



TO: Mayor and Council
CC: Department Heads
FROM: Cole S. O'Donnell
DATE: April 15, 2019
RE: FY 2019-2020 Budget

On behalf of the staff for the City of Keokuk, I present the FY 2019-2020 budget. This document is perhaps the most important action taken by the City in any given year. The budget should reflect the goals and priorities of the City Council, as well as, the needs and wants of our citizens. While not all inclusive, I believe that the budget is an accurate representation of the Council's vision for Keokuk.

Both taxable and 100% property valuations grew slightly for FY 20. Taxable property values rose from \$314,180,933 to \$319,521,978, about a 1.7% growth. Even with the increase, our levy rate needed to rise from \$17.34349/1,000 to \$18.36617/1,000, a 5.9% increase. This equates to \$319,235 in new tax revenue. All of the additional tax levy is due to increased costs healthy insurance premiums (6.18%).

Operational revenues increased from \$19,348,499 to \$20,982,609. Part of this increase is due to previously unbudgeted revenues for the New Jobs and Income program. These funds are paid to the City from several local industries and we distribute the same amount back to the industries. Both the revenues and expenditures were unbudgeted for FY 19. Other contributions to the increase are one-time funds from several grant sources. Over all, revenues are up by \$20,000,000 due to the expected SRF loan proceeds related to the Rand Park Tunnel Project.

Capital expenses are a large portion of the total expenditures as they increase \$13,000,000. Of that amount, \$21,000,000 is related to the Rand Park Tunnel Project. Other large projects include the SID Center (\$2,100,000), level and seal road project (\$400,000), flood wall repairs (\$150,000), and leachate control (\$230,000). Operational expenditures are \$22,094,404 across all departments.

Several critical budgetary issues will need to be addressed in the up coming year:

- Refuse reserves are insufficient to purchase new trucks and it will take at least three years to build enough reserves to purchase one truck out right. Three are needed and we will need to consider bonding for those vehicles.
- Sewer revenues will need to be examined closely with the addition of SRF loan payments. Though staff did not calculate revenues from the Storm Water Utility, these revenues can be used to ease pressure on the Sewer Fund as it relates to the separation projects.
- The bridge Fund is expending more than revenues received with no real ability to increase revenues. Reserves will not last lone with expenditures exceeding revenues by several hundred thousand dollars a year. This is in addition to many delayed maintenance issues associated with bridge operations.

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Being that this is my first budget completed for Keokuk, I have tried to tailor the process and flow of the budget to fit my style. That is one that allows easy critical analysis from year to year, not just for me but for anyone who cares to examine the budget. My style requires a clear estimate of both revenues and expenditures tied to accurate projections of fund balances. The development of a capital improvement plan (CIP) this fall will provide us with five years of projections for revenues, operational expenditures, debt payments, and capital expenses. Through this process, we can analyze the years and determine problems before they arise and help develop the annual budget in my style.

As of the writing of this memo, the Iowa Legislature is considering a property tax reform bill. The exact affect of this bill on our finances is not clear as I have not seen any fiscal impact research. In addition, the Legislature is not considering any bills that eliminate the commercial/industrial backfill. This only means the backfill is safe for this year. Should the backfill be eliminated, the impact to the General Fund will limit our ability to make capital purchases while maintaining operational levels.

This document would not be possible without the assistance of the department head level staff. They have helped to provide good estimates and measure their requests against the impact to the available funds. All staff members have shown due diligence in controlling expenses while exceeding service levels. I thank them all for their hard work.

