

MARSHALLTOWN

IOWA

Joel Greer, Mayor
24 North Center Street
Marshalltown, IA 50158
PH 641.754.5701 | FX 641.754.5717

TO: Mayor and City Council
FROM: Diana Steiner, Finance Director
DATE: April 3, 2024
RE: Set public hearing date for FY24 budget amendment

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 amended FY24 budget 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), Department Directors have also spent the time to re-estimate the current FY24 budget. A budget amendment is required when actual expenditures within the 9 function areas of the budget will be exceeded. With new grants, updated projects and the rising costs we have seen this fiscal year, staff are recommending that a budget amendment be completed soon so we will not exceed the function area budget. If needed, a second amendment will be completed in May.

The budget amendment does not increase property taxes. It is time to adjust revenues and expenses to reflect new activity that was not known at the time the budget was adopted a year ago in April 2023 (such as new grants, implementation of non-bargaining compensation scale); timing of construction project expenditures and the updated 5-year Capital Improvement Plan; and take in to account increases such as health insurance increases, property/liability insurance increases, utility costs, etc.

In the General Fund 001, revenues continue to equal expenditures. The adopted budget originally had \$328,526 transferred from Local Option Sales Tax Council Designated and \$49,389 from ARPA to balance the General Fund 001. In the amendment, \$410,526 is transferred from Local Option Sales Tax with the additional \$82,000 pay for the implementation of the new compensation scale for non-bargaining general fund positions per Resolution 2023-179.

We updated positions for vacancies so far this fiscal year, took into account termination payouts and overtime, adjusted for the 5-year capital improvement plan which includes bond projects, and increased

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revenues and related expenses for the general fund and grants. Some of the major increases that have changed since the budget was adopted in a year ago in April 2023 include:

- (1) Electricity increased \$39,000 from the adopted FY24 budget
- (2) Liability and property insurance were originally budgeted with a 20% increase over FY23, but now that we received our annual renewal invoice, it is closer to 40% or an \$96,000 increase over the adopted budget
- (3) Wages increased mid-way through the fiscal year due to the implementation of the non-bargaining compensation plan (funded by LOST for General Fund employees; Grants and Enterprise funds paid for their own employees).
- (4) Health insurance which was budgeted to increase by 10% in January 2024, actually increased 10% in August 2023 and 20% in January 2024 due to high claims (note: this is funded by employee benefit levy).

During the budget season, reports were brought to you with re-estimated amounts for FY24. Since then a few adjustments were made to increase some revenues and their related expenses. For example, new information on some grants administered by Region 6 have now been incorporated into the budget as follows:

1. Council passed resolution 2022-236 in Sept 2022 for a match contribution of \$37,581 to the Region 6 Housing Trust Fund. With the match, this will provide \$216,540 for homeowner exterior repairs (i.e. roofs, siding, windows). I added as an expense out of the Local Option Sales Tax.
2. In February, Region 6 also sent the first invoices for the period March-December for CDBG Derecho grants that are a pass through for the City, so I increased the grant revenue budget by \$4.26 million and increased the expenses by the same amount in FY24 fund 133. The developer funds the project, Regions 6 reviews expenses and prepares a document for the City to be reimbursed and the City pays the developer. The grant projects are:
 - a. HCI Rental Project at 1807 S. 7th Ave with the grant for \$2.3 million (Reg 6's fee is \$20,000 and paid with grant funds)
 - b. 6-unit townhomes on N 4th Ave with the grant for \$980,000 (Reg 6's fee is \$20,000 and paid with grant funds)
 - c. 6-unit townhomes on South Street with the grant for \$980,000 (Reg 6's fee is \$20,000 and paid with grant funds)
3. Region 6 also indicated there was a CDBG tree replanting grant for \$200,000. (Reg 6's fee is \$4,733). The grant will pay for trees and planting supplies, our staff time to plant, and Reg 6's fee. The grant revenue and expenses were increased in fund 133 by \$50K in FY24, \$140K for FY25, and \$10K will be budgeted for FY26 once that fiscal year opens.

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

1. The "Notice of Public Hearing – Amendment of Current Budget" 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. Explanations for the following rows include:

Row #6 local option sales tax increase \$300,000

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Row #8 higher interest rates on more bond funds since projects progressing slower;

Row #9 new grants including Lead \$1.6 million, CDBG pass thru grants \$4.2 million, Street grants \$3.6 million, increase in Road Use Tax \$100,000

Row #10 includes Automated Traffic Enforcement (ATE) speeding tickets of \$800,000 new this year and also increased amounts on JBS Sewer charges due to usage

Row #12 Originally budgeted for internal remodel of library and garage for \$820,000 and amended budget removed garage project. Friends of the Library were going to fund this, so reduced their donation revenue to \$240,000

Row #13 City is reimbursed SRF loan funds as expenditures are made for the Headworks and CIPP Enterprise projects

Row #16 new costs related to ATE as city pays contractor \$35 per speeding ticket; purchase of cameras and other items changed in Capital Improvement Plan

Row #17 includes \$25,000 increase in salt, \$40,000 in traffic signals

Row #18 new Lead grant awarded so budgeting those costs,

Row #19 changes in CIP projects, including removing library garage

Row #20 costs related to new grants, ATE funds used for contract with Arts Council and Community Beautification projects,

Row #21 includes City Administrator. recruitment search and software updates for EnerGov

Row #23 Construction projects proceeding slower so need less than originally budgeted in FY24. FY25's budget increased for these delayed projects..

Row #25 Include costs for SRF Headworks and CIPP projects due to timing of construction. Also includes changes in Capital Improvement Plan expenditures.

2. The "FY24 Budget Comparison for Revenues" has been provided to show what is included in the different categories and the differences between the FY24 adopted budget (see Parent Budget column) and the proposed FY24 budget amendment (see Comparison 1 Budget column). Please note that the overall total includes Marshalltown Water Works also.
3. The "FY24 Budget Comparison for Expenses" has been provided to show the difference between the FY24 adopted budget (see Parent Budget column) and the proposed FY24 budget amendment (see Comparison 1 Budget column). All General Funds 1XX and Special Revenue Funds 3XX, 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

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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

4. The “Projected Fund Balance Report” indicates the actual ending cash balances at 6/30/23, the activity for FY24 & FY25 with the projected ending cash balances for each fiscal year.
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 you 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 and expenditures are \$6,695,499. 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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