

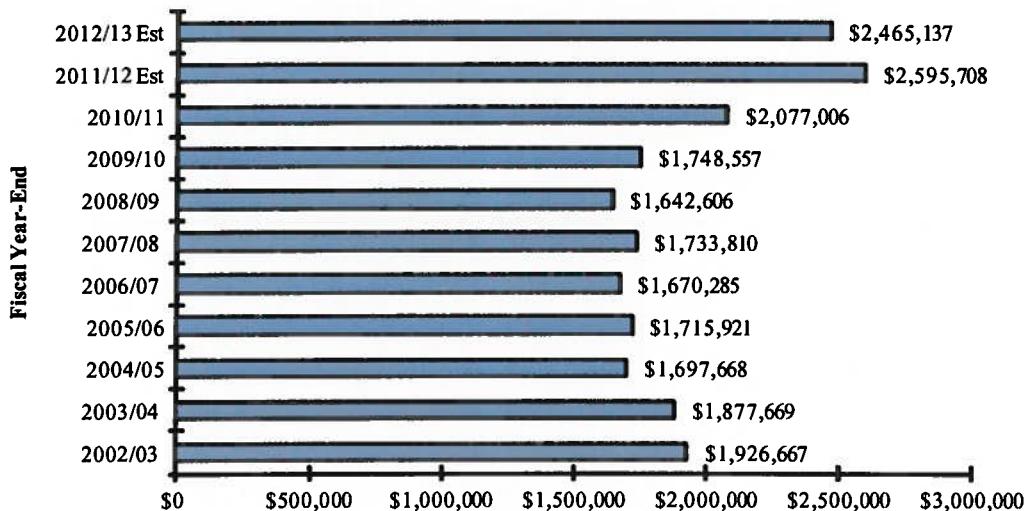
GENERAL FUND

The General Fund for the City of Muscatine accounts for all transactions of the City which pertain to the general administration and services traditionally provided to citizens, except those specifically accounted for elsewhere. Services within the General Fund include police and fire protection, street maintenance, cemetery operations, library and art center, parks and recreation, engineering, building and grounds maintenance, and general administration. The General Fund is the primary source of appropriations to fund costs of providing these services. Consequently, considerable importance is placed upon the fund's financial condition. The City Council and staff's objective is to maintain an acceptable level of service for its citizens within the limitations of revenue sources available to support these activities.

General Fund Balance

To attain the objective of maintaining the General Fund as a self-funding entity, revenues and/or available balances must be provided to support expenditures during the entire fiscal year. Additionally, the City's budget policies require the ending balance for the year to be at least 10% of the budgeted expenditures in the General Fund or approximately \$1,718,000 based on the 2012/2013 budget. The City Council in recent budgets has been making efforts to increase the General Fund balance over the minimum of 10% required by the City's financial policies to at least 15%. This effort is in part due to comments in the 2008 Moody's bond rating report which stated that Moody's considers our 10% fund balance requirement to be "relatively narrow" and that higher reserve levels may be appropriate for challenges to the city's financial operations. The ending balance for 2012/2013 is budgeted at \$2,465,137 which is 14.3% of General Fund expenditures. This demonstrates City Council's commitment towards the goal of increasing the General Fund balance. Additionally, General Fund revenues are budgeted conservatively and department expenditures are generally less than their approved budgets and it is expected that the actual ending balance should exceed the amount budgeted. The following is a history of the General Fund balances:

General Fund Fund Balance History



In the 2011/2012 Revised Estimate, it is projected that the General Fund balance will increase by \$518,702 to \$2,595,708. This increase is primarily due to increased revenue from fines from automatic traffic enforcement (ATE) cameras that were installed in five locations in the spring of 2011; increased fire department fees

including inspection fees, various permit fees, and fines; and increased hotel/motel taxes. These revenues assisted the City in increasing the General Fund balance from the 10.4% of expenditures in the original 2011/2012 budget to an estimated 15.8% in the 2011/2012 revised estimate, and 14.3% at the end of 2012/2013. The ATE fines have leveled off since the first few months after the cameras were installed. There has also been discussion by the State legislature to limit fine rates or prohibit cities in the State from using the ATE's for traffic enforcement. While no changes were made by the State this legislative session, the City is not using the increased revenues from the ATE's for ongoing expenditures (staffing) and has instead used the revenue to increase fund balance and to fund one-time capital expenditures.

While the General Fund budget for 2012/2013 shows that the General Fund balance will decrease by \$130,571, this is only due to the budget including "assigned" funding for future capital outlay purchases and future grant funding commitments. The "assigned" funding classification is based on a recent change in governmental accounting standards. The funding assignments in the General Fund for 2012/2013 are:

1. The first of three annual allocations of \$40,000 to be set-aside to fund the City's obligation to retain the two new COPS grant-funded police officers for one year subsequent to the 3-year grant period. This is a requirement of the COPS grant.
2. The Fire department budget included a request for \$490,000 to replace a fire engine. The budget includes setting-aside or "assigning" \$250,000 in 2012/2013 to make this purchase in 2013/2014. It is proposed the remaining \$240,000 be funded from the 2013/2014 budget if those funds are available.
3. The budget also includes "assigning" \$140,000 of funding for the replacement of the City's financial software system. Replacement of this software system is included in the City's Five Year Capital Improvements Program.

The funding "assignments" are being made for several reasons: (1) While the General Fund balance and revenues are currently sufficient to fund operations and some capital items, changes by the State legislature could change this significantly in upcoming years. It is proposed that the City only make one-time expenditures from available funds instead of adding recurring costs (staffing increases); (2) Funding the fire engine and Finance software from the General Fund will assist in reducing future year debt service requirements. In prior years, sufficient funding would not have been available in the General Fund and these items would likely have been funded from bond proceeds; (3) Setting aside funds for the future COPS grant obligation will lessen the impact on the General Fund for that year.

Recent Structural and Efficiency Changes in General Fund Departments

Structural changes implemented in 2010/2011 and 2011/2012 also assisted the City in increasing the General Fund balance. The changes in 2010/2011 included (1) a reduction of one fulltime position in the Park Maintenance budget; seasonal staff was increased to partially offset this reduction for a net savings of \$49,300, (2) elimination of one fulltime custodian position with contract cleaning services partially offsetting the cost savings for a net savings of \$7,400, (3) funding economic development administrative costs and the Chamber economic development allocation with TIF funds (a total of \$137,500), (4) not filling the budgeted $\frac{3}{4}$ time Red Light Camera Technician net of the cost of creating an additional sergeant position for this function (\$30,000 savings), and (5) transferring the dredge operation to the Water Pollution Control fund (\$42,000 General Fund savings). These items total to a \$266,200 positive impact on the General Fund.

The changes implemented in 2011/2012 focused on department efficiencies and cost savings including (1) using sponsorships for the Parks seasonal brochure and Golf score cards saving \$4,700 annually; (2) the new eleven foot mower in the Parks department and trackhoe for grave digging at the Cemetery both saved man hours that were redirected to other functions in those divisions; (3) additional Park sites were "adopted" under the "Adopt

a Park” program with this program expanding from four sites in 2010 to eleven in 2011; (4) redesigning the Library circulation system by eliminating a 35-hour/week position and creating a new 30-hour/week “Holds” person at a lower pay rate for a savings of \$17,800; (5) using staggered work times in the Police investigations division which reduced overtime and call-ins saving an estimated \$3,500 in overtime costs annually; (6) activities in the Engineering (engineering design for smaller projects), Community Development (Comprehensive Plan update), and Art Center (printing) were done in-house rather than under contracts resulting in varying amounts of cost savings; (7) using inmate labor to clear the fence line of unwanted growth saved an estimated \$22,000; and (8) the use of automatic traffic enforcement cameras has allowed the Police department to re-direct their time to other areas of law enforcement.

Revenue Trends

Budgeted revenues for 2012/2013 in the General Fund total \$17,053,676, which is a 5.3% increase from the 2011/2012 budget of \$16,193,437. General property taxes comprise 37.0% of total revenue sources for 2012/2013 compared to 37.9% for the budget year 2011/2012. The General Fund tax levy rate remained unchanged at \$8.10 per \$1,000 of valuation which is the General Fund levy limit. When the General Fund levy of a city reaches this legal limit of \$8.10 per \$1,000 of valuation, the employer's share of Social Security and IPERS may be levied from a Special Revenue Fund levy. The City of Muscatine has been at the \$8.10 limit since 1991/92. Consequently, 100% of the FICA and IPERS costs in the General Fund have been funded from this Special Revenue Fund levy through the 2011/2012 year. The levy for FICA and IPERS was \$527,507 for 2011/2012. For the 2012/2013 year the Special Revenue Levy for FICA and IPERS will fund \$460,209 of the total FICA and IPERS costs of \$560,635. This will result in \$100,426 of FICA and IPERS costs funded directly from the General Fund. This was done in order to reduce the City’s overall tax levy rate by approximately \$.10/\$1,000 of valuation for 2012/2013. Increases in other General Fund revenues allowed for this funding change to be implemented while still maintaining a strong ending fund balance.

For the 2012/2013 budget year there was a 2.84% increase in taxable property valuations in the City. This resulted in a corresponding 2.84% increase in General Fund property tax revenues based on the \$8.10 levy rate. For the previous year (2011/2012) the City’s taxable valuations increased by 2.62%; in 2010/2011 it increased by 1.58%; in 2009/2010 it increased by 3.8%, in 2008/2009 it increased by 4.62%; and in 2007/2008 it increased by only .62%.

A key budget issue for 2010/2011 was the consideration of and ultimate adoption of a Utility Franchise Fee on Alliant Energy, the provider of natural gas to the community. The ordinance change adopting this fee provides that the fee may be up to 5% on natural gas sales by Alliant in the community. The initial rate was set at 2% which was effective July 1, 2010. Implementation of this fee allowed for a reduction in the City’s overall property tax rate for 2010/2011, specifically the Emergency Tax Levy rate which was reduced from \$.27/\$1,000 in 2009/2010 to \$.08/\$1,000 in the 2010/2011 budget. The Emergency tax levy was eliminated in the 2011/2012 budget and the budget for 2012/2013 again does not include this levy. As part of the 2012/2013 budget, City Council chose to reduce the Utility Franchise Fee to 1% of natural gas sales from the current 2%. The 1% fee is expected to generate \$112,500 in 2012/2013. If economic conditions change, the Utility Franchise Fee can be increased (up to 5%) with 90 days notice to the utility company.

The City's hotel/motel tax rate has been at 7% since April 1, 1992. The 2011/2012 revised estimate includes an estimated \$350,000 in hotel/motel taxes and that same amount has been budgeted for 2012/2013. Hotel/motel tax receipts decreased to \$302,273 in 2009/2010 due to local economic conditions. Since then these receipts have been increasing and it is projected they will again be back to previous levels. Hotel/Motel tax funds are distributed 25% to Library Operations and 25% to the Art Center. Of the remaining 50%, \$55,000 was allocated to the tourism and convention activity of the Chamber of Commerce in 2011/2012 and this same

allocation is budgeted for 2012/2013. If the tourism program is successful, additional hotel/motel taxes should be generated. The remaining hotel/motel taxes are considered general revenues of the City.

As in prior years, Road Use Taxes from the State will be utilized to fund street maintenance expenses. For the 2012/2013 fiscal year, the amount transferred to the General Fund to support street-related maintenance activities (including capital purchases), is budgeted at \$2,065,200, an increase of \$8,400 (.4%) from the 2011/2012 budget of \$2,056,800. This small increase is in part due to only needing to budget for the purchase one barge load of salt in 2012/2013, instead of the two barge loads normally budgeted, due to the mild winter of 2011/2012.

Revenue sources identified in the General Fund for 2012/2013 also include charges for services, licenses and permits, and other fees. Construction permits for 2012/2013 are estimated at \$175,000 and rental housing inspection fees are estimated at \$35,000 with these inspections performed on a tri-annual basis.

A fee for administrative services performed by activities within the General Fund continues to be charged to enterprise funds. The budgeted amount of \$323,100 for 2012/2013 represents charges to the Water Pollution Control, Refuse Collection, Landfill Operations, Golf Course, Parking System, Transit System, Airport Operations, Ambulance, Collection and Drainage, and Boat Harbor Funds for general City administration. A fee for Park administration totaling \$24,100 has been charged to the Golf Course and Boat Harbor Operations budgets for 2012/2013. Administrative costs for Public Works Administration have been allocated to the Refuse Collection, Landfill Operations, Transit, Collection and Drainage, and Equipment Services budgets in the amount of \$59,200 for 2012/2013. In 2012/2013 the Ambulance enterprise fund will transfer \$839,000 to the General Fund for a prorated portion (25.5%) of the cost of fire department personnel used for the ambulance operation.

Expenditure Trends

The projected level of expenditures for the General Fund of \$17,184,247 for 2012/2013 is 6.5% (\$1,050,303) above the 2011/2012 budget of \$16,133,944. The 2012/2013 expenditure amount includes \$430,000 of "assigned" funding for future capital purchases or grant commitments as discuss above. If this amount were not included, the budgeted expenditures for 2012/2013 would be 2.0% higher than the budgeted amount for 2011/2012. Of the total expenditures, \$12,435,100 (72.4%) is for employee wage and benefit costs since a substantial portion of services provided are by employees in this fund including police, fire, streets, parks and recreation, planning and zoning, library, art center and general administration. The 2012/2013 budget for the General Fund of the City of Muscatine provides an expenditure level to fund most core services at essentially the same level as in previous years for most departments. The budget, however, continues to provide reduced services in several areas, primarily due to the reduction in General Fund revenues in recent years. There were 170 full-time equivalent positions in the City's General Fund in 2001/2002 and this has been reduced to 155 for 2012/2013. Some of these reductions were part of the plan to address the 2003/2004 budget shortfall when the State eliminated State aid to cities after the budget for that year was adopted (\$360,000 revenue reduction for the City of Muscatine). The other reductions were needed to address the 2004/2005 budget revenue shortfall which included an additional \$70,000 state funding reduction. Following Council's wishes, the reductions have tried to minimize the impact on existing employees by eliminating positions that became vacant.

Changes in General Fund authorized positions for 2012/2013, 2011/2012 and 2010/2011 are as follows:

2012/2013

- Two full-time Police Officer positions were added midway through the 2011/2012 year. These positions will be 100% funded from a COPS grant for three years.

- One firefighter position was added for 2012/2013 with this position funded from a transfer from the Ambulance fund.

2011/2012

- One full-time Police Officer position was added for the Street Crimes Unit.

2010/2011

- A ¾ time Red Light Camera Technician was included in the original 2010/2011 budget. After further consideration, this position was not filled. This function was assigned to a new Sergeant position which was filled by the promotion of a current police officer (no increase in staffing).
- A reduction of one fulltime custodian position in the Building and Grounds budget. Contracted custodial services will be used for this function.
- A ¾ time registrar position at the Art Center was increased to full-time with the additional costs funded from outside sources.
- A reduction of one full-time park maintenance repair person; 75% allocated to the Park Maintenance budget and 25% allocated to the Cemetery budget. Additional seasonal staff is being used in lieu of the fulltime staff.

The 2012/2013 budget continues funding for the two police officer positions assigned to the Drug Task Force. One of these positions is funded from a HIDTA (High Intensity Drug Trafficking Area) grant and the other receives partial funding from the Governor's Office on Drug Control Policy.

For fiscal year 2012/2013 the city will continue to provide support for several non-profit service organizations within the community. Despite limited revenue growth, the City Council has remained committed to assisting these groups as best they can. These agencies provide valuable services to the entire community. For 2012/2013 the City Council chose to continue financial contributions for the Greater Muscatine Chamber of Commerce and Industry (Chamber), Convention and Visitors Bureau (CVB), the Muscatine Humane Society and Senior Resources. The contribution to Senior Resources increased from \$17,800 in 2011/2012 to \$20,000 in 2012/2013. The subsidies to the Humane Society, Chamber, and CVB were maintained at their current levels of \$60,000, \$35,000, and \$55,000, respectively.

The 2012/2013 budget includes funding transfers to both the Equipment Replacement and Computer Replacement Funds in the amounts of \$245,000 and \$40,000, respectively. Allocations had been made annually to these funds in years through 2006/2007. Due to General Fund funding limitations no allocations were made to the Equipment Replacement or Computer Replacement fund in 2007/2008. These purchases totaling \$126,700 for equipment replacements and \$70,300 for computer/technology purchases were instead included in the June 1, 2008 bond issue. Funding transfers have again been made from the General Fund in the years from 2008/2009 through 2012/2013.

The General Fund annually makes subsidy payments to the Airport Operations fund. In 2006/2007 the subsidy was \$60,202, in 2007/2008 \$70,835, in 2008/2009 \$70,906, in 2009/2010 \$89,959, and in 2010/2011 \$60,325. The revised estimate subsidy for 2011/2012 is \$65,300 with the subsidy for 2012/2013 budgeted at \$47,300. The decrease in subsidy for 2012/2013 is primarily due to the re-negotiation of the lease for the farm land surrounding the airport which increased the farm income significantly. Additionally, the farm rental income will all be credited to the Airport fund beginning 2012/2013. In prior years approximately one half of the income was credited to the Water Pollution Control fund. The Airport subsidy fluctuates primarily due to the amount of capital outlay purchases and maintenance costs each year. It is anticipated that Airport

Operations enterprise fund revenues will continue to be insufficient to fund expenditures and accordingly, general property taxes will continue to be required to subsidize the Airport Operation in future years.

The Mayor and City Council activity budget in years prior to 1989/90 included a contingency allocation for emergency or non-budgeted items. The City Council eliminated this allocation beginning in 1989/90 and again has not made a budget allocation for contingencies in 2012/2013. Accordingly, funding for any emergency or non-budgeted items will require City Council to follow established budget amendment procedures. For 2012/2013, however, City Council chose to continue to maintain the 2009/2010 allocation of \$80,000 in the Emergency Tax Levy Fund in the event of revenue shortfalls due to economic conditions or unforeseen emergencies.

Departments in the General Fund continue to strive to improve the efficiency of their operations to negate the necessity for any additional service level reductions. Programs of the General Fund and changes associated with them are outlined in the respective departmental activity budgets which follow.