



Regional. Reliable. Everyday.

June 30, 2022

Ms. Aretha Adams
City Manager
City of Heath
200 Laurence Drive
Heath, Texas 75032

RE: PRELIMINARY CHARGES FOR FISCAL YEAR 2023

Dear Ms. Adams:

To assist the City of Heath in the preparation of its budget, the District is providing the following preliminary estimates of revenues, expenses, and city charges for FY 2023. These estimates 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.

- | | |
|---|-----------------|
| • Regional Wastewater System | \$ 1,138,335.00 |
| • Rockwall-Heath Water Storage Facilities | \$ 79,209.00 |
| • Buffalo Creek Interceptor | \$ 938,108.00 |

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.

The Regional Wastewater System's FY 2023 annual budget is estimated at \$97,702,405, which is \$9,601,660 or 10.9% greater than the FY 2022 original budget. This increase is primarily due to market conditions for fuel, chemicals and electric power. Debt service is also increasing for funding essential capital projects for the system. Another driver includes increased personnel costs for staffing of Sister Grove Regional Water Resource Recovery Facility.

The Buffalo Creek Interceptor's FY 2023 annual budget is estimated at \$4,413,418, which is \$592,008 or 15.5% greater than the FY 2022 original budget. The increase is primarily due to additional debt service costs related to the Buffalo Creek Parallel Interceptor.

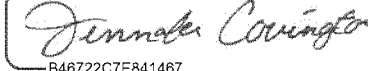
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As is occurring in organizations throughout the country, the District is challenged with a high turnover rate and the highest inflation numbers in 40 years. We have seen some stabilization in the District's turnover rate, however as of May 31st, 2022 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.

Sincerely,

DocuSigned by:



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JENNAFER P. COVINGTON
Executive Director

JPC/JC/EAF/DTF/kar
Enclosures

cc: Laurie Mays, Finance Director

REGIONAL WASTEWATER SYSTEM

PRELIMINARY 6/30/2022
NORTH TEXAS MUNICIPAL WATER DISTRICT

Revenues and Expenses	2020-21	2021-22	2021-22	2022-23	Variance \$	Variance %
	Actual	Original Budget	Amended Budget	Proposed Budget	To Original Budget	To Original Budget
Revenues						
Wastewater Sales:						
Members	\$ 76,970,969	\$ 85,452,095	\$ 84,523,770	\$ 94,259,435	\$ 8,807,340	10.31%
Customers	2,270,401	2,030,340	2,486,490	2,777,460	747,120	36.80%
Total Wastewater Sales	\$ 79,241,370	\$ 87,482,435	\$ 87,010,260	\$ 97,036,895	\$ 9,554,460	10.92%
Total Other Revenues	\$ 2,722,975	\$ 607,920	\$ 584,335	\$ 648,495	\$ 40,575	6.67%
Interest Income	\$ 13,460	\$ 10,390	\$ 17,015	\$ 17,015	\$ 6,625	63.76%
Total Revenues	\$ 81,977,804	\$ 88,100,745	\$ 87,611,610	\$ 97,702,405	\$ 9,601,660	10.90%
Expenses						
Personnel:						
Salaries	\$ 8,950,772	\$ 9,548,820	\$ 9,146,375	\$ 11,283,860	\$ 1,735,040	18.17%
Other	4,604,867	4,880,325	4,803,635	5,515,330	635,005	13.01%
Total Personnel	\$ 13,555,639	\$ 14,429,145	\$ 13,950,010	\$ 16,799,190	\$ 2,370,045	16.43%
Supplies:						
Fuel	\$ 410,012	\$ 452,405	\$ 456,405	\$ 723,450	\$ 271,045	59.91%
Chemicals	3,243,499	4,849,455	5,095,455	6,285,190	1,435,735	29.61%
Other	3,145,938	3,887,435	4,017,095	4,423,905	536,470	13.80%
Total Supplies	\$ 6,799,449	\$ 9,189,295	\$ 9,568,955	\$ 11,432,545	\$ 2,243,250	24.41%
Services:						
Consulting	\$ 375,645	\$ 597,430	\$ 602,570	\$ 422,500	\$ (174,930)	-29.28%
Insurance	254,186	537,685	490,725	564,970	27,285	5.07%
Landfill Service Fees	3,934,552	3,690,275	3,690,275	3,925,935	235,660	6.39%
Maintenance	1,397,167	2,106,245	1,665,488	1,842,665	(263,580)	-12.51%
Power	8,442,458	3,067,300	3,067,300	3,738,600	671,300	21.89%
Shared Services	8,090,048	9,238,160	9,079,360	11,168,560	1,930,400	20.90%
Other	2,610,020	3,018,165	2,898,092	3,390,020	371,855	12.32%
Total Services	\$ 25,104,076	\$ 22,255,260	\$ 21,493,810	\$ 25,053,250	\$ 2,797,990	12.57%
Capital Outlay	\$ 2,614,252	\$ 2,668,175	\$ 3,039,965	\$ 2,481,050	\$ (187,125)	-7.01%
Escrow	\$ -	\$ 443,000	\$ 1,178,350	\$ -	\$ (443,000)	-100.00%
Capital Improvement Fund	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Debt Service	\$ 33,904,387	\$ 39,115,870	\$ 38,380,520	\$ 41,936,370	\$ 2,820,500	7.21%
Total Expenses	\$ 81,977,804	\$ 88,100,745	\$ 87,611,610	\$ 97,702,405	\$ 9,601,660	10.90%
Net Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%

REGIONAL WASTEWATER SYSTEM

PRELIMINARY 6/30/2022
NORTH TEXAS MUNICIPAL WATER DISTRICT

Member City Charges	2020-21		2021-22		2021-22		2022-23	
	Actual		Original Budget		Amended Budget		Proposed Budget	
Allen	\$ 6,694,614	\$	7,608,627		\$ 6,643,675		\$ 7,412,330	
Forney	2,804,697		4,032,122		2,800,721		3,124,757	
Frisco	3,956,209		4,607,307		4,992,484		5,570,102	
Heath	1,529,941		1,547,390		1,020,290		1,138,335	
McKinney	13,660,496		15,194,696		14,947,115		16,676,454	
Melissa	845,640		871,459		1,123,200		1,253,151	
Mesquite	10,361,189		10,487,888		12,331,394		13,758,102	
Plano	22,222,625		24,616,882		24,042,630		26,824,295	
Princeton	865,145		779,250		981,630		1,095,202	
Prosper	1,248,502		1,482,887		1,470,054		1,640,135	
Richardson	8,835,924		9,877,615		9,474,455		10,570,621	
Rockwall	2,653,994		2,942,421		3,292,220		3,673,120	
Seagoville	1,291,992		1,403,551		1,403,902		1,522,831	
Total	\$ 76,970,969	\$	85,452,095		\$ 84,523,770		\$ 94,259,435	
Cost per 1,000	\$ 2.19	\$	2.37		\$ 2.37		\$ 2.58	
Flows (1,000):								
Allen	3,063,892		3,205,428	8.904%	2,798,205	7.860%	2,878,134	7.864%
Forney	1,283,612		1,698,687	4.719%	1,179,617	3.314%	1,213,312	3.315%
Frisco	1,810,619		1,941,006	5.392%	2,102,751	5.907%	2,162,815	5.909%
Heath	700,201		651,898	1.811%	429,729	1.207%	442,004	1.208%
McKinney	6,251,934		6,401,353	17.782%	6,295,475	17.684%	6,475,301	17.692%
Melissa	387,020		367,136	1.020%	473,073	1.329%	486,586	1.329%
Mesquite	4,741,956		4,418,428	12.273%	5,193,777	14.589%	5,342,134	14.596%
Plano	10,170,523		10,370,813	28.808%	10,126,355	28.445%	10,415,607	28.458%
Princeton	395,947		328,289	0.912%	413,446	1.161%	425,256	1.162%
Prosper	571,396		624,723	1.735%	619,162	1.739%	636,848	1.740%
Richardson	4,043,895		4,161,327	11.559%	3,990,482	11.209%	4,104,467	11.214%
Rockwall	1,214,641		1,239,609	3.443%	1,386,628	3.895%	1,426,236	3.897%
Seagoville	591,300		591,300	1.643%	591,300	1.661%	591,300	1.616%
Total	35,226,936		36,000,000	100.00%	35,600,000	100.00%	36,600,000	100.00%

Rockwall-Heath Water Storage Facilities

Revenues and Expenses	2020-21	2021-22	2021-22	2022-23	Variance \$	Variance %
	Actual	Original Budget	Amended Budget	Proposed Budget	To Original Budget	To Original Budget
Revenues						
Sewer Sales:						
Water Facilities - Heath	\$ 76,370	\$ 79,007	\$ 79,009	\$ 79,209	202	0.26%
Water Facilities - Rockwall	152,763	158,038	158,041	158,441	403	0.26%
Total Sewer Sales	\$ 229,133	\$ 237,045	\$ 237,050	\$ 237,650	605	0.26%
Interest Income	\$ 28	\$ 30	\$ 25	\$ 25	(5)	-16.67%
Total Revenues	\$ 229,161	\$ 237,075	\$ 237,075	\$ 237,675	600	0.25%
Expenses						
Services:						
Shared Services	\$ 644	\$ 560	\$ 560	\$ 660	100	17.86%
Other	2	5	5	5	-	0.00%
Total Services	\$ 646	\$ 565	\$ 565	\$ 665	100	17.70%
Debt Service	\$ 228,515	\$ 236,510	\$ 236,510	\$ 237,010	500	0.21%
Total Expenses	\$ 229,161	\$ 237,075	\$ 237,075	\$ 237,675	600	0.25%
Net Revenues	\$ -	\$ -	\$ -	\$ -	-	0.00%

Rockwall-Heath Water Storage Facilities

Member City Charges	2020-21	2021-22	2021-22	2022-23
	Actual	Original Budget	Amended Budget	Proposed Budget
Heath	\$ 76,370	\$ 79,007 *	\$ 79,009 *	\$ 79,209 *
Rockwall	152,763	158,038	158,041	158,441
Total	\$ 229,133	\$ 237,045	\$ 237,050	\$ 237,650
Contract Allocation Percentage:				
Heath	33.33%	33.33%	33.33%	33.33%
Rockwall	66.67%	66.67%	66.67%	66.67%
Total	100.00%	100.00%	100.00%	100.00%

*Pursuant to the Rockwall-Heath Water Storage Facilities Relinquishment Agreement, Rockwall has agreed to make certain payments to the District in return for Heath's agreement to relinquish its right to water storage capacity, in the Project, under the Water Contract.

Buffalo Creek Interceptor

Revenues and Expenses	2020-21	2021-22	2021-22	2022-23	Variance \$	Variance %
	Actual	Original Budget	Amended Budget	Proposed Budget	To Original Budget	To Original Budget
Revenues						
Sewer Sales:						
Interceptor Facilities - Forney	\$ 378,414	\$ 1,128,256	\$ 387,297	\$ 447,607	\$ (680,649)	-60.33%
Interceptor Facilities - Heath	670,313	927,979	811,708	938,108	10,129	
Interceptor Facilities - Rockwall	1,162,796	1,764,586	2,619,180	3,027,038	1,262,453	
Total Sewer Sales	\$ 2,211,523	\$ 3,820,820	\$ 3,818,185	\$ 4,412,753	\$ 591,933	15.49%
Total Other Revenues	\$ 816	\$ -	\$ -	\$ -	\$ -	0.00%
Interest Income	\$ 512	\$ 590	\$ 665	\$ 665	\$ 75	12.71%
Total Revenues	\$ 2,212,851	\$ 3,821,410	\$ 3,818,850	\$ 4,413,418	\$ 592,008	15.49%
Expenses						
Personnel:						
Salaries	\$ 68	\$ 9,775	\$ 7,775	\$ 10,010	\$ 235	2.40%
Other	5	1,900	1,340	1,905	5	0.26%
Total Personnel	\$ 73	\$ 11,675	\$ 9,115	\$ 11,915	\$ 240	2.06%
Supplies:						
Fuel	-	25	25	25	-	0.00%
Chemicals	\$ 47,828	\$ 84,650	\$ 84,650	\$ 85,700	\$ 1,050	1.24%
Other	11,198	53,535	53,535	53,505	(30)	-0.06%
Total Supplies	\$ 59,026	\$ 138,210	\$ 138,210	\$ 139,230	\$ 1,020	0.74%
Services:						
Consulting	\$ 17,405	\$ 45,000	\$ 45,000	\$ 45,000	\$ -	0.00%
Insurance	6,401	14,215	15,890	14,715	500	3.52%
Landfill Service Fees	-	2,635	2,635	2,825	190	7.21%
Maintenance	7,414	197,920	196,245	200,870	2,950	1.49%
Power	58,459	58,150	58,150	55,650	(2,500)	-4.30%
Shared Services	183,559	203,165	203,165	204,330	1,165	0.57%
Other	104,650	133,190	133,190	144,365	11,175	8.39%
Total Services	\$ 377,887	\$ 654,275	\$ 654,275	\$ 667,755	\$ 13,480	2.06%
Escrow	\$ 140,000	\$ 150,000	\$ 150,000	\$ 6,168	\$ (143,832)	-95.89%
Debt Service	\$ 1,635,865	\$ 2,867,250	\$ 2,867,250	\$ 3,588,350	\$ 721,100	25.15%
Total Expenses	\$ 2,212,851	\$ 3,821,410	\$ 3,818,850	\$ 4,413,418	\$ 592,008	15.49%
Net Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%

Buffalo Creek Interceptor

Member City Charges	2020-21		2021-22		2021-22		2022-23	
	Actual		Original Budget		Amended Budget		Proposed Budget	
Forney	\$	378,414	\$	1,128,256	\$	387,297	\$	447,607
Heath		670,313		927,979		811,708		938,108
Rockwall		1,162,796		1,764,586		2,619,180		3,027,038
Total	\$	2,211,523	\$	3,820,820	\$	3,818,185	\$	4,412,753

Annual Flow (1,000)

Forney		395,288		792,591	29.529%	205,040	10.143%	210,897	10.143%
Heath		700,201		651,898	24.287%	429,729	21.259%	442,004	21.259%
Rockwall		1,214,641		1,239,608	46.183%	1,386,628	68.598%	1,426,236	68.597%
Total		2,310,131		2,684,097	100.000%	2,021,397	100.000%	2,079,137	100.000%