

# City Council Agenda Memo

**From:** Erick Rangel, Chief Financial Officer

**Council Meeting:** February 18, 2020

**Subject:** City Council Financial Policy Funds (CCFPF)

**Person(s) Responsible:** Erick Rangel, Chief Financial Officer

## **Summary:**

The estimated General Fund 2019 balance after applying the Comprehensive Financial Management Policy reserves requirements results in a surplus. City staff is recommending usage of this surplus in line with City policy, Council Strategic goals and priority infrastructure needs. The Chief Financial Officer (CFO) presents updates to the CCFPF quarterly and current recommended funding of projects is attached to this memo.

## **Background:**

In 2019, City Council changed the General Fund Reserve Policy to ensure adequate funding existed for emergencies. Additionally, a secondary layer of reserves was created to account for the negative impact of fluctuating sales tax should a slow in the economy occur. Approximately 20% of the General Fund Operating Budget is set aside for these two committed reserves. These measures ensure citizens will not be impacted with lost services and protect existing positions within the city. In addition, the policy ensures the City of Brookings is following proper best management practices for reserves.

A Comprehensive Financial Management Policy was created that collects all excess funds from the General Fund beyond the necessary 20% restricted reserves. Within the policy, funds should be designated first for projects and/or paying off debt. Quarterly, the CFO presents total estimated General Fund Balance for guidance and direction of City Council. Operations or funding of ongoing expenditures is not advised as this revenue source is seen as a onetime opportunity. Thus, funding an ongoing expenditure would be unsustainable.

## **Item Details:**

Based on preliminary 2019 financial results, the City Council Financial Policy Fund has an estimated balance of \$7,549,178. This amount has been updated to contain the General Fund's 2018 audited surplus. The fund also increased by utilizing \$1.2 million of the economic reserve for strategic projects thus leaving more in Council's reserves. The 2019 excess funds are provided, but since they are not audited, an amount is identified to grant contingency as the financials have not been finalized.

After taking into consideration City Council approved projects, the available balance to fund other primary projects is estimated at \$4,954,176. At the second quarter CFO update, a final number will be given assuming the audit is complete.

Staff has prioritized a Council recommendation based on projects which were cut throughout the 2019 Budget. The projects either meet Council's Strategic Plan, assist with existing infrastructure, or meet a long-term need with an adequate return. The attached City Council Financial Policy Project detail is provided.

**Legal Consideration:**

None.

**Strategic Plan Consideration:**

A strategic initiative from the 2018-2023 City of Brookings Strategic Plan will be discussed during the strategic vision portion of the formal presentation, which states "to maintain facilities with a sustainable plan, to develop and implement a new parks masterplan, to develop and implement a Downtown Masterplan, and to finalize plans for indoor recreation complex."

**Financial Consideration:**

City Councils Policy for reserves and City Council Priority Projects is met by this recommendation. Excess funds will be utilized for onetime projects or buying down debt and not ongoing expenditures.

**Supporting Documentation:**

1. Presentation