

City of Muscatine Budget Overview

Proposed Fiscal Year 2022/2023 General Fund Budget

Carol Webb, City Administrator

Nancy Lueck, Finance Director



Direction Sought

This item is informational and intended to provide a high level overview of the proposed fiscal year 2022/2023 General Fund budget.

City staff welcomes any questions City Council might have on the information presented.

Decision-making/deliberation on the proposed budget will occur following presentation of department budgets at upcoming meetings.



Strategic Priorities

Excellent Customer Service

- Provide excellent customer service to our residents, businesses, and visitors through effective citizen outreach and engagement, employee training and improved organizational processes.

Healthy Community

- Support a healthy community through the availability of quality affordable housing, outstanding recreational and cultural amenities, collaboration with community and healthcare partners, and opportunities for lifelong learning.

Reliable Public Infrastructure

- Continue to update and implement the City's Capital Improvement Plan to ensure reliable, safe, public infrastructure that meets community needs.

Safe Community

- Provide exceptional public safety and community services to ensure a safe community in which residents may live, work, and play.

Vibrant Community

- Enhance and improve the vitality of our community core and gateways including the Grandview Avenue Corridor, Park Avenue Corridor, Riverfront, and Downtown areas to support a thriving economy, vibrant neighborhoods, and a high quality of life and place.



Financial Policies

- The City Administrator will compile and submit to the City Council a balanced budget by the first Monday in February of each year.
- A balanced budget:
 - Expenditures do not exceed estimated resources and revenues
 - Routine expenditures will not be greater than the previous year's expenditure level by more than the estimated annual percentage increase in the cost of living.
 - The Municipal Cost Index and Consumer Price Index are used as a basis for the cost of living.
- Operating budget = service level basis
 - Additions, deletions and/or alterations are related to services to the general public
- The General Fund Balance Policy
 - Minimum fund balance = two months of expenditures or 16.7% of total budgeted expenses



Budget Process Timeline

	October	November	December	January	February	March
Council/Staff Strategic Planning and Goal Setting	Active	Active				
Department Budget Development		Active	Active			
Department Budget Meetings			Active	Active		
City Administrator/Finance Develop Recommended Budget			Active	Active		
Council Budget Discussions				Active	Active	
Two (2) Public Hearings re: Annual Budget*					Active	Active
Adopt Annual Budget and Certify Budget and Tax Levy to County Auditor*						Active

3/31/2022

* Denotes State Requirements for City Budgets



City Administrator Budget Goals

- Maintain service levels
- Provide departments the resources needed to continue to provide services to residents
- Provide funding for continued capital improvements
- Propose reasonable tax rates or other funding options
- Balance department budget requests with funding that is available
- Further the City's strategic plan and City Council priorities



Balancing the Budget - Considerations

General Fund levy limit of \$8.10 per \$1,000 of valuation will yield the same tax dollars as the prior year

- No significant increase in taxable property valuations
- State rollback factor on residential properties
- State phase out of their reimbursement (the backfill) for the commercial and industrial rollback in 2022/2023. (Reduced revenue by \$76,970 across all funds)

2.9% increase in City union contracts for upcoming year

- Compensation for non-union employees aligned with the percentages in the union contracts

Increase in compensation for seasonal employees

- Increase compensation to attract workers for the numerous seasonal facilities and programs of the City (~\$49,300 in the Revised Estimate and \$102,500 for 2022/2023 in the General Fund)



Balancing the Budget - Considerations

Non-property tax City revenues continue to be negatively impacted by the COVID-19 pandemic (hotel/motel taxes, building permits, interest, etc.)

Significant increases in the cost of operating supplies

- Fuel, fertilizer and chemicals, equipment parts, copy paper, etc.

Supply chain issues

- Finding supplies
- Long lead time for vehicles, equipment

Reduction in the Utility Franchise Fee rate from 5% to 3%

- Estimated Revenue Reduction – FY 21/22 - \$100,000, FY 2022/23 - \$180,000
- Unknown if the higher gas rates will continue



Balancing the Budget – Revenue Recommendations

State COVID Relief

- FY 21/22 - \$300,000
- FY 22/23 - \$261,600

Emergency Levy Balance

- FY 22/23 - \$86,162

Max Emergency Levy Rate

- \$0.27 per \$1,000 of valuation

ARPA funds

- FY 21/22 - \$220,000
- FY 22/23 - \$238,000

- Use State COVID Relief funds to assist in balancing both the Revised Estimate and the FY 2022/2023 budget
- Spend down Emergency Levy Balance from prior years
- Levy Maximum Emergency Tax Levy rate for 2022/2023
- Use American Rescue Plan Act (ARPA) funds to close remaining funding gap to balance both the Revised Estimate and the Proposed 2022/2023 budget
 - If ARPA funds not needed funds will remain in ARPA fund for other projects.



Levy	2021/2022 Levy per \$1,000 of Assessed Valuation	Proposed 2022/2023 Levy per \$1,000 of Assessed Valuation	Percent of Levy Increase (Decrease)	Changes in Dollars Levied	Percent Change in Dollars Levied
General Fund	8.10000	8.10000	0.00%	\$2,898	0.04%
Transit System	-	-	-	-	-
Tort Liability	.33769	.34793	3.03%	\$9,751	3.07%
Emergency Levy	0.14229	.27000	89.75%	\$120,150	89.83%
Police and Fire Retirement	1.71197	1.62997	(4.79%)	(\$76,000)	(4.75%)
FICA/IPERS	.85092	.89387	5.05%	\$40,695	5.09%
Other Employee Benefits	2.20690	2.52791	14.55%	\$302,668	14.59%
Debt Service	2.32232	2.20086	(5.23%)	(\$124,066)	(5.27%)
TOTAL	15.67209	15.97054	1.90%	275,785	1.85%

Impact on Owners of Residential Homes

<i>Note: Avg Residential Valuation - \$112,542 (Jan 21)</i>	\$75,000 Actual Property Value	\$100,000 Actual Property Value	\$125,000 Actual Property Value	\$150,000 Actual Property Value
FY2021/2022 Taxable Value (Rollback = 56.4094%)	\$42,307	\$56,409	\$70,512	\$84,614
City Tax 2021/2022	\$663	\$884	\$1105	\$1326
FY2022/2023 Taxable Value (Rollback = 54.1302%)	\$40,598	\$54,130	\$67,663	\$81,195
City Tax 2022/2023	\$648	\$864	\$1081	\$1297
Estimated Tax Impact	(\$15)	(\$20)	(\$24)	(\$29)
Percent Increase/Decrease	-2.26%	-2.26%	-2.17%	-2.19%

Balancing the Budget – Expenses Recommendations

- Personnel requests
 - Two of the numerous department personnel requests are included in the proposed budget
 1. New Seasonal Pay Plan with each step increasing by \$2.00 per hour; and
 2. A .50 Fulltime Equivalent increase in the Building Inspection area to fill the Building Division Manager position.
- Funding Critical vehicle and equipment requests
- Review and reduction of budget line items
- Fund capital projects with Road Use Tax, Local Option Sales Tax, etc. as appropriate
- Provide departments with resources to maintain service levels

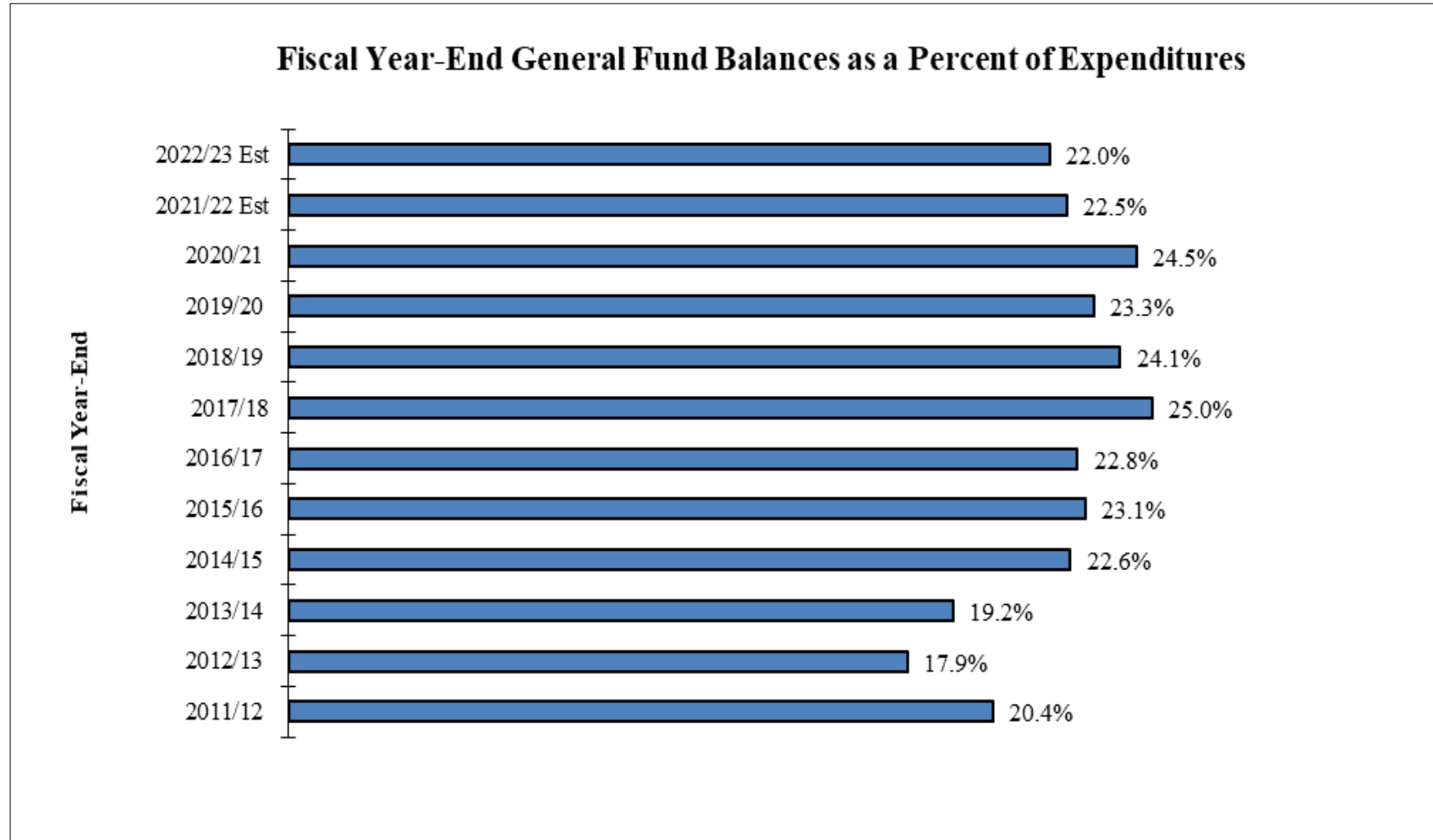


General Fund Balance Policy

- Minimum of 16.7% - two months of expenditures
- Maintaining a balance of 20-25% adds financial stability
- Utilization of fund balance
 - Should not be used to fund any portion of the ongoing and routine operating expenditures of the City
 - Should be used primarily for unforeseen emergencies, to provide cash flow, and to provide overall financial stability
 - Fund balance above 16.7% minimum may be used for one-time capital expenditures to reduce debt and resulting interest costs



General Fund Balance



In Summary

- Challenging Budget Year
 - Increasing cost of providing current services
 - Essentially flat valuations
 - First year of phasing out the State backfill reimbursement
 - Reduction of Estimated Utility Franchise Fee Revenue
 - Change in State residential rollback factor (from 55.0743% to 56.4094%)
- With budget presented, we are able to maintain current service levels
- Use of one-time funds used to balance budget is not sustainable
- Higher taxable valuations would assist in reducing reliance on one-time revenue
- Thank you to staff for work in preparing proposed budget



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