

**MINUTES OF THE BOARD OF DIRECTORS  
OF THE DALLAS COUNTY PARK CITIES  
MUNICIPAL UTILITY DISTRICT  
HELD 9:00 A.M., Wednesday August 16, 2023  
UP Library Meeting Room: 8383 Preston Center Plaza, Suite 200, DALLAS,  
DALLAS COUNTY, TEXAS**

**ITEM I  
ADMINISTRATIVE PROVISION  
V.T.C.A §49.100**

**1. NOTICE OF MEETING. §49.063**

The notice of the meeting was posted, Tuesday, August 8, 2023, at 10:00 a.m. and remained posted until Wednesday August 16, 2023 at 12:00 p.m.

**2. MEETING CALLED TO ORDER §49.064**

The meeting was called to order by Mr. Jamie Cornelius, President of the Board of Directors.

**3. ROLL CALL**

**Directors Attending**

James Cornelius, President  
Neil Harris, Vice President  
John Denman, Director  
John Wagner, Director

**Others Attending**

Hector Ortiz, General Manager  
Brent Jordan, Systems Analyst  
City of University Park  
Tommy Stewart, Mayor  
Liz Farley, Mayor Pro Tem  
Mark Aldredge, Councilmember  
Bob Meyers, Councilmember  
Phillip Philbin, Councilmember  
Robbie Corder, City Manager  
Tom Tvardzik, Director of Finance  
Town of Highland Park  
Will Beecherl, Mayor  
Craig Penfold, Mayor Pro Tem  
Lydia Novakov, Councilmember  
Don Snell, Councilmember  
Leland White, Councilmember  
Tobin Maples, Town Administrator

**ITEM II  
POWERS AND DUTIES  
V.T.C.A. §49.200**

**ITEM III  
FISCAL MATTERS  
V.T.C.A §49.300**

**1. DISCUSSION ON THE FY2024 DRAFT BUDGET**

This special meeting was called at the request of the Park Cities as a result of the District's proposed 32% increase in the water rate versus the original proposed rate increase of 10% from last year's budget projections. Jamie Cornelius addressed the Park Cities councils and discussed the District's history, the components of our budget and the rate-setting methodology that led to the need for a 32% rate increase for FY2024. University Park mentioned that last year there was an agreement that made the rate increases from FY23-FY28: 14.89%, 10%, 7%, 3% and 3%, respectively. Jamie Cornelius responded that the e-mail that was sent last year in response to the rate increases should have been worded differently and stressed that no responsible Board member would have agreed to a "locked in rate program for 5 years. John Wagner indicated that those numbers were based on 2022 numbers and agreeing to those numbers would have been irresponsible as we have seen a 20% increase in operational costs. UP Councilmember Phil Philbin indicated that the change from a 10% increase to a 32% increase was why the meeting was called and also mentioned that the University Park and Highland Park staffs were not included in meetings related to budget and rate setting. John Wagner replied that all of our meetings are public meetings and agendas are posted in advance of the meetings. Jamie Cornelius noted that we had many meetings and he could not recall who showed up to them. UP City Manager Robbie Corder mentioned that the April meeting ended with us going back to review the numbers and asked if other meetings happened after the April meeting. Jamie Cornelius responded that for FY23 we had agreed that we would perform a mid-year budget review and that there was no cost increase at the time and also restated that last year's e-mail was worded poorly.

UP Councilmember Phil Philbin asked what reserves level the District wants. Jamie Cornelius explained the 2015 use of District reserves for the purchase of smart meters and the impact it had on our reserves. He also mentioned that our reserves have dropped an additional \$1.2M since that time. Jamie Cornelius also discussed water use patterns and capital projects that have been identified and informed the group that some of our assets are up to 70 years old. Councilmember Phil Philbin mentioned that the District has reliable customers and should not need large reserves. Jamie Cornelius reviewed Tab 3 of the meeting handout and mentioned that we were only adding \$160k to our reserves based on the rate model presented. John Wagner provided details on what the District needs reserves for. This includes inflation, unforeseen problems with plant equipment, debt service, etc. It is not only an issue of whether we have a reliable

customer base.

UP Councilmember Phil Philbin discussed the rate model and John Wagner replied that our rate model does not follow the contract. John Wagner passed the contract evaluation document he developed to meeting attendees and mentioned the rate would be \$5.43 if we followed the contract. The bottom line is that the proposed rate was based on backing into a rate that would “keep the lights on”. John Wagner indicated that he would not approve a budget that includes negative revenue. HP Mayor Will Beecherl asked why the rate model did not include Brookhollow and Grapevine raw water sales. It was mentioned that this revenue source is not included in the contract and this revenue of approximately \$700k was going to be used to fund reserves. UP City Manager Robbie Corder requested that we add this revenue source back into the rate model to lower the rate. Jamie Cornelius noted that, based on what has happened, he will make no promises or agreements as long as he is President, until the economy calms down, and added that we cannot agree to long term rates. He indicated that University Park and Highland Park were presented with amendments to the contracts and they did not want to amend the contract as presented. UP Councilmember Liz Farley requested that the rate increase be lowered and reserves be accumulated at a slower pace to which John Wagner replied that this will just “kick the can down the road”. He mentioned that the rate impact on Park Cities’ citizens would be about 16% and discussed his personal water bill. Additionally, in order for the District to break even, it would still require a 22% rate increase. Jamie Cornelius noted that, if we based the rate on zero increase in reserves, we would still be “kicking the can down the road”. We do not want to be in a position to lose money. Jamie Cornelius also mentioned that he is a water consumer of both HP and UP and his water bill will increase minimally. UP City Manager Robbie Corder said that his water customers would see a 25% rate increase, upwards of \$600 a month for a water “superuser” and asked if the District could slow down increasing its reserves to less than \$800k per year. Jamie Cornelius reiterated that increasing our reserves is not our number one goal. The District needs to recover it’s costs and operate in a slightly positive mode and not lose money. HP Mayor Will Beecherl asked why we could not tweak the raw water rates to meet our goals. District staff noted that this rate was a contract rate based on Dallas’ rate as well as a legal settlement completed in the early 2000s.

Jamie Cornelius explained the District’s efforts to sell raw water and the potential positive impact that it could have on the District’s financials. HP Town Administrator Tobin Maples asked what the plan for the additional raw water sale revenue would be and Jamie Cornelius noted that we want to build up reserves first and then reduce the rate. HP Town Administrator Tobin Maples requested that we look again at smoothing out rates. Jamie Cornelius reiterated the use of \$4.2M for smart meters and the \$1.2M decrease in our reserves, noting that this discussion was not about reserves. The main driver of the discussion is the increased cost of operation. HP Town Administrator Tobin Maples asked if the rate was adjusted so that the \$4.2M would be reimbursed to the District and Brent Jordan responded, no.

UP Councilmember Phil Philbin noted that reserves show to be about \$9.5M currently.

Hector Ortiz responded that the number is incorrect as it takes into account the Bond fund twice. The actual number is closer to \$7.2M after we paid our bond debt for the year in July 2023.

UP Councilmember Liz Farley asked that we invite finance directors to our meetings so that they can be aware of what is happening with the District. HP Councilmember Lydia Novakov noted that the 32% increase is the real issue and asked if there was a way to negotiate and smooth out the rate. Jamie Cornelius responded that we can take a gamble, but the District's Board will have to vote and noted that Board could go to 22% and have zero net revenue, but the District will not take a loss. He also mentioned that this would be contingent on the Park Cities and the District entering into an agreement for reimbursement of any loss incurred as a result of the lower rate, after being presented with the Audited 2024 District Financials. Jamie Cornelius also discussed that our reserves suffered additional losses from the winter project in which Dallas water was used for an extended period of time and cost us over \$0.5M in FY2021. John Wagner indicated that we can agree on 22%, under the conditions stated by Jamie Cornelius, but we cannot agree on anything past FY2024.

Neil Harris asked the Park Cities what their financial expectation is from the District. Mayor Tommy Stewart replied that he wants a smooth rate. He followed up by asking what our reserves goal is. Jamie Cornelius mentioned about \$15M based on what the District had in 2015 adjusted for inflation and John Wagner calculated around \$12M based on the following potential reserves goals: approximately \$3M for O&M reserve (50% of projected budget), \$6M or two years' worth of CapX budget, \$2.2M or additional 1 year of debt service and \$0.8M sludge reserve for a total of approximately \$12M. HP Councilmember Lydia Novakov asked what could happen next year to which Jamie Cornelius and John Wagner responded that it depends on what happens with the economy. UP Councilmember Liz Farley mentioned that they want the District to have adequate reserves, just build them up slowly. She also asked that we put the \$4.2M behind us.

The meeting ended with entities agreeing to have separate discussions and the Park Cities agreeing to evaluate the 22% proposal and report back to the District. The District's Board will have to vote on the rate change.

#### **ITEM IV MANAGEMENT REPORTS**

#### **ITEM V**

**ADJOURNMENT**


A motion was made by Jamie Cornelius to adjourn the meeting and John Wagner seconded it. All directors voted aye.

PASSED AND APPROVED THIS THE 12th DAY OF September, 2023



Michael D. McKenzie, Secretary

DALLAS COUNTY PARK CITIES  
MUNICIPAL UTILITY DISTRICT



James S. Cornelius, President

