



Regional. Reliable. Everyday.

June 30, 2022

Ms. Vicki Sanson
Mayor
City of Lavon
P.O. Box 340
Lavon, Texas 75166

RE: PRELIMINARY CHARGES FOR FISCAL YEAR 2023

Dear Ms. Sanson:

To assist the City of Lavon in the preparation of its budget, the District is providing 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.

At this time, preliminary cost for the Lavon Wastewater Treatment Plant is \$ 526,080.00. The Lavon WWTP System's FY 2023 annual budget is estimated at \$526,150 which is \$44,380 or 9.2% greater than the FY 2022 original budget. The increase is primarily due to purchase of a spare lift pump and increased Shared Services costs.

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.

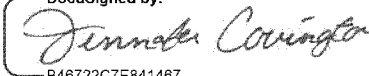
As is occurring in organizations throughout the country, the District is challenged with a high turnover rate and the highest inflation numbers in 40 years. We have seen some stabilization in the District's turnover rate, however as of May 31st, 2022 it remains higher than average at 11.6%. It is imperative 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.

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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

Lavon Wastewater Treatment Plant

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:						
Sewer Facilities	\$ 410,017	\$ 481,705	\$ 477,065	\$ 526,080	\$ 44,375	9.21%
Total Sewer Sales	\$ 410,017	\$ 481,705	\$ 477,065	\$ 526,080	\$ 44,375	9.21%
Total Other Revenues	\$ 2,119	\$ -	\$ -	\$ -	\$ -	0.00%
Interest Income	\$ 55	\$ 65	\$ 70	\$ 70	\$ 5	7.69%
Total Revenues	\$ 412,191	\$ 481,770	\$ 477,135	\$ 526,150	\$ 44,380	9.21%
Expenses						
Personnel:						
Salaries	\$ 127,080	\$ 129,215	\$ 124,865	\$ 142,175	\$ 12,960	10.03%
Other	55,819	71,725	71,440	85,105	13,380	18.65%
Total Personnel	\$ 182,898	\$ 200,940	\$ 196,305	\$ 227,280	\$ 26,340	13.11%
Supplies:						
Chemicals	\$ 11,260	\$ 19,045	\$ 19,045	\$ 23,855	\$ 4,810	25.26%
Other	41,809	44,910	49,845	51,445	6,535	14.55%
Total Supplies	\$ 53,068	\$ 63,955	\$ 68,890	\$ 75,300	\$ 11,345	17.74%
Services:						
Consulting	\$ 8,893	\$ 9,000	\$ 9,000	\$ 6,000	\$ (3,000)	-33.33%
Insurance	1,044	1,295	1,800	1,955	660	50.97%
Landfill Service Fees	11,225	10,485	9,235	11,615	1,130	10.78%
Maintenance	2,977	7,230	5,220	7,320	90	1.24%
Shared Services	86,355	92,405	104,405	118,325	25,920	28.05%
Other	51,423	81,475	67,295	48,875	\$ (32,600)	-40.01%
Total Services	\$ 161,916	\$ 201,890	\$ 196,955	\$ 194,090	\$ (7,800)	-3.86%
Capital Outlay	\$ 9,509	\$ 10,185	\$ 10,185	\$ 17,680	\$ 7,495	73.59%
Escrow	\$ 4,800	\$ 4,800	\$ 4,800	\$ 11,800	\$ 7,000	145.83%
Total Expenses	\$ 412,191	\$ 481,770	\$ 477,135	\$ 526,150	\$ 44,380	9.21%
Net Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%