City of Muscatine

Budget Basis Financial Statement Overview

Year Ended June 30, 2022

Direction Sought – Informational Presentation Only

- This presentation is informational and will provide the following:

A. Overview of actual General Fund revenues, expenditures, and ending fund balance for fiscal year 2021/2022
B. General Fund balance history
C. Actual FY 2021/2022 ending fund balances for all Operating Funds compared to Revised Estimate amounts
D. Summary
E. City Council Discussion and Feedback

City of Muscatine, Iowa
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2022

Revenues:	
Taxes:	
Property	**$ 7,962,862.21**
Utility	**29,639.78**
Hotel/Motel	**593,266.69**
Cable Franchise	**124,021.63**
Utility Franchise	**518,879.41**
Licenses and permits	**429,860.53**
Fines and forfeitures	**664,939.27**
Intergovernmental	**1,011,759.84**
Charges for services	**585,097.33**
Use of money and property	**91,922.32**
Other	**1,029,615.85**
Total revenues	**$ 13,041,864.86**

Expenditures:	
Current:	
Public safety	**$ 10,686,789.56**
Public works	**2,701,893.16**
Health and social service	**37,500.00**
Culture and recreation	**3,590,711.94**
Community and economic development	**993,802.64**
General government	**2,961,680.87**
Capital outlay:	
Public safety	**154,301.39**
Public works	**306,211.49**
Culture and recreation	**148,122.66**
Community and economic development	**24,203.42**
General government	**195,892.06**
Total expenditures	**$ 21,801,109.19**
Revenues (under) expenditures	**$ (8,759,244.33)**

Other financing sources (uses):	
Operating transfers in (includes transfers from the Employee Benefits, Road Use Tax, Ambulance, Perpetual Care Interest, and TIF funds)	**$ 9,535,060.72**
Operating transfers out (includes transfers to the Equipment Replacement and Computer Replacement funds as well as subsidy transfers to enterprise funds)	**(403,508.45)**
Total other financing sources (uses)	**$ 9,131,552.27**
Revenues and other sources over (under) expenditures and other uses	**$ 372,307.94**
Fund balance, June 30, 2021	**5,300,991.70**
Fund balance, June 30, 2022	**$ 5,673,299.64**
Less reserve for encumbrances	**329,138.73**
Unreserved balance, June 30, 2022	**$ 5,344,160.91**

City of Muscatine
General Fund
Fund Balance Analysis
Fiscal Year Ended June 30, 2022

Original Budget - Ending Fund Balance	$ 4,751,103
Original Revised Estimate - Ending Fund Balance	$ 5,183,005
Actual Ending Fund Balance (Reflects all Encumbrances including those funded from Road Use Tax)	$ 5,344,161 *
Actual over (under) Revised Estimate by	$ 161,156 *
General Fund Balance as a Percent of FY 2021/2022 Expenditures (Revised Estimate Projected Percentage was 22.6%)	23.83%

NOTE:

Actual Ending Fund Balance Without Road Use Tax Funded Encumbrances ($34,371 of Encumbrances will be funded from Road Use Taxes in FY 22)	$ 5,548,198
Actual over Revised Estimate Without Road Use Tax Encumbrances	$ 365,193
General Fund Balance as a Percent of FY 2021/2022 Expenditures without Road Use Tax Funded Encumbrances	24.76%

Budgeted Items not Purchased - Requested to be Carried Forward

Soccer - Drainage Improvements	$	4,100
Aquatic Center - Lifeguard Chair		4,800
Total Carry Forward Items	$	8,900
Carry Forward Items to be Funded from Road Use Tax		-
Net Impact of Carryforwards on General Fund balance	$	8,900

*** Revenues under original Revised Estimate by $408,860:**

Significant Revenue Items:

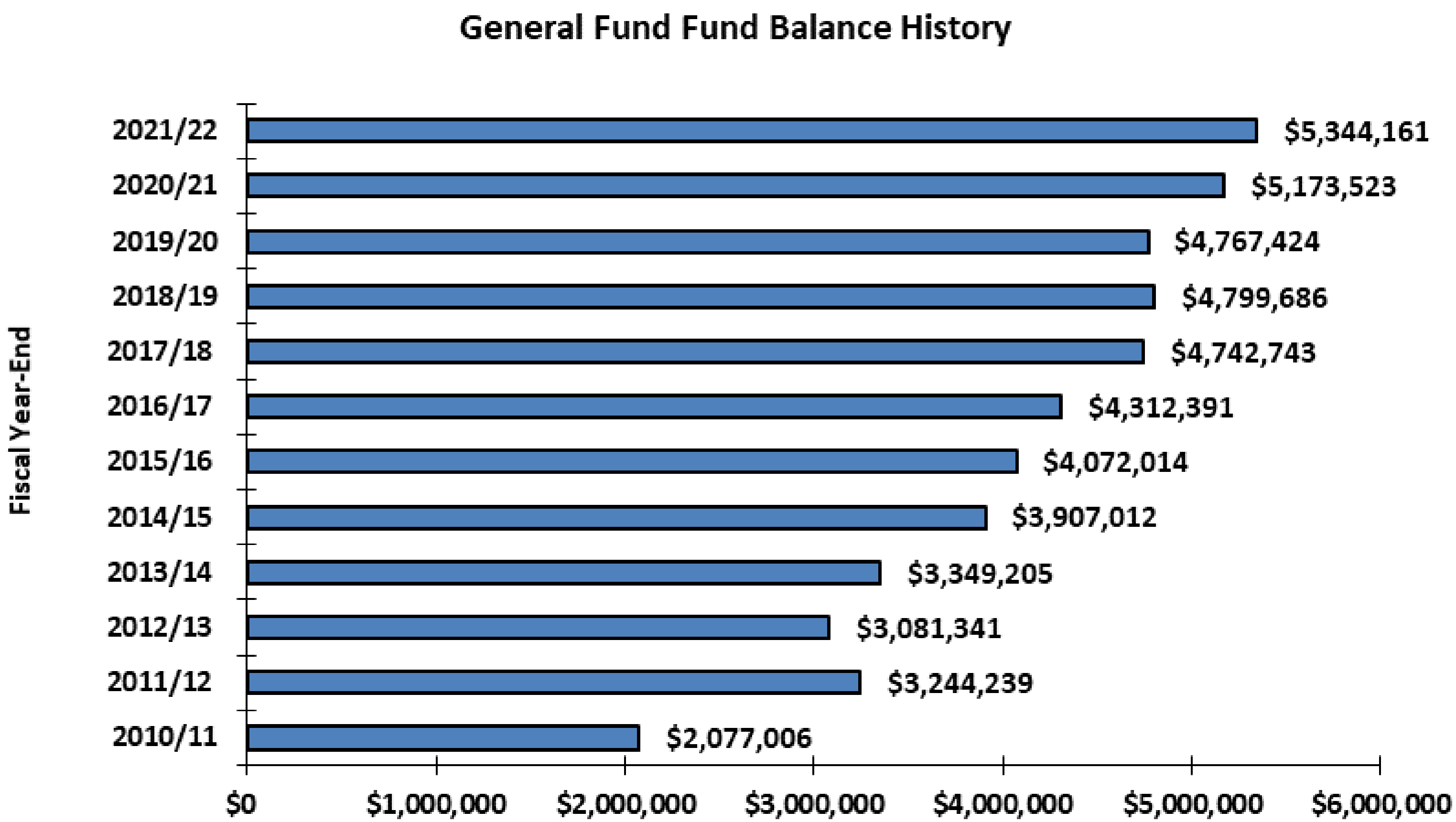
Tax Collections over Revised Estimate	$	5,885
Utility Franchise Fees over Revised Estimate		168,879
Cable Franchise Fees under Revised Estimate		(7,978)
Road Use Tax Transfer in to General Fund under original Revised Estimate (Corresponding Public Works expenditures also under Rev. Est.; Transfers for $204,037 of Encumbrances will be done in FY 23)		(337,630)
Employee Benefits funding under Revised Estimate (Corresponding expenditures also over Rev. Est. due to Fire retiree medical)		(65,727)
Health Insurance Wellness Program funding under Revised Estimate (Corresponding expenditures also under Rev. Est.)		(10,222)
Hotel/Motel Tax over Revised Estimate (Original budget was $300,000; revised estimate $365,000; actual $593,267)		228,267
Community Development Revenues over Revised Estimate (Nuisance reimbursements over by $24,712; construction permits over by $59,939)		91,824
Library Revenues over Revised Estimate		1,388

Art Center Revenues under Revised Estimate		(1,174)
Parks and Recreation Revenues over original Revised Estimate:		
Kent Stein Park and Soccer Revenues under by	(6,602)	
Recreation Revenues under by	(4,662)	
Aquatic Center Revenues over by	7,494	
General Parks over Revised Estimate (includes $14,927 in donations received after Revised Estimate approved)	18,779	15,009
Cemetery Revenues over original Revised Estimate (Lot Sales, Burial Fees, etc.)		12,303
Public Works Revenues under original Revised Estimate (less staff time charges to projects since not able to hire engineering position)		(28,123)
Police Grants under Revised Estimate		(16,050)
Court Fines over Revised Estimate		9,857
Automated Traffic Enforcement Fines under Revised Estimate		(5,305)
Other Police Revenues over Revised Estimate		14,611
License and Permit Revenues over original Revised Estimate (State caught up on fees that were deferred in prior year due to COVID)		28,247
Fire Department Revenues over original Revised Estimate		434
Interest Income over original Revised Estimate (increase in interest rates during the last several months of the fiscal year)		4,983
Transfer from State COVID Relief funds not needed to reach target fund balance		(300,000)
Transfer from American Rescue Plan Act funds not needed to reach target balance		(222,000)
Various Other Revenues over Revised Estimate (Net)		3,662
		$ (408,860)

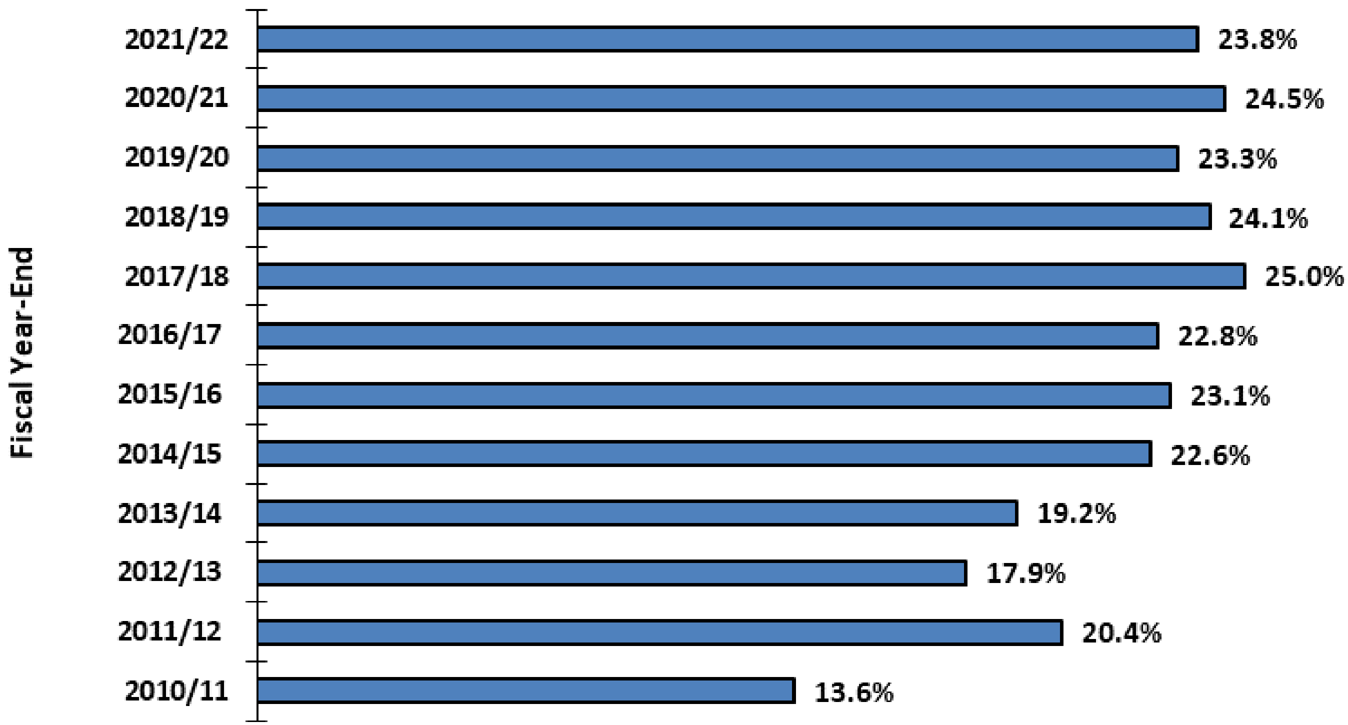
*** Expenditures under Original Revised Estimate by $568,554:**

Significant Expenditure Items:

Items Carried Forward (see above)	$ 8,900
General government activities under original Revised Estimate	109,419
Public safety activities under original Revised Estimate	59,099
Library, Art Center and Parks under original Revised Estimate (Net of carry forwards of $8,900)	158,092
Community/Economic Development under original Rev. Est.	48,411
Economic Well-Being (MCSA subsidy) under original Revised Estimate (Housing CARES Act funded $12,500 of the MCSA subsidy)	12,500
Public Works activities under original Revised Estimate	155,029
Airport Subsidy under original Revised Estimate	17,104
	$ 568,554


General Fund Fund Balance History
Fiscal Year-End
2021/22
2020/21
2019/20
2018/19
2017/18
2016/17
2015/16
2014/15
2013/14
2012/13
2011/12
2010/11
$5,344,161
$5,173,523
$4,767,424
$4,799,686
$4,742,743
$4,312,391
$4,072,014
$3,907,012
$3,349,205
$3,081,341
$3,244,239
$2,077,006
$0
$1,000,000
$2,000,000
$3,000,000
$4,000,000
$5,000,000
$6,000,000

Fiscal Year-End General Fund Balances as a Percent of Expenditures



City of Muscatine
Fund Balance Comparison - Operating Funds
June 30, 2022

Fund	Original Budget	Revised Estimate	Actual 6-30-22	Variance Favorable (Unfavorable)	
General Fund	$ 4,751,103	$ 5,183,005	$ 5,344,161	$ 161,156	(1)
Debt Service Fund					
General Obligation	78,363	104,143	111,601	7,458	(2)
Enterprise Funds:					
Water Pollution Control Operations	2,263,755	2,389,204	2,470,041	80,837	(3)
Collection and Drainage	648,211	764,360	860,528	96,168	(4)
Solid Waste Management:					
Refuse Collection	120,729	133,331	207,399	74,068	(5)
Landfill Operations	1,741,970	1,662,274	1,872,168	209,894	(6)
Landfill Post-Closure Reserve	1,169,115	1,163,634	1,170,037	6,403	(7)
Landfill Closure Reserve	1,656,141	1,618,742	1,630,548	11,806	(7)
Transfer Stations Operations	161,410	162,319	383,654	221,335	(8)
Transfer Station Closure Reserve	33,825	33,825	33,825	-	
Airport Operations	-	-	60,725	60,725	(9)
Parking Operations	6,329	44,365	69,081	24,716	(10)
Transit	423,498	467,775	369,198	(98,577)	(11)
Golf Course Operations (excludes Clubhouse inventory)	20,548	43,716	75,063	31,347	(12)
Boat Harbor Operations	100	500	-	(500)	(13)
Marina Operations (includes inventory)	500	756	2,425	1,669	(14)
Ambulance Operations	127,847	263,631	379,390	115,759	(15)
CVB (City funds)	73,579	104,958	105,083	125	
Soccer Event Fund	91,156	59,140	40,088	(19,052)	(16)
Internal Service Funds:					
Equipment Services (includes inventory)	115,853	112,954	34,590	(78,364)	(17)
Health Insurance	1,641,950	2,094,991	2,040,117	(54,874)	(18)
Dental Insurance	86,699	76,720	100,178	23,458	(19)

City of Muscatine
Fund Balance Comparison - Operating Funds
June 30, 2022

Fund	Original Budget	Revised Estimate	Actual 6-30-22	Variance Favorable (Unfavorable)	
Special Revenue Funds:					
Employee Benefits	-	62,404	142,089	79,685	(20)
Emergency Tax Levy/Emergency Fund	246,689	347,662	648,218	300,556	(21)
American Rescue Plan Act Fund	-	1,492,200	1,755,523	263,323	(22)
Community Block Grant	25,821	17,195	31,226	14,031	
Home Ownership Program	44,774	36,827	25,962	(10,865)	(23)
Sunset Children's Education Program	5,577	7,181	6,922	(259)	
Public Housing Legal Settlement	-	-	147,422	147,422	(24)
Small Business Forgivable Loan Programs	-	-	275,573	275,573	(25)
Local Option Sales Tax	258,778	300,007	1,399,006	1,098,999	(26)
Road Use Tax	770,929	1,091,948	1,769,027	677,079	(27)
Tax Increment (Downtown)	9,882	9,378	9,448	70	
Tax Increment (Southend)	598,722	330,290	477,116	146,826	(28)
Tax Increment (Cedar Development)	66,546	66,303	66,369	66	
Tax Increment (Heinz)	4,784	4,890	4,895	5	
Tax Increment (Hwy 38 NE)	14,997	16,946	17,043	97	
Tax Increment (Fridley)	37,682	45,893	45,761	(132)	
Tax Increment (Riverview Hotel)	1,018	1,233	1,289	56	
Tax Increment (North University)	7,869	11,234	11,281	47	
Tax Increment (WDS)	5,100	8,887	8,933	46	
Tax Increment (Hershey Building)			3,003	3,003	
Reinvestment District	-	-	-	-	
Equipment Replacement	95,990	104,319	30,480	(73,839)	(29)
Computer Replacement - City	-	-	62,918	62,918	(30)
Computer Replacement - Library	8,340	15,000	23,413	8,413	(31)
Police Forfeitures Fund	5,930	10,935	13,439	2,504	(32)
Clark House/Sunset Park Operations	437,875	674,522	707,545	33,023	(33)
Section 8 Voucher Program	156,632	149,384	209,619	60,235	(34)
Totals	$ 18,016,616	$ 21,288,981	$ 25,253,420	$ 3,964,439	

1. **See General Fund analysis.**

2. **Debt service tax collections $7,030 more than the revised estimate; interest revenue $428 higher than estimated.**

3. **Water Pollution Control revenues were $42,582 less than the revised estimate; expenditures were under the revised estimate by $111,987 ($12,100 requested to be carried forward); $11,432 in prior year encumbrances were written off.**

4. **Collection and Drainage expenditures under revised estimate by $96,403; revenues were under by $235.**

5. **Refuse Collection expenditures under revised estimate by $9,249; revenues were over by $25,542; transfers in over by $44,277.**

6. **Landfill expenditures under original revised estimate by $154,819 and revenues over by $55,075; $100,00 for groundwater mediation carried forward to FY 23.**

7. **Landfill Closure Reserve transfer in over estimate by $11,806. Landfill Post-Closure transfer in over by $6,403 (based on Engineer's cost estimates and waste volumes).**

8. **Transfer Station revenues $78,739 higher than the revised estimate; expenditures under original revised estimate by $142,596.**

9. **Airport revenues over the original revised estimate by $17,585 (CARES/ARPA funds over by $33,600, General Fund subsidy not needed under by $17,104, other revenues over by $1,089); expenditures under by $43,140 ($20,000 for painting the exterior of the former HNI hangar carried forward to FY 23).**

10. **Parking revenues $13,305 more than the revised estimate; expenditures under the revised estimate by $11,411.**

11. **Transit revenues under original revised estimate by $411,981 ($5,622 under in transit fares; $458,100 under in capital grants for buses not yet purchased due to availability, State operating funding $39,489 over revised estimate, CARES/CRSSA operating funding over by $11,245, other revenues over by $1,007); expenditures under by $313,404 primarily due to not purchasing budgeted buses due to availability.**

12. **Golf Course revenues under the original revised estimate by $12,370; expenditures under by $43,717.**

13. **Boat Harbor revenues under revised estimate by $11,827; expenditures under by $1,431. Deficit of $9,896 in this fund eliminated with a transfer from the General Fund.**

14. **Marina revenues under revised estimate by $3,482; expenditures under by $5,151.**

15. **Ambulance revenues over revised estimate by $66,912; expenditures under revised estimate by $48,847.**

16. **Soccer Event revenues under revised estimate by $48,995; expenditures under $29,943. No College Search Kickoff event in 2022.**

17. **Equipment Services revenues under revised estimate by $111,220; expenditures under by $32,856.**

18. **Health insurance claims, admin fees, etc. were $778 higher than estimated; Wellness Program funding was $10,222 less than estimated. Revenues were $64,318 less than estimated.**

19. **Dental insurance claims, admin fees, etc. were $25,223 less than estimated; revenues $1,765 less than estimated.**

20. **Employee Benefits Tax revenues $13,958 more than revised estimate; transfers out for actual employee benefit costs $65,727 less than estimated due to employee vacancies, etc.**

21. **Emergency Tax/Emergency Fund revenues over the revised estimate by $1,077 (primarily taxes); expenditures under revised estimate by $299,479. Did not transfer the budgeted $300,000 of State COVID Relief funds to the General Fund since the target General Fund balance was met without this transfer.**

22. **American Rescue Plan Act revenues $1,676 more than the revised estimate; expenditures $261,647 less than the revised estimate ($222,000 due to not needing to do the budgeted transfer to the General Fund since the target General Fund balance was met without this transfer).**

23. **Home Ownership revenues less than revised estimate by $24,659 (includes $14,000 not transferred from the CDBG fund); expendititures under by $13,794.**

24. **Public Housing legal settlement funds of $147,422 were received after the budget was adopted.**

25. **Balances totaling $275,573 in the Small Business Forgivable Loan Programs carried forward to FY 23.**

26. Local option sales tax transfers for actual sewer project costs were $1,101,709 less than estimated; Local Option and interest revenues were $2,710 less than the revised estimate. Balance carries forward.

27. Road Use Tax revenues over revised estimate by $104,310; funding transfers were $572,769 less than the original revised estimate ($337,630 due to lower transfer to the General Fund; balance due to timing of capital projects). Balance carries forward to FY 23

28. Southend Tax Increment revenues under revised estimate by $3,293; expenditures under by $150,119. Actual TIF incremental tax rate less than budgeted incremental tax rate. Grandview loans were $150,000 less than estimated in FY 22; additional will be allocated in FY 23.

29. Equipment Replacement revenues over revised estimate by $14,808; expenditures over original revised estimate by $88,647. The final budget amendment for FY 22 added $83,300 to purchase several vehicles budgeted in FY 23 since they were currently available from specific dealers.

30. Computer Replacement funds carried forward to FY 23. Budget allowed for all funds to be expended.

31. Library Computer Replacement fund interest over revised estimate by $46; expenditures under by $8,367. No Library funds were transferred into this fund in FY 22.

32. The Police Forfeitures budget allowed for $5,000 in both revenues and expenditures. Revenues were $2,218 less than estimated; expenditures were $4,722 less.

33. Public Housing expenditures were $175,915 less than the original revised estimate; revenues were $142,892 less than estimated (primarily due to less capital funds being drawn down).

34. Section 8 Housing revenues were $26,192 more than estimated; expenditures were $34,043 less than the revised estimate.

Review of Significant Budget Assumptions and Decisions for the <u>Original FY 2021/2022 Budget</u>

<u>FY 2021/2022 Original Budget Development</u>

1. When the 2021/2022 budget was being prepared in January and February of 2021, City Council and staff were taking a conservative and cautious approach for estimating revenues. At that time COVID vaccinations were not yet available to most age groups, there were numerous individuals working from home, and businesses had not returned to more normal operations.
2. The original 2021/2022 budget included adding back one of the three new firefighter positions that were originally added for the 2020/2021 budget but were deferred for hiring due to the pandemic. This position was added back effective April 1, 2021.
3. Hotel/Motel taxes were estimated at $300,000 (down from the $500,000 in the original 2020/2021 budget).
4. Construction permit fees were estimated at $150,000 (down from the $310,000 in the original 2020/2021 budget).
5. The 2021/2022 Budget was “balanced” by using $300,000 of the State COVID Relief funds from the Emergency Fund.

Review of Significant Budget Assumptions and Decisions for the FY 2021/2022 Revised Estimate

FY 2021/2022 Revised Estimate Development

1. The 2021/2022 revised estimate was prepared in January and February of 2022 as part of the development of the FY 2022/2023 City Budget. While it appeared the local economy was starting to recover from the COVID-19 pandemic, City Council and staff continued to take a cautious approach for estimating revenues.
2. The revised estimate, however, added the following in additional expenditures:
    a. The last two firefighter positions originally deferred for hiring in 2020/2021 were authorized to be filled midway through the 2021/2022 year.
    b. The half-time Community Development Inspector II position was increased to fulltime effective April 1, 2022.
    c. A new Seasonal Pay Plan with higher hourly rates was implemented effective April 1, 2022.
    d. Select capital outlay items not included in the original budget due to funding restrictions, were added back in the revised estimate (total of $348,100).
3. The Utility Franchise Fee rate was decreased from 5% to 3% effective February 1, 2022.
4. The 2021/2022 revised estimate was "balanced" by using $300,000 of the State COVID Relief funds from the Emergency Fund and $222,00 of American Rescue Plan Act (ARPA) funds.
5. Both the original 2021/2022 budget and the 2021/2022 revised estimate were based on balanced budgets which maintained essential services to our residents.

Summary

- The ending General Fund balance of 23.8% of expenditures is higher than the original 2021/2022 budget of 21.2% and higher than the 2021/2022 revised estimate of 22.6%.

- This ending balance meets the requirements of the General Fund balance policy adopted in November of 2013 which provides that the minimum General Fund balance be at least 16.7% (two months) of General Fund expenditures. The policy further provides that higher balances (to 25% or more) would "further add to the financial stability of the City and allow more latitude in addressing revenue or expenditure fluctuations, disaster situations, and demonstrate credit worthiness to bond rating agencies".

- While the FY 22 General Fund balance ended higher than anticipated, there are still some revenue and expenditure concerns going forward including (1) inflationary increases in the cost of goods and services, (2) continuing supply chain issues, (3) uncertainty in the future changes in taxable valuations due to changes in the State rollback factors on residential and other property classifications, (4) "talk" of a possible recession which would negatively impact several City revenue sources. Having the strong ending balance in the General Fund positions the City to address these and other possible future budget challenges.

Summary (Cont.)

- One-time revenues from the State COVID Relief funds and American Rescue Plan Act (ARPA) funding have provided much-needed funding to balance recent year budgets allowing the City to continue the current level of services to our residents. While this funding was not needed to balance the General Fund budget in 2021/2022 and has carried forward to future years, the City needs to continue to keep in mind that these are one-time funds and that the ARPA funds must be fully expended (or contractually obligated) by December 31, 2024.

- There were positive fund balances in all of the City's operating funds at the end of 2021/2022. The Boat Harbor fund deficit was eliminated with a transfer from the General Fund at the end of the year.

- Most other City funds have ending balances close to or higher than projected and are in good position going into the budget development process for the upcoming year.

Again, this presentation is intended to be informational and for discussion purposes. No decisions are being requested after this presentation. City Council discussion and feedback is welcome.