



*Regional. Reliable. Everyday.*

June 30, 2022

Ms. Jana Shelton  
City Manager  
City of Crandall  
P.O. Box 277  
Crandall, Texas 75114

RE: PRELIMINARY CHARGES FOR FISCAL YEAR 2023

Dear Ms. Shelton:

To assist the City of Crandall in the preparation of its budget, the District is providing preliminary estimates of revenues, expenses, and city charges for FY 2023. These estimates, including your Regional Water System minimum annual demand, are based on the most recent information available and are subject to change as the District continues to develop its FY 2023 annual budget. As the District progresses through the budget process, demand projections will be revised accordingly in an effort to reflect your estimated minimum annual demand for the upcoming year. Once the July water consumption is recorded, the minimums for next year will be calculated.

At this time, the proposed Customer City Water Rate for FY 2023 is expected to be \$3.44 per 1,000 gallons. Enclosed are the Preliminary 2022-23 Budget Summary and Billing Schedules for the following charges:

- Kaufman 4-1 Water Distribution Facilities - Water \$ 630,685.05
- Kaufman 4-1 Water Distribution Facilities - O&M \$ 49,713.37

Please note current economic and market conditions are placing significant pressure on commodity prices, staffing costs and disrupting supply chains the District is reliant upon. The combination of world-wide events including the pandemic and the Russia/Ukraine conflict has exacerbated the significant supply issues and limited vendor options for chemicals to treat water and wastewater. To mitigate the unprecedented increase in chemicals, we conducted out-of-cycle rebids for many of the chemicals we need to meet the mission, which shifted the contract terms from a historically utilized fixed unit price contract to a contract that adjusts pricing quarterly based on appropriate indices. These new contracts allow the District to secure the essential supply of chemicals necessary for our services and water quality standards by sharing an acceptable level of market risk with our supply partners, until such time that the chemical market regains predictability, and we can shift back to an annual fixed pricing model. This resulted in the District forecasting a 49% increase in the Regional Water System's chemical budget from approximately \$50 million to approximately \$74 million in FY 2023. Our current year budget is also affected by the increase in chemical prices. As a result, the District is currently not budgeting to provide a variable cost rebate in the FY 2022 amended budget.

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The Kaufman 4-1 System's FY 2023 annual budget is estimated at \$150,685, which is \$20,335 or 15.6% greater than the FY 2022 original budget. The increase is primarily related to air relief valve repair and replacement. The budget increase was determined through planning with Kaufman 4-1 partners.

As is occurring in organizations throughout the country, the District is challenged with a high turnover rate and the highest inflation numbers in 40 years. We have seen some stabilization in the District's turnover rate, however as of May 31<sup>st</sup>, 2022 it remains higher than average at 11.6%. It is imperative that the District offer competitive pay to attract and retain professional staff to plan, provide and manage the District's continually growing systems and services. The proposed FY 2023 budget also incorporates revisions to our capital improvement programs to address growth, maintenance of aging infrastructure, and peak flows. In the Regional Water System, the District is planning for new water sources to meet the needs of a fast-growing region. Additionally, construction costs and interest rates are on the rise adding to debt service expense.

At your convenience, you may visit our website at <http://www.ntmwd.com>, for additional Financial Transparency information and to view past committee meeting presentations. Should you have any questions or need additional information, please contact Jeanne Chipperfield, Deputy Director – Administrative Services, by e-mail at [jchipperfield@ntmwd.com](mailto:jchipperfield@ntmwd.com).

Sincerely,

DocuSigned by:  
  
JENNIFER P. COVINGTON  
Executive Director

JPC/JC/EAF/DTF/kar  
Enclosures

**Kaufman Four-One Water Distribution Facilities**

<b>Revenues and Expenses</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2021-22</b>	<b>2022-23</b>	<b>Variance \$</b>	<b>Variance %</b>
	<b>Actual</b>	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Proposed Budget</b>	<b>To Original Budget</b>	<b>To Original Budget</b>
<b>Revenues</b>						
Sewer Sales:						
Water Facilities: College Mound	\$ 19,278	\$ 23,561	\$ 23,555	\$ 27,230	\$ 3,669	15.57%
Water Facilities: City of Crandall	35,170	42,984	43,004	49,713	6,729	15.66%
Water Facilities: Gastonia-Scurry	45,261	55,317	55,304	63,932	8,615	15.57%
Water Facilities: Rose Hill	6,941	8,483	8,481	9,804	1,321	15.57%
<b>Total Sewer Sales</b>	<b>\$ 106,650</b>	<b>\$ 130,345</b>	<b>\$ 130,345</b>	<b>\$ 150,680</b>	<b>\$ 20,335</b>	<b>15.60%</b>
<b>Total Other Revenues</b>	<b>\$ 44,796</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>
Interest Income	\$ 8	\$ 5	\$ 5	\$ 5	\$ -	0.00%
<b>Total Revenues</b>	<b>\$ 151,454</b>	<b>\$ 130,350</b>	<b>\$ 130,350</b>	<b>\$ 150,685</b>	<b>\$ 20,335</b>	<b>15.60%</b>
<b>Expenses</b>						
Supplies:						
Other	\$ 8,374	\$ 27,460	\$ 27,460	\$ 33,460	\$ 6,000	21.85%
<b>Total Supplies</b>	<b>\$ 8,374</b>	<b>\$ 27,460</b>	<b>\$ 27,460</b>	<b>\$ 33,460</b>	<b>\$ 6,000</b>	<b>21.85%</b>
Services:						
Insurance	\$ 732	\$ 935	\$ 935	\$ 1,020	\$ 85	9.09%
Maintenance	300	9,750	9,750	8,450	(1,300)	-13.33%
Power	119,381	40,000	40,000	45,000	5,000	12.50%
Shared Services	22,490	41,560	41,560	51,975	10,415	25.06%
Other	178	140	140	275	135	96.43%
<b>Total Services</b>	<b>\$ 143,080</b>	<b>\$ 92,385</b>	<b>\$ 92,385</b>	<b>\$ 106,720</b>	<b>\$ 14,335</b>	<b>15.52%</b>
Escrow	\$ -	\$ 10,505	\$ 10,505	\$ 10,505	\$ -	0.00%
<b>Total Expenses</b>	<b>\$ 151,454</b>	<b>\$ 130,350</b>	<b>\$ 130,350</b>	<b>\$ 150,685</b>	<b>\$ 20,335</b>	<b>15.60%</b>
<b>Net Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>

**Kaufman Four-One Water Distribution Facilities**

Member City Charges	2020-21		2021-22		2021-22		2022-23	
	Actual		Original Budget		Amended Budget		Proposed Budget	
College Mound	\$	19,278	\$	23,561	\$	23,555	\$	27,230
Crandall		35,170		42,984		43,004		49,713
Gastonia Scurry		45,261		55,317		55,304		63,932
Rose Hill		6,941		8,483		8,481		9,804
<b>Total</b>	<b>\$</b>	<b>106,650</b>	<b>\$</b>	<b>130,345</b>	<b>\$</b>	<b>130,345</b>	<b>\$</b>	<b>150,680</b>

**Annual Flow (1,000):**

College Mound	100,447	100,447	18.076%	100,447	18.072%	100,423	18.072%
Crandall	183,252	183,252	32.977%	183,381	32.993%	183,339	32.993%
Gastonia Scurry	235,831	235,831	42.439%	235,831	42.429%	235,776	42.429%
Rose Hill	36,165	36,165	6.508%	36,165	6.507%	36,157	6.507%
<b>Total</b>	<b>555,695</b>	<b>555,695</b>	<b>100.000%</b>	<b>555,824</b>	<b>100.000%</b>	<b>555,695</b>	<b>100.000%</b>

# Kaufman Four-One Consumption FY 21-22

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	<b>College <u>Mound</u></b>	<b><u>Crandall</u></b>	<b>Gastonia <u>Scurry</u></b>	<b><u>Rosehill</u></b>	<b><u>Sum</u></b>	<b>Master <u>Meter</u></b>
Aug-21	11,820	18,944	22,635	-	53,399	51,586
Sep-21	8,513	23,491	24,836	-	56,840	55,183
Oct-21	10,217	22,613	19,582	-	52,412	50,998
Nov-21	7,905	14,888	15,838	-	38,631	37,984
Dec-21	12,333	14,521	16,970	-	43,824	42,056
Jan-22	6,006	10,998	14,375	-	31,379	32,926
Feb-22	6,778	11,515	13,705	-	31,998	32,110
Mar-22	7,200	11,282	15,060	-	33,542	34,013
Apr-22	3,784	13,236	19,065	-	36,085	34,971
May-22	146	12,627	19,506	-	32,279	33,072
Jun-21 *	8,967	15,088	21,415	-	45,470	44,877
Jul-21 *	8,977	16,993	19,585	-	45,555	44,058
	92,646	186,196	222,572	-	501,414	493,834

\*Estimated based on June - July 2021 Consumption.

# Kaufman Four-One

## Adjustment of Minimums

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	<b>FY22 Minimums</b>		<b>FY22 Individual Meters</b>		<b>(1) FY22 Master Meter Allocation</b>	
	(a)	(b)	(c)	(d)	(e)	(f = d)
College Mound	100,447	18.0758%	92,646	18.4769%	91,245	18.4769%
Crandall	183,252	32.9771%	186,196	37.1342%	183,381	37.1342%
Gastonia - Scurry	235,831	42.4390%	222,572	44.3889%	219,207	44.3889%
Rose Hill	36,165	6.5081%	-	0.0000%	-	0.0000%
<b>Total</b>	<b>555,695</b>	<b>100.0000%</b>	<b>501,414</b>	<b>100.0000%</b>	<b>493,834</b>	<b>100.0000%</b>

	<b>(2) FY22 Adjusted Minimums</b>		<b>(3) FY23 Minimums</b>	
	(g = > a or e)	(h)	(i)	(j = h)
College Mound	100,446.575	18.0716%	100,423.226	18.0716%
Crandall	183,381.305	32.9927%	183,338.678	32.9927%
Gastonia - Scurry	235,831.172	42.4291%	235,776.353	42.4291%
Rose Hill	36,165.150	6.5066%	36,156.744	6.5066%
<b>Total</b>	<b>555,824</b>	<b>100.0000%</b>	<b>555,695</b>	<b>100.0000%</b>

Notes: Minimums and Metered Consumption are stated in 1,000 gallons.

(1) To Allocate the Master Meter in Proportion to Individual Meters.

(2) Based on the greater of the FY22 Minimums or the FY22 Master Meter Allocation.

(3) Allocation of the greater of FY22 Minimum or FY22 Master Meter in Proportion to FY22 Adjusted Minimums.

# Kaufman Four-One

## Allocation of FY23 Annual Budget

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Cost of Water: 555,695,000 gallons x \$3.44 per 1,000 gallons = \$ 1,911,590.80

### Operations & Maintenance:

Expenditures	\$	150,685	
Tsf from Maintenance Reserve	\$	-	
Other Income	\$	(5.00)	
<b>Total O&amp;M</b>	<b>\$</b>	<b>150,680</b>	<b>\$ 150,680.00</b>

**Total Cost** \$ 2,062,270.80

### Cost Allocation by Participant:

	FY23 Minimums		Cost of Water	Cost of O&M	Total Cost
	(1,000 gallons)				
College Mound	100,423	18.0716%	\$ 345,455.90	\$ 27,230.35	\$ 372,686.25
Crandall	183,339	32.9927%	630,685.05	49,713.37	680,398.42
Gastonia - Scurry	235,776	42.4291%	811,070.65	63,932.16	875,002.81
Rose Hill	36,157	6.5066%	124,379.20	9,804.12	134,183.32
<b>Total</b>	<b>555,695</b>	<b>100.0000%</b>	<b>\$ 1,911,590.80</b>	<b>\$ 150,680.00</b>	<b>\$ 2,062,270.80</b>
			-	-	-