

City of Muscatine

Budget Basis Financial Statement Overview

Year Ended June 30, 2023

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 2022/2023
 - B. General Fund balance history
 - C. Actual FY 2022/2023 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, 2023

Revenues:

Taxes:

Property	\$ 7,974,658.70
Utility	28,612.56
Hotel/Motel	577,993.13
Cable Franchise	111,149.66
Utility Franchise	429,906.75
Licenses and permits	478,667.98
Fines and forfeitures	693,605.64
Intergovernmental	931,226.43
Charges for services	587,677.49
Use of money and property	262,667.84
Other	<u>959,708.29</u>
 Total revenues	 <u>\$ 13,035,874.47</u>

Expenditures:

Current:

Public safety	\$ 11,177,317.71
Public works	2,527,788.09
Health and social service	55,000.00
Culture and recreation	3,735,404.18
Community and economic development	1,031,051.98
General government	3,182,034.07

Capital outlay:

Public safety	41,567.76
Public works	646,557.74
Culture and recreation	298,166.91
Community and economic development	1,860.00
General government	2,515.50

Total expenditures

\$ 22,699,263.94

Revenues (under) expenditures

\$ (9,663,389.47)

Other financing sources (uses):

Operating transfers in (includes transfers from the Employee Benefits, Road Use Tax, Ambulance, Perpetual Care Interest, and TIF funds)	\$ 10,152,113.77
Operating transfers out (includes transfers to the Equipment Replacement and Computer Replacement funds as well as subsidy transfers to enterprise funds)	<u>(464,261.38)</u>
Total other financing sources (uses)	<u>\$ 9,687,852.39</u>
Revenues and other sources over (under) expenditures and other uses	\$ 24,462.92
Fund balance, June 30, 2022	<u>5,673,299.64</u>
Fund balance, June 30, 2023	\$ 5,697,762.56
Less reserve for encumbrances	<u>72,704.66</u>
Unreserved balance, June 30, 2023	<u>\$ 5,625,057.90</u>

**City of Muscatine
General Fund
Fund Balance Analysis
Fiscal Year Ended June 30, 2023**

Original Budget - Ending Fund Balance	\$ 5,183,451
Original Revised Estimate - Ending Fund Balance	\$ 5,342,082
Actual Ending Fund Balance (Reflects all Encumbrances including those funded from Road Use Tax; no Road Use Tax Encumbrances in FY 23)	<u>\$ 5,625,058</u>
Actual over (under) Revised Estimate by	<u>\$ 282,976</u>
General Fund Balance as a Percent of FY 2022/2023 Expenditures (Revised Estimate Projected Percentage was 22.7%)	<u>24.54%</u>
Budgeted Items not Purchased - Requested to be Carried Forward:	
HR - Compensation Study	<u>\$ 40,000</u>
Actual over Revised Estimate net of Carryforwards	<u>\$ 242,976</u>
General Fund Balance as a Percent of FY 2022/2023 Expenditures (with Carryforward Included)	<u>24.32%</u>

* Revenues and transfers in under original Revised Estimate by \$327,441:
 (Revenues over by \$255,367, regular transfer in under by \$17,846, and budgeted transfers totaling \$564,962 from ARPA, State COVID Relief, and Emergency Fund were not needed)

Significant Revenue Items:

Tax Collections <u>over</u> Revised Estimate	\$ 3,423
Utility Franchise Fees <u>over</u> Revised Estimate	89,907
Cable Franchise Fees <u>under</u> Revised Estimate	(12,850)
Road Use Tax Transfer in to General Fund <u>over</u> original Revised Estimate	24,940
Employee Benefits funding <u>under</u> Revised Estimate	(39,588)
Health Insurance Wellness Program funding <u>under</u> Revised Estimate (Corresponding expenditures also under Rev. Est.)	(3,198)
Hotel/Motel Tax <u>over</u> Revised Estimate (Original budget was \$375,000; revised estimate \$550,000; actual \$577,993)	27,993
Community Development Revenues <u>over</u> Revised Estimate (Nuisance reimbursements over by \$13,021; construction permits over by \$118,032; rental inspection fees over by \$28,097)	169,992
Library Revenues <u>over</u> Revised Estimate	292
Art Center Revenues <u>under</u> Revised Estimate	(4,780)

Parks and Recreation Revenues under the original Revised Estimate:

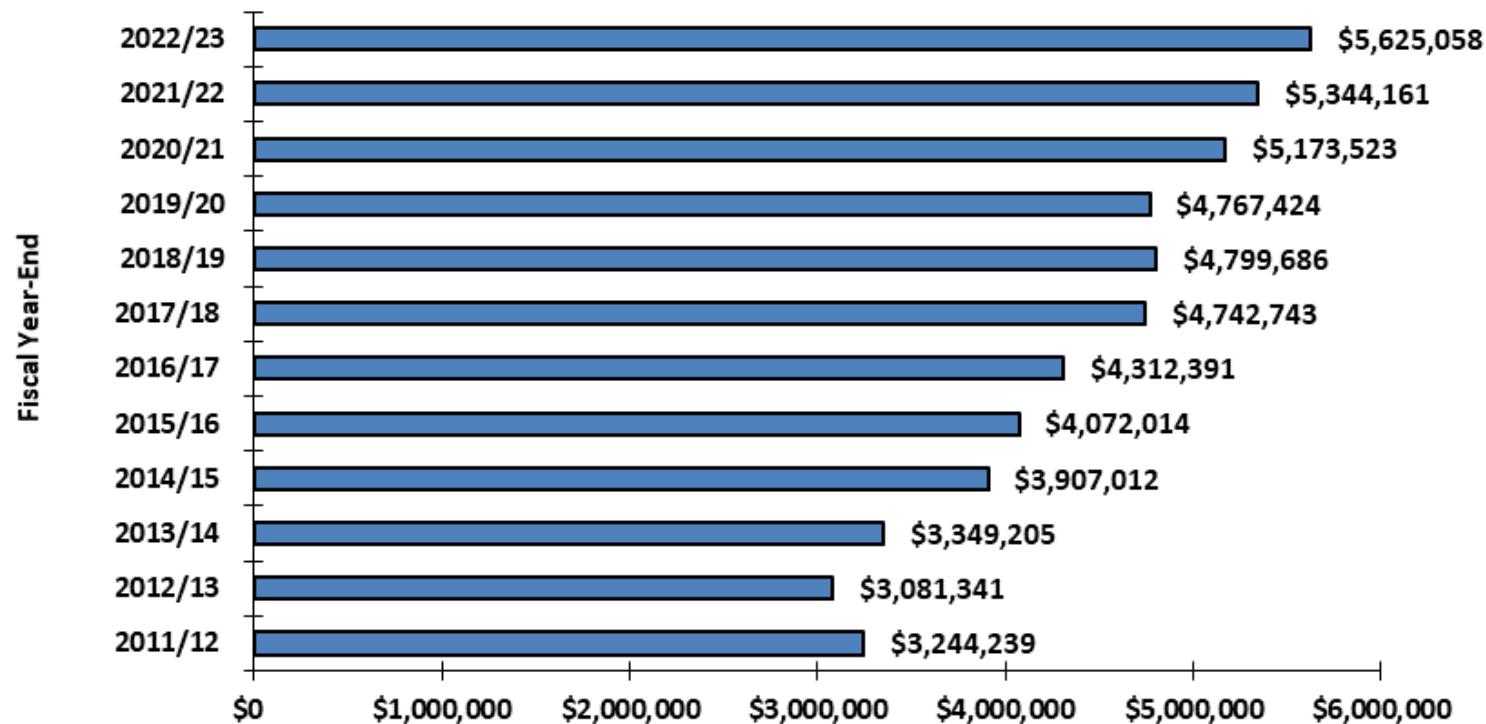
Kent Stein Park and Soccer Revenues <u>under</u> by	(1,322)
Recreation Revenues <u>under</u> by	(2,892)
Aquatic Center Revenues <u>under</u> by	(3,592)
General Parks <u>under</u> Revised Estimate	<u>(7,886)</u> (15,692)
Cemetery Revenues <u>under</u> original Revised Estimate (Lot Sales, Burial Fees, etc.)	(3,524)
Public Works Revenues <u>under</u> original Revised Estimate (less staff time charged to projects due to vacancies in engineering positions)	(106,214)
Police Grants <u>under</u> Revised Estimate	(37,438)
Court Fines <u>over</u> Revised Estimate	11,044
Automated Traffic Enforcement Fines <u>over</u> Revised Estimate	35,840
Other Police Revenues <u>over</u> Revised Estimate	9,040
License and Permit Revenues <u>over</u> original Revised Estimate	1,868
Fire Department Revenues <u>over</u> original Revised Estimate	13,867
Interest Income <u>over</u> original Revised Estimate (increase in interest rates during the last fiscal year)	68,176
Transfer from State COVID Relief funds not needed to reach target fund balance	(261,600)
Transfer from American Rescue Plan Act funds not needed to reach target balance	(217,200)
Transfer from prior year Emergency Fund not needed to reach target balance	(86,162)
Various Other Revenues <u>under</u> Revised Estimate (Net)	<u>4,423</u>
	<u>\$ (327,441)</u>

* Expenditures under Original Revised Estimate by \$610,417:

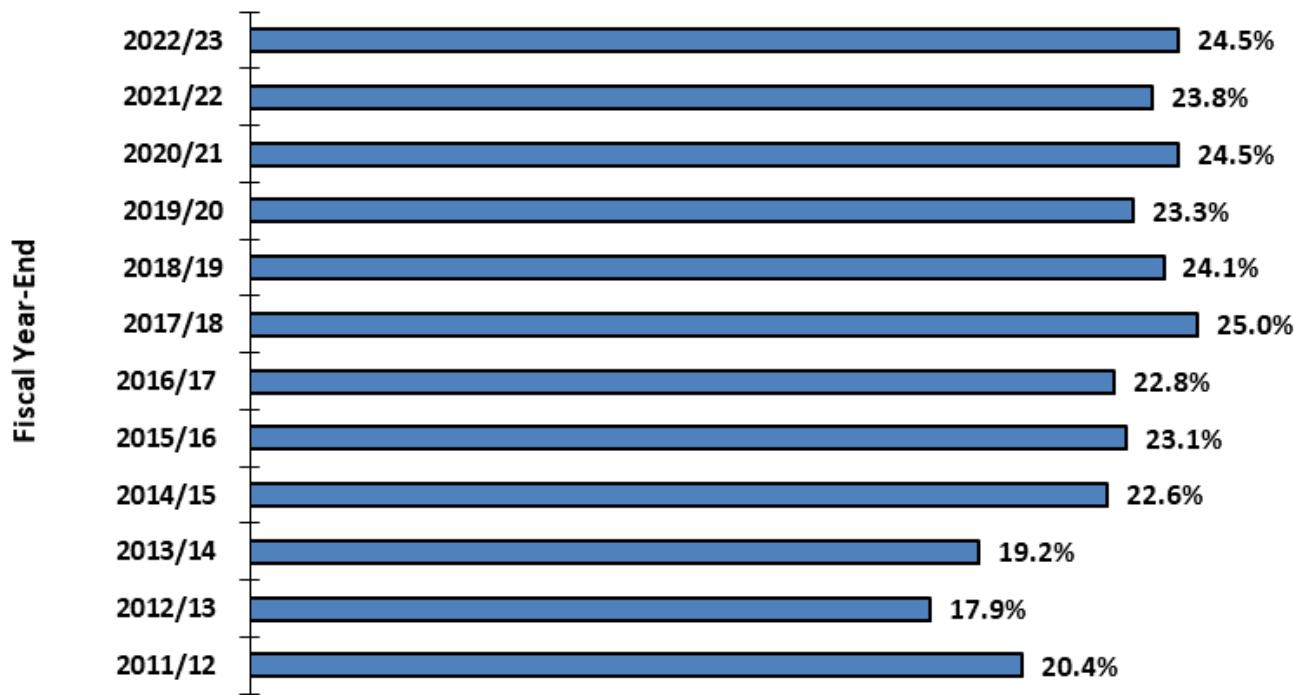
Significant Expenditure Items:

Item Carried Forward	\$ 40,000
General government activities <u>under</u> original Revised Estimate (Net of carry forward)	22,743
Public safety activities <u>under</u> original Revised Estimate	117,861
Library, Art Center and Parks <u>under</u> original Revised Estimate	95,384
Community/Economic Development <u>under</u> original Rev. Est.	105,938
Public Works activities <u>under</u> original Revised Estimate	228,491
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	<u>\$ 610,417</u>

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, 2023

Fund	Original Budget	Revised Estimate	Actual 6-30-23	Variance	
				Favorable	(Unfavorable)
General Fund	\$ 5,183,451	\$ 5,342,082	\$ 5,625,058	\$ 282,976	(1)
Debt Service Fund					
General Obligation	64,672	67,860	92,192	24,332	(2)
Enterprise Funds:					
Water Pollution Control Operations	2,498,336	2,276,873	2,354,196	77,323	(3)
Collection and Drainage	302,860	298,928	709,934	411,006	(4)
Solid Waste Management:					
Refuse Collection	260,931	311,099	409,943	98,844	(5)
Landfill Operations	1,636,074	1,778,468	2,102,982	324,514	(6)
Landfill Post-Closure Reserve	1,210,834	1,223,637	1,230,118	6,481	(7)
Landfill Closure Reserve	1,759,442	1,783,048	1,793,792	10,744	(7)
Transfer Stations Operations	158,419	351,254	333,861	(17,393)	(8)
Transfer Station Closure Reserve	33,825	33,825	33,825	-	-
Airport Operations	-	31,550	29,925	(1,625)	(9)
Parking Operations	29,065	61,381	86,916	25,535	(10)
Transit	367,175	546,397	553,872	7,475	(11)
Golf Course Operations (excludes Clubhouse inventory)	51,016	61,663	132,963	71,300	(12)
Boat Harbor Operations	1,500	-	-	-	(13)
Marina Operations (includes inventory)	(3,895)	(3,325)	(3,252)	73	(14)
Ambulance Operations	45,131	150,790	408,013	257,223	(15)
CVB (City funds)	71,158	105,183	107,705	2,522	-
Soccer Event Fund	60,540	67,488	31,276	(36,212)	(16)
Internal Service Funds:					
Equipment Services (includes inventory)	117,554	41,590	30,766	(10,824)	(17)
Health Insurance	2,002,491	1,921,217	2,270,486	349,269	(18)
Dental Insurance	76,720	101,078	117,367	16,289	(19)

City of Muscatine
Fund Balance Comparison - Operating Funds
June 30, 2023

<u>Fund</u>	Original Budget	Revised Estimate	Actual 6-30-23	Variance Favorable (Unfavorable)
Special Revenue Funds:				
Employee Benefits	-	86,710	144,421	57,711 (20)
Emergency Tax Levy/Emergency Fund	-	300,555	665,695	365,140 (21)
American Rescue Plan Act Fund	1,818,200	1,834,023	2,795,373	961,350 (22)
Community Block Grant	5,195	25,226	32,068	6,842
Home Ownership Program	27,827	26,062	16,893	(9,169) (23)
Sunset Children's Education Program	7,181	6,922	7,109	187
Public Housing Legal Settlement	-	149,922	151,398	1,476
Small Business Forgivable Loan Programs	-	-	401,017	401,017 (24)
Local Option Sales Tax	300,007	300,006	1,950,904	1,650,898 (25)
Road Use Tax	351,748	999,827	1,534,363	534,536 (26)
Tax Increment (Downtown)	9,378	8,948	12,129	3,181
Tax Increment (Southend)	430,490	310,016	329,709	19,693 (27)
Tax Increment (Cedar Development)	66,303	66,369	68,159	1,790
Tax Increment (Heinz)	-	-	-	-
Tax Increment (Hwy 38 NE)	16,946	19,243	19,784	541
Tax Increment (Fridley)	45,993	53,861	55,030	1,169
Tax Increment (Riverview Hotel)	1,233	1,289	1,556	267
Tax Increment (North University)	11,234	14,882	15,155	273
Tax Increment (WDS)	8,887	12,733	13,047	314
Tax Increment (Hershey Building)	-	3,003	5,521	2,518
Tax Increment (Oak Park)	-	2,800	3,244	444
Reinvestment District	-	-	-	-
Equipment Replacement	72,619	86,179	231,645	145,466 (28)
Computer Replacement - City	-	-	84,023	84,023 (29)
Computer Replacement - Library	5,000	10,913	59,364	48,451 (30)
Police Forfeitures Fund	10,935	13,439	14,224	785
Clark House/Sunset Park Operations	702,802	604,075	890,146	286,071 (31)
Section 8 Voucher Program	131,089	190,484	199,957	9,473 (32)
Totals	\$ 19,950,366	\$ 21,679,573	\$ 28,153,872	\$ 6,474,299

1. See General Fund analysis.
2. Debt service tax collections \$3,107 more than the revised estimate; interest revenue \$20,525 higher than estimated; paying agent costs \$700 less than estimated.
3. Water Pollution Control revenues were \$99,691 higher than the revised estimate; expenditures were over the original revised estimate by \$22,368 (the revised estimate was amended by \$50,000).
4. Collection and Drainage revenues were over by \$43,650; expenditures under revised estimate by \$367,356 (\$145,000 of budgeted capital outlay expenditures were requested to be carried forward to FY 24).
5. Refuse Collection expenditures under revised estimate by \$34,579; revenues were over by \$64,265.
6. Landfill revenues over by \$116,836 (fees under by \$14,231; interest over by \$131,194); expenditures under original revised estimate by \$207,678 (\$50,000 of funding for generator carried forward to FY 24).
7. Landfill Closure Reserve transfer in over estimate by \$10,744. Landfill Post-Closure transfer in over by \$6,481 (based on Engineer's cost estimates and waste volumes).
8. Transfer Station revenues \$51,590 higher than the revised estimate; expenditures over original revised estimate by \$68,983 (the revised estimate was amended by \$129,000 which covered this overage).
9. Airport revenues over the original revised estimate by \$1,872; expenditures over original revised estimate by \$3,497 (budget was amended).
10. Parking revenues \$22,703 more than the revised estimate; expenditures under the revised estimate by \$2,832.
11. Transit revenues under original revised estimate by \$418,753 (\$5,719 over in transit fares; \$440,284 under in grants including grants for buses not yet purchased due to availability, and \$15,812 over in other revenues); expenditures under by 426,228 including buses not purchased due to availability.
12. Golf Course revenues were over the original revised estimate by \$85,391; expenditures were over original revised estimate by \$14,091 (budget was amended by \$25,800).

13. Boat Harbor revenues under revised estimate by \$8,560; expenditures under by \$4,222. Deficit of \$4,338 in this fund eliminated with a transfer from the General Fund.
14. Marina revenues under revised estimate by \$2,439; expenditures under by \$2,512.
15. Ambulance revenues over revised estimate by \$249,467; expenditures under revised estimate by \$7,756.
16. Soccer Event revenues under revised estimate by \$50,068; expenditures under \$13,856. No College Search Kickoff event in 2022 or 2023.
17. Equipment Services revenues over revised estimate by \$6,186; expenditures over original revised estimate by \$17,010 (revised estimate amended by \$141,300).
18. Health insurance claims, admin fees, etc. were \$355,309 less than estimated; Wellness Program funding was \$3,198 less than estimated. Revenues were \$9,238 less than estimated.
19. Dental insurance claims, admin fees, etc. were \$16,216 less than estimated; revenues \$73 more than estimated.
20. Employee Benefits Tax revenues \$17,203 more than revised estimate; transfers out for actual employee benefit costs \$40,508 less than estimated due to employee vacancies, etc.
21. Emergency Tax/Emergency Fund revenues over the revised estimate by \$18,297 (interest and taxes); expenditures under revised estimate by \$346,843. Did not transfer the budgeted \$261,600 of State COVID Relief funds and the \$86,162 in Emergency fund balance to the General Fund since the target General Fund balance was met without these transfers.
22. American Rescue Plan Act interest revenue \$36,682 more than revised estimate; expenditures \$924,668 less than the revised estimate (\$217,200 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 over revised estimate by \$408; expenditures over original revised estimate by \$9,577.
24. Balances totaling \$401,017 in the Small Business Forgivable Loan Programs carried forward to FY 24.
25. Local option sales tax transfers for actual sewer project costs were \$1,044,975 less than estimated; Local Option revenues were \$562,233 higher than the revised estimate and interest was \$43,690 higher. Projects were behind schedule. Balance carries forward.
26. Road Use Tax revenues over revised estimate by \$254,289; funding transfers were \$280,247 less than the original revised estimate due to timing of capital projects. Balance carries forward to FY 24.
27. Southend Tax Increment revenues over revised estimate by \$19,480 (primarily interest); expenditures under by \$213.
28. Equipment Replacement revenues over revised estimate by \$14,165; expenditures under original revised estimate by \$131,301 with \$129,000 of this requested to be carried forward to FY 24 for Police vehicles.
29. Computer Replacement funds carried forward to FY 24. Budget allowed for all funds to be expended.
30. Library Computer Replacement fund interest over revised estimate by \$498; expenditures under by \$3,063; \$44,890 of unspent Library budgeted funds were transferred into this fund in FY 23.
31. Public Housing expenditures were \$330,705 less than the original revised estimate; revenues were \$44,634 less than estimated (primarily due to less capital funds being drawn down).
32. Section 8 Housing revenues were \$42,400 more than estimated; expenditures were \$32,927 more than the revised estimate (revised estimate amended by \$35,000).

Review of Significant Budget Assumptions and Decisions for the Original FY 2022/2023 Budget

FY 2022/2023 Original Budget Development

1. When the 2022/2023 budget was being prepared in January and February of 2022, City Council and staff were taking a conservative and cautious approach for estimating revenues. At that time the local economy was still recovering from the impacts of the COVID-19 pandemic.
2. Hotel/Motel taxes were estimated at \$375,000 in the original 2022/2023 budget (down from the over \$500,000 prior to the pandemic).
3. Construction permit fees were estimated at \$170,000 (down from the over \$300,000 prior to the pandemic).
4. Interest revenue in the General Fund was estimated at \$1,000 in the original 2022/2023 budget due to the near zero percent interest rates.
5. The original 2022/2023 General Fund Budget was “balanced” by using \$261,600 of the State COVID Relief funds, the \$86,162 balance from the Emergency Fund, and \$324,200 from federal ARPA funds.

Review of Significant Budget Assumptions and Decisions for the FY 2022/2023 Revised Estimate

FY 2022/2023 Revised Estimate Development and Actual Results

1. The 2022/2023 revised estimate was prepared in January and February of 2023 as part of the development of the FY 2023/2024 City Budget. At that time, it appeared the local economy was recovering from the COVID-19 pandemic, and several revenue estimates were increased from the original 2022/2023 budget including:
 - a. Hotel/motel tax revenue was revised from the original budget amount of \$375,000 to \$550,000 (actual hotel/motel tax for the year was \$577,993).
 - b. Building permit revenue was revised from the original budget amount of \$170,000 to \$240,000 (actual building permit revenue for the year was \$358,032).
 - c. Interest revenue for the General Fund was revised from the original budget of \$1,000 to \$100,000 with the increasing interest rates (the actual General Fund interest revenue was \$168,176).
2. Expenditure concerns were noted in the 2022/2023 revised estimate and continue to be concerns including:
 - a. A new Seasonal Pay Plan with higher hourly rates was implemented effective April 1, 2023 due to challenges in filling seasonal positions, primarily in the Park and Recreation department.
 - b. Revised estimate expenditures were increased throughout City departments due to increases in the cost of operating supplies, including fuel and parts.
 - c. There are long lead times for ordering new vehicles and equipment, requiring higher maintenance costs for the current fleet.
3. Both the original 2022/2023 budget and the 2022/2023 revised estimate were based on balanced budgets which maintained essential services to our residents.

Summary

- The ending General Fund balance of 24.5% of expenditures is higher than the original 2022/2023 budget of 22.1% and higher than the 2022/2023 revised estimate of 22.7%.
- 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 23 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 future changes in taxable valuations due to impacts from property tax legislation enacted during the 2023 legislative session (H.F. 718), and (4) the union contracts with all three City bargaining units will expire June 30, 2024 and will be negotiated this fall and winter. 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 2022/2023 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 2022/2023. The Boat Harbor and Marina fund deficits were eliminated with transfers 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.