

City Council Agenda Item Memo

From: Samantha Beckman, Assistant to the City Manager
Ashley Rentsch, Finance Director

Council Meeting: September 9, 2025

Subject: Budget Workshop #1

Presenter: Samantha Beckman, Assistant to the City Manager

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 the City Council. Budget Workshop #1 is informational and conversational in nature. The 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 9 and focus on a budget overview, operating budget, and outside agencies. A second budget workshop will be held on September 23rd to discuss the 10-Year Capital Improvement Plan and the Consolidated Fee Schedule. A third workshop date will be available on October 14th for any further budget discussion and clarification as desired by City Council.

The first reading of the budget ordinance is scheduled for October 28th. 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 18th.

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. 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 which 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 comes before City Council as a separate Ordinance for first reading on August 26th and second reading on September 9th.

Budget Workshop #1 will focus on a budget overview, operating budget, and outside agencies. The proposed 2026 Budget is \$72,526,765, which is a decrease of \$642,014, or 0.9%, from the 2025 Adopted Budget. The nearly \$650,000 decrease is directly related to less anticipated one-time projects planned from our Enterprise Funds and Capital Improvement Plan.

The budget includes a proposed balanced General Fund of \$22,948,083. The \$22.9 million proposed 2026 General Fund Budget is a \$1,087,307, or 4.97% increase, from the 2025 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 not account for adding any new staff positions. 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 be slightly outperformed by expenditures over the next decade; minimal adjustments to future budgets may be necessary toward the end of the decade.

Sales Tax (46%), Property Tax (19.4%), and Transfers (16.2%) account for approximately 82% of General Fund revenue. Other income sources include state and county shared revenues, departmental fees and fines, liquor operating agreements, rentals and interest earnings.

Special Revenue / Debt Service / TIF Funds total \$14.1 million, which is an increase of \$1.7 million from the 2025 Adopted Budget. Changes to the Special Revenue and Debt Service Funds are typically project driven. TIF Funds are up significantly due to the performance of TIFs seven (7) and eleven (11) and the addition of TIFs 13, 14, 15, and 16. The 3B, or Bed, Booze, and Board tax, 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 slight decrease in the Dacotah Bank Center expenses is due to a reduction in ancillary expenses and staff consolidation. The City's operating subsidy to the Dacotah Bank Center is budgeted at \$367k in 2026, which is up from \$260k in 2024 and down from \$390k in 2025. The Storm Drainage Fund is increasing to fund projects that were identified in the Stormwater 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 2026 is projected at \$96,230.

Enterprise Fund expenditures total \$22.1 million for 2026. Enterprise Fund expenditures decreased by over \$2.7 million, or 11%, from 2025. The decrease is primarily driven by large capital projects in 2025 for the Landfill (leachate force main system, equipment storage building) 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 operational improvements (equipment replacement, and facility maintenance) guided by the Solid Waste Master Plan. As part of the Solid Waste Master Plan, a comprehensive financial model was created to ensure revenues sustain operational and capital expenses. The Airport has a balanced budget with operational subsidy from Solid Waste and capital transfer from the CIP. Edgebrook Golf Course is currently undergoing contract negotiations with a management firm, but is expected to operate with a \$100,000 Liquor Store contribution and \$227,000 CIP contribution toward large equipment purchases. The Research and Technology Center is scheduled to be demolished in the fall of 2026. More modest changes in Solid Waste Collections, Edgebrook Golf Course, and the Research and Technology Center are due to inflation, personnel costs, and timing of projects.

All outside agency funding applications and required reports were received within deadlines. Outside agency funding recommendations align with City Council policy. Generally, economic development agencies are recommended to be slightly increased in 2026. The primary driver for the increase is adjusting the budgeted subsidy for the new Merged Organization. A meeting was held with the economic development agencies to be transparent about budget standing and take in feedback to assist in the developing a recommended budget. Three (3) meetings were held with Dacotah Bank Center staff to align their subsidy request with the City's anticipated funding. The budget does include \$100,000 for the local scholarship fund from Liquor Store reserves; this is year five of five for the scholarship fund and will need to be reconsidered during the 2027 budget process.

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