

MARSHALLTOWN

IOWA

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TO: Mayor and City Council
FROM: Diana Steiner, Finance Director
DATE: April 10, 2025
RE: Set public hearing date for FY26 budget and certification of property taxes

Strategic Plan:

- Strategy 1: Expand and improve development in the community.
- Strategy 2: Enhance Marshalltown's public image.
- Strategy 3: Continually improve and sustain the City's infrastructure, organization, and services.
- Strategy 4: Partner with citizens, for-profit, non-profit, and others to improve quality of life.

Plan Objective: N/A

Recommendation: Consider proposed budgets and set the public hearing date for April 28, 2025 at 5:30 p.m. Changes can still be made at the hearing as long as the levy and expenditures are lower than what was published in the newspaper. The publication notice of the public hearing must be not less than 10 days or more than 20 days before the hearing date

Budget Impact: The approved budget gives authority for the staff to spend.

Description/Background:

As part of the budgeting process to create a budget for the next fiscal year starting 7/1/25 (FY26), the current fiscal year (FY25) also had to be re-estimated. The reports provided for this agenda item, reflects FY25 and FY26 budget amounts. Please review the January through March Council meetings when the budget was discussed. The proposed property levy for FY26 already had a public hearing at a special council meeting on March 24, 2025 and there were no changes.

Through budget discussions with Council, the FY26 General Fund 001 budget is balanced. The City used \$1,076,145 of Council Designated Local Option Sales Tax for the General Fund 001 and \$86,528 for the City Building Maintenance Fund. The Capital Improvement Plan was updated and reflected in the budgets.

There are 8 reports that are being provided to you at this time:

1. The "FY26 Adoption of Budget and Certification of Property Taxes" report is the official budget document that will be certified with the County Auditor after the public hearing and Council approval on April 28, 2025.
 - a. Page 1 is the Notice of Public Hearing that will be published in the newspaper. The Council can lower the FY26 levies or budgeted amounts now before publication, but then would not be able to raise it back up. Since we have limited time before submitting to the TR, the recommended option is for the Council to approve the

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publication as is and then if Council decides to lower the levy or budgeted amounts on April 28 after the public hearing, you still can. The report is showing the proposed property tax levy rate of \$16.00000 per \$1,000 valuation on regular property. (The rate of \$16 is staying the same as FY25 and FY24. The rate of \$15.36163 per \$1,000 valuation on regular property was in place for FY22 and FY23, \$15.38434 in FY20 & FY21 and \$15.28158 in FY19). It also summarizes the revenues and expenses for the entire budget for FY26, the re-estimated budget for FY25, and the FY24 actual. The fund balance at June 30 is decreasing by \$23,760,992 primarily due to bond funds being spent.

- b. Page 2 shows the dollar amounts to be collected for each specific levy and the far-right column shows the overall rate for each levy. The overall property tax levy rate shown in the bottom right corner for FY26 is \$16.00000 per \$1,000 of taxable valuations. The City would receive \$15,047,595 in property tax and \$1,652,144 in utility replacement excise tax for a total of \$16,699,739. This is an increase of \$497,910 in property taxes and a decrease of \$12,093 in utility replacement excise taxes for a total net increase of \$485,817 from FY25 for all levies.
- c. Page 3 titled "Fund Balance" reflects the beginning fund balance (cash basis) from the close of fiscal year ending June 30, 2024, the re-estimated amount of revenues and expenditures for the current fiscal year of 2025 and the budgeted revenues and expenditures for the upcoming fiscal year of 2026 by fund category. This is a summary of the input from pages 5-10. The last row titled "Ending Fund Balance" in the "Grand Total" column equals the "Projected Fund Balance Report FY24-FY26" that I have also provided to you. Please note that Marshalltown Water Works activity is also included in both reports.
- d. Page 4, is the amount we budgeted and levied for the Marshall County Emergency Management Agency, which was a 5% increase.
- e. Pages 5-7 are the re-estimated revenues and expenditures for FY25. Revenues changed over the original budget due to more interest earned as bond funds were not spent as fast as originally budgeted. Also grants and donation revenues were updated. Expenditures changed from what was originally budgeted due to costs and projects related to grants and timing of other construction projects. See separate Council agenda item for the FY25 Budget Amendment that goes into more detail of changes for the re-estimated amounts for the budget.
- f. Pages 8-9 are the budgeted expenditures for FY26. The budgeted amounts in each activity category will give the City the authority to spend at that maximum level before having to come back to Council for a budget amendment. The Purchasing Policy will still be followed at the thresholds set out in the policy (currently the Council approves at \$45,000 or greater).
- g. Page 10 is the budgeted revenues for FY26. The backfill to cover the 90% rollback of commercial and industrial property is budgeted at a total of \$191,759 of which the General Fund 001's share is \$111,382. Starting with FY23, the backfill for Marshalltown was being phased out over 8 years, so we will see an ongoing decrease of approximately \$48,000 each year, of which the General Fund's share is approximately \$30,000. The legislature is currently working on changing the way that property tax levies are calculated, so this could be impacted in future years.
- h. Page 11 is a summary of the revenues and expenditures all on one page. Excluding transfers, the FY26 revenue budget is \$63,668,911 and the expenditure budget is

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\$87,429,903 for a net decrease of \$23,760,992 in fund balance. This will be covered by cash on hand in bond funds, road use tax, grant fund reimbursements, local option sales tax, etc. The General Fund 001 is in balance, but the GENERAL column also includes the cash flow reserve fund and other capital reserve funds so you will see a net increase in that column.

- i. Page 12 titled “Long Term Debt Schedule” provides information on the principal, interest, and debt fees to be paid in FY26 and the amounts that will be applied towards the debt service levy. The bottom of the page shows \$3.35 million of Local Option Sales Tax (L.O.S.T.) was used for property tax relief and \$130,000 of the Debt Service fund balance was utilized to maintain the overall property tax levy rate to be \$16 per \$1,000 of valuation. The column titled “Paid from Funds Other than Current Year Debt Service Taxes” is funded by TIF and Enterprise Funds.
- j. Page 13 summarizes the long-term debt between General Obligation (GO) debt and Non-GO Debt. All GO debt could be levied for but other revenue sources (TIF, Enterprise Fund for Storm Water, and LOST) are applied against the debt to reduce it. The Non-GO Debt is all paid for with Enterprise Funds.

2. The “Projected Fund Balance FY24-FY26 Report” indicates the actual ending cash balances at 6/30/24, the projected activity for FY25 & FY26 with the projected ending cash balances for each fiscal year.
3. The “Budget Comparison Report for Revenues by Category” has been provided to show what is included in the different categories and the differences between the FY25 re-estimated and the FY26 proposed budget. The FY25 re-estimated column was used for our FY25 Budget Amendment #1.
4. The “Budget Comparison Report all Expenditures” has been provided to show the difference between the FY25 re-estimated and proposed FY26 budget. All General Funds starting with fund numbers 0XX and Special Revenue Funds starting with 1XX, excluding transfers out, are included in the first 6 functions. The Debt Service Fund 200, excluding transfers out, is what is in the Debt Service line. Funds starting with a 3xx are shown in the Capital Projects line, excluding transfers out. Funds starting with a 6xx or 7xx are shown in the Business Type / Enterprises row, excluding transfers out. Transfers out are shown on a separate line and just show the movement between funds
5. The “Budget Comparison Report all budgeted revenues and expenses by fund and function (139 pages)” is provided to show the entire budget of revenues and expenses together.
6. The “Transfers for FY26 Budget” reflects the money budgeted to be moved between funds and the purpose.
7. The “LOST detail projected for FY25 and FY26” report shows the activity within Fund 121 Local Option Sales Tax broken out by designation (Property Tax Relief, Council Designated, or Capital Projects).
8. The “Marshalltown Water Works Budget” report is included since the City’s official budget that is submitted to the County includes them. Their re-estimated revenues are \$9,176,846 for FY25 and \$10,643,626 for FY26. Expenditures are \$7,249,365 for FY25 and \$8,232,224 for FY26. Their public hearing was Feb. 19, 2025 and the Board of Trustees approved. The City’s official budget documents include Marshalltown Water Works under the Proprietary column.

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