REGULAR BOARD OF DIRECTORS
Meeting Notes
May 13, 2019

Consideration to Approve a Purchase of Steel Poles for a Transmission Line
The Board approved a contract with MVA Power to purchase steel poles for the Rodgers to Rayburn 69kV transmission line project.

Consideration to Approve a Change Order for the Lake Bryan Dam Repairs
The Board approved a change order to the original contract with Rebel Contractors for repairs to the south dam at Lake Bryan.

Distribution Service Center Project Update
Mr. Randy Trimble, Executive Director of Energy Delivery, updated the Board regarding the proposed Distribution Service Center, including entering into a professional service contract with an architectural firm to assist with the development of a master plan. The Distribution Service Center is proposed to include offices, truck bays, loading areas, and new warehouse facilities.

Presentation of the City and Rural Financial Measures
Mr. Doug Lyles, Chief Risk Officer, discussed the annual City and Rural five-year financial forecast and key financial measures. The presentation reviewed BTU’s outlook and financial health for budgeting purposes.

Consideration to Approve a Five-Year Capital Improvement Plan
Mr. Joe Hegwood, Chief Financial Officer, reviewed the Capital Improvement Plans for all divisions of BTU. The budget reflects an increase from last year’s plan due to additional funding for the proposed Distribution Service Center.

Discussion Regarding Fiscal Year 2020 Operating & Maintenance Budget
Staff reviewed the proposed Operating and Maintenance budget. The proposed City System budget is 1.3% lower than the FY 2019 budget. The proposed Rural System budget is 27% lower than the previous year due to a one-time expenditure for a Pole Inventory Audit.
1. What does the abbreviation AC/DC stand for? (Tip: it’s not a band.)
   A. Analog current, digital current
   B. Alternating current, direct current
   C. Acceptable current, deficient current
   D. Arc current, down current

2. Electricity travels at the speed of light, 186,000 mi/sec.
   A. True
   B. False

3. LED lightbulbs use at least ___ percent less energy, and last ___ times longer than incandescent lighting.
   A. 50, 10
   B. 40, 15
   C. 60, 5
   D. 75, 25

4. The first president to have electricity in the White House was?
   A. 20th President – James A. Garfield
   B. 23rd President – Benjamin Harrison
   C. 19th President – Rutherford B. Hayes
   D. 27th President – William Howard Taft

5. Transformers do what to electricity?
   A. Change the amperage
   B. Increase the power
   C. Generate electricity
   D. Change the voltage

6. Using a ceiling fan will allow you to raise the thermostat setting ___ degree(s) without affecting your comfort.
   A. 1°
   B. 4°
   C. 15°
   D. 3°

7. What are Energy Star® rated appliances and products?
   A. Products approved by BTU to perform the best
   B. Products only used in cold climates
   C. Products independently certified to save energy
   D. Products only used in warm climates

8. BTU has been operating since?
   A. 1909
   B. 1953
   C. 1981
   D. 1924

Every business has some sort of fiscal department responsible for its accounting and finance functions. They handle the typical accounting process tasks such as payroll, accounts payable and accounts receivable as well as maintaining the financial systems for managing and reporting those costs and revenues. It will come as no surprise BTU has a fiscal department that is responsible for these activities. The challenge that BTU’s Fiscal department faces is that while most businesses are concerned with making a profit, BTU's primary financial objective is to align rates to recover only the cost that it takes to serve our customers.

While recovering costs may sound simple, in reality, it involves many moving parts. The Fiscal department is not only responsible for payroll and accounts receivable and payable, they also reconcile accounts on a daily basis leading up to a monthly reporting cycle. This includes payments from the more than 59,000 BTU customers with two separate accounting systems (city and rural), income and expenditures related to wholesale power supply, and debt service associated with large projects. These detailed processes are ultimately summarized by the Fiscal department into monthly and annual reports that provide a financial scorecard. This reporting provides BTU's operating managers a valuable tool in conducting their daily operating functions.

According to Joe Hegwood, the City of Bryan and BTU's Chief Financial Officer, “BTU's primary objective is to provide customers with reliable and economical energy while maintaining an excellent financial standing. Providing timely, accurate and relevant financial information is key to achieving that objective.”

The hard work and success of the Fiscal department is evident in BTU's rates remaining consistently competitive with peers while achieving exceptional credit ratings. In November 2018, BTU received credit rating upgrades by both Fitch and Standard and Poor’s bond rating agencies. This upgrade is important in that it allows BTU to borrow money at a lower cost, ultimately saving money for the customers, while allowing BTU to invest in projects that improve reliability and accommodate growth throughout the service territory.

BTU’s Fiscal department is also responsible for leading the financial planning process for the entire organization. This includes working with all BTU operating departments in preparing the budget documents for each fiscal year and as the year progresses, comparing budget amounts to actuals. The BTU budget is initially approved by the BTU Board of Directors and then included in the much larger City of Bryan budget approved by the Bryan City Council each year.

“The budget outlines the projects and operations for the coming year and provides a road map to achieving BTU’s financial goals in support of BTU’s broader goals of providing reliable and economical energy,” Hegwood said. “This financial document dictates the direction and focus of business as determined by the BTU Board and the Bryan City Council.”

The Fiscal department monitors the health of BTU and as such is responsible for prudently allocating resources, forecasting future financial status, and managing day-to-day financial activities. They do so with an accurate, timely, valuable, and strategic approach. Ultimately, the Fiscal department plays an essential role in maintaining the excellent service provided to BTU customers.
Producers Cooperative Association in Bryan is one of the largest member-owned local agricultural supply cooperatives in the nation. Founded in 1943, Producers manufactures multiple types of livestock feed and offers a complete line of products and services including fertilizer, seed, fuel, agricultural supplies, and lawn and garden supplies.

We recently spent an afternoon with James Deatherage, the president of Producers, and some of his staff members, to find out more about the Co-op: How it works, how time and technology have changed things, what are the challenges facing agriculture, and how the Co-op has evolved to meet the needs of today's agricultural community.

Here are some excerpts from our interview, edited for space and clarity:

Tell us all about Producers

James Deatherage: We’re a true agricultural center. We supply products, programs, and services to the agricultural community. Now, the agricultural community landscape has changed because of urbanization and who our customer base is. Today, we still have a very strong customer base of those people who do this for a living (ranchers and farmers) and then obviously some folks who do it because they enjoy it, or it’s not their full-time job.

And so, it’s mixing and matching. It’s our goal to satisfy all of our customers’ needs, whether or not they do this as their sole source of income, or just part-time income or a hobby.

We have four operating divisions here: The Supply Store, Feed Division, Agronomy Division, and an Energy Division.

The Supply Store, ranges everywhere from the lawn and garden center to animal health, to the hardware that’s needed for the agricultural community.

The Feed Division is where we manufacture our own feed. We buy raw inputs – many from our farming community – and then turn around and process that. We have a nutritionist on staff that will formulate those rations that we turn into a complete feed to sell to ranchers or to the community depending on what their needs are or what kind of livestock they may raise.

We have an Agronomy Division, which is crop nutrients and crop protectants. So, we’re selling you products that help your crop grow. Now, today, the definition of crop can still be the traditional corn, cotton, wheat, or grain sorghums, but we also have customers who just want to make their
yard grow. So, we make our own bagged fertilizer. No one has the luxury of picking their customers, so we have to move toward what the customer is wanting. But if it still is driven by agriculture or agricultural inputs, we believe that we’re satisfying that need.

We have an Energy Division that sells refined fuels to farmers and ranchers because they have a lot of tractors, they have a lot of needs for the fuel division to help them keep their systems running.

Those four main operating divisions are what makes up Producers Cooperative.

How did this all get started, and how does membership work?

James Deatherage: Producers was formed in 1943 by some farmers and ranchers who felt that if they could band together, they could buy their feeds at a better price. And so that’s how we were formed. We are a true cooperative. We’re governed by our members. Members will elect folks out of the membership ranks to represent them and those members become our board of directors, and I answer to the board of directors. It’s a nine-member board made up of farmers and ranchers.

You don’t have to be a member to buy here. Anyone can walk in the door and purchase supplies, and there’s not a difference in pricing based upon your membership. But membership allows you to attend the annual stockholders meeting and participate in the governance of the co-op, and it allows you to participate in the patronage dividend program.

How does someone become a member?

James Deatherage: Well, you have to be an agricultural producer to be a member – that you are buying products from us, with an intent to produce agricultural products for resale.

Traditionally the “three Cs” are what we raised here: Cattle, cotton, and corn. Those are what kind of started it. But we’re not here to define agriculture. So, if you can show that you grow a product with the intent of resale, then that makes you an agricultural producer.

When someone says, “Well, I’ve got 10 beehives out there and I’m harvesting the honey and I’m packaging the honey, and I’m selling it,” then you’re an agricultural producer. So, we have our core thoughts about the definition of agricultural producer, but those are not the only cases.
How has technology changed things?

James Deatherage: It’s made us better. The changes in technology are tremendous.

In our Agronomy Division it impacts how we blend fertilizer and how accurate we can be with crop nutrients. By testing soil samples, we can be very targeted. Today, we have technology that allows us to show that certain parts of your land don’t need certain nutrients. So, why waste customized fertilizer on 500 acres, when really only 150 acres needed those specific nutrients.

In our Feed Division, we’re making better, more highly improved feeds – very, very, high-quality feeds – right here in Bryan. We test every ingredient that comes in the door, and every load of feed that goes out. If a rancher comes in and says that they need a high-end show feed for their livestock to gain weight, we can be very, very specific with that.

We’re using robotics to help solve inefficiencies. We’re putting variable-speed drives on all of our big machinery and converting all of our lighting to LED to help create energy cost savings. We’re always looking to be as energy efficient as we possibly can.

What does the future of agriculture look like? And what is Producers doing to try to shape that future?

James Deatherage: We’re really big on education here. We put on Saturday classes in the fall and spring to educate folks on how to use our products.

We put on our own TV show here. “From the Ground Up” is our program that we started sponsoring. We have over 1,000 episodes over 20 years. We partnered with KBTX and Todd Carroll has been producing the show for us since our start, but it originated here at Producers Cooperative Association. And so, we tell the story of agriculture.

We’re very big on supporting youth in agriculture. But we’re also taking our message out to folks who don’t quite understand how agriculture touches their daily lives. And there’s a big disconnect today – folks don’t realize where their food and fiber come from. And so, we’ve minimized the farmer. We’ve minimized the rancher. Because food just magically appears in a grocery store.

If we don’t educate today’s youth about where their food and fiber originate, we’re in a jam because they no longer will put an importance on it. And so, it’s up to us, it’s up to you, it’s up to all of us to say, “Hey, let’s educate where our food and fiber originate.”

If you’ve been to some other countries where food is not as plentiful as what we have here, you have a greater appreciation for it. Remember, two percent of today’s population feed the rest. There’s fewer and fewer farmers. We’re more efficient. We do such a good job at what we do. Our grocery store shelves are always full. We’ve taken agriculture for granted. So, we all better be an advocate for agriculture.
The City Course at the Phillips Event Center, located in Bryan, Texas, is a regulation course that carries modern style throughout each of its 18 challenging holes. The Dr. Marvin H. Ferguson design offers a park-land style of play with tight fairways and small greens that are sure to challenge any and all golfers. From the champion tees, the course measures 6,748 yards and is rated at a par 72.

High standard of quality brought to all golfers at a fair price.

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