

MARSHALLTOWN

IOWA

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TO: Mayor and City Council
FROM: Diana Steiner, Finance Director
DATE: April 3, 2024
RE: Set public hearing date for FY25 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 22, 2024 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 7/1/24 (FY25), the current fiscal year (FY24) also had to be re-estimated. The reports provided for this agenda item, reflects FY24 and FY25 budget amounts.

Through budget discussions with Council, the FY25 General Fund 001 budget is balanced. The City used \$684,447 of Council Designated Local Option Sales Tax and \$201,077 of American Rescue Plan funds.

There are 7 reports that are being provided to you at this time:

1. The "FY25 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 22, 2024. (Note: City added page numbers).
 - a. Page 1 is the Notice of Public Hearing that will be published in the newspaper. The Council can lower the FY25 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 publication as is and then if Council decides to lower the levy or budgeted amounts on April 22 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 FY24. The rate of \$15.36163 per \$1,000 valuation on regular property was in place for FY22 and FY23, \$15.38434 in

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FY20 & FY21 and \$15.28158 inf FY19). It also summarizes the revenues and expenses for the entire budget for FY25, the re-estimated budget for FY24, and the FY23 actual.

- 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 FY25 is \$16.00000 per \$1,000 of taxable valuations. The City would receive \$14,549,685 in property tax and \$1,664,237 in utility replacement excise tax for a total of \$16,213,922. This is an increase of \$1,212,775 in property taxes and \$42,951 in utility replacement excise taxes for a total increase of \$1,255,726 from FY24 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, 2023, the re-estimated amount of revenues and expenditures for the current fiscal year of 2024 and the budgeted revenues and expenditures for the upcoming fiscal year of 2025 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" 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.
- e. Pages 5-7 are the re-estimated revenues and expenditures for FY24. Revenues changed over the original budget from the new issuance of bonds, new grants and donations, etc. Expenditures changed from what was originally budgeted due to costs and projects related to new grants and the bond issuance, etc. Expenditures also increased during the fiscal year for unexpected insurance premium costs for both health insurance and property/liability insurance, and utility increases. The non-union compensation study was also implemented in January 2024.
- f. Pages 8-9 are the budgeted expenditures for FY25. 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 FY25. The backfill to cover the 90% rollback of commercial and industrial property is budgeted at a total of \$239,698 of which the General Fund 001's share is \$141,376. 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 \$28,000. Also in FY25, we made the assumption the State will continue to appropriate funds for the business property tax credit to make up for the rollback for the commercial and industrial property that is now taxed first at the residential tax rate for the first \$150,000 of valuations. The business property tax credit is budgeted at \$383,597 of revenue of which \$227,370 is the General Fund's share.
- h. Page 11 is a summary of the revenues and expenditures all on one page. Excluding transfers, the FY25 revenue budget is \$64,652,582 and the expenditure budget is \$86,079,321 for a net decrease of \$21,426,739 in fund balance. This will be covered by cash on hand in bond funds, road use tax, grant fund reimbursements, etc. The

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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 FY25 and the amounts that will be applied towards the debt service levy. The bottom of the page shows \$4.12 million of Local Option Sales Tax (L.O.S.T.) was used for property tax relief and \$350,000 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 Funds Storm Water, 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 Report" indicates the actual ending cash balances at 6/30/23, the projected activity for FY24 & FY25 with the projected ending cash balances for each fiscal year.
3. The "Budget Comparison Report for Revenues" has been provided to show what is included in the different categories and the differences between the FY24 re-estimated and the FY25 proposed budget. The FY24 re-estimated column will be used for our FY24 Budget Amendment #1.
4. The "Budget Comparison Report for Total Expenses for All Funds" has been provided to show the difference between the FY24 re-estimated and proposed FY25 budget. All General Funds and Special Revenue Funds, 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 "Transfers for FY24 and FY25" reflects the money budgeted to be moved between funds and the purpose in FY24 & FY25. The yellow highlights are transfers from a particular fund to Fund 884 Health Insurance Fund as Council approved last summer to bring up our balance in that fund as required by the State Insurance Board. To keep "transfers in" equaling "transfers out" on the budget reports, I had to show the transfers out highlighted in yellow as "expenses". Internal service funds and agency funds are not budgeted.
6. The "LOST detail for FY24 & FY25" report shows activity within Fund 121 Local Option Sales Tax broken out by designation (Property Tax Relief, Council Designated, or Capital Projects).
7. 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 \$7,932,778 for FY24 and \$9,176,846 for FY25. Expenditures are \$6,695,499 for FY24 and \$7,249,365 for FY25. Their public hearing was Feb. 20, 2024 and the Board of Trustees approved. The City's official budget documents include Marshalltown Water Works under the Proprietary column.

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