

CFO's Report

Q3 2021

City of Brookings

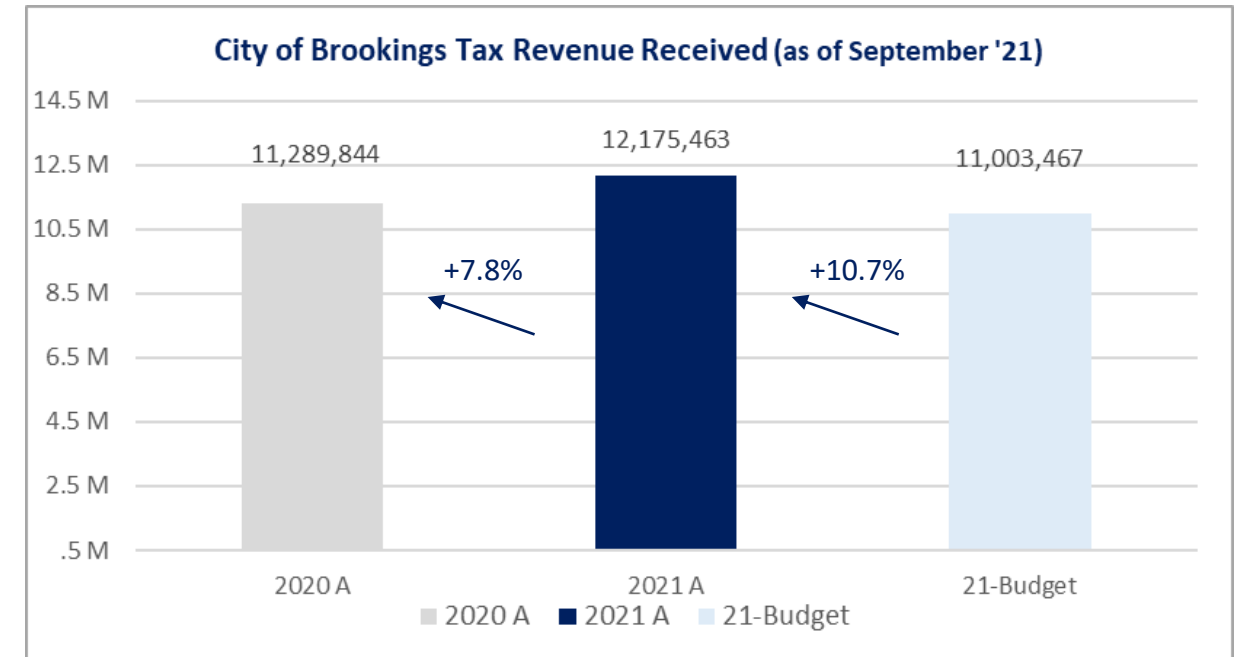
2021 Jan – Sep Tax Revenue

2021 3Q Tax Revenue & Other Income

REVENUES	FY2021 B	Prorated YTD 2021 B	2021 YTD A	Δ \$ F/(U)	Δ%
Sales Tax:					
1st Penny	\$6,904,449	\$5,142,843	\$5,639,129	\$496,286	9.7%
2nd Penny	\$6,904,449	\$5,142,934	\$5,639,128	\$496,194	9.6%
3rd Penny	\$825,000	\$591,782	\$726,506	\$134,724	22.8%
BID (Pillow Tax)	\$170,000	\$125,908	\$170,700	\$44,792	35.6%
Total	\$14,803,898	\$11,003,467	\$12,175,463	\$1,171,996	10.7%
Property Tax:	\$3,513,073	\$1,870,067	\$2,010,493	\$140,426	7.5%
Grand Total	\$18,316,971	\$12,873,534	\$14,185,956	\$1,312,422	10.2%

A Actuals
 Δ Variance
 B Budget

Revenue Tax Collected vs LY vs Budget



- Total tax collected is 10.2% above budget or \$1.3M
- Sales driven tax revenue is 7.8% higher than last year and 10.7% above budget or \$1.17M
- Last year's figures include COVID-19 related impact, thus year over year comparison seem materially favorable
- Our current budget has the following growth revenue factors vs last year
 - 1st & 2nd Penny + 5.3%
 - 3rd Penny or "Tourism" + 17.5%
 - BID or "Hotel" + 25%

Notes - Proration of tax revenue is based on average monthly historical timing of collections

- The sales tax reported period is for the previous month's actual activity; thus, the reported numbers represent December'20 to August'21 economic activity

2021 Jan – Sep Sales Tax Revenue by Industry

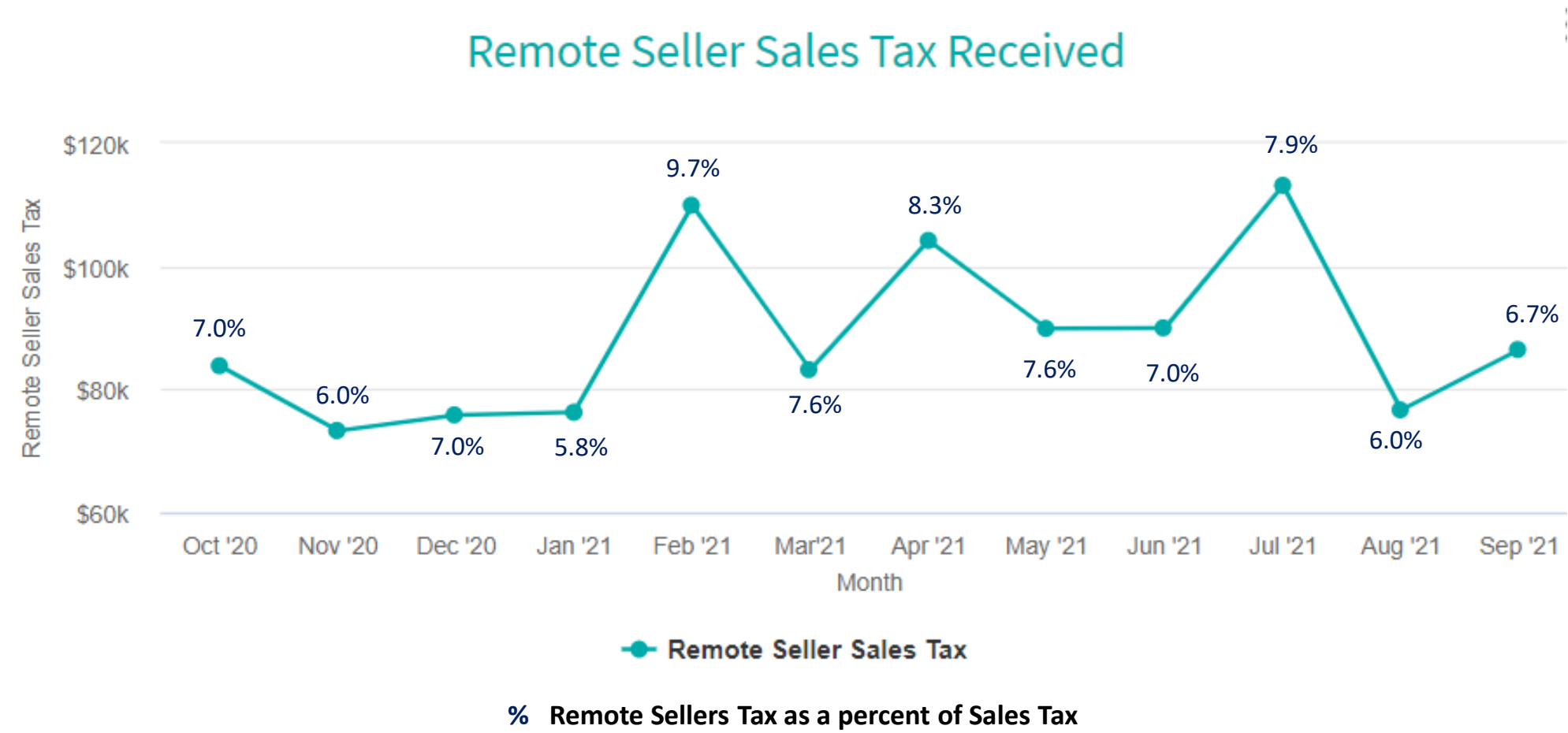
Year over Year (YoY) declines in the Construction, Manufacturing and Transportation industries have been offset by gains in the Wholesale Trade, Retail Trade, Services and Finance, Insurance and Real Estate sectors

Category	YTD	YoY
A Agriculture, Forestry and Fishing	136,111	11.1%
C Construction	225,496	-26.0%
D Manufacturing	536,913	-13.1%
E Transportation, Communications, Electric, Gas, and Sanitary Services	867,772	-12.3%
F Wholesale Trade	1,169,447	12.1%
G Retail Trade	7,273,943	10.9%
H Finance, Insurance & Real Estate	196,130	19.7%
I Services	1,712,775	8.1%
O Other	2,505	-69.9%
T Total	12,121,093	6.4%

Additional sales tax information can be found in the City's Performance Management Dashboard through the following link

- [City of Brookings, SD - Performance Analytics - Envisio](#)

2021 Remote Sellers* Tax Update



- This year, Remote Sellers Tax has accounted for 7.5% of total Sales Tax on average
- The remote sellers tax revenues has ranged between \$76K and \$113K

**A remote seller is a business located in another state that lacks a physical presence in South Dakota but makes sales to South Dakota. This tax was formally implemented in South Dakota in November 2018*

2021 Jan – Sep Budget vs Actuals – General Fund

General Fund

EXPENDITURES:	FY2021 B	Prorated YTD 2021 B	2021YTD A	Δ \$ F/(U)	% Used	Δ Revenue \$ F/(U)
Animal Control	\$168,660	\$ 114,537	\$73,055	\$41,482	43.3%	(\$3,630)
Aquatic Center	\$402,731	\$ 355,989	\$303,363	\$52,626	75.3%	\$43,948
City Attorney	\$111,000	\$ 83,250	\$82,007	\$1,243	73.9%	\$0
City Clerk	\$256,523	\$ 202,212	\$200,460	\$1,752	78.1%	\$5,093
City Manager	\$643,745	\$ 473,420	\$436,574	\$36,847	67.8%	\$8
Community Development	\$858,237	\$ 640,276	\$589,866	\$50,410	68.7%	\$63,435
County Reimbursement	\$387,400	\$ 290,550	\$180,429	\$110,121	46.6%	(\$51,942)
Finance	\$659,960	\$ 490,815	\$454,183	\$36,632	68.8%	\$440
Fire Department	\$797,643	\$ 605,347	\$559,827	\$45,520	70.2%	\$48,652
Forestry	\$396,943	\$ 298,674	\$253,320	\$45,355	63.8%	(\$2,355)
Government Buildings	\$180,521	\$ 135,391	\$104,608	\$30,783	57.9%	\$0
Human Resources	\$468,931	\$ 318,654	\$292,466	\$26,188	62.4%	\$3,475
Hydrant Rental	\$102,000	\$ 68,000	\$66,940	\$1,060	65.6%	\$0
Ice Arena	\$504,727	\$ 325,736	\$337,669	(\$11,933)	66.9%	(\$18,214)
IT	\$381,010	\$ 254,160	\$293,668	(\$39,508)	77.1%	\$0
Library	\$1,166,490	\$ 845,913	\$748,736	\$97,177	64.2%	(\$1,973)
Mayor & Council	\$113,447	\$ 71,233	\$72,469	(\$1,236)	63.9%	\$0
Parks Department	\$1,524,603	\$ 1,174,433	\$1,123,992	\$50,441	73.7%	\$331
Police Department	\$4,015,465	\$ 2,834,334	\$2,680,578	\$153,755	66.8%	(\$33,744)
Public Works	\$503,163	\$ 374,204	\$323,881	\$50,323	64.4%	\$0
Recreation Department	\$476,509	\$ 354,905	\$293,289	\$61,615	61.5%	(\$15,786)
Street Department	\$2,452,572	\$ 1,790,479	\$1,545,990	\$244,489	63.0%	(\$3,604)
Subsidies/Appropriation	\$999,880	\$ 913,925	\$731,644	\$182,281	73.2%	\$20,000
Non Departmental	\$2,647,336	\$ 1,633,452	\$2,333,186	(\$699,735)	88.1%	\$2,129,901
Total	\$20,219,499	\$14,649,890	\$14,082,200	\$567,690	69.6%	\$2,184,036

- Total General Fund expense is at 70% of total budget, which represents a \$568K surplus vs budget
- A large part of this surplus is attributed to timing of expenses and staff vacancies
- Departments that show a current deficit vs historical spend are expected to close the year under or at budget
- Total revenues are \$2.1 K higher mainly driven by the American Rescue Plan Grant Funds received in Q3

A Actuals
 Δ Variance
 B Budget

Notes - Proration of expenses and revenue are based on a 2yr monthly historical timing average

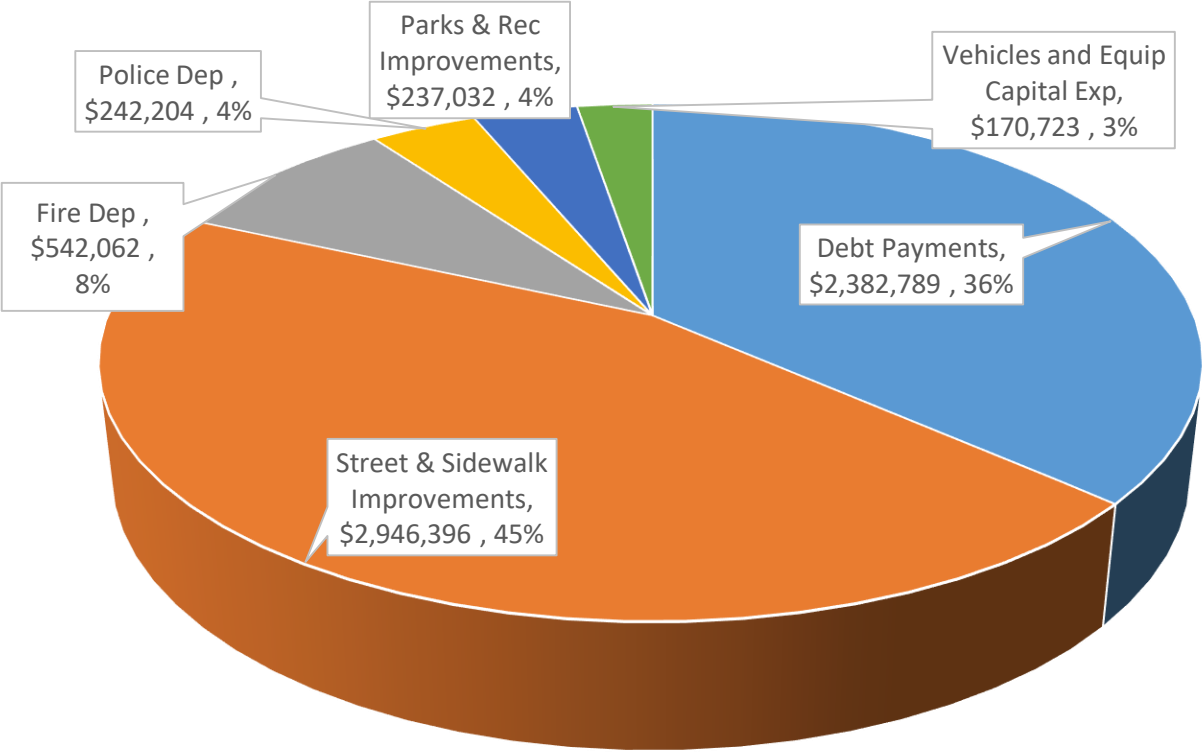
2021 Jan – Sep CIP and Other Funds Budget vs Actuals

Capital Improvement Projects & Other

EXPENDITURES:	FY2021 B	Prorated YTD 2021 B	2021YTD A	Δ \$ F/(U)	% Used
CIP	\$12,513,869	\$6,165,621	\$3,392,144	\$2,773,477	27.1%
All Other*	\$28,063,518	\$18,858,913	\$11,662,570	\$7,196,343	41.6%
Grand Total	\$60,796,886	\$39,674,424	\$29,136,914	\$10,537,511	47.9%

*All Other – Other Government , Special, Capital Projects and Enterprise Funds managed by the City.
Excludes Swiftel Center 3Q Capital and Operational Expenses

Capital Improvement Spend by Project



- Excluding all non capital project expenses¹, CIP fund is at 37% of budget with a total spend of \$2.7M.
 - Main initiatives funded to date are the Debt Payments, Street work, Fire Department truck, Parks & Rec Improvements and Equipment and Vehicles for the Streets, Police and Parks & Rec Departments
- Overall City spending is at 48% of budget

A

Actuals

Δ

Variance

B

Budget

¹ Non Capital project expenses include transfers, debt payments and sinking fund

City Council Priority Project List

General Fund Reserves	
Current Estimated Unassigned Liquid Assets Balance	\$ 14,080,969
<i>General Fund Reserve Balance of 15%</i>	<i>\$ 2,685,261</i>
<i>Budget Stabilization Reserve of 5%</i>	<i>\$ 895,087</i>
City Council Priority Funding Available Balance	\$ 10,500,621

City Council Approved Projects*	Cost
2021 Facility Improvements (Budget appropriation)	\$ 1,400,000
Public Safety Center - PM, Design & Engineering	\$ 522,200
Housing Study	\$ 35,000
Total CC Approved Projects	\$ 1,957,200

*Formally Adopted

Priority Funding Available Balance After Approved	\$ 8,543,421
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Primary Projects (IN priority order)	Cost
2022 Facility Improvements	\$ 1,100,000
FD Training Tower	\$ 440,000
Public Safety Center	\$ 6,477,800
Food Bank	\$ 300,000
Downtown Master Plan	\$ 35,000
Indoor Rec	\$ 850,000
Total Unapproved Primary Projects	\$ 9,202,800

Priority Funding after Unapproved Primary Projects	\$ (659,379)
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Secondary Projects (IN priority order)	Cost
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	\$ -
Total Unapproved Secondary Projects	\$ 8,977,319

Priority Funding after Unapproved Secondary Project	\$ (9,636,698)
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Desired Projects (NOT in priority order)	Cost
PD - Training Simulator	\$ 300,000
PD - K9 Vehicle	\$ 65,000
PD - Marked Vehicle	\$ 62,000
PD - Charget	\$ 52,000
Streets - 3rd Street Sweeper	\$ 215,000
Parks - Pickle ball Court	\$ 250,000
Parks - Splashpark	\$ 250,000
Parks - Outdoor Offices	\$ 30,000
Parks - Larson Park Shelter	\$ 200,000
Parks - Blue Rink Dehumidification (LIA)	\$ 160,000
Parks - Floor Replacement (LIA)	\$ 96,000
Parks - Parks Maintenance Addition	\$ 600,000
Parks - Larson Park Fountain	\$ 100,000
Parks - Bridge to East Pond - Dakota Nature Park	\$ 30,000
Parks - Shop Addition	\$ 600,000
Swiftel - Outdoor Marquee (22nd Ave)	\$ 41,500
Parks - Re-Build East Lot - Larson Ice Arena	\$ 270,000
Swiftel - East Lot - Swiftel Center	\$ 320,000
Parks - Larson Park Pavilion	\$ 200,000
Total Unapproved Desired Projects	\$ 3,841,500

2021 Economic Update

- The Conference Board forecasts that annual US Real GDP growth will come in at 5.7%. Looking further ahead, they forecast 3.8% of economic growth in 2022 and 3% in 2023
 - Growth drivers: consumer spending and in-person services in the final months of 2021
 - Concerns about inflation risks remain high until early 2022

THE CONFERENCE BOARD US ECONOMIC OUTLOOK				
Percentage Change Annual Rates				
	2020	2021	2022	2023
Real GDP	-3.5	5.7	3.8	3.0
Unemployment Rate (%)	8.1	5.5	4.1	3.4
PCE Inflation (%Y/Y)	1.2	3.6	3.0	2.0

- Locally, we believe that the forecasted US economic trend is likely to be as strong given current sales tax trends, however South Dakota is also experiencing similar high inflation levels (5.7% in sept vs last year)
 - We also remain cautious of our region’s economic outlook growth due to three main factors: tight labor market, supply chain constrains and a potential COVID wave

American Rescue Plan (ARP) – City of Brookings Allocation: \$4.37M

Mar '21	Sep '21	Sep '22	Dec '24	Dec '26
Eligible costs have to incur after March 3, 2021	First Deposit \$2.18M	Second Deposit \$2.18M	Deadline to obligate funds	Deadline to expend funds

Eligible Funds Usage

- To respond to the public health emergency (COVID–19) or its negative economic impacts including:
 - COVID-19 mitigation and prevention, medical expenses, behavioral health care, design and execution of health programs
- Premium Pay to workers performing essential work during the COVID–19 public health emergency
- Revenue replacement (excluding utilities)
- To make necessary investments in water, sewer, or broadband infrastructure
- Cannot be used to match other Federal Grants

City Leadership is designing a community engagement process to help prioritize funds usage based on current and long term community needs

Questions or Comments?

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

Erick Rangel

CFO

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erangel@cityofbrookings-sd.gov

<https://cityofbrookings-sd.gov/200/Finance-Department>

Appendix

City Council Priority Project List – Facility Improvements Detail

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

American Rescue Plan (ARP) - Program Overview

Program Highlights

- Allocation distribution will be managed by the State
- Distribution will be made in two tranches at least 12 months apart
- Eligible costs have to incur from March 3, 2021 until December 31, 2024 (expendable by December 31, 2026)
- Early guidance allows for the following uses :
 - Revenue loss
 - Premium pay
 - Investments in Water, Sewer, and Broadband
 - Public Health/Negative Economic Impact

Direct Allocation

\$350 billion

of non-competitive funding for states, counties, cities, Tribes and territories.
Of this funding:

\$195.3 billion

to states and Washington, D.C.

\$130.2 billion

to local governments

\$4.37 M

Allocation to the City of Brookings

Additional Programs

Other provisions of the bill include:

Recovery

\$10 billion
Coronavirus Capital Projects Fund

Schools

nearly
\$170 billion

Housing

\$25 billion in
emergency rental assistance

Small business

\$22 billion in
EIDL and PPP

Transportation and infrastructure

\$58.2 billion

Energy and water

\$4.5 billion
in household assistance

Restaurants and bars

\$25 billion

Emergency Connectivity Fund

\$7.6 billion for
internet access for distance learning

Public health

\$72 billion for
COVID-19 testing, contact tracing and vaccine distribution