



City Council Budget Workshop

November 4, 2024 - 6:00 PM or Immediately Following the City Council Meeting

City Hall - Council Chambers
101 W 4th St S
Newton, IA 50208

Call to Order

1. Roll Call

Presentation

2. Review of Proposed Budget Schedule - Lisa Frasier, Finance Officer
3. Review of Ending Fund Balances 6-30-24 / FY25 - FY29 Projections - Lisa Frasier, Finance Officer
4. Presentation of FY26 Employee Compensation Costs - Candace Streeter, Sr Financial Analyst & Jerri Clay Financial Analyst
5. Partner Funding for FY26 / HF718 & SF2442 / FY26 Budget Information - Lisa Frasier, Finance Officer

Mayor/Council Comments

6. Mayor and Council Comments

Adjourn

The City of Newton is pleased to provide reasonable accommodations, in compliance with the Americans with Disabilities Act, for those individuals or groups who require assistance to be able to participate in the public meeting. Should special accommodations be required, please contact the City Clerk's Office at least 48 hours in advance of the meeting, at 641-792-2787 to arrange for accommodations to be provided.

Find us online: www.newtongov.org

November 4, 2024 Budget Workshop

Review of Proposed FY26 Budget Schedule

November 4, 2024

- Review Budget Schedule / 6-30-24 Actuals & FY25-29 Projections Memo / FY26 Employee Compensation / FY26 Partner Funding, HF718, & SF2442 and other FY26 Budget items

November 18, 2024

- Review of Comp Plan
- City Council Goals
- FY24 Charts & Information
- FY26 Budget Information
- FY26 Partner Funding/HF 718 & SF 2442

December 2, 2024

- Executive Team Presentations
- Debt Service Fund
- FY26 Partner Funding / HF 718 & SF 2442

Annual City Council Tours December 5, 12, 13

Review of Proposed FY26 Budget Schedule

December 16, 2024

- Capital Improvement Projects
- Executive Team Presentations

January 6, 2025

- Executive Team Presentations
- Initial General Fund Estimate
- Special Revenue Funds / Partner Contributions
- Tax Increment Financing
- FY26 Partner Funding/HF 718 & SF 2442

January 20, 2025

- Council comments on General Fund Revenue Estimate
- General Fund non-salary Expenditures Proposal
- Non-salary Expenditures for all other funds Proposal
- Council comments on Employee Compensation Proposal

February 3, 2025

- Final review of Budget by City Council

February 17, 2025

- If needed Budget work session with City Administrator & City Council

Review of Proposed FY26 Budget Schedule

March 3, 2025

- Set a Public Hearing on the Max Levy Proposal (Regular Meeting)

March 5, 2025

- Taxpayer Statement Information deadline to County Auditor

April 7, 2025

- Hold Public Hearing on Max Levy Proposal (5:30pm meeting, separate from regular City Council meeting at 6:00pm)
- During the regular 6:00pm meeting, Council sets a public hearing for the adoption of the FY26 budget

April 11, 2025

- Notice of Adoption of Final budget published in the Newton Daily News

April 21, 2025

- Budget hearing and Adoption of Final budget

April 30, 2025

- Budget must be Certified to the County Auditor

Review of Ending General Fund Balance on 6-30-24

- Review of the attached memo regarding ending general fund balances as of 6-30-24 that was shared with City Council by City Administrator on 9-30-24.

- Projections for FY25 thru FY29 Ending General fund Balances.

Staff will be working on this content up to the beginning of the City Council meeting on 11-4-24.

Memorandum

To: Matt Muckler

From: Lisa Frasier, Finance Officer

Date: September 4, 2024

Re: FY24 Ending General Fund Balance and 5-year budget projections

City Finance staff have completed and closed the books for FY24. The General Fund ended with a balance of \$3,003,485, with \$131,165 in designated funds for an undesignated fund balance of \$2,872,320. This is fantastic news as during the budget process for FY25, the undesignated balance was projected to be \$2,229,565 at 6-30-24. There were many reasons for this large increase in fund balance as listed below:

- Increased Interest Revenue \$124,224 (Increased Interest Rates)
- Increased Building Permits \$115,000 (Large projects/Aldi's/Legacy Plaza)
- Business Property Tax CR \$142,546 (New Credit from State of Iowa)
- Additional LOST Tax \$ 86,000 (Additional LOST Tax decreases GF expenses)
- Additional Hotel/Motel Tax \$ 25,000 (Additional Hotel/Motel Tax decreases GF Expenses)
- Savings in Police Salaries \$109,000 (2 Officers down most of FY24)

When taking a look at these 6 major impacts on the General fund, some will carry over to upcoming fiscal years and some will not. The increased interest revenues are due to interest rates rising and staff investing funds to receive the greatest return. If interest rates fall in the future, these revenues will be decreased. Building permits have increased in part because of Legacy Plaza and Aldi's which cannot be counted on in the future. The Business Property Tax Credit is a new credit from the State of Iowa. This was not budgeted in FY24 as it was new and there was no data to use as a benchmark for this credit. As with any credit from the State, it can be decreased or eliminated at any time. The additional LOST Tax and Hotel/Motel tax will in all likelihood continue to increase. Per Police Chief Burdessa, the police department was down 2 officers almost the entire year of FY24 in addition to a Lieutenant position retiring. This Department is now full staffed, so this savings in salaries cannot be carried over to future years.

Taking all these considerations into account along with projected increases in valuations and salaries, staff has developed a 5-year projection of the General Fund. Each fiscal year has any changes in assumptions listed and an undesignated percentage of General

Funds. Current policy states that the General Fund will be at 25% of expenditures for budgeting purposes.

ACTUAL 6/30/2024

FY24 General Fund Revenues:	\$9,792,212
FY24 General Fund Exp:	\$9,711,527
FY24 GF ending balance	\$3,003,485
Designated funds:	\$(131,165)
Ending Undesignated Balance:	\$2,872,320
	29.58% of Expenditures

FY25 PROJECTED (Current Year)

General Fund Revenues	\$9,147,171
General fund Expenditures:	\$9,109,279
Ending General fund Balance	\$3,041,377
Designated funds:	\$ (131,165)
Ending Undesignated Balance:	\$2,910,212
	31.95% of Expenditures

FY26 Projected

General Fund Revenues	\$9,062,171
General fund Expenditures:	\$9,372,779
Ending General fund Balance	\$2,730,769
Designated funds:	\$(131,165)
Ending Undesignated Balance:	\$2,599,604
	27.74% of Expenditures

FY26 Revenue ADJUSTMENTS:

\$100,000 more in property tax
\$100,000 less Ambulance Rev (FY24 amount)
\$55,000 less in Revenue for DTF Grant
\$30,000 less in Backfill Funds

FY26 Expense ADJUSTMENTS:

Additional \$245,000 in Salaries
Additional \$55,000 for Ambulance Billings
Additional \$15,000 for Splash Pad
Reduction in Expenses for Increased LOST Tax \$36,500
Reduction in Expense for Additional Hotel/Motel Tax \$15,000

FY27 Projected

General Fund Revenues	\$9,212,171
General Fund Expenditures	\$9,532,779
Ending General Fund Balance	\$2,410,161
Designated Funds	\$(131,165)

Ending Undesignated Balance: \$2,278,996

23.91% of Expenditures

FY27 Revenue ADJUSTMENTS:

\$150,000 more in Property Taxes / Reduce the General fund levy from \$8.37 to \$8.27

FY27 Expenditure ADJUSTMENTS:

Additional \$235,000 in Salaries

Reduction in Expense for increased LOST Tax \$75,000

FY28 Projected

General Fund Revenues	\$9,387,171
General Fund Expenditures	\$9,702,779
Ending General Fund Balance	\$2,094,553
Designated Funds	\$(131,165)

Ending Undesignated Balance: \$1,963,388

20.24% of Expenditures

FY28 Revenue ADJUSTMENTS:

\$175,000 more in Property Taxes / Several TIF's sunseting / Levy \$8.17

FY28 Budget ADJUSTMENTS:

Additional \$220,000 in Salaries

Reduction in Expense for increased LOST Tax \$50,000

FY29 Projected

General Fund Revenues	\$9,637,171
General Fund Expenditures	\$9,812,779
Ending General Fund Balance	\$1,918,945
Designated Funds	\$(131,165)

Ending Undesignated Balance: \$1,787,780

18.22% of Expenditures

FY29 Revenue ADJUSTMENTS:

Property Tax \$250,000 / Levy 8.10/ Speedway, EastMart, and TPI TIF's have sunset

FY29 Expenditure ADJUSTMENTS:

Additional \$210,000 in Salaries

Reduction in Expense for increased LOST Tax \$100,000

The 5-year projections are only the best estimate from the Finance staff. Many things are unknown, especially the residential rollback rate, as this can dramatically increase or decrease the City's tax revenues. In addition, there are no increases in operational expenses such as electricity or fuel. In the final year, FY29, as the current law is written, the City can levy for \$8.10 in the General Fund, with no cuts mandated to future revenue growth. FY29 is also the fiscal year that several Urban Renewal areas will sunset and come onto the general taxing rolls.

The current snapshot on June 30, 2024 of the City of Newton's general fund is encouraging but as is demonstrated by the projections, large cuts must be made in future years to expenditures and in all likely hood new sources of revenue must be found if the City wishes to provide service at today's levels.

Employee Compensation estimates for FY26

Currently, the City has 130 employees that are either on the pay plan or are members of one of the 4 Unions. The numbers discussed in this presentation do not include Library salaries, as those employee's salaries are currently set by the Library board of Directors.

- Below is a breakout of the Unions:
 - Police: 23 Members
 - Fire: 19 Members
 - Teamsters: 18 Members
 - Utilities: 17 Members

1. Police Union – 23 members (20 Officers/3 CSO's)

- FY25 Budget - Base Wages: \$1,722,722
- FY26 Estimate - Base Wages: \$1,832,657
 - General fund Increase: \$109,935 (6.38% increase)

2. Fire Union – 19 members (19 Firefighters)

- FY25 Budget - Base Wages: \$1,273,217
- FY26 Estimate - Base Wages: \$1,350,418
 - General fund Increase: \$77,201 (6.06% increase)

3. Teamster Union (18 members)

- FY25 Budget - Base Wages: \$1,227,620
- FY26 Estimate - Base Wages: \$1,266,091

General Fund:	\$ 298,920	4.94% Increase
Road Use Tax Fund:	\$ 330,954	8.95% increase
City Garage Fund:	\$ 78,111	3.00% increase
Golf Fund:	\$ 79,494	5.06% Increase
Landfill Fund:	\$ 308,265	1.94% increase
Storm Water Fund:	\$ 170,347	2.21% increase
Total Across All Funds:	\$1,266,091	3.13% increase

4. Utilities Union (17 members)

- FY25 Budget - Base Wages: \$1,304,736
- FY26 Estimate - Base Wages: \$1,267,745

Water Pollution Control Fund:	\$ 454,650	0.57% Increase
Water – Treatment/Distribution:	\$ 782,947	6.91% Decrease
RUT Fund:	\$7,537	2.10% Increase
<u>Stormwater Fund:</u>	<u>\$22,611</u>	<u>2.10% Increase</u>
 Total for all Funds:	 \$1,267,745	 1.68% Decrease

*Utilities Union include Water Pollution Control, Water Treatment Plant and Water Distribution.

5. City of Newton Payplan (53 employees) The payplan includes all full time employees not covered by a Union contract

- FY25 Budget Base Wages: \$4,374,588
- FY26 Estimate Base Wages: \$4,628,455

General Fund:	\$ 3,036,522	4.64% Increase
Golf Fund:	\$ 156,515	3.92% Increase
Community Marketing:	\$ 81,339	5.42% Increase
Road Use Tax Fund:	\$ 169,258	3.76% Increase
Water Pollution Control:	\$ 428,403	45.66% Increase
Water Dept	\$ 421,214	11.34% Decrease
Landfill Fund:	\$ 166,579	4.54% Increase
Storm Water Fund:	\$ 168,624	5.83% Increase
Total Across All Funds:	\$ 4,628,455	5.80% Increase

* Payplan was adjusted as in previous years according to Teamster raises

Summary of General Fund Increase in Wages

Police Union	\$ 109,935
Fire Union	\$ 77,201
Teamsters Union	\$ 14,060
<u>Pay Plan</u>	<u>\$ 134,578</u>
Total Projected General Fund Increase:	\$ 335,774

Percent of Salaries Compared to General Fund Budget:

FY25 Budget 57.74%

FY24 Budget 54.67%

FY23 Budget 49.54%

FY26 Partner Funding / HF718 / SF2442 and other FY26 Considerations

- City Council should start considering Partner Funding for FY26 and how that fits into FY26 and beyond budgets
- Staff continues to evaluate all the impacts of HF178 and SF2442 on City Budgets
- FY26 Residential rollback rate was announced on November 1st – it will be going up to 47.43%. FY25 rate was 46.34, which is an increase of 1.09% (rough number \$45,000 General fund increase)

All budget workshop presentations will be posted to the City of Newton's website under the Transparency page after the workshop.

Questions or Comments?