

All Up In Your Budget | Episode-3: Enterprise Funds
Jay Socol, Mary Ellen Leonard
July 12, 2021

Jay Socol:

Welcome back to All Up In Your Business. I'm Jay Socol with Finance Director Mary Ellen Leonard. This is episode three of our All Up In Your Budget mini-series about the city's proposed fiscal year 2022 budget. This time, Mary Ellen, you're going to be tackling enterprise funds. So electric, water, wastewater, solid waste, Northgate parking -- all those glamorous areas. So, with that in mind, what should we know about these particular areas and how they look in this proposed budget?

Mary Ellen Leonard:

So, these are the businesses that the city runs. We operate just like any other business would. The biggest thing I think has to do with what is called Winter Storm Uri. So, in case anybody missed it, it got really cold...

Jay Socol:

And really dark...

Mary Ellen Leonard:

...in February. Yeah, cold and dark.

Jay Socol:

Yeah.

Mary Ellen Leonard:

So, Winter Storm Uri, because we actually purchase all of our electricity off of the electric grid, we got a big bill, a really big bill. For the city, it was \$48 million. And that \$48 million came in two components. The first component was to replace the power supply. So, because there were plant failures and windmill failures and yada, yada, yada, we had to go to the grid and buy essentially on the spot market electricity to even have any electricity to turn off and on for people. That cost was about \$13 million. Then there was another cost that is what's called ancillary services.

Mary Ellen Leonard:

And the easiest way for me to think of it is, if everybody in the city decided they were going to turn every light on in their house and use their oven and their heater all at the same time, our business has to be able to make sure that that can happen without a problem. And we don't buy the electricity for that to happen because that would just be silly. But we do have to pay a dollar amount related to that. And because of the way the ERCOT rules were written, that bill for the city was \$34 million.

Jay Socol:

But was that all from local consumption and so forth? Or did we have to kind of foot a portion of the bill for other parts of the state?

Mary Ellen Leonard:

No, we haven't got that yet. We don't have that portion yet.

Jay Socol:

Oh, perfect.

Mary Ellen Leonard:

So, the portion that we footed, the \$48 million, was just for College Station. It amounts to about \$1,100 per meter or per customer that we would have for the city...

Jay Socol:

That's what it would've cost each of those customers.

Mary Ellen Leonard:

If we had actually put it on the bill, that's what it would have cost them. But we didn't do that, because we were conservative and had been saving money for years and had that amount of money. We also don't anticipate that we're going to... we're not going to raise the rates for electric to try and recoup some of that. We think that we're going to be able to manage it with the power supply contract changes that we have coming, as well as some adjustments to their capital plan and some other things that we've done, so that we don't have to raise those rates right now.

Jay Socol:

I think that's remarkable. Because if this had happened say, eight years ago, 10 years ago, I don't know that we could do that. I think that past councils have deliberately made sure that the electric fund would be healthy enough to where we could absorb something like this should it ever happen.

Mary Ellen Leonard:

I think so, too. And I think the foresight that they had, actually we benefited from. You mentioned about the... are we paying for bills for the other part of the state? And that hasn't been decided yet. So, the whole caveat with, "Okay, we're not raising anybody's electric rate," is, we don't know what the state legislature is going to do, and how that bill is going to be settled. Right now, under the existing rules, it will take 96 years for everybody that is still in business to pay back the generators, the amount of money from the companies that went bankrupt. And at 96 years, College Station's portion of that is minimal, and we think we can absorb it without raising the rates at this point in time. But if the rules change and we don't control the rules, then that may have to change. But we have already checked to make sure

that that would get highlighted on their bill, that it was something that was coming from the state.

Jay Socol:

Okay. Anything else about the electric fund at least?

Mary Ellen Leonard:

No. We issued some debt for them, to keep them whole, we're going to do that again for FY 22, but that is what is going to keep us from being able to raise anybody's rate. So, I think all in all, I'm really happy with how we weathered the storm.

Jay Socol:

Yeah, literally. You want to move on to, what, water, wastewater?

Mary Ellen Leonard:

Yeah. Well, actually water and wastewater. They operate together, so we can do those together.

Jay Socol:

Okay.

Mary Ellen Leonard:

So, water and wastewater, they did really well in the storm. We only had one major breakage that had to be fixed, and it was actually on the Wellborn side. So, there was really no significant damage per se, and there could have been, there could have been a lot of pipes breaking. We don't think that we're going to have to change the water or the wastewater rates for next year either as a result of this storm. In addition, all three of those, what we call our metered utilities, they're going to be able to get their 75% of the COVID expense reductions back, as well as whatever they had on the hiring freeze. And wastewater has some industrial treatment lab work that's kind of expensive that they're going to need to get done, as well as one other SLA or request. But I don't remember what that is.

Jay Socol:

Question: So, it feels like now it's been raining forever. And when it rains like this forever, fewer people are running their sprinklers and all that kind of stuff. Do you feel like, that this is going to have any kind of significant impact on the revenues we typically generate this time of the year in water sales?

Mary Ellen Leonard:

We don't think so. Only from a standpoint is, I mean, we're not weathermen, but we do try and take that kind of factor into effect. We don't use the direct last year as, "Okay, that's the revenue we're going to get." It's actually an average over, I think it's like 10 years that we use to

predict. Which kind of smooths out the, it's hot one year and there's drought, and it's rainy one year and you know, we're living in the rainforest. So that kind of all smooths out.

Jay Socol:

Okay. Anything else about water or wastewater?

Mary Ellen Leonard:

No, I think we are good with them. We are really pleased that we were able to get through those with no rate increases.

Jay Socol:

Okay. That's good. So, no proposed rate increases for electric, none for water or wastewater.

Mary Ellen Leonard:

Nope.

Jay Socol:

We're good there.

Mary Ellen Leonard:

So, the other two, we call them minor. And they're not minor, but we call them minor enterprise funds, just because they don't generate as much revenue as the other three. The solid waste fund which is the trash pick up, they have done really well also. Their rates are tied to the CPI-U, so the consumer price index, just like some of the rates in the general fund. So, there'll be a 1.7% increase in the rates on that side. But just because that that's what the inflation factor is for the last two years, because we didn't raise them last year. And then they are requesting another operator, as well as another truck. And trash trucks are expensive.

Jay Socol:

Yeah, I guess they are.

Mary Ellen Leonard:

And they're going to get... Well, they're requesting those, as well as some software so that they can remap much more efficient trash routes to be able to pick those up. And then the Northgate parking, they took a big hit revenue wise. Because nobody's here to park in the garage, right?

Jay Socol:

Right, right.

Mary Ellen Leonard:

So, they have some street level kind of meter replacement and dome replacements they need to do for parking. But we're kind of taking a wait and see attitude a little bit with the parking garage to see, is it being utilized now that A&M's got new parking garages and that kind of thing. So, we're just taking a little bit of a wait and see attitude there.

Jay Socol:

Parking garage, the surface lot, kind of behind the Dixie Chicken in that area, and the street parking.

Mary Ellen Leonard:

Yep, yep.

Jay Socol:

Right.

Mary Ellen Leonard:

Yep, that's the parking enterprise.

Jay Socol:

Okay. What else do we need to know about these funds, these enterprise funds?

Mary Ellen Leonard:

There's two more. I think they're actually included in special revenue in the budget book, so it's a little bit confusing. But they show up on your utility bill, which makes them real confusing. The drainage utility and the roadway maintenance fee.

Jay Socol:

Okay.

Mary Ellen Leonard:

The drainage utility is basically to help with the culvert, and when there is too much rain and we're living in the rainforest. And then the roadway maintenance fee is put in... I think it was in 2017 maybe, to help get some additional materials for road repair and maintenance along the way. And everybody that drives on the road is not necessarily a citizen of College Station, but they could get a utility bill. So that's where that extra money comes in. And those two are both going up 1.7% too, because they're on that CPI-U.

Jay Socol:

Okay. Did we do okay or we miss anything?

Mary Ellen Leonard:

I think we got it all.

Jay Socol:

That's enterprise funds. Alright, in our final exciting episode of this mini-series, Mary Ellen will be focusing on capital projects. We also may be discussing debt a little bit. Okay?

Mary Ellen Leonard:

Okay.

Jay Socol:

So, another reminder, if you want to take your own look at the proposed budget, visit cstx.gov/budget. You'll find the document there. And again, thanks for listening to, or thanks for watching us, for All Up In Your Budget.