

City Council Agenda Memo

From: Jacob Meshke, Assistant City Manager
Erick Rangel, Chief Financial Officer

Council Meeting: September 27, 2022

Subject: Budget Workshop #2

Person(s) Responsible: Jacob Meshke, Assistant City Manager
Erick Rangel, Chief Financial Officer
Ashley Rentsch, Senior Finance Manager

Summary:

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.

Background:

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 holds a series of workshops. Budget Workshop #1 was held on September 13th and focused on a budget overview, operating budget, long-term financial plan, and outside agencies. A second budget workshop will be held on September 27th to discuss the 10-Year Capital Improvement Plan and the Consolidated Fee Schedule. A third workshop date will be available on October 11th for any further budget discussion and clarification as desired by City Council. The intention at the time of this memo is to focus the October 11th Budget Workshop on outside agency and scholarship program funding.

The first reading of the budget ordinance is scheduled for October 25th. 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 8th.

Staff has broken the budget down into four (4) primary components for City Council: General Fund, Special Revenue/Debt Service Funds, Enterprise Funds, and Capital Improvement Plan. The General Fund encompasses the primary City operations such as public safety, public works functions, and parks, recreation, and forestry, which contribute to Brookings high quality of life, strong neighborhoods, and safe and welcoming community. The 10-Year Capital Improvement Plan 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 September 13th and second reading on September 27th.

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 the market.

Item Details:

Budget Workshop #2 will focus on the 10-Year Capital Improvement Plan and Consolidated Fee Schedule. The proposed 2023 Budget is \$61,589,020, which is an increase of \$8.8 million, or 16.7%, from the 2022 Adopted Budget. Over \$5 million, or about 60%, of the budget increase is project and inflation-driven in the CIP. The current CIP is designed to primarily maintain and replace existing facilities, vehicles, and equipment.

The 2022 CIP expenditures are proposed to be \$14.5 million. Debt service, street / airport, outside agencies, and parks / recreation account for approximately 85% of the total CIP expenditures. Primary revenue sources for the CIP include 2nd penny sales tax, carryover/reserves, and application of state shared revenue. 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 2022 include 22nd Avenue Phase II (Eastbrook Drive to 8th Street South), Street Overlay and Chip Seal, Larson Ice Arena Dehumidification Unit, Pickleball Six (6) Court Complex, Park Improvements, and continual updating of the City fleet.

Through the use of reserves and carryover, as well as delaying tax increment financing projects until adequate revenue is received, the CIP is balanced through 2032. In large part, the use of reserves is necessitated to balance the CIP due to the approximate \$1 million commitment to outside agencies through 2027.

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, Parks and Recreation, and Police are proposing fee schedule changes for 2023.

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.

Options and Recommendation:

Budget Workshop #2 is informational and conversational in nature. City Council is encouraged to ask questions and engage in discussion.

Supporting Documentation:

Presentation

10-Year Capital Improvement Plan

Fee Schedule Updates