



AGENDA MEMORANDUM

One-Reading Ordinance for the City Council Meeting of March 30, 2021

DATE: March 23, 2021

TO: Peter Zaroni, City Manager

FROM: Heather Hurlbert, CPA, Director of Finance and Business Analysis
Heatherh3@cctexas.com
361-826-3227

<p>One-Reading FY 2021 Operational Budget Amendment to appropriate additional revenue and expense amounts in the Gas Fund as a result of the February 2021 extreme weather event</p>
--

CAPTION:

One-reading ordinance amending the FY 2021 Operating Budget to appropriate \$40,700,000 in additional revenues and expenses in the Gas Fund due to the February 2021 extreme weather event.

SUMMARY:

This ordinance amends the Gas Fund's FY 2021 Budget to increase both revenues and expenses by \$40.7 million to account for additional revenue and expenses resulting from the historical spike in price and usage caused by the extreme weather event that occurred February 14 to 19, 2021.

BACKGROUND AND FINDINGS:

During February 14 to 19, 2021, the State of Texas experienced exceptionally cold weather across the state. This event caused extreme strain on the electric power grid which resulted in rolling black-outs and a historical spike in prices of natural gas and electricity. The unprecedented price spike caused the average monthly price of natural gas provided to the City's Gas Utility customers to increase from \$4.09 per one thousand cubic feet (mcf) the week prior to the extreme weather event to over \$100 per mcf for several days during the event. This unprecedented pricing along with increased demand resulted in the City receiving a \$40.7 million invoice from the City's natural gas supplier, NextEra, for February gas usage. The average monthly natural gas bill during winter months is typically \$1.5 million, and so receiving a bill that is \$40.7 million for one month put undue strain on the Gas Department's budget.

The City of Corpus Christi will issue private placement taxable utility revenue notes in the amount of \$35 million to fund the additional gas cost and then pass this cost on to customers over a seven (7) to ten (10) year period. It is anticipated that the Gas Department will receive approximately \$5.7 million in additional revenue during the month of February due to high gas usage. This revenue along with the proceeds from the utility revenue notes will be used to pay the February gas bill of \$40.7 million by its due date. The expense exceeds the amount budgeted in the FY 2020 Gas Fund budget, and as a result, the City Council is being asked to amend the FY 2021 operating budget in the Gas Fund to appropriate \$40.7 million of additional revenue and expenses to account for the extraordinary expense resulting from the extreme weather event in February 2021.

This item is a one-reading ordinance to allow the Gas Department to pay the \$40.7 million owed to the natural gas supplier, NextEra, per the payment terms.

ALTERNATIVES:

City Council could choose not to approve the amendment and not appropriate the additional \$40.7 million in the Gas Fund, but then the Gas Department would not be able to pay the amount owed to the gas provider due to an insufficient budget.

FISCAL IMPACT:

This item will amend the FY2021 budget and appropriate an additional \$40.7 million in revenue and expense in the Gas Fund.

Funding Detail:

Revenue:

Fund:	4130 Gas Fund
Organization/Activity:	34000 Gas Administration
Mission Element:	888
Project # (CIP Only):	n/a
Account:	345380 Proceeds of Sale of Notes
Amount:	\$35 million
Fund:	4130 Gas Fund
Organization/Activity:	34000 Gas Administration
Mission Element:	888
Project # (CIP Only):	n/a
Account:	324160 Purchased Gas Adjustment
Amount:	\$5.7 million

Expense:

Fund:	4130 Gas Fund
Organization/Activity:	34100 Natural Gas Purchased
Mission Element:	21
Project # (CIP Only):	n/a
Account:	520200 Natural Gas Purchases
Amount:	\$40.7 million

RECOMMENDATION:

Staff recommends amending the FY 2021 Operating Budget by appropriating an additional \$40.7 million of revenue and expenses in the Gas Fund due to the February 2021 extreme weather event.

LIST OF SUPPORTING DOCUMENTS:

Ordinance