

MINUTES OF AN ONLINE STUDY SESSION OF THE TOWN COUNCIL OF THE TOWN OF HIGHLAND PARK, TEXAS, HELD VIA VIDEOCONFERENCE, AT 8:23 A.M. ON TUESDAY, AUGUST 17, 2021.

Prior to the study session, Joanna Mekeal, Town Secretary, explained that as provided by the State of Texas, this online Town Council study session could be viewed online, or listened to by telephone, and gave the toll-free and alternate telephone numbers, as well as the access number for the public to call. Mrs. Mekeal conducted a roll call of the Town Council Members. Present at the meeting were Mayor Margo Goodwin, Mayor Pro Tem David Dowler, and Town Council Members Jimmy Grisham, Marc Myers, Lydia Novakov, and Craig Penfold. Council Member Myers exited the meeting during the water and wastewater study discussion. Council Member Grisham exited the meeting during the end of the Financial and Investment Report for the period ending June 30, 2021.

UPCOMING AGENDA DISCUSSION

Future Agenda Discussion

Review, discuss, and consider approval of a contract with Valley View Consulting to provide investment advisory services for the Town. Karen Kurtin, Controller, stated in June of 2015, Town staff proposed utilizing the services of a third-party investment advisory firm and reviewed proposals from two companies with the Finance and Audit Advisory Committee ("Committee"). The Committee supported Town staff's recommendation that the Town contract with Valley View Consulting, LLC ("Valley View") to provide investment advisory services for the Town. Over the past six years, Valley View has been instrumental in assisting staff in making investment decisions that have diversified the Town's portfolio, increasing yield while sustaining the most important goal, the safety of principal. Valley View has also provided guidance to Town staff regarding the adequacy of collateral as investment decisions are made. It is important to note that Valley View does not have custody or investment discretion over the Town's funds. The contract was reviewed and discussed at the Finance and Audit Advisory Committee meeting held on July 22, 2021, and approval was recommended. The fee for investment advisory services is estimated to be \$25,000 per year. Mayor Pro Tem Dowler commented that this is well-priced and an advantage to the Town, and Council Member Myers agreed. Mayor Goodwin asked if there were any further comments, to which there were none. On a motion by Council Member Myers, seconded by Mayor Pro Tem Dowler, the Town Council voted unanimously to approve a contract with Valley View Consulting to provide investment advisory services for the Town.

Reports

Review and discuss the Fiscal Year 2021-22 Proposed Combined Operating and Capital Budget. Steve Alexander, Director of Administrative Services and Chief Financial Officer, explained this item is to provide an opportunity for staff to receive comments from the Town Council relating to the Fiscal Year 2021-22 Proposed Combined Operating and Capital Budget (the "FY 2022 Budget") and other items the Town Council would like staff to consider, study, or incorporate into the FY 2022 Budget.

Mr. Alexander introduced Dave Yanke, President of Newgen Strategies and Solutions, to present the results and recommendations in connection with the water and wastewater study. Mr. Yanke explained he and his team have been working closely with Town staff to collect data and use the information provided to create a 10-year financial forecast analysis; in fiscal year 2022 shows a total of \$10,729,502 in revenue and increases about 22% in fiscal year 2031, \$13,071,744. After the completion of the 10-year financial forecast analysis, the next step was to assess what revenues would be recovered and under recovered if the rates remained the same. As expected, revenue would be under recovered, and understanding by how much is important to know for the development of the rate design. The first scenario for the proposed water rates is a recommendation to adjust the rate by the size of the meter; the larger the meter, the more of an increase to the minimum charge. This increase would be phased-in slowly over seven years and a volumetric rate increase of 2.5% would begin in the fourth year. In response to a question raised by Council Member Penfold, Mr. Alexander explained most water meters in the Town are 5/8-inch and 1-inch meters; however, staff will provide specific data for the quantity of meters by size to the Town Council. The second scenario for the proposed water rates does not include an adjustment of the base monthly service charge per size of the meter; however, it would include a 3% increase to the volumetric rates for the first two years, then a 2.5% increase for year three through ten. The wastewater service charge would also increase from \$15.01 to \$16.00 and clarified the wastewater service charge does not apply to an irrigation meter. According to the first scenario, the expected cumulative over recover funds is \$691,616 by fiscal year 2031. In the second scenario, the expected cumulative over recover funds is \$902,892 by fiscal year 2031. In response from a question raised by Mayor Goodwin, Mr. Yanke displayed a chart of the average customer under both scenarios and the percentage increase they would expect to see on a utility invoice each fiscal year. Both scenarios include an average increase from 1.3% to 2.9% each fiscal year. Council Member Penfold stated that it seems logical if a resident is using more water, they should be charged more and added that he agreed more with scenario two. Mayor Goodwin clarified that under scenario one, it is less dependent on water usage and less fluctuation in coordination to rainfall and drought, whereas volumetrics is directly connected to rainfall, to which Mr. Yanke confirmed she was corrected. Mayor Goodwin reminded the audience that this item will return to the Town Council meeting on September 7, 2021, and encouraged the Town Council to review both scenarios in the meantime. Mayor Goodwin asked if there are any further comments, to which there were none.

Review and discuss the Financial and Investment Report for the period ending June 30, 2021. Karen Kurtin, Controller, presented highlights of the Financial and Investment Report. This report is for the periods ending June 30, 2021, which marks the completion of the ninth month of the 2020 - 2021 fiscal year. Therefore, the year-to-date percentage for budgetary comparison purposes is 75.0%. General and Utility Fund combined revenues as of June 30, 2021, amount to \$30,386,634, which is 85.3% of the annual budgeted amounts. As of June 30, the General and Utility Fund combined expenditures and encumbrances amount to \$25,258,843, or 68.3% of the Fiscal Year 2020-21 Combined Budget. The total market value of the Town's cash and investment portfolio on June 30, was \$43,404,880, yielding an average weighted return of 0.36% with an average maturity of 57 days. Compared to year-to-date projections, property taxes are 102.1%, sales taxes are 139.1%, building permits are 137.0%, and water sales are 91.1%. In response to a question made by David Finley, 4915 Abbott Avenue, Karen Kurtin, Controller, explained the Town investment decisions are governed by the Texas Public Funds Investment Act as well as the Town's Investment Policy. The Mayor Goodwin asked the Town Council if they had any questions, to which there were none.

Review and discuss the Quarterly Investment Report for the quarter ending June 30, 2021. Ms. Kurtin discussed the report prepared by Valley View Consultants, the Town's investment advisors, for the quarter ending June 30, 2021, and marks the third quarter of Fiscal Year 2020 - 2021. As of June 30, 2021, the book value of the Town's investments was \$43,404,880, with a market value of \$43,404,880. Current quarter average yield for the portfolio is 0.36%, with a fiscal year-to-date average yield of 0.47%. Quarterly interest income was approximately \$42,815 with year-to-date interest income of \$169,987. This report was provided to the Finance & Audit Advisory Committee on August 12, 2021. The Mayor asked the Town Council if they had any questions, to which there were none.

CLOSED SESSION

- 1. In accordance with Texas Government Code Chapter 551, Subchapter D Section 551.077 - DELIBERATION REGARDING TOWN SECURITY - the Town Council will convene into closed session to deliberate the deployment, or specific occasions for implementation, of security devices; specifically, the Town's cyber security policies, procedures, and technology.*

Mayor Goodwin recessed the study session at 9:36 a.m. and convened a closed session pursuant to: (1) Section 551.077 of the Texas Government Code to deliberate the deployment, or specific occasions for implementation, of security devices; specifically, the Town's cyber security policies, procedures, and technology.

Mayor Goodwin ended the closed session at 9:55 a.m., and reconvened the study session in open session at 9:56 a.m. No final action, decision, or vote was taken during the closed session.

OPEN SESSION

Pursuant to Section 551.102 of the Texas Government Code, the final action, decision, or vote regarding Closed Session Item 1. above, shall be made, if any. No motion was made.

Mayor Goodwin asked if there are any further comments, to which there were none.

Mayor Goodwin adjourned the Town Council meeting at 9:57 a.m.

APPROVED on this 7th day of September 2021.

APPROVED:



Margo Goodwin
Mayor

ATTEST:

A handwritten signature in black ink that reads "Joanna Mekeal". The signature is written in a cursive style with a large initial 'J'.

Joanna Mekeal
Town Secretary