

# City Council Agenda Memo

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

**Council Meeting:** August 9, 2022 / August 23, 2022

**Subject:** Ordinance 22-029: Budget Amendment No. 7

**Presenter:** Ashley Rentsch, Senior Finance Manager

## **Summary:**

City of Brookings Staff continually monitors departmental budgets and brings amendments to the City Council as necessary to account for circumstances not anticipated in the originally adopted appropriation ordinance. This ensures compliance with state and local laws and maintains transparency regarding the City's operational needs. This five-part budget amendment includes a transfer from the City Manager's Contingency Fund and increases revenue and expenditure authority for priority items that have been identified since the previous amendment.

## **Background:**

Necessary changes to the 2022 budget have been identified recently, to include accounting for insurance reimbursements and expenditures related to the May 12 storm event, authorizing funds for a salary survey and cyber insurance, increases related to personnel changes, and cleaning up our Economic Development, Special Assessment, TIF, and Capital Project budgets.

## **Item Details:**

### **Part 1**

Dept./Fund	Increase/(Decrease) Amount	Description
Human Resources	3,000	Employee Appreciation Lunch - May 12 Storm Recovery
Human Resources	12,000	Salary Survey
Community Development	2,300	Community Development Office Manager
City Clerk	7,300	Deputy City Clerk
Non-Departmental Expenditure	(24,600)	Contingency Transfer for salary survey, employee appreciation lunch, and personnel changes

- The City wanted to show appreciation for staff who responded to the May 12 storm event by providing a luncheon.
- The City's salary survey consultant is booking projects 6-8 months out. As the City desires to have an updated salary survey completed around the end of Q1 2023 for the 2024 budget process, it is pertinent to move forward and get on the salary survey consultant's schedule.

- Personnel changes in the Community Development Office Manager and Deputy City Clerk positions require adjustments to the 2022 budget, which will be covered by a transfer of City Manager's Contingency Funds.

## **Part 2**

Dept./Fund	Increase/(Decrease) Amount	Description
General Fund	(100,000)	Move budget authority to CIP Fund for use of Economic Development Reserves
CIP Fund	100,000	Transfer of budget authority from General Fund to CIP Fund for use of Economic Development Reserves
CIP Fund	20,000	Additional CIP Fund transfer of Economic Development reserves to General Fund for Marketplace exploration.
General Fund	20,000	Additional CIP Fund transfer of Economic Development reserves to General Fund for Marketplace exploration.

- Per Ordinance 22-001, the City Council authorized \$100,000 of economic development reserves for the Economic Development Master Plan. This Ordinance transfers the budget authority for the reserves to be taken from the CIP Fund's economic development reserves rather than the General Fund.
- Per Ordinance 22-008, the City Council authorized \$20,000 of economic development reserves for exploration of opportunities to develop the Marketplace property. This ordinance increases the transfer budget in the CIP Fund to utilize these reserves.

## **Part 3**

Dept./Fund	Increase/(Decrease) Amount	Description
Information Technology	26,454	Cyber insurance coverage increase
Non-Departmental Revenue	34,928	Worker's Compensation Audit Premium Refund

- The City is underinsured with its current cyber insurance coverage level limit of \$500,000 coverage. The City received a quote from Coalition for cyber insurance for one year with a \$2,000,000 coverage limit.
- The requested funds will be used to pay for the cyber insurance coverage with Coalition. The City can use the savings from the worker's compensation audit premium refund to offset the cost of this additional cyber insurance coverage.

## **Part 4**

Dept./Fund	Increase/(Decrease) Amount	Description
Non-Departmental Revenue	982,432	Insurance Reimbursement Net of Deductible
Non-Departmental Expenditure	1,300,000	Estimate of total expenditures for May 12 Storm Recovery

- The City has received insurance reimbursements less the deductible for structural damage caused by the May 12 storm event.
- Uninsured costs include contracted tree removal and hauling, as well as other miscellaneous expenditures related to the storm. FEMA funding is anticipated to cover a portion of this, however an estimate is not available at this time.

## Part 5

	Dept./Fund	Increase/(Decrease) Amount	Description
A	Special Assessments Fund	121,000	Additional street and sidewalk improvements
B	TIF 1 - Innovation Campus	544,891	Anticipated TIF Revenues
B	TIF 1 - Innovation Campus	33,509	SRF Loan Payment
B	TIF 1 - Innovation Campus	11,168	SRF Loan Payment
C	General Fund	1,752,140	Transfer to Innovation Campus Project
C	TIF 1 - Innovation Campus - Project	1,752,140	Innovation Campus Project Budget
C	TIF 1 - Innovation Campus - Project	170,000	Innovation Campus Project Budget
C	TIF 1 - Innovation Campus - Project	1,582,140	Innovation Campus Project Budget
D	S. Main & 34th Ave. Project	7,500	Final pay request
D	S. Main & 34th Ave. Project	7,500	Final pay request
D	CIP Fund	7,500	Final pay request
E	20th Street Interchange	2,498,280	Anticipated County & Private Contributions & DOT Reimbursements
F	Brookings Food Pantry Project	1,613,500	Grant funds awarded for project
F	Brookings Food Pantry Project	1,613,500	Estimated construction costs

- Part A: In 2021, the annual street and sidewalk special assessment project bids were rejected, as they came in higher than expected. This amendment authorizes an additional \$121,000 to the street and sidewalk improvements budget to account for the additional improvements planned for this year. A resolution will be presented at the next Council meeting for an interfund advance from the CIP fund, which will cover the up-front costs of these additional improvements. This will be paid back as special assessment revenue is received.
- Part B: This amendment adds TIF1 revenues and the State Revolving Fund loan payment amounts to the budget that were not included in the original 2022 appropriation ordinance.
- Part C: Resolution 22-034 authorized a loan from the General Fund to the TIF 1 Capital Project Fund. This amendment simply adds those totals to the budget for presentation purposes.
- Part D: The final pay request for the S. Main and 34<sup>th</sup> Avenue Project Fund was received at the beginning of this year. The transfer of \$7,500 to this fund will close the project.
- Part E: The expenditure budget for the 20<sup>th</sup> Street interchange was included in the original 2022 appropriation ordinance. This amendment adds the expected contributions from Brookings County and a private donor, as well as expected reimbursements from the South Dakota Department of Transportation.
- Part F: This amendment recognizes the Community Development Block Grant funds and related construction expenditures for the Brookings Food Pantry project.

### Legal Consideration:

None.

### Strategic Plan Consideration:

This action supports fiscal responsibility by increasing budget authority for anticipated expenditures and increasing transparency regarding City operational needs.

**Financial Consideration:**

- Part 1 transfers budget authority from the City Manager's Contingency account to accounts in the Human Resources, Community Development, and City Clerk departments, resulting in zero impact to the overall budget.
- Part 2 balances the fund transfer budgets for economic development reserves. The related expenditures were budgeted in previous ordinances, meaning these transactions have zero impact to the overall budget.
- Part 3 increases expenditure budget authority in the Information Technology Department, which is offset by the Worker's Compensation Audit Premium Refund. This impacts the budget favorably by \$8,474.
- Part 4 increases the expenditure budget in the Emergency Event Expenditure account, which is partially offset by insurance reimbursements, resulting in a net increase to the expenditure budget of \$317,568. The majority of these additional expenditures are expected to be recovered with FEMA funding, as an emergency declaration was signed on June 29, 2022.
- Part 5A: \$121,000 additional budget authority to be funded by an interfund advance from the CIP Fund and paid back as special assessment revenue is received.
- Part 5B: Expected 2022 TIF 1 Revenues exceed State Revolving Fund loan payment by \$500,215.
- Part 5C: TIF1 Capital Project expenditures of \$1,752,140 are being covered by a loan from the General Fund per Resolution 22-034.
- Part 5D: The Final Pay Request for the S. Main & 34<sup>th</sup> Avenue Project is being covered by a transfer from the CIP Fund of \$7,500.
- Part 5E: Accounts for expected revenues from the Brookings County and private donor portions of the 20<sup>th</sup> Street Interchange project, which are expected to be \$2,498,280, and will offset expenditures initially paid by the City.
- Part 5F: Accounts for the grant revenues of \$1,613,500 and construction expenditures in the same amount, resulting in no budget impact.

**Options and Recommendation:**

The City Council has the following options:

1. Approve as presented
2. Amend
3. Deny
4. Move the item to a Study Session
5. Discuss / take no action / table

Staff recommends approval of the resolution as presented.

**Supporting Documentation:**

Memo

Ordinance