

CFO's Report

3rd Quarter 2020

City of Brookings

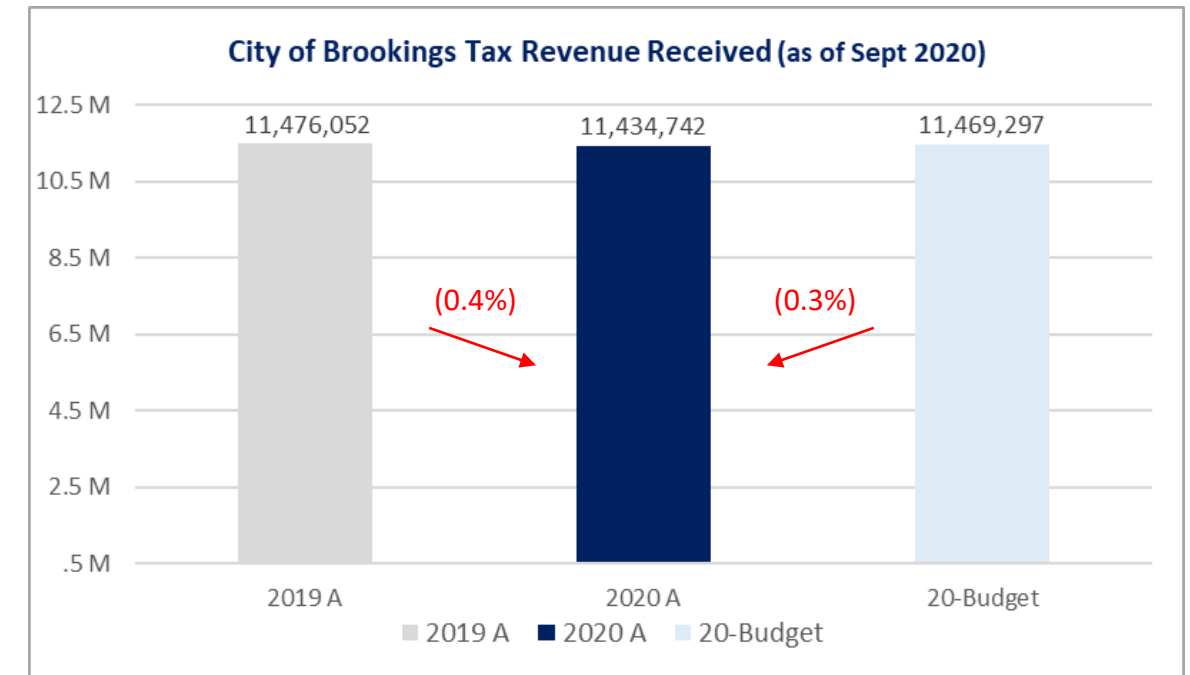
2020 Jan – Sep Tax Revenue

2020 Tax Revenue & Other Income

REVENUES	FY2020 B	Prorated YTD 2020 B	2020 YTD A	Δ \$ F/(U)	Δ%
Sales Tax:					
1st Penny	\$7,038,785	\$5,300,968	\$5,343,677	\$42,709	0.8%
2nd Penny	\$7,015,766	\$5,283,826	\$5,326,201	\$42,375	0.8%
3rd Penny	\$935,000	\$703,703	\$613,146	(\$90,557)	(12.9%)
BID (Pillow Tax)	\$245,000	\$180,800	\$151,718	(\$29,082)	(16.1%)
Total	\$15,234,551	\$11,469,297	\$11,434,742	(\$34,556)	(0.3%)
Property Tax:	\$3,266,500	\$1,772,644	\$1,787,012	\$14,368	0.8%
Grand Total	\$18,501,051	\$13,241,942	\$13,221,754	(\$20,188)	(0.2%)

A Actuals
 Δ Variance
 B Budget

Revenue Tax Collected vs LY vs Budget



- Year to date, total sales tax revenue collected is (0.4%) lower than last year and (0.3%) below budget
 - Sales tax collected includes a \$144K settlement received for the 2014-17 period
 - When taking out this settlement to understand true economic activity, tax revenue was (1.6%) lower than last year and below budget

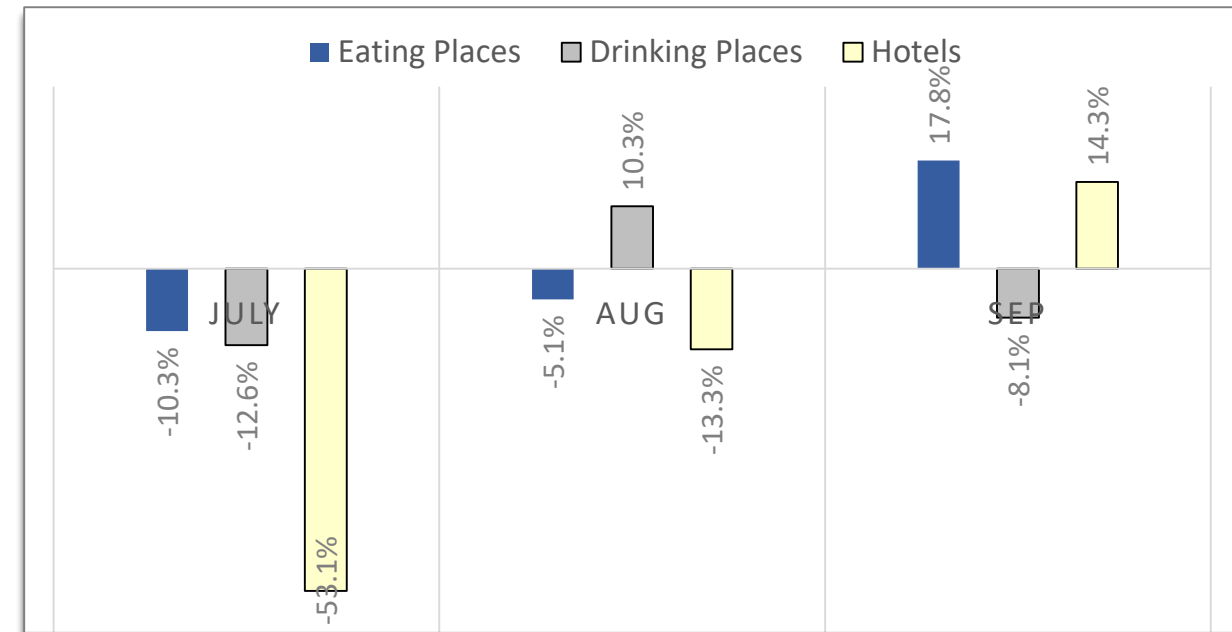
2020 Jan – Sep Tax Revenue by Quarter

Collected	Year over Year		Vs Budget	
	\$	%	\$	%
1Q	(39,063)	(1.0%)	(72,626)	(1.9%)
2Q	(159,480)	(4.3%)	87,668	2.5%
3Q	157,233	4.0%	(49,598)	(1.2%)

Adjusted	Year over Year		Vs Budget	
	\$	%	\$	%
1Q	(39,063)	(1.0%)	(72,626)	(1.9%)
2Q	(304,378)	(8.2%)	(57,230)	(1.7%)
3Q	157,233	4.0%	(49,598)	(1.2%)

Adjusted figures exclude June's \$144K settlement in Q2

- Tax collections show a recovery from second quarter's contraction (-8.2%) due to COVID
- Third quarter was +4.0% higher than the previous year or \$157K driven mostly by the construction, wholesale trade and retail trade industries
- Although the hospitality industry has materially improved in the last couple of months, it was still negative (-4%) on a quarterly basis : eating places +1%, drinking places (-4%) and Hotels (-22%)



2020 Jan – Sep Budget vs Actuals

General Fund

EXPENDITURES:	FY2020 B	Prorated YTD 2020 B	2020YTD A	Δ \$ (F)/U	% Used
Mayor & Council	\$116,059	\$87,044	\$52,196	(\$34,848)	45.0%
City Clerk	\$159,737	\$119,803	\$100,693	(\$19,110)	63.0%
City Manager	\$605,658	\$454,244	\$385,628	(\$68,615)	63.7%
City Attorney	\$122,000	\$91,500	\$133,599	\$42,099	109.5%
Human Resources	\$395,642	\$296,732	\$246,415	(\$50,317)	62.3%
Finance	\$566,375	\$424,781	\$411,028	(\$13,753)	72.6%
IT	\$280,215	\$210,161	\$160,131	(\$50,030)	57.1%
Government Buildings	\$136,566	\$102,425	\$97,041	(\$5,384)	71.1%
Community Development	\$614,905	\$461,179	\$421,851	(\$39,328)	68.6%
Engineering	\$523,656	\$392,742	\$331,498	(\$61,244)	63.3%
County Reimbursement	\$384,026	\$288,020	\$176,385	(\$111,634)	45.9%
Police Department	\$3,941,160	\$2,955,870	\$2,732,172	(\$223,698)	69.3%
Fire Department	\$829,640	\$622,230	\$537,305	(\$84,925)	64.8%
Hydrant Rental	\$100,000	\$75,000	\$65,933	(\$9,067)	65.9%
Street Department	\$2,507,517	\$1,880,637	\$1,674,101	(\$206,536)	66.8%
Animal Control	\$173,467	\$130,100	\$90,484	(\$39,617)	52.2%
Dakota Nature Park	\$56,093	\$42,070	\$26,116	(\$15,954)	46.6%
Aquatic Center	\$338,035	\$253,526	\$25,145	(\$228,381)	7.4%
Recreation Department	\$434,299	\$325,724	\$237,927	(\$87,797)	54.8%
Parks Department	\$1,519,042	\$1,139,282	\$1,073,214	(\$66,068)	70.7%
Ice Arena	\$582,345	\$436,759	\$204,015	(\$232,743)	35.0%
Forestry	\$410,886	\$308,165	\$273,691	(\$34,473)	66.6%
Library	\$1,161,342	\$871,007	\$693,808	(\$177,199)	59.7%
Subsidies/Appropriation	\$1,261,462	\$946,097	\$825,434	(\$120,663)	65.4%
Non Departmental	\$2,425,855	\$1,819,391	\$1,146,528	(\$672,863)	47.3%
Total	\$19,645,982	\$14,734,487	\$12,122,338	(\$2,612,149)	61.7%

- Total General Fund expense was at 61.7% of total annual budget, which represents a \$2.6M surplus compared to a straight line prorated budget
 - A large part of this surplus is attributed to city department's efforts to reduce their expenses to meet COVID expected revenue decline
 - Other drivers are vacancies and closing of recreational facilities during the summer
- Total revenues are up mainly driven by \$1.7M in COVID reimbursed expense from the State program
 - This helped offset ~\$400K in department generated revenue declines

A Actuals

Δ Variance

B Budget

Jan – Sep 2020 Budget vs Actuals

Capital Improvement Projects & Other

EXPENDITURES:	FY2019 B	Prorated YTD 2019 B	2019YTD A	Δ \$ (F)/U	% Used
CIP	\$9,819,563	\$7,364,672	\$2,434,892	(\$4,929,780)	24.8%
All Other*	\$28,543,117	\$21,407,338	\$17,427,034	(\$3,980,304)	61.1%
Grand Total	\$58,008,662	\$43,506,497	\$31,984,264	(\$11,522,233)	55.1%

* All Other – Other Government , Special, Capital Projects and Enterprise Funds managed by the City.

- Overall capital project expense is at 24.2% of budget or a \$4.9M surplus driven by the following:
 - \$1.4M COVID reductions of non critical projects, most of them will be carried forward to next year
 - \$2.2M of debt payments scheduled for November
- All other expense is at 61.1% of budget

2020 Jan-Sep Swiftel Center Profit and Loss Summary

Swiftel Center

	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Actual vs Budget F/(U)</u>	<u>Yr/Yr Actual F/(U)</u>	<u>Annual Budget</u>
Revenue					
Building Rent Income	146,175	191,114	(44,939)	(16,320)	228,813
Contractually Obligated Income	133,475	146,000	(12,525)	(13,979)	190,625
Reimbursed Event Expenses	245,028	374,206	(129,178)	(68,582)	531,227
SBA Loans	256,886	0	256,886	256,386	0
Food & Beverage Income - Concessions	249,755	504,335	(254,580)	(448,155)	757,872
Food & Beverage Income - Catering	362,722	422,179	(59,457)	244,452	519,349
Other Event Income	54,184	118,302	(64,118)	(89,146)	205,656
Other Income	14,348	653	13,695	12,970	870
Revenue Total:	1,462,575	1,756,789	(294,214)	(122,375)	2,434,412
Expense					
Cost of Goods Sold	(196,419)	(251,498)	55,079	16,336	(346,641)
Personnel Expense - Full-Time	(551,595)	(672,516)	120,921	65,462	(896,688)
Personnel Expense - Part-Time Support	(18,983)	(18,240)	(743)	(7,373)	(24,120)
Personnel Expense - Part-Time Event	(186,917)	(252,508)	65,591	63,904	(362,437)
Personnel Expense - Taxes, Benefits & Fees	(243,861)	(292,833)	48,972	18,199	(391,115)
General & Administrative Expense	(26,650)	(61,077)	34,427	10,111	(76,629)
Occupancy Expense	(185,359)	(250,227)	64,868	67,782	(335,611)
Services & Operations Expense	(93,575)	(115,389)	21,814	16,247	(158,602)
Event Expense	(197,775)	(206,854)	9,079	(15,170)	(306,121)
Food & Beverage Expense	(12,446)	(21,380)	8,934	10,767	(27,360)
Expense Total:	(1,713,581)	(2,142,522)	428,941	246,265	(2,925,324)
Net Income:	(251,006)	(385,733)	134,727	123,890	(490,912)

- YTD, the Center is performing \$134K ahead the original budget. This is largely due to the PPP loan/grant, July cattle shows, disinfecting city facilities and expense reductions
- The cattle shows and other events in July amounted to \$310K in revenue during a pandemic. A typical July is approximately \$70K in revenue
- YTD event revenues are down by 34% and expenses are down by 20%. Lost revenue for the year is estimated at \$1.3M
- However, all things equal, the Center is projecting a balanced budget for this year
- With this goal, we were forced to implement several cost reduction initiatives which include: salary rollbacks and furloughed 2 FTEs as well as froze 2 FTE open positions. In addition, Starting Q4, we will have a rolling furlough with the remaining FTEs
 - Due to this, all current employees' workload and responsibilities have materially increased to continue operating and executing scheduled events
 - Also, the Center will be closed to the public the weeks of November 23-29, and December 21-31
- We are currently re-evaluating our 2021 business plan due to the uncertainty of the COVID-19 pandemic.

2020 Third Quarter Economic Outlook

- According to First Midwest Wealth Management, after a record recessionary decline (-31.7%) in the second quarter, the U.S. economy is expected to show a record improvement (+25%) in the third quarter, with continued recovery (+5%) estimated in the fourth quarter¹
- Additionally, The Midwest Economy Index (MEI), which approximates quarterly growth at a monthly frequency, rose to +4.3 in September from +1.55 in August²
- Looking further ahead, The Conference Board³ currently has three recovery scenarios for the U.S. Economy:

Scenario	GDP			Main Assumptions
	4Q 2020	Full Year 2020 GDP	Full Year 2021 GDP	
Upside		-2.9%	+7.1%	<ul style="list-style-type: none"> - Growth momentum seen between May and August is sustained for the remainder of the year - U.S. monthly economic output recovers completely to pre-pandemic levels by Jan 2021
Base	+1.5%	-3.5%	+3.4%	Consumer spending was the largest driver of growth over the summer, but is expected to stall as high levels of unemployment and elevated savings rates damage spending later in the year
Downside		-6.0%	-2.6%	<ul style="list-style-type: none"> - US economy contracts at the end of 2020 before stabilizing in early 2021 - The recovery seen earlier this year falters due to: a large resurgence in COVID-19 cases, no additional government stimulus until at least Q1 2021, delays in the Coronavirus vaccine, and a contested US presidential election that damages consumer and business confidence.

¹First Midwest Wealth Management 3Q Market Outlook

²Federal Reserve Bank of Chicago

³<https://www.conference-board.org/research/us-forecast21>

2020 Key Funds Forecast

3rd Quarter City COVID-19 Financial Response Plan

- Given recent macro and local economic factors, the city updated its 2020 annual tax revenue guidance as follows:
 - 1st and 2nd Penny = (8%) contraction – General and CIP Funds
 - 3B “Tourism” = (25%) contraction from (40%)
 - BID “Hotel” = (40%) contraction from (60%)
- City staff also estimated all other expected revenues (i.e. service fees, interest income); these estimates do not include COVID CARES Act relief funds
- As a result, the General and CIP funds are estimated to end the year at a \$683K and \$1.5M surplus respectively. This guidance is subject to economic conditions performing as planned
- City staff has re-activated key projects and initiatives that were originally cut that can be completed by end of year; other key initiatives will be carried forward to next year funded by current surplus
- 3B and BID funds are estimated to end at a (\$52K) and (\$48K) deficits; potential use of reserves might be needed to offset

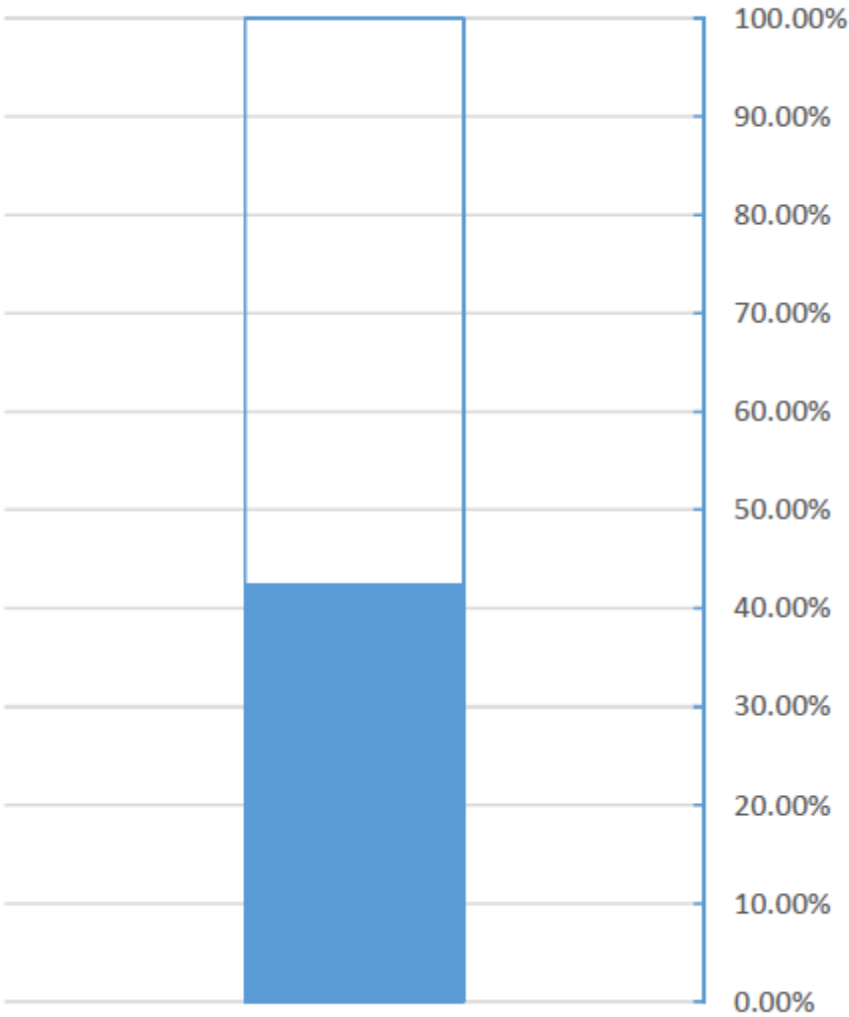
Fund	Expense		Income			Estimated
	Approved Budget	Forecast	Approved Budget	Forecast	Reserves/CF	Net F/(U)
General Fund	\$ 26,195,982	\$ 24,581,465	\$ 23,674,065	\$ 22,850,053	\$ 2,414,917	\$683,505
CIP Fund	\$ 9,819,563	\$ 7,804,524	\$ 8,859,882	\$ 8,321,651	\$ 1,000,556	\$1,517,683
3B	\$ 1,055,000	\$ 907,409	\$ 1,008,000	\$ 815,362	\$ 40,000	(\$52,046)
BID	\$ 245,500	\$ 208,793	\$ 500,500	\$ 160,595	\$ -	(\$48,198)

COVID Relief Fund Progress Report

COVID Recovery Fund Reimbursement Tracker

Total Allocation		\$ 5,519,641.00
Less:		
Authorized Submissions	2,337,213.52	
Pending Submissions	3,558.61	2,340,772.13
Est. Remaining Allocation		\$ 3,178,868.87
	Achieved %	42.34%
	Target %	100.00%

The City is estimating to recover \$3.5M of the total allocation, this includes relief for BMU and the Hospital



City Council Priority Project List

General Fund Reserves	
2019 EOY Unassigned Liquid Assets Balance	\$ 8,203,402
2020 15% General Fund Reserve Balance (-)	\$ 2,543,974
2020 5% GF Budget Stabilization (-)	\$ 847,991
City Council Priority Funding Available Balance	\$ 4,811,437

City Council Approved Projects	Cost
Indoor Rec	\$ 850,000
Food Bank	\$ 300,000
Interchange** - CC action taken	\$ 795,002
Parks Master Plan - CC action taken	\$ 100,000
Total CC Approved Projects	\$ 2,045,002

Priority Funding Available Balance After Approved	\$ 2,766,435
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Primary Projects	Cost
2020 Facility Improvements	\$ 121,900
2021 Facility Improvements	\$ 1,400,000
2022 Facility Improvements	\$ 1,100,000
Downtown Master Plan	\$ 35,000
Total Unapproved Primary Projects	\$ 2,656,900

Priority Funding after Unapproved Primary Project	\$ 109,535
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Secondary Projects	
FD Training Tower	\$ 370,000
Public Safety Center	TBD
2023 Facility Improvements	\$ 1,442,050
2024 Facility Improvements	\$ 1,756,957
2025 Facility Improvements	\$ 2,318,312
Parks - Bike Trails	\$ 3,460,000
Pay Down Debt	TBD
Total Unapproved Secondary Projects	\$ 9,347,319

* Note- Excludes Larson Ice Arena and Bob Sheldon upgrade projects as they are financed with the \$7.1M 2019A Series Bond

**\$1,204,998 funded with Economic Development Reserves per G&E Policy

Questions or Comments?

Please contact the City of Brookings's Chief Financial Officer :

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<https://cityofbrookings.org/200/Finance-Department>

Appendix

City Council Priority Project List – Facility Improvements Detail

2020 Facility Improvements - \$122k

- Library boiler - \$107k
- Ice Arena radiant heat unit - \$15k

2021 Facility Improvements - \$1.4M

- Library Repairs (HVAC, Cabinet Heater, Doors, Juice Bar Cabinet Removal and Wall Repair) -\$765k
- Police Emergency Repairs (HVAC) - \$200k
- Larson Park Parking Lot - \$175k
- Larson Ice Arena (HVAC, Flooring) - \$100k
- Southbrook Restrooms - \$100k
- Activity Center (Windows, Fire System – ADA Compliance) - \$50k
- HAC Pool Heater - \$38k

2022 Facility Improvements - \$1.1M

- Library (Air Chiller, Windows, Ceiling Tiles) - \$525k
- PD (Carpeting, Electrical Upgrade, Lighting (may be reduced)) - \$210k
- Activity Center (Electrical Upgrades) - \$145k
- Fire (East Station Remodel, Lighting (may go away with LED conversion energy savings project)) - \$110k
- Swiftel (Doors, Restroom Upgrades), Nature Park (Resealing Building), Airport (Shed Doors/Frames) - \$110k