

City Council Agenda Memo

From: Erick Rangel, Chief Financial Officer

Council Meeting: August 24, 2021 / September 14, 2021

Subject: Ordinance 21-029, An Ordinance Authorizing Supplemental Appropriation No. 4 to the 2021 Budget

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

Summary:

Part 1: Transfer of \$1.4 million from the City Council Priority Projects Fund (CCPPF) to the Capital Improvements Fund for facility repairs identified in the McKinstry Study performed in 2019.

Part 2: Transfer of \$11,863.74 from the General Fund reserves to close the Marketplace Capital Project Fund.

Part 3: Transfer a total of \$3.0 million from the General Fund Economic Development Reserves, Special Assessments Fund, and Storm Drainage Fund to the 15th & 7th Streets Capital Project Fund (TIF 10) for engineering and construction expenditures.

Part 4: Transfer of \$522,200 from the CCPPF to fund the first two steps in the renovation or rebuild of the Public Safety Center.

Part 5: Allocate \$41,000 from the capital sinking fund to address deficiencies in the City's tool supply for fleet maintenance.

Part 6: Provide \$975,000 from landfill reserves to fund a new landfill compactor to mitigate further expenses repairing catastrophic failures of the current equipment.

Part 7: Transfer of \$35,000 from the CCPPF to Brookings Economic Development Corporation to partially fund the County's housing study.

Part 8: Provide \$40,000 from expected 2021 revenue surplus to fund the 10 yr. Financial Management Plan (FMP) Initiative.

Part 9: Allocate \$17,500 from the capital sinking fund to perform urgent roof repairs to the Armory City Building.

Background:

Part 1: A facility condition study was performed by McKinstry in 2019 which identified and prioritized maintenance needs within City-owned buildings. The City Council approved \$1.4 million in repairs and maintenance for 2021 from the CCPPF. This ordinance provides for the transfer of these funds to the Capital Improvements Fund and grants budgetary authority to the corresponding expenditure accounts.

Part 2: The Marketplace Fund was established several years ago for economic development purposes. This fund has been inactive for the last year and no activity is forecasted in the near future. Given these circumstances, this fund will be closed in the city's financial system. This ordinance provides for a transfer of funds from the General Fund to bring the Marketplace Fund balance to zero.

Part 3: TIF 10 was established in 2020 to finance infrastructure improvements to 15th & 7th Streets. A corresponding capital project fund was created to capture all costs associated with this project. Project costs are set to be paid from the General Fund Economic Development Reserves, the Special Assessments Fund, and the Storm Drainage Fund. This ordinance provides for the transfer of funds from these sources to cover project costs. TIF revenues will pay back proportionately to these funds as they are received to offset a portion of the project costs.

Part 4: The first part of the Police Department Facility was constructed in 1965 with an addition completed in 1982. The facility and attached fire garages are in deteriorating condition and in need of renovation or full rebuild. Plumbing, sewer, HVAC, and roof are the areas of main concern with the building, but the facility layout prohibits efficient and effective collaboration among the divisions housed within the facility. The City commissioned a study of the facility in 2019, which gave a general high level estimate for a renovation of the facility at \$7.0 million and a rebuild at \$11.0 million. With inflation and a thorough analysis of the facility, it is highly possible actual costs will come in significantly higher.

Part 5: The City is in the process of revamping the fleet maintenance program and recently hired a certified mechanic in addition to an existing staff member allocating a portion of their time to mechanic duties. As a first step, the new mechanic completed a thorough inventory and review of the City's current tool supply. It was determined that the current supply is deficient for providing more in-house diagnostics, preventative maintenance, and repairs. This expense will provide a quick return with in house capabilities.

Part 6: The existing Brookings Regional Landfill compactor, purchased in 2010, was scheduled for replacement in 2022. There were approximately \$58,900 in repairs in 2019, \$34,900 in 2020, and over \$120,000 so far in 2021. The most recent large repairs have been for drive motors of two (2) of the four (4) wheels and staff has been advised that the remaining two (2) could go out at any time. It is critical to get this piece of equipment replaced as soon as possible to prevent any future large repair bills. The

compactor is critical to the operation of the landfill as it provides compaction of the garbage being placed into the landfill.

Part 7: The Housing Study will help develop a meaningful sense of the housing market, as well as an understanding of key housing issues and how they impact Brookings. The study will include an assessment of existing housing conditions, demographics, and market demands, and identify critical housing gaps and issues. This is a collaborative effort with Brookings County to examine the overall impact of housing and need.

Part 8: The customized long-term Financial Management Plan will help ensure the City can adequately fund its operations and maintain the financial health of all funds. This effort includes ongoing dialogue and idea-sharing, independent analysis and presentation of customized scenarios related to our unique circumstances. The project is part of the Council's strategic plan and will provide a sustainable road map for the City's finances for the foreseeable future.

Part 9: With the national shortage of construction materials, a complete replacement on the Armory roof is essentially impossible currently, so for now, the roof leaks need to at least be closed up and water-proofed to get the building dry. This is an urgent, temporary solution to buy us time and prevent further degradation of the building interior. This request is made by the developer and staff is in agreement.

Item Details:

Part 1: A transfer of \$1,4 million from the CCPPF, which is part of General Fund reserves, to the Capital Improvements Fund, and budget authority will be granted in the Buildings account to pay for repairs and maintenance associated with the McKinstry study.

Part 2: A transfer of \$11,863.74 from the General Fund reserves to the Marketplace Fund will bring the Marketplace Fund balance to zero and close the fund, as this fund is no longer being utilized.

Part 3: A transfer of \$300,000 from General Fund Economic Development Reserves, \$1,965,000 from the Special Assessments Fund, and \$735,000 from the Storm Drainage Fund to the 15th & 7th Streets Capital Project for design and construction expenditures. A portion of these funds will be paid back with property tax revenues from TIF 10.

Part 4: The \$522,200 funds requested for the Public Safety Center will be utilized to enter an agreement with an owner's representative for project management and complete design and engineering for the facility. These next steps in the process will assess renovation or full rebuild of the facility. Future agreements will come before council prior to commencement. This amendment only sets aside the necessary funds to start the project.

Part 5: The Street Department Funds in the amount of \$41,000 will allow for the purchase of the necessary tools to complete more in-house diagnostics, preventative maintenance, and repairs.

Part 6: The Solid Waste Department Funds in the amount of \$975,000 will allow for the purchase of the landfill compactor ahead of its anticipated replacement in 2022.

Part 7: A transfer of \$35,000 from the CCPPF to the Brookings Economic Development Corporation to grant budget authority to partially fund the Housing Study to help identify housing priorities and provide policy and intervention strategies to guide decision making for future housing needs.

Part 8: Requests the allocation of \$40,000 of 2021 estimated sales tax surplus to fund the 10-year Financial Management Plan (FMP) to guide the City's financial future and determine how the City can adapt to changes and meet its operating and capital needs. By combining the City's future needs and existing obligations into one plan, the FMP will help guide City policy.

Part 9: The allocation of \$17,500 from the Sinking Fund to the Armory's urgent roof repair. This cost, as well as the potential upcoming complete roof replacement with an approximate cost of \$150,000, will be reimbursable as part of the overall TIF project costs once the project begins.

Legal Consideration:

None.

Strategic Plan Consideration:

With all its parts, this ordinance meets the five strategic plan initiatives of fiscal responsibility, safe, inclusive and connected community, service and innovation excellence, sustainability and economic growth.

Financial Consideration:

Part 1: Reduces the CCPPF by \$1.4 million and increases the CIP fund by the same amount. This is already considered in the current budget and the recently presented CCPPF. This action does not increase the 2021 budget.

Part 2: Reduces General Fund reserves by \$11,863.74. This request is considered a financial "housekeeping" item and has no incremental impact to the current budget.

Part 3: Reduces the General Fund Economic Development Reserves by \$300,000, the Special Assessments Fund Reserves by \$1,965,000, and the Storm Drainage Fund Reserves by \$735,000. A portion of these funds will be paid back with revenues from TIF 10. This action also grants spending authority of \$3.0 million to the respective capital project fund. This capital expense is not incremental to the 2021 Budget as it was previously considered in the Special Assessment and the Storm Drainage budgets.

Part 4: Reduces the CCPPF by \$522,200 and increases the Public Safety Center Capital Fund by the same amount. The 7.0 million previously estimated total cost for this project is reflected in the latest CCPPF under the “Primary Projects.” This action also grants spending authority of \$522,200 to the respective capital project fund. This capital expense is incremental to the 2021 Budget.

Part 5: Reduces the Sinking Fund by \$41,000 and increases the Streets Department’s spending authority by the same amount. The Sinking Fund balance after this allocation would be \$649,699. This action does not increase the 2021 budget.

Part 6: Reduces the Landfill Reserves for capital projects by \$975,000 and increases the Landfill’s spending authority by the same amount. These funds would be replenished within the next 10 years as part of the 10-year CIP for the Landfill. This expense is incremental to the 2021 Budget.

Part 7: Reduces the CCPPF by \$35,000 and increases the budget spending authority to issue payment to the Brookings Economic Development Corporation. The latest CCPPF considers \$40,000 under the “Primary Projects” for the Housing Study. This expense is incremental to the 2021 Budget.

Part 8: Allocates \$40,000 of 2021 estimated sales tax surplus and increases the Finance Department’s budget spending authority for the same amount. This expense is incremental to the 2021 budget. The project is an investment in assuring a sustainable financial future.

Part 9: Reduces the Sinking Fund by \$17,500 and increases the Armory capital project’s spending authority by the same amount. The balance of the Sinking Fund after Part 5 and Part 9 would be \$632,199. This action does not increase the 2021 Budget.

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. Do nothing

Staff recommends approval of the resolution as presented.

Supporting Documentation:

Ordinance

McKinstry Improvements