

MAJOR OBJECTIVES AND GOALS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2019

(Objectives in black, actions taken to implement objectives and goals in blue)

1. Provide subsidies for member cities. The District will subsidize the difference between the actual cost of water production and the cost of \$1.48 per thousand paid by the member cities. Continuation of the fire hydrant program with each member city having access to at least \$8,000. Include Tryon Road SUD and Diana SUD in the fire hydrant program. Continuation of the reimbursement policy of fees paid to the TCEQ by member cities. Inspection of all storage tanks of the District and all tanks of all member cities and LOPSS. Continuation of producing and delivering an annual water quality report required by TCEQ of the member cities.

Response: The District implemented the subsidized rate of \$1.48 cents per thousand gallons for all member cities. Nonmember retail systems paid \$2.30 per thousand gallons. The subsidized rate paid by member cities was about 2/3 of the actual cost of production. The rate subsidy to the member cities was provided primarily by using revenue from raw water sales from electric generating providers and the city of Longview. Six of the seven member cities plus Tryon Road SUD and Diana SUD participated in the fire hydrant reimbursement program and the District provided \$44,014 to the member cities through this program. All tanks of all member cities and LOPSS were inspected and the cost paid by the District. The District produced and paid the publication costs of a Consumer Confidence Report for all member cities. The District provided \$17,537.10 to the member cities for fees paid by member cities to TCEQ.

2. Provide revenue to member cities. Delivery of proceeds of raw water sales to member cities from sales to Marshall, Tryon Road SUD, Diana SUD, Harleton WSC. The amount of proceeds should be greater than \$232,283.

Response: The District provided proceeds of raw water sales to member cities in the amount of \$239,561 which is slightly more than 3% beyond the goal. Raw water sales are dependent on consumption and additional variables. A wetter than normal Spring reduced raw water sales. The District provided \$242,212 to member cities last year. Fourteen years ago, the annual amount to the member cities was \$5,920. Twenty years ago, the annual amount received by the member cities was zero. The amount provided to the member cities for the last four years exceeds \$1 million. The amount for the last ten years exceeds \$2 million.

3. Continue successful water treatment. Successful operation of the Lake O' the Pines Southside (LOPSS) Project and the Regional Water Supply System (RWSS). Continuation of monthly committee meetings that provide oversight of the LOPSS system. A goal for the water treatment plant near Pittsburg is to achieve 200,000 gallons as a daily minimum and to avoid zero production days. It is anticipated that the production at the plant near Pittsburg will be at least 92 million gallons during this year and the production at the Tanner Plant will be at least 938 million gallons during this year. Relocate the raw waterline to the plant near Pittsburg to accommodate a new highway loop.

Response: Both the LOPSS and RWSS successfully operated during the current fiscal year and exceeded its production goals. Relocation of the raw waterline near Pittsburg was successfully completed within budget expectations. Combined, the total volume produced was slightly more than 1.119 billion gallons compared to 1.175 billion gallons one year ago and about 1.023 billion gallons two

years ago. The Tanner Plant produced about 965.9 million gallons for the last twelve months compared to 1.053 billion gallons during the previous year and about 923 million gallons two years ago. The water treatment plant at Pittsburg produced in the last twelve months about 153.3 million gallons compared to 122 million gallons for the previous year and about 100.2 million gallons two years ago. The Tanner Plant produced about 8% less than the previous year due to this year being wetter than normal. The plant near Pittsburg produced about 25% more than the previous year. Regular monthly meetings of the LOPSS participants were held to provide oversight of the LOPSS system. Water usage by the LOPSS participants continues to grow and is a significant portion of the Tanner Plant production. During the last twelve months, Lake O' the Pines stored at least 70 billion gallons at all times. During the wet Spring of 2019, the amount stored was as much as 180 billion gallons. The production capability is ample for the foreseeable future. The production capacity of the Tanner Plant is 8.0 million gallons per day. Overall, the Tanner Plant used about 33.08% during the last twelve months compared to 35.92% one year ago. The record production occurred in calendar year 2011 (36.25%). The plant near Pittsburg has a production capacity of 1.2 million gallons per day and used about 35% of its capability during the last twelve months compared to 27.86% one year ago.

4. Continue water quality protection programs. This objective includes OSSF inspections and investigations in Morris, Marion, Cass, and Upshur Counties. NETMWD will continue as the Contractor for the Clean Rivers Program for the TCEQ in the Cypress Creek Basin. NETMWD will continue to participate in assuring environmental flows in the basin. NETMWD will continue to assist in implementing the TMDL to achieve nutrient reductions for Lake O' the Pines. Work cooperatively with the US Army Corps of Engineers by supporting actions that seek to control undesirable vegetation in Lake O' the Pines and minimizing the consequences of giant salvinia in Lake O' the Pines. Help reduce the giant salvinia problem in Caddo Lake.

Response: The District provided all of the inspections requested in each of the four counties where the District administers the OSSF program. During the last twelve months, there were about 190 permit requests (about 16 per month). A majority of the activity occurred in Upshur County. Slightly more than \$42,300 was collected in permit fees during the last twelve months to partially offset the labor cost of the OSSF program. Permit fees are \$210 for residential and \$410 for commercial. Completion of each permit requires a written request, an inspection, and completion of all required documents. Compared to last year, the number of permits issued decreased slightly. The District also responded to all complaints about failing OSSF systems in all four counties. The District responded to about 42 complaints this year (about 3 1/2 per month). Complaints decreased slightly compared to the previous year. The District received funding from the TCEQ to administer the Clean Rivers Program. The TCEQ provided about \$30,000 more this year than the usual amount of about \$100,000 per year. The District coordinated with state and federal agencies to respond to Giant Salvinia in Lake O' the Pines. The District coordinated and financially assisted in spraying of nuisance aquatic vegetation in Lake O' the Pines. Weevils were placed in Lake O' the Pines for the first time in 2019. The District continues to monitor the phosphorous levels in Lake O' the Pines and in tributaries of the lake. The lake did not experience any significant adverse consequences from phosphorous contributions in the watershed during the current fiscal year. Plans and funding contributions are underway for increasing the capability to raise weevils that combat Giant Salvinia.

5. Perform key financial activities. This objective includes maintaining at least the current financial rating, completing a successful financial audit, assuring that implementation of capital infrastructure projects is completed in an appropriate fiscal way. Monthly financial reports will be provided to the NETMWD Board and LOPSS.

Response: The District maintained its A- rating. The financial audit was successfully completed and shows that the District has assets of about \$46.1 million with a net position of slightly more than \$18.4 million. Annual operating revenue is slightly more than \$5.6 million. Twenty years ago, the annual operating revenue was \$1.7 million. Ten years ago, the operating revenue was \$2.9 million. Five years ago, the operating revenue was \$4.9 million. The latest audit confirms that the net position of the District increased by about \$448,676. Accurate and timely financial reports were provided each month.

6. Active involvement in regional water topics. NETMWD will continue to administer the North East Texas Regional Planning Group (Region D). NETMWD will assist in the development of the Round 5 regional water plan. NETMWD will seek financial support from TWDB to achieve this objective. NETMWD will assist in seeking solutions to regional water topics in the Cypress and Sulphur River Basins. NETMWD will continue to participate in the Red River Valley Association.

Response: The District provided all of the administrative duties for the Region D regional water planning group with the cost of the planning work being primarily supplied by TWDB. Region D is located in 19 counties in northeast Texas and has 24 voting members involved in the process. With funding from TWDB, engineers are involved in developing the comprehensive plan. Draft chapters of that plan were developed in 2019 and the initial plan will be completed by March of 2020. The Region D plan will include more than 300 water user groups and cover projected needs for the next 50 years. NETMWD actively engaged on federal topics like the possible water supply rule, on state legislative topics like flood planning legislation, and on administrative topics like PUC review of wholesale water contracts.

7. Protect water supplies for use in developing further raw water sales. Continue to protect Lake O' the Pines from any attempt at reallocation of flood waters to any systems external to NETMWD. Continue planning for further utilization of water within the NETMWD permit. Track activities involving nearby available water.

Response: The District's water supply remained abundant this year and the District was able to provide all of the water that all of the customers desired from the District. No limitations were imposed upon those needing access to the water. During the last twelve months, the lowest elevation in Lake O' the Pines was about 226.97 (October 12, 2018). The elevation of 226.97 is about 1.53 feet below full and is about 88.9% full. The approved Region D Plan continues to project that there are additional supplies available in Lake O' the Pines through the water rights held by the District. More than 358 billion gallons were released downstream from Lake O' the Pines during the last twelve months compared to 138 billion gallons in the previous year. The extremely wet late Spring is a major reason for the increase in the amount released from Lake O' the Pines in 2019.

Throughout the fiscal year, the District was led by the Board of Directors composed of Patrick Smith, Stan Wyatt, Jack Salmon, Jr., Joseph W. Weir, III, Saundra L. Wexler, Robyn Shelton, and George Otstott. Mr. Otstott began serving in April of 2018; Mrs. Shelton in August of 2015; Mrs. Wexler in October of 2013; Mr. Weir in April of 2009; Mr. Salmon in February of 2004; Stan Wyatt in August of 1998; and Patrick Smith in April of 1998. Combined, the NETMWD Board has more than 80 years of service.