

City Council Agenda Memo

From: Erick Rangel, Chief Financial Officer

Council Meeting: October 26, 2021 / November 9, 2021

Subject: 2022 Budget Ordinance

Person(s) Responsible: Paul M. Briseno, City Manager

Summary:

The City of Brookings adopts a budget on an annual basis. A series of workshops were held to ensure a transparent and engaging budget process. Staff presents a balanced and sustainable proposed 2022 Budget of \$52,780,431, which is a decrease of \$1.2 million, or 2%, from the 2021 budget.

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 eight (8) 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 held a series of workshops. Budget Workshop #1 was held on September 14th and focused on a budget overview, operating budgets, and outside agencies. The second budget workshop on September 28th discussed the 10-Year Capital Improvement Plan and the Consolidated Fee Schedule. The third and last workshop session on October 12th focused on discussing the restructuring of funding for Economic Development Agencies.

The first reading of the budget ordinance is scheduled for October 26th. The second reading of the budget ordinance and the adoption of the 10-Year Capital Improvement Plan and the Consolidated Fee Schedule is scheduled for November 9th. The November 23rd City Council meeting date has been identified as a contingency date if a third reading of the budget ordinance is necessary.

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 shows 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.

Item Details:

The 2022 budget includes a proposed balanced General Fund of \$17,469,752. The budget is considered balanced as revenues are equal to expenditures. Public safety, public works, and parks, recreation, and forestry account for approximately 72% of the General Fund. Sales Tax, Property Tax, and Transfers account for approximately 83% of General Fund revenue.

Special revenue/debt service funds total \$8.7 million. Project-heavy Storm Drainage and Special Assessment Funds, in addition to the Swiftel Center account for 57% of special revenue/debt service funds expenditures. The E-911 fund accounts for 12% of these funds expenditures.

Enterprise Funds total \$17.4 million for 2022. As a reminder, a significant change was made in the 2021 budget allocating the liquor pass through revenues and expenses (approximately \$6.8 million) to the Liquor Fund as opposed to the General Fund. In total, Enterprise Funds are proposed to operate at a \$0.7 million surplus for 2022.

The Capital Improvement Plan (CIP) maintains/replaces existing facilities, vehicles, and equipment while providing no additions. The 2022 CIP expenditures are proposed to be \$9.3 million. Debt service, street/airport, and parks/recreation account for approximately 81% of the total CIP expenditures. Seventy-four percent (74%) of CIP revenue comes from the 2nd penny sales tax. City staff recommends utilizing \$1.1 million of City Council Priority Funding to account for increased facility projects and ensure the long-term sustainability of the CIP.

Major projects/expenditures for 2022 include \$917,000 for the SDSU PAC, Library facility improvements, McClemans Park playground equipment replacement, annual street overlay and chip seal projects, and other vehicle/equipment replacement. While the CIP is balanced through 2026, strategic decisions will be needed in the future with a nearly \$1 million annual payment from 2022 - 2027 for the Performing Arts Center, aging Fire and Street Departments equipment, as well as widespread maintenance and upgrade needs of existing City facilities.

Legal Consideration:

The budget process is dictated by code, policy, and state law.

Strategic Plan Consideration:

- 1) Fiscal Responsibility
- 2) Safe, Inclusive, Connected Community
- 3) Service and Innovation Excellence
- 4) Sustainability
- 5) Economic Growth

Financial Consideration:

City staff will present balanced budgets which promote a sustainable future and help the community achieve its dreams.

Options and Recommendation:

The City Council has the following options:

- Approve as presented
- Amend
- Deny
- Refer to a Study Session
- Do Nothing

Staff recommends approval of the ordinance as presented.

Supporting Documentation:

Ordinance

Budget-in-Brief

Budget Detail