

# City Council Agenda Memo

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

**Council Meeting:** March 23, 2021 / April 27, 2021

**Subject:** Ordinance 21-008, an Ordinance Authorizing Supplemental Appropriation #3 to the 2021 Budget – Parts 1,2 & 3

**Person(s) Responsible:** Paul Briseno, City Manager  
Erick Rangel, Chief Financial Officer

## **Summary:**

Part 1 will re-distribute 3B and BID 2020 sales tax surplus to supported Economic Development Agencies.

Part 2 will increase CIP fund appropriation to execute the purchase of a Fire Truck financed by the Landfill per Resolutions 20-009 and 20-014 enacted last year.

Part 3 will increase funding to cover initial efforts to prepare for implementation of the Marijuana Legalization Bill.

## **Background:**

### Part 1

In March 2020, the City proactively carried out a cost cutting initiative across the board to be better positioned to face the unknown revenue impact of COVID. The proposed cuts also impacted all Economic Development Agencies. At that time, the City reduced all non-restricted subsidy funding by 15.3%, this plan included depleting the City's 3B and BID reserves to offset the -40% to -60% expected revenue reduction. It was also communicated that if revenues ended up better than expected, returning the funds proportionally would be explored.

Even though the City experienced a slowdown in revenues, the revenue reduction was not as steep as originally anticipated. That said, after estimating the 2020 budget surplus for the BID and 3B funds, the City's Financial Stability Reserve Policy, and proportionally evaluating the 2020 cuts, City staff is proposing to re-distribute 41.3% of the original cuts to the respective agencies totaling \$84,729.

### Part 2

In 2020, the Brookings Fire Department budgeted to replace a 2001 Fire Engine. The approved contract was for \$540,243 per Resolution 20-009. In addition, Resolution 20-014 approved the Fire Engine's financing with an Interfund loan from the Landfill. The proposed amendment would appropriate the necessary expense authority to the CIP fund to close the purchasing transaction.

### Part3

As of now, and with a 2/3 vote-requiring change, IM 26 will go into effect as written on

July 1, 2021 legalizing medical marijuana in South Dakota. The requested incremental \$30,000 will be used to fund an industry consultant to assist City staff with the initial planning and set up for the local implementation of this legislation.

**Item Details:**

Staff recommends the proposed budget amendment.

**Legal Consideration:**

None.

**Strategic Plan Consideration:**

The budget amendment furthers the City's mission of being a pro-active, fiscally-responsible municipal government.

**Financial Consideration:**

**Part 1**

Staff proposes to allocate the surplus re-distribution as follows:

Agency	2020 Original Budget	2020 Actual Payment	Reduced By	To Re- distribute	Surplus Funding Source
Downtown At Sundown + Chamber	83,075	70,369	12,706	5,248	3B
Brookings CVB	443,138	375,362	67,776	27,993	3B + BID
SDSU student visitor	17,000	14,400	2,600	1,074	3B
Economic Dev	210,875	186,270	24,605	10,162	3B
Swiftel Center	490,912	415,831	75,081	31,010	3B
Research Park	146,250	123,873	22,377	9,242	GF
Total	1,391,250	1,186,105	205,145	84,729	

The 3B and BID funds reserves after distribution would be well above its minimum levels set by the City's Financial Stability Reserve Policy.

**Part 2**

Increases CIP expense authority by \$358,616.77:

- \$350,243 to finalize purchase of a Fire Truck. This amount plus the current \$190,000 in the budget adds up to the full \$540,243 approved in Resolutions 20-014 and 20-009
- \$8,373.77 to cover 2021's interest expense to the landfill

As a reminder, the CIP fund will pay back the Landfill the advanced amount within the next 6 years with a 1.55% interest rate.

**Part 3**

Requested incremental \$30,000 would be funded by the General Fund's 2020 unassigned surplus.

**Options and Recommendation:**

The City Council has the following options:

1. Approve as presented
2. Amend
3. Deny
4. Refer to a study session
5. Do nothing

Staff recommends approval of the ordinance as presented.

**Supporting Documentation:**

Ordinance

Resolution 20-009

Resolution 20-014

Picture – Fire Truck