

# MARSHALLTOWN

— I O W A —

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## FINANCE DEPARTMENT

January 21, 2022

To: Mayor Joel Greer  
Members of the City Council

From: Diana Steiner, Finance Director

Re: Discussion for the FY22 Budget Amendment and FY23 Proposed Budget for the General Fund

**Policy Issue:** Adoption of a budget amendment for the FY22 Budget and a new budget for the FY23 Annual Budget scheduled for March 28, 2022.

**Recommendation:** This is a continuation from the January 10<sup>th</sup> Council meeting discussion on the General Fund 001, which is the operating budget funded by property taxes, hotel/motel tax, user fees, etc. Staff are bringing forward options to solve the deficit along with more detail of the budgets that make up the General Fund.

**Background:** Department Directors and the City Administrator developed the budget amounts based on status quo operations and programs. For the Budget Comparison Report, the first column shows the actual activity for FY21, which ended June 30, 2021. The second column shows the original adopted budget for FY22 that was approved March of 2021. The third column is the actual year-to-date activity through December for FY22 (6 months of the fiscal year). The fourth column is a re-estimate of the FY22 budget. The fifth column is a 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.

The FY23 General Fund budgets were built on the following assumptions:

1. Wage increases are based on the negotiated union contracts of 3.25% for Police and 3% for other unions. Non-union, non-temporary positions were budgeted for step increases and cost-of-living adjustments at 3%.
2. Health insurance increased by 10% January 1, 2022 and was budgeted to increase by another 10% next January also. The City would pay 85% and the employee would pay 15% of the increase. Actual premiums will be determined near the open enrollment period in November. These costs are offset by the Employee Benefits tax levy.
3. Vacant positions are budgeted for 12 months, except for known staff on military deployment.

4. There was no change in the IPERS contribution rate (9.44% for City Share, 6.29% for employee), which is supported by the FICA & IPERS tax levy.
5. There was a decrease in the Municipal Fire and Police Retirement (City Share 26.18% to 23.9%; employee rate of 9.4% does not change), which is supported by the Police & Fire Retirement tax levy.
6. Road Use Tax is transferred to the General Fund to cover gross wages of the Public Works Department and a small portion of the Human Resources Director and City Administrator.
7. The levy for the Marshalltown Arts & Civic Center continues to be budgeted at \$100,000, which is supported by the Rent, Ins. Maint of Civic Center tax levy.
8. The levy for the Marshalltown Community Band continues to be budgeted at \$11,000, which is supported by the Instrumental Music tax levy. (See other discussion topic on Council agenda).
9. Mileage is reimbursed at the State rate of \$ .39/mile and meals are reimbursed at the State per diem rates.
10. Backfill from the State is being phased out over 8 years for the City. The General Fund's share in FY23 should be \$198,942 out of the entire projected backfill of \$335,579 if the Legislature appropriates, which is a \$21,977 decrease from the current fiscal year.
11. The general fund property tax levy is shown in Function 6021 Finance (page 30) which benefits all general fund functions. The Library's specific levy is shown now in Function 4010. We continue to request the full amount of the \$8.10 regular levy and the \$.27 emergency levy.
12. Interest income has been estimated at 1%.
13. For FY22, the property, vehicle and liability coverage were estimated to increase by 12% for the upcoming April 1, 2022 renewal, with an additional 12% increase for April 1, 2023. With multiple state-wide disasters, the ICAP (Iowa Communities Insurance Pool) has seen an increase in reinsurance costs. Our actual premium will not be known until closer to March. This is supported by the Liability and property insurance levy.
14. The Support of the Local Emergency Management levy of 33,970 is the proposed amount for the City per the Marshall County Emergency Management Coordinator.
15. The contract with the Iowa Veterans Home for police services has been locked in at the same rate as FY22. For the fire department, there is a small decrease since IVH's census is lower.
16. Hotel/Motel tax revenues have been adjusted up from a budget of \$400,000 to \$480,000 (shown in function 6021) and payments to CVB at 67% is shown in function 5900. If the rate was lowered to 50%, that would save the City \$ \$81,600.
17. The MPACT program is funded with DOJ and DCAT grant funds and ARPA in FY23, so there is no longer a General Fund expense in FY23 in Function 1010 Police Department.
18. Function 4045 Swimming Pool, shows an increase in aquatic center admission fees from \$4 to \$5 and an increase of lifeguard wages by \$1/hour.
19. The Economic Development budget is based on the funding level for the MCBF façade and code compliance expenditures, which are paid out of the General Fund and then money is transferred from the TIF fund 125. All expenses are approved by the Council.

20. Estimates have been made for retirement payouts. For the FY22 budget, the known retirements have been re-allocated to the appropriate function. For FY23, the budgeted expense of \$71,450 is located in function 6900. This is supported by the Employee Benefits tax levy.

21. Across the board for all departments, there were increases for utilities, vehicle gas/diesel, maintenance agreements and supplies.

Overall for FY23, there is a starting deficit of \$494,737. This amount is less than what was shown at the January 10<sup>th</sup> meeting primarily due to a recalculation of wages for two employees partially funded with grants and an increase in the parking revenue for FY23. The attached spreadsheet shows the options staff are proposing to eliminate the deficit for fiscal year 2023, with more discussion of these options to occur at the meeting.

Without reducing the budget with the options above and just using the fund balance to cover the deficit, the chart below shows the estimated ending fund balances by fiscal year. I have also included the Cash Flow Reserve Fund 010, but it is not our recommendation that this be used towards the deficit as we need these funds for cash flow purposes when emergencies arise.

Fund	Fund Name	ENDING CASH 06/30/21	REVISED FY 22 NET BUDGET	ESTIMATED 06/30/22 ENDING BALANCE	FY 23 NET BUDGET	FY 23 ESTIMATED ENDING
001	GENERAL FUND (incl. \$8.10 levy)	3,567,795.12	(310,632.00)	3,257,163.12	(494,737.00)	2,762,426.12
010	CASH FLOW RESERVE FUND	2,476,383.21	122,023.00	2,598,406.21	23,000.00	2,621,406.21

**Attachment:** Budget Comparison Report for General Fund 001 FY21-FY23  
Deficit reduction options

cc: Jessica Kinser, City Administrator