

## **BALANCING THE CITY BUDGET**

**Iowa League of Cities Annual Conference**

**September 19, 2024**

**Patrick Callahan, Municipal Consultant**

**Callahan Municipal Consultants, LLC**

### **Quotes to Ponder**

- “If you don’t know where you want to go, any road will get you there.” – Lewis Carroll, (1832-1898) English Author – “Alice in Wonderland”
- If you don’t know what you want to be, then you have no control over what you will end up becoming.” Author Unknown – Perhaps Earl Nightingale (1921-1

## **Balancing the City Budget**

### **Importance of this topic**

- Preparation of the City Budget – possibly the single most important task
- Sets the “tone” for all that follows
- Requires trust, transparency, and compromise
- Can be a very rewarding or very frustrating process
- What is your city’s “budget preparation process?”

### **A. The Basics of the Budget Process**

- Estimate the revenues – be realistic
- Estimate the expenditures – 12 months
- Calculate the “shortfalls.”
- How tough could it be?

### **Rethinking Budgeting – A Roadmap for Collaboration in Budgeting**

- GFOA White Paper 2023
- Government Finance Officers Association (GFOA) in cooperation with:
  - \*Envisio
  - \*Balancing Act by Polco
  - \*Questica, an Euna Solutions brand

(Three government technology providers)

### **B. The Problems and the Issues**

1. Impact of inflation on City costs
2. The Citizen’s expectation of city services

3. Property tax restrictions
4. The “ugly side” of property taxes
5. Numerous tax-exempt properties
6. “Competing” public entities – County & School
7. Taxpayers’ reluctance to pay more
8. Previous City Council Commitments – TIF examples
9. “Competing” City Departments – different services
10. Impact of inflation on the budget
  - Fuel for vehicles
  - Insurance costs
  - Electricity and natural gas
  - Vehicles and equipment
  - Wages and benefits
  - Your city’s experience?

**Question – What best describes your city’s most recent budget preparations process**

1. Smooth, easy, and enjoyable
2. Somewhat challenging, but the end result was reasonable
3. “Painful” and very difficult – many tough choices – Not fun
  - Comments and observations – briefly

**C. Your “Homework” before starting the budget preparation process – Review:**

1. Good understanding of the current budget
2. Strategic Plan – long term vision
3. Goal setting process
4. Capital Improvement Plan (CIP)
5. County Auditor reports
6. TIF Analysis and understanding

**D. Preliminary Steps in the process**

1. Clear and well-defined process
2. Establish a timetable very early
3. Prioritize solutions and goals
4. Use technology and visual aids

**E. The More Difficult Task – “Balancing the Budget”**

- Reduce the proposed expenditures
- Increase other revenues – legally
- Use the City’s cash reserves – maybe?
- Determine “magic number” – to balance
- Keep talking and brainstorming?

**F. Ways to “Balance the Budget”**

1. Let the City Staff do it
2. List each reduction and vote on it
3. Keep talking and debating

4. Find an efficient and equitable method

#### **G. Questions to Ponder**

- Does your city have a “process” for balancing the budget?
- Is it an effective, efficient, fair and transparent process?
- If your city has a no “process,” here is an option.....

#### **H. Callahan’s Ranking System – Overview**

1. List every possible reduction or cut
2. List every possible revenue enhancement
3. Include the “painful” options too
4. Allow everyone to submit ideas
5. Calculate the gross savings
6. Calculate the net savings
7. Prepare a ballot with all options
8. Debate and review the options
9. Discuss the “ground rules” on the voting process
10. Determine the voting plan – A, B, C, & D
11. Only the Mayor & City Council Members vote
12. Complete ballots and return to City Clerk
13. Calculate a “composite score” for all suggestions
14. Put suggestions in order – most acceptable to least acceptable
15. Prepare spreadsheet – who voted for what?
16. “Move down” the list until the budget is balanced

#### **I. Factors & Issues to Consider**

1. Failure to explain the budget issues to the citizens
2. Unrealistic calculation of savings
3. Unforeseen consequences of proposed reductions
4. Lack of flexibility with budget
5. Five Member Council – 3 A’s – Done deal?
6. Internal council bickering & issues
7. Disgruntled department heads & citizens
8. Failure to “follow through” on cuts
9. Lack of political will to make the cuts

#### **J. Callahan’s Tips and Suggestions**

1. Do the ranking process ASAP
2. Need 100% City Council commitment.
3. Share list – State Representative & State Senator
4. Challenge State Officials to rank the list
5. Notify the public early and often
6. Provide phone numbers & emails – State Officials
7. Warn the public – more service reductions in future
8. Challenge citizens to rank the items
9. Consider new sources of revenue
10. Make sure proposed services are sustainable
11. Consider long term budget forecast – 4 to 5 years

12. Require monthly reports to monitor the progress
13. Prepare budget memo or report
14. Place “budget ballot” on the city website
15. Be prepared to make “tough choices”
16. Read the supplemental handouts

**K. Access Available Resources**

1. Financial advisor reports and recommendations
2. Iowa League of Cities (ILC) website
3. ILC Publications and training programs
4. ILC Handbooks – City Clerks and Elected Officials
5. Department of Management (DOM) website

**L. Final Comments**

1. Any questions or comments
2. Thank you for your efforts!
3. Council role - Not any easy job – thankless task
4. Keep working at it
5. It may get worse in 2025 & 2026
6. Run for the State Legislature yourself???

**For copies of publications of the Iowa League of Cities that were referenced..... Go to**

**[www.iowa.league.org](http://www.iowa.league.org)**

17. Go to Page marked – Resources
18. Go to the category – Administration
19. Summary of additional handouts

**For copies of other publications or models referenced during this presentation – Contact:**

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**City of Anamosa, Iowa**  
**Mayor & City Council Ranking**  
**of**  
**Major Budget Reductions or Fee Increases**  
**F.Y. 2010-11 City Budget**

**Ranking System – A, B, C, or D**

<b>A</b>	<b>=</b>	<b>First Choice</b>	<b>-</b>	<b>Acceptable</b>
<b>B</b>	<b>=</b>	<b>Second Choice</b>	<b>-</b>	<b>Acceptable, but concerns</b>
<b>C</b>	<b>=</b>	<b>Third Choice</b>	<b>-</b>	<b>Would Consider – Major Concerns</b>
<b>D</b>	<b>=</b>	<b>Fourth Choice</b>	<b>-</b>	<b>Not Acceptable</b>

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**City of Anamosa, Iowa**  
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<b>B</b>	<b>=</b>	<b>Second Choice</b>	<b>-</b>	<b>Acceptable, but concerns</b>
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<b>D</b>	<b>=</b>	<b>Fourth Choice</b>	<b>-</b>	<b>Not Acceptable</b>

Rankings Completed by: \_\_\_\_\_  
February 8, 2010

ITEM	REDUCTION	INCREASED COSTS IN OTHER AREAS	NET SAVINGS	COMMENTS	Individual Rankings
1. Eliminate City Administrator Position	\$110,295.00	\$53,350.00	\$56,945.00	More work for Mayor, City Clerk, Consultants, PW Director - C.A. Severence	
2. Eliminate Senior Dining Payment	\$4,200.00		\$4,200.00	Program could close	
3. Give away Senior Center to Jones County			\$4,331.00	Eliminate Expenses	
4. Reduce Police Dept. to Six Officers			\$41,000.00	Less Patrol/More Overtime	
5. Eliminate Local Access Program			\$31,000.00	All Franchise fees to fund General Fund	
6. Reduce Library Tax Subsidy to \$110,000	\$15,617.00		\$15,617.00	Library Board Concerns	
7. Reduce Library Tax Subsidy to \$100,000	\$25,617.00		\$25,617.00	Library hours reduced	
8. Reduce Library Tax Subsidy to \$60,600	\$65,617.00		\$65,617.00	Library hours reduced	
9(A). Eliminate Jones County Tourism Assessment	\$1,565.00		\$1,565.00	Less Money for advertising	
9(B). Use Anamosa Population less ASP for JC Tourism	\$366.00		\$366.00	Done in F.Y. 2009-10	
9(C). Eliminate Hotel/Motel Tax to JC Tourism	\$5,000.00		\$5,000.00	Tourism office closed?	
10(A). Eliminate Jones County Economic Development Assessment	\$10,880.00		\$10,880.00	No marketing efforts	
10(B). Use Anamosa Population less ASP for JCED Assessment	\$2,550.00		\$2,550.00	Done in F.Y. 2009-10	
11(A). Chamber of Commerce - No payment	\$6,000.00		\$6,000.00	Chamber office closed?	
11(B). Chamber of Commerce - No Hotel/Motel Tax	\$5,000.00		\$5,000.00	Chamber office closed?	

City of Anamosa - F.Y. 2010-11 City Budget  
 Major Budget Reduction/ Elimination of Services

ITEM	REDUCTION	INCREASED COSTS IN OTHER AREAS	NET SAVINGS	COMMENTS	Individual Rankings
12. Jones County JETS - No payment	\$1,500.00		\$1,500.00	Not sure of consequences	
13. Jones County Extension - No payment	\$500.00		\$500.00	Other cities may drop it	
14(A). Close Pool August 8	\$12,000.00		\$12,000.00		
14(B). Close Pool August 15	\$8,000.00		\$8,000.00	Closed August 16 In F.Y. 2009-10	
14(C). Close Pool August 22	\$4,000.00		\$4,000.00		
15. Police - Drop out of JCERT Program	\$2,000.00		\$2,000.00	Program could fold	
16. Police - Reduce Fuel Consumption to \$10,000	\$2,500.00		\$2,500.00	Less patrol time	
17. Police - Move Police Station to City Hall	\$5,540.00	?	\$5,540.00	Difficult to estimate	
18. Police Eliminate one vehicle	\$2,000.00	?	\$2,000.00	Would add to training cost/travel expenses	
19. Fire Department - Increase Township Rent to \$6,000	\$1,200.00		\$1,200.00	Increased in F.Y. 2009-10	
20. Library - No LOT Money for Capital Outlay	\$15,000.00		\$15,000.00	Library uses bequests to buy books	
21. Streets - No Insurance for Street Lights	\$1,900.00	?	\$1,900.00	Damages covered by City reserves	
22. Streets - Shut off 20% of Street Lights	\$12,720.00		\$12,720.00	Public safety concerns	
23. Storm Sewer Fee for Large Facilities such as ASP (+/-)	\$20,000.00		\$20,000.00	Difficult to estimate - Depends on Fee	
24. Cemetery - Double Cemetery Fees			\$10,000.00	Difficult to estimate	

City of Anamosa - F.Y 2010-11 City Budget  
 Major Budget Reductions - Elimination of Services

ITEM	REDUCTION	INCREASED COSTS IN OTHER AREAS	NET SAVINGS	COMMENTS	Individual Rankings
25. Park Administration - Eliminate One Part time Position at LCC	\$14,375.00		\$14,375.00	LCC reduce hours?	_____
26. General - Increase Water/Sewer Management Fee to \$70,000 each	\$24,160.00		\$24,160.00		_____
27. General Increase Water/Sewer Management fee to \$77,200 each	\$38,560.00		\$38,560.00		_____
28. General Eliminate Council Contingency from General Fund	\$4,000.00		\$4,000.00		_____
29. General - Reduce One or Two City Hall Staff Positions to 30 hours/week	\$7,000 +/-		\$7,000 +/-	Possible payment of unemployment	_____
30. Implement a Natural Gas Franchise Fee - 2 Options					_____
1% Fee	\$15,500.00		\$15,500.00		_____
2% Fee	\$31,000.00		\$31,000.00		_____
31. Implement an Electric Franchise Fee - 5 Options					_____
1% Fee	\$30,000.00		\$30,000.00		_____
2% Fee	\$60,000.00		\$60,000.00		_____
3% Fee	\$90,000.00		\$90,000.00		_____
4% Fee	\$120,000.00		\$120,000.00		_____
5% Fee	\$150,000.00		\$150,000.00		_____



**City of Anamosa  
F.Y. 2010-11 City Budget  
Major Budget Reductions - Elimination of Services**

ITEM	NET SAVINGS	Total Points	Score	
9(B). Use Anamosa Population less ASP for JC Tourism	\$366.00	22	A+	6 VOTES
24. Cemetery - Double Cemetery Fees	\$10,000.00	25	A	
10(B). Use Anamosa Population less ASP for JCED Assessment	\$2,550.00	21	A	6 VOTES
14(C). Close Pool on August 15	\$8,000.00	24.5	A	
6. Reduce Library Tax Subsidy to \$110,000	\$15,617.00	24	A	
19. Fire Department - Increase Township Rent to \$6,000	\$1,200.00	23.5	A	
* 23. Storm Sewer Fee for Large Facilities, such as ASP	\$20,000.00	22.5	A-	
7. Reduce Library Tax Subsidy to \$100,000	\$25,617.00	19	A-	6 VOTES
16. Police - Reduce Fuel Consumption to \$10,000	\$2,500.00	22	A-	
18. Police Eliminate one vehicle	\$2,000.00	22	A-	
31. Implement an Electric Franchise Fee - 5 Options				
1% Fee	\$30,000.00	21	A-	
30. Implement a Natural Gas Franchise Fee - 2 Options				
1% Fee	\$15,500.00	21	B+	
14(C). Close Pool on August 22	\$4,000.00	21	B+	
15. Police - Drop out of JCERT Program	\$2,000.00	20	B+	
* 21. Streets - No Insurance for Street Lights	\$1,900.00	20.5	B+	
3. Give away Senior Center to Jones County	\$4,331.00	17	B+	6 VOTES
9(A). Eliminate Jones County Tourism Assessment	\$1,565.00	16.5	B+	6 VOTES

**City of Anamosa  
F.Y. 2010-11 City Budget  
Major Budget Reductions - Elimination of Services**

ITEM	NET SAVINGS	Total Points	Score	
11(A). Chamber of Commerce - No payment	\$6,000.00	17	B+	6 VOTES
28. General - Eliminate Council Contingency from General Fund	\$4,000.00	19.5	B+	
5. Eliminate Local Access Program	\$31,000.00	16	B+	
4. Reduce Police Dept. to Six Officers	\$41,000.00	18	B	
* 20. Library - No LOT Money for Capital Outlay	\$15,000.00	18	B	
9(C). Eliminate Hotel/Motel Tax to JC Tourism	\$5,000.00	15.5	B	6 VOTES
8. Reduce Library Tax Subsidy to \$60,600	\$65,617.00	15	B	6 VOTES
17. Police - Move Police Station to City Hall	\$5,540.00	17.5	B	
10(A). Eliminate Jones County Economic Development Assessment	\$10,880.00	17	B	
14(A). Close Pool on August 8	\$12,000.00	17	B	
25. Park Administration - Eliminate One Part time Position at LCC	\$14,375.00	17	B	
26. General - Increase Water/Sewer Management Fee to \$70,000 each	\$24,160.00	16.5	B	
11(B). Chamber of Commerce - No Hotel/Motel Tax Payment	\$5,000.00	14	B	6 VOTES
12. Jones County JETS - No payment	\$1,500.00	16	B	
13. Jones County Extension - No payment	\$500.00	16	B	
2. Eliminate Senior Dining Payment	\$4,200.00	13	B-	6 VOTES

**City of Anamosa  
F.Y. 2010-11 City Budget  
Major Budget Reductions - Elimination of Services**

ITEM	NET SAVINGS	Total Points	Score
* 22. Streets - Shut off 20% of Street Lights	\$12,720.00	15	B-
31. Implement an Electric Franchise Fee - 5 Options 2% Fee	\$60,000.00	15	B-
27. General - Increase Water/Sewer Management fee to \$77,200 each	\$38,560.00	14	C
29. General - Reduce One or Two City Hall Staff Positions to 30 hours/week	\$7,000.00	12.5	C+
31. Implement an Electric Franchise Fee - 5 Options 3% Fee	\$90,000.00	11	C
30. Implement a Natural Gas Franchise Fee - 2 Options 2% Fee	\$31,000.00	11	C
1. Eliminate City Administrator Position	\$53,350.00	11	C
31. Implement an Electric Franchise Fee - 5 Options 4% Fee	\$120,000.00	10	C
31. Implement an Electric Franchise Fee - 5 Options 5% Fee	\$150,000.00	9	C

\* Denotes reduction that will not lower the General Fund Property Tax Asking

Note: The items with 6 votes have total points that are less than the others, but they are in the correct order for total average.

**City of Anamosa  
F.Y. 2010-11 City Budget  
Long Term Major Changes  
in City Operations**

ITEM	NET SAVINGS	Total Points	Score
39. Transfer of Cemetery to Local Churches or Township	\$25,000 (+/-)	25	A
36. New 28E Entity for Fire Protection Services	Unknown	22	A-
38. Eliminate Local Access Channel	\$30,000.00	20	B+
40. Establish self insurance fund on vehicles and buildings with values less than \$100,000	Unknown	18	B
35. Contract with Jones County Sheriff for Police Protection	Unknown	17	B
* 32. Eliminate subsidies to all outside agencies	\$30,000 - \$47,000	16.5	B
37. Transfer ownership or control of swimming pool to Private Entity	Unknown	14	C
33. Transfer ownership or control of LCC to Private Entity, such as YMCA	Unknown	12	C+
34. Joint Anamosa/Monticello PD	Unknown	11.5	C

## "BUDGET OPTIONS FOR SMALL CITIES"

### CHECKLIST

#### Revenue Options

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##### A. Property Taxes

- ⑨ General Fund Levy
- ⑨ Emergency Levy
- ⑨ Voted/Non voted Levy
  - ⑨ Liability, property and self-insurance
  - ⑨ Support of public library
  - ⑨ Unified Law Enforcement District
- ⑨ Trust and Agency Levy
- ⑨ Self-Supported Municipal Improvement District
- ⑨ Capital Improvements

##### B. Other city taxes

- ⑨ Local option sales tax

##### C. Fees and Charges for Services

- ⑨ Fees and charges typically based on
  - ⑨ Cost associated with regulation - building permits
  - ⑨ Providing service -
  - ⑨ Providing for availability - park shelter house rental fee
- ⑨ Fees for EMS and Fire Protection
- ⑨ Charges for use of library services

##### D. Reimbursements

- ⑨ Review service contracts with townships
- ⑨ Charging increased amount for non-citizens
  - ⑨ Pools
  - ⑨ Library services
  - ⑨ Utility charges
- ⑨ Seek county assistance with shared operations

##### E. Implementation of utility franchise fees

- ⑨ Caution of impact on Local Option Sales Taxes



F. Rental for use of property -

- ⑨ Cellular telephone towers
- ⑨ Park facilities
- ⑨ Community Center

G. Special Assessments

H. Grants

- ⑨ Governmental and private sources
- ⑨ Assistance from council of government
  - ⑨ Grant writing and administration
  - ⑨ Knowledge of grant opportunities
- ⑨ Not all grants are affordable
  - ⑨ On going commitment and costs
  - ⑨ Can reorder priorities

I. Cautionary Revenue Sources.

- ⑨ Surcharges - adding a non-enterprise fee to utility bill.
- ⑨ Impact fees - fees
- ⑨ Use of reserves
- ⑨ Use of debt for operational costs
- ⑨ Grants - beware of ongoing operational costs
- ⑨ Fines - Marginal benefits and designed to modify behavior
- ⑨ Large Tax Increment Finance Area

NOTES: \_\_\_\_\_  
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## Expenditures

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### A. Personnel - reduction in staff

- ⑨ No staff to reduce
- ⑨ Deferred savings
  - ⑨ Unemployment compensation to reimburse
  - ⑨ Accrued compensatory time and vacation time
  - ⑨ Health insurance costs may continue

### B. Personnel - control of compensatory time.

- ⑨ Employers do have control over comp time
  - ⑨ Limit overtime accumulated
  - ⑨ Require compensatory time-off instead of overtime pay
  - ⑨ Control accumulation

### C. Shifting health care costs to employees

- ⑨ City is not required to provide health insurance.
  - ⑨ required to provide access to health insurance coverage
  - ⑨ At minimum written referral to an insurance provider must be provided and payroll deduction for the premium offered
  - ⑨ Increase co-pay or raise deductible to reduce premium
  - ⑨ City establishes self-funded system for increased co-pay and deductible.
    - ⑨ Buy down the deductible
    - ⑨ Myth of increasing pool - still driven by loss history

### D. Paying stipend directly to employee

- ⑨ Structure so city pays share of premium directly
- ⑨ Direct pay to employee considered wages and subject to income tax

### E. Worker's Compensation & Property and Liability Insurance

- ⑨ Request annual review of policy by agent
  - ⑨ Appropriate coverage
  - ⑨ Level of deductibles
  - ⑨ Employee classifications

### F. Use of non-statutory volunteers

- ⑨ Need for careful supervision and training to ensure safety
- ⑨ Subject to workers' compensation coverage

### G. Deferring project and equipment acquisition until funding available.

H. Shared Services Arrangements

- ⑨ Law Enforcement
- ⑨ Shared staff
- ⑨ Shared equipment
- ⑨ Joint contracting for services
- ⑨ Coordinated projects

I. Group Purchasing

- ⑨ U.S. Communities
- ⑨ State Contracts
- ⑨ Federal Surplus Program
- ⑨ IDNR Surplus Program for Fire Departments

J. Printing Costs

- ⑨ Eliminate use of verbatim minutes
- ⑨ Option to post ordinances
- ⑨ Reduce ordinance to summary

K. Refinancing Debt

- ⑨ Interest rates at historic low
- ⑨ Refinance old debt

L. Service Review

- ⑨ City may need to determine whether it will continue to provide services

NOTES: \_\_\_\_\_  
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## Utility Operations

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### A. Review of Current Operations

- ⑨ Apportionment of salaries
- ⑨ Transfers from utility reserves to general fund
  - ⑨ Development of Payments in Lieu of Taxes (PILOT) payments
    - ⑨ Davenport determined value of system and applies tax rate
    - ⑨ Other cities simply determine an amount
- ⑨ Internal service funds - support for equipment from utilities
- ⑨ Loans from utility reserves
- ⑨ Review charges
  - ⑨ Need to cover operations, now and into the future
  - ⑨ Easier to make incremental increases
- ⑨ Develop and follow collection system
  - ⑨ Late payment fees
  - ⑨ Fees related to shut-offs

### B. Municipalization - getting into the business.

- ⑨ Establishment of municipal electric and gas utilities
  - ⑨ City control
  - ⑨ Consider at time of franchise renewal
- ⑨ Establishment of storm water utility
  - ⑨ Used to maintain and improve storm water systems
  - ⑨ Monthly charge
- ⑨ Street Light Utility - unsure of legality -
  - ⑨ City of Washington - Adopt a Street Light Program
- ⑨ Street Utility - State of Oregon and Minnesota.

### C. De-Municipalization - getting out of the business

- ⑨ Cities turning to rural water systems and contracted service providers
- ⑨ Rural water expanding into sanitary sewer systems
- ⑨ Measure short and long term costs and benefits

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### Additional Resources

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"Local Government Dollars and Sense" Len Woods, 1998

Regional Clerk Group Meetings