

MARSHALLTOWN

— I O W A —

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FINANCE DEPARTMENT

February 10, 2022

To: Mayor Joel Greer
Members of the City Council

From: Diana Steiner, Finance Director

Re: Discussion of FY22 Budget Amendment and FY23 Budget for the Special Revenue Funds

Policy Issue: Adoption of FY22 Budget Amendment and FY23 Annual Budget to be approved after the March 28, 2022 budget hearing.

Recommendation: This is a review of the proposed budgets related to the Special Revenue Funds.

Background: Special Revenue funds include donations restricted for a particular purpose, grants, property tax levies, etc.

Department Directors and the City Administrator developed the budget amounts based on known or projected resources. The first column shows the actual activity for FY21. The second column shows the adopted budget for FY22. The third column is the year-to-date activity through December (6 months of the fiscal year). The fourth column is the proposed re-estimated budget for the FY22 budget. The fifth column is the proposed FY23 budget. The sixth column shows the dollar increase between columns five and four. The seventh column shows the percent increase between columns five and four.

A projected cash balance report has also been provided to reflect the estimated fund balances at the end of the fiscal years. It also has descriptions of the funds

Fund 110 Road Use Tax (RUT): Road use revenues originate from the collection of vehicle registrations and gas taxes paid at the pump. It is apportioned among cities based on the latest federal census. The City's 2020 census of 27,591 times the IDOT per capita forecast of \$126.50 equals \$3,490,000 for estimated revenues in FY23, which is an increase of \$1 per capita in FY22. The expenses for this fund are to be used for construction and maintenance of public streets, which

includes congruent storm water/sewer lines, sidewalks, etc. A transfer to the General Fund of \$1,206,025 in FY22 and \$1,211,244 in FY23 is to cover Public Works Department gross wages and a small percentage for the HR Director and City Administrator wages.

Fund 121 Local Option Sales Tax (LOST): This fund is used to show the revenues and expenditures related to the 1% Local Option Sales Tax that the City receives. The State estimates LOST that cities receive and pays out 95% throughout the year. After the close of the fiscal year, the City receives the other 5% as a reconciliation payment. For the adopted budget for FY22, an estimate of \$3.7M was used. In August, the State revised their estimate and the City adjusted the FY22 revenues to 4.1M. In November, the City received \$572,343, so the FY22 re-estimated budget is now \$4.7M. With the pandemic uncertainty continuing, we are using a projection of \$4.2M in revenues for FY23 based on the FY22 re-estimate with a 3.3% increase from the Dept of Management's Revenue Estimating Committee projection. To be conservative, we did not factor in the reconciliation payment. Of the amounts received for LOST for FY23, 78% is allocated for property tax relief (\$3,276,000) and 22% for Council designated purposes (\$924,000). As discussed at the Council meeting on January 24, expenditures in FY23 include \$3.6M of a transfer to the Debt Service Fund for bond payments to keep the property tax levy lower, a \$91,512 transfer to the Cash Flow Reserve Fund at 16% of General Fund expenses for emergencies, \$5K for fireworks, \$20K community survey, \$220K for Downtown Revitalization (DTR), \$71,500 for the City Centre parking lot expansion, \$689K for the Edgewood Extension and \$284K for the 7th Ave. Extension project.

Fund 125 Tax Increment Financing (TIF): This is funded by property tax that is certified to the County in November of each year for TIF projects. Expenses include payments for development agreements, transfers to Fund 200 for TIF related debt bond payments, transfers to the General Fund for façade and code upgrades for downtown buildings, agreements with the Chamber and Marshalltown Central Business District, and other items Council approved.

Fund 126 TIF-LMI: This was funded by property tax that was certified to the County for TIF projects for the Urban Renewal Area #5. Of the amount certified, 41.79% is kept by the City to be used towards the development of Low to Moderate Income (LMI) housing. The Council is keeping the Urban Renewal Area but has revoked the TIF area as the development did not occur. Therefore, funds the County paid the City are being returned in FY22 (approximately \$27K from fund 126 and \$37K from fund 125).

Fund 130 City Tort Liability: This shows funds received from insurance companies and an estimate of related repairs. FY22 activity is much higher since we had City property damage due to the Derecho.

Fund 132-133 Grants: These include Catalyst Grant, Downtown Revitalization, MICA, Iowa Great Places, Rivers Edge, Elks Park, TSIP, Willard's building renovation, Food Box, CDBG Housing Grant, and Brownfield, etc.

Fund 140 Park/Recreation Donation Fund includes the donations for benches, equipment, etc.

Funds 141-144 are programs we operate and then are reimbursed for.

Funds 145-147 are costs associated with the tornado. The insurance company reimbursed the City for damage to its property and equipment. The other costs to clean up the community were submitted to FEMA. (FEMA pays 75%, State pays 10%, City's share is 15%). Budget shows FEMA and State funds all being received by the end of FY22, but it could take much longer. There is also a transfer from fund 145 to zero out the deficit balances incurred by Compost, WPCP or Storm/Sewer, which are shown in the Enterprise Funds of 618, 742, and 751.

Fund 148 is COVID personal protective equipment, sneeze guards, masks, and other supplies and building changes installed to deal with social distancing. Costs can still be submitted to FEMA through April 1, 2022. We have already received the federal portion for costs incurred for the January 2020 through September 2021 timeframe.

Fund 149 are costs associated with the Derecho that are eligible for FEMA reimbursement. The City is still waiting on FEMA to obligate the larger projects, which we expect to happen before the end of the current fiscal year. Then we can request reimbursement.

Funds 150-152 are grants that reimburse the Police Department for work performed.

Funds 153-157, 170 are other grants and donations for the Police, Fire, and Library.

Funds 160-161 relate to economic development

Fund 177 Seized Assets from crimes or abandonment. 10% turned over to County and 10% to State. Remainder can be used for equipment purchases, training, etc.

Funds 179-189 relate to various housing grants. The Section 8 housing voucher program has approximately \$1.2 million in federal revenues as shown in Fund 184. The Lead grant started up again in the spring of 2019 and funding available will last through Sept. 2023. For FY23, \$1.6 million in federal revenues has been budgeted in fund 189 for the Lead grant. The remaining balances in Funds 179 & 180 are shown as transfers into the Lead grant fund 189 in FY22..

Attachment: Cash balances FY21 thru & FY23
Special Revenue Funds Budget Comparison Report

cc: Jessica Kinser, City Administrator