

**CITY OF MUSCATINE
PROPOSED BUDGET SUMMARY**

FISCAL YEAR 2016/2017

Proposed 2016/2017 Budget

- The proposed 2016/2017 budget includes:

\$58,312,687 Operating and Capital Project Expenditures

\$50,688,632 Revenues (\$7.6 million in available fund balances are budgeted to be used including \$5.5 million in Capital Project fund balances which include prior year bond proceeds and Transfer of Jurisdiction funds)

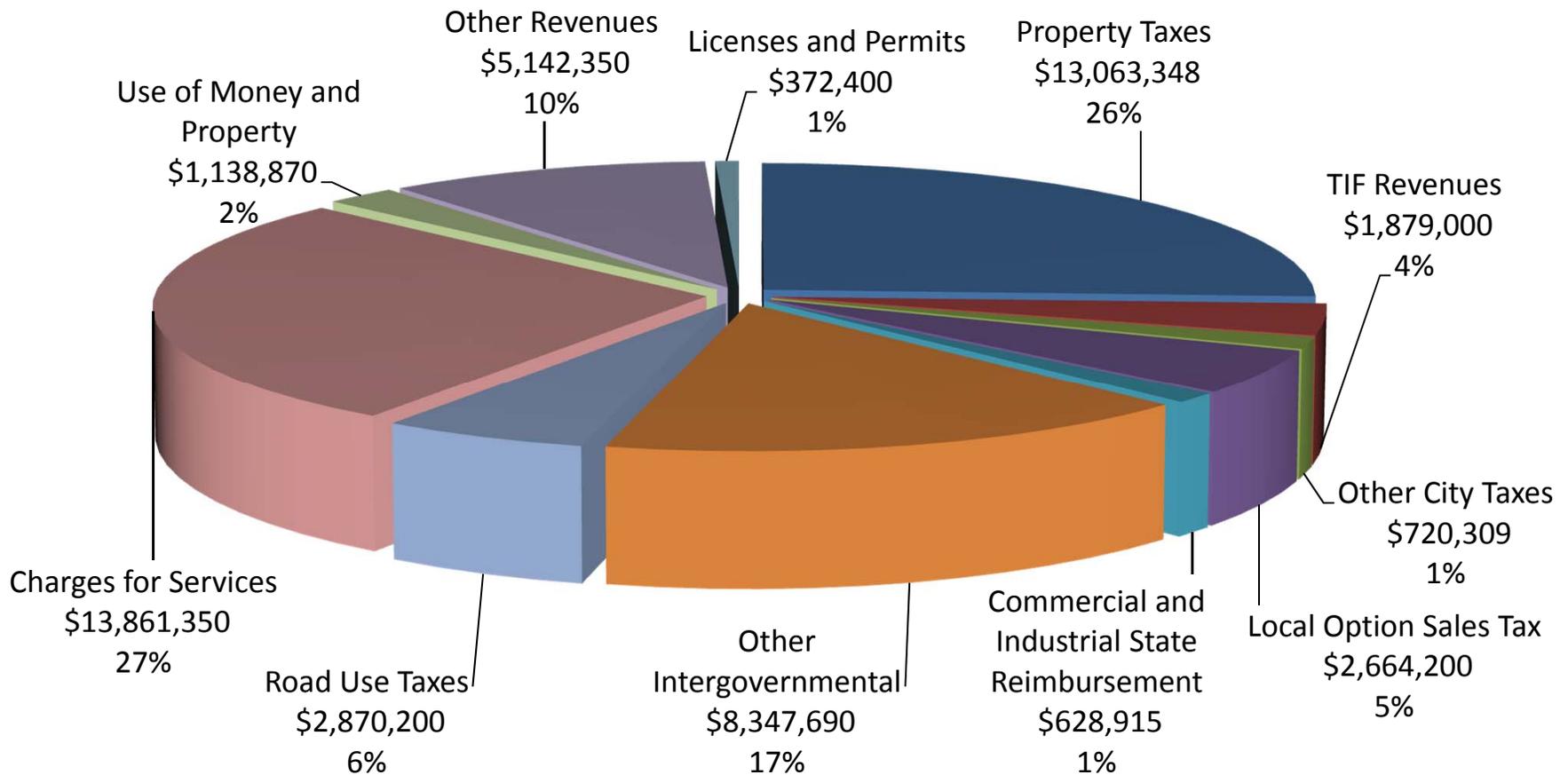
\$0 No new debt is budgeted to be issued in 2016/2017

\$13,063,348 General Property Taxes (excluding TIF taxes)

\$15.67209 City Tax Rate per \$1,000 valuation

Where Does the Money Come From? (See definitions at end of presentation)

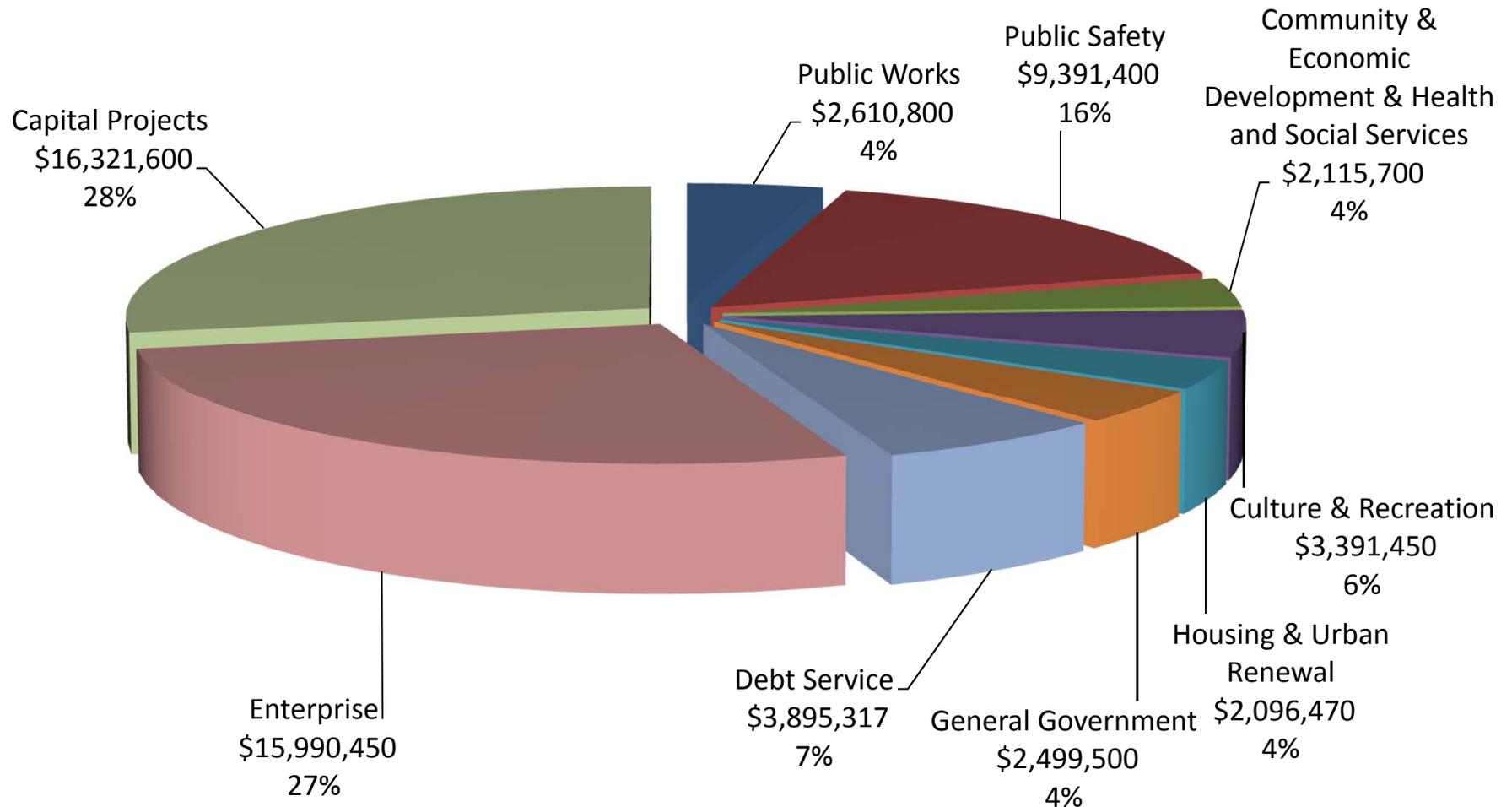
All City Funds Revenue Sources (Including Capital Projects)
Budget 2016/2017 - \$50,688,632



How are the Funds Used?

All City Expenditures by Function (Including Capital Projects)

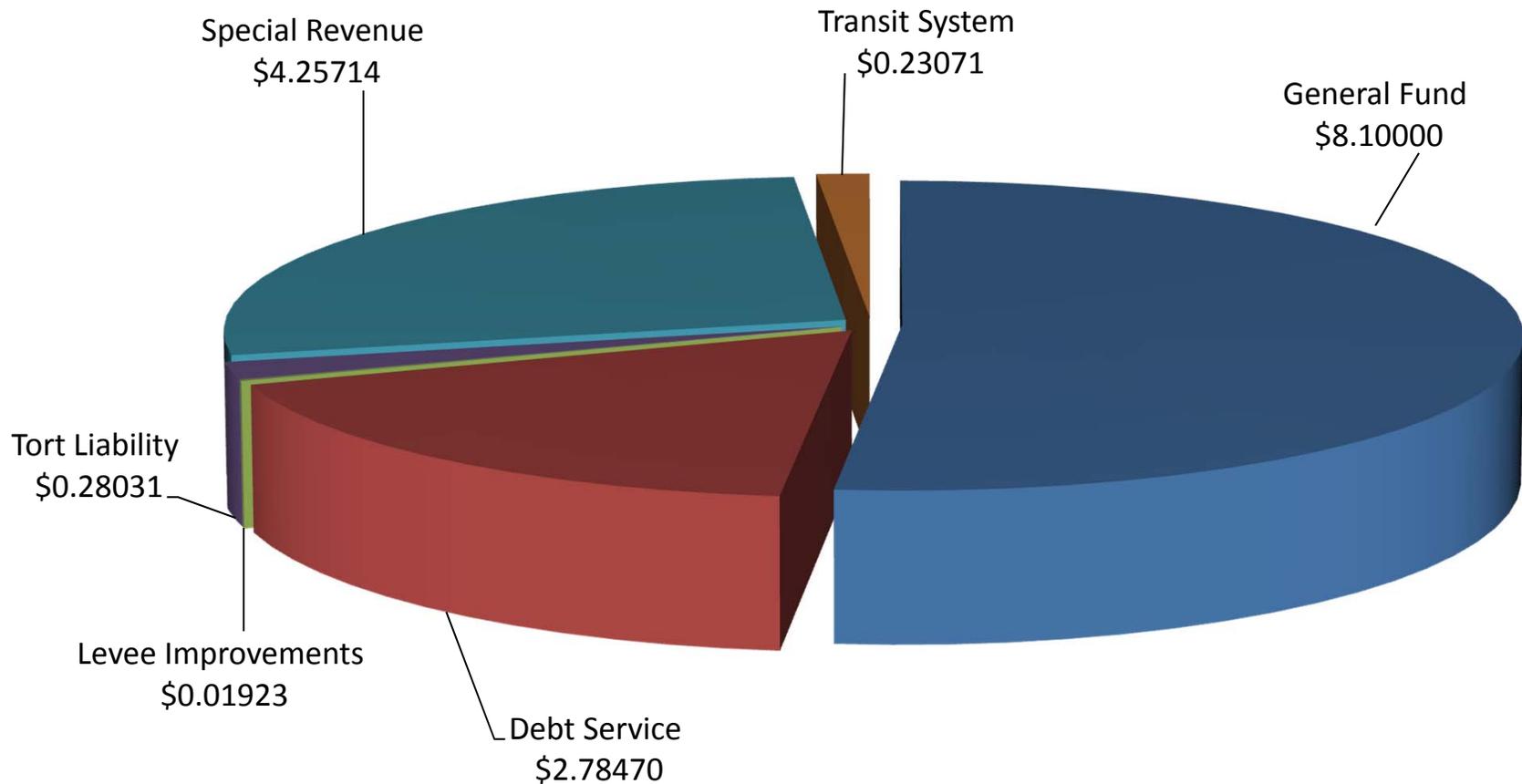
Budget 2016/2017 - \$58,312,687



City Tax Levy Rates by Type

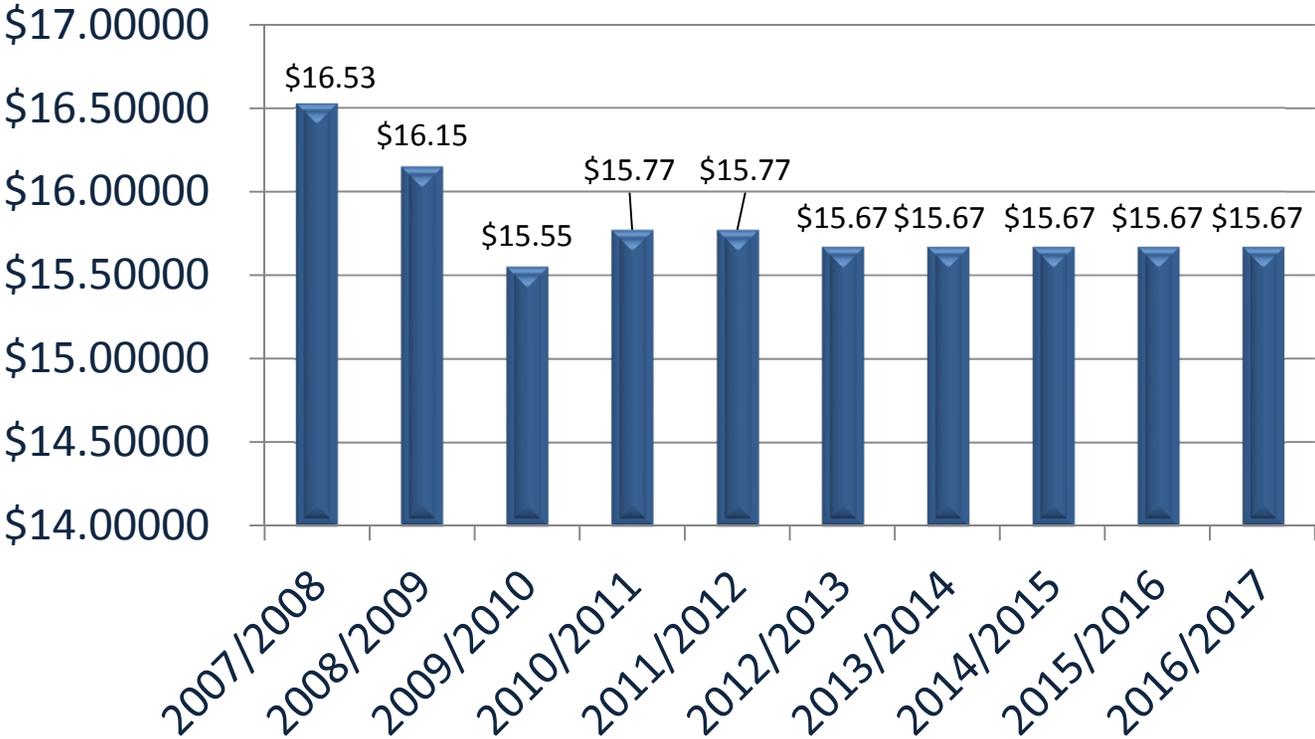
FY 2016/2017

Total \$15.67209/\$1,000 Valuation



City 10 Year Tax Rate History

Tax Rate per \$1,000 valuation



Proposed Property Tax Rate

- **Good news! The City tax rate is proposed to remain the same as the current year at \$15.67209 per \$1,000 of taxable valuation.**
- **The City has now maintained approximately the same rate for the last 7 years.**
- **The City was able to maintain the tax rate at this level even with increases in personnel costs, employee benefits costs, and other operating costs.**
- **The budget includes four new firefighter positions as requested by the Fire department.**
- **The budget includes City funding for the two police officer positions added in 2011 with 100% funding from a COPS grant for the first 3 years (1.25 FTE now funded from the City and .75 FTE funded by the School for the 2nd School Resource Officer position).**
- **Maintaining the same tax rate for 2016/17 was due to offsetting the increase in the Employee Benefits levy with decreases in the Transit, Tort Liability, Levee, and Debt Service levies and by using \$66,637 of the General Fund balance.**
- **The 2016/2017 property tax levy again reflects not funding 100% of General Fund employee benefits from the Employee Benefits levy. For 2016/2017, \$192,637 of General Fund employee benefits will be funded from the General Fund instead of this levy. If this amount was funded from the Employee Benefits levy, it would be equivalent to a \$.23/\$1,000 increase in the overall City tax rate.**

Proposed Property Tax Rate (Cont.)

- The proposed tax rate reflects increases and decreases in the individual levies that make up the total levy. These include:

General Fund	\$8.10000 (no change)
Transit	.23071 (dec. 23.8%)
Tort Liability	.28031 (dec. 3.0%)
Employee Benefits	4.25714 (inc. 3.4%)
Debt Service	2.78470 (dec. .4%)
Levee	<u>.01923 (dec. 71.5%)</u>
	<u>\$15.67209</u>

Proposed Property Tax Rate (Cont.)

- The Emergency Levy was eliminated in the 2011/2012 budget and the 2012/2013 through 2016/2017 budgets also did not include emergency levies.
- With the City's proposed tax rate of \$15.67209, the owner of home valued at \$100,000 (with rollback, a taxable value of \$55,734), will pay \$872 in City property taxes. This is \$1.00 less than the current year due to the slight change in the residential rollback factor.
- There was no change in the State rollback on commercial and industrial property in 2016/2017. These valuations were rolled back from 100% to 95% in 2014/2015 and further rolled back to 90% in 2015/2016.
- Beginning in 2016/2017 multi-residential properties are in a separate property class from commercial properties. For 2016/2017 multi-residential properties were rolled back from 90% to 86.25%. The owner of multi-residential property valued at \$100,000 (with rollback, a taxable value of \$86,250), will pay \$1,352 in City property taxes. This is \$58.00 less than the current year due to the change in the multi-residential rollback factor. Multi-residential property valuations will continue to be rolled back over the next 7 years until their rollback is the same as the residential rollback.
- These changes reflects only the *City* portion of property owners' property tax bills. Property tax bills also include County and School district levies. Tax rates for these other entities are not yet available.

Where Do Your Property Taxes Go?



Above tax levy rates reflect fiscal year 2015/2016 rates totaling \$40.84594 per \$1,000 valuation
Tax levy rates for fiscal year 2016/2017 for the School & County are not yet available

General Fund Highlights

- **The budget projects a General Fund ending balance on June 30, 2017 of \$3,667,956 which is 19.5% of General Fund expenditures. This more than meets the minimum of 16.7% required by the City's General Fund balance policy.**
- **This compares favorable with the ending balances for the last seven years**
 - **13.6% of expenditures at the end of 2010/2011**
 - **20.4% for 2011/2012**
 - **17.9% for 2012/2013 (decrease from prior year was budgeted and used for the purchase of a new fire engine and financial software)**
 - **19.2% for 2013/2014**
 - **22.6% for 2014/2015**
 - **20.5% for the 2015/2016 Revised Estimate (original target for 2015/2016 was 18.5% and included a planned use of \$148,500 in fund balance for a new ambulance)**
 - **19.5% for the 2016/2017 budget**

General Fund Highlights (Cont.)

The proposed General Fund budget continues the current service levels provided to residents of the community. Significant budget items and assumptions include the following:

- 1. The budget includes funding for Police and Fire pension contributions totaling \$1,335,025. This amount is \$17,325 more than the budgeted amount for 2015/2016. The increase is due to pension costs for the additional four firefighter positions added in the budget; the increase would have been higher if the pension contribution rate had not decreased from the current 27.77% to 25.92% for 2016/2017. Police and fire pension contributions continue to be a significant cost to the City.**
- 2. The budget allows for 2.75% increases for both union and non-union employees. The 2.75% increase is the increase in each of the City's three union contracts and this rate has also been budgeted for non-union employees. Fiscal year 2016/2017 will be the 3rd year of the 5-year contracts with each union.**
- 3. There is an increase of 3.23 in full-time equivalent (FTE) positions in the General Fund for 2016/2017. This includes (1) 4 new fulltime firefighter positions, (2) a .54 FTE reduction in Library part-time staffing, and (3) a .23 FTE reduction in Community Development part-time staffing.**

General Fund Highlights (Cont.)

- 4. For 2016/2017 TIF funds will continue to be used to fund City economic development administrative, legal, and marketing costs (\$142,100) as well as economic development efforts of the Chamber (GMCCI) (\$38,000).**
- 5. The budget continues subsidies to outside agencies. Subsidies to GMCCI and Senior Resources are budgeted to continue at their current levels. The subsidy to the Humane Society is budgeted to increase from the current \$60,000 to \$65,000.**
- 6. The budget includes a subsidy to MCSA's Homeless Prevention Program in the amount of \$25,000. This is the 2nd year for the subsidy to this program. This amount will be reduced if grant funding would be awarded for this program.**
- 7. The budget reflects continuing the CVB's funding allocation at 25% of actual prior year hotel/motel tax revenue. For 2016/2017 this amount has been estimated at \$88,500; the actual amount, however, will be 25% of actual 2015/2016 hotel/motel tax receipts.**
- 8. The budget continues funding contributions to the Equipment Replacement Fund and Computer Replacement Fund equivalent to the needs for 2016/2017.**

General Fund Highlights (Cont.)

9. **The proposed budget is based on positioning the City to address economic challenges, maintain existing levels of the services to the community, and positioning the City to meet new challenges. Future challenges could involve potential shortfalls in revenues from limited growth in taxable valuations resulting from the 2013 property tax legislation and potential loss of revenue from the automatic traffic enforcement cameras.**
10. **In the event of significant revenue losses after adoption of the budget, the City has established the Utility Franchise Fee which can be changed by City Council action from the current 1% level up to 5%. Each 1% of franchise fee revenue is estimated to generate \$100,000. No change in the Utility Franchise Fee is included in the budget, but increasing those fees could be considered in the event of future revenue reductions.**
11. **The proposed budget is one that finds a balance between:**
 - * Overall City property tax rate**
 - * Maintaining a sufficient level of General Fund balance - the budget is based on maintaining a fund balance which more than meets the minimum of 16.7% of expenditures per the new General Fund Balance Policy**
 - * Providing departments with the resources and equipment needed to perform their department functions efficiently.**

General Fund Highlights (Cont.)

- 12. The FY 13 budget for the first time included “assigned” funding for future year purchases. These funding assignments included the allocations for the new fire engine, new financial software, and the annual allocations of \$40,000 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. The fire engine and the financial software were purchased in 2013/2014.**
- 13. The 3rd and final year of the COPS grant funding ended in February of 2015. The prior year assigned funding is being used in 2015/2016 to meet the 4th year requirement of the grant agreement. The School has agreed to fund the 4th year requirement for 75% of the cost of one officer since this position is being used as a 2nd School Resources Officer in the middle schools. The 2015/2016 budget included City funding for the City’s portion of the cost for these officers for the remainder of the 2015/2016 fiscal year after the 4th year requirement is met in February of 2016. The 2016/2017 budget continues funding for the two police officer positions with the City funding 1.25 FTE positions and the School .75 FTE for the School Resources Officer.**
- 14. The 2015/2016 budget first included an assigned funding allocation of \$12,300 to allow for merit increases for non-union employees. That same amount has been included in the 2016/2017 budget for merit increases.**

Enterprise Funds

- For the City's Enterprise funds, rate increases are budgeted for sewer, collection and drainage, and the airport. The budget reflects an approximate 3% increase in sewer and collection and drainage fees per the rate resolution adopted in 2013 which set these rates for 2013/2014 through 2017/2018. The budget also includes a 3% increase in airport hangar rental fees for 2016/2017.
- Fees are not budgeted to increase in the other funds including transfer station, landfill, refuse collection, golf, ambulance, transit, and parking.
- The accumulated deficit in the Landfill Fund was eliminated in 2014/2015 and the 2015/2016 revised estimate and 2016/2017 budget show funds being accumulated for the next landfill cell which is expected to be constructed in 2017.
- Enterprise operating funds have positive fund balances with the exception of the Refuse Collection and Transfer Station funds.
- The Refuse Collection Revised Estimate deficit of \$232,706 and 2016/2017 deficit of \$145,606 are due to accelerating the capital purchases for implementation of the automated refuse collection program. This deficit is expected to be eliminated in just one year, the 2017/2018 fiscal year.
- The Transfer Station Revised Estimate deficit of \$66,099 and 2016/2017 deficit of \$110,649 are due to all of the revenue from the negotiated industrial contracts being credited to the Landfill fund which has resulted in insufficient funding in the Transfer Station fund for processing and transporting the waste from these contracts. This will be reviewed with the Landfill Committee in the upcoming year.

Capital Projects Summary

In addition to the operating budget, the 2016/2017 budget includes a total of \$16,321,600 for capital projects including:

1. \$8,148,200 for street-related projects.
2. \$100,000 for the new sidewalk program.
2. \$2,050,000 for the West Hill sewer project.
3. \$2,000,000 for the High Strength Waste Receiving Station at the Water Pollution Control Plant.
4. \$894,000 for the Kent Stein Park to Deep Lakes Park Trail.
5. \$1,227,900 for airport improvements.
6. \$214,400 for the CDBG Downtown Revitalization project.
7. \$1,102,500 for the Art Center HVAC project and windows/building envelope improvements.
8. \$220,400 for other building roof and tuck-pointing improvements
9. \$100,000 for the Port Development project study.
10. \$25,000 for the Housing Demand Study and \$32,000 for the City and CVB's portion of the Marketing Study.
11. \$30,000 for the WPCP Biogas to Fuel design; \$20,000 for the Mad Creek Infiltration Study, and \$75,000 for the Nutrient Reduction Report to the IDNR.
12. \$82,200 for other projects.

These projects will be funded from grants, local option sales tax, sewer reserve funds, and bond proceeds.

The budget for 2016/2017 is the overall financial plan for both operating and capital expenditures for the City. The budget continues to provide for the numerous services provided to the residents of the community, maintains a good General Fund balance, and provides for infrastructure improvements to continue in the City.

FY 17 and Beyond

- **As discussed during the budget review process, due to the property tax legislation enacted in 2013, taxable valuations are projected to see minimal or even negative growth over the next ten years.**
- **Future assumptions include the State maintaining the backfill for the commercial and industrial property rollbacks.**
- **Police and Fire pension contributions will continue to be a significant cost to the City. The MFPRSI system 25-year projections show pension contribution rates of at least 27% through 2020, then incremental decreases down to 20% in 2037.**
- **IDOT or Legislative rules may impact future Automatic Traffic Enforcement revenues which are budgeted at \$600,000 for 2016/2017**
- **\$600,000 would be equivalent to \$.73/\$1,000 of valuation in property taxes**
- **Utility Franchise Fees could be increased from the current 1% to 5%. With each 1% equivalent to approximately \$100,000, \$400,000 in additional revenue would be available from these fees.**
- **Tax Increment Financing (TIF) changes also continue to be discussed by the State legislature. Staff will continue to communicate to our legislators the economic development benefits of the TIF program and the importance of preserving the option to use annual appropriations for future TIF rebate agreements.**

Where Does the Money Come From?

Category Information

- **Property Taxes:** The city's tax levy rate for 2016/2017 is \$15.67209 per \$1,000 of taxable property valuations. Categories that comprise the total tax levy rate include the General Fund, Debt Service, Employee Benefits, Transit, Tort Liability (Insurance), and Levee tax levies.
- **Tax Increment Revenue:** Incremental taxes received from improvements in specific Urban Renewal/Tax Increment areas. These are taxes from the increase in taxable valuation compared to the base year before the developments were constructed. These funds are used to pay debt service costs for public improvement projects or can be in the form of TIF rebates to developers as provided for in Development Agreements approved by City Council before the improvements were constructed.
- **Other City Taxes:** Other City Taxes include Hotel/Motel Taxes, Utility Franchise Fees, and Cable Franchise Fees.
- **Local Option Sales Tax:** A voter-approved 1% sales tax on goods and services sold in the community with up to 20% of the proceeds used for Street improvements and a minimum of 80% used for Sewer improvements.
- **Road Use Taxes:** Taxes collected by the State of Iowa on sales of motor vehicle fuels, vehicle registration fees, etc. A portion of the taxes collected by the State are forwarded to local governments to fund street maintenance and improvement costs.

Where Does the Money Come From?

Category Information (Cont.)

- **Other Intergovernmental Revenues:** This category includes revenues from other governmental entities, including the Federal and State governments, and other local governmental entities. This includes grants for street and airport improvements, police capital purchases and operations, transit vehicles and operations, the City's Section 8 Housing and Public Housing programs, and various other department grants.
- **Charges for Services:** This category includes fees for sewer, garbage collection, transfer station, transit, golf course, ambulance, and fees for various Parks department facilities and activities.
- **Licenses and Permits:** Includes building permit fees, beer and liquor license fees, animal licenses, and various miscellaneous licenses and permits.
- **Use of Money and Property:** This includes interest earned on city funds, rental fees from city facilities, and commissions from operations on city facilities.
- **Other Revenues:** Revenues not included in the above categories include administrative fees charged to various funds of the city, sales by city departments, costs reimbursed by city departments (self-insurance), and other reimbursements and miscellaneous income.