

City Council Agenda Memo

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

Council Meeting: September 24, 2024

Subject: Budget Workshop #2

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 #2 will focus on the 10-Year Capital Improvement Plan (CIP) and Consolidated Fee Schedule. Staff will present balanced and sustainable budgets to City Council. Budget Workshop #2 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 was held on September 10 and focused 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 8th 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 has broken 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. The 10-Year CIP will show one-time purchases, generally over \$25,000, over the upcoming 10-year window. 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.

In 2022, the City made a change to the timing of the budget process to take advantage of a new state law that allows 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 came before City Council as a separate ordinance for first reading on August 27th and second reading on September 10th.

The City of Brookings charges fees to offset operational expenses and ensure the financial sustainability of programs and services. Staff aggregated all City fees into the Consolidated Fee Schedule, which was adopted by City Council as part of the 2021 Budget process. As part of the annual budget process, staff completes a thorough review of all City fees to ensure they are up-to-date and aligned with market conditions.

Recapping from Budget Workshop #1, major highlights of the 2025 proposed budget are noted below.

- The 2025 Budget is \$72,849,780, which is an increase of \$2.5 million, or 3.5%, from the 2024 Adopted Budget. The increase is driven primarily by projects in the storm drainage fund and increased tax increment finance revenues from building activity.
- The 2025 Budget includes a 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. We focus the most on the General Fund because it is the City's primary operating budget which provides core services (e.g. Police, Fire, Parks/Recreation/Forestry) to the community. The City's long term financial plan shows sustainable General Fund operations through 2034.
- Sales tax is the City's primary revenue source accounting for 47% of General Fund and 74% of the CIP revenue.
- The 2025 Budget does not include any impact from the potential passage of Initiated Measure (IM) 28 (grocery tax repeal), which is currently estimated to be a \$1.6M financial loss to the City (split evenly between the General Fund and CIP).
- The 2025 Budget is proposing to add a Master Mechanic and Associate Planner positions in the General Fund. The Master Mechanic will expand in-house service capacity, save on external service provision expenses, and reduce downtime of the fleet. The Associate Planner will be an entry-level position in Community Development and assist the department in achieving long-range planning objectives, customer service, and balanced workloads.

Budget Workshop #2 will focus on the 10-Year CIP and Consolidated Fee Schedule. The 2025 CIP expenditures are proposed to be \$13.7 million. The CIP prioritizes maintaining and replacing existing facilities, vehicles, and equipment. Debt service, Public Works, outside agencies, and Parks, Recreation, and Forestry account for over 85% of the total CIP expenditures. Primary revenue sources for the CIP include 2nd penny sales tax, contributed capital, and tax increment financing (TIF) proceeds. No City Council Priority Project Funding is being requested for this year as all facility projects are now accounted for within the CIP.

Major projects for 2025 include street maintenance, vehicle/equipment replacement, Branch Creek/Fishback Soccer Complex Park, Public Works/Community Development office remodel, and skatepark renovation. Through the use of carrying over funds from year to year, the CIP is balanced through 2034. The need for carrying over funds is greatly reduced after 2027 as the nearly \$1M commitment to outside agencies sunsets. Any surplus revenues in the capital improvement plan would be used to fund capital projects that have not currently been identified or supplement the City Council Financial Policy Projects (CCFPP) Fund. Supplementing the CCFPP would allow the community to take on desired projects (e.g. Library/Activity Center renovation) through the use of cash on hand as opposed to borrowing, which would save on debt service expenses.

As part of the annual budget process, City staff reviews and updates the Consolidated Fee Schedule to ensure fees are comparable to peer municipalities and appropriate in terms of cost recovery and other strategic objectives. Public Works, Community Development, and Library are proposing fee schedule changes for 2025.

Legal Consideration:

None.

Strategic Plan Consideration:

The annual budget addresses all five (5) focus areas of Fiscal Responsibility; Safe, Inclusive, Connected Community; Service and Innovation Excellence; Sustainability; and, Economic Growth as the budget serves as a policy tool, operations guide, financial plan, and communications device for all aspects of City operations.

Financial Consideration:

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

Supporting Documentation:

Presentation

10-year Capital Improvement Plan

Fee Schedule Updates