



Administration

City of Oskaloosa

220 South Market Street Oskaloosa, Iowa 52577

[www.oskaloosaiowa.org](http://www.oskaloosaiowa.org)

# memo

April 17<sup>th</sup>, 2023

**TO: Mayor and City Council**  
**FROM: Amal Eltahir, City Manager**  
**RE: FY 2024 Budget Cover**

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Administration is pleased to present to you the Fiscal Year 2024 recommended budget for the city of Oskaloosa. The budget establishes a spending plan for all city funds for the fiscal year beginning July 1, 2023, and ending June 30, 2024, to advance city priorities. This plan has been developed following agreed upon guidelines, in service to long standing city council priorities, and in alignment with strategic focus priorities:

1. A need to be an attractive community with growing business and enhanced downtown and recreational opportunities.
2. The desire to be a collaborative community with emphasis on the overarching goal of government efficiency and effectiveness in service provision.
3. A growing need for the community to be prepared, safe, and healthy.
4. A need for growth in the tax base and encouragement of quality housing and infrastructure with emphasis on long-term community and financial sustainability.

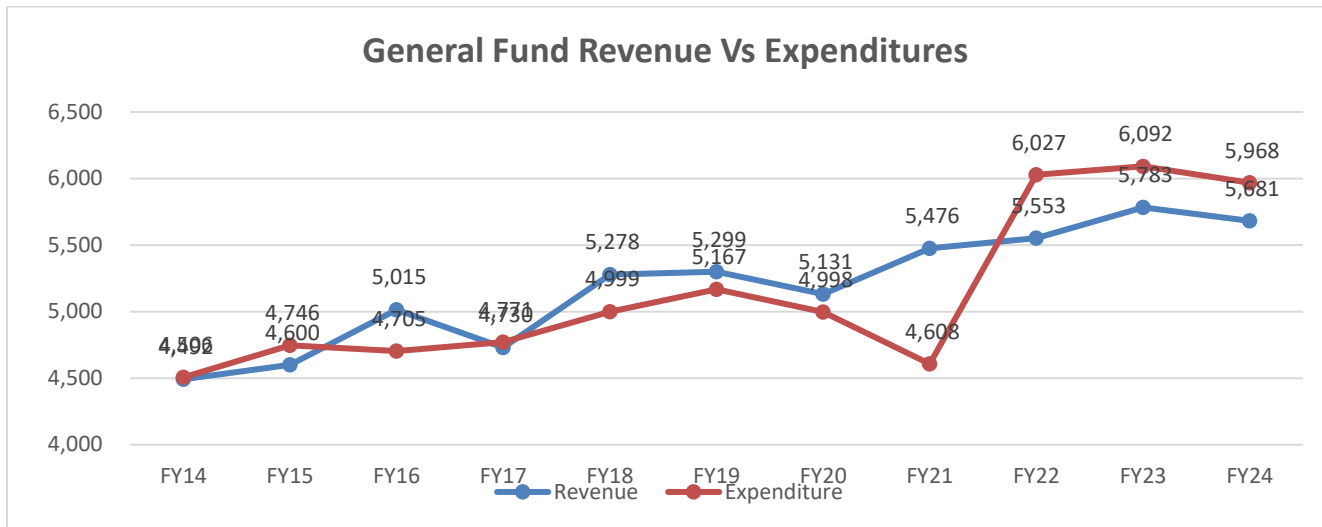
## **FY24 budget development guidelines:**

1. Present a balanced and sustainable budget that aids long-term sustainability.
2. Conservative revenue and expenditure forecasts to ensure and maintain financial health.
3. Maintain a healthy general fund reserve >35%, with a four-to-six-month operating reserve to support security & creditworthiness.
4. Finance Capital Improvement Plan in the most equitable and fiscally responsible way.
5. Enhance service delivery serving community sustainability.

The proposed FY2024 budget provides resources needed to enhance current service levels. Numerous factors have impacted revenues and expenses, including major changes to the property tax system and market conditions. This budget positions the organization to take an important step towards a better looking and sustainable future. Therefore, expenditure priority is given to the building blocks of government efficiency and effectiveness.

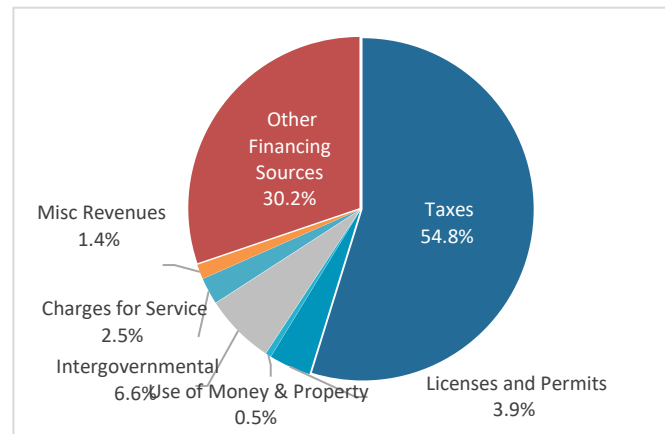
## FY2024 Tax Rate

The FY2024 budget sets the city's tax rate at \$ 15.62552 per \$1,000 of taxable valuation. Increase is predominately due to the need to fund the EMA and E911 services budget of \$513,000 with the new levy at \$1.33785. Historically, service was levied for by Mahaska County. In FY2022, the city used COVID relief money to support the service (EMA/E911) through a one-year 28E agreement funded as \$208,134 for 911 and \$274,812 for EMA. In FY2023, the city did not account for EMA and only budgeted for E911 just over \$200k that was feasible to accommodate because of savings in the General Fund, dipping into reserve. Overall, the rate is also being influenced by lack of growth in taxable valuation and increasing costs due to inflation and other market conditions. Lack of growth in taxable value this year can be attributed to the significant drop in commercial and industrial valuations due to the rollback and the reclassification of multi-residential properties. The increase in revenue is intended to structurally balance the budget by helping to close the gap of expenditures exceeding revenues that have been occurring since FY2022, as shown by the following chart.



## FY2024 General Fund Revenues

The FY2024 budget includes a total of \$5,681,426 General Fund operating revenue. 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. Other General Fund revenue sources are projected to remain relatively flat and mirror FY2023 budgeted amounts.

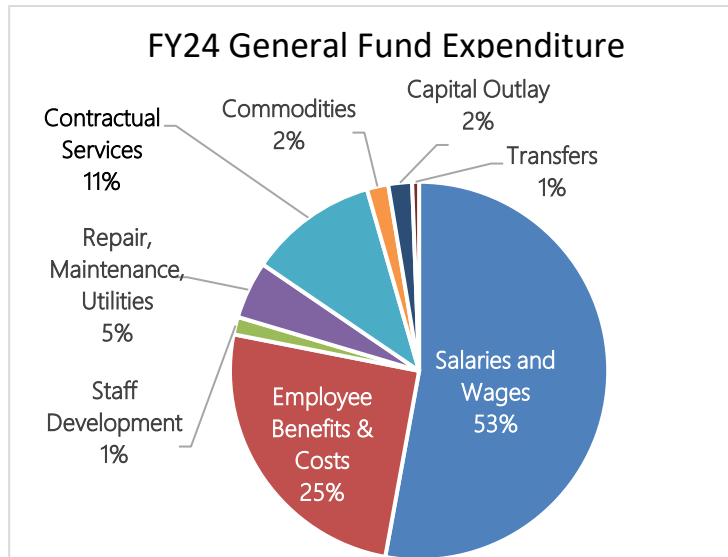


## FY2024 General Fund Expenditures

The city's FY2024 General Fund operating expenditures are planned to total \$5,967,624 and represents a decrease of 5%, or \$313,761 less than the FY2023 amended budget. This is due to expenses moving out of General Fund. Government is a service industry with staff being its greatest asset. As expected, the largest share of General Fund expenditures continues to be employee salary, development, and benefit costs. These costs total 79% of the total General Fund budget of \$5,967,624. This share is amplified when other expenditures are moved out of the General Fund.

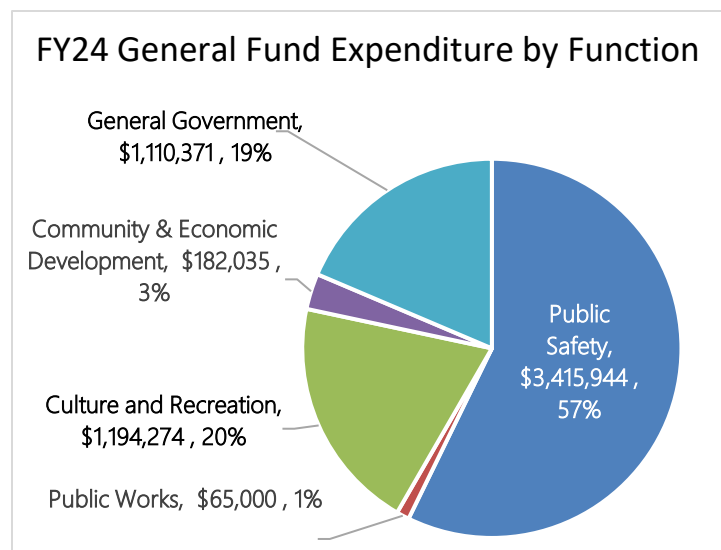
To maintain competitive salaries and benefits, a budgeted increase allowance sets the ceiling for individual salary increases. Typically, labor union salaries increase at a faster rate. This budget aims at maintaining staffing structure otherwise, rate variation creates wage compression between managerial and line staff in department with labor unions.

FY2024 General Fund operating budget continues to be dominated by expenses related to providing public safety services to the community. Public safety expenditures, including police, fire, building inspection, code enforcement, animal control, and rental inspection account for 57% of all planned program expenditures within the General Fund, totaling \$ 3,415,944. The remaining 43% of the General Fund is approximately spread across other programs such as Culture and Recreation (Cemetery, Library, Pool, and Park Maintenance) 20%; General Government (Council, Legal, Finance, and Administration) 19%; Community Economic Development (Development Services and P&Z) 3%; and Public Works (streets and regional airport legal expenses) at 1%.



## Fund Balance – General Fund

Consistent with the city council approved fund balance policy, the FY2024 budget includes reserves that exceed 25% of operating expenditures, despite expenditures exceeding revenues. The total available fund balance has accumulated over the past two years due to vacancies delays in projects. This budget sustains very strong fund balance levels exceeding minimums and providing additional financial flexibility. The total General Fund operating revenues for FY2024 are expected to be \$5,681,426 with total expenditures of \$ 5,967,624, a projected unbalanced budget of (\$286,198). Despite spending into the city's fund balance, staff estimates the



city's General Fund ending balance on June 30, 2024, to be \$2,807,327 or 47%. This amount is sufficient for meeting unexpected shortfalls in revenues or demands on resources. Maintaining strong reserve levels is also important for debt position. 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.

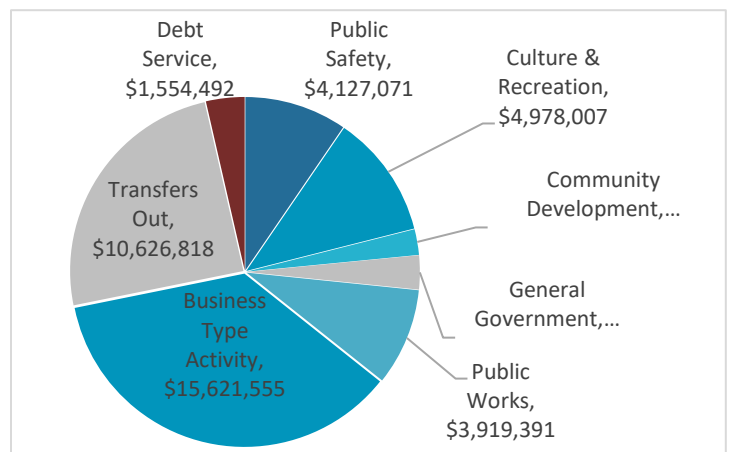
## Employee Wages and Benefits

The FY2024 budget includes two additional staff: Parks & Recreation Director, partially funded by Hotel/Motel Tax and Communication Coordinator position, funded by franchise fees. Throughout the year, the city may have as many as 100 seasonal staff due to the Edmundson pool and the municipal band. FY2024 budget plans on a continuation of existing employee compensation and benefit programs as traditionally agreed upon with the city's three collective bargaining units. Budgeted July 1, 2023, annual salary increases ceiling is set at 7%.

Health insurance premiums are budgeted to increase 5% during FY2024. The increase is 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. Employees will continue to pay 5% of their premium costs. This equates to an approximate contribution of \$109.45 per month for employees and \$2,079.55 paid for by the city for family coverage and \$45.45 per month for employees and \$863.55 paid for by the city for single coverage.

The FY2024 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 FY2024 will be 22.98% as compared to 23.90% in FY2023. 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 FY2024 budget reflects the same 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 FY2024 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.



Overall, the FY2024 requested budget across all funds totals \$43,234,239 with enterprise/business type activities making up a third of the budget. Changes from last year are due to budgeting for the full 911/EMA services cost, natural growth in salaries, changes in projects scheduling such as the recreation center and playground projects, inflation in commodities, insurance cost increase, and adding basic infrastructure needs.