

City of Muscatine

Budget Basis Financial Statement Overview

Year Ended June 30, 2024

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 2023/2024
 - B. General Fund balance history
 - C. Actual FY 2023/2024 ending fund balances for all Operating Funds compared to Revised Estimate amounts
 - D. Overview of grants/donations received in fiscal year 2023/2024
 - E. Overview of interest earned in fiscal year 2023/2024
 - F. Summary
 - G. City Council Discussion and Feedback

City of Muscatine, Iowa
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2024

Revenues:

Taxes:

Property	\$ 8,845,266.71
Utility	33,263.52
Hotel/Motel	585,231.59
Cable Franchise	99,896.25
Utility Franchise	313,906.00
Licenses and permits	628,213.36
Fines and forfeitures	648,697.62
Intergovernmental	1,168,558.02
Charges for services	607,437.35
Use of money and property	381,253.01
Other	<u>991,069.27</u>
 Total revenues	 <u>\$ 14,302,792.70</u>

Expenditures:

Current:

Public safety	\$ 11,372,228.22
Public works	2,570,054.39
Health and social service	60,000.00
Culture and recreation	3,749,590.52
Community and economic development	1,113,255.14
General government	3,420,841.81

Capital outlay:

Public safety	89,030.36
Public works	496,872.85
Culture and recreation	170,391.51
Community and economic development	1,832.50
General government	30,634.00

Total expenditures **\$ 23,074,731.30**

Revenues (under) expenditures **\$ (8,771,938.60)**

Other financing sources (uses):

Operating transfers in (includes transfers from the Employee Benefits, Road Use Tax, Ambulance, Perpetual Care Interest, and TIF funds)	\$ 9,930,259.16
Operating transfers out (includes transfers to the Equipment Replacement and Computer Replacement funds as well as subsidy transfers to enterprise funds)	<u>(995,231.52)</u>
Total other financing sources (uses)	<u>\$ 8,935,027.64</u>
Revenues and other sources over (under) expenditures and other uses	\$ 163,089.04
Fund balance, June 30, 2023	<u>5,697,762.56</u>
Fund balance, June 30, 2024	\$ 5,860,851.60
Less reserve for encumbrances	<u>353,754.14</u>
Unreserved balance, June 30, 2024	<u>\$ 5,507,097.46</u>

City of Muscatine
General Fund
Fund Balance Analysis
Fiscal Year Ended June 30, 2024

Original Budget - Ending Fund Balance	\$ 5,342,349
Original Revised Estimate - Ending Fund Balance	\$ 5,334,305
Actual Ending Fund Balance (Reflects all Encumbrances including those funded from Road Use Tax)	<u>\$ 5,507,097 *</u>
Actual over (under) Revised Estimate by	<u>\$ 172,792 *</u>
General Fund Balance as a Percent of FY 2023/2024 Expenditures (Revised Estimate Projected Percentage was 21.4%)	<u>22.61%</u>

NOTE:

Actual Ending Fund Balance <u>Without</u> Road Use Tax Funded Encumbrances (\$211,715.00 of Encumbrances will be funded from Road Use Taxes in FY 25)	<u>\$ 5,718,812</u>
Actual over Revised Estimate <u>Without</u> Road Use Tax Encumbrances	<u>\$ 384,507</u>
General Fund Balance as a Percent of FY 2023/2024 Expenditures without Road Use Tax Funded Encumbrances	<u>23.48%</u>

Budgeted Items not Purchased - Requested to be Carried Forward:

Kent-Stein - Portable Mound	\$ 2,000
Kent-Stein - Restroom Improvements	<u>8,000</u>
Actual over Revised Estimate net of Carryforwards	<u>\$ 162,792</u>
General Fund Balance as a Percent of FY 2023/2024 Expenditures (with Carryforwards Included)	<u>22.57%</u>

- * Revenues and transfers in under original Revised Estimate by \$452,248:
(Revenues over by \$43,545 in total, regular transfer in under by \$495,793)

Significant Revenue Items:

Tax Collections <u>over</u> Revised Estimate	\$ 215
Utility Franchise Fees <u>under</u> Revised Estimate	(118,094)
Cable Franchise Fees <u>under</u> Revised Estimate	(11,304)
Road Use Tax Transfer in to General Fund <u>under</u> original Revised Estimate (Corresponding Public Works expenditures also under Rev. Est.; Transfers for \$211,715 of Encumbrances will be done in FY 25)	(457,806)
Employee Benefits funding <u>under</u> Revised Estimate	(37,933)

Health Insurance Wellness Program funding <u>under</u> Revised Estimate (Corresponding expenditures also under Rev. Est.)	(7,127)
Hotel/Motel Tax <u>over</u> Revised Estimate (Revised estimate \$550,000; actual \$585,232)	35,232
Community Development Revenues <u>over</u> Revised Estimate (Nuisance reimbursements over by \$4,288; construction permits over by \$53,477; rental inspection fees over by \$30,811)	88,128
Library Revenues <u>under</u> Revised Estimate	(1,870)
Art Center Revenues <u>under</u> Revised Estimate	(8,349)
Parks and Recreation Revenues <u>over</u> original Revised Estimate:	
Kent Stein Park and Soccer Revenues <u>under</u> by	(2,900)
Recreation Revenues <u>under</u> by	(3,627)
Aquatic Center Revenues <u>under</u> by	(1,262)
General Parks <u>over</u> Revised Estimate	<u>11,588</u> 3,799
Cemetery Revenues <u>over</u> original Revised Estimate (Lot Sales, Burial Fees, etc.)	3,741
Public Works Revenues <u>under</u> original Revised Estimate (less staff time charged to projects due to vacancies in engineering positions)	(37,222)
Police Grants <u>under</u> Revised Estimate	(24,817)
Court Fines <u>over</u> Revised Estimate	87,371
Automated Traffic Enforcement Fines <u>under</u> Revised Estimate (Ticket billing partially paused until modified to comply with new State law)	(97,098)

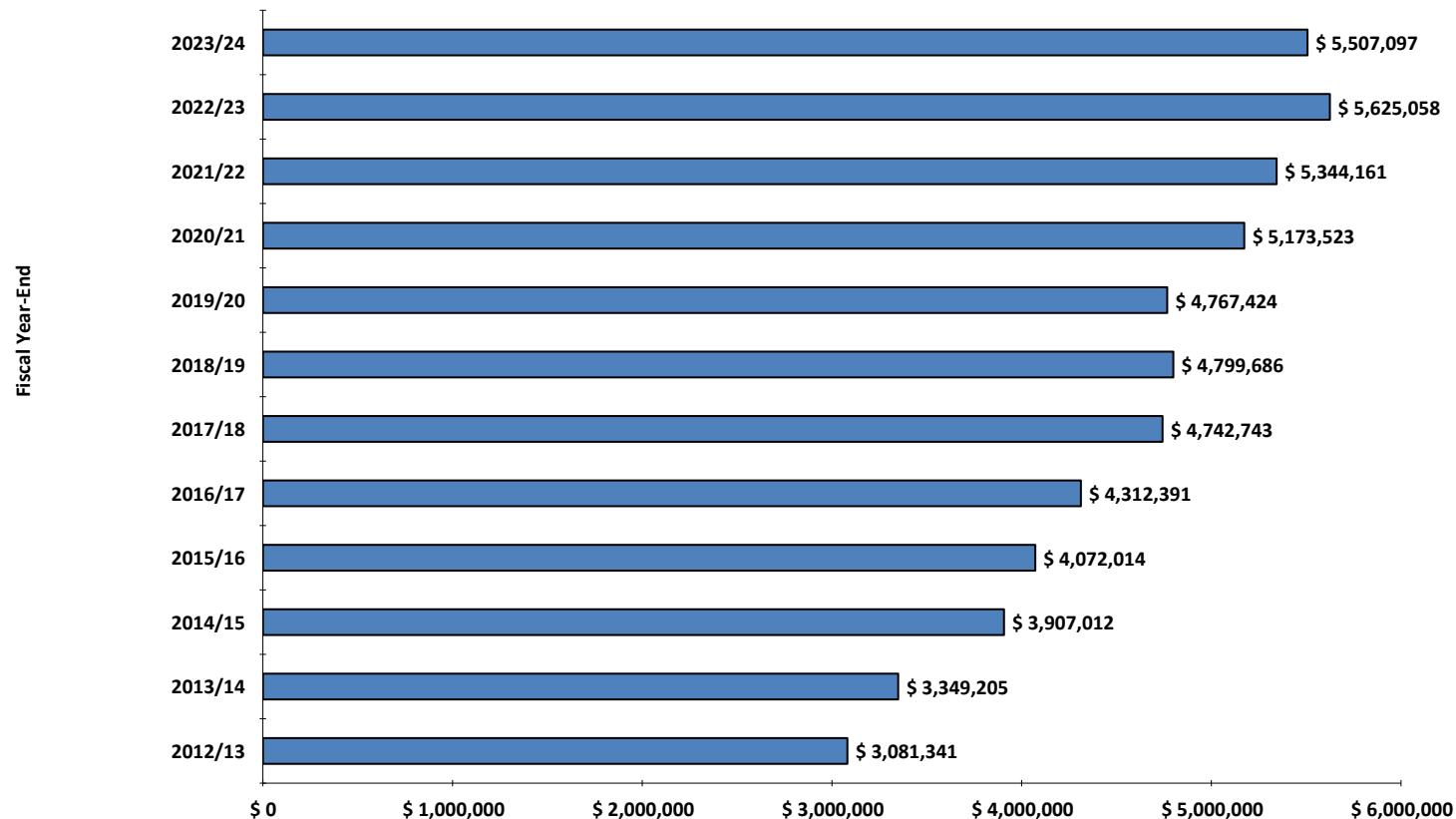
Other Police Revenues <u>under</u> Revised Estimate	(12,419)
License and Permit Revenues <u>over</u> original Revised Estimate	12,525
Fire Department Revenues <u>under</u> original Revised Estimate	(2,038)
Interest Income <u>over</u> original Revised Estimate (increase in interest rates during the last fiscal year)	94,020
State Commercial and Industrial Reimbursement <u>over</u> Revised Estimate	14,057
State Business Property Tax Credit Reimbursements <u>over</u> Revised Estimate	15,669
Various Other Revenues <u>over</u> Revised Estimate (Net)	9,072
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	\$ (452,248)

* Expenditures under Original Revised Estimate by \$623,851:

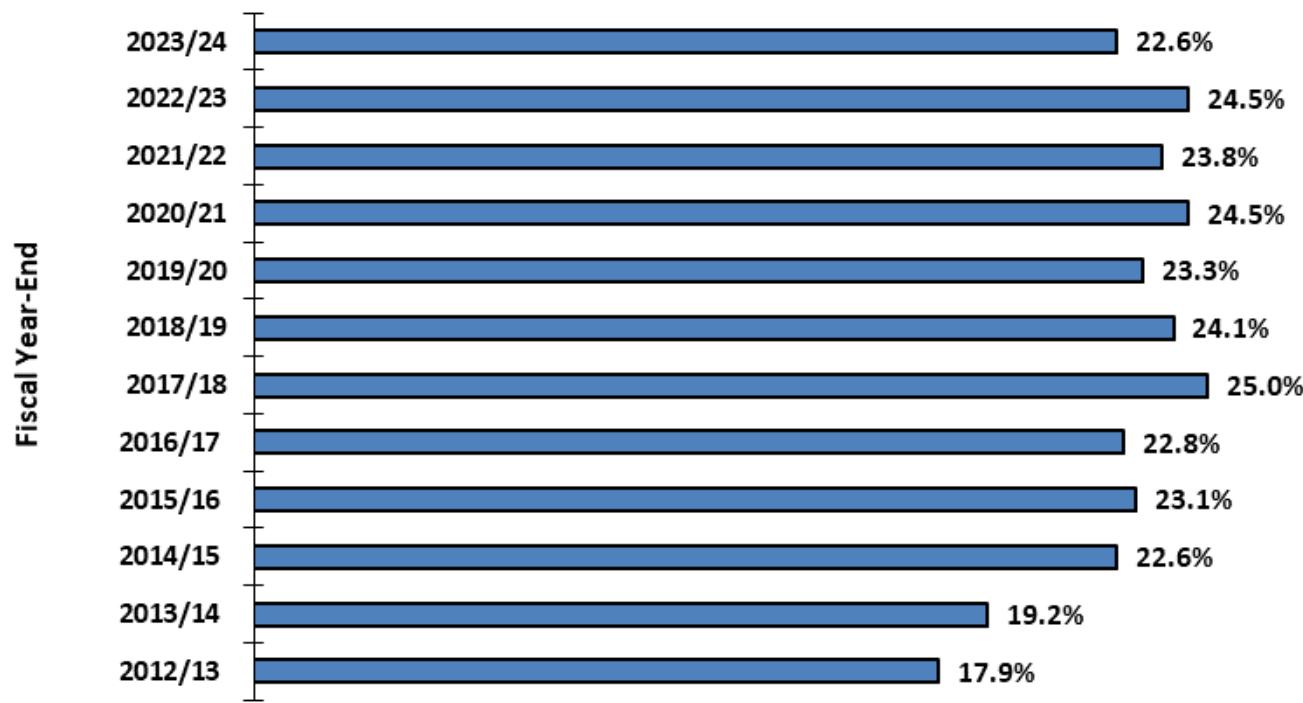
Significant Expenditure Items:

Item Carried Forward	\$ 10,000
General government activities <u>under</u> original Revised Estimate	118,905
Public safety activities <u>under</u> original Revised Estimate	50,460
Library, Art Center and Parks <u>under</u> original Revised Estimate (Net of carry forwards of \$10,000)	69,834
Community/Economic Development <u>under</u> original Rev. Est.	97,862
Public Works activities <u>under</u> original Revised Estimate	273,058
Transit Tax Levy Transfer <u>over</u> original Revised Estimate	(3,943)
Airport Subsidy <u>under</u> original Revised Estimate	7,675
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	\$ 623,851

General Fund Fund Balance History



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



City of Muscatine
Fund Balance Comparison - Operating Funds
June 30, 2024

Fund	Original Budget	Revised Estimate	Actual 6-30-24	Variance	
				Favorable	(Unfavorable)
General Fund	\$ 5,342,349	\$ 5,334,305	\$ 5,507,097	\$ 172,792	(1)
Debt Service Fund					
General Obligation	67,825	96,157	128,120	31,963	(2)
Enterprise Funds:					
Water Pollution Control Operations	2,210,233	2,331,156	2,273,816	(57,340)	(3)
Collection and Drainage	194,128	573,434	764,557	191,123	(4)
Solid Waste Management:					
Refuse Collection	280,399	377,943	401,701	23,758	(5)
Landfill Operations	1,830,768	2,192,381	2,358,419	166,038	(6)
Landfill Post-Closure Reserve	1,277,237	1,290,218	1,297,963	7,745	(7)
Landfill Closure Reserve	1,935,548	1,956,992	1,954,354	(2,638)	(7)
Transfer Stations Operations	334,454	275,961	378,255	102,294	(8)
Transfer Station Closure Reserve	33,825	33,825	33,825		-
Airport Operations	-	-	13,158	13,158	(9)
Parking Operations	48,981	82,817	87,630	4,813	(10)
Transit	377,475	351,650	248,880	(102,770)	(11)
Golf Course Operations (excludes Clubhouse inventory)	21,063	88,863	220,804	131,941	(12)
Boat Harbor Operations	-	800	-	(800)	(13)
Marina Operations (includes inventory)	(4,525)	(3,052)	(5,828)	(2,776)	(14)
Ambulance Operations	43,590	497,513	757,551	260,038	(15)
CVB (City funds)	95,283	101,705	102,562		857
Soccer Event Fund	75,588	31,476	32,714	1,238	(16)
Internal Service Funds:					
Equipment Services (includes inventory)	44,490	48,266	(90,483)	(138,749)	(17)
Health Insurance	1,784,617	2,133,186	2,987,096	853,910	(18)
Dental Insurance	101,078	116,167	109,069	(7,098)	(19)

City of Muscatine
Fund Balance Comparison - Operating Funds
June 30, 2024

<u>Fund</u>	<u>Original Budget</u>	<u>Revised Estimate</u>	<u>Actual 6-30-24</u>	<u>Variance</u>	
				<u>Favorable</u>	<u>(Unfavorable)</u>
Special Revenue Funds:					
Employee Benefits	-	199,207	253,212	54,005	(20)
Emergency Tax Levy/Emergency Fund	149,155	685,695	696,496	10,801	(21)
American Rescue Plan Act Fund	214,623	1,688,973	2,000,299	311,326	(22)
Community Block Grant	11,626	32,568	33,552	984	
Home Ownership Program	26,162	14,793	17,676	2,883	
Sunset Children's Education Program	6,922	7,109	7,437	328	
Public Housing Legal Settlement	152,422	103,898	153,606	49,708	(23)
Small Business Forgivable Loan Programs	-	-	444,693	444,693	(24)
Local Option Sales Tax	300,006	2,664,226	3,539,521	875,295	(25)
Road Use Tax	342,827	1,108,463	1,824,808	716,345	(26)
Tax Increment (Downtown)	8,948	7,929	9,322	1,393	
Tax Increment (Southend)	311,116	343,009	425,336	82,327	(27)
Tax Increment (Cedar Development)	66,369	70,159	71,313	1,154	
Tax Increment (Hwy 38 NE)	19,243	22,784	23,663	879	
Tax Increment (Fridley)	53,861	60,530	62,367	1,837	
Tax Increment (Riverview Hotel)	1,289	1,556	3,089	1,533	
Tax Increment (North University)	14,882	19,355	20,440	1,085	
Tax Increment (WDS)	12,733	17,547	18,246	699	
Tax Increment (Hershey Building)	3,003	5,621	5,660	39	
Tax Increment (Oak Park)	2,800	6,244	6,444	200	
Tax Increment (Arbor Commons)	-	3,400	3,762	362	
Tax Increment - LMI Reserve	9,500	8,100	8,032	(68)	
Equipment Replacement	72,479	82,045	112,769	30,724	(28)
Computer Replacement - City	62,918	-	107,111	107,111	(29)
Computer Replacement - Library	5,000	33,764	50,000	16,236	(30)
Police Forfeitures Fund	13,439	12,124	16,943	4,819	
Clark House/Sunset Park Operations	498,285	269,566	756,651	487,085	(31)
Section 8 Voucher Program	157,684	195,617	276,420	80,803	(32)
Totals	\$ 18,611,698	\$ 25,576,045	\$ 30,510,128	\$ 4,934,083	

1. See General Fund analysis.
2. Debt service tax collections \$650 more than the revised estimate; interest revenue \$30,913 higher than estimated; paying agent costs \$400 less than estimated.
3. Water Pollution Control revenues were \$155,136 higher than the revised estimate; expenditures were over the original revised estimate by \$212,476 (the revised estimate was amended by \$329,900).
4. Collection and Drainage revenues were under by \$17,129; expenditures under revised estimate by \$208,252.
5. Refuse Collection expenditures over revised estimate by \$4,092; revenues were over by \$27,850.
6. Landfill revenues over by \$145,421 (fees under by \$22,821; interest over by \$168,539); expenditures under original revised estimate by \$20,617.
7. Landfill Closure Reserve transfer in under estimate by \$2,638. Landfill Post-Closure transfer in over by \$7,745 (based on Engineer's cost estimates and waste volumes).
8. Transfer Station revenues \$32,423 higher than the revised estimate; expenditures under revised estimate by \$69,871).
9. Airport revenues under the original revised estimate by \$8,949; expenditures under revised estimate by \$22,107.
10. Parking revenues \$3,632 more than the revised estimate; expenditures under the revised estimate by \$1,181.
11. Transit revenues under original revised estimate by \$237,834 (\$1,876 over in transit fares; \$112,263 over in Operating grants, \$373,525 under in capital grants, and \$21,552 over in other revenues); expenditures under by \$135,064.
12. Golf Course revenues were over the original revised estimate by \$100,527; expenditures were under the revised estimate by \$31,414.

13. Boat Harbor revenues under revised estimate by \$9,050; expenditures under by \$476. Deficit of \$7,774 in this fund eliminated with a transfer from the General Fund.
14. Marina revenues under revised estimate by \$5,262; expenditures over by \$2,343; deficit eliminated with a \$4,829 transfer from the General Fund.
15. Ambulance revenues over revised estimate by \$250,526; expenditures under revised estimate by \$9,512.
16. Soccer Event interest over revised estimate by \$1,238; inactive fund.
17. Equipment Services revenues under revised estimate by \$236,482; expenditures under revised estimate by \$97,733.
18. Health insurance claims, admin fees, etc. were \$840,325 less than estimated; Wellness Program funding was \$7,127 less than estimated. Revenues were \$6,458 more than estimated.
19. Dental insurance claims, admin fees, etc. were \$4,849 more than estimated; revenues were \$2,249 less than estimated.
20. Employee Benefits Tax revenues \$16,074 more than revised estimate; transfers out for actual employee benefit costs \$37,931 less than estimated due to employee vacancies, etc.
21. Emergency Tax/Emergency Fund revenues over the revised estimate by \$12,293 (interest and taxes); expenditures over revised estimate by \$1,492.
22. American Rescue Plan Act interest revenue \$29,671 more than revised estimate; expenditures \$281,655 less than the revised estimate. Balance carries forward to FY 25.
23. Public Housing Legal Settlement Fund interest over revised estimate by \$4,505; expenditures under revised estimate by \$45,203.

24. Balances totaling \$444,693 in the Small Business Forgivable Loan Programs carried forward to FY 25.
25. Local option sales tax transfers for actual sewer and street project costs were \$771,995 less than estimated; Local Option revenues were \$14,250 higher than the revised estimate and interest was \$89,050 higher. Projects were not as far along as budgeted. Balance carries forward.
26. Road Use Tax revenues over revised estimate by \$161,225; funding transfers were \$555,120 less than the original revised estimate due to timing of capital projects, and General Fund encumbrances. Balance carries forward to FY 25.
27. Southend Tax Increment revenues over revised estimate by \$11,714 (primarily interest); expenditures under by \$70,613 (primarily due to the actual FY 24 transfer for Wayfinding being less than budgeted).
28. Equipment Replacement revenues over revised estimate by \$18,982; expenditures under original revised estimate by \$11,742.
29. Computer Replacement funds carried forward to FY 25. Budget allowed for all funds to be expended.
30. Library Computer Replacement fund interest over revised estimate by \$1,562; expenditures over by \$2,334; \$17,008 of unspent Library budgeted funds were transferred into this fund in FY 24.
31. Public Housing expenditures were \$812,900 less than the original revised estimate; revenues were \$325,815 less than estimated (primarily due to less capital funds being drawn down).
32. Section 8 Housing revenues were \$142,923 more than estimated; expenditures were \$62,120 more than the revised estimate (revised estimate amended by \$75,100).

Other Items of Note – Grants and Contributions, Interest Earned, and Debt Obligation Summary

At the end of the Budget Basis book distributed at the October 3 meeting are the following schedules:

1. Summary Schedule of Grants and Contributions –

- a. The City received a total of \$9,920,661 in grants and contributions in 2023/2024
- b. In 2022/2023 the grants and contributions totaled \$11,564,867 (which included the 2nd tranche of the ARPA funds of \$1,766,688)
- c. The end of this schedule lists various new grants or grants that will continue in 2024/2025

2. Summary of Investment Transactions for Fiscal Year 2023/2024

- a. Interest received on a cash basis during the fiscal year totaled \$1,484,255 (a 60.3% increase compared to \$926,129 in fiscal year 2022/2023)
- b. Interest earned on an accrual basis in 2023/2024 totaled \$2,178,124 (a 91.8% increase compared to \$1,135,645 in fiscal year 2022/2023)
- c. While most of the CD interest rates in 2023/2024 were 5% or more, it appears that interest rates will likely be decreasing going forward (.50% decrease in September of 2024)

Other Items of Note – Grants and Contributions, Interest Earned, and Debt Obligation Summary (Cont.)

3. Debt Obligation Changes in 2023/2024

- a. New General Obligation bonds totaling \$4,880,000 were issued in 2023/2024; new State Revolving Fund loan funds of \$4,070,907 were drawn down for Phases 6-A and 6-B of the West Hill Project (total debt issued in 2023/2024 was \$8,950,907)
- b. \$2,375,000 of G.O. bonds were paid/retired in 2023/2024; \$796,000 of 2008 SRF loan funds were paid/retired (total debt retired was \$3,171,000)
- c. Debt outstanding as of 6-30-24 totaled \$28,414,907 (\$16,970,000 in G.O. bonds, \$4,070,907 in G.O. SRF debt for West Hill 6-A and 6-B, and \$7,374,000 in SRF revenue debt for the 2008 WPCP project)
- d. Interest paid on all debt totaled \$646,431.67 (\$447,230 for G.O. debt, \$35,801.67 for G.O. SRF debt interest, and \$163,400 for SRF revenue debt interest)

Summary

- The ending General Fund balance of 22.6% of expenditures is higher than the original 2023/2024 budget of 21.5% and higher than the 2023/2024 revised estimate of 21.4%.
- 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 24 General Fund balance ended higher than anticipated, there are still several revenue and expenditure concerns going forward including (1) inflationary increases in the cost of goods and services, (2) utility franchise fees decreasing at the current 3% rate with gas rates decreasing, (3) the recent decision by the Iowa DOT to not allow operation of the fixed ATE cameras for “speed on green” violations beginning October 1, 2024, and (4) uncertainty in future changes in taxable valuations due to impacts from property tax legislation enacted during the 2023 and 2024 legislative sessions. Having the strong ending balance in the General Fund positions the City to address these and other possible future budget challenges.

Summary (Cont.)

- The General Fund Balance Policy specifically includes provisions for:

Utilization of Fund Balance. 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.

Extraordinary circumstances can include significant revenue fluctuations (i.e. State legislative changes limiting property taxes, limiting automated traffic enforcement (ATE) use, etc.). 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.

- There were positive fund balances in all of the City's operating funds at the end of 2023/2024 with the exception of the Equipment Services Internal Service fund. A review of this fund will be done as part of the 2025/2026 budget process. The Boat Harbor and Marina fund deficits were eliminated with transfers from the General Fund at the end of the year.

Summary (Cont.)

- 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.