

CITY OF MUSCATINE PRESS RELEASE

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GENERAL FUND RESERVE PREPARES CITY FOR THE UNKNOWN

Challenges to future revenue and expenditures key to maintaining balance

MUSCATINE, Iowa – Fiscal responsibility and the spending of taxpayer dollars by government entities do not normally go together, but the City of Muscatine believes that fiscal responsibility is key to the future stability and success of Muscatine. Each City department has worked tirelessly to spend taxpayer dollars wisely and the result has been a growing general fund surplus over the last 10 years.

Nancy Lueck, finance director for the City of Muscatine, reported to the City Council last Thursday that the city has once again been able to increase the general fund reserve. That general fund balance is an important indicator of how well the city is spending taxpayer money and a buffer against the uncertainties of future revenue and expenditures.

The City of Muscatine ended the 2017-2018 fiscal year, which ended June 30, 2018, with a general fund balance of \$4.7 million which is 25 percent of fiscal year expenditures (\$18.5 million). The general fund balance has increased in each of the last 10 years and the percentage in relation to expenditures has been 18 percent or higher in each of the last six years.

“The reason for keeping the reserves at that level is to further the financial stability of the City,” Lueck said. “The reserves allows the City to adjust to fluctuations in revenues or expenditures, gives the City the ability to respond to disaster situations, and demonstrates the credit worthiness of the City to bond rating agencies.”

The “Budget Basis Financial Statement Overview” presented to the Council is one of the final steps in wrapping up a fiscal year that begins with the preparation of the budget, accounting for revisions in the budget, and wraps with the computation of the fiscal year financial statement.

“The ending General Fund balance of 25.0 percent of expenditures is higher than the original 17-18 budget of 22.3 percent and higher than the 17-18 revised estimate of 21.6 percent,” Lueck said.

The original budget, approved by the City Council in March 2017, estimated the ending general fund balance at \$4.3 million while the revised estimate reduced that amount to \$4.2 million. The actual ending balance was \$4.7 million or \$529,855 above the revised estimate.

Much of the success of creating a positive general fund balance lies with the stewardship of the different departments within the City of Muscatine. In fact, all of the City’s operating funds showed positive fund balances with the exception of the Refuse Collection and the Transfer Station funds. Refuse Collection has two years left on a planned deficit following the purchase of a second automated refuse collection vehicle while the Transfer Station fund reflects the allowance for uncollectible accounts from a major waste hauler that ceased operations this summer.

“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,” Lueck said.

The 2008-2009 fiscal year ended with a general fund balance of \$1.6 million or 10.8 percent of expenditures. Since then, the balance (and the percent in relation to expenditures) has steadily increased. The 2011-2012 fiscal year was the first to reach the 20 percent plateau with \$3.2 million general fund balance or 20.4 percent of expenditures.

Careful stewardship of the use of citizen tax dollars by each department in the budgetary process and in the spending of those tax dollars have paid dividends in keeping the City financially healthy and able to withstand most setbacks that could occur.

“You never know what may happen during a fiscal year and those unplanned expenses are why we keep the reserves at this level,” Lueck said. “City staff does a great job of planning for machinery and vehicular repair or replacement and those long range plans have helped.”

Along with allowing the City to be able to withstand unexpected changes to revenues or expenditures, the positive general fund balance has also been a key in the City keeping the City’s tax rate unchanged for the past six years.

Planning for the 2019-2020 fiscal year budgetary process has already begun.

Some of the challenges that the planners cannot anticipate when developing their budgets include continued challenges to the use of ATE cameras and the possible elimination of or reduction to “backfill” payments from the state of Iowa. The “backfill” is

payments to local governments that Iowa lawmakers promised when they approved commercial and industrial property tax cuts in 2013.

“There is also the impacts from the phased-in rollback of multi-residential property valuations from the 90 percent in 2015-2016 to the residential rollback rate of approximately 60 percent from FY 17 through FY 24,” Lueck said.

City Administrator Gregg Mandsager noted that “you can only plan on what you know and having the general fund balance at 25 percent provides that cushion for what we do not know.”