

City of Indianola FY2021 Budget

CITY COUNCIL
SPECIAL MEETING
16 APRIL 2020



Budget Calendar/Process

FY2021 CITY OF INDIANOLA BUDGET PROCESSES

Date	Action Item	City Manager	Finance	Staff	Council
June 17, 2019	Budget Calendar Presented to Council		X		X
August 1-15, 2019	Prepare Environmental Scan for FY21 budget	X	x		
August 19, 2019	Environmental scan presented to Council	X	X		X
August 27, 2019	Initial Budget kickoff with department heads-distribute CIP Request Sheets	X	X	X	
September 15, 2019	Five year projections complete; Review CIP	X	X	X	
September 16, 2019	Finance Policy Amendments Presented to Council	X	X		X
September 30, 2019	Capital Improvement Plan Requests Due		X	X	
October 21, 2019	Council Study Session: Discuss 5 year CIP	X	X	X	X
November 1, 2019	Letter to Agencies that received previous year funding due		X		
November 15, 2019	Salary and Benefit Spreadsheet Completed		X	X	
November 18, 2019	Council Study Session: budget update, revenues, operating impacts of capital projects, and related topics	X	X	X	X
December 1, 2018	Budget Request from Other Agencies Due to Finance	X	X		
December 1, 2018	TIF debt certifications due to County Auditor		X	X	
December 1, 2019	Draft Budget due from department heads			X	
December 1-15, 2019	Discussions with Department Heads on Proposed Budgets	X	X	X	
December 16, 2019	Determine Total Maximum Property Tax Dollars requested and Whether Additional Hearing Needed		X		
December 16, 2019	Council Sets Hearing on Exceeding 102 percent of Current FY Actual Property Tax Dollars certified, if Needed		X		X
December 18, 2019	Notice Published and Placed on Social Media, if Needed		X		
January 1, 2020	Valuation Data from County		X		
January 6, 2020	Public Hearing/Resolution for Exceeding 102 Percent of Current FY Actual Property Tax Dollars certified, if Needed		X		X
January 20, 2020	Budget Workshop		X		X
January 24, 2020	Draft FY21 budgets to department heads & Council	X	X		
February 3-7, 2020	Individual Council budget discussions	X	X		X
February 10, 2020	Deadline to receive feedback regarding FY21 budget	X	X		X
February 17, 2020	Council Meeting and Budget Workshop: Set public hearing for FY21 budget for March 16, 2020	X	X	X	X
February 26, 2020	Publication of budget public hearing notice		X		
March 16, 2020	Council Meeting: Hold public hearing for FY21 budget & Adoption of budget	X	X	X	X
March 31, 2020	DEADLINE to file budget with the State/County	X	X	X	

Note: Highlighted items are changes mandated by recent property tax transparency law
Resolution to Exceed 102 Percent will require a 2/3rd affirmative vote



Purpose

- Review property tax calculation
- Review City financial policies on fund balance
- Receive direction regarding FY21 municipal budget



All departments start at zero in budget process

This process determines expenses for delivering services, programs and projects

From expenses can determine needed revenue to fund services, programs and projects

Taxable valuation and needed revenue help to determine



property tax rate



Fiscal Year 20 compared to Fiscal Year 21

(Property Tax Supported Funds)

City Growth (aka valuation) FY 20 to FY 21

Total Full Valuation = \$68,167,737 (added growth/value)

State Rollback = \$42,401,279 (discount)

Total Taxable Valuation = \$25,766,458 (result)

State Rollback history may be found at - <https://tax.iowa.gov/sites/default/files/2019-10/2019RollbackChart.pdf>



Fiscal Year 20 compared to Fiscal Year 21

(Property Tax Supported Funds)

New items in FY21 budget:

2 additional police officers*

2 additional police cars*

1 full time library staff member

1 part time library staff member

½ of funding for an aerial fire truck

** Part of adopted staffing plan approved by City Council in 2018 following staffing studies showing deficiencies.*



All departments start at zero in budget process

This process determines expenses for delivering services, programs and projects

From expenses can determine needed revenue to fund services, programs and projects

Taxable valuation and needed revenue help to determine



property tax rate



Tax Rate Comparison (City Portion Only)

Fiscal Year 2019-2020 – Current
(July 1, 2019 to June 30, 2020)

Application of tax rate - \$13.28 to:

\$100,000 home = \$755.87

\$200,000 home = \$1511.74

\$300,000 home = \$2267.61

Fiscal Year 2020-2021 - Proposed
(July 1, 2020 to June 30, 2021)

Application of tax rate - \$13.63 to:

\$100,000 home = \$750.66

(decrease of \$5.21/yr)

\$200,000 home = \$1501.33

(decrease of \$10.41/yr)

\$300,000 home = \$2251.99

(decrease of \$15.62/yr)



Question:

How is the property tax impact less when the rate is going up?

Answer:

Because of economic development/growth of City (more valuation)

&

State Rollback (discount applied to valuation)



Tax Rate Comparison (City Portion Only)

Question:

What if my property value goes up 3%?

Application of tax rate - \$13.63 to:

\$103,000 home = \$773.18 (**increase of \$17.31/yr or \$1.44/mo**)

\$206,000 home = \$1546.37 (**increase of \$34.63/yr or \$2.89/mo**)

\$309,000 home = \$2319.55 (**increase of \$51.94/yr or \$4.33/mo**)



Tax Rate Comparison (City Portion Only)

Question:

What if my property value goes up 8%?

Application of tax rate - \$13.63 to:

\$108,000 home = \$810.72 (**increase of \$54.85/yr or \$4.57/mo**)

\$216,000 home = \$1621.43 (**increase of \$109.69/yr or \$9.14/mo**)

\$324,000 home = \$2432.15 (**increase of \$164.54/yr or \$13.71/mo**)



Question:

That's just the City's portion, what happens when you add all the taxing agencies?

School District - \$17.99

City - \$13.63

County - \$6.87

Ag Extension & Assessor - \$0.62

Other (DMACC & TB) - \$0.66 *(last year's rate – not yet certified/filed with County)*

Consolidated Tax Rate - \$39.77



Tax Rate Comparison (Consolidated Rate)

Application of current consolidated tax rate - \$39.75 to:

\$100,000 home = \$2262.49

\$200,000 home = \$4524.98

\$300,000 home = \$6787.47

Application of proposed consolidated tax rate - \$39.77 to:

\$100,000 home = \$2190.30

(decrease of \$72.19/yr)

\$200,000 home = \$4380.61

(decrease of \$144.37/yr)

\$300,000 home = \$6570.91

(decrease of \$216.56/yr)

Available property tax credits (i.e. Disabled and Senior Citizens Credit or Homestead Credit) not factored in calculations.



Tax Rate Comparison (Consolidated Rate)

Question:

What if my property value goes up 3%?

Application of tax rate - \$39.77 to:

\$103,000 home = \$2256.01 (**decrease** of \$6.48/yr)

\$206,000 home = \$4512.03 (**decrease** of \$12.95/yr)

\$309,000 home = \$6768.04 (**decrease** of \$19.43/yr)

Available property tax credits (i.e. Disabled and Senior Citizens Credit or Homestead Credit) not factored in calculations.



Question:

How is the property tax impact less when the rate is going up?

Answer:

Because of economic development/growth of City (more valuation)

&

State Rollback (discount applied to valuation)



Tax Rate Comparison (Consolidated Rate)

Question:

What if my property value goes up 8%?

Application of tax rate - \$39.77 to:

\$108,000 home = \$2365.53 (**increase** of \$103.04/yr or \$8.59/mo)

\$216,000 home = \$4731.06 (**increase** of \$206.08/yr or \$17.17/mo)

\$324,000 home = \$7096.59 (**increase** of \$309.12/yr or \$25.76/mo)

Available property tax credits (i.e. Disabled and Senior Citizens Credit or Homestead Credit) not factored in calculations.



Additional Questions

Q: What agency determines value?

A: <https://www.warrencountytia.org/assessor>

Q: How does the County Assessor estimate value?

A: <https://www.warrencountytia.org/assessorlinks#market>

Q: How often are the values established?

A: <https://www.warrencountytia.org/assessorlinks#market>

Q: What are available credits?

A: <https://www.warrencountytia.org/assessorlinks#credits>

Q: What can I do if I feel my property is assessed too high?

A: <https://www.warrencountytia.org/assessorlinks#market>

Source: Warren County Assessor website



Financial Policies

- Recommended best practice by Government Finance Officers Association (GFOA) to ensure good fiscal stewardship
- Reviewed and adopted annually by City Council
- Provides direction to City Staff when preparing municipal budget
 - General Fund cash reserves (fund balance) targets
- Resource for City Council when making policy decisions
- Available on the City's website



City's Financial Policies - Reserves

“General Fund cash reserves (fund balance) should be maintained at a level sufficient to provide funding for general governmental operations. It is the City’s goal to have an unrestricted minimum balance at fiscal year-end of not less than 25 percent of general fund expenditures. However, the balances may be higher, if deemed prudent, due to the uncertainty of future revenues or anticipated expenditures.”

- City of Indianola Financial Management Policy



General Fund Reserves

(updated as of 4/14/2020)

General Fund	Beginning	Revenue	Expenditure	Ending	Fund Balance Percent
General Admin	1,922,326	2,949,712	3,023,457	1,848,580	61%
Downtown Rev Loan (IEDA) (Fund 160)	243,316	35,000	25,694	252,622	
Downtown Biz Loans (Fund 161)	56,573	30,000	10,000	76,573	
Police	1,497,227	3,881,317	3,917,877	1,446,444	37%
Fire	200,545	790,408	790,446	200,507	25%
Ambulance	53,355	1,740,885	1,743,539	50,701	3%
Library	200,691	825,000	828,213	197,478	24%
Library Spec Rev	43,548	22,000	22,000	43,548	
Parks	502,028	1,607,620	1,638,156	471,492	29%
Parks Spec Rev	106,246	-	6,000	100,246	
Pool	169,674	264,287	264,287	169,674	64%
YMCA Maint Fund	398,118	50,000	30,000	418,118	
MEC Franchise	743,033	140,000	240,000	643,033	
Vehicle and Equipment	790,022	997,046	1,672,546	114,522	
Total	6,926,702	13,333,274	14,212,214	6,033,539	42%

The funds in **RED** are **restricted** - used for specific purpose only. Funds in **RED NOT** funded by property taxes.

The fund in **BLUE** are **restricted** - used for specific purpose only. The fund in **BLUE** receives property taxes.



City's Financial Policies - Reserves

*“General Fund cash reserves (fund balance) should be maintained at a level sufficient to provide funding for general governmental operations. It is the City’s goal to have **an unrestricted minimum balance at fiscal year-end of not less than 25 percent of general fund expenditures.** However, the balances may be higher, if deemed prudent, due to the uncertainty of future revenues or anticipated expenditures.”*

- City of Indianola Financial Management Policy



General Fund Reserves - **UNRESTRICTED**

(updated as of 4/14/2020)

<u>General Fund</u>	<u>Beginning</u>	<u>Revenue</u>	<u>Expenditure</u>	<u>Ending</u>	<u>Fund Balance</u>	<u>Percent</u>
General Admin	1,922,326	2,949,712	3,023,457	1,848,580		61%
Police	1,497,227	3,881,317	3,917,877	1,446,444		37%
Fire	200,545	790,408	790,446	200,507		25%
Ambulance	53,355	1,740,885	1,743,539	50,701		3%
Library	200,691	825,000	828,213	197,478		24%
Parks	502,028	1,607,620	1,638,156	471,492		29%
Pool	169,674	264,287	264,287	169,674		64%
Total	4,545,846	12,059,228	12,205,974	4,384,877		36%

Projected reserves (aka fund balance) as of **June 30, 2021** (<- fiscal year end date)
 Fund balance is projected to **decrease** by \$160,969



City's Financial Policies - Reserves

Some areas of concern that may require use of fund balance:

- COVID-19 expenses
- Cash-flow (primarily due to timing of payments to City)
- Outdated City Hall/Public Safety building - \$1,465,000 in capital needs for systems beyond useful life
- Outdated Library – 36 year old boiler/chiller system (\$140,000)
- Reduced revenue projections in Hotel/Motel tax due to COVID-19
- Fire Department vehicles – 3 fire trucks beyond 20 years old
- Natural disaster

Other points of consideration:

- Fund balance is a factor in determining credit score.
- Downgrade in credit score increases borrowing rates for infrastructure projects.



City's Financial Policies - Reserves

“Cash reserves should not be used to finance routine operating expenses, which exceed budget levels. Routine operating expenses shall be defined as reasonably anticipated reoccurring annual expenditures.”

“Excess cash reserves may be used to balance revenues and expenditures as long as the minimum cash reserve requirements of this policy are met, provided that said cash reserves may only be used to offset non-reoccurring expenditures.”

- City of Indianola Financial Management Policy

- Routine operating expenses includes personnel and associated costs.
- Per Financial Policies funding personnel and associated costs not permitted.



Discussion/Direction

- City staff requires direction regarding the FY21 municipal budget
- Options:
 - Defer all additional staffing and equipment requests in FY21 budget;
 - Police, Library and Fire
 - Defer some additional staffing and equipment requests in FY21 budget; or
 - Police, Library and Fire
 - Override submitted veto
 - “Overriding Mayor’s Veto. Within thirty (30) days after the Mayor’s veto, the Council may pass the measure again by a vote of not less than two-thirds of all of the members of the Council.” – *City Code*



Q&A