



## MEMORANDUM

**DATE:** June 29, 2020

**TO:** Mayor Matson & City Council  
Corri Spiegel, City Administrator

**FROM:** Meghan Murray, Budget Analyst  
Linda Folland, Assistant Finance Director

**THROUGH:** Mallory Merritt, Assistant City Administrator

**RE:** FY 2020 COVID-19 Financial Update & Monthly Financial Update – Through May 2020

### **COVID-19 Financial Update**

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Over the past quarter, the City has continued to closely monitor and evaluate the FY 2020 financial impacts created by the COVID-19 pandemic. Current projections indicate the Hotel/Motel Tax Fund, Road Use Tax Fund, Parking Fund and River's Edge Fund will be most impacted. Overall, the General Fund, the City's largest fund, is anticipated to be within budgeted levels on both the revenue and expenditure categories. Although the analysis for impacted funds is provided below, conservative budgeting and overall strong financial management practices will allow the City to accommodate for the shortfalls and make adjustments as necessary.

Within the Hotel/Motel Tax Fund, the actual tax allocation received for January through March 2020 was 55% (\$347,420) lower than the same time frame in 2019. It is anticipated that the April through June payment will also be significantly lower than the same time period in FY 2019. In FY 2019, this fund ended with a fund balance of \$1,847,284. Current projections show that up to half of this fund balance may be needed to subsidize the revenue shortfall due to COVID-19. Staff is currently working to address potential FY 2021 impacts and will make operational adjustments as may be necessary.

Within the Road Use Tax Fund, the allocation received for March and April 2020 was 31% (\$707,547) lower than the same time frame in FY 2019. It is anticipated that subsequent payments will increase but are not expected to return to the higher levels presented in FY

2019 for many months. In FY 2019, this fund ended with a fund balance of \$1,320,717. Currently, the budget for capital projects is under evaluation, and some ongoing capital programs may be funded through other sources until the next fiscal year.

The Parking Fund is also anticipated to experience revenue shortfalls due to downtown closures; however, this shortfall will be covered by a transfer.

Lastly, the River's Edge Fund revenue is also lower than budgeted. This fund will require a slightly larger subsidy than in the past. However, there are other funds that have been receiving CARES ACT funding, such as the Transit Fund, to subsidize their operations; it is anticipated that transfers planned for those funds can be redirected to offset this fund, along with others.

### **FY 2020 Budget Update – Through May 2020**

Below is a summary report of the city's main operating funds as of May 31, 2020 for FY 2020. Information is provided for the General Fund, Trust & Agency Fund, and Employee Health Fund.

#### **General Fund**

As of the end of May, General Fund operating departments ended below expected spending levels. With 91.7% of the year completed, 88.4% of overall budgeted expenditures have been spent. Payroll costs, which are the main driver of the General Fund, are at 84.5% of budgeted levels, which is less than the expected level of 88.5%.

<b>OVERALL DEPARTMENT BUDGET SUMMARY</b>			
<b>Department</b>	<b>Budget</b>	<b>YTD</b>	<b>%</b>
City Council	342,266	286,130	83.6%
Mayor's Office	121,633	109,550	90.1%
Finance	1,435,384	1,258,885	87.7%
Administration	744,160	609,817	81.9%
Human Resources	765,459	641,028	83.7%
Comm. & Econ. Dev.	866,634	848,831	97.9%
Civil Rights	333,497	252,224	75.6%
Dev. & Nbhd. Svc. Dept.	1,570,218	1,532,750	97.6%
Public Works	2,329,012	1,877,218	80.6%
Police Department	19,268,410	17,309,951	89.8%
Fire Department	12,843,221	11,504,275	89.6%
Parks	4,096,662	3,340,437	81.5%
Library	2,683,066	2,311,154	86.1%
<b>Total</b>	<b>47,399,622</b>	<b>41,882,250</b>	<b>88.4%</b>

<b>OVERTIME SUMMARY</b>			
<b>Department</b>	<b>Budget</b>	<b>YTD</b>	<b>%</b>
Finance	2,600	39	1.5%
Public Works	60,000	49,429	82.4%
Police	570,858	433,249	75.9%
Fire	186,100	460,196	247.3%
Parks	29,500	20,451	69.3%
<b>Total</b>	<b>849,058</b>	<b>963,364</b>	<b>113.5%</b>

There are currently two departments with a variance of more than 3.0% above the expected expenditure rate of 91.7%. The Community and Economic Development department (97.9%) is above the expected expenditure rate due to a one-time payment to Quad Cities First and the Development and Neighborhood Services department (97.6%) is above the expected expenditure rate due to higher professional services costs

with projects. There are seven departments currently falling 5.0% or more below the expected expenditure rate of 91.7%: City Council (83.6%), Administration (81.9%), Human Resources (83.7%), Civil Rights (75.6%), Public Works (80.6%), Parks (81.5%), and Library (86.1%).

The Overtime Summary Report shows one department with a variance of more than 3.0% above the expected expenditure rate for overtime. The Fire Department (247.3%) has higher-than-expected overtime expenditures due to employees out on injury/medical leave.

Below is a chart of major revenue sources. Overall, the revenue sources are down by 1.7% compared to last year as of the end of May. Cable TV Franchise is down 0.1% compared to last year's payment at this time. Casino Development Fee revenue is up 2.5% compared to FY 2019. The Licenses and Permits category is down by 7.1% due to a lower amount of building permits. Uses of Money & Property is up 23.3% because there was increase in interest from pooled investments. Fines and Forfeits is down by 14.0% due to fewer speed camera fines collected compared to FY 2019.

<b>SUMMARY OF MAJOR NON-TAX REVENUE SOURCES</b>				
<b>Department</b>	<b>Budget</b>	<b>YTD</b>	<b>Current Projection</b>	<b>YTD Change from FY19</b>
Cable TV Franchise	760,000	574,583	760,000	-0.1%
Casino Development Fee	1,100,000	1,001,675	1,001,675	2.5%
Licenses & Permits	1,911,600	1,800,886	1,900,886	-7.1%
Charges for Services	3,681,920	3,445,459	3,595,459	1.0%
Uses of Money & Property	753,200	856,650	1,145,856	23.3%
Fines & Forfeits	1,186,000	1,502,165	1,657,535	-14.0%
<b>Total</b>	<b>9,392,720</b>	<b>9,181,418</b>	<b>10,061,411</b>	<b>-1.7%</b>

## **Trust & Agency Fund**

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As of the end of May, Trust & Agency Fund expenditures are below expected budget levels. The expected level of expenditures as of the end of May is 90.4%. Trust & Agency benefits are currently at 88.3%.

<b>BENEFIT SUMMARY</b>			
<b>Benefit</b>	<b>Budget</b>	<b>YTD</b>	<b>%</b>
FICA	1,360,955	1,202,362	88.3%
IPERS	1,278,772	1,012,744	79.2%
Employee Insurance	10,676,467	10,548,002	98.8%
MFPRSI	5,845,144	4,157,883	71.1%
RHSP	825,192	732,795	88.8%
<b>Total</b>	<b>19,986,530</b>	<b>17,653,786</b>	<b>88.3%</b>

## Employee Health Insurance Fund

As of the end of May, claims for FY 2020 are 2.13% lower than claims in FY 2019 due COVID-19 related cancellations of elected surgeries and doctor visits. Claims expenditures are currently trending below the original budget of \$15.8 million.

HEALTH CLAIMS PROJECTION MODEL							
	FY 2018	FY 2019	Average	% Total	Cum. %	FY 2020	Year End Projection
<b>July</b>	1,028,523	1,301,936	1,106,031	7.84%	7.84%	1,165,316	14,954,731
<b>August</b>	1,341,054	931,009	1,180,282	8.37%	16.21%	1,203,114	14,475,431
<b>September</b>	1,073,151	1,035,706	1,110,571	7.87%	24.08%	977,833	13,785,495
<b>October</b>	1,049,823	1,652,578	1,204,579	8.54%	32.62%	1,388,887	14,655,264
<b>November</b>	1,589,164	1,130,025	1,257,305	8.91%	41.54%	1,111,402	14,558,386
<b>December</b>	1,386,196	1,102,052	1,369,668	9.71%	51.25%	1,189,299	14,077,231
<b>January</b>	1,184,769	1,219,386	1,112,935	7.89%	59.14%	1,235,191	14,349,399
<b>February</b>	900,818	1,285,767	1,046,337	7.42%	66.55%	1,115,559	14,629,483
<b>March</b>	1,006,190	1,143,703	1,194,597	8.47%	75.02%	1,481,989	14,864,174
<b>April</b>	1,123,564	1,148,181	1,078,615	7.65%	82.67%	1,311,637	14,930,180
<b>May</b>	1,334,069	1,211,226	1,261,434	8.94%	91.61%	706,360	14,263,933
<b>June</b>	1,051,347	1,201,077	1,182,857	8.39%	100.00%		
<b>Total</b>	14,068,668	14,362,646	14,105,212	100.00%		12,886,587	

The Finance Department, along with City Administration and the City's Leadership Team, will continue to evaluate the constantly changing financial condition on a bi-weekly basis. In mid-July, the process for closing FY 2020 will begin. It is anticipated that preliminary financial statements will be prepared by end of August, along with updated information regarding future allocations of Local Option Sales Tax funding.

Please contact me with any questions.