

MARSHALLTOWN

— I O W A —

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FINANCE DEPARTMENT

February 25, 2022

To: Mayor Joel Greer
Members of the City Council

From: Diana Steiner, Finance Director

Re: Discussion of FY23 Budget and Certification of Taxes

Policy Issue: The Council must approve the FY23 budget documents. A public hearing is required first.

Recommendation: Consider proposed budgets and set the public hearing date for March 14, 2022 at 5:30 p.m. Changes can still be made at the hearing as long as the levy and expenditures are lower than what was published in the newspaper. The publication notice of the public hearing must be not less than 10 days or more than 20 days before the hearing date.

Background: I have incorporated the budget information and decisions Council made from the last 4 Council meetings (please refer to those documents provided). In addition, the following changes have been made to the FY22 re-estimated budget and the FY23 budget:

- a. Reduced mileage in the General Fund in FY22 for those that can use a city vehicle and then showed a transfer from Fund 389 ARPA to Fund 001 General Fund to cover the FY22 entire budgeted deficit of \$230,577.
- b. \$20,000 in revenue and expenses for both FY22 & FY23 were added to account for the State DCAT grant that will be used towards the MPACT program. YSS incurs the cost and then the City requests the funds from the state to reimburse YSS.

- c. Adjusted either the amounts in the accounting software or the Capital Improvements Plan so they reconciled with each other. See the memo for the Capital Improvements Plan (CIP) on the agenda for 2/28/22 for the changes.
- d. Fund 610, 740 and 741 for both FY22 and FY23. Changed GO bond payments originally shown as a direct expense out of these funds to a transfer to the Debt Service Fund 200 and the entire payment for the GO debt will be paid out of Fund 200. Revenue bond payments will continue to be paid directly out of the Enterprise Funds.

There are 7 reports that are being provided to you at this time:

1. The “FY23 State Budget Forms for Feb 28 2022 Council Meeting” report is the official budget document that will be certified with the County Auditor after the public hearing and Council approval on March 14, 2022. (Note: City added page numbers).
 - a. Page 1 is the Notice of Public Hearing that will be published in the newspaper (probably March 3). The Council can lower the FY23 levies or budgeted amounts now before publication, but then would not be able to raise it back up. The recommended option is for the Council to approve the publication as is and then if Council decides to lower the levy or budgeted amounts on March 14th after the public hearing, you still can. The report is showing the proposed property tax levy rate of \$15.36163 per \$1,000 valuation on regular property. (THIS IS THE SAME RATE AS FY22). It also summarizes the revenues and expenses for the entire budget for FY23, the re-estimate budget for FY22 which will we use for the budget amendment document on a separate agenda item on the Feb. 28th meeting, and the FY21 actual.
 - b. Page 2 shows the dollar amounts to be collected for each specific levy and the far-right column shows the overall rate for each levy. The overall property tax levy rate shown in the bottom right corner for FY23 is \$15.36163 per \$1,000 of taxable valuations. The City would receive \$12,999,858 in property tax and \$1,252,637 in utility replacement excise tax for a total of \$14,252,495. This is an increase of \$516,228 in property tax and a decrease of \$269,859 in excise tax from FY22 for all levies.
 - c. Page 3 titled “Notice of Public Hearing - City of Marshalltown – Proposed Property Tax Levy” is the hearing being held at the Feb. 28th Council Meeting and for just the tax levies required under Senate File 634. This report shows the difference between the dollar amounts requested for FY23 compared to FY22 and what the tax levy rate would have been for FY23 if the tax valuations were the same as FY22. The dollar amounts in the third column of numbers rolls to page 2 above. The difference is that page 2 also includes the voted levies (band, library), debt service and capital project levies and the agriculture land.
 - d. Page 4 titled “Fund Balance” reflects the beginning fund balance (cash basis) from the close of fiscal year ending June 30, 2021, the re-

estimated revenues and expenditures for the current fiscal year of 2022 and the budgeted revenues and expenditures for the upcoming fiscal year of 2023 by fund category. This is a summary of the input from pages 6-11. The rows titled Ending Fund Balance in the Grand Total column equal the “Cash Balances for FY21 to FY23” report that I have also provided to you. Please note that Marshalltown Water Works activity is also included in both reports.

- e. Page 5, is the amount we budgeted and levied for the Marshall County Emergency Management Agency.
- f. Pages 6-8 are the re-estimated revenues and expenditures for FY22. (For more detail, please see the Feb. 28th Council agenda item for the FY22 Budget Amendment). Revenues changed over the original budget from the new issuance of bonds, new grants and donations, FEMA Derecho denials, etc. Expenditures changed from what was originally budgeted due to the denial of the FEMA Derecho projects, costs and projects related to new grants and the bond issuance, etc. Expenditures also increased during the fiscal year for unexpected insurance premium costs, and utility/gas/diesel increases.
- g. Pages 9-10 are the budgeted expenditures for FY23. The budgeted amounts in each activity category will give the City the authority to spend at that maximum level before having to come back to Council for a budget amendment. The Purchasing Policy will still be followed at the thresholds set out in the policy (currently the Council approves at \$45,000 or greater).
- h. Page 11 is the budgeted revenues for FY23. Backfill is budgeted at a total of \$335,579 of which the General Fund 001’s share is \$198,942. Starting with FY23, the backfill for Marshalltown is being phased out over 8 years, so we will see an ongoing decrease of approximately \$48,000 each year, of which the General Fund 001’s share is approximately \$28,000.
- i. Page 12 is a summary of the revenues and expenditures all on one page. Excluding transfers, the FY23 revenue budget is \$78,689,367 and the expenditure budget is \$87,833,013 for a net decrease of \$9,143,646 in fund balance. This will be covered by cash on hand in bond funds, road use tax, etc. Projects were delayed since the Derecho, so now we are catching up. The General Fund 001 is in balance, but the GENERAL column also includes the cash flow reserve fund and other capital reserve funds so you will see a net increase in that column.
- j. Page 13 titled “Long Term Debt Schedule” provides information on the principal, interest, and debt fees to be paid in FY23 and the amounts that will be applied towards the debt service levy. The bottom of the page shows \$3,276,000 of Local Option Sales Tax (L.O.S.T.) used for property tax relief from the 78% of the anticipated new revenue in FY23 and \$365,775 of L.O.S.T. accumulated in the Property Tax Relief fund balance to keep the property tax levy rate the same as FY22.

The column titled "Paid from Funds Other than Current Year Debt Service Taxes" is funded by TIF and Enterprise Funds.

- k. Page 14 summarizes the long-term debt between General Obligation (GO) debt and Non-GO Debt. All GO debt could be levied for but other revenue sources (TIF, Enterprise Funds Storm Water, LOST) are applied against the debt to reduce it. The Non-GO Debt is all paid for with Enterprise Funds.
2. The Cash Balances report indicates the actual ending cash balances at 6/30/21, the activity for FY22 & FY23 with the projected ending cash balances for each fiscal year. The General Fund 001 is in balance due to the Council allocating \$230,577 in FY22 and a \$288,147 in FY23 from American Rescue Plan Act (ARPA) funds.
3. A revenue comparison report has been provided to show what is included in the different categories and the differences between the FY22 re-estimated/amendment and the FY23 proposed budget
4. An expense comparison report has been provided to show the difference between the FY22 re-estimated/amendment and proposed FY23 budget. All General Funds and Special Revenue Funds, excluding transfers out, are included in the first 6 functions. The Debt Service Fund 200, excluding transfers out, is what is in the Debt Service line. Funds starting with a 3xx are shown in the Capital Projects line, excluding transfers out. Funds starting with a 6xx or 7xx are shown in the Business Type / Enterprises row, excluding transfers out. Transfers out are shown on a separate line and just show the movement between funds
5. The Transfers for FY23 report reflect the money budgeted to be moved between funds and the purpose. I highlighted changes from the last Council meeting in yellow. The transfers to Debt Service are a change in practice. Rather than pay the bond payments directly out of the Enterprise funds for their portion of GO debt, the amount is transferred to the Debt Service fund and paid from there
6. The LOST (Local Option Sales Tax) detail report shows you activity within Fund 121 broken out by designation (Property Tax Relief, Council Designated, or Capital Projects).
7. The Marshalltown Water Works budget report is included since the City's official budget that is submitted to the County includes them. Their re-estimated revenues are \$6,693,033 for FY22 and \$7,280,928 for FY23. Expenditures are \$5,282,715 for FY22 (no change from adopted budget) and \$5,774,039 for FY23. Their public hearing was Feb. 15th and the Board of Trustees approved. The City's official budget documents include Marshalltown Water Works under the Proprietary column.

Attachment:

FY23 State Budget Forms for Feb 28 2022 Council Meeting

Cash Balances FY21 to FY23 updated Feb 28 2022

REVENUE COMPARISON BUDGETS BY CATEGORY FOR FEB 28 2022 COUNCIL MEETING (22 pages)

EXPENSE COMPARISON BUDGETS FOR FEB 28 2022 COUNCIL MEETING (79 pages)

Transfers for FY23 for Council Feb 28 2022

LOST detail FY22 and FY23 updated Feb 11 2022

Marshalltown Water Works Budget

cc: Jessica Kinser, City Administrator