

Budget Message

BRING YOUR DREAMS.



December 1, 2019

Honorable Keith W. Corbett, Mayor
Members of the City Council

It is my honor and pleasure to present the 2020 Budget to City Council and the public in a format which allows high-level discussion while offering an in-depth understanding of each department and service area. New for the 2020 Budget, a Budget in Brief ([p. 11-15](#)) provides a summarized overview of revenues and expenditures, operations, projects, and outcomes. Narratives are included for all General Fund departments and service areas to provide greater understanding of budget history, goals, and outcomes ([p. 23-70](#)).

The 2020 General Fund budget is balanced in that incoming revenues are equal to outgoing expenditures. However, the total 2020 Budget increased by \$2,039,330, or 3.8%, from the 2019 Budget due to a large-scale capital project in the solid waste enterprise fund. Annual budget fluctuation is expected based on varying operational and capital projects, programs, and activities.

The budget will continually evolve to create greater intuitiveness and functionality as a policy document, operations guide, financial plan, and communications device. Specific to 2020, the budget is balanced and delineation of expenditures is drawn. Social service outside agency funding is centralized in the General Fund while funding for economic development and marketing agencies is provided through 3rd Penny Sales Tax. The new 10-Year Capital Improvement Plan and City Council Priority Projects defines available funding while prioritizing community needs and projects ([p. 107-132](#)). The creation of a Consolidated Fee Schedule allows for all City fees to be located in one convenient location for the public and staff ([p. 184-202](#)).

General Fund

Several significant changes were made to the General Fund in 2020 to align on-going revenues with on-going expenditures to create a more sustainable financial plan. The General Fund saw a reduction as all capital projects of \$25,000 and greater were transferred to the Capital Improvement Plan, which is primarily funded by 2nd Penny Sales Tax. Operational departments

were also able to decrease costs as a result of staff identifying ways to become more resilient and efficient within existing operations.

Through these structural changes and cost saving measures, Enhanced 9-1-1, social service outside agencies, and the Research Park at South Dakota State University funding is now centralized in the General Fund. Additionally, the 2020 Budget allowed for an incremental increase for social service outside agencies.

The aggregate impact of the General Fund reductions and increases resulted in an overall General Fund budget of \$23,674,065, which is a net decrease from the 2019 General Fund budget of \$456,052, or 1.9%.

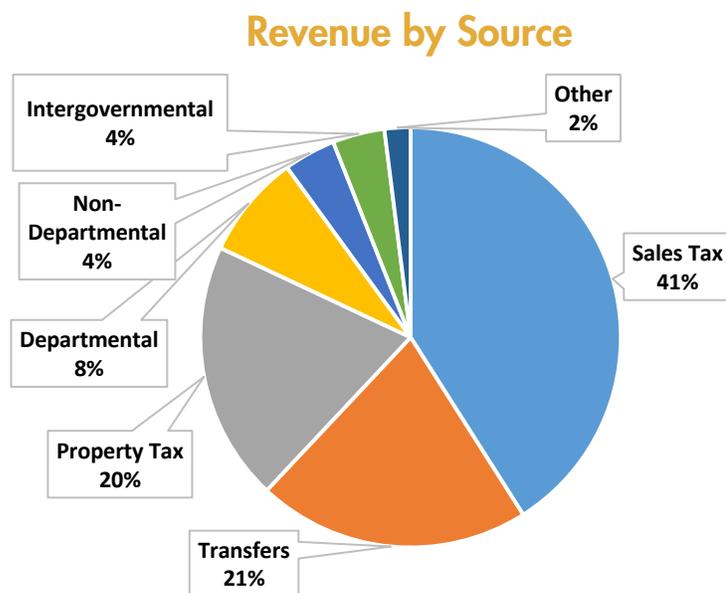
General Fund Revenue

82% of General Fund revenue comes from three (3) sources – 1st Penny Sales Tax, Transfers, and Property Tax. Primary transfers into the General Fund are provided from Brookings Municipal Utilities, Solid Waste Enterprise Fund, and Liquor Store Enterprise Fund.

1st Penny Sales Tax estimates are calculated utilizing a conservative approach that weighs historical data, recent trends, and economic conditions. While the City has observed strong sales tax

performance in recent years, concern is primarily driven by the uncertainty of the agricultural industry and change in federal law regarding tax on internet service. When considering these factors, a 2% increase in 1st Penny Sales Tax from most current, actual data was utilized for the 2020 Budget.

Property Tax levy increases are formulaic based on growth and the Consumer Price Index (CPI). The property tax levy increased by \$138,500, or approximately 4.3%, for the 2020 Budget in comparison to the 2019 Budget.

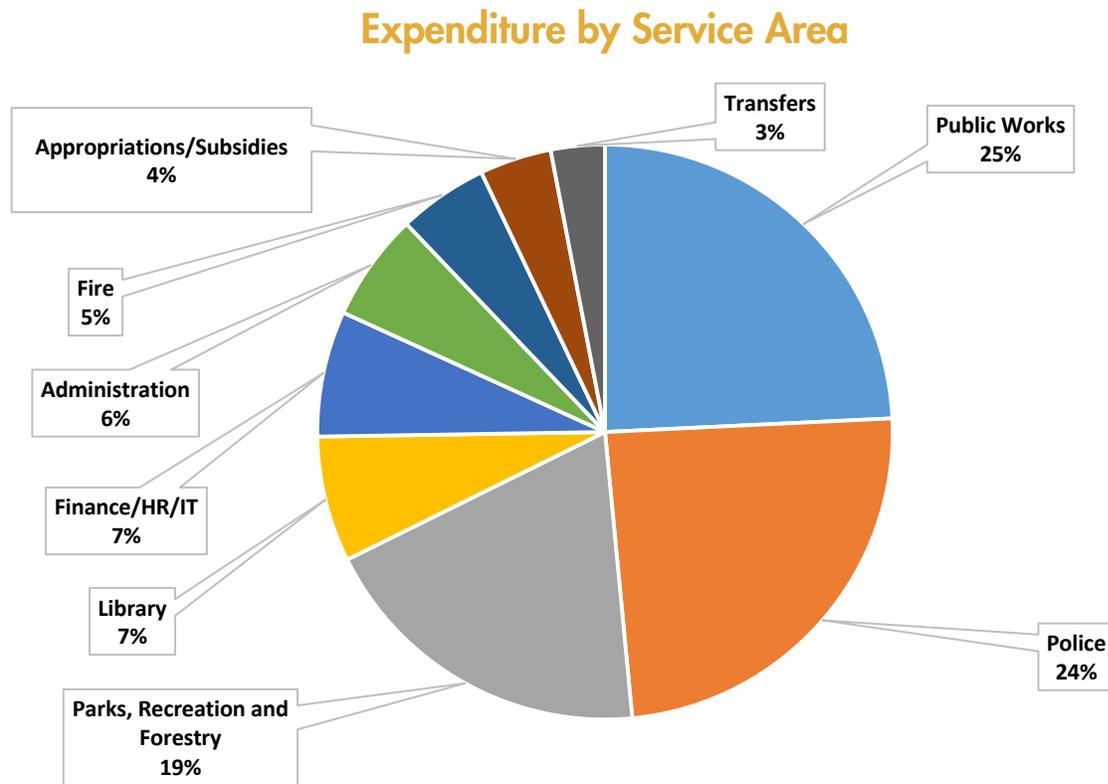


Property Tax by Year



General Fund Expenditures

Within the balanced General Fund budget, expenditures are utilized to fund projects, programs, activities and services which promote Brookings high quality of life through strong neighborhoods, beautiful community and parks, public safety, entertainment and recreation, and arts and culture.



In order to achieve the core elements that contribute to Brookings high quality of life, 73% of the 2020 General Fund budget is allocated to Public Works, Public Safety, and Parks, Forestry, and Recreation.

General Fund Highlights and Conclusions

The 2020 Budget includes a balanced General Fund budget which utilized strategic decision-making and data to project revenues and expenditures. Revenues were estimated using conservative estimates and tactical adjustments were made based on past performance and financial trends. The creation of the Consolidated Fee Schedule allowed for initial comparative analysis. Going forward, fee analysis and benchmarking will be incorporated into the annual budget preparation process. Savings were realized from insurance decreases. Contingency funding was drastically decreased as merit and general pay adjustments have been incorporated into departmental and service area salary line items.

Form a personnel perspective, the City will have 146 employees in 2020 (p. 17-18). This reflects the addition of two (2) new positions – a Geographic Information System (GIS) Technician and Fire and Life Safety Technician. Through the addition of these positions, the City will strategically utilize data and take a proactive approach to decision-making which fosters continuous organizational improvement.

The City Manager’s and City Clerk’s Office reorganization are reflected in the 2020 Budget. This includes the creation of a marketing and media budget to fully embrace social and digital media platforms as well as more traditional print options. Parks, Recreation, and Forestry Department positions have been consolidated to core service areas for the efficient use of staff time in work flow and payroll processing.

The 2020 General Fund budget provides for the completion of a wage and benefit survey. A wage and benefit survey ensures that the City is fiscally responsible with personnel expenses while remaining competitive and attracting exceptional talent. As a streamlining measure, all recruitment efforts are being centralized in the Human Resources Department to accurately measure costs associated with the hiring process while harnessing efficiencies.

Special Revenue and Debt Service Funds

Special Revenue and Debt Service Funds include 3rd Penny Sales Tax, Pillow Tax, Storm Drainage, Tax Increment Financing, Swiftel Center, Library Fines and Donations, and Special Assessments (p. 71-106). These funds also saw a streamlining of expenditures to include all economic development and marketing endeavors funded from the 3rd Penny Sales Tax in accordance with City policy. Outside agencies funded from 3rd Penny Sales Tax saw a reduction to limit the impact on the General Fund, however, a transfer from the Liquor Store mitigated service reduction. When considering recommended reductions, staff tried to limit the impact on operations of these agencies and therefore strategically reduced or eliminated programs. The Pillow Tax is dedicated to the Convention and Visitor’s Bureau as is a portion of the 3rd Penny Sales Tax. These funds contain the following significant changes:

- 3rd Penny Sales Tax revenue increased minimally based on historic data.
- Pillow Tax projection increased with addition of hotel facilities.
- All outside agency economic development and marketing efforts funded 3rd Penny Sales Tax and Pillow Tax (except Research Park at SDSU).
- Majority of outside agency economic development and marketing operations decreased by 2.5%.
- Various programs cut or drastically minimized to offset impact to outside agencies operations.
- Transfer from Liquor Store required to meet funding needs.

Enterprise Funds

Solid Waste, Liquor Store, Edgebrook Golf Course, Airport and Research and Technology Center are enterprise funds (p. 77-106). Enterprise fund service areas are constructed to operate similar to a business, however, there are specific nuances to each. Enterprise fund details include:

- Solid Waste is solvent with no proposed fee increase.
 - A new cell at the Brookings Landfill will be developed and fully-funded through Solid Waste revenue.
 - Transfers to General Fund from Solid Waste slightly increased.
- Liquor Store transfers funds to the General Fund, Edgebrook Golf Course and 3rd Penny Sales Tax.
 - Efforts to relocate the Liquor Store will be on-going in 2020.
- Airport's budget is \$2.95M and is dependent on \$2.47M in grants and \$432K in transfers from the General and 2nd Penny Sales Tax.
 - 1.9% of airport revenue is received through airport fees.
 - Approximately 65% of airport operation is related to South Dakota State University.
- Edgebrook Golf Course dependency on General Fund and Liquor Store is decreased through increased revenue projections and expenditure reduction.

Capital Improvement Fund

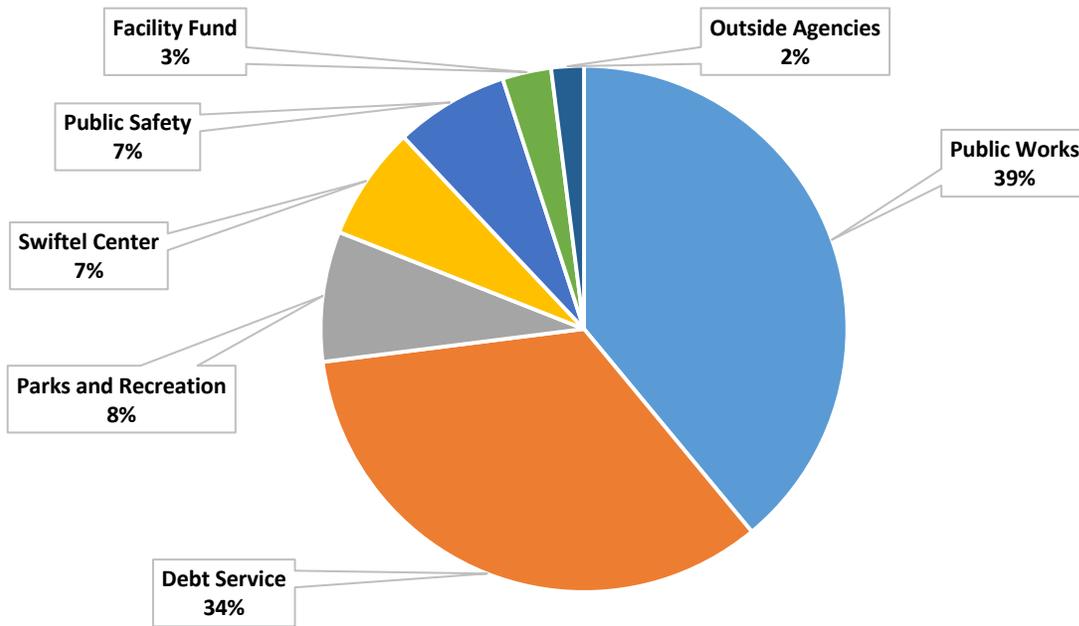
A new 10-Year Capital Improvement Plan summarizes the needs of all departments with projected revenues to assure a sustainable plan (p. 108). The development of this document realized a shortfall of revenue when calculating desired projects. Therefore, a new City Council Priority Project process was developed. City Council will be made aware quarterly of available unrestricted funds that can be committed towards prioritized projects not funded within the Capital Improvement Plan, buy down debt or fund future Capital Improvement Plan shortfalls. The new Capital Improvement Plan is a combination of the former 212 and 213 Funds.

To better capture facility maintenance needs, the City completed a facility condition assessment towards the end of 2019. As results of the facility condition assessment become available in early 2020, needs of City-owned facilities will be better understood. To prepare for necessary facility repairs, City Council contributed \$350,000 to a facility sinking fund in 2019 and an additional \$250,000 in 2020. In future years, the Capital Improvement Plan will account for specific facility projects based on needs identified by the facility condition assessment.

While most outside agency funding has been centralized in the General Fund (social service agencies) and 3rd Penny Sales Tax (economic development and marketing), the City's commitment to the Oscar Larson Performing Arts Center and Brookings Health System remain in the Capital Improvement Fund as these are capital project based commitments.

The adopted Capital Improvement Plan for 2020 totals \$7,604,091. Of that number, nearly \$2.7 million is committed to debt service. An overview of Capital Improvement Plan funding by major category is included below. The major categories are Public Works (streets, infrastructure, and airport), Debt Service, Parks and Recreation (Parks, Recreation, Edgebrook Golf Course, Public Library, Brookings Activity Center, and public art), Swiftel Center, Public Safety (Police and Fire), Facility Fund, and Outside Agencies.

Capital Improvement Plan Funding



Closing

I want to close by commending City Council and staff for their hard work and dedication in creating a sustainable financial plan through strategic decision-making and a future-orientation. The balanced 2020 Budget puts Brookings on course to continue achieving its dreams.

Sincerely,

Paul M. Briseno
City Manager