



September 30, 2022

Honorable Chris Hill
 2300 Bloomdale Road, Suite 4192
 McKinney, TX 75071

Re: FY 2023 Dues Increase / FY 2023 Dues Invoice

Dear Judge Hill,

Enclosed is the dues invoice for membership in the Texas Conference of Urban Counties for FY 2023.

You recently received a memo from me notifying you of an increase in CUC dues for FY2023. The memo was meant to provide dues amounts as you work on your county budgets for next year and did not provide details regarding what is a significant percentage increase in dues. What follows are the details behind the Board's difficult decision to increase dues.

Since 2007, revenue from TechShare has covered a significant share of the cost of CUC's policy program. Beginning in FY2017, that revenue has been declining as shown below.

	Budgeted Total Revenue	Budgeted Total Expenses	Dues	Event Revenue	TechShare Association Service Fees	Ass. Fees as % of Revenue
FY 2017	\$ 1,189,074	\$ 1,190,021	\$ 600,000	\$ 115,000*	\$ 438,074	36.84%
FY 2018	\$ 1,175,059	\$ 1,168,461	\$ 608,458	\$ 96,250	\$ 427,351	36.37%
FY 2019	\$ 1,197,501	\$ 1,145,926	\$ 686,458	\$ 114,225*	\$ 396,818	33.14%
FY 2020	\$ 1,102,044	\$ 1,047,626	\$ 664,330	\$ 84,425	\$ 353,289	32.06%
FY 2021	\$ 1,024,321	\$ 1,021,585	\$ 670,379	\$ 90,000	\$ 263,942	25.77%
FY 2022	\$ 904,702	\$ 875,107	\$ 674,702	\$ 90,000	\$ 140,000	15.47%
FY 2023	\$ 969,301	\$ 969,458	\$ 854,301	\$ 90,000	\$ 25,000	2.58%

*2017 and 2019 annual conferences combined with TechShare conferences

FY2023 shows numbers from draft budgets

In FY2019, dues were increased for the first time in 13 years by an average of just over 10%, although cumulative inflation during that period was more than 26%. Since the beginning of FY2019, cumulative inflation is at 18%.

Until now, TechShare revenue and expense cuts have permitted CUC to keep dues increases at less than the rate of inflation. Since FY2017 when TechShare revenue began to decline, we have cut the following five positions:

- the administrative assistant to the Executive Director;
- 2 full-time accounting staff; and
- 2 part-time interns.

Additionally, the Meeting and Membership Coordinator position was merged with the Marketing Coordinator for TechShare, resulting in savings for both CUC and TechShare.

Although TechShare will not provide revenue to CUC going forward, the entities will maintain a mutually beneficial arrangement of sharing operating expenses. CUC has shared staffing and other costs with TechShare, Public Power Pool (P3) and the Texas Indigent Healthcare Association (TIHCA) for a number of years – since their creation for TechShare and P3 and the last 14 years for TIHCA.

These relationships substantially benefit those entities by lowering staffing and administrative costs that each entity would incur were they to operate independently of one another. You can see that in the following allocations of personnel in the *draft* CUC, TechShare, P3, and TIHCA budgets for FY2023.

Position	CUC	TechShare	TIHCA	P3
Executive Director / General Counsel	30%	55%		15%
Policy Director	100%			
Policy Analyst	100%			
Policy Analyst	94%		6%	
Controller	5%	90%		5%
Receptionist	90%		5%	5%
Bookkeeper	5%	90%		5%
IT Systems Administrator	5%	90%		5%
Meeting and Membership Coordinator	40%	60%		

As an example of the savings to CUC, in FY2023 it is expected to pay roughly \$11,200 for the services of *both* the Controller and the Bookkeeper. CUC could not acquire the accounting services it receives at a lesser cost were this sharing relationship not to exist.

The entities also share administrative overhead, such as routine office expenses, insurance for both CUC and the Board, IT and telecommunications, software, etc.

Like all members, CUC is impacted by current inflation. Inflation is most evident in the draft FY2023 budget in the staffing line items. No pay increases were given to staff in FY2022. Given that and the current inflation rate, the draft budget includes an 8% increase in staff compensation. The budget also makes provision for expected increases in expenses related to employee health insurance, the annual conference, membership meetings (as 2023 is a legislative year), and for our outside auditor.

Note in the budget numbers in the first chart above that FY2023 budgeted expenses are shown to increase by \$94,000. That's not exactly correct. The FY2022 budget was adopted with anticipation that one policy staffer would be leaving for another opportunity and we would hold the position open during the non-legislative year. That did not occur, so our personnel expenses in FY2022 were under budgeted by roughly \$122,000. If that amount were included in FY2022, *expenses in FY2023 are budgeted to decline by \$28,000 in spite of staff raises and inflation.* (And despite the underbudgeting in FY2022, through careful management of expenses, CUC has positive net income this year as reflected in the financials presented to the membership last month.)

To make up for adding the policy staffer back into the budget, 8% pay increases and those items impacted by inflation, other budgeted items have been cut. For example, overhead is budgeted to decline by roughly \$50,000, and we've cut \$20,000 from the budget that was previously required by litigation brought against CUC. (CUC prevailed.)

For the last couple of years, I have been informing the membership of the impending loss of TechShare revenue. In presenting the FY2021 and FY2022 budgets, I called out the declining

TechShare revenue. Additionally, I have made several announcements to the membership regarding other non-dues revenue opportunities for CUC, such as 791 Purchasing Cooperative and Jail Advertising Network. The Board and I continue to explore other such non-dues revenue opportunities. Every opportunity brought forward presents savings or revenue potential for member counties. Please take advantage of those as a means of benefitting both your county and the CUC.

I think our financial performance over the last five fiscal years demonstrates that CUC operates in a fiscally prudent manner. But unless members want to curtail the Policy program by cutting critical staff, CUC cannot absorb the loss of \$115,000 in TechShare revenue without the dues increase recently approved by the Board.

The policy work of CUC is constant, and not confined to legislative sessions. Most recently CUC and our allies worked with legislative offices and were able to convince the Texas Juvenile Justice Department to pull back from the denial of transfers of youth offenders from county facilities. While not yet completely restored, TJJD has indicated it will move youths to state facilities on a case-by-case basis and offer some assistance to counties. In our discussions, we have also set the predicate of the state providing counties with state monies to utilize our existing juvenile facilities rather than pouring money into existing or new state facilities. If we are successful during the 88th Session, it will be a win/win as county juvenile departments do a better job offering services to youths, and counties will receive direct funding to offset the tremendous costs associated with our juvenile justice system.

During the 87th Session, CUC worked with legislative offices to ensure counties were major beneficiaries of the Opioid Settlement Fund. There were multiple efforts to limit the proceeds from not only litigating counties, but to also reduce the overall share distributed to all counties dealing with the increased health care costs from opioid abuse. CUC worked to maintain an equitable county share of the settlement fund, limit state control of those funds, and maintain county discretion over the proceeds. That work is paying off with the initial settlement payments to litigating counties and the initial disbursements from the Opioid Trust Fund to other counties coming soon.

Also during the 87th Session, CUC worked with our member counties and their bond counsels to maintain the use of certificates of obligations as sound financial instruments, and counties retain the authority to issue these debt obligations for refinancing efforts, development of critical infrastructure, and emergency response efforts.

These are just a few examples of the work done by our policy staff in both legislative and non-legislative years.

As always, I welcome member feedback. I hope you find value in your county's membership in CUC for both you and those you serve.

If you wish to speak with me directly, my cell number is 214-907-4603.

Sincerely,



John B. Dahill
Executive Director



Invoice

Date	Number
10/1/2022	103162

To
Collin County Honorable Chris Hill 2300 Bloomdale Rd, Ste. 4192 McKinney, TX 75071

Texas Conference of Urban Counties
500 W 13th Street
Austin Texas 78701

Terms
30 days

Description	Amount
Urban Counties FY 2023 Membership Dues	37,957.00
	Current Invoice Total \$37,957.00

Account Notes

<u>Preferred payment by Wire or ACH direct to:</u> Texas Conference of Urban Counties JPMorgan Chase Bank Routing #:111000614 Account #:88000071316	<u>Alternatively please make all checks payable to:</u> Texas Conference of Urban Counties 500 W. 13th Street Austin, Texas 78701
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EIN#	Phone #	Fax #	E-mail	Web Site
74-3019904	512/476-6174	512/476-5122	Accounts.Receivable@cuc.org	http://www.cuc.org