

RESOLUTION NO. 04-2021

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS, RATIFYING THE APPROVAL AND THE EXECUTION OF A SETTLEMENT AGREEMENT AND A FIRST AMENDMENT TO NORTH TEXAS MUNICIPAL WATER DISTRICT REGIONAL WATER SUPPLY FACILITIES AMENDATORY CONTRACT.

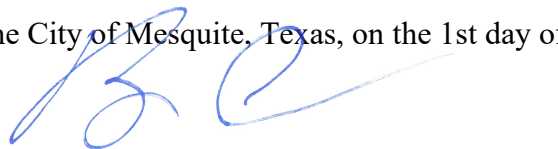
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS:

SECTION 1. The City of Mesquite, Texas (the “**City**”), hereby ratifies in all respects all actions taken by the City Manager of the City in the approval and execution of the Settlement Agreement relating to PUCT Docket Nos. 46662, 4783, 49043 and 50382 (the “**Settlement Agreement**”) and the “First Amendment to North Texas Municipal Water District Regional Water Supply Facilities Amendatory Contract” (the “**Amendment**”) with North Texas Municipal Water District in substantially the form and substance attached to this Resolution as Exhibits A and B, respectively, and made a part hereof for all purposes.

SECTION 2. The Settlement Agreement and the Amendment shall each be binding upon the City in accordance with their respective terms and provisions, each as of the effective date specified therein.

SECTION 3. This Resolution shall take effect and be in full force and effect from and after the date of its adoption and passage, and it is so resolved; and all ordinances and resolutions of the City in conflict herewith are hereby amended or repealed to the extent of such conflict, and all such ordinances and resolutions, and any contracts or agreements or parts authorized thereby, shall be of no further force or effect upon the effective dates of the Settlement Agreement and the Amendment to the extent of any such conflict.

DULY RESOLVED by the City Council of the City of Mesquite, Texas, on the 1st day of February 2021.



Bruce Archer
Mayor

ATTEST:



Sonja Land
City Secretary

APPROVED AS TO LEGAL FORM:



David L. Paschall
City Attorney

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is entered into on this the 29th day of October, 2020, by and between the **NORTH TEXAS MUNICIPAL WATER DISTRICT** (the “District”), a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to Chapter 62, Acts of the 52nd Legislature, Regular Session, 1951, as amended (the "District Act"), and the following:

CITY OF ALLEN, IN COLLIN COUNTY, TEXAS
CITY OF FARMERSVILLE, IN COLLIN COUNTY, TEXAS,
CITY OF FORNEY, IN KAUFMAN COUNTY, TEXAS,
CITY OF FRISCO, IN COLLIN AND DENTON COUNTIES, TEXAS
CITY OF GARLAND, IN DALLAS COUNTY, TEXAS
CITY OF MCKINNEY, IN COLLIN COUNTY, TEXAS,
CITY OF MESQUITE, IN DALLAS AND KAUFMAN COUNTIES, TEXAS,
CITY OF PLANO, IN COLLIN AND DENTON COUNTIES, TEXAS,
CITY OF PRINCETON, IN COLLIN COUNTY, TEXAS,
CITY OF RICHARDSON, IN DALLAS AND COLLIN COUNTIES, TEXAS,
CITY OF ROCKWALL, IN ROCKWALL COUNTY, TEXAS,
CITY OF ROYSE CITY, IN ROCKWALL AND COLLIN COUNTIES, TEXAS,
and
CITY OF WYLIE, IN COLLIN COUNTY, TEXAS

(collectively such cities being referred to as the "Contracting Parties").

W I T N E S S E T H

WHEREAS, each of the Contracting Parties is a duly incorporated city and political subdivision of the State of Texas operating under the Constitution and laws of the State of Texas; and

WHEREAS, the District and the Contracting Parties are authorized to enter into this Agreement; and

WHEREAS, the District presently owns various water rights and owns and operates other water supply and treatment facilities (the “System”) which serve the Contracting Parties; and

WHEREAS, the District has entered into a "North Texas Municipal Water District Regional Water Supply Facilities Amendatory Contract," dated as of August 1, 1988 (the "1988 Contract"), a "North Texas Municipal Water District – City of Allen Regional Water Supply Facilities Agreement," dated October 1, 1998, and a "North Texas Municipal Water District – City of Frisco Regional Water Supply Facilities Agreement," dated October 1, 2001 (collectively, the "Contracts") with the Contracting Parties; and

WHEREAS, the District presently supplies and sells treated water from the System to the Contracting Parties under the Contracts; and

WHEREAS, the Cities of Garland, Mesquite, Plano, and Richardson, Texas ("Petitioning Cities") presented to the Public Utility Commission of Texas ("PUCT") petitions seeking the PUCT's review of the District's rates for fiscal years 2017, 2018, 2019, and 2020, which the PUCT respectively assigned Docket Nos. 46662, 47863, 49043, and 50382 (collectively referred to as the "PUCT Proceedings"); and

WHEREAS, the Petitioning Cities have agreed to request that the PUCT allow the Petitioning Cities to withdraw the petition in Docket No. 46662 with prejudice and that the PUCT issue a final order dismissing the proceedings in Docket No. 46662, and have agreed to otherwise withdraw with prejudice the petitions in Docket Nos. 47863, 49043, and 50382 upon issuance of a final, non-appealable order by the PUCT dismissing the proceedings in Docket No. 46662; and

WHEREAS, the District and the Contracting Parties (collectively the "Parties") deem it necessary and advisable that the Contracts be amended, such amendments reflected in a separate document entitled *First Amendment to North Texas Municipal Water District Regional Water Supply Facilities Amendatory Contract* (the "Contract Amendment"); and

WHEREAS, the Parties agree that resolution of the PUCT Proceedings by unanimous settlement agreement is in the public interest; and

WHEREAS, capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Contracts, as amended.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the Parties agree as follows:

I. COVENANT TO DEFEND NATURAL DRAWDOWN METHOD AND 5|5|1 PROCESS. The Parties agree:

- A. That the Natural Drawdown Method and the 5|5|1 Process set forth in Section 2 of the Contract Amendment for calculating a Contracting Party's minimum amount is just and reasonable.
- B. For a period of not less than twenty (20) years, not to seek, aid, or support review by the PUCT or its successor agency of the method for calculating a Contracting Party's minimum amount agreed to and as described in Section 2 of the Contract Amendment.
- C. For a period of not less than twenty (20) years, not to institute, prosecute, or in any way aid any action or suit at law or in equity against any Contracting Party or the District for damages, costs, loss of services, expenses, or compensation for or on account of any damage, loss or injury either to person or property, or both, whether known or unknown, past, present or future, arising out of or related to the method for calculating a Contracting Party's minimum amount agreed to and as described in Section 2 of the Contract Amendment, except for claims by any Contracting Party against the District arising out of misapplication of the method for calculating a Contracting Party's minimum amount.
- D. For a period of not less than twenty (20) years, not to seek, support or aid in obtaining legislative changes to the method for calculating a Contracting Party's minimum amount agreed to and as described in Section 2 of the Contract Amendment.
- E. To oppose efforts by any entity not a party to this Agreement to seek legislative changes to the method for calculating a Contracting Party's minimum-amount agreed to and as described in Section 2 of the Contract Amendment.
- F. If any entity not a party to this Agreement seeks review by the PUCT, or its successor agency, of the method for calculating a Contracting Party's minimum amount as described in Section 2 of the Contract Amendment, the District and the Contracting Parties agree:
 - 1. To support the method for calculating a Contracting Party's minimum amount agreed to and as described in Section 2 of the Contract Amendment; and
 - 2. To oppose changes to the method for calculating a Contracting Party's minimum amount agreed to and as described in Section 2 of the Contract Amendment.
- G. Any party to this Agreement that seeks review by the PUCT and/or through litigation in the courts of the method for calculating a Contracting Party's minimum amount agreed to and as described in Section 2 of the Contract Amendment, shall

be responsible for the costs of participation in such review and/or litigation of all parties to this Agreement.

II. ELIGIBILITY FOR CHANGE IN MINIMUM-AMOUNT METHODOLOGY. The District's Board of Directors may apply the methods of determining the minimum amount described in the Contract Amendment to a contract entered into under Section 4(c) of the 1988 Contract provided that

- A. Any such contract shall specifically and unambiguously state the terms of the applicable method of determining the minimum amount payable thereunder, and
- B. Any such contract shall provide that the District's Board of Directors has exclusive authority to determine rates set pursuant to such contract as such rates may be changed from time to time.

III. INDEPENDENT REVIEW. By March 1, 2021, and on each third anniversary of such date thereafter, the District shall engage an independent, third-party consultant to perform a financial management analysis of the audited financial information and all additional relevant information for the System for the three preceding Fiscal Years. The Independent Review shall include Items A through G, as stated below, and such other items as determined by the Board.

- A. The reasonableness of Operations and Maintenance Expenses for the System;
- B. The assignment of shared costs to the District's various systems, including the System, and functionalization of expenses as variable versus fixed;
- C. Confirmation of the amount of the required Bond Service Component as defined in Section 9(a)(B) of the Contract, and compliance of such amount with the Contract and the applicable Bond Resolutions;
- D. Confirmation of balances in any funds required to be established or maintained by the provisions of the Bond Resolutions, including but not limited to, examination of balances in any debt service reserve funds and compliance of such balances with the requirements of the Bond Resolutions;
- E. Examination of balances, including the need for and the reasonableness of such balances, in any other special, contingency, reserve, or other funds established by Board policy but not otherwise required to be established or maintained by the provisions of the Bond Resolutions; and

- F. Examination of the District's collection and application of Other Revenues as described in Section 9(f) of the Contracts, as amended, so as to reduce, to the maximum extent feasible, the amounts that otherwise would be payable by the Contracting Parties for treated water.

The consultant's review shall include, but will not be limited to, calculation of just and reasonable rates, including analysis of any appropriate surcharge or premium, to be charged to non-Contracting Parties in existing (when allowed by contract), new, renewed or amended contracts, taking into consideration: (1) the status of the Contracting Parties as long-term capital contributors to the System with joint and several liability for repayment of bond indebtedness, (2) the Contracting Parties' primary right to water from the System (as set out in Sections 1a(12) and 7(c) of the District's Enabling Act); (3) the non-Contracting Parties' water demands including demand for future infrastructure and water resources; and (4) any other relevant considerations requested by the District's Board of Directors.

- G. Examination of the District's compliance with Section 9 of the Contracts, as amended, in setting the Annual Requirement and base rate.

The consultant shall deliver a report addressing the Independent Review within nine (9) months of being engaged by the District. During the annual budget process, the District's Board of Directors will review all recommendations contained in the consultant's report. Unless the Board of Directors votes to reject any or all of the consultant's recommendations prior to adopting the District's annual budget, the Board of Directors shall implement the consultant's recommendations that were not rejected by a vote of the Board.

- IV. **DISTRICT SETTLEMENT CONTRIBUTION.** The District has agreed to contribute \$6.6 million payable to an escrow agent to facilitate resolution of disputes related to the PUCT Proceedings. The contribution by the District shall not be counted in determining the District's Annual Requirement for any year.

- V. **EFFECTIVE DATE.** This Agreement shall become effective upon the Contract Amendment becoming effective.

IN WITNESS WHEREOF, the Parties acting under authority of their respective governing bodies have caused this Agreement to be duly executed in several counterparts, each of which shall constitute an original, all as of the day and year first above written, which is the date of this Agreement.

NORTH TEXAS MUNICIPAL WATER DISTRICT

BY Sam Parker
President, Board of Directors

ATTEST: [Signature]
Secretary, Board of Directors

APPROVED AS TO FORM AND LEGALITY:
Lauren Kalisch
Attorneys for the District



CITY OF ALLEN, TEXAS

BY _____
Mayor

APPROVED AS TO FORM AND LEGALITY:

City Attorney

(City Seal)

ATTEST:

City Secretary

NORTH TEXAS MUNICIPAL WATER DISTRICT

BY _____

ATTEST:

Secretary, Board of Directors

APPROVED AS TO FORM AND LEGALITY:

Attorneys for the District

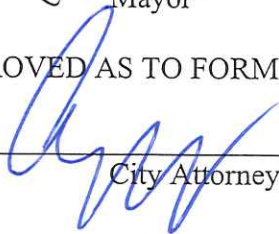
(District Seal)

CITY OF ALLEN, TEXAS

BY 

Mayor

APPROVED AS TO FORM AND LEGALITY:



City Attorney

(City Seal)

ATTEST:



City Secretary

CITY OF FARMERSVILLE, TEXAS

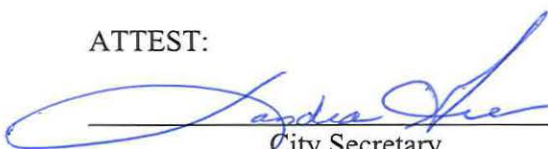
BY 
Mayor

APPROVED AS TO FORM AND LEGALITY:


City Attorney

(City Seal)

ATTEST:


City Secretary



CITY OF FORNEY, TEXAS

BY _____
Mayor

APPROVED AS TO FORM AND LEGALITY:

City Attorney

(City Seal)

ATTEST:

City Secretary

CITY OF FARMERSVILLE, TEXAS

BY _____
Mayor

APPROVED AS TO FORM AND LEGALITY:

City Attorney

(City Seal)

ATTEST:

City Secretary



(City Seal)

CITY OF FORNEY, TEXAS

BY _____
City Manager

APPROVED AS TO FORM AND LEGALITY:

City Attorney

ATTEST:
Nerthly Brooks

City Secretary



CITY OF FRISCO, TEXAS

BY [Signature]
Mayor

APPROVED AS TO FORM AND LEGALITY:

[Signature]
City Attorney

(City Seal)

ATTEST: [Signature]
City Secretary

CITY OF GARLAND, TEXAS

BY _____
Mayor

APPROVED AS TO FORM AND LEGALITY:

City Attorney

(City Seal)

ATTEST:

City Secretary

CITY OF FRISCO, TEXAS

BY _____
Mayor

APPROVED AS TO FORM AND LEGALITY:

City Attorney

(City Seal)

ATTEST:

City Secretary

CITY OF GARLAND, TEXAS

BY Paul L. [Signature]
City Manager

APPROVED AS TO FORM AND LEGALITY:

Brad [Signature]
City Attorney

(City Seal)

ATTEST:

Carmen [Signature]
City Secretary



CITY OF MCKINNEY, TEXAS

BY _____
City Manager

APPROVED AS TO FORM AND LEGALITY:

City Attorney

(City Seal)

ATTEST:

City Secretary

CITY OF MESQUITE, TEXAS

BY _____
City Manager

APPROVED AS TO FORM AND LEGALITY:

City Attorney

(City Seal)

ATTEST:

City Secretary

CITY OF PLANO, TEXAS



(City Seal)

BY Mark D. Analer
City Manager

APPROVED AS TO FORM AND LEGALITY:
pmings
City Attorney

ATTEST:

Christa Henderson
City Secretary

CITY OF PRINCETON, TEXAS

BY _____
City Manager

APPROVED AS TO FORM AND LEGALITY:

City Attorney

(City Seal)

ATTEST:

City Secretary

CITY OF PLANO, TEXAS

BY _____
Mayor

APPROVED AS TO FORM AND LEGALITY:

City Attorney

(City Seal)

ATTEST:

City Secretary



CITY OF PRINCETON, TEXAS

BY *Debra Borg*
City Manager

APPROVED AS TO FORM AND LEGALITY:
Arturo Rodriguez with permission
City Attorney *GM*

(City Seal)

ATTEST: *[Signature]*
City Secretary



CITY OF RICHARDSON, TEXAS

BY _____
City Manager

APPROVED AS TO FORM AND LEGALITY:

City Attorney

(City Seal)

ATTEST: _____
City Secretary

CITY OF ROCKWALL, TEXAS

BY _____
City Manager

APPROVED AS TO FORM AND LEGALITY:

City Attorney

(City Seal)

ATTEST:

City Secretary

CITY OF RICHARDSON, TEXAS

BY _____
City Manager

APPROVED AS TO FORM AND LEGALITY:

City Attorney

(City Seal)

ATTEST:

City Secretary



CITY OF ROCKWALL, TEXAS

BY Richard R Crowley
City Manager

APPROVED AS TO FORM AND LEGALITY:

J J Gaur
City Attorney

(City Seal)


ATTEST:

Kristy Cole
City Secretary

CITY OF ROYSE CITY, TEXAS

BY 
City Manager

APPROVED AS TO FORM AND LEGALITY:


City Attorney



(City Seal)

ATTEST: 
City Secretary

CITY OF WYLIE, TEXAS

BY _____
Mayor

APPROVED AS TO FORM AND LEGALITY:

City Attorney

(City Seal)

ATTEST:

City Secretary

FIRST AMENDMENT TO
NORTH TEXAS MUNICIPAL WATER DISTRICT
REGIONAL WATER SUPPLY FACILITIES AMENDATORY CONTRACT

THE STATE OF TEXAS :
NORTH TEXAS MUNICIPAL WATER DISTRICT:

THIS FIRST AMENDMENT TO NORTH TEXAS MUNICIPAL UTILITY DISTRICT REGIONAL WATER SUPPLY FACILITIES AMENDATORY CONTRACT (this "Amendment") made and entered into by and between North Texas Municipal Water District (the "District"), a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59 of the Texas Constitution and the following municipalities under the Constitution and laws of the State of Texas: City of Allen, City of Farmersville, City of Forney, City of Frisco, City of Garland, City of McKinney, City of Mesquite, City of Plano, City of Princeton, City of Richardson, City of Rockwall, City of Royse City, and City of Wylie (collectively, the "Contracting Parties").

WITNESSETH:

WHEREAS, the District has entered into a "North Texas Municipal Water District Regional Water Supply Facilities Amendatory Contract," dated as of August 1, 1988, a "North Texas Municipal Water District – City of Allen Regional Water Supply Facilities Agreement", dated October 1, 1998, and a "North Texas Municipal Water District – City of Frisco Regional Water Supply Facilities Agreement", dated October 1, 2001 (collectively, the "Contracts") with the Contracting Parties;

WHEREAS, as permitted by Section 14 of the Contracts and Section 24(m) of the Bond Resolutions authorizing the issuance of the District's outstanding bonds, the District and the Contracting Parties desire to amend the Contracts to change the allocation of the Annual Requirement (as defined in the Contracts) among the Contracting Parties by changing the basis for determination of each Contracting Party's minimum amount for purposes of calculating such Contracting Party's proportionate share of each Annual Requirement;

WHEREAS, the District and the Contracting Parties have agreed to amend the Contracts to accomplish such change of allocation together with certain updating changes pursuant to the terms of this Amendment; and

WHEREAS, capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings assigned to them in the Contracts.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the District and the Contracting Parties agree that the Contracts shall be amended and modified as follows:

Section 1. Amend Subsection 1(f) of the Contracts to read as follows:

(f) "Bonds" means the Outstanding Bonds listed in the preamble to this Contract, and all bonds, notes, or other obligations hereafter issued by the District, whether in one or more series or issues, and the interest thereon, to acquire, construct, complete, improve, and/or extend the System or any System facilities, including the Projects, and/or otherwise to improve or extend the System, and any bonds, notes or other obligations issued to refund any Bonds or to refund any such refunding bonds, notes, or other obligations.

Section 2. Amend Subsection 9(c) of the Contracts by adding a new Clause (3) after Clause (2), as follows:

(3) Updated Calculation Methods. Notwithstanding any provisions of this Contract to the contrary, other than reduction of minimum amounts related to sales by Contracting Parties to other entities as set out in Section 9(c), commencing October 1, 2020, and ending on September 30, 2028 (the "Natural Drawdown Period"), a Contracting Party's minimum amount (for purposes of calculating its proportionate share of the Annual Requirement), shall be calculated on the basis of the Natural Drawdown Method (hereinafter defined) and commencing October 1, 2028, and thereafter, such minimum amount will be calculated on the basis of the 5|5|1 Process (hereinafter defined).

(i) Natural Drawdown Method. For the purpose of calculating the minimum dollar amount of each Annual Requirement for which each Contracting Party is unconditionally liable during the Natural Drawdown Period, for each Annual Payment Period each Contracting Party's proportionate share of the Annual Requirement shall be calculated in accordance with the method described below, (the "Natural Drawdown Method").

(A) For the Annual Payment Period beginning October 1, 2020, each Contracting Party's annual minimum amount (in thousands of gallons) will be:

i.	City of Allen:	6,011,208
ii.	City of Farmersville:	280,467
iii.	City of Forney:	2,345,109
iv.	City of Frisco:	11,910,250
v.	City of Garland:	13,721,955

vi.	City of McKinney:	11,963,029
vii.	City of Mesquite:	8,297,666
viii.	City of Plano:	26,719,809
ix.	City of Princeton:	660,682
x.	City of Richardson:	11,019,311
xi.	City of Rockwall:	4,190,133
xii.	City of Royse City:	565,932
xiii.	City of Wylie:	1,877,558

- (B) For each subsequent Annual Payment Period through the end of the Natural Drawdown Period, and where a Contracting Party's volume of water actually delivered by the District during the most recent Water Year is less than the Contracting Party's then-current minimum amount (such under-usage of water referred to as the Contracting Party's "Under-Usage Water"), that Contracting Party's minimum amount (for purposes of calculating its proportionate share of the Annual Requirement) will be reduced for purposes of payment in subsequent payment periods by that Contracting Party's proportionate share of one-third (1/3) of the total Excess Water Usage (hereinafter defined) used by all Contracting Parties and parties to other Contracts (as described in Section 4(c) hereof) who are not Contracting Parties (such Contracting Parties and other parties, collectively, "System Customers"); provided, however, that in no event shall a Contracting Party's minimum amount be reduced to an amount that is less than the gallons actually delivered to that Contracting Party during the prior Water Year. For these purposes "Excess Water Usage" means gallons of water delivered to any System Customer that exceed its then-current minimum amount.
- (C) A Contracting Party's proportionate share of the Excess Water Usage is calculated as the ratio of that Contracting Party's Under-Usage Water, to the sum of that Water Year's Under-Usage Water by all System Customers eligible for reduction in their minimum amount.
- (D) The minimum amount of a Contracting Party that has Under-Usage Water shall be drawn down at a 3:1 ratio such that for every three (3) gallons of Excess Water used by all System Customers with Excess Water Usage, one (1) gallon of water is drawn down, on a proportionate share basis, as determined in (C) above, thereby reducing the respective minimum amounts for those Contracting Parties.
- (E) For a Contracting Party that has Excess Water Usage in a Water Year during

the Natural Drawdown Period, that Contracting Party's minimum amount for the next Annual Payment Period will be determined based on that Contracting Party's usage in the immediately preceding Water Year.

An example of the calculations of the reduction minimum amounts under the Natural Drawdown Method described in this Subsection 9(c)(3)(i) is found on Attachment I hereto and incorporated herein for all purposes.

(ii) 5|5|1 Process. Starting October 1, 2028, each Contracting Party's minimum amount (for purposes of determining its proportionate share of the Annual Requirement) shall be calculated based on a five-year rolling average of water usage, phased-in over five (5) years (the "5|5|1 Process") to be implemented as follows:

- (A) In the first year of the 5|5|1 Process, a Contracting Party's minimum amount shall be calculated by taking the sum of a Contracting Party's actual usage in the preceding Water Year and four (4) years of that Contracting Party's then-current minimum amount as adjusted at the end of the Natural Drawdown Period (the "Base Minimum"), and dividing that sum by 5.
- (B) In the second year of the 5|5|1 Process, a Contracting Party's minimum amount shall be calculated by taking the sum of a Contracting Party's actual usage in the immediately preceding two (2) Water Years and three (3) years of that Member City's Base Minimum, and dividing that sum by 5.
- (C) In the third year of the 5|5|1 Process, a Contracting Party's minimum amount shall be calculated by taking the sum of a Contracting Party's actual usage in the preceding three (3) Water Years and two (2) years of that Member City's Base Minimum, and dividing that sum by 5.
- (D) In the fourth year of the 5|5|1 Process, a Contracting Party's minimum amount shall be calculated by taking the sum of a Contracting Party's actual usage in the preceding four (4) Water Years and one (1) year of that Member City's Base Minimum, and dividing that sum by 5.
- (E) Finally, in the fifth year of the 5|5|1 Process (that is, the rate year commencing October 1, 2032), and each year thereafter, a Contracting Party's minimum amount shall be calculated by taking the sum of a Contracting Party's actual usage in the immediately preceding five (5) Water Years and dividing that sum by 5.

Section 3. Amend the last sentence of Section 9(d) and amend Section 9(f) of the Contracts to read as follows:

(d) ... Such Excess Water Charges, after payment of any rebates pursuant to policies of the District, shall be distributed to the Contracting Parties in the same manner as surplus budgeted funds as provided in Subsection 9(g).

(f) **Other Revenues.** During each Annual Payment Period, the revenues derived from sales of System water, other than sales of treated water to Contracting Parties, shall be credited to and be used for paying part of the Annual Requirement in the manner determined by the District, with the result that such credits shall reduce, to the extent of such credits, the amounts which otherwise would be payable by the Contracting Parties pursuant to the methods prescribed in subsections (a), (b), (c), and (e) above. The District shall estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment. To the extent the District collects such other revenues in an amount in excess of the estimated credits, such excess amount shall be distributed to the Contracting Parties in the same manner as surplus budgeted funds as provided in Subsection 9(g).

Section 4. Amend Subsection 9(g) of the Contracts in its entirety to read as follows:

(g) **Annual Budget.** On or before the first day of the fourth calendar month prior to the beginning of each Annual Payment Period hereafter the District shall furnish each Contracting Party with a tentative or preliminary estimated schedule of the monthly payments to be made by such party to the District for the ensuing Annual Payment Period. On or before the first day of the second calendar month prior to the beginning of each Annual Payment Period hereafter the District shall furnish each Contracting Party with an updated estimated schedule of the monthly payments to be made by such Party to the District for the next ensuing Annual Payment Period. Prior to the first day of each Annual Payment Period hereafter the District shall furnish each Contracting Party with a final estimated schedule of the monthly payment to be made by such Party to the District for the next ensuing Annual Payment Period, together with the supporting budgetary data showing the basis for arriving at such schedule.

Any surplus budgeted funds remaining on hand at the end of any Annual Payment Period in excess of amounts necessary to pay the Annual Requirement, including, to the extent reasonable, any operation and maintenance fund balances and other reserves established by the District, shall be distributed no later than May 1 of the following Annual Payment Period to the Contracting Parties proportionately based upon the respective amounts of treated water actually

delivered to the Contracting Parties for the preceding Water Year. Nothing in Subsection 9(g) shall be construed to limit the budgeting and rate-making authority of the District. Each Contracting Party hereby agrees that it will make payments to the District on or before the 10th day of each month of the Annual Payment Period. If any Contracting Party at any time disputes the amount to be paid by it to the District, such complaining party shall nevertheless promptly make such payment or payments, but if it is subsequently determined by agreement or court decision that such disputed payments made by such complaining party should have been less, or more, the District shall promptly revise and reallocate the charges among all Contracting Parties in such manner that such complaining party will recover its overpayment or the District will recover the amount due it.

Section 5. Amend Section 15 of the Contracts by adding a second paragraph as follows:

In particular, but not by way of limitation, in accordance with 30 Tex. Admin. Code Section 288.5(1)(f), as amended, the Contracting Parties agree and the District shall require each party to an Other Contract, as described in Section 4 of this Contract to agree to develop and implement a water conservation plan or water conservation measures using the applicable elements of Chapter 288, Subchapter A of Title 30 of the Texas Administrative Code, to the extent that it has not already done so. Any contract for resale of water provided hereunder or resale of such resold water by a Contracting Party or a party to an Other Contract shall contain provisions requiring water conservation measures using the applicable elements of such Administrative Code Section. In accordance with Rule 15c2-12 of the United States Securities and Exchange Commission, as it may be amended from time to time, the Contracting Parties agree to file, or provide to the District for filing, all information required by such Rule 15c2-12.

Section 6. This Amendment shall become effective as of the date that an order(s) adopted by the Public Utility Commission of Texas dismissing or allowing withdrawal of PUC Docket Nos. 46662, 47863, 49043, and 50382 become(s) final and non-appealable.

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Amendment to be duly executed in several counterparts, each of which shall constitute an original.

NORTH TEXAS MUNICIPAL WATER DISTRICT

By: _____
President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)

CITY OF ALLEN, TEXAS

By: *Debbie Hunt*
Mayor

ATTEST:

Joe Blythe
City Secretary

(CITY SEAL)


CITY OF FARMERSVILLE, TEXAS

By:



Mayor

ATTEST:



City Secretary

(CITY SEAL)



CITY OF FORNEY, TEXAS

By:

Mayor

ATTEST:

City Secretary

(CITY SEAL)

CITY OF FARMERSVILLE, TEXAS

By: _____
Mayor

ATTEST:

City Secretary

(CITY SEAL)

CITY OF FORNEY, TEXAS

By: *Ante Rand*
City Manager

ATTEST:

Dorothy Brooks
City Secretary

(CITY SEAL)



CITY OF FRISCO, TEXAS

By: 
Mayor

ATTEST:


City Secretary

(CITY SEAL)



CITY OF GARLAND, TEXAS

By: _____
Mayor

ATTEST:

City Secretary

(CITY SEAL)

CITY OF FRISCO, TEXAS

By: _____
Mayor

ATTEST:


City Secretary

(CITY SEAL)

CITY OF GARLAND, TEXAS

By:  _____
City Manager

ATTEST:



City Secretary

(CITY SEAL)



CITY OF MCKINNEY, TEXAS

By: _____

City Manager



ATTEST:


City Secretary

(CITY SEAL)



CITY OF MESQUITE, TEXAS

By: _____

City Manager

ATTEST:

City Secretary

(CITY SEAL)

CITY OF MCKINNEY, TEXAS

By: _____
City Manager

ATTEST:

City Secretary

(CITY SEAL)

CITY OF MESQUITE, TEXAS

By: _____
City Manager

ATTEST:

Donja Land

City Secretary

(CITY SEAL)

Approved as to form:

City Attorney

CITY OF PLANO, TEXAS

By: *M. D. Anselmo*
City Manager

ATTEST:

Lisa Henderson
City Secretary



CITY OF PRINCETON, TEXAS

By: _____
City Manager

ATTEST:

City Secretary

(CITY SEAL)

CITY OF PLANO, TEXAS

By: _____
Mayor

ATTEST:

City Secretary

(CITY SEAL)

CITY OF PRINCETON, TEXAS

By: Don Boy
City Manager

ATTEST:

James P. ...
City Secretary

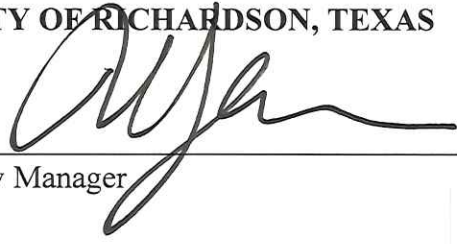
(CITY SEAL)



CITY OF RICHARDSON, TEXAS

By: _____

City Manager



ATTEST:



City Secretary



CITY OF ROCKWALL, TEXAS

By: _____

City Manager

ATTEST:

City Secretary

(CITY SEAL)

CITY OF RICHARDSON, TEXAS

By: _____
City Manager

ATTEST:

City Secretary

(CITY SEAL)

CITY OF ROCKWALL, TEXAS

By: Richard R Crowley
City Manager


ATTEST:

Kristy Cole
City Secretary



(CITY SEAL)



CITY OF ROYSE CITY, TEXAS

By: 
City Manager

ATTEST:


City Secretary
(CITY SEAL) 

CITY OF WYLIE, TEXAS

By: _____
Mayor

ATTEST:

City Secretary
(CITY SEAL)

ATTACHMENT I

For illustrative purposes, the reduction in a Contracting Party's minimum amount (for purposes of calculating its proportionate share of the Annual Requirement) under the Natural Drawdown Method described in Subsection 9(e) of the Contracts, would be calculated as follows:

1. Determine the total gallons of Excess Water Usage by all System Customers

E.g., 9 System Customers have a total Excess Water Usage of 10 million gallons.

2. Determine the total gallons of Under-Usage Water by all System Customers

E.g., the only System Customers that have under-usage are Contracting Parties 1, 2, 3, and 4, which have total gallons of Under-Usage Water of 20 million gallons.

3. Determine each Contracting Party's gallons of Under-Usage Water, e.g.:

Contracting Party 1: 8 million gallons of Under-Usage Water

Contracting Party 2: 6 million gallons of Under-Usage Water

Contracting Party 3: 4 million gallons of Under-Usage Water

Contracting Party 4: 2 million gallons of Under-Usage Water

4. Determine each Contracting Party's proportion of Under-Usage Water to the total gallons of Under-Usage Water ("Contracting Party's Share of Under-Usage Water")

Contracting Party 1 = 40% (8 million gallons of Under Usage ÷ 20 million gallons of total Under Usage = 40%)

Contracting Party 2 = 30% (6 million gallons of Under Usage ÷ 20 million gallons of total Under Usage = 30%)

Contracting Party 3 = 20% (4 million gallons of Under Usage ÷ 20 million gallons of total Under Usage = 20%)

Contracting Party 4 = 10% (2 million gallons of Under Usage ÷ 20 million gallons of total Under Usage = 10%)

5. Determine the respective Contracting Party's then-current minimum amount (for purposes of calculating its proportionate share of the Annual Requirement) for each Contracting Party that has Under-Usage Water and reduce each such Contracting Party's minimum

amount by its proportionate share of 1 million gallons for each 3 million gallons of Excess Water Usage. Thus:

	[A]	[B]	[C]	[D]	[E]	[F]
	Current Annual Minimum [A]	Under Usage [B]	Share of Under Usage [C] = [B] / Total Under Usage	1/3 of Total Excess Usage [D]	Share of 1/3 rd of Excess Usage of 10 Million Gallons [E] = [C] x [D]	New Annual Minimum [F] = [A] – [E]
Contracting Party 1	50	8	40%	3.33	1.33	48.67
Contracting Party 2	40	6	30%	3.33	1.00	39.00
Contracting Party 3	30	4	20%	3.33	0.67	29.33
Contracting Party 4	<u>20</u>	<u>2</u>	<u>10%</u>	<u>3.33</u>	<u>0.33</u>	<u>19.67</u>
Total Under Usage	140	20	100%		3.33	136.67
Total Excess Usage	10					