

City Council Agenda Item Memo

From: Jacob Meshke, Deputy City Manager
Ashley Rentsch, Finance Director

Council Meeting: September 10, 2024

Subject: Budget Workshop #1

Person(s) Responsible: Jacob Meshke, Deputy City Manager
Ashley Rentsch, Finance Director

Summary and Recommended Action:

The City will host a series of budget workshops to ensure a transparent and engaging budget process. Budget Workshop #1 will focus on a budget overview, operating budget, and outside agencies. Staff will present balanced and sustainable budgets to City Council. Budget Workshop #1 is informational and conversational in nature. City Council is encouraged to ask questions and engage in discussion.

Item Details:

The City of Brookings adopts a budget on an annual basis to set the strategic direction for the upcoming year. At the completion of the six (6) month development and adoption process, the budget serves as a policy tool, operations guide, financial plan, and communications device.

To ensure a transparent and engaging budget process, the City will hold a series of workshops. Budget Workshop #1 will be held on September 10th and focus on a budget overview, operating budget, and outside agencies. A second budget workshop will be held on September 24th to discuss the 10-Year Capital Improvement Plan and the Consolidated Fee Schedule. A third workshop date will be available on October 8 for any further budget discussion and clarification as desired by City Council.

The first reading of the budget ordinance is scheduled for October 22nd. The second reading of the budget ordinance, adoption of the 10-Year Capital Improvement Plan, and adoption of the Consolidated Fee Schedule is scheduled for November 12th.

Staff will break the budget down into four (4) primary components for City Council – General Fund, Special Revenue/Debt Service/Tax Increment Finance (TIF) Funds, Enterprise Funds, and Capital Improvement Plan (CIP).

- The General Fund encompasses the primary City operations such as Public Safety, Public Works, and Parks, Recreation, and Forestry, which contribute to Brookings high quality of life, strong neighborhoods, and safe and welcoming community.

- Special Revenue Funds must be used for specific purposes, which are legally restricted or committed.
- Enterprise Funds are meant to operate in business manner focusing on cost recovery.
- The 10-Year CIP will show one-time purchases, generally over \$25,000, over the upcoming 10-year window.

In 2022, the City made a change to the timing of the budget process to take advantage of a new state law allowing for delaying the budget process until later in the year. The additional time provides staff further opportunity to analyze revenue and expenditure trends, which allows for more accurate budget forecasting. To accommodate the later adoption of the budget ordinance, the Property Tax Levy comes before City Council as a separate ordinance for first reading on August 27th and second reading on September 10th.

Budget Workshop #1 will focus on a budget overview, operating budget, and outside agencies. The proposed 2025 Budget is \$72,849,780, which is an increase of \$2.5 million, or 3.5%, from the 2024 Adopted Budget. Over \$2 million of the increase is driven by the Special Revenue/Debt Service/TIF Funds with projects planned for storm drainage based on the Storm Water Master Plan and increased TIF revenues.

The budget includes a proposed balanced General Fund of \$21,860,776. The \$21.9 million proposed 2025 General Fund Budget is a \$474,720, or 2.2% increase, from the 2024 Adopted Budget. The budget is considered balanced as revenues are equal to expenditures. Public Safety, Public Works, and Parks, Recreation, and Forestry account for approximately 73% of the General Fund expenditures. The budget does account for adding two (2) positions in the General Fund – Associate Planner and Mechanic. These positions were strategically identified to further functional and operational capacity. The City has taken a long-term orientation on the General Fund and has projected out 10 years to show today's financial decisions are sustainable. Revenues are projected to keep pace and slightly outperform expenditures over the next decade.

Sales Tax (46.9%), Property Tax (19.4%), and Transfers (15.5%) account for approximately 82% of General Fund revenue. In consideration of the sales tax Brookings Municipal Utilities (BMU) will pay on the significant water treatment plant construction project, BMU is decreasing the annual transfer to the City of Brookings by \$300,000. The decrease in the annual transfer is being balanced by the sales tax BMU is paying as part of the construction project.

Special Revenue/Debt Service/TIF Funds total \$12.4 million, which is an increase of \$2 million, or 19% from the 2024 Adopted Budget. Changes to the Special Revenue and Debt Service Funds are typically project driven. The slight decrease in the Dacotah Bank Center expenses is due to a reduction in ancillary expenses and the management fee. TIF Funds are up significantly due to the performance of TIF's seven (7) and eleven (11). The 3rd Penny Fund is primarily used to fund outside economic

development agencies. The Fund is increasing due to projected increased revenues as well as the modest use of reserves. The City operating subsidy to the Dacotah Bank Center is budgeted at \$390,000 in 2025, which is up from \$260,000 for 2024. The increased allocation is meant to align budgeted dollars with anticipated need. Over the past several years, an end-of-year budget amendment has been needed to balance the Dacotah Bank Center budget. The Storm Drainage Fund is increasing to fund projects identified in the Storm Water Master Plan. City Council recently adopted an updated Storm Drainage Fee System and staff has a financial model in place to ensure financial sustainability of the Storm Drainage Fund. Public Art is funded through a formula applied to the City's Capital Improvement Plan. The Public Art contribution from the CIP for 2025 is projected at \$99,939.

Enterprise Fund expenditures total \$24.9 million for 2025. Enterprise Fund expenditures decreased by over \$480,000, or 1.9%, from 2024. The slight decrease is primarily driven by large capital projects in 2024 for the Airport (parallel taxiway construction) and Edgebrook Golf Course (water source improvements).

The Liquor Store has a balanced operating budget, which includes a \$387,000 transfer to the General Fund and \$100,000 transfer to Edgebrook Golf Course to support operational expenses. Solid Waste Disposal/Landfill is using \$3.3 million of contributed capital/reserves to support improvements (leachate forced main construction, equipment replacement, and facility maintenance) guided by the Solid Waste Master Plan. Additionally, a part-time scale attendant position will go to a full-time position to enhance operational capacity. As part of the Solid Waste Master Plan, a comprehensive financial model was created to ensure revenues sustain operational and capital expenses. Solid Waste Collections is using just over \$325,000 of contributed capital/reserves to replace an automated collection truck and conduct a route optimization study. The Airport has a balanced budget, with an operational subsidy from Solid Waste and capital transfer from the CIP. Edgebrook Golf Course is projected to operate at approximately a \$30,000 surplus with a transfer from the Liquor Store for operations and CIP for capital projects (equipment replacement). The Research and Technology is projected to operate at approximately a \$45,000 surplus, which is transferred to the General Fund to support operations.

All outside agency funding applications and required reports were received within deadlines. Outside agency funding recommendations align with City Council policy. Economic development agencies are recommended to be cut in 2025. The primary driver for the cuts is aligning the budgeted subsidy for the Dacotah Bank Center with anticipated operational need. Two (2) meetings were held with the economic development agencies to be transparent about budget standing and take in feedback to assist in the developing a recommended budget. The budget does include \$100,000 for the local scholarship fund from Liquor Store reserves.

Legal Consideration:

None.

Strategic Plan Consideration:

- Fiscal Responsibility – The City of Brookings will responsibly manage resources through transparency, efficiency, equity, and exceptional customer service.
- Safe, Inclusive, Connected Community – The City of Brookings will create an environment for inclusive programs, gathering places, and events where the community can safely live, work and come together to participate in opportunities for learning, recreation and enjoyment.
- Service and Innovation Excellence – The City of Brookings will provide an accessible environment committed to ongoing innovation and outstanding service through listening and engagement.
- Sustainability – The City of Brookings will meet environmental, community and economic desires and needs without compromising future generations' quality of life by strategically planning, implementing and maintaining infrastructure and facilities.
- Economic Growth – The City of Brookings will support effective diversified community investment and equitable opportunities for prosperity.

Financial Consideration:

City staff will present balanced budgets which promote a sustainable future and help the community achieve its dreams.

Supporting Documentation:

Budget Presentation

Budget Detail

Outside Agency Funding