adequate water supplies for existing and future member cities; and

WHEREAS, due to sustained growth by the existing and future member cities and customers of the District development of additional water supplies is necessary; and

WHEREAS, in order to address the need for additional water supplies the District has pursued the permitting and development of Bois d'Arc Lake (the "Lake"); and

WHEREAS, the U.S. Army Corps of Engineers issued the District a Clean Water Act Section 404 Permit to construct the Lake, located near the City of Bonham in Fannin County, Texas, and the District began construction on the Lake in May 2018; and

WHEREAS, the District, in its operation of the Lake, recognizes its responsibility to be a good steward of the state and its natural resources and protect the health, safety, and general welfare of the public; and

WHEREAS, pursuant to Article 16, Section 59 of the Texas Constitution and the District's enabling legislation (Article 8280-141, Vernon's Texas Civil Statutes), the District is authorized to adopt such policies and regulations necessary to preserve and conserve District water resources; and

WHEREAS, given the importance of the Lake as a significant public water supply source for the District, the District adopted Resolution 20-53 Authorizing the Adoption, Implementation and Enforcement of the Bois d'Arc Lake Shoreline Management Plan (the "Plan") to protect and manage the Lake shoreline, protect and maintain water quality within the Lake, promote the safe use of the shoreline and waters by the general public, and allow for some recreational uses to support the economy of Fannin County; and

WHEREAS, the District developed the Plan with input from various stakeholders in Fannin County, in cooperation with local, state, and federal entities, and in accordance with all applicable local, state, and federal laws; and

WHEREAS, the Plan establishes standards for shoreline uses and structures, such as types of authorized boat docks, at the Lake that provide for private recreational use and enjoyment while protecting water quality, the environment, and public safety; and

WHEREAS, following adoption of the Plan the District began making preparations to begin implementing the Plan, including but not limited to procuring necessary resources and establishing systems and processes to administer the Plan; and

WHEREAS, the Plan was amended in December 2023 to reflect systems and processes established to administer the Plan and to incorporate additional edits intended to help facilitate future implementation of the Plan; and

WHEREAS, Resolution 20-53 provides that the Board of Directors would take subsequent action prior to full implementation of the plan, including but not limited to, authorizing the District to commence accepting applications for agreements approved for use under the Plan; and

WHEREAS, the District has the resources, systems and processes necessary to administer the Plan and is making final preparations to begin implementing the Plan.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE NORTH TEXAS MUNICIPAL WATER DISTRICT THAT:

1. The Board of Directors hereby authorizes the Executive Director or their designee to begin full implementation of the Plan by commencing to accept applications for agreements approved for use under the Plan and to take additional actions necessary to administer the Plan as authorized by Resolution No. 20-53.

THIS RESOLUTION ADOPTED BY THE NTMWD BOARD OF DIRECTORS IN A REGULAR MEETING ON APRIL 25, 2024, IN THE ADMINISTRATIVE OFFICES OF THE NTMWD, WYLIE, TEXAS.

DAVID HOLLIFIELD, Secretary

RICHARD PEASLEY, President

(SEAL)



4/25/2024

Administrative Memorandum No. 24-6009

Regional Water System

Interlocal Agreement between the North Texas Municipal Water District (NTMWD), Upper Trinity Regional Water District (UTRWD) and the Greater Texoma Utility Authority (GTUA) for a Regional Water System Study

SUBJECT

Approve Interlocal Agreement (ILA) between the North Texas Municipal Water District, Upper Trinity Regional Water District, and the Greater Texoma Utility Authority for a New Regional Water System Study.

PURPOSE

NTMWD, UTRWD, and GTUA wish to support a study exploring the development of a new regional water system to provide service to parts of Grayson, Cooke, and Collin Counties including the City of Celina and the Mustang Special Utility District.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the Executive Director to execute an Interlocal Agreement with UTRWD and GTUA.

Scope: Execution of an Interlocal Agreement

Project: Study Exploring a New Regional Water System

Amount: \$269,238.33

Strategic Objective: 3.3 Durable Strategic Partnerships.

Committee: This will be an item on the April 24, 2024, Water Committee meeting agenda

DRIVER(S) FOR THIS PROJECT

- | | |
|--|---|
| <input type="checkbox"/> Regulatory Compliance | <input type="checkbox"/> Asset Condition |
| <input type="checkbox"/> Capacity | <input type="checkbox"/> Redundancy/Resiliency |
| <input type="checkbox"/> Relocation or External Requests | <input type="checkbox"/> Operational Efficiency |
| <input type="checkbox"/> Safety | <input type="checkbox"/> Administrative |
| <input type="checkbox"/> Policy | <input checked="" type="checkbox"/> Other _____ |

BACKGROUND

- The Greater Texoma Utility Authority, Upper Trinity Regional Water District, and North Texas Municipal Water District signed a Memorandum of Agreement in February 2024 regarding a new GTUA Regional Water System Study referred to as “The Study” here forward.
- GTUA, UTRWD, and NTMWD are Region C Water Plan Water Providers (Water Providers) who provide water to individual Water User Groups in Collin, Denton, and Grayson Counties.
- GTUA is currently a customer of NTMWD and this Study will not expand that defined service area.
- GTUA, UTRWD, and NTMWD supply existing members and customers who are experiencing aggressive population growth resulting in rapidly growing water demands.
- Water User Groups in Collin, Denton, Cooke, and Grayson Counties are experiencing surging populations and are making inquiries related to obtaining additional water supplies.
- GTUA has planned to become a regional water supplier and may be best positioned to address growing water supply desires of Water User Groups not currently served by a Water Provider and to supply other Water User Groups in proximity to GTUA’s service area. This creates an opportunity for GTUA to explore the development of a new water system to serve a portion of this area.
- GTUA, UTRWD, and NTMWD desire to jointly participate in the Study and to share in the costs to explore the possibility of developing a new regional water treatment and transmission system to enable GTUA to serve parts of Collin, Cooke, Denton, Grayson Counties, including the City of Celina and the Mustang Special Utility District.
- GTUA, as manager for the Study, shall be responsible for: (1) identifying the current water demands that GTUA can address in Collin, Cooke, Denton, and Grayson Counties to include the City of Celina and the Mustang Special Utility District; (2) identifying GTUA’s available water supply to meet current water demands of the Service Area; (3) identifying the quantity of additional water supply needed to address future water demands (or a portion of that demand) of the Service Area; (4) identifying feasible water supply alternatives to address future water demands of the Service Area; and (5) determining the feasibility of implementing a new regional water treatment and transmission system for the Service Area.
- The new Study will build upon a 2020 study by GTUA exploring an expanded system and allow the GTUA to fulfill its mission to provide treated water and be a wholesale provider to more communities in this region along with Collin-Grayson Municipal Alliance (CGMA) and/ or other entities.
- GTUA, UTRWD, and NTMWD mutually agree that Freese and Nichols, Inc. shall be the contractor for the Study.

- The ILA and Scope for the Study is attached.
- GTUA will consider approval of the ILA at their April 19, 2024, Board meeting. UTRWD will consider approval of the ILA at their May 2, 2024, Board meeting.
- Total cost for the Study is \$807,715.00 which we be split equally between the parties as shown below:

NTMWD:	\$ 269,238.33	(33 %)
UTRWD:	\$ 269,238.33	(33 %)
GTUA:	\$ 269,238.33	(33 %)

FUNDING

Funding in the amount of \$269,238.33 for NTMWD's proportion of funding is to be made available from the 2023-24 Annual Operating Budget (Account #: 100-5714-531490 Raw Water Development).

EXHIBIT A
SCOPE OF SERVICES
JOINT WATER SUPPLY STUDY

PROJECT UNDERSTANDING:

Water supply availability and reliability is essential to the growth and health of any community. Freese and Nichols, Inc. (FNI) understands that significant growth is occurring in the entities Greater Texoma Utility Authority (GTUA) serves and that some utilities (the City of Celina, Texas (Celina) and Mustang Special Utility District (SUD)) have approached GTUA, Upper Trinity Regional Water District (UTRWD), and North Texas Municipal Water District (NTMWD) about supplying treated water. This study seeks to:

- (1) identify the current water demands that GTUA can address in Grayson, Cooke, and Collin Counties to include Celina and Mustang SUD (the “Service Area”);
- (2) identify GTUA’s available water supply to meet current water demands of the Service Area;
- (3) identify the quantity of additional water supply needed to address future water demands (or a portion of that demand) of the Service Area;
- (4) identify feasible water supply alternatives to address future water demands of the Service Area; and
- (5) determine the feasibility of implementing a new wholesale treated and/or raw water system(s) (“New System”) for the Service Area.

This Study will build upon the GTUA regional water system study completed in 2020.

SCOPE OF WORK:

1. Kick-off Meeting: FNI will attend a kick-off meeting with GTUA, UTRWD, NTMWD, and other stakeholders to discuss Project scope, schedule, and data requirements.
2. Data Collection: FNI will develop a list of data needs and distribute to selected entities. FNI will compile the data and summarize the anticipated water needs of stakeholders. FNI will review existing raw water master plans, regional water planning, and other planning documents.
3. Water Demand Projections: FNI will define a proposed Service Area and identify potential cities and retail water providers that could be served by the New System. FNI will review existing studies to identify population and demand projections for 2025 (existing), 2030, 2040, 2050 and 2080. FNI will develop the following demand scenarios:
 - a. GTUA current members only;
 - b. GTUA current members with portions of Celina, Pilot Point and Mustang SUD; and
 - c. GTUA current members with all of Celina, Pilot Point and Mustang SUD needs not met by other water suppliers.
4. Lake Texoma Evaluation: FNI will complete a comprehensive evaluation of Lake Texoma from the Red River Compact, current authorized United States Army Corps of Engineers (USACE) storage, and water rights in both Texas and Oklahoma. Based on this analysis, FNI will identify potential unused supplies in Lake Texoma. FNI will also evaluate the potential yield benefit of reallocation of USACE storage in Lake Texoma. FNI will calculate a combined firm yield for Lake Texoma.

5. Existing Water Supply Availability Evaluation: FNI will investigate the availability of water supply sources for the New System. FNI will compare projected water demands to available water supply and assess the need for additional water supplies. Water supply will be projected for 2025 (existing), 2030, 2040, 2050 and 2080.
 - a. GTUA existing supplies: Groundwater and Lake Texoma water rights. This will include an evaluation of current infrastructure constraints such as the Texoma Pipeline.
 - b. GTUA member existing supplies: FNI will conduct meetings with GTUA member entities (City of Sherman, City of Denison, and others) to discuss their long-term water supply plans.
 - c. Unused Lake Texoma supplies
6. Raw Water Supply Evaluation: FNI will determine the need for raw water based on each demand scenario and existing water supply availability. FNI will then evaluate potential additional raw water supply alternatives to meet the demand. FNI with GTUA will identify no more than ten (10) potentially feasible raw water supply alternatives that may include groundwater, brackish groundwater, reallocation of surface water, new surface water, reuse, or a combination thereof. FNI will perform a screening level analysis and provide results with recommendations to GTUA. GTUA will select the top three (3) raw water supply options for detailed analysis.
 - a. Detailed analysis will consider potential treatment alternatives (stand-alone vs. combined, new vs. existing facilities), delivery options (raw vs. treated), permitting (water rights and discharge).
7. Develop Conceptual Raw Water Alternatives: FNI will develop planning level cost estimates and mapping for three (3) proposed raw water projects. Prioritization, descriptions, regulatory processes, justification, and phasing of proposed projects will be identified. Projects costs will be in 2023 dollars and include allowances for contingencies and engineering.
8. Develop Conceptual New System Alternatives: FNI will develop planning level cost estimates and mapping for three (3) proposed New Systems. Prioritization, descriptions, regulatory processes, justification, and phasing of proposed projects will be identified. Projects costs will be in 2023 dollars and include allowances for contingencies and engineering.
9. Draft Technical Report: FNI will develop a draft technical report that will include a raw water supply master plan and New System feasibility study that summarizes the assumptions, methodology, and findings of the Project. FNI will provide an electronic PDF copy of the Draft Technical Report.
10. Progress Meetings: FNI will attend up to four (4) progress meetings (in addition to the kick-off meeting) throughout the course of the project to review project progress, provide project updates, and to solicit comments on the draft report. These progress meetings will include GTUA, NTMWD, UTRWD, and other stakeholders.
11. Final Technical Report: FNI will review the draft report based on comments received and develop a Final Technical Report. FNI will provide an electronic PDF copy, GIS mapping files, and fifteen (15) hard copies of the Final Technical Report.
12. Presentations to City Councils / Board of Directors: FNI will conduct up to five (5) presentations to City Councils, Board of Directors, or other stakeholder groups to present the findings of the raw water master plan. This will include presentations to the NTMWD and UTRWD executive teams/boards.

ESTIMATE FOR ENGINEERING SERVICES = \$807,715

ESTIMATED SCHEDULE = 9-12 months

**INTERLOCAL AGREEMENT BETWEEN NORTH TEXAS MUNICIPAL WATER
DISTRICT, UPPER TRINITY REGIONAL WATER DISTRICT, AND GREATER
TEXOMA UTILITY AUTHORITY
FOR A JOINT WATER SUPPLY STUDY**

THIS INTERLOCAL AGREEMENT FOR A JOINT WATER SUPPLY STUDY (the “Agreement”) is made and entered into as of this the ____**day of April, 2024** (the “Effective Date”), by and between the North Texas Municipal Water District, a conservation and reclamation district created and operating pursuant to Article XVI, Sec. 59 of the Texas Constitution (“NTMWD”), the Upper Trinity Regional Water District, a conservation and reclamation district created and operating pursuant to Article XVI, Sec. 59 of the Texas Constitution (“UTRWD”), and the Greater Texoma Utility Authority, a conservation and reclamation district created and operating pursuant to Article XVI, Section 59, of the Texas Constitution (“GTUA”), also each referred to as a “Party,” or collectively, the “Parties.”

W I T N E S S E T H :

WHEREAS, the Parties are authorized to enter into this Agreement pursuant to Chapter 62, Acts of the 52nd Legislature, 1951 (Article 8280-141, Vernon’s Texas Civil Statutes); Chapter 1053, Acts of the 71st Legislature, 1989; Chapter 97, Acts of the 66th Legislature, 1979 (Chapter 8283 of the Texas Special District Local Laws Code); Chapter 791 of the Texas Government Code, and other applicable laws; and,

WHEREAS, GTUA, UTRWD, and NTMWD are Region C Water Plan Water Providers (“Water Providers”) who provide wholesale treated and other related services to cities and utilities in Collin, Cooke, Denton, and Grayson Counties as outlined in the Region C Water Plan; and,

WHEREAS, GTUA was created to provide its member cities with assistance in financing and construction of water and wastewater facilities and may provide operations services for water and wastewater facilities upon request of its member cities and others; and,

WHEREAS, GTUA completed a study in March 2020 titled “GTUA Regional Water Utility Study” evaluating the feasibility of implementing a new regional water system for communities in northern Collin, Cooke, northern Denton, and Grayson Counties (herein the “2020 Study”) and continued growth and development in Collin, Cooke, Denton, and Grayson Counties is creating a need for additional water treatment and transmission services; and

WHEREAS, cities and utilities currently served by the Parties have begun making inquiries about long-term water supply availability; and

WHEREAS, developing new water supplies to meet the future needs of these cities and utilities can be challenging and may not be completed in time to avoid a water shortage; and

WHEREAS, GTUA has plans to become a regional water provider and may be best suited to meet the increasing water supply needs of these cities and utilities, as well as potentially serve areas adjacent to GTUA's existing service area; and,

WHEREAS, UTRWD and NTMWD jointly support GTUA's efforts to update the 2020 Study to further evaluate future water needs and the development of a regional water supply, treatment and transmission system in close coordination with the cities and utilities in Collin, Cooke, Denton, and Grayson Counties (herein the "Project"); and,

WHEREAS, the Parties desire to jointly participate in the Project and to share in the costs therefore to explore the possibility of developing a new regional water treatment and transmission system to enable GTUA to serve parts of Collin, Cooke, Denton, Grayson Counties, including the City of Celina and Mustang Special Utility District.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the sufficiency of which are hereby conclusively acknowledged, and subject to the terms and conditions hereinafter set forth, NTMWD, UTRWD, and GTUA mutually undertake, promise, and agree as follows:

AGREEMENT

Section 1. **PROJECT.** The Parties agree that to complete the Project, GTUA, as manager for the Project, shall be responsible for the following: (1) identifying the current water demands that GTUA can address in Collin, Cooke, Denton, and Grayson Counties to include City of Celina and Mustang Special Utility District (the "Service Area"); (2) identifying GTUA's available water supply to meet current water demands of the Service Area; (3) identifying the quantity of additional water supply needed to address future water demands (or a portion of that demand) of the Service Area; (4) identifying feasible water supply alternatives to address future water demands of the Service Area; and (5) determining the feasibility of implementing a new regional water treatment and transmission system for the Service Area.

Section 2. **PROJECT CONTRACTOR.** The Parties mutually agree that Freese and Nichols, Inc. shall be the contractor ("Contractor") for the Project. Attached as **Exhibit A** is the Contractor's scope of work for the Project (the "Project Scope"). GTUA shall manage the Project contract with Contractor and advise the Parties of any contractual disputes that may arise between GTUA and Contractor. GTUA agrees to provide periodic updates and a final report to NTMWD and UTRWD. The Project Scope may be amended or modified, but only upon the prior written agreement of the Parties.

Section 3. **TERM OF AGREEMENT.** The initial term of this Agreement shall be for two (2) years, commencing on the Effective Date, after which the Agreement shall automatically renew and extend for successive one-year terms. Following the initial two (2) year term, any Party may withdraw from this Agreement by providing written notice at least thirty (30) days prior to (i) the first renewal date of the Agreement; or (ii) the date of any subsequent one-year renewal. The withdrawing Party shall be required to pay its cost shares of the Project Scope fee as provided in Section 4, including any excess amount of cost shares agreed to as provided in Section 5, no later

than thirty (30) days from the date of such Party's written notice to the other Parties of its withdrawal from the Agreement.

Section 4. **COST SHARING.** The Parties agree to share in the cost of the total estimated fee for the Project Scope of \$807,715.00, as provided in **Exhibit A**. The cost shares of the Project Scope fee for which each Party is responsible is as follows:

NTMWD:	\$ 269,238.33 (33 %)
UTRWD:	\$ 269,238.33 (33 %)
GTUA:	\$ 269,238.33 (33 %)

Section 5. **FEES IN EXCESS OF COST ESTIMATE.** If the total cost of the Project exceeds the fee estimate of \$807,715.00, upon written approval of the Parties, the Parties agree that the excess amount will be divided among the Parties and paid in the proportional amounts described in Section 4.

Section 6. **PAYMENT OF INVOICES.** Contractor shall invoice GTUA as work on the Project progresses. Each Party shall remit its share of payment reflected in Section 4 to GTUA within thirty (30) calendar days of receipt of written request from GTUA and a copy of the invoice from Contractor. The obligations of the Parties to make payments to GTUA shall be absolute and unconditional and shall not be subject to diminution by set-off, counterclaim, abatement, or otherwise.

Section 7. **PAYMENT FROM CURRENT REVENUES.** The Parties agree that the payments required by this Agreement for the performance of governmental functions or services shall be made from current revenues available to each paying Party.

Section 8. **MODIFICATION.** This Agreement may be amended, changed, or modified only by written agreement of the Parties and only after having obtained approval from the governing bodies of all the Parties.

Section 9. **FORCE MAJEURE.** If by reason of force majeure any Party hereto shall be rendered unable wholly or in part to carry out its obligations under this Agreement, then if such Party shall give notice and full particulars of such force majeure in writing to the other Party within a reasonable time after occurrence of the event or cause relied on, the obligation of the Party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such Party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics (including pandemics), landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonably within the control of the Party claiming such inability.

Section 10. REGULATORY BODIES AND LAWS. This Agreement is subject to all applicable Federal and State Laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum, having jurisdiction.

Section 11. NOTICES. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any Party to any other Party must be in writing and may be given or be served by depositing the same in the United States mail, addressed to the Party to be notified and sent via first-class mail and by certified mail/return-receipt requested, or by delivering the same to an officer of such Party. Notice deposited in the mail in the manners hereinabove described shall be deemed to be effective, unless otherwise stated herein, from and after the expiration of three (3) days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the Party to be notified. For the purposes of Notice, the addresses of the Parties shall, until changed as hereinafter provided, be as follows:

If to NTMWD, to:

North Texas Municipal Water District
Attn: Executive Director
P.O. Box 2408
Wylie, Texas 75098

If to UTRWD, to:

Upper Trinity Regional Water District
Attn: Executive Director
900 North Kealy Avenue
P.O. Box 305
Lewisville, Texas 75067

If to GTUA, to:

Greater Texoma Utility Authority
Attn: General Manager
5100 Airport Drive
Denison, Texas 75020

The Parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days written notice to the other Parties hereto.

Section 12. SEVERABILITY. The Parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Agreement or the application of such sections, subsections, provisions, clauses, or words to any situation or

circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State of Texas or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Agreement or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Agreement shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the Parties hereto shall be construed and remain in force accordingly.

Section 13. GOVERNING LAW; VENUE. All Parties agree that this Agreement shall be construed under the laws of the State of Texas, and obligations under the Agreement shall be performed in Collin County, Texas. In the event that any legal proceeding is brought to enforce this Agreement or any provision hereof, the same shall be brought in the State District Court of Collin County, Texas. The Parties agree to submit to the jurisdiction of said court.

Section 14. SOLE AGREEMENT. This Agreement constitutes the sole and only agreement of NTMWD, UTRWD, and GTUA, and supersedes any prior understanding or oral or written agreements between NTMWD, UTRWD, and GTUA with respect to the subject matter of this Agreement.

Section 15. NO THIRD-PARTY BENEFICIARIES. This Agreement shall inure only to the benefit of the Parties hereto and third persons not privy hereto shall not, in any form or manner, be considered a third-party beneficiary of this Agreement.

Section 16. WAIVER. Any waiver at any time by any Party of its rights with respect to default under this Agreement shall not be deemed a waiver of such rights with respect to any subsequent default or matter. No officer or agent of GTUA, NTMWD, or UTRWD is authorized to waive any provision of the Agreement.

Section 17. REMEDIES. Nothing in this Agreement shall be construed as, in any manner, to abridge, limit or deprive any Party hereunto of any means which it could otherwise have of enforcing any right or remedy either in law or in equity for breach of any of the provisions hereof.

Section 18. RELATIONSHIP OF THE PARTIES. This Agreement shall not be interpreted or construed to create an association, joint venture, or partnership between the Parties or to impose any partnership obligation or liability upon any of the Parties. None of the Parties shall have any right, power, or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, any of the other Parties.

Section 19. SUCCESSION AND ASSIGNMENT. This Agreement is binding upon and shall inure to the benefit of the Parties, their heirs, successors, and assigns. This Agreement may not be assigned by any Party hereto without the prior written notice to, and prior written approval by, the other Parties, which consent may be withheld without cause.

Section 20. RECITALS AND EXHIBITS INCORPORATED. The recitals contained in the preamble hereof and the exhibits hereto are hereby found to be true, and such recitals and exhibits are hereby made a part of this Agreement for all purposes.

Section 21. AUTHORITY TO EXECUTE. Each person signing on behalf of the Parties hereby confirms that they have the authority to execute this Agreement on behalf of the Party indicated by their signature.

Section 22. RESPONSIBILITIES. The Parties agree that neither Party is an agent, servant, or employee of the other Party and that each Party is responsible for its individual acts and deeds, as well as the acts and deeds of its contractors, employees, representatives, and agents. The Parties agree that the Project is not a joint venture or joint enterprise.

IN WITNESS WHEREOF, the Parties hereto acting under authority of their respective governing bodies have caused this Agreement to be duly executed in several counterparts, each of which shall constitute an original, all as of the day and year first above written, which is the Effective Date of this Agreement.

Signatures on the following page.

NORTH TEXAS MUNICIPAL WATER DISTRICT

By: _____ Date _____
Jennafer P. Covington
Executive Director

UPPER TRINITY REGIONAL WATER DISTRICT

By: _____ Date _____
Larry N. Patterson, P.E.
Executive Director

GREATER TEXOMA UTILITY AUTHORITY

By: _____ Date _____
Paul M. Sigle
General Manager



4/25/2024

Administrative Memorandum No. 24-6010

Regional Water System

**McKinney Delivery Point No. 3 to McKinney Delivery Point No. 4 Pipeline;
Project No. 101-0505-18, Tabulation Of Bids And Award of Contract, and Inspection Services**

SUBJECT

Authorize award of a construction contract and internal inspection services.

PURPOSE

The project is for the construction of a new water pipeline that will provide additional capacity to the Frisco-McKinney area of the NTMWD water transmission system.

RECOMMENDATION

The Executive Director, NTMWD staff and HDR, Inc. recommend the Board of Directors authorize the award of a contract as follows:

Contractor: Oscar Renda Contracting, Inc.

Scope: Construction Contract and Internal Inspection Services

Project: No. 101-0505-18 McKinney Delivery Point No. 3 to McKinney
Delivery Point No. 4 Pipeline

Amount: \$102,886,839 for construction contract; and \$180,000 for NTMWD
Inspection Services

Strategic Objective: Objective 1.4 - Reliable and Resilient System Capacity

Committee: This will be an item on the April 24, 2024, Water Committee
meeting agenda

DRIVER(S) FOR THIS PROJECT

<input type="checkbox"/> Regulatory Compliance	<input type="checkbox"/> Asset Condition
<input checked="" type="checkbox"/> Capacity	<input checked="" type="checkbox"/> Redundancy/Resiliency
<input type="checkbox"/> Relocation or External Requests	<input type="checkbox"/> Operational Efficiency
<input type="checkbox"/> Safety	<input type="checkbox"/> Administrative
<input type="checkbox"/> Policy	<input type="checkbox"/> Other _____

BACKGROUND

- The transfer of treated water from the Leonard Water Treatment Plant (WTP) into the existing NTMWD north transmission system will require the addition of a 72-inch water transmission pipeline from the site of the McKinney Delivery Point No. 4 to the site of McKinney's Delivery Point No. 3.
- The new pipeline will serve to close a major loop in the north transmission system and enhance the movement and reliability of water to the remote parts of the system currently experiencing increased demands due to growth.
- In June 2018, the Board approved Administrative Memorandum No. 5189 authorizing Preliminary Engineering design. Subsequent administrative memoranda were approved in February 2019 (No. 5351) and August 2019 (No. 5458) for expedited routing design and real estate acquisition.
- In June 2021, the Board approved Administrative Memorandum No. 5734 authorizing Final Engineering Design services to advance the pipeline design to 60% level.
- In November 2021 the Board approved Consent Agenda Item No. 21-11-02 authorizing additional services for Adjustment No. 2 on the pipeline project for the cultural resources services, as required by the Texas Historic Commission.
- In September 2022 the Board approved Administrative Memorandum No. 5861 authorizing additional services to advance the pipeline Final Engineering Design from 60% level through construction.
- In February 2024 the Board approved Administrative Memorandum No. 24-5990 authorizing the construction management and supplemental inspection services for the pipeline project.

PROJECT COMPONENTS

- Construction of 40,000 linear feet (LF) of 72-inch diameter water transmission steel pipeline including all fittings, valves, and appurtenances.
- Installation of approximately 6,800 LF of 96-inch diameter steel casing pipe or tunnel liner plate and 72-inch diameter tunnel pipe by trenchless methods under roadways and waterways.

TABULATION OF BIDS

Sealed bids for construction of McKinney Delivery Point No. 3 to McKinney Delivery Point No. 4 Pipeline were received at 2:00 p.m. on Wednesday, March 20, 2024, as tabulated below:

Bidder	Total Bid	Recommendation
Harper Brothers Construction, LLC	\$111,281,569	
Mountain Cascade of Texas, LLC	\$105,907,184	
Oscar Renda Contracting, Inc.	\$102,886,839	Lowest responsible bid Recommended for Award
ENGINEER'S OPINION OF PROBABLE COST	\$97,080,000	

LOWEST RESPONSIBLE BIDDER HISTORY

Oscar Renda Contracting, Inc. has successfully completed several similar projects for the NTMWD:

- NTMWD Project No. 101-0424-16, Bois d'Arc Lake Raw Water Pipeline Section C, 10 miles of 90-inch steel water line
- NTMWD Project No. 101-0425-16, Bois d'Arc Treated Water Pipeline - East Fork Trinity River Tunnel - Segment E; 2,532 linear feet of 118-inch tunnel
- Tarrant Regional Water District (TRWD)- Integrated Pipeline (IPL) Section 19 TxDOT Tunnel Project, 1 mile 84-inch waterline and 2,175 linear feet of tunnel
- TRWD IPL Section 17 Trinity River Tunnel Crossing; 11,800 linear feet of 108-inch tunnel.
- TRWD IPL Section 10/11; 12.7 miles of 84-inch waterline
- City of Dallas Water Utilities, Elm Fork 72-inch Water Main; 1.6 miles of 72-inch steel water main
- Oklahoma City Water Utilities, Atoka Raw Water Pipeline; 13 miles of 72-inch steel water main and 1,027 linear feet of tunnel
- Garrison Diversion Conservancy District, North Dakota, Red River Valley Water Supply Segment 5c; 8 miles of 72-inch waterline

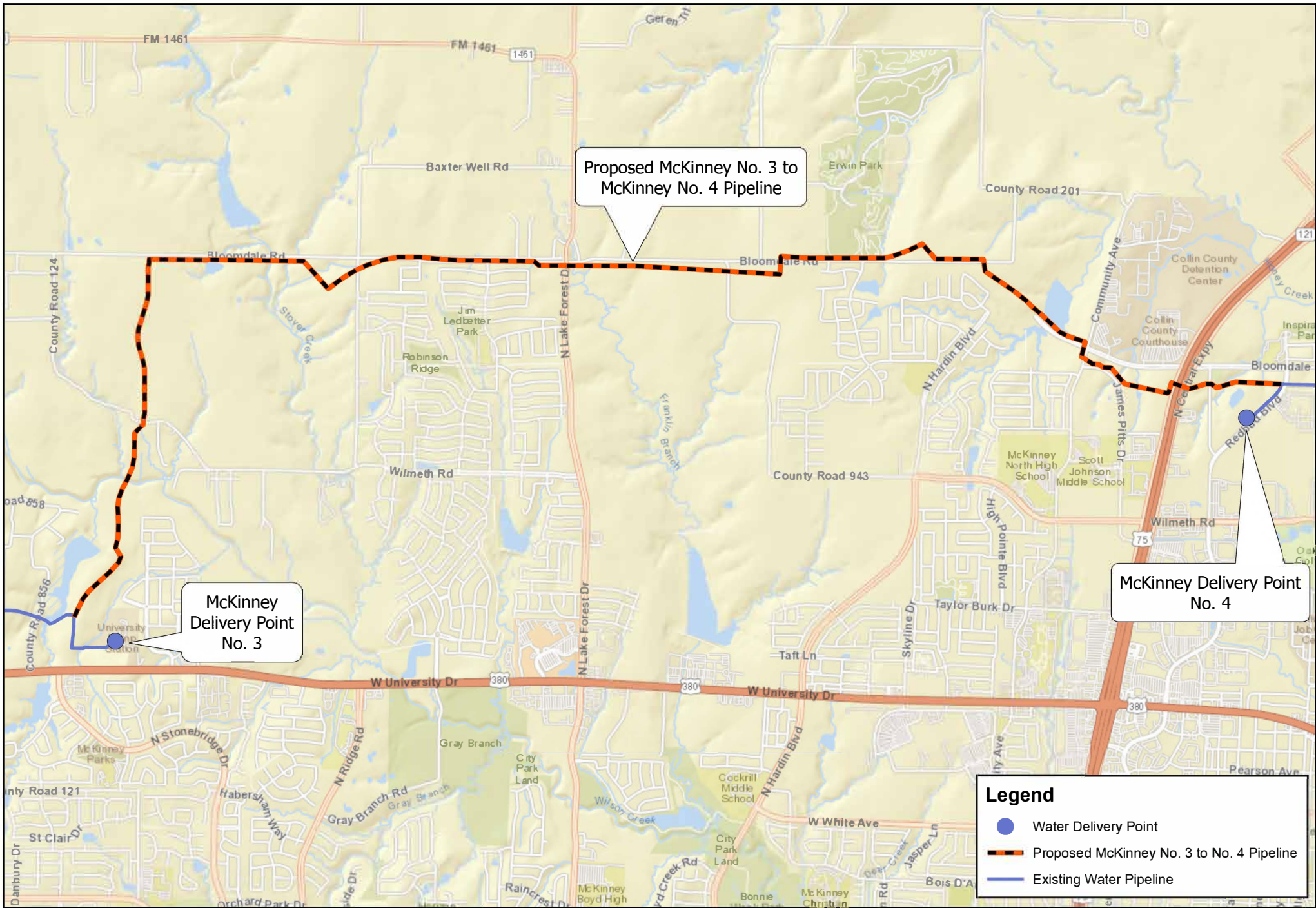
Based on their standing as lowest responsible bidder, the information provided, and reports by the supplied references, the NTMWD staff and HDR, Inc. recommend award of the contract to Oscar Renda Contracting, Inc.

INTERNAL INSPECTION SERVICES

NTMWD will utilize Construction Inspection Supervisory staff to provide oversight of inspection services in conjunction with the Construction Manager. Construction Management services to AECOM Technical Services were approved in the February 2024 Board meeting. The costs to the NTMWD related to this internal inspection coverage is approximately \$180,000.00.

FUNDING

Funding in the amount of \$102,886,839 to Oscar Renda Contracting, Inc and funding for NTMWD Internal Inspection Services in the amount of \$180,000 is to be made available utilizing the Regional Water System Extendable Commercial Paper (ECP) Program as the appropriation source; actual issuance of ECP notes will occur as cash needs arise.





4/25/2024

Administrative Memorandum No. 24-6011

Regional Water System

North System Air Valve Improvements; Project No. 101-0442-16; Additional Engineering Services

SUBJECT

Authorize additional funding to an existing engineering services agreement (ESA) for engineering services for the North System Air Valve Improvements project, Phase III.

PURPOSE

This project addresses upgrading air release valves (ARVs) to current Texas Commission on Environmental Quality (TCEQ) standards, upsizing based on surge modeling, and includes condition related improvements.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the Executive Director to execute additional engineering as follows:

Consultant: Freese and Nichols, Inc. (FNI)

Scope: Additional Engineering Services

Project: 101-0442-16, North System Air Valve Improvements

Amount: \$411,775

Strategic Objective: 1.3 Meet or Surpass Regulatory Requirements; 1.4 Reliable and Resilient Systems

Committee: This will be an item on the April 24, 2024, Water Committee meeting agenda

DRIVER(S) FOR THIS PROJECT

- | | |
|---|---|
| <input checked="" type="checkbox"/> Regulatory Compliance | <input checked="" type="checkbox"/> Asset Condition |
| <input type="checkbox"/> Capacity | <input type="checkbox"/> Redundancy/Resiliency |
| <input type="checkbox"/> Relocation or External Requests | <input type="checkbox"/> Operational Efficiency |
| <input type="checkbox"/> Safety | <input type="checkbox"/> Administrative |
| <input type="checkbox"/> Policy | <input type="checkbox"/> Other _____ |

BACKGROUND

- In October 2017 the Board approved Administrative Memorandum No. 5019 authorizing an Engineering Services Agreement with FNI to provide engineering design and coordination services on Project No. 101-0442-16, North System Air Valve Improvements, Phase I.
- In March 2022 the Board approved Consent Agenda Item No. 22-03-05 authorizing Additional Engineering Services for Phase II.
- Project was divided into three construction phases in attempt to make bid packages more attractive:
 - Phase I design - Inspection and prioritization of 239 North System ARVs of which 198 were identified as needing some level of improvement.
 - Phase I construction package - The construction of 66 ARVs were completed in June 2022.
 - Phase II construction package - The construction of 36 ARVs were approved by NTMWD Board in September 2023.
 - Phase III construction package - Consists of 96 ARVs.

PROJECT PURPOSE

- The Texas Commission on Environmental Quality (TCEQ) rules and regulations for design of water transmission systems require venting of air release valves above grade. Some existing NTMWD ARV installations require installation of venting to meet TCEQ requirements.
- Some NTMWD ARV installations require upsizing and condition related improvements.

PROJECT COMPONENTS

- The North System Air Valve Improvements, Phase III project will replace 96 existing ARVs, redirect venting, and repair/upsized associated manholes, as needed.
- The Consultant will develop the designs for 96 ARV locations to the 100% level in conjunction with easement acquisition.
- Survey field work and documentation for easements will need to be performed for 21 locations.
- The planning level estimated construction cost for the Phase III ARVs is \$11,053,000.

ADDITIONAL SERVICES

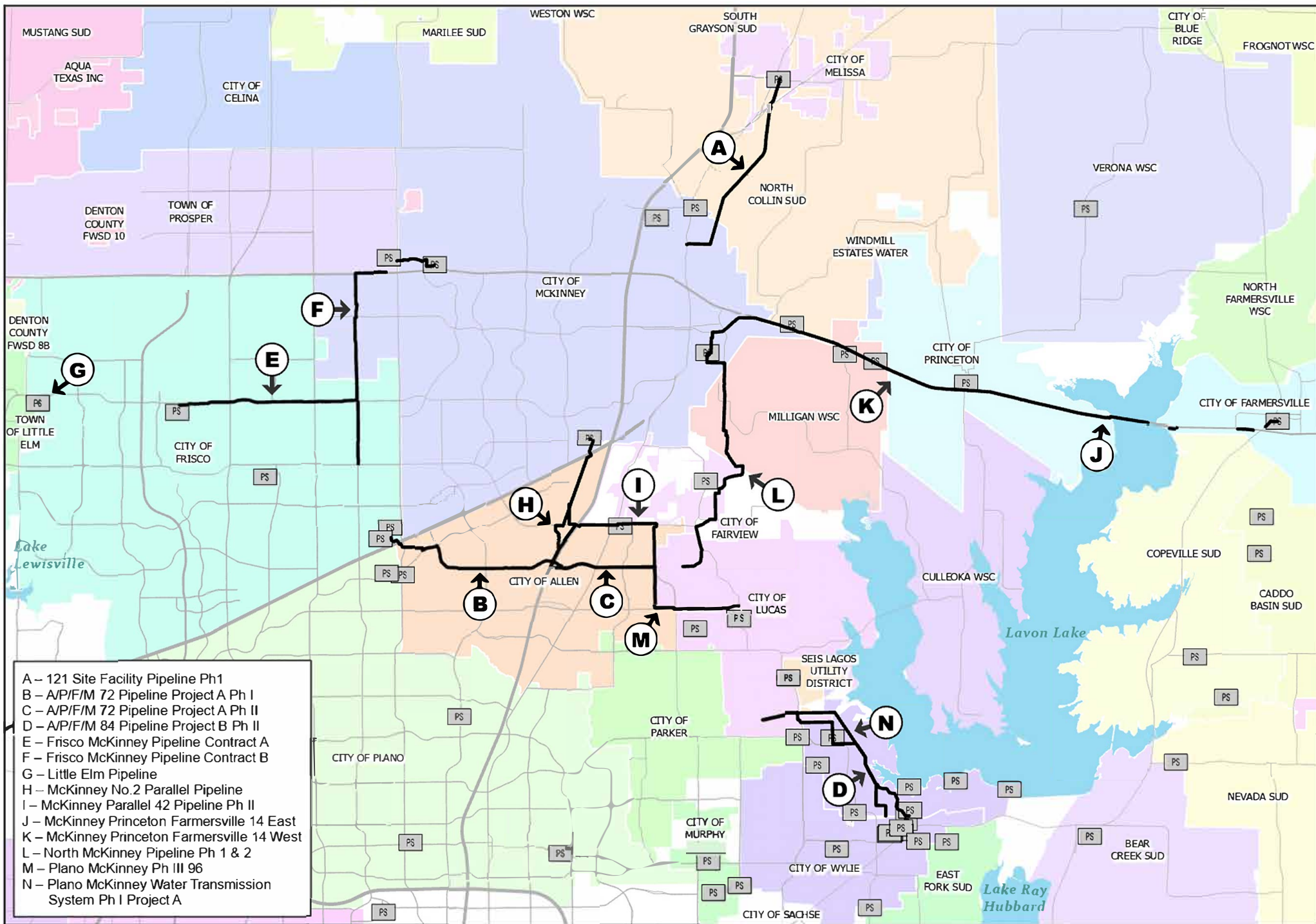
- Project management
- Design services
- Bid phase services
- Survey and easement documents

ADDITIONAL ENGINEERING SERVICES FEE

Description	Amount
Original ESA (Administrative Memorandum No. 5019)	\$799,850
Prior Additional Services	\$540,605
Proposed Additional Services Amount	\$411,775
Revised ESA Amount	\$1,752,230

FUNDING

Additional funding to Freese and Nichols Inc in the amount of \$411,775 is to be made available in the Regional Water System Capital Improvement Fund.





4/25/2024

Administrative Memorandum No. 24-6012

Regional Water System

Shiloh Pump Station Improvements Phase I; Engineering Services Agreement; 101-0648-24

SUBJECT

Authorize funding for an engineering services agreement for the design of the Shiloh Pump Station Improvements, Phase I Project.

PURPOSE

The proposed improvements will replace aging infrastructure and upgrade certain systems to current NTMWD's standards, including the addition of a new emergency backup power. Increased service demands for this facility and condition related replacements of critical elements of this facility necessitate these improvements to maintain NTMWDs ability to serve the Shiloh System.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the Executive Director to execute an engineering services agreement (ESA) as follows:

Consultant: Brown and Caldwell, Inc.

Scope: Final Engineering Design

Project: No. 101-0648-24, Shiloh Pump Station Improvements Phase I

Amount: \$1,888,427

Strategic Objective: Strategic Objective: 1.2: Successfully Deliver Capital Program 1.4: Reliable and Resilient Systems

Committee: This will be an item on the April 24, 2024, Water Committee meeting agenda

DRIVER(S) FOR THIS PROJECT

<input checked="" type="checkbox"/> Regulatory Compliance (Pre-emptive)	<input checked="" type="checkbox"/> Asset Condition
<input type="checkbox"/> Capacity	<input type="checkbox"/> Redundancy/Resiliency
<input type="checkbox"/> Relocation or External Requests	<input type="checkbox"/> Operational Efficiency
<input type="checkbox"/> Safety	<input type="checkbox"/> Administrative
<input type="checkbox"/> Policy	<input type="checkbox"/> Other _____

BACKGROUND

The existing 3-million-gallon (MG) ground storage tank (GST) was constructed in 1969 and a subsequent project (No. 101-0306-12) was completed in 2017 to perform pump station improvements and minor leak repairs to the tank. The tank is considered to have reached the end of its service life and is recommended for removal.

PROJECT PURPOSE

- Define and implement infrastructure improvements to the pump station and meter vaults to meet increased consumer water demands to the Richardson and Plano delivery points from the Shiloh Pump Station.
- Evaluate items that may be in poor or failing condition and develop appropriate rehabilitation or replacement plans.
- Provide improvements to fulfill operational capabilities defined in the NTMWD Emergency Preparedness Plan submitted to the Texas Commission on Environmental Quality (TCEQ).
- The planning level estimated cost is \$19,286,000.00.

PROJECT COMPONENTS

- Design flow control vault including, isolation and flow control valves.
- Demolition and bypass pumping plan for the existing 3-MG ground storage tank
- Update physical security capabilities at the site
- Provide a new emergency backup generator
- Improvements to the Richardson delivery vault radio and panel
- Replace Pump Nos. 203 and 204 due to advanced deterioration

BASIC SERVICES

- Preliminary design
- Transient hydraulic model
- Final design
- 30%, 60% 90% plans
- 100% bid documents
- Bid phase services

SPECIAL SERVICES

- Site survey
- Geotechnical investigation and engineering report
- Subsurface utility investigation
- Regulatory coordination

CONSULTANT SELECTION PROCESS

- Four engineering firms were interviewed and Brown and Caldwell, Inc. was deemed as the most highly qualified firm for this project.

ENGINEERING SERVICES FEE

Description	Amount
Basic Services	\$1,651,179
Special Services	\$237,248
Requested Amount	\$1,888,427

FUNDING

Funding to Brown and Caldwell Inc in the amount of \$1,888,427 is to be made available in the Regional Water System Capital Improvement Fund.



Shiloh Pump Station Improvements Ph I

Project No. 101-648-24



4/25/2024

Administrative Memorandum No. 24-6013

Regional Water System

Wylie Water Treatment Plant Raw Water Pump Station No. 3 Improvements; Engineering Services Agreement; Project No. 101-0649-24

SUBJECT

Authorize funding for an engineering services agreement for design of the Wylie Water Treatment Plant (WTP) Raw Water Pump Station No. 3 Improvements project.

PURPOSE

The proposed improvements will replace aging infrastructure and upgrade certain systems to current NTMWD's standards. Condition-related improvements are needed to maintain a high level of service for the largest raw water pump station at the Wyle WTP. Replacement of some electrical and control equipment that have reached their service life or have increased risk of failure will improve reliability of the pump station.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the Executive Director to execute an engineering services agreement (ESA) as follows:

Consultant: AECOM Technical Services, Inc.

Scope: Final Engineering Design

Project: No. 101-0649-24, Wylie Water Treatment Plant Raw Water Pump Station No. 3 Improvements

Amount: \$871,877

Strategic Objective: 1.2: Successfully Deliver Capital Program 1.4: Reliable and Resilient Systems

Committee: This will be an item on the April 24, 2024, Water Committee meeting agenda

DRIVER(S) FOR THIS PROJECT

- | | |
|--|---|
| <input type="checkbox"/> Regulatory Compliance | <input checked="" type="checkbox"/> Asset Condition |
| <input type="checkbox"/> Capacity | <input checked="" type="checkbox"/> Redundancy/Resiliency |
| <input type="checkbox"/> Relocation or External Requests | <input type="checkbox"/> Operational Efficiency |
| <input type="checkbox"/> Safety | <input type="checkbox"/> Administrative |
| <input type="checkbox"/> Policy | <input type="checkbox"/> Other _____ |

BACKGROUND

Lavon Raw Water Pump Station No. 3 (RWPS No. 3) is the largest of the District's raw water pump stations at Lake Lavon and is an integral component of the movement of raw water supply system from Lake Lavon into the Wylie plants. The improvements are recommended in order to replace aging infrastructure and provide critical upgrades to certain systems.

PROJECT PURPOSE

- Maintain the useability and functionality of RWPS No. 3
- Upgrade infrastructure to current NTMWD standards
- Project identified by the Raw Water CIP and Implementation Plan
- The planning level estimated construction cost for the project is \$7,826,000

PROJECT COMPONENTS

- Mechanical - replace the heating, ventilation, and air conditioning (HVAC) systems at the North/South electrical buildings, replace electric motor operators, installation of pumping screens and hydrocones at the wet well
- Electrical - replace the motor control centers (MCCs) and station transformer in the pump building
- Instrumentation and Control - replace the programmable logic controller (PLC) and the uninterruptible power supply (UPS) in the pump building and replace the PLC in the North/South electrical buildings
- Structural - replace pump station roof
- Site Civil - grading and drainage repairs, replace damaged fence

BASIC SERVICES

- Project management
- Construction contract documents
- Bid phase services

SPECIAL SERVICES

- Surveying

CONSULTANT SELECTION PROCESS

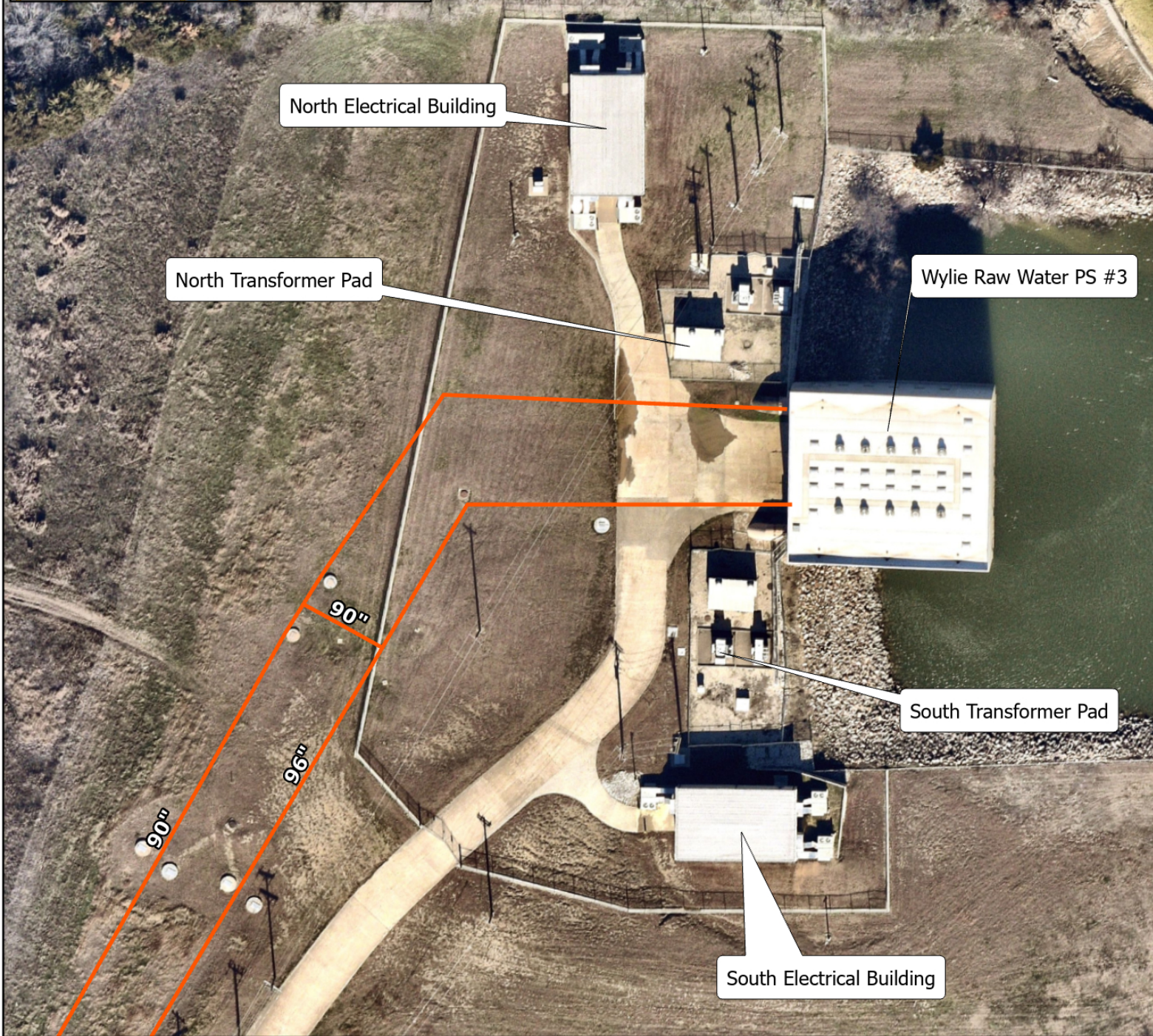
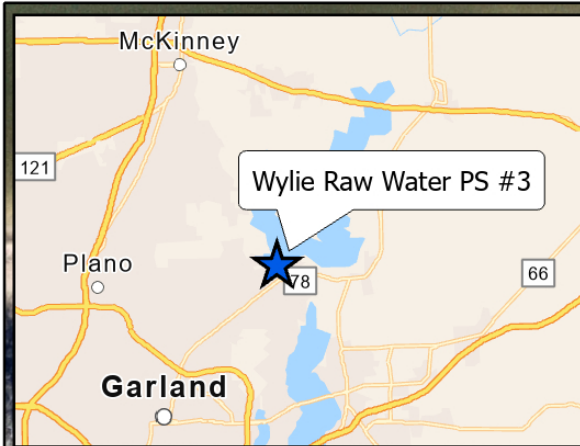
- Four engineering firms were interviewed and AECOM Technical Services, Inc. was deemed as the most highly qualified firm for this project.

ENGINEERING SERVICES FEE

Description	Amount
Basic Services	\$852,354
Special Services	\$19,523
Requested Amount	\$871,877

FUNDING

Funding to AECOM Technical Services Inc in the amount of \$871,877 is to be made available in the Regional Water System Capital Improvement Fund.



Wylie WTP Raw Water Pump Station No. 3
Project No. 101-0649-24





4/25/2024

Administrative Memorandum No. 24-6014

Regional Water System

Wylie Water Treatment Plant Raw Water Pump Station No. 4; Engineering Services Agreement; Project No. 101-0647-24

SUBJECT

Authorize funding for an engineering services agreement for a feasibility study and conceptual design of the Wylie Water Treatment Plant (WTP) Raw Water Pump Station No. 4.

PURPOSE

This study will assess the feasibility of a new raw water pump station that would access deeper levels of Lavon Lake and provide additional reliable supply at the Wylie water treatment plants. This option is one of the strategies identified in the District's Long-Range Water Supply portfolio.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the Executive Director to execute an engineering services agreement (ESA) as follows:

Consultant: Arcadis U.S., Inc.

Scope: Feasibility Study and Conceptual Design

Project: Wylie Water Treatment Plant Raw Water Pump Station No. 4

Amount: \$4,887,600

Strategic Objective: 1.2: Successfully Deliver Capital Program, 1.4: Reliable and Resilient Systems

Committee: This will be an item on the April 24, 2024, Water Committee meeting agenda

DRIVER(S) FOR THIS PROJECT

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|---|--|
| <input checked="" type="checkbox"/> Regulatory Compliance | <input type="checkbox"/> Asset Condition |
| <input type="checkbox"/> Capacity | <input checked="" type="checkbox"/> Redundancy/Resiliency |
| <input type="checkbox"/> Relocation or External Requests | <input checked="" type="checkbox"/> Operational Efficiency |
| <input type="checkbox"/> Safety | <input type="checkbox"/> Administrative |
| <input type="checkbox"/> Policy | <input type="checkbox"/> Other _____ |

BACKGROUND

Lavon Lake is the original source of water supply for North Texas Municipal Water District and the Wylie Water Treatment Plant (WTP) complex. Three raw water pump stations draw from Lavon Lake and serve the Wylie WTP complex. Raw Water Pump Station (RWPS) Nos. 1 & 2 have a combined capacity of 285 million gallons per day (MGD) and RWPS No. 3 has a capacity of 537 MGD. These three pump stations access lake levels between 461 to 467 feet. At these levels, the current pump stations do not optimize NTMWD's full water right in Lavon Lake.

Previous studies conducted have reviewed the potential for a fourth RWPS at Lake Lavon:

- NTMWD Water Supply Resiliency Plan Phase II in 2021
- Long Range Water Supply Plan (LRWSP), NTMWD Project No. 101-0587-21, in 2023

The Wylie RWPS No. 4 would potentially be a new 350 MGD facility accessing supplies down to an elevation of 451 feet mean sea level (ft MSL). The pump station would provide additional reliable supply but does not increase the Lavon Lake water right.

PROJECT PURPOSE

- Provide 350 MGD pumping capacity and ability to intake at a depth of 451 ft MSL elevation from Lavon Lake.
- Evaluate and make recommendations for the connection to all four Wylie WTPs, providing redundancy for raw water distribution within the Wylie complex in the event of problems at one of the other raw water pump stations.
- Evaluate potential and provide a recommendation for two options:
 - a. RWPS No. 4 to replace the aging RWPS No. 1 and/or RWPS No. 2 (with total capacity of 285 MGD)
 - b. consideration of these stations maintained for additional resiliency
- Locate a deeper lake access that could yield an additional 11 MGD of raw water.
- The planning level estimated cost for construction is \$328,000,000.

PROJECT COMPONENTS

- Data collection and review

- Water quality analysis at deeper lake levels
- Consideration of intake and pumps
- Transmission and yard piping connections to the Wylie WTPs
- Pump station site identification and selection
- Permitting and regulatory considerations
- Evaluation of project delivery methods
- Feasibility study report
- Conceptual design
- Operational strategy for all Raw Water Pump Stations

BASIC SERVICES

- Project management
- Feasibility study
- Conceptual design and layout
- Permitting and regulatory

SPECIAL SERVICES

- Tunneling design support
- Geotechnical borings
- Bathometric surveying
- Land surveying

CONSULTANT SELECTION PROCESS

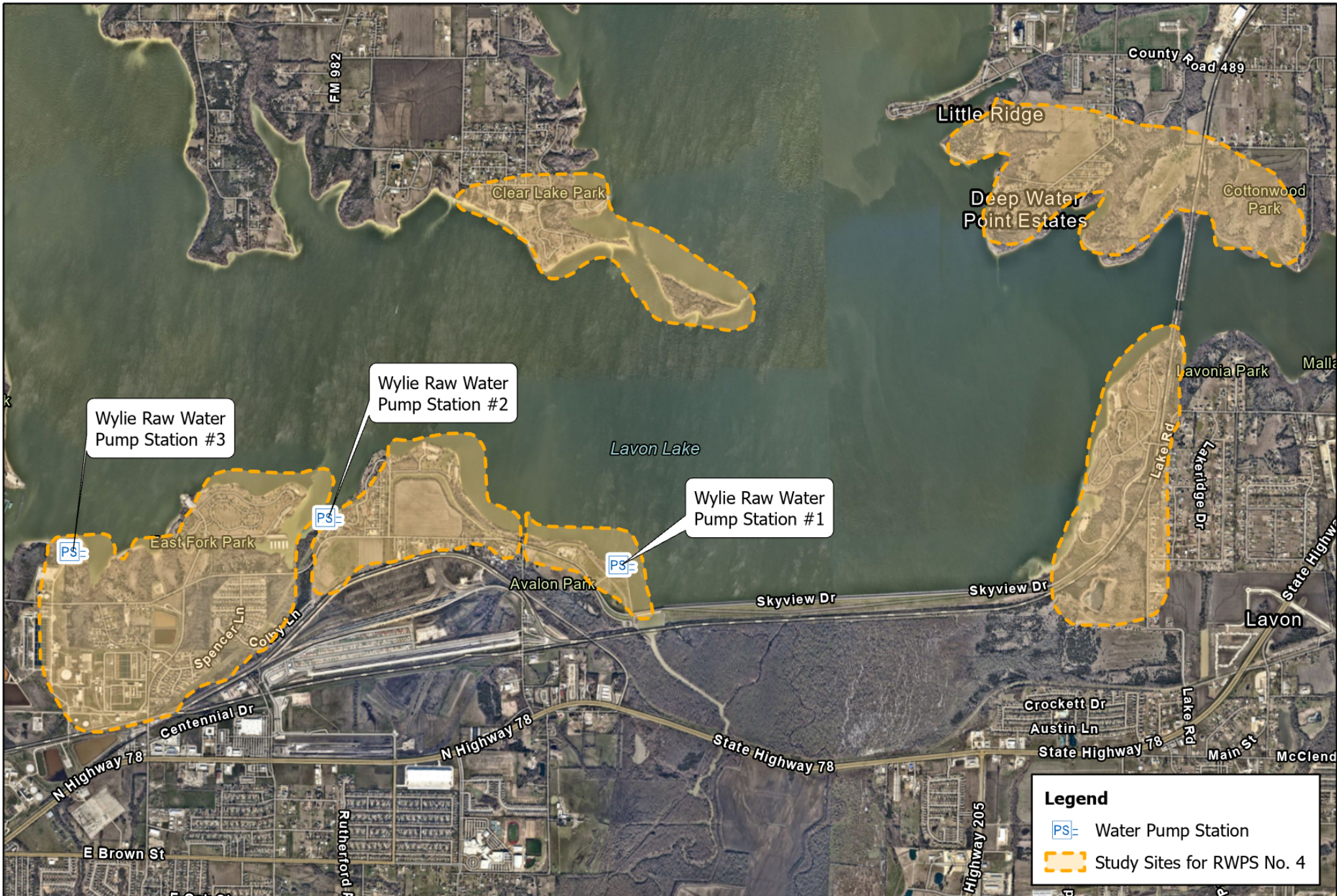
A total of 3 engineering firms were interviewed and Arcadis U.S., Inc. was deemed as the most highly qualified firm for this project.

ENGINEERING SERVICES FEE

Description	Amount
Basic Services	\$4,119,400
Special Services	\$768,200
Requested Amount	\$ 4,887,600

FUNDING

Funding to Arcadis U.S. Inc in the amount of \$4,887,600 is to be made available utilizing the Regional Water System Extendable Commercial Paper (ECP) Program as the appropriation source; actual issuance of ECP notes will occur as cash needs arise.





4/25/2024

Administrative Memorandum No. 24-6015

**Muddy Creek Wastewater Treatment Plant Expansion to 12.5 MGD and Operations Building Improvements; Project Nos. 310-0592-21 and 310-0535-19;
Tabulation of Bids and Award of Contract, Engineering Services Agreement, and Internal Inspection Services**

SUBJECT

Authorize award of a construction contract, engineering services agreement, and internal inspection services for the Wastewater Treatment Plant (WWTP) Expansion to 12.5 million gallons per day (MGD) and Operations Building Improvements projects.

PURPOSE

Address constraints in the existing facilities to improve the reliability of the existing WWTP and expand the WWTP capacity to meet the growth projections consistent with the 2021 Master Plan and 2022 Preliminary Engineering Report, which will reduce the risk of permit exceedances from peak wet weather events and expand the treatment capacity to meet the needs of the customers in the Cities of Wylie and Murphy.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the award of a contract as follows:

Contractor: Eagle Contracting, LLC

Consultant: Garver, LLC

Scope: Construction Contract, Engineering Services during Construction, and Internal Inspection Services

Project: No. 310-0592-21 and 310-0535-21, Muddy Creek Wastewater Treatment Plant (WWTP) Expansion to 12.5 MGD and Operations Building Improvements

Amount: \$72,918,084 for construction contract \$2,883,566 for engineering services agreement \$2,164,980 for internal inspection services

Strategic Objective: 1.4 Reliable and Resilient Systems

Committee: This will be an item on the April 24, 2024, Wastewater Committee meeting agenda

DRIVER(S) FOR THIS PROJECT

- | | |
|---|---|
| <input checked="" type="checkbox"/> Regulatory Compliance (pre-emptive) | <input checked="" type="checkbox"/> Asset Condition |
| <input checked="" type="checkbox"/> Capacity | <input type="checkbox"/> Redundancy/Resiliency |
| <input type="checkbox"/> Relocation or External Requests | <input type="checkbox"/> Operational Efficiency |
| <input type="checkbox"/> Safety | <input type="checkbox"/> Administrative |
| <input type="checkbox"/> Policy | <input type="checkbox"/> Other _____ |

BACKGROUND**PROJECT PURPOSE**

- Address hydraulic constraints within the existing treatment plant to improve its reliability.
- Expand the plant capacity to 12.5 million gallons per day (MGD) to meet the growth projections in the 2021 Master Plan and 2022 Preliminary Engineering Report
- Supervisory Control and Data Acquisition (SCADA) improvements identified as high priority in the 2021 Wastewater SCADA Master Plan.
- The construction of Project No. 310-0535-19, Muddy Creek WWTP Operations Building Improvements (designed by Huitt-Zollars, Inc.) is combined with Project No. 310-0592-21 for efficiencies and to avoid multiple contractors on the site.

PROJECT COMPONENTS

- Flow meter vaults for the 54-inch and 48-inch influent flow gravity lines
- Modifications to the existing Influent Pump Station (IPS) and 42-inch parallel force main
- Modifications to existing primary clarifier splitter box
- Primary clarifier and primary sludge pump station
- Two aeration basins, splitter structure and additional blowers within the existing blower building
- Secondary clarifier and splitter structure. Modifications to existing secondary clarifiers and additional sludge pumping
- Replacement of existing belt filter press with screw presses and associated equipment
- Tertiary filtration facility with cloth media filters
- Retrofitting existing ultraviolet (UV) disinfection channels with new UV equipment
- Civil and yard piping improvements
- Electrical, instrumentation and controls
- New 1,700 square foot operations building addition
- Renovate 600 square feet of the existing operations building

TABULATION OF BIDS

Sealed bids for construction of Muddy Creek Wastewater Treatment Plant Expansion to 12.5 MGD and Operations Building Improvements were received at 3:00 p.m. on Wednesday, March 13, 2024, as tabulated below:

LOWEST RESPONSIBLE BIDDER HISTORY

Bidder	Total Bid	Recommendation
Eagle Contracting	\$72,918,084	Lowest responsible bid Recommended for Award
Archer Western Construction, LLC	\$82,995,000	
Thalle Construction Company, Inc.	\$89,950,000	
ENGINEER'S OPINION OF PROBABLE COST	\$81,676,000	

Eagle Contracting, LLC has successfully completed or is currently in construction on several similar projects for NTMWD:

- Project No. MCRCF 03-1, Muddy Creek Wastewater Treatment Plant, (completed September 2006)
- Project No. MCRCF 05-1(062), Muddy Creek Wastewater Treatment Plant Expansion No. 1 (completed February 2008)
- Project No. 116, Panther Creek Wastewater Treatment Plant Expansion (completed March 2011)
- Project No. 101-0375-14, Wylie Water Treatment Plant I Rapid Mix and Sedimentation Improvements (completed March 2021)
- Project No. 310-0450-17, Muddy Creek Wastewater Treatment Plant Aeration Basin, Odor Control, and Backup Power Improvements (completed January 2021)
- Project No. 301-0432-16, Floyd Branch Regional Wastewater Treatment Plant Process Optimization Improvements (completed February 2023)
- Project No. 308-0576-20, Sabine Creek Wastewater Treatment Plant Expansion to 7 MGD (currently under construction)

Based on their standing as lowest responsible bidder, the information provided, and reports by the supplied references, the NTMWD staff and Garver, LLC recommend award of the contract to Eagle Contracting, LLC.

ENGINEERING SERVICES AGREEMENT (ESA)

This ESA with Garver, LLC is for construction services needed for the Muddy Creek WWTP Expansion to 12.5 MGD.

The services will consist of:

- Monthly project management and coordination
- Review of shop drawing submittals, requests for information, proposed change orders, and operation and maintenance (O&M) manuals
- Site visits by structural and geotechnical engineer
- Development of record drawings and update existing plant O&M manual
- Survey for metes and bounds Oncor easement

NTMWD will utilize Garver, LLC for engineering construction services for the 44-month period. The cost to NTMWD related to the Engineering Construction Services is \$2,883,566.00.

INTERNAL INSPECTION SERVICES

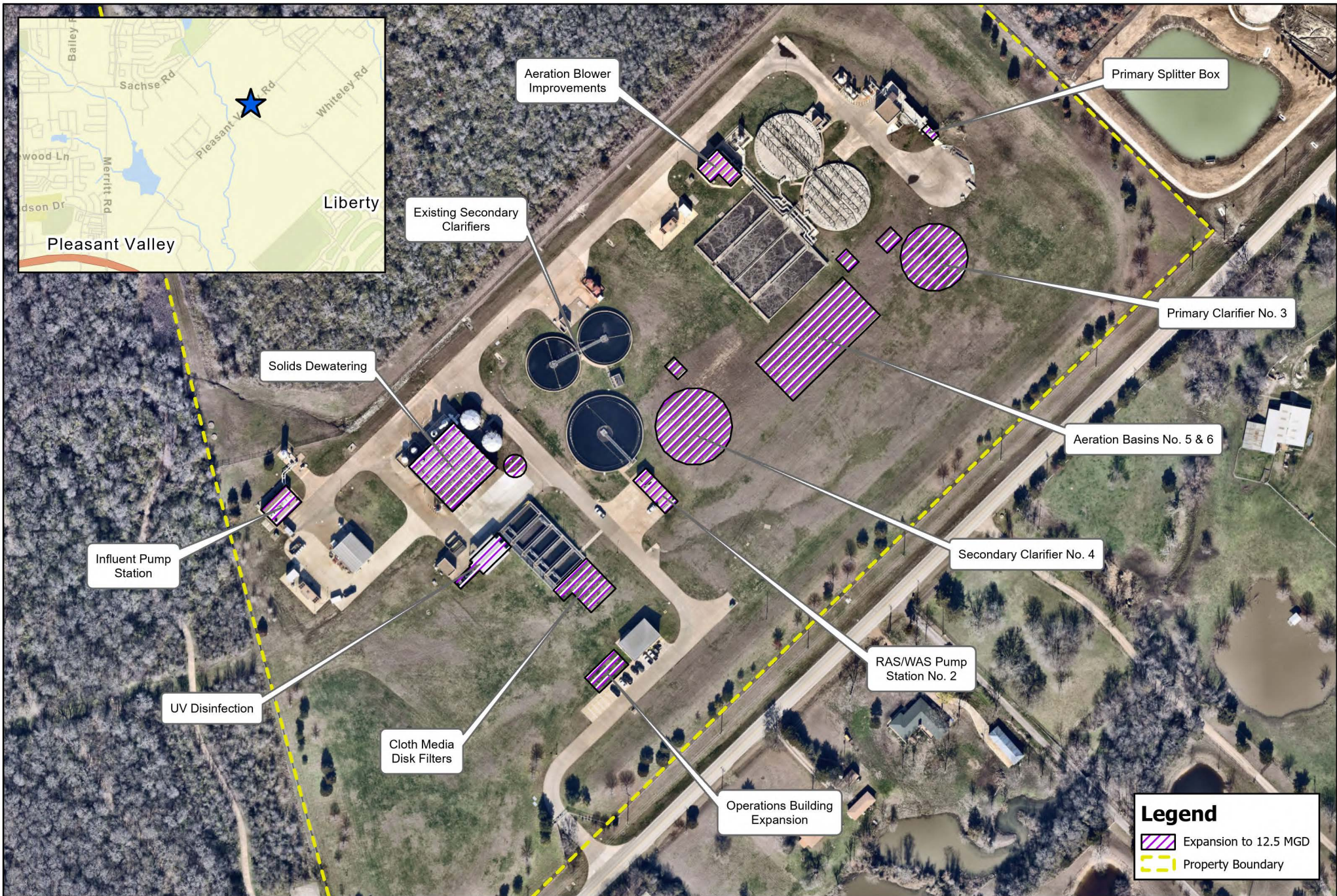
NTMWD will use internal inspection staff to cover all inspection disciplines. The costs to the NTMWD related to this internal inspection coverage is approximately \$2,164,980.00.

TOTAL PROJECT COSTS

Project Name	Engineering Cost	Construction Cost	Inspection Cost
Muddy Creek WWTP Expansion to 12.5 MGD Project No. 310-0592-21	\$2,883,566	\$71,271,874	\$2,035,080
Muddy Creek WWTP Operations Building Improvements Project No. 310-0535-19	\$0.00	\$1,646,210	\$129,900
Total	\$2,883,566	\$72,918,084	\$2,164,980

FUNDING

Funding to Eagle Contracting LLC in the amount of \$72,918,084, \$2,883,566 to Garver LLC, and \$2,164,980 for NTMWD Internal Inspection is to be made available from the issuance of the Muddy Creek Wastewater System 2024 Bonds planned for April 25, 2024.





4/25/2024

Administrative Memorandum No. 24-6016

Upper East Fork Interceptor System

Beck Branch Parallel Interceptor Phase II and Plano Spring Creek Force Main Parallel; Project No. 501-0439-16; Tabulation of Bids and Award of Contract and Inspection Services

SUBJECT

Award a construction contract and authorize internal inspection services for the Beck Branch Parallel Interceptor Phase II and Plano Spring Creek Force Main Parallel portion of the Beck Branch Parallel Interceptor Improvements project.

PURPOSE

This action will award a contract for the construction of the incomplete portion of this project following the premature termination and demobilization of the original contractor, ARK Contracting Services, LLC, (ACS).

RECOMMENDATION

The Executive Director, NTMWD staff and Lockwood, Andrews, & Newnam, Inc. (LAN) recommend the Board of Directors authorize the award of a contract as follows:

Consultant: Wilson Contractor Services, LLC

Scope: Construction

Project: No. 501-0439-16, Beck Branch Parallel Interceptor Phase II and Plano Spring Creek Force Main Parallel

Amount: Construction Contract: \$16,757,742.30 Inspection Services (internal): \$333,250

Strategic Objective: 1.2 Successfully Deliver Capital Program 1.4 Reliable and Resilient System

Committee: This will be an item on the April 24, 2024, Wastewater Committee meeting agenda

DRIVER(S) FOR THIS PROJECT

- | | |
|--|---|
| <input type="checkbox"/> Regulatory Compliance | <input type="checkbox"/> Asset Condition |
| <input checked="" type="checkbox"/> Capacity | <input type="checkbox"/> Redundancy/Resiliency |
| <input type="checkbox"/> Relocation or External Requests | <input type="checkbox"/> Operational Efficiency |
| <input type="checkbox"/> Safety | <input type="checkbox"/> Administrative |
| <input type="checkbox"/> Policy | <input type="checkbox"/> Other _____ |

BACKGROUND

- On May 28, 2020, NTMWD executed a construction contract for the Beck Branch Parallel Interceptor Improvements, which consists of the Phase II portion of the Beck Branch Parallel Interceptor and the Plano Spring Creek Force Main Parallel, with ACS (Administrative Memorandum No. 5557).
- On July 21, 2023, ACS unilaterally terminated the contract before the construction contract was completed, demobilized from, and abandoned the job site.

PROJECT PURPOSE

- The 2015 Upper East Fork Interceptor Evaluation identified the need for additional capacity in the Beck Branch Interceptor to meet projected 2035 flow conditions due to population growth, as well as inflow and infiltration in the cities of Plano and Richardson.
- This project will complete the unperformed construction of the new Plano Spring Creek Force Main Parallel from the Plano Spring Creek Lift Station No. 2 (Project No. 501-0473-17 currently under construction) to the interconnection south of the intersection of Los Rios Boulevard and East Plano Parkway.

PROJECT COMPONENTS

- Approximately 5,900 linear feet (LF) of 42-inch sanitary sewer, ten (10) combination air valves, four (4) plug valves, access manholes, and necessary appurtenances.
- Abandonment of the 33-inch force main and an existing junction structure.
- Relocation of discharge piping for approximately 50 LF of 30-inch sanitary sewer pipe for the Renner Road Force Main.
- Relocation of approximately 50 LF of 8-inch sanitary sewer pipe for the City of Plano Force Main.
- Replacement of nine (9) combination air release valves with access manholes and assemblies on the existing 36-inch Plano Spring Creek Force Main.

TABULATION OF BIDS

Sealed bids for construction were received at 2:00 p.m. on Wednesday, March 27, 2024, as tabulated below:

Bidder	Total Bid	Recommendation
Wilson Contractor Services, LLC	\$16,757,742.30	Lowest responsible bid Recommended for Award
Mountain Cascade of Texas, LLC	\$17,459,600.00	
Western Municipal Construction of Texas, LLC	\$21,654,783.00	
Belt Construction of Texas, LLC	\$27,428,300.00	
ENGINEER'S OPINION OF PROBABLE COST	\$14,551,000.00	

LOWEST RESPONSIBLE BIDDER HISTORY

Wilson Contractor Services, LLC has successfully completed the following similar project for the NTMWD:

- Indian Creek Force Main No. 2; 501-0454-17; Approximately 5,000 linear feet of 30-inch high density polyethylene (HDPE) gravity sewer and 1,300 linear feet of 8-inch water line, including odor control, air valves, manholes and all required appurtenances. This was completed January 2023.

And successfully completed the following projects for other municipalities:

- City of Waxahachie, Texas; Lower Mustang Creek Parallel Force Main; approximately 17,200 linear feet of 20-inch sanitary sewer force main.
- City of Rowlett, Texas; Miller Road Force Main; approximately 1,400 linear feet of 24-inch gravity sewer.
- City of Plano, Texas; Peachtree and Laurel Lane Interceptor; approximately 2,300 linear feet of 20-inch gravity sewer.

Wilson Contractor Services is currently completing the following similar NTMWD projects:

- Sloan Creek Force Main; 501-0523-18; Approximately 5,100 linear feet of 24-inch force main, approximately 30-inch gravity interceptor, and approximately 9,300 linear feet of 30-inch of 8-inch water line to the Sloan Creek Lift Station.

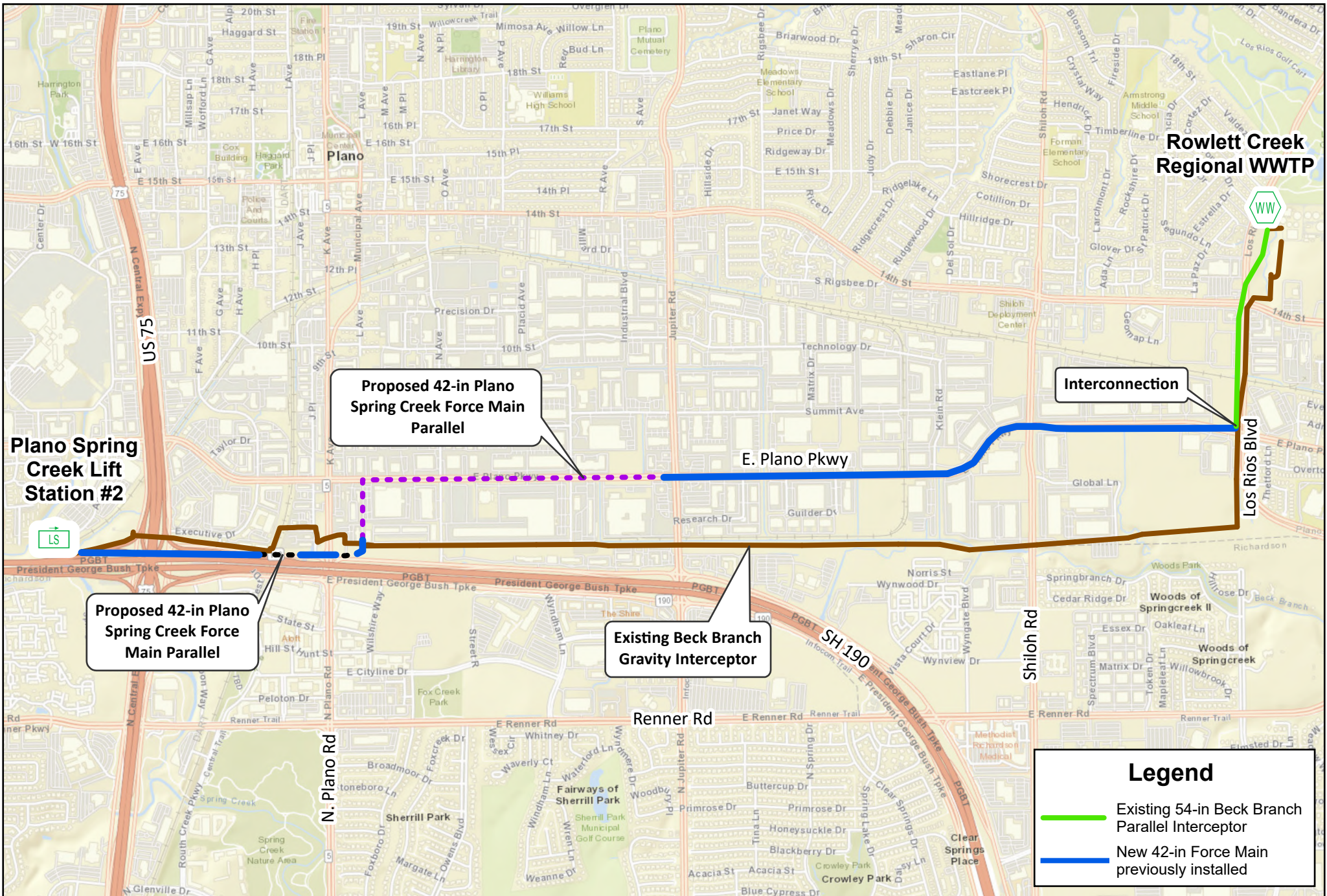
Based on its standing as lowest responsible bidder, the information provided, and reports by the supplied references, the NTMWD staff and Lockwood, Andrews, & Newnam, Inc. (LAN) recommend award of the contract to Wilson Contractor Services, LLC.

INTERNAL INSPECTION SERVICES

NTMWD will utilize its own inspection staff to cover all inspection tasks. The costs to the NTMWD related to this internal inspection coverage is approximately \$333,250.00.

FUNDING

Funding in the amount of \$16,757,742.30 to Wilson Contractor Services, LLC and \$333,250 for NTMWD internal inspection services is to be made available utilizing the Upper East Fork Interceptor System Extendable Commercial Paper (ECP) Program as the appropriation source; actual issuance of ECP notes will occur as cash needs arise.





4/25/2024

Administrative Memorandum No. 24-6017

Upper East Fork Interceptor System

**Stover Creek Force Main;
Project No. 501-0624-23
Engineering Services Agreement - Right-of-Way Support Services**

SUBJECT

Authorize funding for professional services for the Stover Creek Force Main project.

PURPOSE

This action will provide for outsourced right-of-way support services to facilitate the planned right-of-way acquisition program for the Stover Creek Force Main project.

RECOMMENDATION

The Executive Director and NTMWD staff recommend the Board of Directors authorize the Executive Director to execute an engineering services agreement (ESA) as follows:

Consultant: Lockwood, Andrews, & Newnam, Inc.

Scope: Engineering Service Agreement; Right-of-Way support services

Project: Project No. 501-0624-23, Stover Creek Force Main

Amount: \$2,331,606

Strategic Objective: 1.2 Successfully Deliver Capital Program

Committee: This will be an item on the April 24, 2024, Wastewater Committee meeting agenda

DRIVER(S) FOR THIS PROJECT

<input type="checkbox"/> Regulatory Compliance	<input type="checkbox"/> Asset Condition
<input checked="" type="checkbox"/> Capacity	<input type="checkbox"/> Redundancy/Resiliency
<input type="checkbox"/> Relocation or External Requests	<input type="checkbox"/> Operational Efficiency
<input type="checkbox"/> Safety	<input type="checkbox"/> Administrative
<input type="checkbox"/> Policy	<input type="checkbox"/> Other _____

BACKGROUND**PROJECT PURPOSE**

- Increase wastewater conveyance capacity of the UEFIS by constructing a new lift station and force main to serve projected growth in McKinney and Prosper north of US 380.
- Return capacity to the McKinney-owned sewers and reduce risk of surcharge and sanitary sewer overflows.
- The planning level estimated construction cost for this project is \$78,800,000.

PROJECT COMPONENTS

- Right-of-way support services for the acquisition of approximately 84 parcels consisting of permanent, temporary construction, and access easements for the thirteen-mile pipeline corridor.
- Condemnation support services will be performed by NTMWD.

BASIC SERVICES

- Outsourced land agent services
- Land agent administration services
- Real estate appraisal services
- Property owner contact, communication, and record log
- Easement acquisition offer letters and negotiation services
- Title insurance
- Closing and recording Services

SPECIAL SERVICES

- Expert witness and Special Commissioner Hearing testimony for up to 15 parcels

ENGINEERING SERVICES FEE

Description	Amount
Basic Services	\$2,168,400
Special Services	\$163,206
Requested Amount	\$2,331,606

FUNDING

Funding in the amount of \$2,331,606 to Lockwood, Andrews, & Newnam, Inc. is to be made available utilizing the Upper East Fork Interceptor System Extendable Commercial Paper (ECP) Program as the appropriation source; actual issuance of ECP notes will occur as cash needs arise.

