



Administration  
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## memo

February 12, 2021

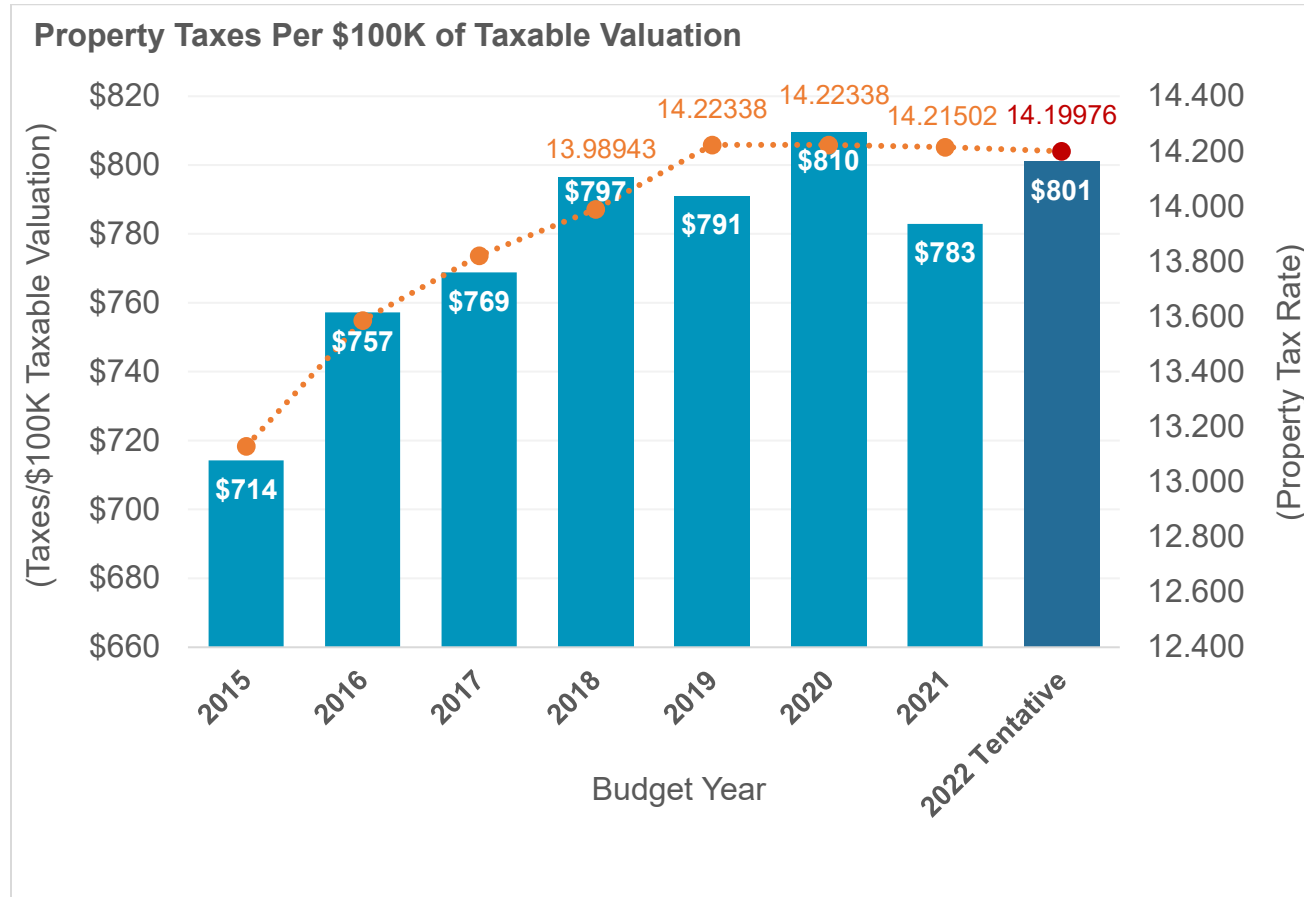
**TO:** Mayor and City Council  
**CC:** Zachary Wolfe, Budget Manager  
**FROM:** Lon Pluckhahn, City Manager  
**RE:** FY 22 Tentative Budget

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The fiscal year (FY) 22 Tentative budget will be presented to City Council during the February 16<sup>th</sup> City Council Work Session. There are minimal changes being proposed from the Recommended budget and no additional changes from what was presented during the February 2<sup>nd</sup> budget work session. This memo provides a summary overview of the FY 22 changes proposed in the Tentative Budget.

## FY 22 Property Tax Rate Reduction

The FY 22 Tentative budget proposes a property tax rate of **14.19976**, a decrease of .01526 (1.5 cents per \$100,000 of taxable valuation) from the FY 21 rate. This would result in the third straight year where the property tax rate has decreased or remained flat (FY 20: flat, FY 21: decrease, FY 22: decrease).



The impact of the tax levy on the residential property class is noted below. Residential properties per \$100K assessment value would see a 2.31% increase. The increase in the residential rollback from 55.07% (FY 21) to 56.41% (FY 22) is the reason for the increase. Similarly, the decrease in property taxes in FY 21 is primarily related to the decrease in the rollback from FY 20 (56.92%).

<u>Fiscal Year</u>	<u>Value after Rollback Equalization</u>		<u>Tax Levy</u>	=	<u>City Tax Payable</u>	<u>% Change</u>	
<b><i>Per \$100,000 Residential Value</i></b>							
<b>FY 21-22</b>	<b>56,409</b>	<b>x</b>	<b>14.19976</b>	<b>=</b>	<b>\$ 801.00</b>	<b>2.31%</b>	<b><i>FY 22 Tentative</i></b>
FY 20-21	55,074	x	14.21502	=	\$ 782.88	-3.30%	
FY 19-20	56,918	x	14.22338	=	\$ 809.57	2.33%	
FY 18-19	55,621	x	14.22338	=	\$ 791.12	-0.68%	
FY 17-18	56,939	x	13.98943	=	\$ 796.54	3.61%	
FY 16-17	55,625	x	13.82107	=	\$ 768.80	1.53%	
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	0.85%	
FY 12-13	50,752	x	13.62416	=	\$ 689.04	5.10%	
FY 11-12	48,529	x	13.50980	=	\$ 655.62	2.50%	

**FY 22 TENTATIVE BUDGET: PROPERTY TAX LEVIES**

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

<b>Fund</b>	<b>Tax Rate</b>	<b>Levy</b>	<b>Tax Rate</b>	<b>Levy</b>	<b>Chg</b>	<b>% Chg</b>
<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	0.00000	0	0	
Emp Benefit	3.37262	5,838,514	3.45283	6,199,460	360,946	6.2%
Debt Service	2.16343	4,014,601	2.03662	3,938,051	-76,550	-1.9%
		7.1%		-1.9%		

<b>FY 21 Total</b>		<b>FY 22 Total</b>		<b>Chg</b>	<b>% Chg</b>
Regular	<b>14.21502</b>	24,877,695	<b>14.19976</b>	25,776,635	898,940 3.6%
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>25,787,055</b>	<b>898,855 3.6%</b>

Total Tax Chg	1,448,860	898,855	-550,005	-38.0%
Total Tax % Chg	6.2%	3.6%		

Residential Home	100,000	100,000	0	0.0%
Rollback	55.0743%	56.4094%	0	2.4%
Taxable valuation	55,074	56,409	1,335	2.4%
<b>Taxes on Rsd Home (per \$100,000)</b>	<b>782.88</b>	<b>801.00</b>	<b>18</b>	<b>2.3%</b>
% Chg	-3.30%	2.31%		

Commercial (per \$100,000)	1,279.35	1,277.98	-1	-0.1%
Multi-Residential (per \$100,000)	1,012.82	958.48	-54	-5.4%
Agricultural (per \$100,000)	168.61	168.61	0	0.0%

## FY 22 Budget Priorities and Ranking

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.

The table below provides an overview of the FY 22 budget priorities for the General Fund and proprietary funds.

<b>FY 22 TENTATIVE BUDGET PRIORITIES</b>						
Priority Rank	FY 22 Budget Initiative/Position (FTE = Full Time Equivalency)	Cost (Fund)	Department	Budget Priority Category	Strategic Plan Alignment	Implications of Deferring
<b>General &amp; Equipment Replacement Funds</b>		<i>Only Includes General &amp; Equipment Replacement Fund Costs</i>				
1	6% Health Insurance Increase	\$144K	All	Employee Invstmt		High
2	Public Safety Info Mgt System	\$300K	Police	Strat Plan Align	Safe Communities	High
3	2.5% Wage Increase Allowance for Staff	\$224K	All	Employee Invstmt		High
4	Mental Health Liaisons	\$65K	Police	Strat Plan Align	Safe Communities	High
5	New Library Expenses	\$500K	Library	Strat Plan Align	Vibrant Communities	Medium
6	Application Specialist - 1 FTE	\$63K	IT	Maximize Tech	Efficient & Effective Gov	Medium
7	Procurement Coordinator - 1 FTE	\$50K	Finance	Strat Plan Align	Efficient & Effective Gov	Medium
8	HR Growth & Development Training	\$21K	City Mgr (HR)	Strat Plan Align	Efficient & Effective Gov	High
9	Right of Way Tech - 1 FTE	\$42K	Engineering	Strat Plan Align	Sustainable Infrastructure	Medium
10	Permit Technician/Housing Admin - 1 FTE	\$71K	Comm Dev (Bldg)	Enhance Srv Delvly		Medium
11	Part-Time Recreation Programmer - .7 FTE	\$35K	Parks & Recreation	Strat Plan Align	Vibrant Communities	Low
12	Addtl Hours for PT Event Coordinator	\$6K	City Mgr (Comm)	Strat Plan Align	Vibrant Communities	Low
13	Part-Time Receptionist (City Hall) - .5 FTE	\$10K	Finance	Enhance Srv Delvly		Medium
14	E-Miscellaneous Billing	\$10K	Finance	Maximize Tech		Medium
15	Online Codification	\$8K	City Mgr (Clerk)	Enhance Srv Delvly		Low
<b>Proprietary Funds</b>		<i>All Non-General Fund Cost</i>				
1	Environmental Specialist - 1 FTE	\$84K	Engineering	Strat Plan Align	Sustainable Infrastructure	High
2	Equipment Operator - 1 FTE	\$79K	Road Use	Strat Plan Align	Sustainable Infrastructure	High
Priority Rank	FY 22 Budget Plans/Studies	Cost (Fund)	Department	Budget Priority	Strategic Alignment	Implications of Deferring
1	Solid Waste Management Study	\$150K	Public Services	Strat Plan Align	Sustainable Infrastructure	High
2	Master Planning -Tower Terrace	\$60K	Community Dev	Enhance Srv Delvly		High
3	Master Planning Fernow East	\$30K	Community Dev	Enhance Srv Delvly		High

## Invest in Employees

### Salary Allowances Increases of 2.5%

Government is customer service industry and our greatest asset is our staff. To maintain competitive salaries and benefits, the FY 22 budget includes an annual increase in salaries for bargaining and non-bargaining staff of 2.5%. For non-bargaining staff, 2.5% is the maximum available for an individual increase and the percentage increase is determined during the annual performance plan review.

### Retirement Contribution Rates

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 will increase in FY 22 by 3.4% to 26.18% as compared to 25.31% in FY 21. The FY 22 Iowa Public Employees' Retirement System (IPERS) employer contribution rate is not changing from 9.44%.

### 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 by Gallagher (a 12% increase is recommended).

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: This part-time position will expand the recreation offerings in Marion through direct programming and expected partnership with the new YMCA.

New Library Expenses: Accounts for new expenditures to furnish, equip and maintain the new Library. Note: The majority of the FY 22 increases are being funded from the equipment replacement fund.

Increase Hours for Part-Time Coordinator: Increase the part-time event coordinator's hours to increase event planning and services in Marion.

## ***Efficient and Effective Government***

IT Applications Specialist: This new full-time position would improve the planning for, analysis, deployment and support of technology applications. Note: This position is also considered as a key strategy to maximize City technology investments.

Procurement Coordinator Position: 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: Training on teamwork and communication for City leadership and implementation of the MPO personality assessment for city staff and for use in the new hire process.

## ***Sustainable Infrastructure***

Right of Way Technician: This new full-time position will improve city asset preservation by conducting inspections of new and existing development projects. *Note: This position is 50% funded in the Road Use Fund.*

Environmental Specialist: This new full-time position will help the City 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: Improve Police Department mental health response in the community through partnering with mental health liaisons (services contracted out).

Public Safety Information Management Systems Update: The current Police records management system is at end-of-life and is insufficient to meet the needs of our growing 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 geographical 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.

EMiscellaneous 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: 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.

Online Codification: Enhances access to the City's code of ordinances in an electronic format that is searchable and more easily managed.

Civil Rights Investigations Increase: Increases the budget for investigation services requested of the Marion Civil Rights Committee.

## ***FY 22 Utility Funds (Proprietary Funds)***

Utility rates are reviewed annually to ensure ongoing revenue support ongoing expenditures. Three of the City's proprietary funds are recommended for rate increase in FY 22: Sanitary Sewer, Solid Waste and Water. Below is an overview of the proposed increases.

### ***Sanitary Sewer***

The Sanitary Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system. A portion of the salaries and benefits from the following departments are accounted for this in this fund: Public Services, Engineering, City Manager's Office, and Finance.

Sanitary Sewer revenue is comprised of two fees, a flat \$2.00 per month coupled with a variable rate of \$4.10 based upon consumption per every 100 c.f. of water. An increase of 7% is recommended for the variable rate (\$4.10 per 100 c.f.) in FY 22 to address the cost increase to the sanitary sewer contract with Cedar Rapids for water treatment services and increases in operating expenses.

The increase in the Sanitary Sewer variable rate is estimated to generate \$400K in new revenue as compared to FY 21 estimates.



# Sanitary Sewer Revenue

Collections



FY 21

FY 22

## Previous

7/1/19

Sewer Monthly Service Charge: **\$2.00**  
 Sewer Variable per 100 c.f.: **\$3.80**  
 Sanitary Sewer Service Charge: **\$2.00**

## Current

7/1/20

Sewer Monthly Service Charge: **\$2.00**  
 Sewer Variable per 100 c.f.: **\$4.10**  
 Hook-up Fees: \$2,000 each  
 \$310K in new revenue (Annualized)

## Proposed

FY 22

Sewer Monthly Service Charge: **\$2.00**  
 Sewer Variable per 100 c.f.: **\$4.39**  
 7% Increase  
 Hook-up Fees: \$2,000 each  
 \$310K in new revenue

## Solid Waste

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste collection system. A portion of the salaries and benefits from the following are accounted for this in this fund: Public Services, Engineering, City Manager's Office, Information Technology, and Finance.

In FY 2021, monthly Solid Waste fees increased from \$15.50 to \$17.50 to address on-going increases in operational expenses and capital investments (share of building costs for the new Public Services Facility and the cost to replace the current vehicle fleet). In the FY 22 budget, a recommended increase of 7% or \$1.25 each month (\$18.75 monthly residential rate) is proposed to support on-going expenditures.

Notably, changes in the international and national recycling markets have recently impacted both the revenue previously received by selling recyclable materials (decrease in \$66K annually) and by increasing costs for recycling tipping fees.

To fully evaluate the long-term approach to waste management in the City of Marion, a study is budgeted (\$150K) in FY 22 to evaluate current and alternative waste collection and removal service delivery models (*Goal 4.3: Increase the sustainable practices of waste management* in the FY 21-23 strategic plan). Additionally, this study will assess community interest and viability of moving to an automated collections service delivery model.

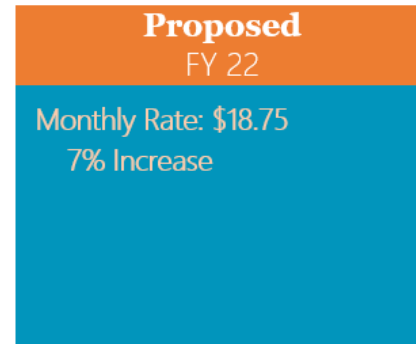
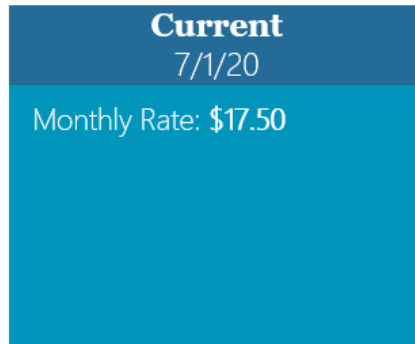
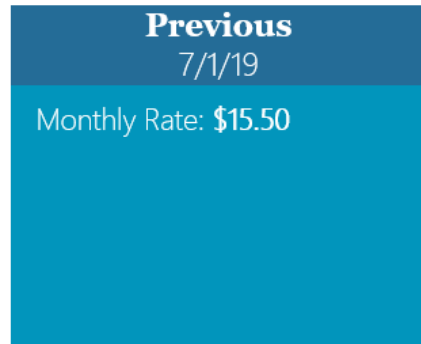
# Solid Waste Revenue

Collection



FY 21

FY 22



## Water

The Water Department presented their FY 22 proposed budget during the January 22<sup>nd</sup> budget work session. Preliminary plans by the Water Department for FY 22 indicate a 5% to 8% increase in water rates.

### **FY 22 Tentative Utility Rates for the Average Marion Residential Homeowner**

The Tentative budget increase in utilities would result in an estimated monthly increase of \$5.26 or a 6.5% increase. If the increase in property taxes is included with utility rates and annualized, the annual increase estimated for a homeowner in a \$168,700 home is \$93.10 or 4.1%.

City of Marion Residential Utility Bill Statistics (Nov, 2020)											Property Taxes (14.19976)	Total Proposed
Residential Accounts	Solid Waste	Sanitary Sewer Replace	Sanitary Sewer	Stormwater	Urban Forest	Water	Water Excise Tax	Monthly Residential Bill (based on avg consumption)	Bi-Monthly Residential Bill (based on avg consumption)	Annual Residential Bill (based on avg consumption)		
FY 21 Fee Structure (monthly)	\$ 17.50	\$ 2.00	Flat: \$2.00 Variable: \$4.10/100 c.f.	Flat: \$3.50 Variable: \$1.67	\$ 3.00	Variable	6%				Based on \$168,700 Property	
<b>FY 21 Avg Residential B</b>	<b>\$ 17.50</b>	<b>\$ 2.00</b>	<b>\$ 27.79</b>	<b>\$ 5.17</b>	<b>\$ 3.00</b>	<b>\$ 24.33</b>	<b>\$ 1.46</b>	<b>\$ 81.25</b>	<b>\$ 162.51</b>	<b>\$ 975.03</b>	<b>\$ 1,321.00</b>	<b>2,296</b>
FY 22 Proposed Fee Structure (monthly)	\$ 18.75	\$ 2.00	Flat: \$2.00 Variable: \$4.39/100 c.f.	Flat: \$3.50 Variable: \$1.67	\$ 3.00	5%-8% increase (modeled at 8%)	6%					
<b>FY 22 Avg Residential B</b>	<b>\$ 18.75</b>	<b>\$ 2.00</b>	<b>\$ 29.74</b>	<b>\$ 5.17</b>	<b>\$ 3.00</b>	<b>\$ 26.28</b>	<b>\$ 1.58</b>	<b>\$ 86.51</b>	<b>\$ 173.02</b>	<b>\$ 1,038.14</b>	<b>\$ 1,351.00</b>	<b>2,389</b>
\$ Change	\$ 1.25	\$ -	\$ 1.95	\$ -	\$ -	\$ 1.95	\$ 0.12	\$ 5.26	\$ 10.52	\$ 63.10	\$ 30.00	\$ 93.10
% Change	7.1%	0.0%	7.0%	0.0%	0.0%	8.0%	8.0%	6.5%	6.5%	6.5%	2.3%	4.1%

### **Derecho Clean Up City Share**

The current estimate for derecho cleanup work is \$43M. The FY 22 budget presumes FEMA eligible reimbursements will be 75% of the \$43M and the State will pay 10%. The remaining balance is \$6.5M and would be paid for by the City.

The FY 22 budget sets aside funding to cover nearly half of the expected City portion, \$3M. As we progress through the reimbursement process with the Federal Government and the State, we will determine how much of our cost share will be reduced by eligible in-kind services.

<b>Derecho Cleanup Estimated Expenditures</b>	<b>43,245,000</b>	
Budgeted Reimbursements	Total	
FEMA	75.00%	32,433,750
State	10.00%	4,324,500
<b>Total</b>	<b>85.00%</b>	<b>36,758,250</b>
<b>Remaining (City Share)</b>	<b>15.00%</b>	<b>6,486,750</b>
<b>FY 22 Repayment of City Share</b>		
Road Use Fund		1,500,000
General Fund		1,000,000
Stormwater Management		500,000
<b>Projected FY 23 Balance</b>		<b>3,486,750</b>
<i>% Repaid</i>		<i>46.2%</i>

## Summary

The FY 22 Tentative budget continues forward the Recommended budget with the primary change of reducing the property tax rate from 14.29856 (FY 22 Recommended) to **14.19976** (FY 22 Tentative). This results in an annual property tax rate reduction of 1.5 cents (FY 21 rate: 14.21502). The two utility rates recommended for rate increases are the Sewer Rate (7% increase in variable rate) and Solid Waste (7% increase). Additionally, the Water Department is proposing rate an annual rate increase of 5%-8%. Lastly, the FY 22 Tentative budget includes \$3.0M in repayment of the estimated \$6.5M in city-share derecho expenditures.

We look forward to the budget discussion on Tuesday.