

MARSHALLTOWN

— I O W A —

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FINANCE DEPARTMENT

January 19, 2022

To: Mayor Joel Greer
Members of the City Council

From: Diana Steiner, Finance Director

Re: Discussion of FY22 Re-estimated Budget and FY23 Budget for the Transit Fund

Background: Enterprise funds are activities that run like a business since fees are charged to offset the costs, and Transit is an enterprise fund. In the attached budget comparison report, the first column shows the actual activity for FY21. The second column shows the adopted budget for FY22. The third column shows the year-to-date actual activity. The fourth column is a re-estimate of the FY22 budget. The fifth column is a proposed FY23 budget.

Transit is funded through many sources of revenue including federal and state assistance, tax levy dollars, user fees, and more. The federal and state funding is based on a formula which includes a ridership. Ridership has significantly dropped in the last and current fiscal year. Several federal acts (CARES, CRRSAA, and ARPA) resulted in the federal government providing funding on a reimbursement basis now to supplement declines in ridership as a result of the pandemic. Transit is utilizing those funding sources at a rate of approximately \$200,000 per year but they will end after FY24.

The gap between revenue and expenses has increased, especially when considering the use of one-time funds to help support the Transit operation (in FY21-FY24). Several reasons for this include:

1. The City reduced the tax levy supporting Transit from FY21 at \$0.30466 to a levy in FY22 of \$0.16502. This resulted in approximately \$140,000 less in revenue for both FY22 and FY23.
2. By reducing the city tax levy, we are estimating approximately a \$7,235 lesser amount in State Funding, as their calculation includes consideration for the LDI (locally determined income). Also note: the State Funding is approximately 2-year lag (utilizing FY19 data to project FY21 revenue). This would mean that if the city adjusts their tax levy up or down, the state funding adjustment is not recognized until two fiscal years later.

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3. Ridership has decreased as a result of the tornado, pandemic, and derecho. While the one-time federal funds are intended to help offset the decrease from the pandemic, it will take time to build back ridership. Transit is making several efforts to increase ridership, such as the addition of the Pink Route in the summers which accommodates several park and recreation events. In calendar year 2021 alone, the added pink route added approximately 10,000 in additional ridership.
4. The expense/payment to other entities is expected to go from FY21 activity of approximately \$20,000 to FY22 (and beyond) of \$35,000. This is a result of paratransit services with Region 6. While the City will be able to include those ridership numbers, any revenue increase associated with the increased ridership has a 2-year delay in revenue – no estimates have been made on these numbers.

The chart below gives an example of the impact of increasing the Transit tax levy and what this corresponds to in increasing State revenue. All levy increases can be offset with additional LOST-property tax relief funds.

Tax Levy Amount	Tax Levy Dollars	Estimated State Dollars <i>(Note any increase/decrease follows 2 years behind)</i>	Total Levy + State
0.16199	\$150,000	\$184,810	\$334,810
0.18899	\$175,000	\$186,406	\$361,406
0.21599	\$200,000	\$188,000	\$388,000
0.24299	\$225,000	\$189,592	\$414,592
0.26998	\$250,000	\$191,183	\$441,183

A 10.799 ¢ increase on the property tax levy generates approximately \$106,373 more for Transit operations including both the City and State revenue (\$100,000 immediately and \$6,373 in a 2-year delay on state funds). To avoid a financial cliff for fiscal year 2025 (July 2024- June 2025), staff recommends a stepped approach to increasing the tax levy to accommodate the one-time federal payments (amounting to \$200,000/year) ending after FY24 and to aid in balancing annual budgets. City staff continue to work to increase ridership in an effort to balance the budget as well.

The City is proposing a property tax levy that would generate an estimated \$250,000 for the transit program for FY23 (highlighted in the chart above).

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
690	TRANSIT OPERATING	483,353.76	(29,463.00)	453,890.76	6,144.00	460,034.76

Attachment: Budget Comparison Report for the Transit Fund

cc: Jessica Kinser, City Administrator

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