All Up In Your Budget | Episode-1: Conditions & Revenues
Jay Socol, Mary Ellen Leonard
July 12, 2021

Jay Socol:

Welcome back to All Up In Your Business. I'm Jay Socol and we are back with a special mini-series that is designed to break down the City of College Station's proposed fiscal year 2022 budget. So again, we are calling this collection of episodes All Up In Your *Budget*, alright? So, Director of Fiscal Services, Mary Ellen Leonard will once again be our tour guide. Thank you, Mary Ellen.

Mary Ellen Leonard:

You're welcome, Jay.

Jay Socol:

So, you're going to be helping us make sense of what is probably at least 300 pages of numbers and information that amounts to a roughly $353 million proposed budget and proposed tax rate that we're talking about remaining flat, and we're going to talk more about all that in just a minute. So, Mary Ellen, set the table for us a little bit in terms of the conditions that influenced this particular draft budget.

Mary Ellen Leonard:

So, I think the easiest thing to say for this particular draft budget is we are going back to normal. It was so much easier to prepare this budget because the governor had already announced that things would be opening up. There's the cancellation of the mask mandate for us and the numbers that we were seeing all year have, even during COVID, have been significantly better than anybody had anticipated. So, there's a collective sigh of relief and we're going back to normal. We're going to have football. We are going to be College Station as College Station is known and loved.

Jay Socol:

Well, I know when we talked about this a year ago, you had basically created these three scenarios, these three budget scenarios. One was a bad scenario. One was a super-bad scenario and one was a little bit better than all of that. So, I think we were about as conservative as could be. And so I guess for this one, we're probably in a little better shape than you had expected us to be?

Mary Ellen Leonard:

We're in a lot better shape than we had anticipated. I think the combination of being as prepared as we could be for a downside and then implementing that, it was all of the directors collectively together that held the hiring freeze that we had implemented that cut their existing expenses. We redid the capital plan and we put a lot of flexibility in last year's budget that allowed us to get to a point where we feel comfortable in saying we're going to go back to normal. And we do have some catch-up spending that we can implement this year. We're not that far behind. And I think it's just a much happier budget.

Jay Socol:

A happy budget. And we're also recording this a full three weeks ahead of when we did last year. And I know that brings an entirely different set of challenges, right?

Mary Ellen Leonard:

Yeah, exactly. The state legislature, they had put in Senate Bill-2, which put a lot of additional restrictions on when things had to happen, it also changed the timing. And in order for us to be able to give council the option related to the tax rates and anything they would need to do, we had to move the entire budget cycle up a month. So initially when we were dealing with that, we were not quite sure if that was just going to be another layer of uncertainty and we were going to get there, but with the fact that we have the additional revenue and we were conservative related to FY21, we were able to handle where we needed to be.

Jay Socol:

Yeah. Okay. So, let's dive right into the revenue side of things or the revenues that we expect to have available for us to perform all the functions of local government. So I suppose we'll be mainly focusing on general fund revenues, correct?

Mary Ellen Leonard:

Yeah. General fund revenues.

Jay Socol:

Go.

Mary Ellen Leonard:

So the general fund revenues primarily come from mainly two different sources. Well, two different sources are about 60% of it. And then we have another source that's about 15-20% of it. The first of those is the property taxes. And from the property taxes, there's another entity called Brazos Central Appraisal District and they go through and value everyone's property during the year. The city knows nothing about what that valuation is until we receive a kind of a summary letter when everybody else gets their letter.

Jay Socol:

Key point: the city doesn't assign a value to your property.

Mary Ellen Leonard:

No, not at all.

Jay Socol:

Okay.

Mary Ellen Leonard:

So that valuation we received at about -- the state determines when we get it, it's the end of April, April 30th. And in that valuation, we have a little over $13 billion within the city that would get valued. However, there's about three billion of that that is not taxable. That's things like the school district or churches or A&M property that isn't in their original kind of rectangle. And so that reduces the amount that everybody thinks, okay, everything's valued. No, it's really not because there's a lot of exempt property here in town.

Mary Ellen Leonard:

And then you take three zeroes off of that because your tax rate is actually per $100 of assessed valuation. It's not for every dollar of assessed valuation. And then you multiply it by our cents that we charge, which is 0.52 and some change and that number will not be changing. At least that's what we're proposing is to keep that the same. What happens with the property valuations is we ended up getting a little bit more revenue because the valuations went up last year when we were doing the budget, we didn't think that was going to happen, but it did this year because all over the place, everybody was exceeding what they had anticipated would happen with COVID particularly with sales tax.

Jay Socol:

Yeah. But it's still a little bit of guesswork as it relates to what you've built into this, right?

Mary Ellen Leonard:

It's a lot of guesswork because we don't get the final numbers until -- August 7th is the due date when we'll get the final numbers and we'll be finished with the budget workshops where we go over all of this in detail long before then. So we'll kind of be working a little bit to get those final numbers and make sure our guesses aren't too bad.

Jay Socol:

Can you give us any dollars associated with these revenues or even where some of these departments kind of fall in terms of revenues?

Mary Ellen Leonard:

So the revenues don't go to the department, it goes to the whole city.

Jay Socol:

To the funds.

Mary Ellen Leonard:

Yeah. And so the general fund over and the debt service fund that increase will be somewhere around $3.1 million that we'll receive from that.

Jay Socol:

Okay.

Mary Ellen Leonard:

Then we have sales tax and that's where another third of our revenue comes from. And our sales tax from a fiscal year 20, which was a non-COVID year to fiscal year 21 actually went up.

Jay Socol:

How did we do that?

Mary Ellen Leonard:

Good question. Everybody was asking, "How do we do that? What happened?" So we spent a lot of time in fiscal services, digging into a database that we have related to sales tax and doing some data analytics, and getting some analysis done. And we got a good chunk of it identified, but not all of it. The first thing is there was an agreement between the state and Wayfair. I think it was between South Dakota and Wayfair where online payments all had to be charged.

Mary Ellen Leonard:

So where there were entities that weren't charging sales tax for online payments, they now are. And we get a portion of that. That was about $555,000 just between FY20 and 21. And that didn't start until halfway through FY21. So then the second piece of it was we had about $382,000 from areas that we call our comp plan. So the planning department goes through and says, "Okay, we expect growth in this area. We expect growth in that area." And it's not every city or every place in the city. Our biggest growth was actually between George Bush and Southwest Parkway, right along Texas Avenue. So a lot of businesses like smoke shops and eyeglass places, they all had a significant amount of revenue as did Post Oak Mall, which shocked us.

Jay Socol:

Right.

Mary Ellen Leonard:

So we were quite surprised about that. And then we had $482,000 that came in from our top 12 or so taxpayers. So for everybody that went out and bought toilet paper at the beginning of the pandemic, I greatly appreciate that because toilet paper is taxable and their sales tax that we got off of that kind of run. And then, because the COVID thing lasted so long and everybody's bored in their house, they're going to places like Academy because it was still open to get fishing gear and camping gear, as well as Home Depot and Lowe's, which we both have in town to do home improvement projects at their own home while they're sitting there staring at those four walls.

Jay Socol:

So a lot of those dollars that would be spent in other cities with people traveling, they stayed here. I mean, how many Amazon deliveries did you have at your house? Because we had a bunch, surely that factored in as well.

Mary Ellen Leonard:

Yeah. That actually factored in that Wayfair agreement. Believe it or not, Amazon was not in our top 10 taxpayers. And then between that agreement and everybody online shopping are online receipts from sales tax went way up.

Jay Socol:

Well, and we also did a big push on -- folks if you have to get out, at least go support our local merchants. Do the curbside pickup or whatever. And I think a lot of people did that. I think people were rooting for and trying to support these local businesses.

Mary Ellen Leonard:

I think so, too, because the other thing that we identified was about a little less than $300,000 that came in from new businesses that opened up during the pandemic. Walk-Ons -- Walk-Ons, from the sales tax amount, I know they opened during the pandemic. They have done a decent job of starting up a business in an environment that you just wouldn't want to start a business in.

Jay Socol:

Okay. What else do we need to know from a revenue scenario as it relates to this proposed FY22 budget?

Mary Ellen Leonard:

So the only other thing is last year, again, being conservative, we looked at the utility transfers. The utility transfers are essentially a dividend that because we own the water company, the wastewater company, and the electric company -- we being the city can pay ourselves a dividend. And that -- amounts were increased last year for the electric fund. And we're keeping it at the same level this year, we're not changing it again. So that's the other piece of it.

Jay Socol:

Right. So before we move on, anything else related to revenues?

Mary Ellen Leonard:

Yeah, actually there's one other piece. So we have fees that we charge for things like permits and court fines and fees, as well as parking…not parking, the parks group. The permitting fees, last year they didn't go up at all. We have those indexed to the CPI-U, the consumer price index. This year, it's going to go up 1.7% for just the permitting fees.

Jay Socol:

Okay. So did we do okay on revenues?

Mary Ellen Leonard:

I think we did.

Jay Socol:

We did okay on revenues. Alright. So, that's an overview of the revenue side of this proposed budget. In the next episode, Mary Ellen, you're going to give us highlights of the expenses that are proposed for FY22, right? And by the way, if you want to take your own look at this proposed budget, you can visit **cstx.gov/budget**. You'll see the document there. So, for now, thanks for listening. Thanks for watching All Up In Your Budget.