

City of Muscatine

Budget Basis Financial Statement Overview

Year Ended June 30, 2021

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 2020/2021
 - B. General Fund balance history
 - C. Actual FY 2020/2021 ending fund balances for all Operating Funds compared to Revised Estimate amounts
 - D. Overview of COVID-19 impacts on FY 2020/2021 budget
 - i. Background and history
 - ii. Updated impacts
 - iii. Actual results
 - iv. Future year projections
 - E. Summary
 - F. City Council Discussion and Feedback

City of Muscatine, Iowa

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2021

Revenues:

Taxes:

Property	\$ 7,739,008.77
Utility	34,169.40
Hotel/Motel	374,448.62
Cable Franchise	132,286.73
Utility Franchise	456,312.17
Licenses and permits	226,374.69
Fines and forfeitures	727,760.15
Intergovernmental	1,163,573.85
Charges for services	537,842.59
Use of money and property	101,302.78
Other	<u>1,129,985.01</u>
 Total revenues	 <u>\$ 12,623,064.76</u>

Expenditures:

Current:

Public safety	\$ 10,118,047.77
Public works	2,665,965.48
Health and social service	50,000.00
Culture and recreation	3,301,282.14
Community and economic development	884,843.84
General government	2,753,012.46

Capital outlay:

Public safety	321,238.20
Public works	241,203.56
Culture and recreation	175,034.55
Community and economic development	15,140.08
General government	28,328.97

Total expenditures

\$ 20,554,097.05

Revenues (under) expenditures

\$ (7,931,032.29)

Other financing sources (uses):

Operating transfers in (includes transfers from the Employee Benefits, Road Use Tax, Ambulance, Perpetual Care Interest, and TIF funds)	\$ 8,862,659.45
Operating transfers out (includes transfer of tax levy proceeds to the Transit fund and levee capital project fund as well as transfers to the Equipment Replacement and Computer Replacement funds)	<u>(503,934.29)</u>
Total other financing sources (uses)	<u>\$ 8,358,725.16</u>
Revenues and other sources over (under) expenditures and other uses	\$ 427,692.87
Fund balance, June 30, 2020	<u>4,873,298.83</u>
Fund balance, June 30, 2021	\$ 5,300,991.70
Less reserve for encumbrances	<u>127,468.53</u>
Unreserved balance, June 30, 2021	<u>\$ 5,173,523.17</u>

City of Muscatine
General Fund
Fund Balance Analysis
Fiscal Year Ended June 30, 2021

Original Budget - Ending Fund Balance	\$ 4,742,508
Original Revised Estimate - Ending Fund Balance	\$ 4,738,314
Actual Ending Fund Balance (Reflects all Encumbrances including those funded from Road Use Tax)	<u>\$ 5,173,523</u> *
Actual over (under) Revised Estimate by	<u>\$ 435,209</u> *
General Fund Balance as a Percent of FY 2020/2021 Expenditures (Revised Estimate Projected Percentage was 22.3%)	<u>24.5%</u>

NOTE:

Actual Ending Fund Balance <u>Without</u> Road Use Tax Funded Encumbrances (\$34,371 of Encumbrances will be funded from Road Use Taxes in FY 22)	<u>\$ 5,207,894</u>
Actual over Revised Estimate <u>Without</u> Road Use Tax Encumbrances	<u>\$ 469,580</u>
General Fund Balance as a Percent of FY 2020/2021 Expenditures without Road Use Tax Funded Encumbrances	<u>24.70%</u>

**Budgeted Items not Purchased - Requested to be Carried Forward
to FY 2021/2022:**

Roadway Maintenance - Dump Body (Road Use Tax Funded)	\$ 19,700
Park Maintenance - Flag for Mini-Pitch Field	1,500
Total Carry Forward Items	\$ 21,200
Carry Forward Items to be Funded from Road Use Tax	(19,700)
Net Impact of Carryforwards on General Fund balance	\$ 1,500

*** Revenues over original Revised Estimate by \$229,872:**

Significant Revenue Items:

Tax Collections <u>over</u> Revised Estimate	\$ 64,432
(\$62,648 due to prior year delinquent taxes collected)	
Utility Taxes <u>over</u> Revised Estimate	1,473
Utility Franchise Fees <u>over</u> Revised Estimate	6,312
Commercial/Industrial/Other State Reimbursement <u>over</u> Revised Estimate	4,005
Cable Franchise Fees <u>under</u> Revised Estimate	(6,213)
Road Use Tax Transfer in to General Fund <u>under</u> original Revised Estimate	(45,955)
(Corresponding Public Works expenditures also under Rev. Est.; Transfers for \$54,071 of Encumbrances and Carryforwards will be done in FY 22)	
Employee Benefits funding <u>over</u> Revised Estimate	4,597
(Corresponding expenditures also over Rev. Est. due to Fire retiree medical)	
Health Insurance Wellness Program funding <u>under</u> Revised Estimate	(7,483)
(Corresponding expenditures also under Rev. Est.)	
Hotel/Motel Tax <u>over</u> Revised Estimate	124,449
(Original budget was \$500,000; revised estimate \$250,000; actual \$374,449)	

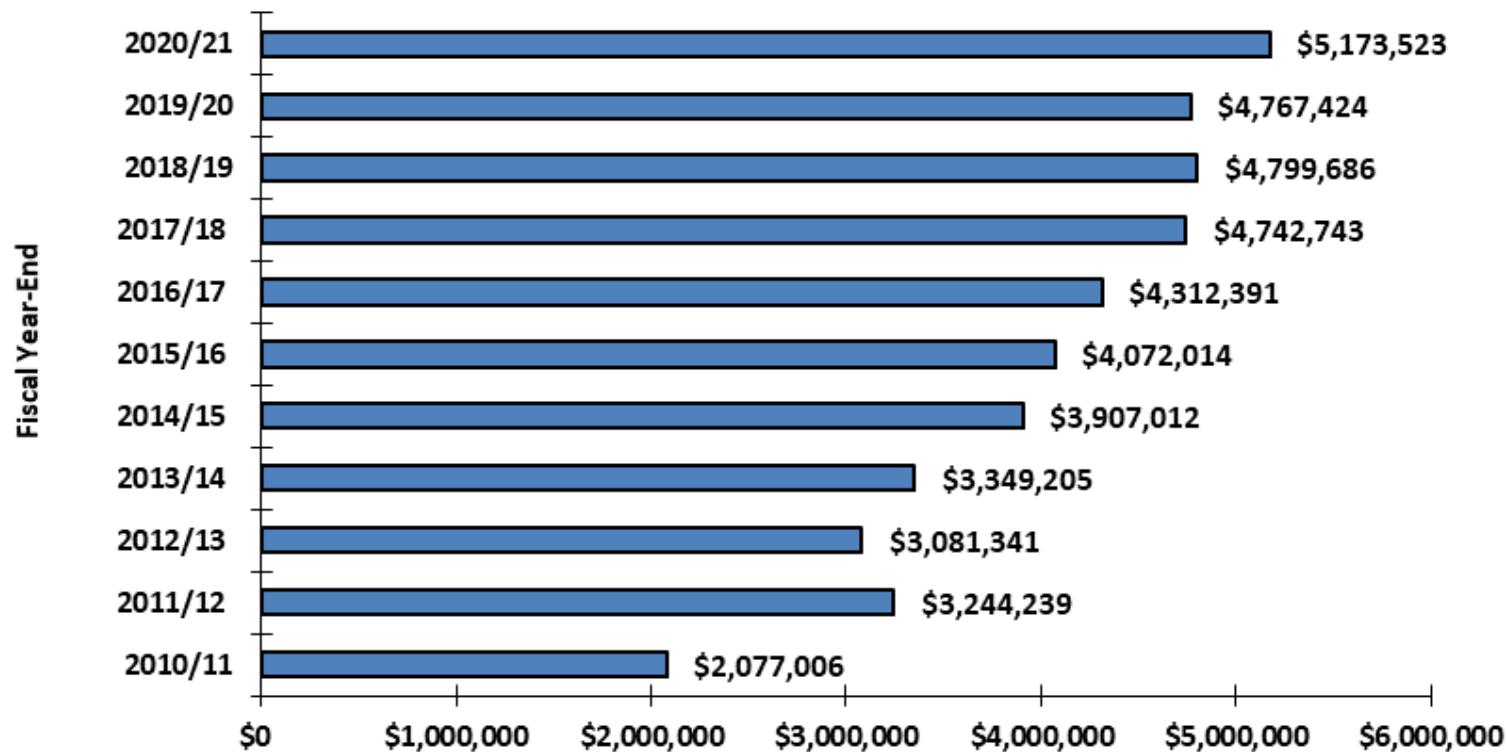
Community Development Revenues <u>over</u> Revised Estimate (Original budget was \$482,000; revised estimate \$288,000; actual \$347,216) (Nuisance reimbursements over by \$31,313; sale of property over by \$21,850)	59,216
Library Revenues <u>over</u> Revised Estimate	1,243
Art Center Revenues <u>over</u> Revised Estimate	2,696
Parks and Recreation Revenues <u>under</u> original Revised Estimate:	
Kent Stein Park and Soccer Revenues <u>over</u> by	1,942
Recreation Revenues <u>over</u> by	2,603
Aquatic Center Revenues <u>under</u> by	(14,165)
General Parks <u>over</u> Revised Estimate (includes \$14,765 from facility rentals compared to Revised Estimate)	<u>21,596</u> 11,976
Cemetery Revenues <u>over</u> original Revised Estimate (Lot Sales, Burial Fees, etc.)	52,002
Public Works Revenues <u>over</u> original Revised Estimate (includes \$52,381 in insurance reimbursements for windstorm)	45,088
Police Grants <u>under</u> Revised Estimate	(33,141)
Court Fines <u>over</u> Revised Estimate (Courts re-opened during year)	32,336
Automated Traffic Enforcement Fines <u>over</u> Revised Estimate	15,265
Other Police Revenues <u>over</u> Revised Estimate	1,940
License and Permit Revenues <u>under</u> original Revised Estimate (State waived fees for liquor licenses and beer permits due to COVID)	(25,697)
Fire Department Revenues <u>over</u> original Revised Estimate	8,009
Interest Income <u>under</u> original Revised Estimate (significant decrease in interest rates)	(6,739)
Transfer from State COVID Relief funds not needed to reach target fund balance	(100,000)
Various Other Revenues <u>over</u> Revised Estimate (Net)	<u>20,061</u>
	\$ <u>229,872</u>

* **Expenditures under Original Revised Estimate by \$203,814:**

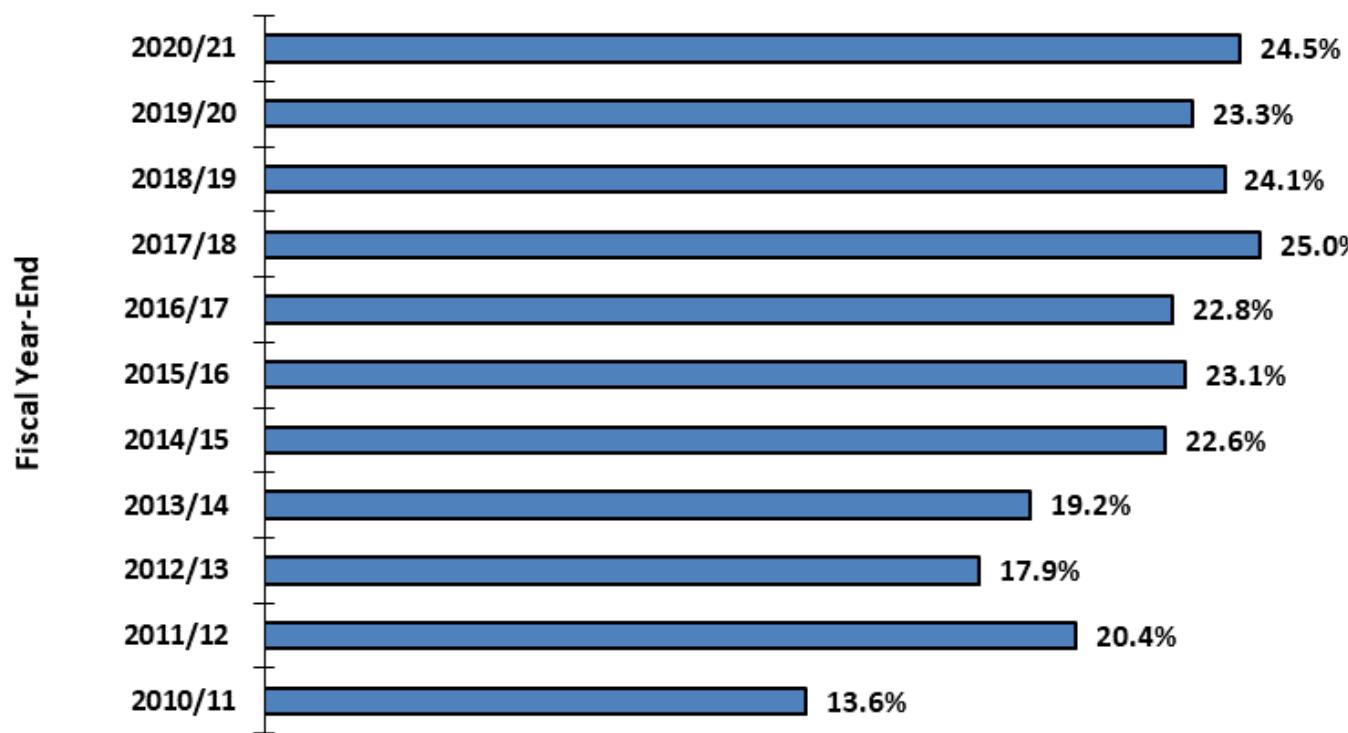
Significant Expenditure Items:

Items Carried Forward (see above)	\$ 21,200
General government activities <u>under</u> original Revised Estimate	113,472
Public safety activities <u>under</u> original Revised Estimate	85,037
Library, Art Center and Parks <u>under</u> original Revised Estimate	95,242
(Net of carry forwards of \$1,500)	
Community/Economic Development <u>under</u> original Rev. Est.	20,440
Public Works activities <u>over</u> original Revised Estimate	(130,332)
(Net of carry forwards of \$19,700) (Snow & Ice budget amended by \$160,000)	
Transit Tax Levy Transfers and Misc. <u>over</u> Revised Estimate	<u>(1,245)</u>
	<u>\$ 203,814</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, 2021

<u>Fund</u>	<u>Original Budget</u>	<u>Revised Estimate</u>	<u>Actual 6-30-21</u>	<u>Variance</u>	
				<u>Favorable</u>	<u>(Unfavorable)</u>
General Fund	\$ 4,742,508	\$ 4,738,314	\$ 5,173,523	\$ 435,209	(1)
Debt Service Fund					
General Obligation	101,295	78,363	104,143	25,780	(2)
Enterprise Funds:					
Water Pollution Control Operations	2,257,556	2,005,720	2,294,769	289,049	(3)
Collection and Drainage	644,893	723,511	819,960	96,449	(4)
Solid Waste Management:					
Refuse Collection	106,821	144,729	196,631	51,902	(5)
Landfill Operations	1,501,572	1,605,470	1,630,575	25,105	(6)
Landfill Post-Closure Reserve	1,113,975	1,119,215	1,116,434	(2,781)	(7)
Landfill Closure Reserve	1,488,348	1,496,741	1,478,042	(18,699)	(7)
Transfer Stations Operations	282,637	327,210	387,619	60,409	(8)
Transfer Station Closure Reserve	33,825	33,825	33,825	-	
Airport Operations	-	7,100	23,396	16,296	(9)
Parking Operations	43,471	13,729	42,465	28,736	(10)
Transit System	148,521	457,998	411,075	(46,923)	(11)
Golf Course Operations (includes Clubhouse inventory)	38,269	6,584	42,058	35,474	(12)
Boat Harbor Operations	200	100	-	(100)	(13)
Marina Operations (includes inventory)	1,324	100	-	(100)	(14)
Ambulance Operations	67,652	366,247	411,731	45,484	(15)
CVB (City funds)	141,421	139,879	140,258	379	
Soccer Event Fund	38,962	87,756	54,940	(32,816)	(16)
Internal Service Funds:					
Equipment Services (includes inventory)	133,204	113,553	121,554	8,001	(17)
Health Insurance	1,555,015	1,860,450	2,182,591	322,141	(18)
Dental Insurance	65,812	86,099	78,320	(7,779)	(19)

City of Muscatine
Fund Balance Comparison - Operating Funds
June 30, 2021

<u>Fund</u>	<u>Original Budget</u>	<u>Revised Estimate</u>	<u>Actual 6-30-21</u>	<u>Variance</u>	
				<u>Favorable</u>	<u>(Unfavorable)</u>
Special Revenue Funds:					
Employee Benefits	-	169,279	213,065	43,786	(20)
Emergency Tax Levy/Emergency Fund	85,814	546,689	647,562	100,873	(21)
Community Block Grant	24,142	29,221	31,195	1,974	
Home Ownership Program	47,920	45,374	38,512	(6,862)	(22)
Sunset Children's Education Program	8,573	5,577	6,681	1,104	
Small Business Forgivable Loan Programs	-	-	361,613	361,613	(23)
Local Option Sales Tax	279,591	258,278	1,011,007	752,729	(24)
Road Use Tax	325,472	1,203,329	1,727,448	524,119	(25)
Tax Increment (Downtown)	12,572	9,782	9,878	96	
Tax Increment (Southend)	769,501	554,022	524,590	(29,432)	(26)
Tax Increment (Cedar Development)	65,920	66,346	66,303	(43)	
Tax Increment (Heinz)	9,195	4,784	4,890	106	
Tax Increment (Hwy 38 NE)	8,399	14,997	15,046	49	
Tax Increment (Fridley)	30,553	37,582	37,593	11	
Tax Increment (Riverview Hotel)	-	1,018	1,233	215	
Tax Increment (North University)	3,700	7,869	8,034	165	
Tax Increment (WDS)	-	5,100	5,187	87	
Tax Increment (Reinvestment District)	-	-	-	-	
Equipment Replacement	74,385	77,390	105,319	27,929	(27)
Computer Replacement - City	-	-	59,424	59,424	(28)
Computer Replacement - Library	15,000	23,340	50,000	26,660	(29)
Police Forfeitures Fund	6,232	5,930	10,929	4,999	(30)
Clark House/Sunset Park Operations	349,603	509,955	577,552	67,597	(31)
Section 8 Voucher Program	101,680	210,452	132,154	(78,298)	(32)
Totals	\$ 16,725,533	\$ 19,199,007	\$ 22,389,124	\$ 3,190,117	

1. See General Fund analysis.
2. Debt service tax collections \$24,083 more than the revised estimate primarily due to collection of prior year delinquent taxes; interest \$1,397 more than estimate; bond paying agent costs \$300 less than estimate
3. Water Pollution Control revenues were \$164,972 more than the revised estimate; expenditures were under the revised estimate by \$124,077; \$143,222 requested to be carried forward (more than unspent expenditure budget balance).
4. Collection and Drainage expenditures under revised estimate by \$97,646; revenues were under by \$1,197 (primarily due to reduced interest).
5. Refuse Collection expenditures under revised estimate by \$20,098; revenues were over by \$31,804.
6. Landfill expenditures under original revised estimate by \$50,969 and revenues under by \$25,864;
7. Landfill Closure Reserve transfer in under estimate by \$18,699. Landfill Post-Closure transfer in under by \$2,781 (based on Engineer's cost estimates and waste volumes).
8. Transfer Station revenues \$12,577 higher than the revised estimate; expenditures under original revised estimate by \$47,832.
9. Airport revenues over the original revised estimate by \$340; expenditures under by \$15,956.
10. Parking revenues \$23,387 more than the revised estimate; expenditures under original revised estimate by \$5,349. (Revenues were under the original budget by \$36,013).
11. Transit revenues under original revised estimate by \$405,587 (\$51,048 in transit fares; balance for operating and capital grants, and other income); expenditures under by \$358,664 (\$106,382 encumbrance for a bus purchase will receive 85% grant funding in FY 22). Muscabus ridership significantly impacted by the COVID-19 pandemic. The Transit operation received a significant amount of CARES Act funds.
12. Golf Course revenues over the original revised estimate by \$10,063; expenditures under by \$25,411. (Of the ending fund balance of \$42,058, \$39,042 is inventory which is non-spendable)
13. Boat Harbor revenues under revised estimate by \$3,286; expenditures under by \$468. Deficit of \$2,718 in this fund eliminated with a transfer from the General Fund.

14. Marina revenues under revised estimate by \$3,861; expenditures under by \$592. Deficit of \$3,169 in this fund eliminated with a transfer from the General Fund.
15. Ambulance revenues over revised estimate by \$51,393; expenditures over original revised estimate by \$5,909.
16. Soccer Event revenues under revised estimate by \$33,435; expenditures under \$619.
17. Equipment Services revenues under revised estimate by \$260,857; expenditures under by \$268,858.
18. Health insurance claims, admin fees, etc. were \$348,633 less than estimated; Wellness Program funding \$7,483 less than estimated. Revenues were \$33,975 less than estimated.
19. Dental insurance claims, admin fees, etc. were \$5,612 more than estimated; revenues \$2,167 less than estimated.
20. Employee Benefits Tax revenues \$48,383 more than revised estimate; transfers out for actual employee benefit costs \$4,597 more than estimate. Increased revenues include collection of prior year delinquent taxes; increased transfers for employee benefits due to increased fire retiree medical costs.
21. Emergency Tax/Emergency Fund revenues over revised estimate by \$873 (primarily interest); expenditures under revised estimate by \$100,000. Did not transfer the budgeted \$100,000 of State COVID Relief funds to the General Fund since target General Fund balance was met without this transfer.
22. Home Ownership revenues less than revised estimate by \$2,795; expenditures over original revised estimate by \$4,067. Classes not held due to pandemic; expenditures include training costs for new housing counselor.
23. Balances totaling \$361,613 in Small Business Forgivable Loan Programs carried forward to FY 22.
24. Local option sales tax transfers for actual sewer project costs were \$751,346 less than estimated; Local Option and interest revenues were \$1,383 higher than the revised estimate. Balance carries forward.
25. Road Use Tax revenues over revised estimate by \$491,758; funding transfers were \$32,361 less than the original revised estimate. Balance carries forward to FY 22.

26. Southend Tax Increment revenues under revised estimate by \$29,576; expenditures under by \$144. Actual TIF incremental tax rate less than budgeted incremental tax rate.
27. Equipment Replacement revenues under revised estimate by \$122; expenditures under by \$28,051. Budgeted amount of \$25,000 for a used truck for Park Maintenance carried forward to FY 22.
28. Computer Replacement funds carried forward to FY 22. Budget allowed for all funds to be expended.
29. Library Computer Replacement fund - a portion of the unspent Library budget was transferred to this fund; amount transferred was limited to the amount to bring the Library Computer Reserve to \$50,000.
30. The Police Forfeitures budget allowed for \$5,000 to be expended; there were no actual expenditures.
31. Public Housing expenditures were \$89,942 less than the original revised estimate; revenues were \$22,345 less than estimated.
32. Section 8 Housing revenues were \$50,082 less than estimated; expenditures were \$28,216 more than the original revised estimate. (Additional HUD funds for housing assistance payments are in a HUD-held reserve.)

Review of Impacts of the COVID-19 Pandemic on FY 2020/2021 and Future Budget Revenues

Background

1. In mid-March of 2020 the Governor ordered all food and beverage facilities to suspend their indoor food and beverage services, and other non-essential businesses were mandated to be closed in an effort to reduce the spread of the coronavirus.
2. The City Council met several times in May and June of 2020 to discuss the projected impacts of the pandemic on the City's revenues and services. Revenues initially projected to be impacted included hotel/motel taxes, construction permits, Park department program and facility usage fees, parking fees, Road Use Taxes, and Local Option Taxes.
3. City Council was proactive in addressing these potential revenue shortfalls and took action to address the shortfalls while maintaining essential City services.
4. Council's initial actions included deferring the hiring of 4 new positions added in the original 2020/2021 budget, deferring the Pavement Management Program, and providing for additional review prior to making capital outlay purchases and filling vacant positions.

Review of Impacts of the COVID-19 Pandemic on FY 2020/2021 and Future Budget Revenues (Cont.)

Updated Impacts

1. As the 2020/2021 fiscal year progressed, it was found that Road Use Tax and Local Option Sales Tax revenues were not impacted to the extent originally projected. The \$1 million in Pavement Management Projects that were deferred in calendar year 2020 were scheduled to be completed in the spring of 2021.
2. The City's Aquatic Center did not open for the 2020 season which resulted in reduced expenditures (the facility re-opened in 2021). Due to the Governor's proclamations, several Park facilities were delayed in opening in 2020, but were opened as allowed (Soccer Complex, Kent-Stein Park, etc.). The 2021/2022 budget was based on all facilities being open and available to the public for the full fiscal year.
3. In October of 2020, the City received \$561,628 in COVID-19 Local Government Relief funds from the State. These funds were credited to the Emergency Tax Levy/ Emergency Fund, which had a balance of \$84,989.

	Original 2020/2021 Budget	Revised Estimate 2020/2021	Actual 2020/2021	Original Budget 2021/2022	Updated Estimate 2021/2022
Beginning Balance, July 1	\$ 84,614	\$ 84,989	\$ 84,989	\$ 546,689	\$ 647,562
State COVID Relief Funds	\$ -	\$ 561,600	\$ 561,628	\$ -	\$ -
Interest	1,200	100	945	-	-
Total Revenues	\$ 1,200	\$ 561,700	\$ 562,573	\$ -	\$ -
Transfers to General Fund	-	100,000	-	300,000	300,000
Ending Balance, June 30	<u>\$ 85,814</u>	<u>\$ 546,689</u>	<u>\$ 647,562</u>	<u>\$ 246,689</u>	<u>\$ 347,562</u>

Review of Impacts of the COVID-19 Pandemic on FY 2020/2021 and Future Budget Revenues (Cont.)

Actual Results in FY 2020/2021

1. Hotel/Motel Taxes were impacted by the pandemic, but not to the extent projected in the revised estimate for 2020/2021. The original budget included \$500,000 from these taxes and the revised estimate was reduced to \$250,000 due to a projected reduction in business travel. The actual hotel/motel taxes were \$374,448.62, which was **\$125,551.38 less than the original budget, but \$124,448.62 higher than the revised estimate.**
2. Construction permits were impacted by the pandemic, but not to the extent projected in the revised estimate for 2020/2021. The original budget included \$310,000 from construction permit fees and the revised estimate was reduced to \$150,000. The actual permit fees were \$167,473, which was **\$142,527 less than the original budget, but \$17,473 higher than the revised estimate.**
3. Interest rates were significantly impacted by the pandemic and are currently at near-zero rates. The original General Fund budget included \$60,000 in interest income and the revised estimate was reduced to \$20,000. Actual General Fund interest was \$13,260.58 which was **\$46,739.42 less than the original budget, and \$6,739.42 less than the revised estimate.**

Review of Impacts of the COVID-19 Pandemic on FY 2020/2021 and Future Budget Revenues (Cont.)

Actual Results in FY 2020/2021 (Cont.)

4. Property tax collections in the General Fund were \$64,432 higher than the revised estimate. This amount included \$62,648 in collections of prior fiscal year delinquent taxes. (Counties extended the due date for the March 2020 taxes several times and there was no tax sale held in 2020.)
5. The 2020/2021 revised estimate revenues included transferring \$100,000 of the State COVID Relief funds in the Emergency Tax/Emergency Fund to the General Fund. Due to other revenues being higher than projected, this transfer was not made since it was not needed to meet the targeted ending balance in the General Fund. Those funds were maintained in the Emergency Tax/Emergency Fund to be used in future years as needed. The balance in that fund is \$647,562 at the end of fiscal year 2020/2021.

Review of Impacts of the COVID-19 Pandemic on FY 2020/2021 and Future Budget Revenues (Cont.)

FY 2021/2022 Budget Items Related to the Pandemic

1. When the 2021/2022 budget was being prepared in January and February of 2021, City Council and staff were taking a conservative and cautious approach for estimating revenues. At that time COVID vaccinations were not yet available to most age groups, there were numerous individuals working from home, and businesses had not returned to more normal operations.
2. The 2021/2022 budget included adding back one of the three new firefighter positions that were originally added for the 2020/2021 budget but were deferred for hiring due to the pandemic. This position was added back effective April 1, 2021.
3. Hotel/Motel taxes were estimated at \$300,000 (down from the \$500,000 in the original 2020/2021 budget).
4. Construction permit fees were estimated at \$150,000 (down from the \$310,000 in the original 2020/2021 budget).
5. The 2021/2022 Budget was “balanced” by using \$300,000 of the State COVID Relief funds from the Emergency Fund.
6. While there are positive financial results at fiscal year-end in 2020/2021, portions of the economy have not fully recovered, and there are still reasons for using caution going forward.

Summary

- The ending General Fund balance of 24.5% of expenditures is higher than the original 2020/2021 budget of 21.9% and higher than the 2020/2021 revised estimate of 22.3%.
- 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 21 General Fund balance ended higher than anticipated, there are still some revenue concerns going forward – these include hotel/motel taxes, construction permits, and interest. Having the strong ending balance in the General Fund positions the City to address these and other possible future budget challenges.
- One-time revenues from the State COVID Relief funds and CARES Act funding provided much-needed funding to the City to assist in continuing the current level of services to our residents in 2020/2021. A portion of these funds will carry forward to the 2021/2022 fiscal year. The City needs to continue to keep in mind that these are one-time funds.

Summary (Cont.)

- In July of 2021, the City was awarded \$3,521,578.16 in American Rescue Plan Act (ARPA) funds with 50% of the fund received in calendar year 2021 with the remaining 50% to be received in 2022. These funds must be used for any of four purposes provided for in this Act. One of those purposes is for “revenue loss”.
- The City has been able to document a revenue loss of \$1,927,704 in calendar year 2020, which makes that portion of the ARPA funds eligible to be used for technology and/or other one-time expenditures. If revenue losses can be documented in calendar years 2021 and 2022, the remaining portion of the total amount allocated may also be eligible to be used for technology and/or other one-time purchases. These funds, or a portion of the funds, can also be used to balance the General Fund budget, if needed, in future years. Staff is currently compiling a list of possible uses of the ARPA funds.
- There were positive fund balances in all of the City’s operating funds at the end of 2020/2021. 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.