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To: Greg Jenkins, Interim City **FINANCE & RECORDS** Administrator

From: Nancy A. Lueck, Finance Director

Date: June 15, 2020

Re: Resolution Deferring or Providing for Additional Review of FY 2020/2021 Budgeted Expenditures due to Revenue Impacts from the COVID-19 Pandemic

Introduction and Background:

The City Council adopted the budget for the City of Muscatine on April 16, 2020. After the adoption of the budget, the COVID-19 pandemic resulted in projected City revenue reductions due to the economic impacts from the temporary closure of businesses, reductions in travel, and reductions in fees for City services.

City Council has been reviewing and discussing the projected revenue impacts to both the revised 2019/2020 budget and the upcoming 2020/2021 budget as well as proposed budget reductions to address the revenue shortfalls. The initial review was at the May 14, 2020 In Depth meeting and there was a follow-up review at the June 4 regular meeting. At the June 11, 2020 In Depth meeting, each department head presented information on potential impacts of varying levels of budget reductions on services to be provided to residents. Based on those discussions, it is proposed that City Council approve by resolution the initial budget reductions to address the projected revenue shortfalls. The attached resolution includes the following six provisions for the 2020/2021 budget:

1. The \$1 million allocation for the FY 2020/2021 Pavement Management program and the \$100,000 allocation for the New Sidewalk program be deferred due to the projected reductions in Road Use Tax and Local Option Sales Tax revenues until such time as funds are determined to be available for all or a portion of these projects, and
2. Hiring of the three new firefighter positions and the new Human Resources Generalist position, all added in the FY 2020/2021 budget, be deferred until funding is determined to be available; and
3. The \$50,000 allocation for merit pay for fulltime non-union employees be deferred until funding is determined to be available; and
4. Various department budgeted expenditures be reduced as previously identified which includes, but is not limited to Aquatic Center expenditures due to that facility not opening in 2020; and
5. All permanent fulltime and permanent part-time positions that become vacant be reviewed by the City Administrator before being authorized to be re-filled; and
6. All budgeted capital outlay items be reviewed by the City Administrator before purchasing (any over \$5,000 will also require City Council approval).

Recommendation:

Please include this resolution on the agenda for the June 18, 2020 meeting. If you have any questions or need additional information, please contact me.

"I remember Muscatine for its sunsets. I have never seen any on either side of the ocean that equaled them" — Mark Twain

RESOLUTION NO. 2020-0220

**RESOLUTION DEFERRING OR PROVIDING FOR ADDITIONAL REVIEW
OF FY 2020/2021 BUDGETED EXPENDITURES DUE TO REVENUE IMPACTS
FROM THE COVID-19 PANDEMIC**

WHEREAS, the City Council adopted the budget for the City of Muscatine on April 16, 2020;
and

WHEREAS, subsequent to the adoption of the budget, the COVID-19 pandemic resulted in projected City revenue reductions due to the economic impacts from the temporary closure of businesses, reductions in travel, and reductions in fees for City services; and

WHEREAS, the City's General Fund Balance Policy provides that "Except in extraordinary circumstances, unassigned fund balance should not be used to fund any portion of the ongoing and routine operating expenditures of the City. It should be used primarily to respond to unforeseen emergencies, to provide cash flow, and to provide overall financial stability" and

WHEREAS, the fund balance policy further provides that "In the event that use of unassigned fund balance is necessary to provide a short-term solution to maintaining essential services, the City will evaluate current and future economic conditions to evaluate the extent of expenditure reductions or revenue increases that would be needed to achieve day-to-day financial stability and restore the fund balance" and.

WHEREAS, Road Use Tax, Local Option Sales Tax, hotel/motel tax, and several other revenue sources are projected to be significantly impacted by the COVID-19 pandemic; and

WHEREAS, after review and discussion of the projected impacts from COVID-19 on City revenues, the City Council has identified several items to be deferred which would not have an immediate impact on essential services provided to the residents of the community; and

WHEREAS, there is still uncertainty in the duration and extent of the revenue impacts to the City and the City Council may in the future determine that additional budget reductions would be necessary;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MUSCATINE, IOWA, that

1. The \$1 million allocation for the FY 2020/2021 Pavement Management program and the \$100,000 allocation for the New Sidewalk program be deferred due to the projected reductions in Road Use Tax and Local Option Sales Tax revenues until such time as funds are determined to be available for all or a portion of these projects, and
2. Hiring of the three new firefighter positions and the new Human Resources Generalist position, all added in the FY 2020/2021 budget, be deferred until funding is determined to be available; and
3. The \$50,000 allocation for merit pay for fulltime non-union employees be deferred until funding is determined to be available; and
4. Various department budgeted expenditures be reduced as previously identified which includes, but is not limited to Aquatic Center expenditures due to that facility not opening in 2020; and

5. All permanent fulltime and permanent part-time positions that become vacant be reviewed by the City Administrator before being authorized to be re-filled; and
6. All budgeted capital outlay items be reviewed by the City Administrator before purchasing (any over \$5,000 will also require City Council approval).

PASSED, APPROVED, AND ADOPTED this 18th day of June, 2020.

Diana Broderson, Mayor

ATTEST:

Greg Jenkins, Interim City Administrator