

Transmittal Letter - Proposed Budget

January 10, 2022

The Honorable Mayor and City Council Members
City of Oskaloosa
220 South Market Street
Oskaloosa, Iowa 52577



RE: FY2023 Proposed Budget and Tax Rate

Honorable Mayor and City Council Members:

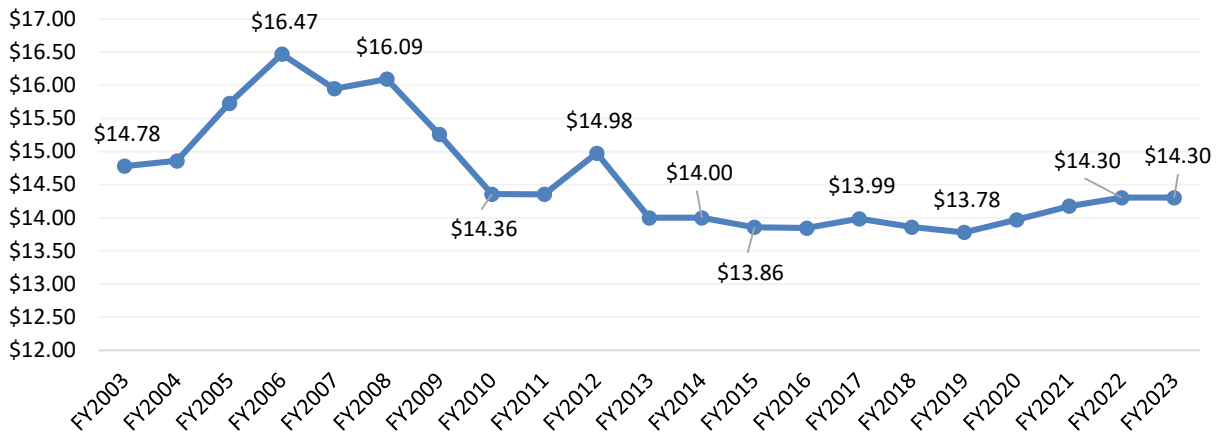
The city's administration is pleased to present the Fiscal Year 2023 (FY2023) recommended budget for the city of Oskaloosa. The budget provides the financial spending plan for all city funds and activities for the fiscal year beginning July 1, 2022 and ending June 30, 2023. The adoption of the budget is the single most important action taken by the city's elected officials each year. The budget authorizes resources and establishes direction for our services for the coming fiscal year. A highlight of the FY2023 budget is provided for you below and is based upon four city council priorities: A.) *maintain a safe community with sustainability*; B.) *improve critical road and utility infrastructure to meet existing and future needs*; C.) *improve the quality and availability of housing, and community amenities to help attract and retain the local workforce*; and D.) *improve community gateways and corridors to be more visually appealing and welcoming*.

Tax Rate Information

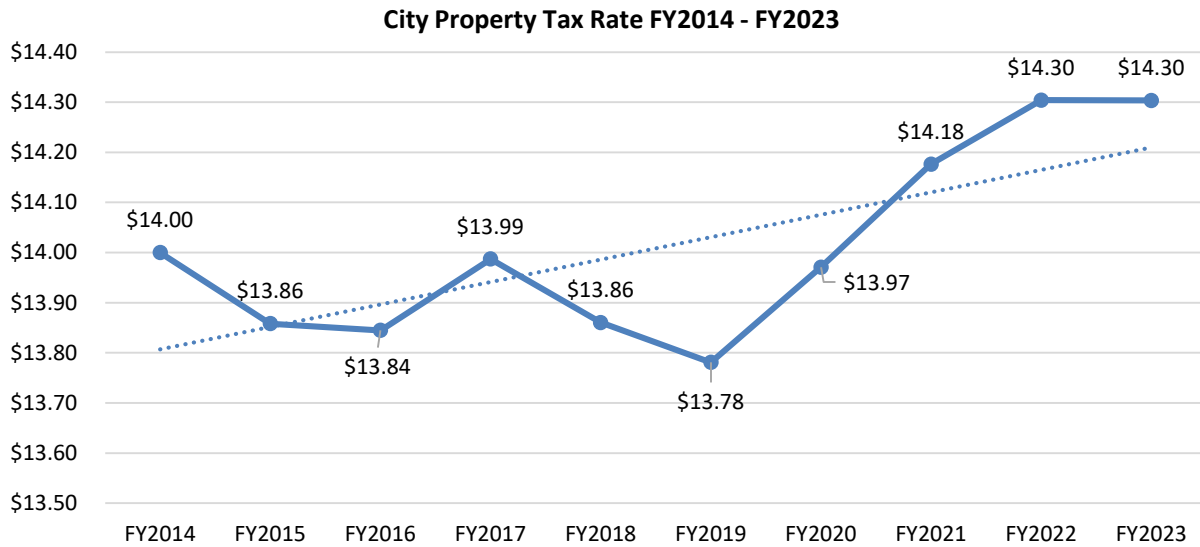
The FY2023 budget across all funds totals \$35,341,751, a decrease of \$10,463,387 or approximately 22.84% from the FY2022 amended budget. The city's General Fund operating budget (FUND 001 on the Projected Fund Balances report), accounts for \$6,092,076 of the total budget. This represents an increase of \$64,597, or 1.00% from the FY2022 amended budget. The FY2023 budget sets the city's tax rate at \$14.30365 per \$1,000 of taxable valuation, or a \$0.0004 decrease over FY2022.

Although the city's tax rate is proposed to remain flat next fiscal year, it is being pushed up and pulled down by several important factors; some temporary such as one-time savings associated with vacancies, and others not so temporary in the form of increased insurance costs and increased employee benefit costs. Significant growth in assessed and taxable valuation has also influenced the proposed FY2023 tax rate and kept it lower than projected during FY2022 budget discussions.

City Tax Rate FY2003 - FY2023



Transmittal Letter - Proposed Budget



An additional factor that influences property taxes paid each year by property owners is the State’s Assessment Limitation Order, or “rollback” rate. This year the rollback rate is set to decrease from 56.4094% to 54.1302%. The combination of the tax rate with the rollback rate means a residential property owner in Oskaloosa with a home assessed at \$150,000 or \$81,195.30 taxable valuation ($\$150,000 \times 54.1302\%$), can expect to pay approximately \$49.00 less in city property taxes over last year, a 3.35% decrease. That assumes the property’s assessed value remained the same from the previous year.

If the city’s property tax rate is adopted at \$14.30365 and assessed valuations for properties are constant, an assessed valued commercial property of \$250,000 can expect to see their city property taxes remain the same compared to the past year. An industrial property owner with an assessed value of \$1,000,000 can also expect to see their city property taxes remain the same over last year. Lastly, the newest property tax classification, multi-family, can expect to see a \$134.00 decrease in taxes paid over last year if the assessed value is \$250,000. The decrease is driven by the continuing decrease in rollback for the new classification due to the enacted property tax reform form of 2013.

City of Oskaloosa Property Tax Levy							
Residential Property Assessed Value - \$150,000							
Fiscal Year	Rollback	Actual Valuation	Taxable Valuation	City Tax Rate	City Tax Amount	Yearly Change	Percentage Change
2014	52.82%	\$150,000	\$79,230	\$14.00000	\$1,109	\$43.01	4.03%
2015	54.40%	\$150,000	\$81,600	\$13.85816	\$1,131	\$21.61	1.95%
2016	55.73%	\$150,000	\$83,600	\$13.84482	\$1,157	\$26.60	2.35%
2017	55.63%	\$150,000	\$83,439	\$13.98707	\$1,167	\$9.63	0.83%
2018	56.94%	\$150,000	\$85,409	\$13.86029	\$1,184	\$16.72	1.43%
2019	55.62%	\$150,000	\$83,431	\$13.78102	\$1,150	-\$34.02	-2.87%
2020	56.92%	\$150,000	\$85,377	\$13.97090	\$1,193	\$43.02	3.74%
2021	55.07%	\$150,000	\$82,611	\$14.17642	\$1,171	-\$21.66	-1.82%
2022	56.41%	\$150,000	\$84,614	\$14.30405	\$1,210	\$39.19	3.35%
2023	54.13%	\$150,000	\$81,195	\$14.30365	\$1,161	-\$48.94	-4.04%



Transmittal Letter - Proposed Budget

City of Oskaloosa Property Tax Levy							
Commercial Property Assessed Value - \$250,000							
Fiscal Year	Rollback	Actual Valuation	Taxable Valuation	City Tax Rate	City Tax Amount	Yearly Change	Percentage Change
2014	100.00%	\$250,000	\$250,000	\$14.00000	\$3,500	-\$1.50	-0.04%
2015	95.00%	\$250,000	\$237,500	\$13.85816	\$3,291	-\$208.69	-5.96%
2016	90.00%	\$250,000	\$225,000	\$13.84482	\$3,115	-\$176.23	-5.35%
2017	90.00%	\$250,000	\$225,000	\$13.98707	\$3,147	\$32.01	1.03%
2018	90.00%	\$250,000	\$225,000	\$13.86029	\$3,119	-\$28.53	-0.91%
2019	90.00%	\$250,000	\$225,000	\$13.78102	\$3,101	-\$46.36	-0.57%
2020	90.00%	\$250,000	\$225,000	\$13.97090	\$3,143	\$42.72	1.38%
2021	90.00%	\$250,000	\$225,000	\$14.17642	\$3,190	\$46.24	1.47%
2022	90.00%	\$250,000	\$225,000	\$14.30405	\$3,218	\$28.72	0.90%
2023	90.00%	\$250,000	\$225,000	\$14.30365	\$3,218	-\$0.09	0.00%

City of Oskaloosa Property Tax Levy							
Industrial Property Assessed Value - \$1,000,000							
Fiscal Year	Rollback	Actual Valuation	Taxable Valuation	City Tax Rate	City Tax Amount	Yearly Change	Percentage Change
2014	100.00%	\$1,000,000	\$1,000,000	\$14.00000	\$14,000	-\$6.00	-0.04%
2015	95.00%	\$1,000,000	\$950,000	\$13.85816	\$13,165	-\$834.75	-5.96%
2016	90.00%	\$1,000,000	\$900,000	\$13.84482	\$12,460	-\$704.91	-5.35%
2017	90.00%	\$1,000,000	\$900,000	\$13.98707	\$12,588	\$128.03	1.03%
2018	90.00%	\$1,000,000	\$900,000	\$13.86029	\$12,474	-\$114.10	-0.91%
2019	90.00%	\$1,000,000	\$900,000	\$13.78102	\$12,403	-\$71.34	-0.57%
2020	90.00%	\$1,000,000	\$900,000	\$13.97090	\$12,574	\$170.89	1.38%
2021	90.00%	\$1,000,000	\$900,000	\$14.17642	\$12,759	\$184.97	1.47%
2022	90.00%	\$1,000,000	\$900,000	\$14.30405	\$12,874	\$114.87	0.90%
2023	90.00%	\$1,000,000	\$900,000	\$14.30365	\$12,873	-\$0.36	0.00%

City of Oskaloosa Property Tax Levies							
Multi-Family Property Assessed Valuation - \$250,000							
Fiscal Year	Rollback	Actual Valuation	Taxable Valuation	City Tax Rate	City Tax Amount	Yearly Change	Percentage Change
2017	86.25%	\$250,000	\$215,625	\$13.98707	\$3,016	-	-
2018	82.50%	\$250,000	\$206,250	\$13.86029	\$2,859	-\$157.28	-5.21%
2019	78.75%	\$250,000	\$196,875	\$13.78102	\$2,713	-\$145.55	-5.09%
2020	75.00%	\$250,000	\$187,500	\$13.97090	\$2,620	-\$93.59	-3.45%
2021	71.25%	\$250,000	\$178,125	\$14.17642	\$2,525	-\$94.37	-3.60%
2022	67.50%	\$250,000	\$168,750	\$14.30405	\$2,414	-\$111.37	-4.41%
2023	63.75%	\$250,000	\$159,375	\$14.30365	\$2,280	-\$134.16	-5.56%
2024*	56.41%	\$250,000	\$141,025	\$14.30365	\$2,017	-\$262.47	-11.51%



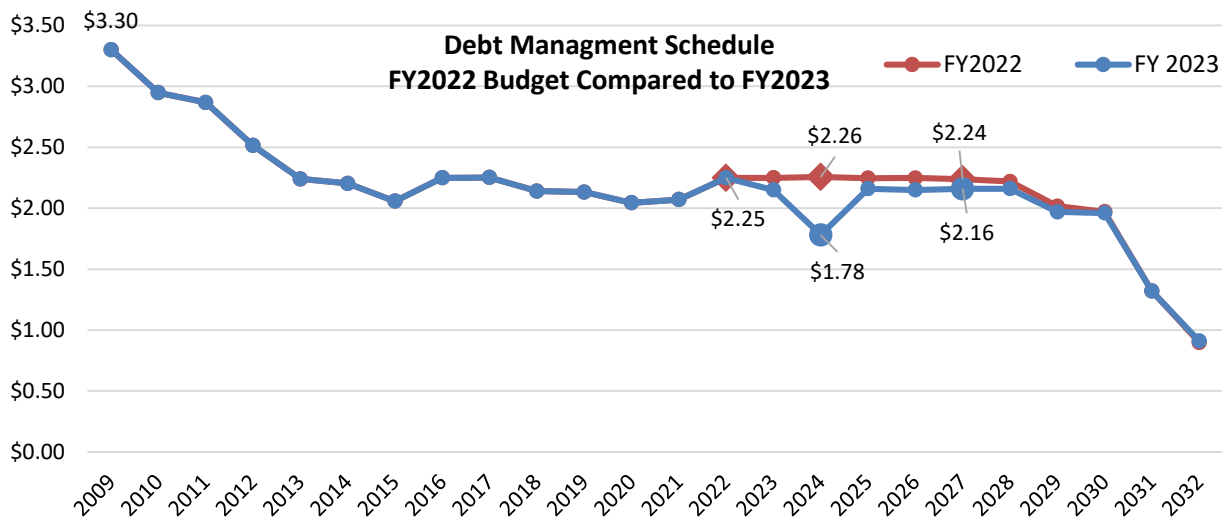
Transmittal Letter - Proposed Budget

Special attention should continue to be paid to the table presented on the previous page for multi-family properties. This classification was introduced with legislation passed known as SF295, or property tax reform. The bill enacted, amongst many things affecting property taxes, the creation of a new multi-family classification of properties that were once treated the same as commercial properties. Now, properties with three or more separate living quarters (apartments, retirement homes, etc.) are being assessed taxes at a reduced rate compared to previous years. The rollback applied to the taxable value decreases each year until the properties are taxed the same as residential properties in FY2024 and beyond. This change is projected to have a significant negative impact on property tax revenue received by the city with each passing year as the Legislature does not provide “backfill” through a standing appropriation (created in FY2015) for this classification as they do for commercial and industrial properties. The appropriation for commercial and industrial properties is also capped, which negatively impacts cities across the state of Iowa.

Debt Management (see debt tab)

As discussed during the FY2022 budget meetings, the city planned and moved forward with the Meadow Creek Subdivision Reconstruction project. As a result, this project added an additional \$1.8 million to the city’s outstanding General Obligation (G.O.) debt – debt that is backed by city property taxes. This brings the city’s current outstanding G.O. debt to \$17,430,000 during FY2023, and reduces the city’s available capacity to approximately \$6 million. The issuance of debt is a useful tool to complete priority community projects. Past projects funded with G.O. debt include the fire station renovation and expansion project, Lacey Recreation Complex road improvements, Meadow Creek road improvements and the refunding of previous debt from 2008 (Green Street reconstruction, and misc. capital equipment).

The city’s debt service levy is expected to decrease in FY2023 from \$2.25000 to \$2.19389. The FY2022 budget study session proposed borrowing in FY23. Due to remaining FY2021 bond funds of \$670,000 from the Meadow Creek Subdivision bonding has been push to FY2024. These funds will be used to complete Downtown Pavement Improvements. The rate is decreasing by nearly \$0.06, which is less than previously planned. The city’s increase in assessed valuation exceeded projections, and the debt service fund has accumulated fund balance, therefore the debt service rate is not proposed to increase to \$2.25 as previously planned. The debt service rate is projected to remain near \$2.16 or under for the next five years under the current debt management plan. It should be noted that the city retires debt at a pace of approximately \$1 million each fiscal year.

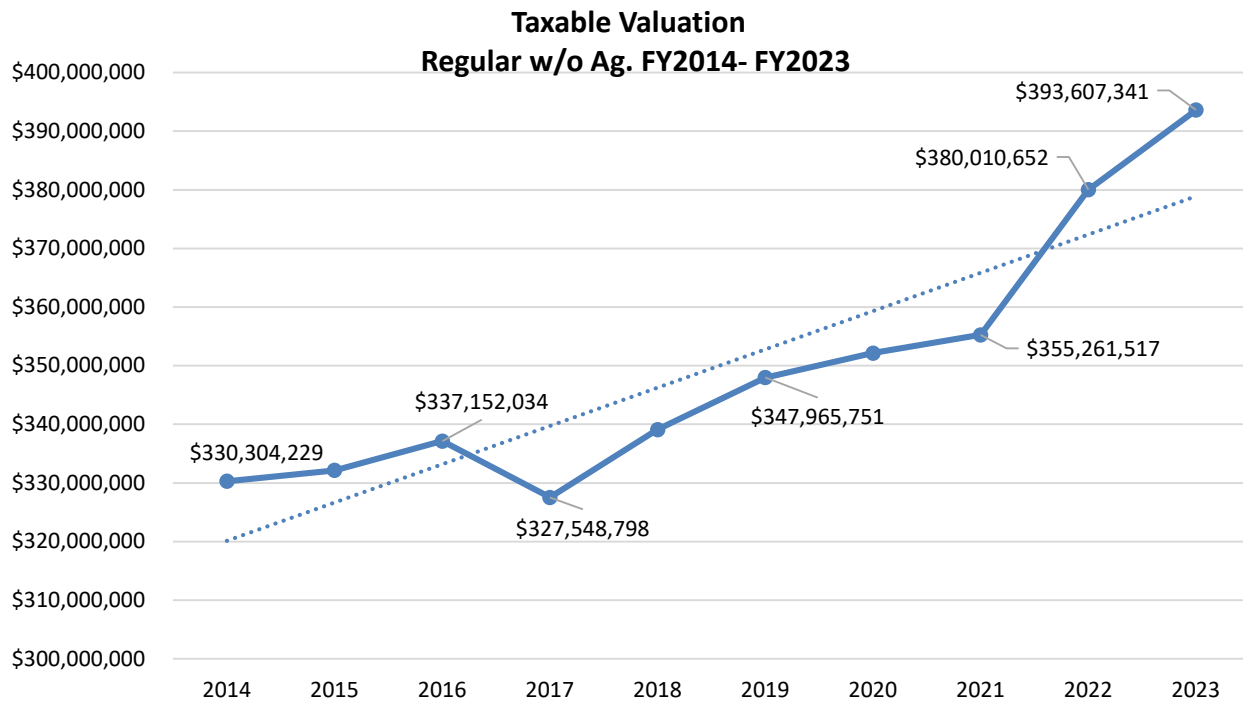


Transmittal Letter - Proposed Budget

The city’s previous issuance of debt for the YMCA project continues to be paid back with Local Option Sales Tax (LOST) proceeds each year, but that debt is also backed by the city’s property tax levy. As a result, that particular debt counts against the city’s total capacity, but will not impact the debt service tax rate unless there is a shortfall in LOST revenue and those funds cannot cover debt payments. Since issuing debt for the project, revenue collections for the city’s LOST have exceeded conservative projections. The additional funds in excess of projections are reserved for costs associated with the YMCA project and provide additional backstop in the event future collections do not meet projections.

Taxable Valuation

The FY2023 budget reflects an overall taxable valuation increase of 3.57% or \$13.60 million (see the chart below). Historically, the city averages taxable valuation growth of 2.70% based upon averages kept since FY1988. Growth in taxable value this year can be attributed to the following sectors; utilities (\$1 million), commercial (\$2.8 million), industrial (\$960,000), residential (\$9 million), and multi-residential (\$1.7 million) with industrial dropping (\$960,000), and an increase of tax increment tied to the city’s urban renewal plan. This growth occurred during a typical re-valuation year (occurs every two years on the odd year).



FY2023 is the seventh fiscal year of eight that the city must absorb the impacts associated with the 2013 property tax reform legislation - SF295, specifically the creation of the multi-residential classification for properties. The classification results in properties with three or more separate living quarters (apartments, retirement homes, etc.) being taxed at a reduced rate compared to previous years. The reduction in the multi-residential properties will continue until those properties are taxed the same rate or “equalized” to residential properties.

The impact associated with property tax reform legislation is anticipated to continue to place a strain on available resources within the city’s operating budget. The operating budget pays for services such as police, fire, library, street lighting, parks maintenance, pool, Forest Cemetery operations, Chamber support, animal shelter operations, and other general financial and administrative functions of the city.



Transmittal Letter - Proposed Budget

In addition to the property tax reform impact, the property tax “backfill” also tied with SF295 will be phased out over time with the last payment in FY2027. The property tax backfill provided by the State is used to offset (not make whole) the impact associated with reducing the taxable value of commercial and industrial properties from 100% of taxable value to 90%. The city is expected to receive about \$121,000 in backfill from the state in FY2023 and this amount will reduce each year until FY2027 with a final payment of \$52,090. The city is counting on receiving the backfill from the State, so when this revenue is eliminated, strategies will need to be implemented to reduce expenditures in the General Fund.

As previously mentioned, the city has experienced an increase in taxable value for FY2023, and as a result, could collect additional property tax revenue. If the proposed tax rate is approved, the increased revenue will further aid closing the gap of proposed expenditures exceeding proposed revenues. In addition to additional revenue, expenditures have been reduced through cost cutting measures in departments, holding positions vacant, and shifting expenses out of the General Fund. If the city’s growth moves back towards historic rates, and all vacant positions are filled, the city will ultimately experience a widening gap between revenues collected and expenses incurred within the General Fund. This is especially true since nearly all one-time expenditures of consequence have been shifted out of the General Fund and are now covered by other sources, such as Franchise Fees and LOST. This practice was initiated in FY2017 and is recommended to continue, as well as expand, during FY2023. Detailed information explaining how Franchise Fees and LOST funds are allocated during FY2023 can be reviewed in the Budget Notes document (Fund 007 and Fund 121). Discussing the correct balance of General Fund support, versus paying for expenses with Franchise Fees, and/or LOST will be evaluated each year by staff and the city council.

Utilization of the Urban Renewal Plan and Tax Increment Financing

The city council and community are utilizing an important tool for economic development – the city’s urban renewal plan and tax increment financing (TIF). Although the city’s original urban renewal area was created in 1978, the area and plan tied to it have been modified many times. The city council amended and restated the area with a plan in 2014, and again July 1, 2019 with Amendment #2. Upon that update, staff immediately went to work developing projects that have appropriately leveraged the urban renewal area and associated TIF resources. The following table depicts the city council’s most recent and selective use of the urban renewal plan and TIF resources.

Tax Increment Financing Utilization by Fiscal Year

Fiscal Year	2019	2020
Total Asking	\$ 199,670	\$ 292,841
Projects	Legal Services \$ 1,000 Demolition funds \$ 46,400 Façade Construction \$ 118,069 Cablevey \$ 4,000 Reserves at Ironwood Rebate \$ 30,201	Legal Services \$ 5,873 Façade Phase I Construction \$ 169,370 Cablevey \$ 4,000 Reserves at Ironwood Rebate \$ 11,418 Streetscape – light poles \$ 33,500 Façade Phase II Design \$ 31,800 Wayfinding signs - corridor \$ 36,880

Fiscal Year	2021	2022
Total Asking	\$ 400,359	\$ 230,010
Projects	Legal Services \$ 10,298 Cablevey \$ 4,000 Reserves at Ironwood Rebate \$ 25,381 Façade Phase II Construction \$ 100,000 Burrell Apt B Avenue West \$ 168,180 Water Main Project \$ 92,500	Legal Services \$ 1,485 Reserves at Ironwood Rebate \$ 37,884 Façade Phase II Construction \$ 115,468 Gateway Hotel Rebate \$ 75,173



Transmittal Letter - Proposed Budget

Fiscal Year	2023	2024
Total Asking	\$ 362,046	\$ TBD
Projects	Legal Services \$ 4,000 Reserves at Ironwood Rebate \$ 55,428 Mahaska Chamber \$ 45,000 Façade Phase III Construction \$ 98,832 Gateway Hotel Rebate \$ 158,786	Legal Services \$ TBD Reserves at Ironwood Rebate \$ 55,428 Façade Phase III Construction \$ 169,168 Gateway Hotel Rebate \$ 158,786 Mahaska Chamber \$ 45,000 Marje Addition Rebate \$ TBD Post Office Development \$ 139,000

Budget in Brief - FY2023 General Fund Revenues

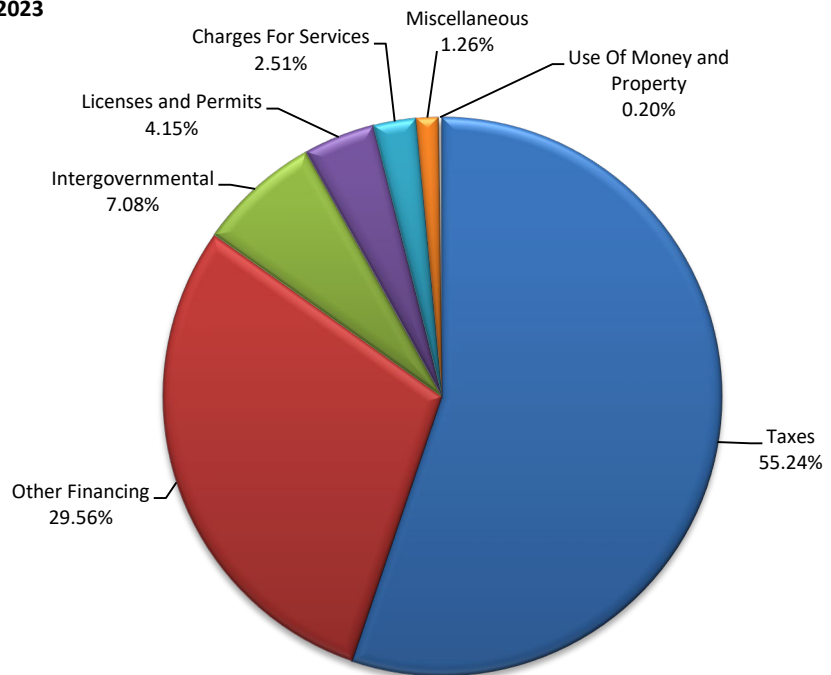
The FY2023 budget includes a total of \$5,783,057 General Fund operating revenue (Fund 001). This represents an approximate 4.15% increase, or \$230,449 in additional revenue compared to the FY2022 amended budget.

As expected, property taxes continue to be the primary source of General Fund revenue, and as a percentage of the whole, this fluctuates very little year over year. This is important to the being able to reliably predict how core services offered to the community will be funded.

The General Fund revenue category “Taxes,” which includes property taxes is projected to be the largest source of revenue growth/increase for the General Fund in FY2023. This is again due to increased assessed valuation for properties across the city previously discussed. All other General Fund revenue sources are projected to remain relatively flat and mirror FY2022 budgeted amounts.

PROPOSED GENERAL FUND REVENUE FY 2023

Taxes	\$ 3,194,450
Other Financing	\$ 1,709,685
Intergovernmental	\$ 409,632
Licenses and Permits	\$ 239,850
Charges for Services	\$ 145,000
Miscellaneous	\$ 73,040
Use of Money and Property	\$ 11,400
Total	\$ 5,783,057



Budget in Brief - FY2023 General Fund Expenditures

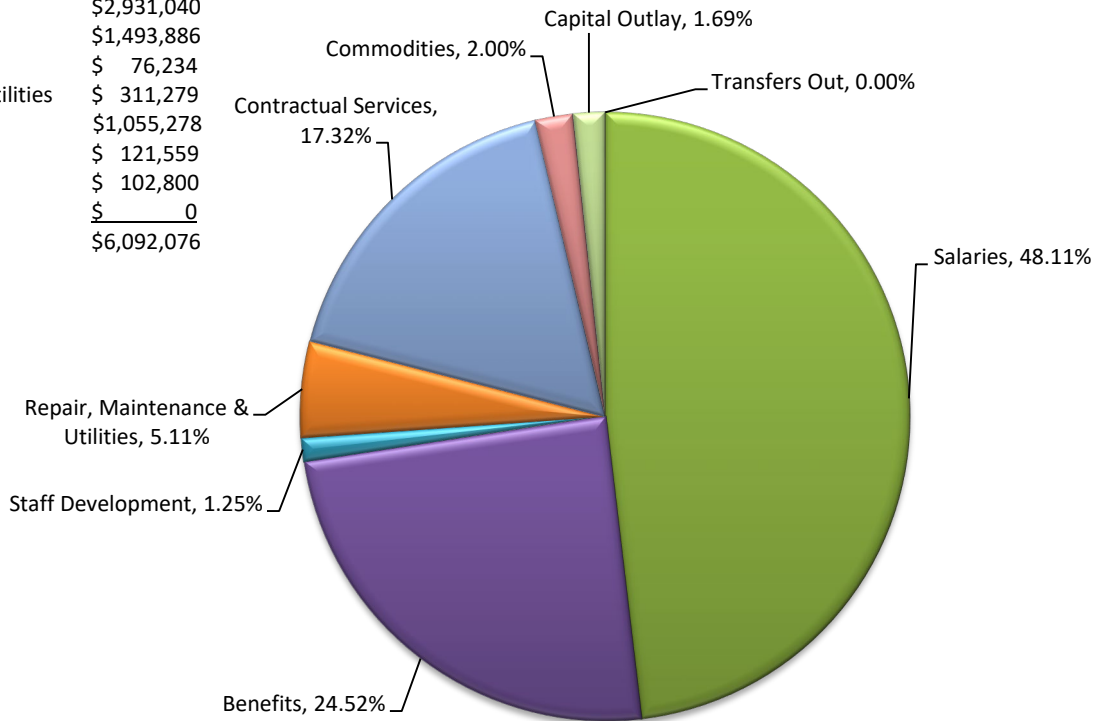


Transmittal Letter - Proposed Budget

The city’s FY2023 General Fund operating expenditures (Fund 001) are planned to total \$6,092,076 and represents an increase of 1.00%, or \$64,597 more than the FY2022 amended budget. FY2022 expenditures were originally anticipated to be \$5,737,748, but were increased during the budget amendment process to reflect the addition of 911 Services of \$208,134 (ongoing) and EMA dispatch services of \$274,812 (one time). The largest share of General Fund expenditures, as expected, continues to be employee salary, development, and benefit costs. These costs total \$4,501,160, or 73.95% of the total General Fund budget of \$6,092,076.

PROPOSED GENERAL FUND EXPENDITURES FY 2023

Salaries	\$2,931,040
Benefits	\$1,493,886
Staff Deveopment	\$ 76,234
Repair, Maintenance, Utilities	\$ 311,279
Contractual Services	\$1,055,278
Commodities	\$ 121,559
Capital Outlay	\$ 102,800
Transfers Out	\$ 0
Total	\$6,092,076



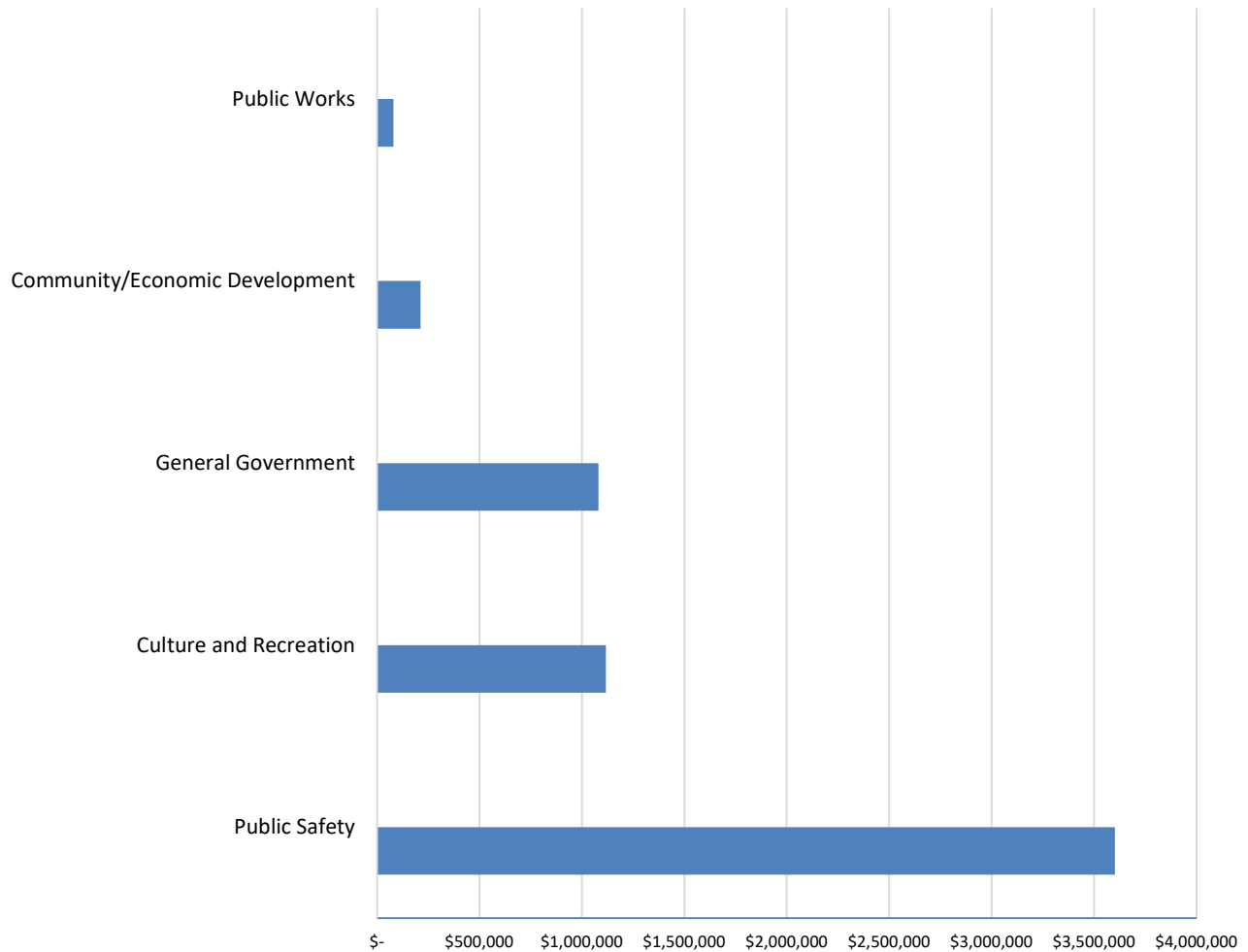
- | | | | |
|---------------------------------|--|-----------------|-----------------------------------|
| Salaries: | All wages | Commodities: | Supplies, copies, postage |
| Benefits: | All benefits, including uniforms and cell phones | Capital outlay: | Furniture, equipment and fixtures |
| Staff development: | Training/meetings | Transfers out: | Allocations to other funds |
| Repair, maintenance, utilities: | Vehicle/equipment repairs & utilities | | |
| Contractual services: | Insurance, printing/publication, professional services | | |

The FY2023 General Fund operating budget continues to be dominated by expenses related to providing a variety of public safety services to the community. Public safety expenditures, including police, fire, building inspection, code enforcement, animal control, and rental inspection account for 59% of all planned program expenditures within the General Fund, totaling \$3,600,907. The remaining 41% of the General Fund is approximately spread across other program areas such as Culture and Recreation (Cemetery, Library, Pool and Park Maintenance) 18%; General Government (Council, Legal, Finance, and Administration) 18%; Community Economic Development (Development Services and P&Z) 4%; and Public Works (streets and regional airport legal expenses) 1%.



Transmittal Letter - Proposed Budget

General Fund Expenditures by Program FY 2023



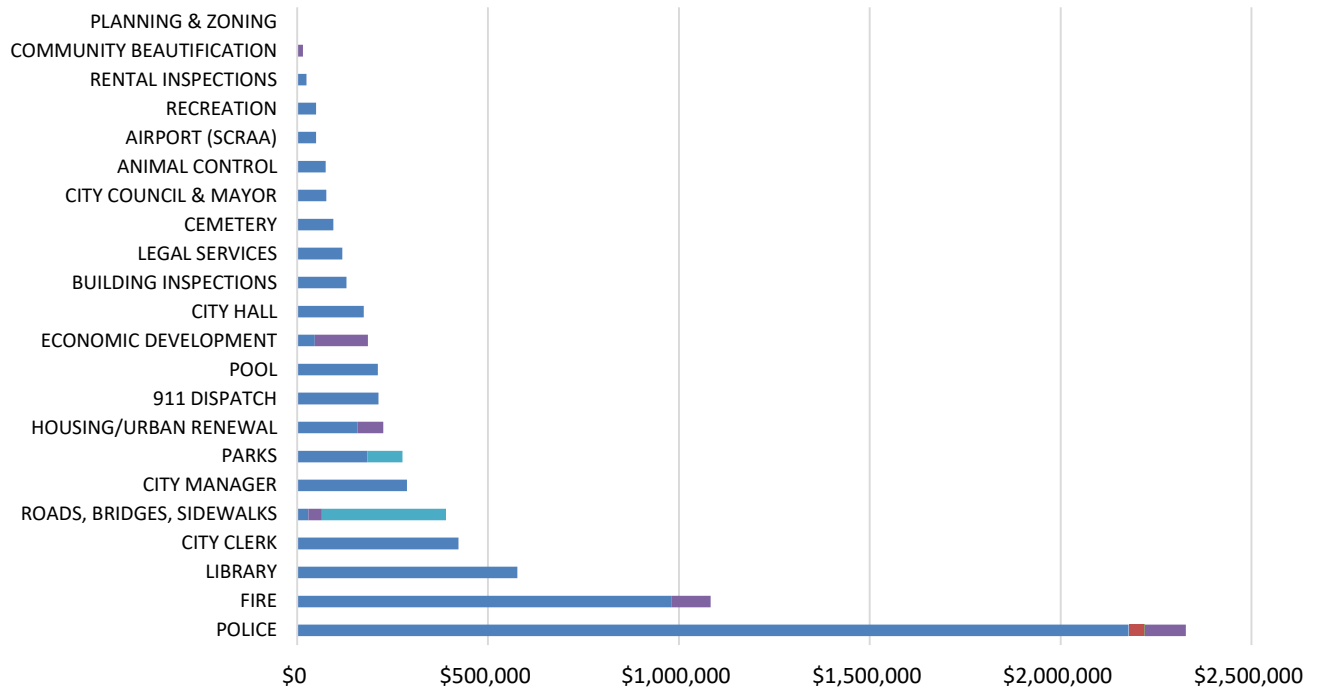
Public Works (Streets, Regional Airport)	\$ 80,000
Community/Economic Development (Housing, Planning and Zoning)	\$ 212,725
General Government (City Manager, City Council, City Clerk, Legal, Elections)	\$ 1,080,829
Culture and Recreation (Library, Parks, Pool)	\$ 1,117,615
Public Safety (Police, Emergency Management, Fire, Building Official)	<u>\$ 3,600,907</u>
	<u>\$ 6,092,076</u>

The following chart and table provide a more detailed breakdown of General Fund expenditures by department, along with expenditures from funds other than Fund 001, such as Equipment Replacement 003, Franchise Fees 007, or Local Option Sales Tax 121. This information shows a more realistic picture of the planned expenses for General Fund departments during FY2023, and the support they need to operate at existing service levels.



Transmittal Letter - Proposed Budget

FY 2023 General Fund by Activity: \$6,092,076
 FY 2023 with Additional Funding Sources: \$7,017,826



Department	Fund 001	Fund 003	Fund 007	Fund 121	Total
PLANNING & ZONING	\$2,100	\$0	\$0	\$0	\$2,100
COMMUNITY BEAUTIFICATION	\$0	\$0	\$15,000	\$0	\$15,000
RENTAL INSPECTIONS	\$24,431	\$0	\$0	\$0	\$24,431
AIRPORT (SCRAA)	\$50,000	\$0	\$0	\$0	\$50,000
RECREATION	\$50,000	\$0	\$0	\$0	\$50,000
ANIMAL CONTROL	\$75,000	\$0	\$0	\$0	\$75,000
CITY COUNCIL & MAYOR	\$76,984	\$0	\$0	\$0	\$76,984
CEMETERY	\$95,000	\$0	\$0	\$0	\$95,000
LEGAL SERVICES	\$118,500	\$0	\$0	\$0	\$118,500
BUILDING INSPECTIONS	\$129,111	\$0	\$0	\$0	\$129,111
CITY HALL	\$174,384	\$0	\$0	\$0	\$174,384
ECONOMIC DEVELOPMENT	\$51,750	\$0	\$139,000	\$0	\$190,750
POOL	\$211,757	\$0	\$0	\$0	\$211,757
911 DISPATCH	\$213,426	\$0	\$0	\$0	\$213,426
HOUSING/URBAN RENEWAL	\$158,875	\$0	\$67,200	\$0	\$226,075
PARKS	\$183,753	\$0	\$0	\$92,000	\$275,753
CITY MANAGER	\$287,822	\$0	\$0	\$0	\$287,822
ROADS, BRIDGES, SIDEWALKS	\$30,000	\$0	\$35,000	\$325,000	\$390,000
CITY CLERK	\$423,139	\$0	\$0	\$0	\$423,139
LIBRARY	\$577,105	\$0	\$0	\$0	\$577,105
FIRE	\$980,592	\$0	\$103,050	\$0	\$1,083,642
POLICE	\$2,178,347	\$42,000	\$107,500	\$0	\$2,327,847
TOTAL	6,092,076	42,000	466,750	417,000	\$7,017,826



Transmittal Letter - Proposed Budget

Fund Balance – General Fund

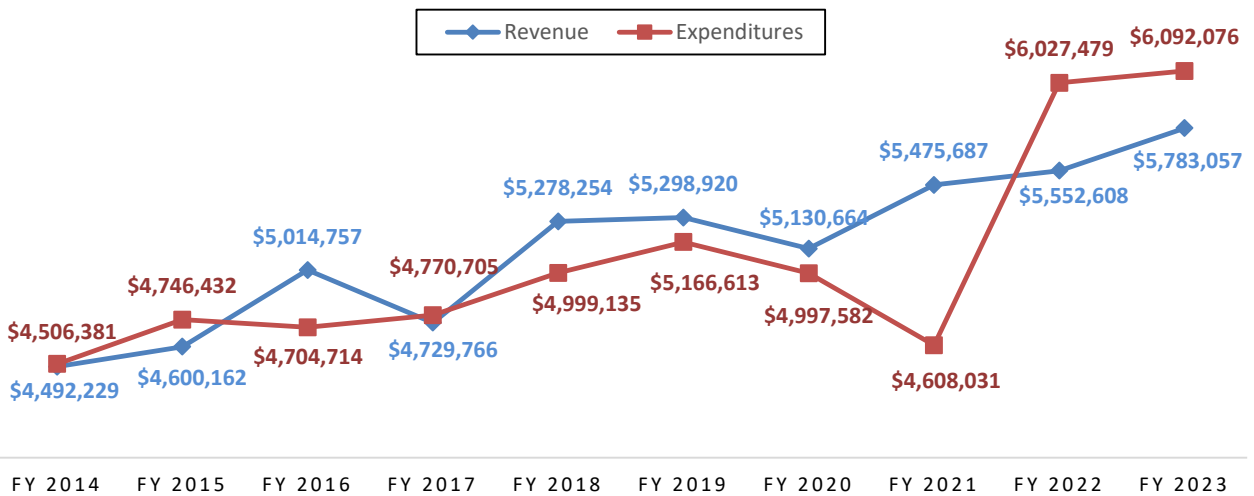
Consistent with the city council approved fund balance policy, the FY2023 budget includes reserves that exceed 25% of operating expenditures, despite expenditures exceeding revenues. Total available fund balance has accumulated over the past year as vacancies have been harder to fill, and equipment/projects are harder to complete due to limited supplies during the pandemic. Those savings are expected to be temporary as current vacancies will be filled to maintain existing service levels, and employee costs will continue to rise. In addition previously approved incentive agreement to redevelop the former Oskaloosa Post Office, and a previously approved Rebate Agreement for the Marje Subdivision will impact the city’s General Fund in the near future. The addition of 911 services were added to the FY2022 amended budget and will be an on going expense that will impact the General Fund. Therefore, staff recommends carrying additional fund balance in excess of adopted minimums, beyond FY2023.

Healthy General Fund operating balances protect the city’s financial integrity in the event of an emergency or unexpected change in revenues/expenditures that may occur in any given year. The FY2023 recommended budget sustains very strong fund balance levels exceeds minimums and provides the city council with additional financial flexibility as ongoing threats to the city’s General Fund continue to remain unresolved and operational questions, such as rising staffing costs, the future of the outdoor pool, and pending litigation are yet to be addressed. The total General Fund operating revenues for FY2023 are expected to be \$5,783,057 with total expenditures of \$6,092,076 (Fund 001), a projected unbalanced budget of (\$309,019).

Despite spending into the city’s fund balance, staff estimates the city’s General Fund ending balance on June 30, 2023 to be \$2,895,538; or 47.53%. This amount is sufficient for meeting unexpected shortfalls in revenues or demands on future resources – such as dips in taxable valuation, damaging storms throughout the year, COVID-19 impacts, or the previously mentioned operational, and intergovernmental items.

Maintaining strong reserve levels is also important as the city plans to issue debt for projects and equipment in the future, and the State of Iowa will no longer fund its’ commitment of property tax backfill after FY2027. Rating agencies closely evaluate fund balance levels as they consider assigning a bond rating to the community, and the city’s strong fund balance levels have positively impacted previous ratings resulting in lower interest costs for debt.

GENERAL FUND REVENUE VERSUS GENERAL FUND EXPENDITURES



Transmittal Letter - Proposed Budget

In future fiscal years, if General Fund revenues do not continue to rise to the same levels as projected for FY2023, or more General Fund expenditures are not shifted to other sources, city council and staff will need to consider further measures to reduce expenditures. This will be required to be able to present a balanced budget for approval in future fiscal years. If revenue increase options are not sought, cost cutting measures will affect services currently provided to the community, most likely in the form reduction in staff, but will be necessary to preserve adequate fund balance, and maintain the financial stability of the city.

Employee Wages and Benefits (paid by all Funds)

The FY2023 budget includes one additional staff; the reinstatement of the Public Works Director or City Engineer position. That position is funded by the Road Use Tax Fund, and the Wastewater Utility. This budget also includes the hiring of a human resource position for the second half of FY2023 to starting training and transitioning due to a retirement in FY24. This position is funded by General Fund. The budget authorizes a total of fifty-four (54) full time staff, eight (8) part time staff, and fifteen to twenty-five (15-25) paid on call fire reserves at any one time. Throughout the year, the city may have as many as one hundred (100) seasonal staff due to the Edmundson pool and the municipal band.

The FY2023 budget plans on a continuation of existing employee compensation and benefit programs as traditionally agreed upon with the city's three collective bargaining units. Beginning July 1, 2022 union employees and all non-union employees are scheduled and budgeted to receive a 2% increase except for police union scheduled for a 3% increase. The budgeted increase is in addition to a possible merit or "step" increase (approximately 5.0% annually) for employees that have not maxed out their established wage range. Most employee's reach the max of their wage range after five (5) years of continuous and successful service with the city.

Health insurance premiums are budgeted to increase 7.5% during FY2023. The increase is needed to stabilize the fund balance levels maintained by the city for its partially self-insured program. Nearly every employee of the city elects to take advantage of the city's insurance coverage that is offered - a 95% enrollment rate speaks highly of this benefit provided to the employees by the city. Employees will continue to pay 5% of their premium costs. This equates to an approximate contribution of \$104 per month for employees and \$1,982 paid for by the city for family coverage and \$43 per month for employees and \$823 paid for by the city for single coverage.

The FY2023 budget reflects a decrease in the contribution rate for the Municipal Fire and Police Retirement System of Iowa (MFPRSI), or "411 retirement" provided to the city's police officers and fire fighters. The city's contribution rate of covered wages for FY2023 will be 23.90% as compared to 26.18% in FY2022. The decreased cost for the system will be realized by the city while the employee's contribution stays capped at 9.40% of annual wages earned.

The FY2023 budget reflects no increase in the contribution rate for employees covered under the Iowa Public Employees Retirement System (IPERS). The city's contribution also remains the same for the upcoming fiscal year. Any increased or decreased costs associated with IPERS is split 60/40 with employees. The FY2023 contribution rate for the city regular class is 9.44% and the employee's share is 6.29% of covered wages. IPERS protective class rate for Fire Reserves remained the same at 9.31% for the employer and 6.21% for employees.



Transmittal Letter - Proposed Budget

Capital Improvement Plan and Projects

There are two basic approaches to funding capital projects. These are pay-as-you-go and pay-as-you-use. Pay-as-you-go means paying for the capital project out of current revenues at the time of expenditure. Pay-as-you-use means borrowing to finance the expenditure with debt service payments being made from revenues generated throughout the useful life of the project. The city of Oskaloosa uses a mix of financing approaches to fund capital projects. Capital projects are financed through bonds, reserves, grants, developer contributions and/or other governmental sources.

Based upon previous city council capital planning, the list of capital projects to be undertaken and largely continued during the FY2023 budget are oriented towards the city focus areas of: sewer infrastructure (funded through utility revenues/cash and SRF loans), recreation/amenities for workforce recruitment and retention (construction of the new YMCA project funded through G.O. backed Local Option Sales Tax Bonds), and road infrastructure (the downtown overlay project funded through remaining funds from the issuance of G.O. bonds in FY2021). This information can be reviewed in detail within the “Capital Improvements Program” and “Debt” tabs of the budget book.

Respectfully submitted,

Amy Miller
Interim City Manager

