



Administration  
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# memo

January 15, 2020

**TO: Mayor and City Council**  
**CC: Zachary Wolfe, Budget Manager**  
**FROM: Lon Pluckhahn, City Manager**  
**RE: FY 22 Recommended Budget**

On behalf of the staff, I am pleased to present the Recommended 2021-2022 fiscal year budget (FY 22) for the city. This memo along with the accompanying provide an overview of the Recommended Budget for your review prior to the Council Work Sessions on Friday, 1/22 and Saturday 1/23 (if necessary). We look forward to these sessions, as we will look over the revenue projections, staffing requests, major initiatives and opportunities ahead in FY 22.

## General Fund Revenue

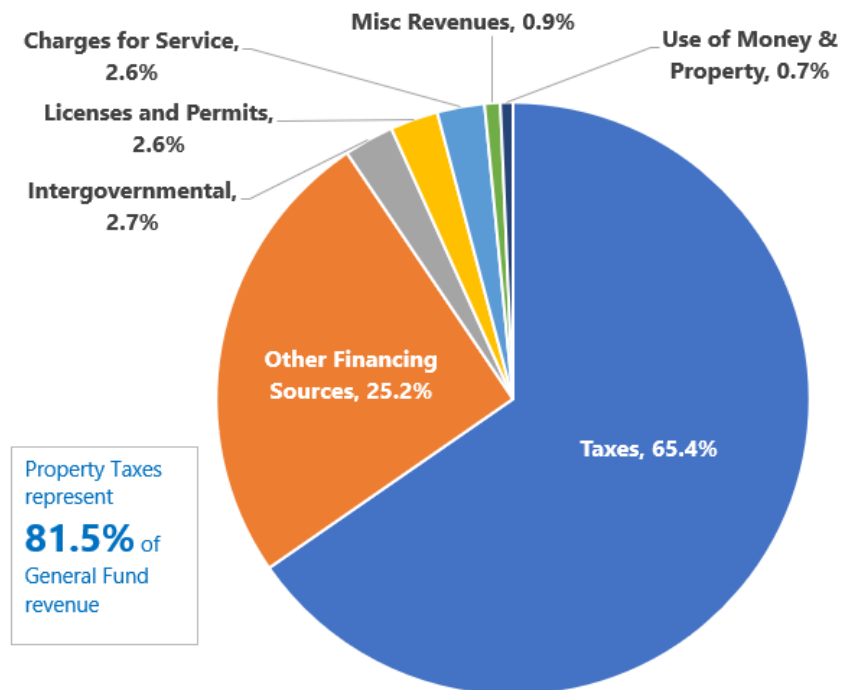
### Property Taxes

Property taxes are the primary revenue source in the general fund, representing 81.5% of total expected collections.

There are three main components which determine the amount of property taxes levied by a city: (1) taxable valuation, (2) rollback value and (3) levy rate.

The FY 22 regular property tax valuation increased by 3.72% over the prior year while the debt taxable valuation increased by 4.20%.

**FY 22 Recommended Revenue by Classification**



Conversely, the agricultural taxable valuation decreased by .80%. The moderate growth rate in taxable valuation is attributable to the growth in the number of taxable properties in Marion. Iowa revalues properties every two years and next year is a revaluation year.

Industrial growth (19.4%) followed by multi-residential (15.1%) and then residential properties (4.6%) garnered the highest year-over-year increase in taxable valuations. This bodes well for increasing the diversity of taxable valuations in Marion. However, given that residential properties represent over three quarters of total taxable valuation, the 4.6% increase in residential valuation is what led to the majority of new revenue.

Taxable Valuation (Annual % Change)							
Fiscal Year	Taxable Residential	Taxable Ag Land	Taxable Ag Building	Taxable Commercial	Taxable Industrial	Taxable Multiresidential	Other Categories
2018	6.4%	2.0%	8.9%	7.9%	30.7%	-0.1%	-9.8%
2019	3.2%	7.2%	-20.8%	9.8%	21.6%	-11.7%	-2.0%
2020	6.3%	1.1%	2.5%	3.6%	-1.4%	10.4%	-7.0%
2021	3.9%	1.4%	-34.2%	16.5%	7.8%	10.9%	-2.5%
2022	4.6%	-0.8%	-0.2%	-2.4%	19.4%	15.1%	-15.2%

% of Taxable Valuation							
Fiscal Year	Taxable Residential	Taxable Ag Land	Taxable Ag Building	Taxable Commercial	Taxable Industrial	Taxable Multiresidential	Other Categories
2018	79.1%	0.2%	0.0%	15.8%	1.0%	3.1%	0.8%
2019	78.5%	0.2%	0.0%	16.7%	1.2%	2.6%	0.7%
2020	78.9%	0.2%	0.0%	16.4%	1.1%	2.7%	0.6%
2021	77.3%	0.2%	0.0%	18.0%	1.2%	2.8%	0.6%
2022	77.9%	0.2%	0.0%	16.9%	1.3%	3.1%	0.5%

Regular Taxable Valuation (Used for all levies except debt service and agricultural land)							
2022	1,399,506,224	3,415,816	53,214	303,448,987	23,852,101	56,450,822	8,746,293

A property's taxable valuation is determined by the assessed market value multiplied by the assessment percentage (or *rollback* percentage) within a property classification. Rollback rates are presented below. It should be noted that residential and agricultural properties are capped at 3% annual growth, or whichever is lowest between the two classes.

In FY 22, residential rollback rates for residential properties increased by 1.3 percentage points. This means a property valued at \$100,000 in FY 21 had a taxable value of \$55,074 and in FY 22 this same property is now valued at \$56,409. This change is estimated to account for half of the total property tax valuation increase this year.

**Rollback Rates**

Property Class	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Agricultural	84.03%	81.48%	56.13%	54.45%	47.50%
Commercial	90%	90%	90%	90%	90%
Industrial	90%	90%	90%	90%	90%
Residential	56.41%	55.07%	56.92%	55.62%	56.94%
Multi-Residential	67.50%	71.25%	75.00%	78.75%	82.50%

Multi-residential property value continues to decline at the annual rate of 3.75 percentage points, as set forth in Iowa State Statute. Since multi-residential valuations increased by 15.1%, this means the growth in taxable valuation is attributed to new properties being added to the

tax roll. An example of the effect of the rollback rates on a residential and multi-family residential property is presented on the next page.

**Residential Property**



Fiscal Year	Rollback Percentage	Assessed Valuation	Taxable Valuation	City Tax Rate	City Property Taxes	Annual Change
2019	55.62%	168,700	93,832	14.22338	\$1,335	--
2020	56.92%	168,700	96,021	14.22338	\$1,366	\$31
2021	55.07%	168,700	92,910	14.21502	\$1,321	(\$45)
2022	56.41%	168,700	95,163	14.29856	\$1,361	\$40

Note: A fixed assessed valuation is used to show the impact of the rollback on property taxes.

In the example above, while the property’s assessed valuation remained flat in FY 21, and the property tax rate decreased by less than one cent, taxes reduced by \$45 due to the declining rollback. Conversely, in FY 22, the growth in the rollback increases valuation, however not to the same level as FY 2020.

**Multi-Residential Property**



Fiscal Year	Rollback Percentage	Assessed Valuation	Taxable Valuation	City Tax Rate	City Property Taxes	Annual Change
2019	78.75%	850,000	669,375	14.22338	\$9,521	--
2020	75.00%	850,000	637,500	14.22338	\$9,067	(\$453)
2021	71.25%	850,000	605,625	14.21502	\$8,609	(\$458)
2022	67.50%	850,000	573,750	14.29856	\$8,204	(\$405)

Note: A fixed assessed valuation is used to show the impact of the rollback on property taxes.

In all successive fiscal years, the amount of taxes paid decline due to the annual reduction in rollback rate of 3.75 percentage points. Multi-family residential properties’ rollback rates will decline annually by 3.75 points until FY 24 when their value will be set equal to the residential rollback rate (which given current rollback estimates would result in the rollback rate for FY 24 decreasing by more than 8 percentage points).

To mitigate the impact of when the commercial and industrial assessment rates declined from 100% to 95% in 2013 and then to 90% in 2014, a *backfill* appropriation has been provided to local jurisdictions annually since FY 2015. The FY 22 budget includes a \$478K backfill contribution by the State. Available funding is subject to annual appropriations and there has been discussion by various legislators recommending the backfill program be discontinued.

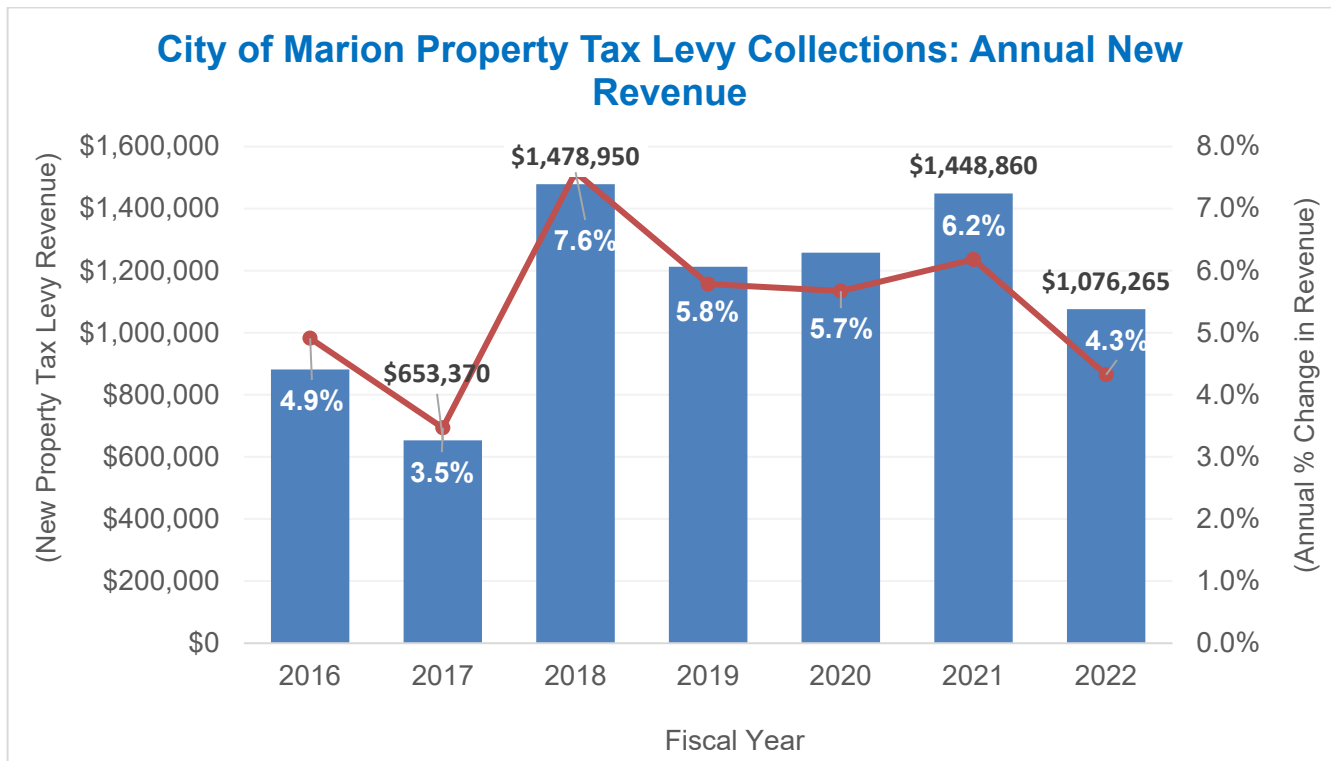
As discussed during FY 22 Budget Guidelines with City Council, there are multiple pressures impacting fiscal year 2022: funding cleanup efforts for the derecho storm, lingering effects of

Fiscal Year	Tax Rate	Annual Change	Taxes per \$100K of Value (not taxable)
FY 15	13.12954		\$714
FY 16	13.58625	0.45671	\$757
FY 17	13.82108	0.23483	\$769
FY 18	13.98943	0.16835	\$797
FY 19	14.22338	0.23395	\$791
FY 20	14.22338	(0.00000)	\$810
FY 21	14.21502	(0.00836)	\$783
<b>FY 22</b>	<b>14.29856</b>	<b>0.08354</b>	<b>\$807</b>

COVID-19 and funding for strategic plan goals. Also, the City’s property tax rate had remained flat or decreased for the past three fiscal years. Given the modest property tax valuation growth, the FY 22 recommended property tax is 14.29856, an increase of eight cents from FY 21. This would result in the lowest annual property tax rate increase in the last seven years and is less than half the lowest annual increase during fiscal years 2015-2021.

A 14.29856 property tax rate is budgeted to bring in an additional \$1.08M in new property tax levy revenue. Increasing the property tax rate by .08354 adds an additional \$150K to tax collections. This additional \$150K is targeted to fund the replacement of the City’s public safety information management systems. Additional information on this budget initiative is outlined later in the memo.

As noted in the graph below, the FY 22 increase in property tax revenue is lower than what the City typically receives. FY 2017 was the last time the city expected to receive less than \$1.2M in annual property tax levy revenue.



Below is the detail for the Recommended property tax rate by property tax levy. The primary change in levies apart from property tax valuation growth (3.72% for regular valuation) is the utilization of the emergency levy at .08354. Additionally, the tort liability levy (primarily the city’s general insurance) is increasing to capture the costs for having a self-insured health insurance plan.

## FY 22 Recommended Property Tax Levies (Regular Levy 14.29856)

### Levy Rates by Fiscal Year

<u>Taxable Value</u>	<u>FY 21</u>		<u>FY 22</u>		<u>Chg</u>	<u>% Chg</u>
Regular	6.19%	1,731,148,967	3.72%	1,795,473,457	64,324,490	3.7%
Ag Land	0.57%	3,497,130	-0.80%	3,469,030	-28,100	-0.8%
Debt	6.52%	1,855,667,261	4.20%	1,933,625,382	77,958,121	4.2%

<u>Fund</u>	<u>Levy</u>		<u>Levy</u>		<u>Chg</u>	<u>% Chg</u>
<b>General</b>						
Regular	8.10000	14,022,307	8.10000	14,543,335	521,028	3.7%
Ag Land	3.00375	10,505	3.00375	10,420	-85	-0.8%
Tort Liability	0.13446	232,767	0.17299	310,591	77,824	33.4%
Transit	0.26951	466,555	0.26232	470,990	4,435	1.0%
Civic Center	0.13500	233,705	0.13500	242,389	8,684	3.7%
Library	0.04000	69,246	0.04000	71,819	2,573	3.7%
<b>FY 21 Subtotal</b>		<b>15,035,085</b>	<b>FY 22 Subtotal</b>	<b>15,649,544</b>	<b>614,459</b>	<b>4.1%</b>

Emergency	0.00000	0	0.08354	150,000	150,000	
Emp Benefit	3.37262	5,838,514	3.46809	6,226,870	388,356	6.7%
Debt Service	2.16343	4,014,601	2.03662	3,938,051	-76,550	-1.9%
		7.1%		-1.9%		

<u>FY 21 Total</u>			<u>FY 22 Total</u>			<u>Chg</u>	<u>% Chg</u>
Regular	<b>14.21502</b>	24,877,695	<b>14.29856</b>	25,954,045	1,076,350	4.3%	
Ag Land	3.00375	10,505	3.00375	10,420	-85	-0.8%	
<b>FY 21 Grand Total</b>		<b>24,888,200</b>	<b>FY 22 Grand Total</b>	<b>25,964,465</b>	<b>1,076,265</b>	<b>4.3%</b>	

Total Tax Chg	1,448,860	1,076,265	-372,595	-25.7%
Total Tax % Chg	6.2%	4.3%		

Residential Home	100,000	100,000
Rollback	55.0743%	56.4094%
Taxable valuation	55,074	56,409
<b>Taxes on Rsd Home (per \$100,000)</b>	<b>782.88</b>	<b>806.57</b>
% Chg	-3.30%	3.03%

Commercial (per \$100,000)	1,279.35	1,286.87
Multi-Residential (per \$100,000)	1,012.82	965.15
Agricultural (per \$100,000)	168.61	168.61

The impact of the tax levy on the residential property class is noted below. Residential properties per \$100K assessment value would see a 3.03% increase in property taxes in FY 22.

<u>Fiscal Year</u>	<u>Value after Rollback Equalization</u>		<u>Tax Levy</u>	=	<u>City Tax Payable</u>	<u>% Change</u>
<b>Per \$100,000 Residential Value</b>						
FY 21-22	56,409	x	14.29856	=	\$ 806.57	3.03%
FY 20-21	55,074	x	14.21502	=	\$ 782.88	-3.30%
FY 19-20	56,918	x	14.22338	=	\$ 809.57	3.48%
FY 18-19	55,621	x	14.06516	=	\$ 782.32	-1.79%
FY 17-18	56,939	x	13.98943	=	\$ 796.54	3.61%
FY 16-17	55,625	x	13.82107	=	\$ 768.80	1.58%
FY 15-16	55,733	x	13.58624	=	\$ 757.20	6.01%
FY 14-15	54,400	x	13.12954	=	\$ 714.25	2.79%
FY 13-14	52,817	x	13.15637	=	\$ 694.88	0.84%
FY 12-13	50,752	x	13.62416	=	\$ 689.04	5.10%
FY 11-12	48,529	x	13.50980	=	\$ 655.62	2.49%
FY 10-11	46,909	x	13.63603	=	\$ 639.65	1.20%
FY 09-10	45,589	x	13.86482	=	\$ 632.09	1.42%
FY 08-09	44,080	x	14.13850	=	\$ 623.22	-.77%
FY 07-08	45,559	x	13.78572	=	\$ 628.07	-11.25%
FY 06-07	50,711	x	13.95525	=	\$ 707.68	

### Franchise Fees

In FY 20 a 4% franchise fee ordinance was adopted which placed franchise fees on Alliant, Mid-American and Linn County REC. Although Marion has levied a franchise fee on television cable agreements since the 1980s, growth in this sector has been flat with the proliferation of satellite television and the internet. Increasing revenue through franchise fees further diversified Marion’s revenue collections by expanding this consumption-tied revenue source while also bringing in revenue from properties currently exempt from paying property taxes. Franchise fees are forecasted to bring in \$1.93M in revenue in FY 21, an increase of \$230K from FY 20. In FY 22, franchise fees are expecting to further grow by another \$200K to \$1.95M.

This new revenue provides an immediate and stable source of revenue when the rollback estimates for residential properties are expected to fluctuate over the coming years, in addition to the annual decline in multi-residential rollback valuations. Unlike property taxes that have a built-in two-year delay between demand and revenue, franchise fees begin the moment services are active, so there is a more direct line between service needs and funds to support the service.

## Building Permits, Licenses and Inspection Charges

The third highest revenue source in the General Fund is associated with building permits, licenses and inspection charges. The FY 22 budget includes a conservative increase in building permits and licensing revenue of 8% or \$675K (FY 21 budget of \$625K). As presented recently to City Council, building permit activity increased significantly due to the August derecho storm and collection in FY 21 are expected to be \$825K or 32% above budget.

On the other end of the spectrum, inspection fees are forecasted to decline in FY 22 by 1.8% to 108K (FY 21 budget of \$110K) due to the impact of the COVID-19 pandemic and difficulty of inspectors getting into properties for review. The impact of COVID-19 has made it difficult to fully assess the impact the new fee structure instituted in FY 20. Building permits is a revenue source which could be sensitive to economic downturns and is being budgeted conservatively.

## All General Fund Revenue Classifications

Overall, revenue for the General Fund is expected to increase by 4.1% from the FY 21 budget. Two revenue classifications are expected to decline in revenue in FY 22, use of money and property (interest revenue) and charges for service. Declining interest rates have reduced revenue targets in FY 21 by more than half and this has been further exacerbated by the cash flow pressures of the derecho storm. In FY 22 interest revenue is expected to decrease by \$276K as compared to the FY 21 adopted budget.

The continuation of COVID-19 is expected to further impact recreational programming and other in-person service delivery. Consequently, charges for service is budgeted to decline 5.1% or \$38K. The budget forecasts service delivery will return to pre-COVID-19 levels in the second half of the fiscal year.

Revenue Classification	Sub-Classification	FY 21 Adopted	FY 22 Recommended	\$ Change	% Change
Taxes	Property Taxes	15,035,085	15,649,544	614,459	4.1%
	Franchise Fees	1,500,000	1,950,000	450,000	30.0%
Licenses and Permits	Building Permits/Licenses	625,000	675,000	50,000	8.0%
	Other Licenses and Permits	29,220	27,804	(1,416)	-4.8%
Use of Money & Property	Use of Money & Property	460,135	183,867	(276,268)	-60.0%
Intergovernmental	Comm/Ind Backfill Property Taxes	278,236	291,719	13,483	4.8%
	Other Intergovernmental	431,102	441,083	9,981	2.3%
Charges for Service	Program Fees	132,098	132,189	91	0.1%
	Inspection Charges	110,500	108,500	(2,000)	-1.8%
	Other Charges for Service	489,372	453,714	(35,658)	-7.3%
Misc Revenues	Misc Revenues	226,682	229,482	2,800	1.2%
Other Financing Sources	Property Taxes Benefits Levy	5,850,039	6,013,693	163,654	2.8%
	Transfers In	671,750	760,689	88,939	13.2%
	Sale of Capital	25,000	13,000	(12,000)	-48.0%
<b>Total</b>		<b>25,864,219</b>	<b>26,930,284</b>	<b>1,066,065</b>	<b>4.1%</b>

## FY 20 Estimated Revenue

### **Revenue goes down**

COVID continues to be the dominant storyline in the narrative on FY 20 revenue. For the factors previously mentioned, use of money and property (interest revenue) and charges for service are expected to decline by 57% and 54% respectively. Where service adjustments were possible, staff reduced hours or cut programming (example the pool being closed in FY 20) to maintain the safety of the public and respond to the decrease in service demand. Total charges for service is expected to be below budget by \$398K. Interest receipts in FY 21 are expected to come in \$262K below budget. The cumulative budget impact of these two revenue classifications on the FY 21 budget is (\$660K).

### **Revenue goes up**

Fortunately, the State of Iowa decided to share a portion of their federal Cares Act funding and the City of Marion received \$959K this fiscal year. This unplanned revenue helps to supplant the costs of staff and miscellaneous expenses incurred in the continued COVID response. Secondly, franchise fees and building permits are expected to add an additional \$430K and \$200K, respectively above the FY 21 budget. These three bright lights in revenue collections result in nearly \$1.6M in unbudgeted revenue, offsetting revenue declines.

As noted in the table below, the ending position of the FY 21 General Fund revenue budget is expected to be \$1M above budget.

General Fund Revenue	2019 Actual	2020 Actual	2021 Adopted	2021 Estimated	2022 Draft	21 Estimated - 21 Adopted	% Change
Taxes	13,790,283	15,838,175	16,535,085	16,965,085	17,599,544	430,000	2.6%
Licenses and Permits	711,194	824,904	654,220	852,450	702,804	198,230	30.3%
Use of Money & Property	609,518	440,178	460,135	197,935	183,867	(262,200)	-57.0%
Intergovernmental	773,219	777,998	709,338	1,761,380	732,802	1,052,042	148.3%
Charges for Service	539,927	461,408	731,970	333,800	694,403	(398,170)	-54.4%
Misc Revenues	284,703	346,426	226,682	302,407	229,482	75,725	33.4%
Other Financing Sources	6,013,649	6,204,573	6,546,789	6,462,789	6,787,382	(84,000)	-1.3%
<b>Grand Total</b>	<b>22,722,492</b>	<b>24,893,663</b>	<b>25,864,219</b>	<b>26,875,846</b>	<b>26,930,284</b>	<b>1,011,627</b>	<b>3.9%</b>



## General Fund Expenditures

The FY 22 budget priorities are 4-fold: (1) continue to invest in our dedicated employees, (2) align funding to strategic plan initiatives, (3) maximize technology investments, and (4) enhance service delivery.

### Employee Investments

Roughly three quarters (74.2%) of the annual general fund budget is dedicated to personnel-related resources. While this is a decline from FY 21 (76.5%), it is due to a significant increase in transfer expenditures (\$1M) to pay for the first installment of derecho recovery payments. Absent the additional transfer, the proportion of staff-related expenditures would have increased to 76.9% in FY 22.

### Salary Increases

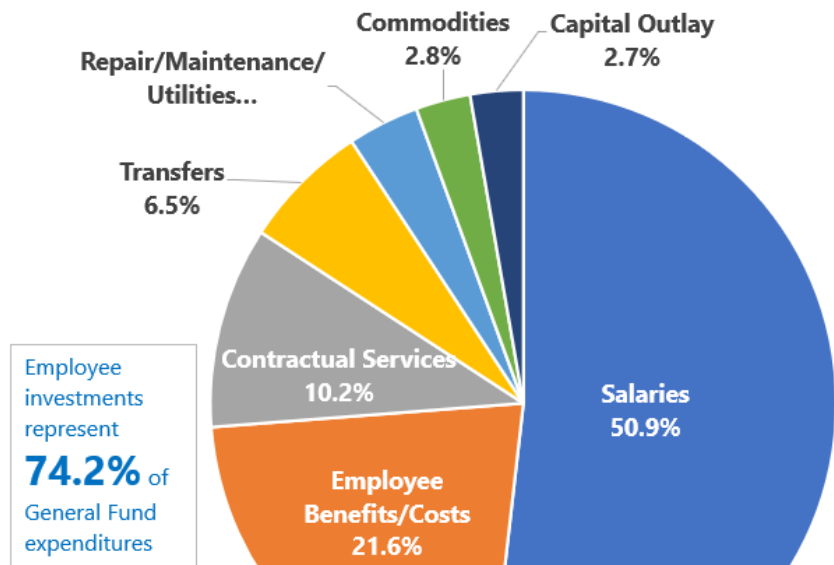
Government is customer service industry and our greatest asset is our staff. To maintain competitive salaries and benefits, the FY 22 budget includes the annualized costs to increase non-bargaining salaries by 2.8% in April of 2021 and a subsequent salary increase the following April of 2022 of 2.5%. The labor union contracts are currently under negotiation. Bargained increases for union staff for FY 21 have been applied to the budget and FY 22 increases are being estimated at 2.5% starting in July of 2021.

A component of the increase in personnel expenses in FY 22 is the increase in retirement cost for the Municipal Fire and Police Retirement System (MFPRSI). The employer contribution rate increases in FY 22 to 26.18% from the current fiscal year rate of 25.31%, a 3.4% increase.

### Health Insurance Increases of 6%

Both our health insurance consultant Gallagher and Wellmark are recommending that we increase medical health insurance rates in FY 22. In FY 21, we increased our rates by 7%. In FY 22 we are proposing to increase rates by 6% which is half of the increase recommended

**FY 22 Recommended Expenditures by Classification**



by Gallagher (a 12% increase is recommended). To offset additional expenses in Medical rates, we are working with Gallagher to explore additional mitigation strategies.

Medical Health Insurance Plan (Monthly Rate)		
Fiscal Year	Single Plan	Family Plan
FY 2021	\$606.36	\$1,515.90
FY 2022	\$642.74	\$1,606.85
% Change	6.0%	6.0%

## Fund Strategic Plan Priorities

Fiscal year 2022 is the first funding cycle where we can align funding with strategic plan goals and underlying strategies. After ensuring that all annualized cost adjustments were included in the FY 22 budget for existing staff, new funding opportunities to execute the FY 21-23 strategic plan were prioritized. Below is a summary of these new investments. It should be mentioned that many of the goals identified in the strategic plan are currently underway with existing staff and resources.

### Vibrant Communities

- Part-Time Recreation Programmer (\$35K): This part-time position will expand the recreation offerings in Marion through direct programming and expected partnership with the new YMCA.
- New Library Expenses (\$500K): Accounts for new expenditures to furnish, equip and maintain the new Library. Note: \$447K of this is being funded from equipment replacement.
- Increase Hours for Part-Time Coordinator (\$6K): Increase the part-time event coordinator’s hours to increase event planning and services in Marion.

### Efficient and Effective Government

- Procurement Coordinator Position (\$50K): New full-time position to improve operational efficiencies with City procurement practices, as well as leading cost saving initiatives, and promoting risk mitigation strategies.
- HR Growth & Development Training (\$21K): Training on teamwork and communication for City leadership and training and implementation of the MPO personality assessment for city staff and in the new hire process.

### Sustainable Infrastructure

- Right of Way Technician (\$42K): This new full-time position will improve city asset preservation by conducting inspections of new and existing development projects.
- Environmental Specialist (\$84K): This new full-time position is to remain in compliance with the EPA and IDNR regulations on stormwater management while improving City stormwater management practices. *Note: This position is 100% funded in the Stormwater Fund.*

### Safe Community

- Mental Health Liaisons (\$65K): Improve Police Department mental health response in the community through partnering with mental health liaisons (services contracted out).

- Public Safety Information Management Systems Update (\$300K): The current Police records management system is at end-of-life and is insufficient to meet the needs of a growth community. The proposed systems upgrade would integrate Police information systems with Fire and consider updates to the 911 Communications Center computer-aided dispatch (CAD) system.

## Maximize Technology Investments

Over the past 5 years, the City of Marion has invested in new technology to improve organizational financial systems (New World ERP), records management (Laserfiche) and graphical information systems (GIS) and analytics, as well as a new website. Current service delivery is now dependent on these systems and there are service efficiencies and enhancements opportunities which require further development by information technology specialists.

- IT Applications Specialist (\$63K): This new full-time position would improve the planning for, analysis, deployment and support of technology applications.
- EMiscellaneous (\$10K): Billing Software: Provide an avenue for residents and business to pay electronically for stormwater management fees, garbage tags, false alarms and other miscellaneous billings.

## Enhance Service Delivery

Continued focus on service enhancement is an expectation of all staff and services provided by the City. These four initiatives commit new resources to service enhancement.

- Permit Technician/Housing Admin (\$71K): This new full-time position will address the increase in service demands for the Building Division which have led to delay in permit processing and inspection administrative work.
- Code Enforcement (\$83K): Sets aside funding for a centralized approach to code enforcement in the City of Marion.
- Online Codification (\$8K): Enhances access to the City's code of ordinances in an electronic format that is searchable and more easily managed.
- Civil Rights Investigations Increase (\$15K): Increases the budget for investigation services requested of the Marion Civil Rights Committee.

## Unfunded Requests

Unfortunately, there is limited funding available on an ongoing basis to fund the positions and initiatives noted below. Four of the positions being requested are in public safety, for the Fire Department. The centralized approach to code enforcement could involve reallocating Fire Staff time from inspections to firefighter activities. Furthermore, the GIS data analyst position within in the Police Department is being moved to the City Manager's Office so GIS data analysis services can be provided on an organization-wide level.

- 1 Traffic Engineer
- 1 Planning Technician
- 3 Firefighter/Paramedics
- 1 Fire Prevention Bureau Staff
- 1 Housing Inspector
- 1 GIS Data Analyst
- 2 Local Option Sales Tax (LOST) Funded Positions Moved to the General Fund (25% of costs)

### **Increase Transfer into Equipment Reserve Fund**

The Equipment Reserve Fund is an essential strategy to budgeting for the replacement of operating equipment in the City. As mentioned last year, while the fund balance available is growing incrementally, it will not be enough to cover future replacements if not fully replenished. The five-year average of the annual costs to replace the items listed for replacement total \$1.69M in FY 22-26. This is twice the amount currently being transferred into the fund. The additional transfer of unanticipated General Fund revenue at the end of FY 20 of \$600K assisted in building up the fund.

Due to the \$1M budgeted for derecho cleanup costs in FY 22, the transfer out to the Equipment Reserve fund is budgeted flat at \$827K.

### **General Fund Balance**

The ending fund balance in the General Fund for the FY 22 Recommended budget is \$9.4M or a 44.8% reserve rate (netting out 35% of transfers in). This is 9.8 percentage points above the City General Fund reserve policy. Here is an overview of the expenditures contributing to the \$1.35M General Fund structural imbalance (expenditures exceed revenue).

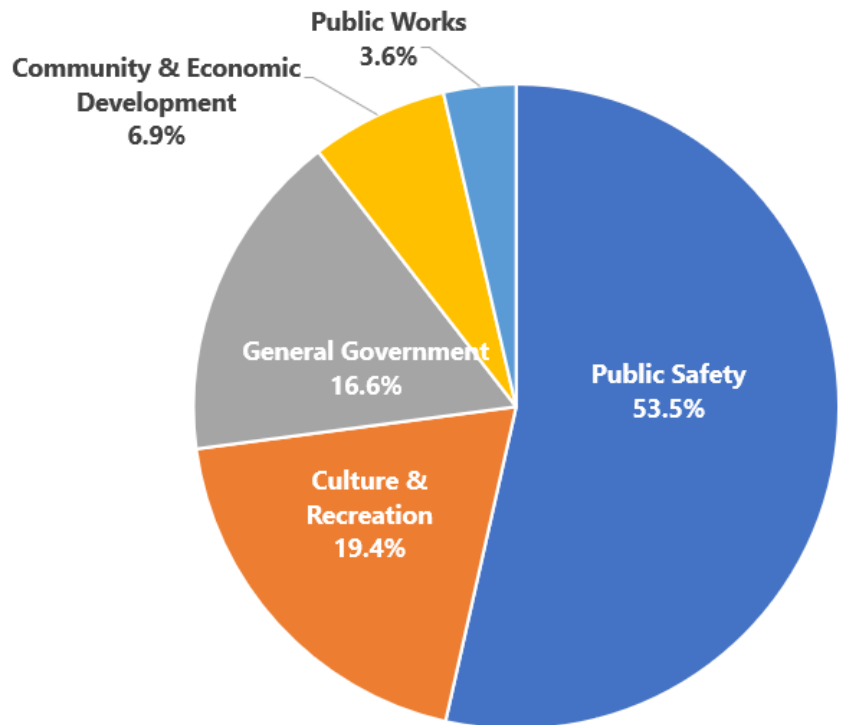
- \$1M of the City's General Fund reserve is budgeted to pay for the first installment of the derecho cleanup costs.
- \$150K is budgeted to pay for half of the first-year implementation expenses for the Public Safety Information Management System. The remaining \$150K in revenue is budgeted from the property tax emergency levy.
- The remaining \$200K is a temporary overage and will be addressed in the final budget through organizational salary savings. Salary savings reallocates expected savings due to staff turnover and delayed hiring so this unused capacity can be utilized in FY 22. This change will not be visible until the final budget since our budgeting software disallows the accounting entry at this stage of the budget.
  - The FY 22 ending fund balance with \$200K salary savings is \$9.6M or a 45.9% reserve rate.

Budget Summary	FY 2019	FY 2020	FY 2021	FY 2021	FY 2022	FY 2022
	Actual	Actual	Amended	Estimated	Requested	Recommended
Beginning Balance	7,923,876	8,157,422	9,109,462	9,109,462	10,827,650	10,827,650
Revenues	16,739,243	18,891,414	19,372,660	20,436,057	20,126,759	20,155,902
Transfers In	5,983,249	6,002,248	6,521,789	6,439,789	6,704,804	6,774,382
<b>Total Revenues</b>	<b>22,722,492</b>	<b>24,893,663</b>	<b>25,894,449</b>	<b>26,875,846</b>	<b>26,831,563</b>	<b>26,930,284</b>
Expenditures	21,407,691	21,898,514	25,486,445	24,330,158	27,063,315	26,452,784
Transfers Out	1,081,255	2,043,109	827,500	827,500	827,500	1,827,500
<b>Total Expenditures</b>	<b>22,488,946</b>	<b>23,941,623</b>	<b>26,313,945</b>	<b>25,157,658</b>	<b>27,890,815</b>	<b>28,280,284</b>
<b>Ending Balance</b>	<b>8,157,422</b>	<b>9,109,462</b>	<b>8,689,966</b>	<b>10,827,650</b>	<b>9,768,398</b>	<b>9,477,650</b>
(End Bal + (.35 Trans In))/Exp	47.9%	51.2%	43.1%	53.8%	44.8%	44.8%
Current Year Cash Added/Used	233,546	952,040	(419,496)	1,718,188	(1,059,252)	(1,350,000)

**General Fund Overall**

The FY 22 General Fund budget continues to invest in direct services to the residents of Marion while moving forward City Council strategic priorities. The most significant change by function category is in General Government (12.4% in FY 21). This change is due to the \$1M transfer to pay for the derecho cleanup and additional resources supporting efficient and effective government initiatives and technology improvements. The decrease in Public Works (4.4% in FY 21) results from allocating a percentage of Engineering staff expenditures to the Road Use fund to cover their road planning and construction efforts.

**FY 22 Recommended Expenditures by Function**



**Proprietary Funds**

A compendium narrative and tables for the proprietary funds will accompany the full budget packet provided on Monday, January 18<sup>th</sup>.

## **New Maximum Property Tax Levy Resolution**

Senate File 634 was passed out of the Iowa Legislature in the 2019 Session. This bill impacts local government budgets and property taxation by modifying how city and county budget are established and approved. This law requires all cities to pass a new resolution establishing their maximum property tax dollars to certify for levy, post the notification, and hold a public hearing and vote, regardless of whether they need to exceed a newly specified 2% threshold for certain levies specified in the bill.

The public hearing on maximum property taxes is scheduled for February 18, 2021. Setting the date for the hearing date on January 21<sup>st</sup> is the first official step in the process.

There will be continued discussion of this newer resolution in the budget work session as the amount published for this resolution sets the ceiling for how much can be levied for the individual levies affected by this new law.

## **Decision Points**

There are various decision points before the council in the Recommended FY 22 Budget. The primary discussion points are:

- Property Tax Levy Rate
- General Fund Reserve Balance
- Funding the Derecho Clean Up
- Strategic Plan Investments
- Health Insurance Rates
- Utility Rates

As we move towards budget adoption, scheduled for March 18<sup>th</sup>, we are excited about the direction of the city and look forward to the budget discussion.