



CITY OF MASON CITY

**Fiscal Year 2025
Budget Presentation**

IOWA

FISCAL 2025 BUDGET OVERVIEW

- **As Presented:**
 - The General Fund budget is balanced, with a projected 6/30/25 fund balance of \$6,500,000.00, or 43.74% of general revenues.
 - Property Tax levy is slightly down at \$13.98329/\$1,000 valuation.
 - We are showing a 4.25% increase in base wages for non-union.
 - Net of transfers, General Fund spending is up \$178,805.11 (1.22%).
 - Transit has been split out into a new Fund 080, a sub-fund of the General Fund.
 - We have included a 2.5% increase in health premiums at 7/1/24.



FISCAL 2025 BUDGET OVERVIEW

- **As Presented (Continued):**
 - Funding is included for all FY25 proposed CIP projects. Total capital projects are estimated at \$31.7 million.
 - Total budgeted expenditures are estimated at \$88.4 million excluding transfers between funds, as compared to \$118.9 million re-estimated expenditures in FY24.
 - Rate increases for Water and Sanitation are as presented in the five-year rate plan approved by Council in 2022. Sewer includes proposed changes needed for FY25, FY26, & FY28 to allow for nutrient reduction improvements. Implementation of a new Storm Sewer rate structure is being examined.



GENERAL FUND BUDGET

- Overall:
 - Revenues: \$14,860,167.53
 - Expenditures: \$14,860,167.53
 - Estimated balance at 7/1/24: \$6,500,000.00
 - Estimated balance at 6/30/25: \$6,500,000.00
 - Fund balance remains strong and stable at 43,74% of budgeted revenues. All fund balance shown is undesignated.
 - Continued State of Iowa attacks on tax base and capacity to levy are a major concern. FY25 is the beginning of the new HF718 regime, which seeks to ratchet down tax levies over time. Mason City is unaffected by a levy adjustment this year. The State's keeping of its commitment to backfill the massive Business Property Tax Credit is highly questionable in future years, and yet more draconian revenue reductions are likely in future legislative sessions.
 - Other challenges include large increases in general insurance and the construction bid environment. General insurance premium in FY22 was \$435,623 and is now \$847,178.



GENERAL FUND BUDGET

- Funding is included for the following new/revised positions:
 - Police & Fire- vacant positions
 - Mayor/Council pay- we have included the pay levels in the ordinance adopted last year.
 - Human Resources- we have budgeted for a new position that will serve as electronic records coordinator for the City, process and scan items for electronic records purposes, and handle clerical and reception duties.
- We have budgeted for the reduction of one position (Youth Task Force) due to lower grant funds available. The City general fund subsidy is still projected to be elevated for FY25, but to return to the historical level in FY26.



TRANSIT FUND 080

- Transit has been traditionally included in the primary General Fund 010; however, there are several reasons to change this:
 - Accountability for State and Federal grant funds.
 - Implement Transit Levy and keep separate accountability for property tax subsidy (i.e., don't use general levy for transit since a separate dedicated levy is available).
 - Better budget for bus replacement; set aside funds without affecting the undesignated balance in GF010.
 - With post-COVID reduction in transit funding match percentage, transit will need to be subsidized in future years, while it has been more or less self-sustaining for the last several years.
- We also have significant impacts this year because of increases from NIACOG in joint facility operations (est. \$48,950 increase) and shop charges (est. \$40,000 increase).
- Transit levy can be implemented this year at \$0.23557/\$1,000 (maximum by law is \$0.95) without raising our overall levy.



General Fund Budget Detail by Department

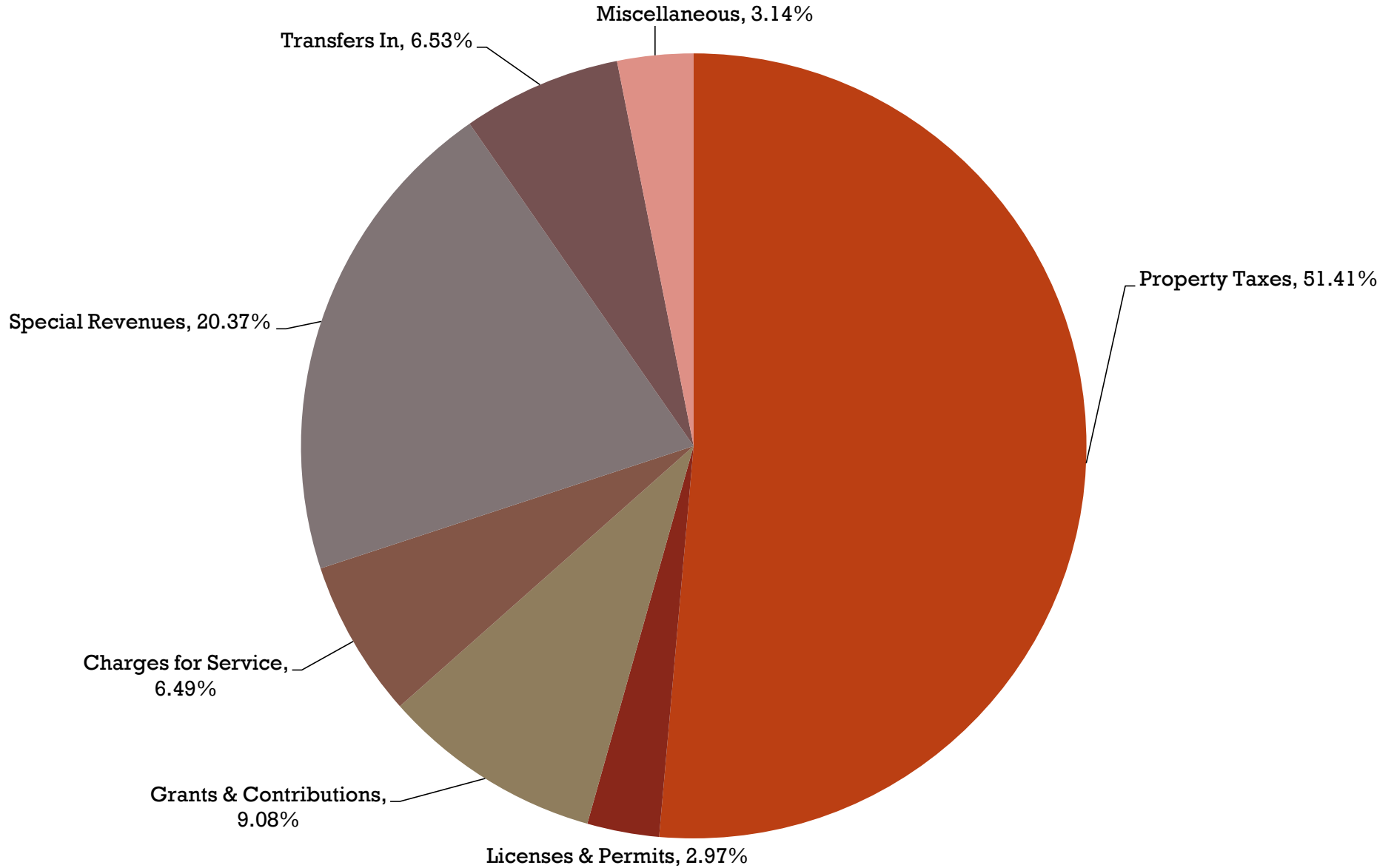
	Proposed	Proposed	Vs. FY24	
<u>Department</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>XP % Change</u>	<u>Notes</u>
Police	261,664.00	7,175,010.92	-1.13%	Vehicle purchases now in Fund 015
Fire	71,900.00	3,878,586.84	5.88%	Increase driven by employee costs
Dev Services & Safety	371,500.00	1,093,335.99	-0.95%	
Engineer	28,300.00	564,068.62	1.54%	
Street	31,206.00	19,400.00	10.54%	
Human Rights & Clerk	48,225.00	108,855.20	-11.78%	Non-election year
Youth Task Force	141,113.00	187,851.11	-19.44%	Reduce one position & Director stays unfilled
General Gov't	275,000.00	992,163.04	4.04%	Council pay, other wage increases & legal costs
Finance	13,631,259.53	491,694.61	1.12%	
Human Resources	-	349,201.20	22.33%	Electronic records/clerical new position
Total	14,860,167.53	14,860,167.53	1.22%	

General Fund Operating Sub-Fund Details

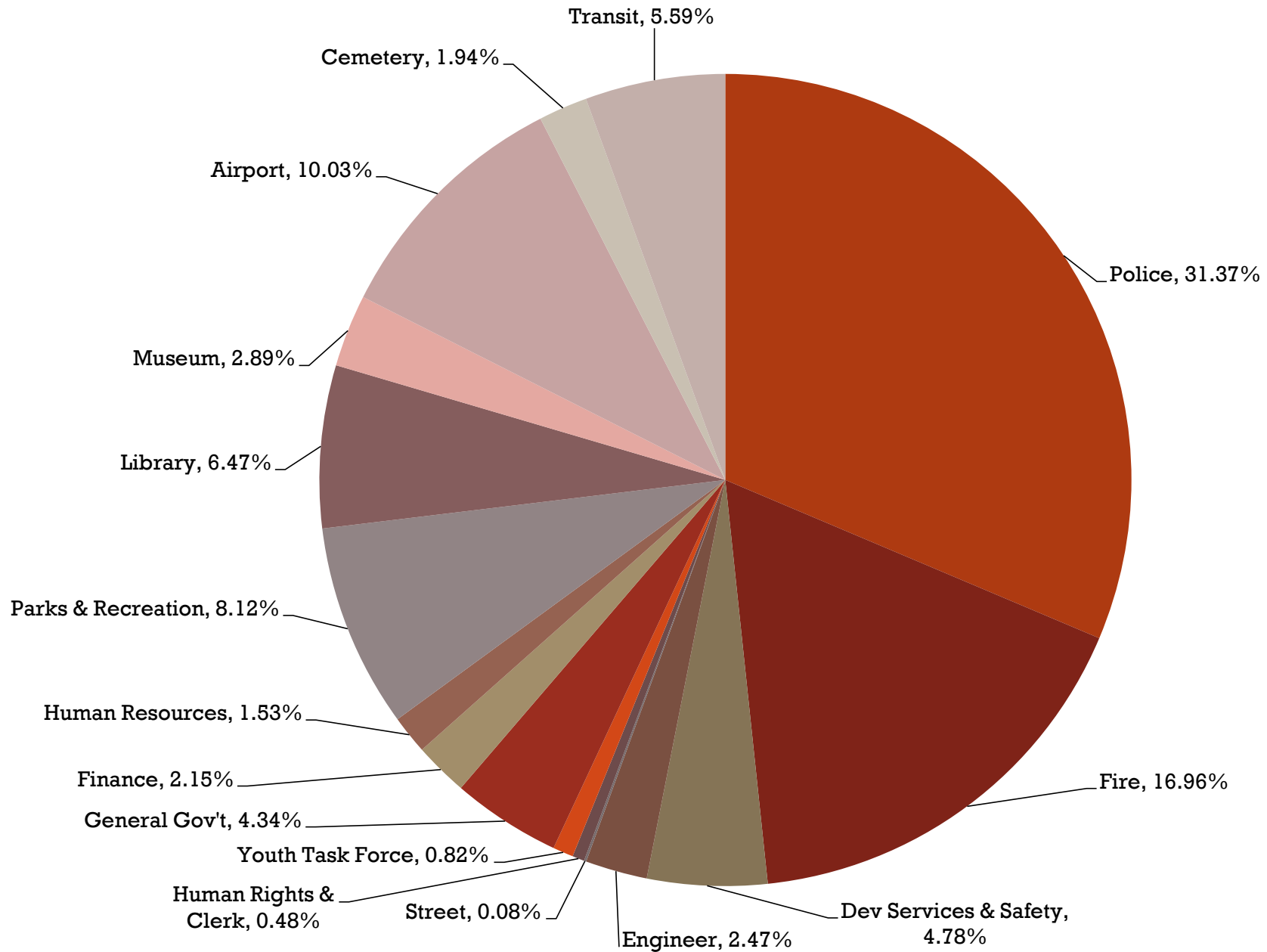
	Property	Non-PT RV	Proposed	Vs. FY24	
				<u>XP %</u>	
<u>Department</u>	<u>Tax RV</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Change</u>	<u>Notes</u>
Recreation	1,083,666.70	712,482.84	1,857,065.64	3.05%	
Library*	1,234,098.85	171,500.00	1,479,205.82	6.05%	Projected wages & benefits
Museum	393,721.34	266,495.00	660,450.20	2.20%	
Airport	364,519.80	531,965.73	2,293,758.15	61.14%	Transfers to Terminal Project
Cemetery	210,056.03	234,000.00	443,758.46	5.29%	
Transit	311,250.99	966,290.44	1,277,541.43	23.11%	NIACOG Increases
Total	3,597,313.71	2,882,734.01	8,011,779.70	29.52%	

* \$0.14/\$1,000 Library Levy was eliminated by HF718, so that revenue is now shown in the property tax column.

General Revenues by Type, FY25 Budget



City of Mason City: General Fund Expenditure Share by Dept- FY25



TAX RATE COMPARISON: CURRENT VS. PROPOSED

	FY24	FY25
General/CGFL	8.10000	8.51000
Library*	0.14000	
Emergency*	0.27000	
Trust & Agency	2.33362	2.07393
Transit		0.23557
Tort Liability	0.23908	0.39637
Debt Service	2.90530	2.76742
City Rate	13.98800	13.98329

* Library and Emergency levies were eliminated by HF718 and added to 8.10 levy to create a new "Combined General Fund Levy"



PROPERTY TAX VS. COMPARABLES

Entity	FY25 Taxable Valuations	FY24 City Rate (\$/1000)	FY24 Consolidated Rate (\$/1000)
Mason City	1,350,389,618	13.98800	36.21995
Clinton*	1,099,970,662	15.33780	46.02068
Burlington	903,707,324	15.43637	39.68654
Marshalltown	1,052,561,594	16.00000	40.96158
Muscatine**	1,103,139,089	15.67219	36.80354
Ottumwa	747,557,269	21.20106	46.71682
Fort Dodge***	930,133,349	20.73786	48.75134

* Clinton has gas & electric franchise fees; ** Muscatine has a gas franchise fee; *** Fort Dodge proposes to implement gas & electric franchise fees in FY25.



OUTSIDE ENTITY FUNDING

Hotel/Motel Tax	FY24	FY25	FY25	
<u>Grantee</u>	<u>Approved</u>	<u>Requested</u>	<u>Proposed</u>	<u>Public Purpose</u>
Visit Mason City (45%)	382,500.00	360,000.00	360,000.00	Promote Tourism
MC Youth Baseball	10,000.00	10,000.00	10,000.00	Promote Tourism
North Iowa Corridor*	180,000.00	0.00	0.00	Promote Economic Dvpt
Main Street MC	42,500.00	47,500.00	42,500.00	Promote Tourism & Ec Dvpt
Senior Center	15,000.00	15,000.00	15,000.00	Promote Community Vitality
RC Sculptures	15,000.00	15,000.00	15,000.00	Promote Tourism
NI Events Center	10,000.00	10,000.00	10,000.00	Promote Tourism
NIACC Pappajohn	10,000.00	10,000.00	10,000.00	Promote Economic Dvpt
Northern Lights Homeless Shelter		?	0.00	
RCR Debt Transfer		70,000.00	70,000.00	Promote Economic Dvpt
Recreation	80,000.00	80,000.00	80,000.00	Support City Programming
Building Renov/Life Safety (BuRLS)		27,500.00	27,500.00	Promote Economic Dvpt
Downtown Revitalization Loan (DoRL)		160,000.00	160,000.00	Promote Economic Dvpt
	745,000.00	830,000.00	800,000.00	Projected RV= \$800,000.00
TIF				
North Iowa Corridor*		185,000.00	185,000.00	*Now TIF/was approved in December



LOCAL OPTION SALES & SERVICE TAX (LOSST)

- Revenues:
 - FY23 Actual Receipts: \$6,716,100.98
 - FY24 Projected Receipts (as of 12/31/23): \$6,806,828.36
 - FY24 Re-Estimate for Budget Purposes: \$6,400,000.00
 - FY25 Proposed Budget: \$6,400,000.00
- Proposed Uses for FY25:
 - General Fund/Tax Relief: \$4,161,000.00
 - General Capital Projects Fund 015: \$422,125.00
 - Debt Service: \$919,823.00
 - LOSST Capital Projects Fund 325: \$610,000.00
 - Operational Support for Golf Fund 650 & Arena Fund 670: \$144,743.26



EMPLOYEE HEALTH INSURANCE BUDGET

- Revenues: \$5,831,682.43
- Expenditures: \$6,229,000.00
- Projected FB @ 7/1/24: \$2,547,276.89
- Projected FB @ 6/30/25: \$2,149,959.32
- Rate Increase of 2.5% at 7/1/24

Premium Contributions for FY25

- Retirees: \$61,303.13 (100% of applicable premium)
- Employees: \$909,329.82 (Transitioning to 20%*)
- City: \$3,439,106.17 (Transitioning to 80%*)

* Except for Police Union- 18% share for FY25



ROAD USE TAX FUND

- ▶ Revenues: \$3,840,440.00
- ▶ Expenditures: \$4,506,141.08
- ▶ Projected FB @ 7/1/24: \$1,729,563.46
- ▶ Projected FB @ 6/30/25: \$1,053,862.37
- ▶ We have had significant drawdowns in the fund for capital projects such as 122 Mercy and the HOME grant infrastructure. Fund balance at 6/30/25 is about as low as it should go.
- ▶ We anticipate very modest Road Use contributions to projects in the FY25-FY29 CIP, and this fund will not be available to help with any unbudgeted or higher-than-expected costs for several years as we rebuild fund balance.



DEBT SERVICE FUND

- Total debt service payments for year: \$9,127,400.
- Planned Debt Issuance:
 - We expect a 2024 General Obligation issuance for \$12.8 million, with payments to begin in FY25.
- Total DS Levy responsibility: \$3,737,094.
- Total levy requested is 2.76742, about halfway in between the FY23 and FY24 levies and within our policy range.
- We project to be at 64.09% of our legal debt limit at year-end. Our self-imposed limit is 70% of the legal debt limit, with the goal over the next few years being to stabilize debt at about 50% of the legal limit. We currently project to be down to 50% of debt limit at 6/30/32, with allowance for future annual issuances.



WATER FUND BUDGET

- ▶ Water Operating 600:
 - ▶ Revenues: \$7,904,570.51
 - ▶ Expenditures: \$8,132,082.32
 - ▶ Projected FB @ 7/1/24: \$1,995,817.93
 - ▶ Projected FB @ 6/30/25: \$1,768,306.12
 - ▶ Year 3 of 5-year rate plan- 2.5% increase.
- ▶ Water Capital Projects 603:
 - ▶ Revenues: \$6,905,000.00
 - ▶ Expenditures: \$7,020,000.00
 - ▶ Projected FB @ 7/1/24: \$1,249,325.73
 - ▶ Projected FB @ 6/30/25: \$1,134,325.73
- ▶ Water Sinking 605: We are currently debt-free.



SEWER FUND BUDGET

- **Sewer Operating 610:**
 - Revenues: \$6,179,299.60
 - Expenditures: \$6,653,896.17
 - Projected FB @ 7/1/24: \$784,221.75
 - Projected FB @ 6/30/25: \$309,625.18
 - We are putting the maximum draw advisable on the fund to limit the initial rate effect for the nutrient reduction & lift station improvements. The proposed rate adjustments will restore this fund balance to an appropriate level while covering the cost of those improvements.
- **Sewer Capital Projects 613:**
 - Revenues: \$2,352,500.00
 - Expenditures: \$2,346,500.00
 - Projected FB @ 7/1/24: \$433,086.70
 - Projected FB @ 6/30/25: \$439,086.70
- **Sewer Sinking 615: \$843,320 in payments for 2009 SRF loan.**



NUTRIENT REDUCTION & LIFT STATION PROJECTS

- As discussed in the CIP workshop, we have 2 major projects needing sewer funding in the near term, and the current construction estimates were not built into the rate model adopted in early 2022.
- These projects are:
 - Water Reclamation Nutrient Reduction: \$27.7 million
 - 43rd SW Lift Station: \$3.8 million
- It is proposed that both be funded through State Revolving Fund loans. The City can borrow for 20 years at a 2% interest rate.
- Funding the projects will require significant sewer rate increases that may induce initial “sticker shock”, but we believe can be accomplished while keeping Mason City’s rates below average for combined water/sewer bill for the long term.
- As discussed on the following slides, larger increases on usage and smaller increases on base rate are deemed more equitable by staff, as the impetus for nutrient reduction is mostly due to commercial/industrial discharges and our current rate schedule is weighted toward base rate charges.



SEWER RATE ADJUSTMENTS

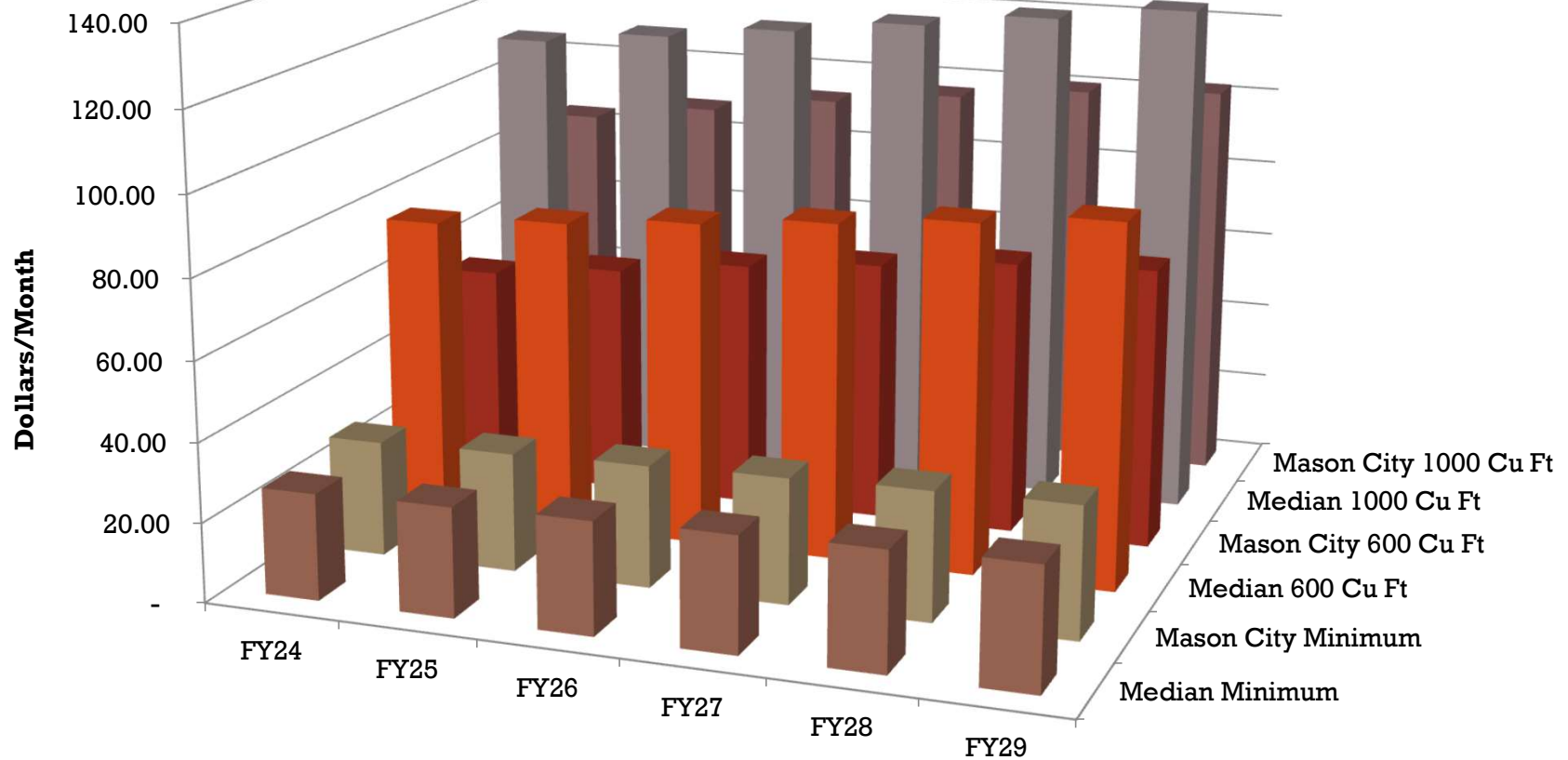
- We use the annual study produced by the City of Ames to guide our rate recommendations. Ames surveys around 40 entities in communities of 10,000 and more across the state.
- Mason City currently has slightly above average rates for minimum sewer bill, but extremely below average rates for the larger users. For every rate tier above minimum usage, our rates are below average and we want to stay there.
 - Therefore, we recommend keeping the base rate adjustments for sewer at the same rate currently in ordinance.
 - However, this means significant percentage increases for usage beyond the base rate. We recommend the following schedule for usage (a similar increase to FY27 will likely be needed in FY28):

Rate Type	FY25	FY26	FY27
Base (Currently in Ordinance)	3.50%	3.50%	3.50%
Usage	22.50%	22.50%	12.00%



Residential Water + Sewer Rates, Cities in Iowa 10,000+

Projections Based on Ames Rate Survey, February 2023 & MC Proposed Rate Changes Jan. 24



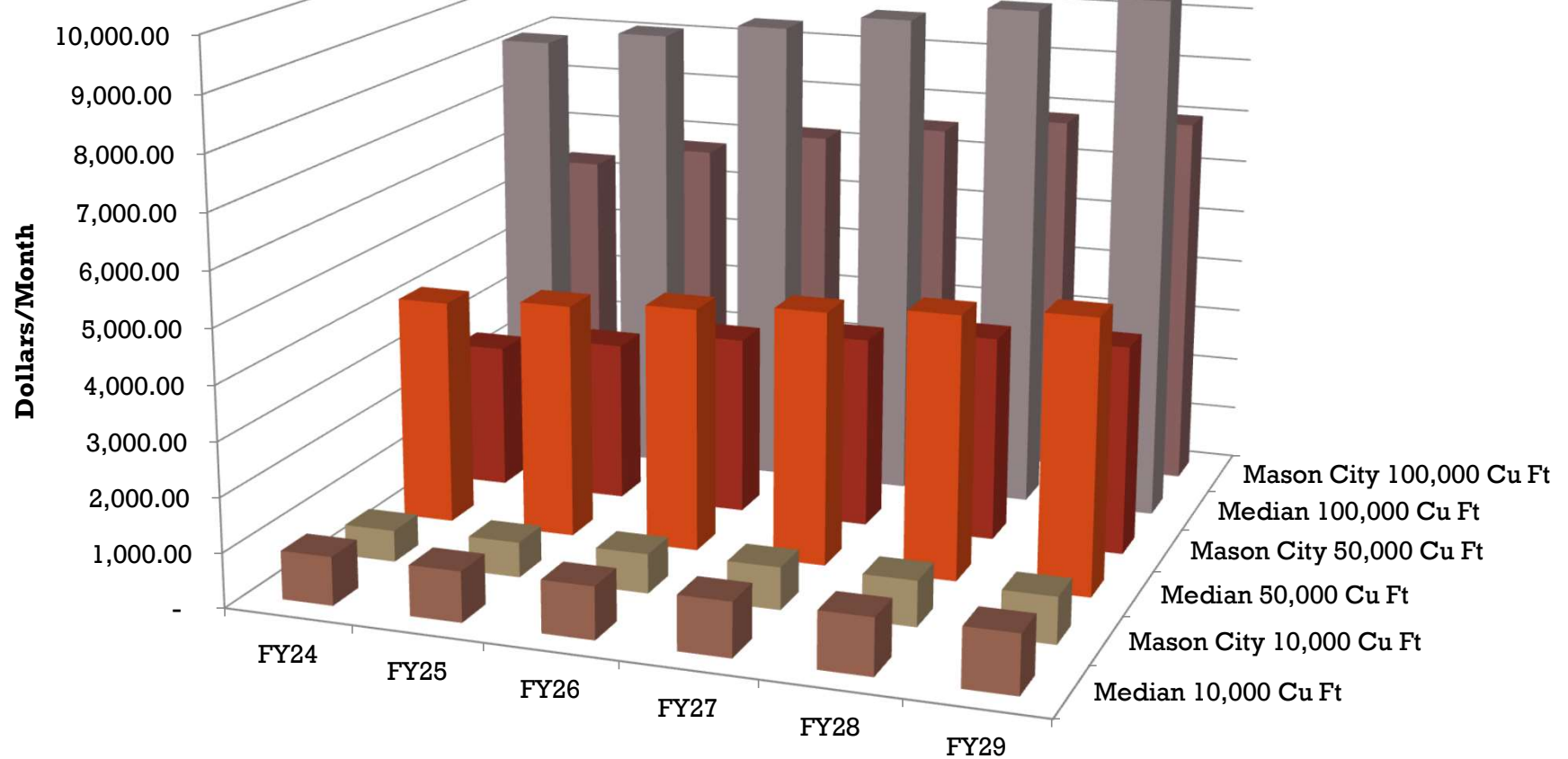
	FY24	FY25	FY26	FY27	FY28	FY29
■ Median Minimum	26.81	27.55	28.32	29.10	29.91	30.74
■ Mason City Minimum	29.12	29.96	30.83	31.72	32.57	33.19
■ Median 600 Cu Ft	76.86	79.60	82.45	85.41	88.49	91.69
■ Mason City 600 Cu Ft	55.34	59.00	63.24	66.49	69.94	71.39
■ Median 1000 Cu Ft	111.55	115.02	118.59	122.27	126.06	129.96
■ Mason City 1000 Cu Ft	83.90	88.42	93.16	96.87	100.53	102.49

Assumes comparison communities will increase Water rates at 2.5% annually for base rate and usage and will annually increase Sewer base rates by 3% and usage by 5% for this time period.



Commercial Water + Sewer Rates, Cities in Iowa 10,000+

Projections Based on Ames Rate Survey, February 2023 & MC Proposed Rate Changes Jan. 24



	FY24	FY25	FY26	FY27	FY28	FY29
■ Median 10,000 Cu Ft	890.88	924.43	959.37	995.75	1,033.66	1,073.15
■ Mason City 10,000 Cu Ft	582.67	647.07	723.83	777.15	835.72	853.65
■ Median 50,000 Cu Ft	4,199.06	4,355.63	4,518.46	4,687.83	4,864.00	5,047.26
■ Mason City 50,000 Cu Ft	2,691.67	2,981.77	3,319.79	3,552.76	3,804.29	3,882.59
■ Median 100,000 Cu Ft	8,229.67	8,508.62	8,797.16	9,095.63	9,404.34	9,723.65
■ Mason City 100,000 Cu Ft	5,327.92	5,749.82	6,204.89	6,527.59	6,855.01	6,982.73

Assumes comparison communities will increase Water rates at 2.5% annually for base rate and usage and will annually increase Sewer base rates by 3% and usage by 5% for this time period.



STORM SEWER FUND BUDGET

- Revenues: \$703,550.00
- Expenditures: \$359,156.00
- Projected FB @ 7/1/24: \$189,642.88
- Projected FB @ 6/30/25: \$534,036.88
- Projections include implementation of a new Equivalent Residential Unit (ERU)-based system. The plan would hold residential increases at the level in current ordinance but would provide funding for initiatives to be identified in the North-Central Storm Sewer Study and other drainage/flood reduction initiatives.
- ERU system is still in development, but we plan to bring it forward at the same time as the sanitary sewer rate ordinance.



SANITATION BUDGET

- Revenues: \$1,938,168.78
- Expenditures: \$2,092,548.36
- Projected FB @ 7/1/24: \$346,702.75
- Projected FB @ 6/30/25: \$192,323.17
- Fund balance is draw down in FY25 due to automated collection & route optimization study.
- Year 3 of 5-year rate plan- 3% increase.



AMBULANCE BUDGET

- Revenues: \$2,584,750.00
- Expenditures: \$2,902,164.90
- Projected FB @ 7/1/24: \$693,027.42
- Projected FB @ 6/30/25: \$375,612.52
- Ambulance replacements in FY25, FY26, FY27 & FY29.
Expect to need some bond funds in FY26 & FY29 to keep fund balance at an acceptable level.



GOLF & ARENA BUDGET

Golf

- Revenues: \$565,105.09
- Expenditures: \$565,105.09
- Budgeted Transfer In (LOSST): \$24,743.26
- Fund balance at 6/30/25: \$27,251.82

Arena

- Revenues: \$694,872.18
- Expenditures: \$693,272.18
- Budgeted Transfer In (LOSST): \$120,000.00
- Fund balance at 6/30/25: \$63,070.23

