# CITY OF MARSHALLTOWN CITY COUNCIL AGENDA
# CITY HALL COUNCIL CHAMBERS
# 10 WEST STATE STREET
# JANUARY 19, 2026, 5:30 PM

## A. CALL TO ORDER

## B. PLEDGE OF ALLEGIANCE

## C. ROLL CALL

Cahill, Fonseca, Mitchell, Nichols, Schneider, Thompson, Yepez-Gomez

## D. DISCUSSION

1. Framework for Expenditure Reductions and Revenue Increases to Balance the General Fund Budget
2. Utility Franchise Fee

## E. ADJOURNMENT

**MISSION STATEMENT**

The City of Marshalltown collaborates to provide a welcoming, safe, vibrant, and growing community.

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Please visit the City's website for the complete agenda packet and to subscribe to agenda notices and department news at www.marshalltown-ia.gov.

Mike Ladehoff, Mayor
Carol Webb, City Administrator
Alicia Hunter, City Clerk
24 North Center Street
Marshalltown, IA 50158-4911
Tel - (641) 754-5701
Fax - (641) 754-5717

MARSHALLTOWN
IOWA
CITY ADMINISTRATOR'S OFFICE

The purpose of this memorandum is to outline the City's current General Fund budget shortfall of $1.573 million and to present a proposed framework for expenditure reductions and revenue increases to balance the general fund budget while maintaining core services.

During preparation of the FY 2027 budget, staff identified a projected $1.573 million gap between anticipated General Fund revenues and planned expenditures. The City has historically balanced budgets using one-time measures and designated funds. In recent years the City has utilized Council-designated Local Option Sales Tax (LOST) funds to balance the budget:

- FY26 Budget: $1,076,145
- FY25 Actual: $303,764, Budget $567,884
- FY24 Actual: not needed, Budget $410,526

Continuing to rely on these approaches is not sustainable and does not address the underlying imbalance in the General Fund.

**GUIDING PRINCIPLES FOR BUDGET REDUCTIONS**
In developing recommended reductions, staff focused on the following:

1. Preserve core services – Prioritize public safety, basic infrastructure, and essential services.
2. Minimize service disruptions – to the degree possible, focus first on actions with the least direct and immediate impact on residents
3. Maintain organizational stability – Limit impacts to staffing and avoid reductions that would create long-term operational risk.
4. Use ongoing solutions – Prioritize recurring savings over one-time reductions.

The cost savings measures and revenue proposals outlined in this memo total approximately $851,185, leaving a remaining structural gap of approximately $721,815 that will require additional Council direction or alternative solutions.

**SUMMARY OF PROPOSED REDUCTIONS**
To address the $1.573 million shortfall, staff presents for Council consideration a combination of the actions listed below. The dollar amount listed is savings annually unless otherwise noted.

**1. Reduce the general fund transfer to the library - $250,000**

The library levy was eliminated by the State Legislature starting in FY25. Since that time, the City has continued to fund the library budget out of the general fund to make the library budget whole. The library would manage this reduction through vacancy management, reducing operational and material expenses, operational adjustments such as closures, and other measures as determined by the Board. This reduction would have a major impact on services.

**2. Eliminate Mosquito Spraying - $2,000**

City staff occasionally sprays for mosquitos within the City as directed by the City Administrator. The City currently has some chemicals in stock. Should those supplies be depleted, we would no longer provide any spraying when requested. Eliminating this service would have minimal impact on operations.

**3. Vacancy Management - $160,775 or greater (for FY27 only)**

Leaving vacant positions open due to a retirement or resignation for at least 6 months would result in a savings of at least $160,775 (we are aware of at least 3 retirements in FY2027). The City Administrator would evaluate positions as they become vacant to determine if the position could be left open for 6 months prior to hiring. This cost savings measure represents savings only for FY27 and would not permanently eliminate positions. The measure would have a moderate impact on services to the public, depending on the position. It could have an impact on the efficiency of the department.

**4. Continue Volunteer Furlough Days - $2,000**

The City implemented a volunteer furlough policy starting in FY 2026 which several staff have utilized resulting in an approximately $2000 savings to date. This policy could continue into FY 2027 with minimal impact on services.

**5. Close the Aquatic Center on Wednesdays and July 4 and open later (June 8) and close earlier (August 16) - $21,000**

The suggested adjustment in hours would not affect the ability to provide swimming lessons at the same capacity as a typical season. There will be a decrease in service level to open swimming, water walking and lap swimming by closing the facility on Wednesdays throughout the summer. These adjusted hours reflect a shortening of the typical season by 22 days; seven of which are at the end of the season when staffing the facility becomes very difficult. This reduction would have a moderate impact on services.

**6. Suspend Coliseum Operations – net $34,583**

This reduction would eliminate public programming and rental availability at the Coliseum for the duration of the suspension. Utilities would need to remain on to keep the integrity of the building. Current activities held at the Coliseum in addition to our internal programming include craft and vendor shows, a variety of youth and adult sport practice rentals, sport tournaments, club meetings, family celebrations and special events. Closure of the Veteran's Memorial Coliseum to the public will result in a major impact to recreation and culture opportunities currently available to our community, particularly for youth.

**7. Adjust Housing and Community Development Director Salary Allocation - $8,367**

There is sufficient justification to increase the allocation of the Housing and Community Development Director salary charged to the Housing Choice Voucher (HCV) program grant from 23% to 30%. This increase matches actual work performed and aligns costs with the program activities receiving the benefit. This reduction has no impact on services.

**8. Eliminate the mowing contracts for the Public Safety Building and the Library - $8,480**

Mowing services are currently contracted for the Public Safety Building and the Library. Staff proposes that the Parks Department hire a 40-hour seasonal to provide these services and other mowing services as needed. This reduction would have a positive impact on services.

**9. Eliminate recruiting bonuses for the Police Department - $2,500**

The Police Department occasionally utilizes sign on bonuses as a recruiting tool. Elimination of this benefit would have a minimal impact on services.

**10. Retain the V&K contract for building inspections (in lieu of hiring 2 FTEs) - $19,584**

Staff included two building inspection FTEs in the proposed budget. A financial analysis shows that hiring two new FTEs comes at a higher cost than retaining the V&K contract. This reduction would have a minimal impact on services.

**11. Eliminate Banner Program - $20,000**

The condition of our current banners is becoming worse and as they rip/tear the numbers available decrease.  We currently do not have enough for all of the viaducts, downtown, and 13th St district.  We've pushed off ordering new ones during the downtown construction phase currently underway as some of the poles are not in yet; however, come FY27, we would need to order new to continue.  There has been some discussion about MCBD ordering new; however, that would be downtown only.  We would still need to address and decide about banners for viaducts and 13th St District. Eliminating the banner program would have a minimal impact on services.

**12. Eliminate proposed Communications Director position - $27,000**

Staff proposes to utilize 25% of a current FTE (dedicating 25% of their time to communications) and backfill their time with a seasonal hourly. Staff would still look for grant opportunities to fully fund a Communications Director position. This measure would have a minimal impact on services.

**13. Eliminate Electric Car Charging Service - $656**

The city owns two car charging stations in City Parking Lot H (behind Tremont). While we bill those using the charging stations for their use to break even with electrical costs, there is still an annual service fee from the manufacturer that we do not currently capture. We already get feedback that our rates are too high; they are higher than other charging stations available within Marshalltown. The stations have limited use; however, there is a concern that bumping costs to try to recover more revenue would result in less usage that may have the opposite effect and not cover the electric monthly charge. We are under contract through FY29 and would need to investigate if contract can be broken. This reduction would have a minimal impact on services.

**14. Eliminate use of Plan-It Software for CIP Plan/Program - $6,825**

Staff currently use a cumbersome software to help organize a 5-year plan of capital projects to present to City Council. We have investigated different software; however, that software comes at a higher cost than Plan-It. One option would be for staff to create a more simplified CIP Plan utilizing Excel spreadsheets. This would likely result in less project detail being presented to City Council and less flexibility on the format of reports that could be pulled. This measure would have a positive impact for staff and a minimal impact on services.

**15. Reduce budget line items including travel, training, consultant fees, equipment, operating supplies, and contract maintenance - $82,000**

Each department includes funds to support employee training and development, to fund activities that cannot be performed with in-house staff, and to make minor office supply and equipment purchases. These line items would be reduced or in some departments totally eliminated. This reduction would have a moderate impact on services. Staff would need to identify free or low-cost training options to remain current with regulations. Grant-funded positions and enterprise positions may maintain their training costs.

**16. Increase budget for Laserfische Purchase – ($45,000) for FY27 and ($28,400) for FY28.**

Council identified electronic document management as a priority for 2027-2028. The City is planning to purchase a document management software to address this priority. This purchase was not included in the budget presented to City Council. This purchase has a positive impact for City staff.

**FY27 Net savings = $600,770**

**MEASURES TO SAVE LOST FUNDS FOR GENERAL FUND**

**Reduce or eliminate financial support for the Arts and Culture Alliance – up to $130,000 for FY27**

The City and the Arts and Culture Alliance entered into an agreement in 2024 for the ACA to support creative placemaking and assist in executing the Arts and Culture Plan. The City committed to providing $130,000 annually for the period beginning January 1, 2025 and ending December 31, 2029. The Agreement may be terminated by either party by a written 90-day notice. Should the City terminate the agreement, it is likely that creative placemaking and execution of the Arts and Culture Plan would be reduced or in some cases cease. This reduction would have a moderate impact on services.

**FY27 net savings: up to $130,000**

**SUMMARY OF PROPOSED REVENUE SOURCES**

Revenue estimates are conservative and dependent on implementation timing, compliance rates, and Council policy direction. Actual revenues may vary.

**1. Implement a dog registration program – up to $20,000**

Many Cities in Iowa require registration of pets, particularly dogs. Assuming a 25% compliance rate, this program could recover up to $20,000 annually. It should be noted that the Animal Control Committee is not recommending a pet licensing program and instead proposes to require micro-chipping. Also, there is a significant amount of administration for pet licensing. This proposal would have a moderate impact on services, primarily on staff time.

**2. Add cable franchise fee for Heart of Iowa to the proposed budget - $5,000**

The City recently began charging Heart of Iowa a cable franchise fee for their cable service now offered in Marshalltown. This revenue was not captured in the budget presented to City Council as our first payment just arrived. This proposal has no impact on services.

**3. Increase rental fee for E911 – proposed at $5,000 annually**

E911 currently pays $1 annually to house the E911 center at the Public Safety Building. The Council could increase the rental fee, however it requires a 1-year written notice to modify the agreement. This proposal would have no impact on services.

**4. Charge E911 an HR administrative fee - $5,770**

The City currently provides HR and payroll support to E911. The City could charge an administrative fee for this service. The dollar amount proposed is based on the hourly rate of the staff performing this service. This proposal would have no impact on services.

**5. Raise recreation program fees, including Blast program fees - $84,645**

The Parks Department reviewed recreation program fees and are proposing the following increases:

- Charge Special Olympics participants $10 (right now, there is no fee to participate)

- Increase Summer and Spring Blast Day Camp fees by $10 per day - proposed fee is $175 per 5-day program for Summer and Spring Blast and $245 per 7-day program for Winter Blast
- Increase Adult Leagues by $25 - proposed fee is $135-150 depending on the league
- Increase Special Events by $15 - proposed fee is $30 (Daddy/Daughter Dance and Mom/Son Night)
- Increase all youth leagues by $10 - proposed fee is $45 (indoor soccer, volleyball and basketball)
- Increase all other youth activities by $5 - proposed fee is $40-$65 depending on the program (this includes swim lessons, golf lessons, Camp Marshalltown and Taekwondo)
- Charge a non-resident fee for Blast programs and at the Aquatic Center

This proposal may reduce the number of program participants.

**FY27 Revenue Increases = $120,415**

**DIRECTION SOUGHT**

Staff is seeking direction on which of the cost saving and revenue generating measures to implement, and whether Council wishes to pursual additional actions to address the remaining General Fund shortfall.

| Cost Savings/Revenue Measure | Dollar Amount | Level of Impact |
|---|---|---|
| Reduce General Fund transfer to Library | $250,000 | Major Impact |
| Eliminate mosquito spraying | $2,000 | Minimal Impact |
| Vacancy management | $160,775 | Moderate Impact |
| Continue volunteer furlough days | $2,000 | Minimal Impact |
| Aquatic Center closures | $21,000 | Moderate Impact |
| Suspend Coliseum operations | $34,583 | Major Impact |
| Adjust HCD Director salary allocation | $8,367 | No Impact |
| Eliminate mowing contracts for Public Safety and Library buildings | $8,480 | Positive Impact |
| Eliminate recruiting bonuses for PD | $2,500 | Minimal Impact |
| Retain V&K contract for building inspection services | $19,584 | Minimal Impact |
| Eliminate Banner program | $20,000 | Minimal Impact |
| Eliminate proposed Communications Director | $27,000 | Minimal Impact |
| Eliminate electric car charging service | $656 | Minimal Impact |
| Eliminate use of Plan-It software | $6,825 | Positive Impact for staff/Minimal impact on services |
| Line item reductions | $82,000 | Moderate Impact |
| Add Laserfische | ($45,000) | Positive Impact |
| Reduce/eliminate financial support for ACA | Up to $130,000 | Moderate Impact |
| Implement dog registration program | Up to $20,000 | Moderate Impact |
| Add cable franchise fee for Heart of Iowa | $5,000 | No Impact |
| Increase rental fee for E911 | $5,000 | No Impact |
| Charge E911 for administrative services | $5,770 | No Impact |
| Raise recreation program fees | $84,645 | Moderate Impact |

Mike Ladehoff, Mayor
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**Strategic Plan Objective:** Plan and fund improvements to the City's infrastructure and buildings.

**Budget Impact**: A 3% franchise fee would generate approximately $1 million in net additional revenue. The first percent of revenue is offset since you cannot collect the 1% local option sales tax.

**Purpose**

The purpose of this agenda item is to reintroduce discussion regarding a potential utility franchise fee as a long-term revenue option for the City of Marshalltown and to seek Council direction on whether and how to proceed using a phased approach informed by the outcome of the prior public vote.

**Background and Prior Council Action**

In 2022 and 2023, City Council evaluated adoption of a utility franchise fee, including development of ordinances, resolutions, and a revenue purpose statement consistent with Iowa Code. That effort ultimately resulted in a petitioned public vote, which failed in fall 2023. No franchise fee was implemented.

Iowa law does not prohibit the City from revisiting the issue at a later date, provided statutory procedures are followed, including public hearings, adoption of a revenue purpose statement, and petition and election requirements if applicable.

**Lessons Learned from the Prior Effort**

Based on staff review and informal community feedback, several themes emerged from the prior process:

- Concern about the overall size of the proposed fee
- Desire for clearer, more focused revenue purposes
- Questions about essential services versus broader use categories
- Need for additional education and engagement earlier in the process

Staff believes these lessons provide an opportunity to reset the conversation in a more targeted and incremental manner.

**Staff Recommendation – Revised Policy Framework**

If Council wishes to proceed with further evaluation, staff recommends the following revised framework for discussion:

1. Franchise Fee Rate

- Evaluate a 3% utility franchise fee, rather than the previously discussed 5%
- A 3% fee would represent a more modest, incremental approach, while still providing meaningful recurring revenue

2. Revenue Purpose Focus

- Develop a simplified revenue purpose statement emphasizing essential city services, including:
    - Public safety (police, fire, emergency services, equipment, and training)
    - Core operational services necessary to maintain service levels
- Limit or clearly define eligible uses to improve transparency and public understanding

This approach is intended to directly address community priorities and reinforce the connection between the fee and essential, day-to-day services relied upon by residents.

**Phased Reintroduction Timeline (Proposed)**

The following phased approach is recommended to ensure transparency, deliberation, and adequate public engagement:

Phase 1 – Council Direction & Framework (Spring 2026)

- Council discussion of:
    - Whether to revisit a franchise fee
    - Preferred fee rate (staff recommends 3%)
    - High-level revenue purpose focus
- Direction to staff to proceed with analysis and outreach

Phase 2 – Analysis & Public Education (Summer 2026)

- Prepare updated revenue estimates for a 3% fee
- Draft a revised revenue purpose statement focused on essential services
- Conduct targeted public education and engagement, such as:
    - Community information sessions
    - Fact sheets and FAQs
    - Online engagement and feedback opportunities

Phase 3 – Policy Refinement & Formal Consideration (Fall 2026)

- Incorporate public feedback
- Refine ordinance concepts and revenue purpose language

- Proceed to ordinance adoption

Phase 4 – Implementation or Election (Winter 2026 – Spring 2027)

- Follow statutory procedures for public hearings, publication, and petition rights
- If approved, coordinate implementation timelines with utility providers

**Key Policy Considerations for Council**

- Reintroducing the discussion does not negate the prior vote, but reflects evolving fiscal conditions and a refined proposal
- A reduced rate and narrower revenue purpose may improve public understanding and acceptance
- A phased approach allows Council to pause or redirect at any point

**Recommendation**

Staff recommends Council discussion and direction on whether to proceed with Phase 1 of the proposed phased reintroduction approach, including evaluation of a 3% utility franchise fee with revenues dedicated to essential services, including public safety.