

**ACTIONS TO FURTHER MAJOR OBJECTIVES
AND GOALS FOR FISCAL YEAR (2020)**
(Objectives and Goals are in black, actions are 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. Member cities plus Tryon Road SUD and Diana SUD participated in the fire hydrant reimbursement program and the District provided \$38,965.14 to the member cities through this program. All tanks of all member cities and LOPSS were inspected and the cost (\$3,948.00) was paid by the District. The District produced and paid the publication costs of a Consumer Confidence Report for all member cities. The District provided \$17,806.60 to the member cities for fees paid by member cities to TCEQ. The District provided potable water to Tryon Road SUD and Diana SUD through Fund 300 at actual cost. The District provided potable water to additional retail systems through Fund 200 at a rate of \$2.30 per thousand gallons.

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 \$237,982.

Response: The District provided proceeds of raw water sales to member cities in the amount of \$250,386.13 which is about 5.2% more than the goal. The current amount is about 4.5% more than last year's amount of \$239,561. Raw water sales are dependent on consumption and additional variables. The District provided \$242,212 to member cities two years ago. Fifteen 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 120 million gallons during this year and the production at the Tanner Plant will be at least 947 million gallons during this year. Perform the engineering preparation for rehabilitation of the ground storage tank in Lone Star to assure that the tank is refurbished by the end of 2021.

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 1.100 billion gallons compared to 1.119 billion gallons one year ago and compared to 1.175 billion gallons two years ago and about 1.023 billion gallons three years ago. The Tanner Plant produced about 953.6 million gallons compared to 965.9 million gallons a year ago, compared to 1.053 billion gallons two years ago and about 923 million gallons three years ago. The water treatment plant at Pittsburg produced in the last twelve months about 146.8 million gallons compared to 153.3 million gallons one year ago and compared to 122 million gallons two years ago and about 100.2 million gallons three years ago. The Tanner Plant produced about 1.3% less than the previous year due to this year being wetter than normal and to less volume being purchased by US Steel. The plant near Pittsburg produced about 4.2% less 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 78.4 billion gallons at all times. During the wet Spring of 2020, the amount stored was as much as 120.4 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 32.25% during the last twelve months compared to 33.08% year ago and compared to 35.92% two years 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 33.5% of its capability during the last twelve months compared to 35% one year ago and to 27.86% two years ago.

The District is working with KSA Engineers to construct a 500,000-gallon storage tank in Lone Star. It was determined that a new tank would be preferable to rehabilitation of the existing tank. After the new tank is constructed, the old tank will be demolished. This construction activity is anticipated in the calendar year of 2021.

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 and 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 amount of giant salvinia 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 231 permits this year compared to about 190 permits last year. This is about 19 permits per month. A majority of the activity occurred in Upshur County. Slightly more than \$48,000 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 increased. The District also responded to all complaints about failing OSSF systems in all four counties. The District responded to about 38 complaints this year compared to about 42 complaints last year. Complaints decreased slightly compared to the previous year.

The District received funding from the TCEQ to administer the Clean Rivers Program. 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. Herbicide applications were made using both boats and helicopter in 2020. 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. The deposits of phosphorus in 2020 were below the limits set by the TMDL. Plans and funding contributions are underway for increasing the capability to raise weevils that combat Giant Salvinia.

The District is also exploring how it may gain access to water in Tankersley Creek for use in low flow conditions. Substantial negotiations about that additional source of water occurred in 2020. Access to this water could be helpful in terms of both water quantity and quality.

Giant Salvinia in Caddo Lake continues to be a concern but the amount of infestation remains smaller compared to a few years ago. Giant Salvinia covers about 350 acres in Caddo Lake compared to a peak of about 6,000 acres in 2013. The second greenhouse growing weevils for Caddo Lake is up and operating. This second greenhouse should double the number of weevils that can be placed in Caddo Lake to assist in inhibiting the growth of this noxious invasive plant. Volunteer actions, spraying, weevils, and the weather all contributed to making the infestation manageable in 2020. It is foreseeable that Giant Salvinia will remain a serious concern for both Lake O' the Pines and Caddo Lake next year.

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 in a timely way and shows that the District has assets of about \$45.6 million with a net position of slightly more than \$19.3 million. The latest audit confirms the net income was \$851,560.

Annual operating revenue is slightly more than \$6.2 million. Twenty years ago, the annual operating revenue was about \$1.74 million. The latest audit confirms that the net position of the District increased by about 851 thousand compared to an increase of about \$449 thousand in the previous year. Accurate and timely financial reports were provided each month. All debt payments were timely made.

The District's total assets in 1999 were about \$21.5 million. The total assets are \$45.6 million according to the latest audit. As of September 1, 2020, the investment report confirms about \$6.8 million in reserve. Five years ago, the amount of the reserve was \$4.7 million, ten years ago it was \$4.3 million and twenty years ago it was \$5.2 million.

The financial condition of the District was not materially impacted by the COVID-19 pandemic. The District instituted new practices, made modest adjustments in work schedules, and took additional actions to limit the impact of the pandemic to the District.

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 completion of the Round 5 regional water plan with financial support from TWDB. NETMWD will participate in the regional flood planning process. 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. These duties were modestly affected by the COVID-19 pandemic. A public hearing was held during the pandemic and some meetings were held in person and some were by telephone. 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. A draft plan was provided in March of 2020. Completion of a final plan for the fifth cycle is anticipated in October of 2020. The Region D plan includes more than 300 water user groups and covers projected needs for the next 50 years. The District announced an intention to complete the fifth cycle of regional water planning but indicated that it would not continue as the Administrator for Region D in the sixth cycle beginning in 2021. It is anticipated that the fifth cycle of planning will be completed on time and within budget expectations.

The District actively engaged on federal topics like the possible designations of endangered species in our basin. Those possible species include the western chicken turtle, the Louisiana Pigtoe mussel, and the alligator snapping turtle. NETMWD actively engaged on state legislative topics like flood planning and on administrative and judicial topics like PUC review of wholesale water contracts and a case before the Texas Supreme Court about wholesale water rates.

7. Develop reliable water supplies and negotiate additional sales of water. Continue to develop possible contracts involving access to stored water upstream of Lake O' the Pines in Titus County while continuing to protect Lake O' the Pines from any attempt to change control of the water supply in Lake O' the Pines. 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 228.44 (February 8, 2020). The elevation of 228.44 is about 0.06 feet below full and is about 99.7% 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 163.9 billion gallons were safely released downstream from Lake O' the Pines during the last twelve months. The extremely wet late Spring is a major reason for the large amount released from Lake O' the Pines in 2020. There were also large releases downstream from Lake O' the Pines in 2019 and in 2018.

The District retained Brian Sledge and additional attorneys to assist it in negotiations. These negotiations are ongoing. The District also began a relationship with Dean Robbins to assist the District in knowing more about legislative and administrative activities. Dean Robbins retired as General Manager of the Texas Water Conservation Association and began a consulting business. The District is one of the clients of Dean Robbins.

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 85 years of service. During this year, Walt Sears, Jr. became the longest serving general manager of NETMWD. NETMWD began in 1953. Walt Sears, Jr. began serving as NETMWD General Manager in February of 1998.