



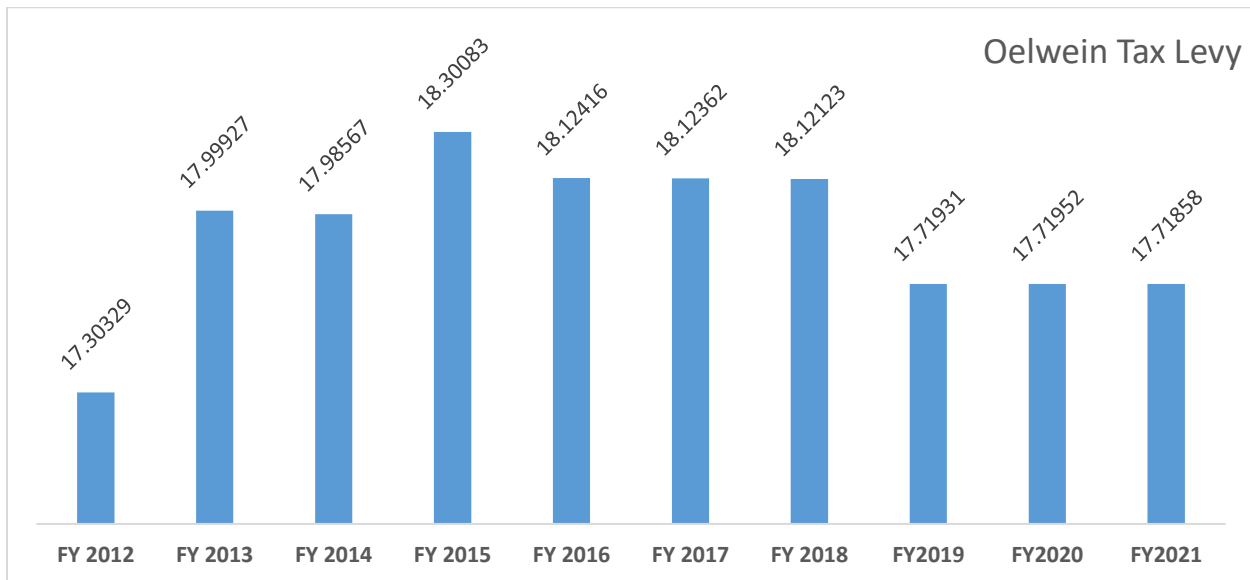
**FY2021 Budget Letter to Oelwein City Council**

Honorable Mayor and Council,

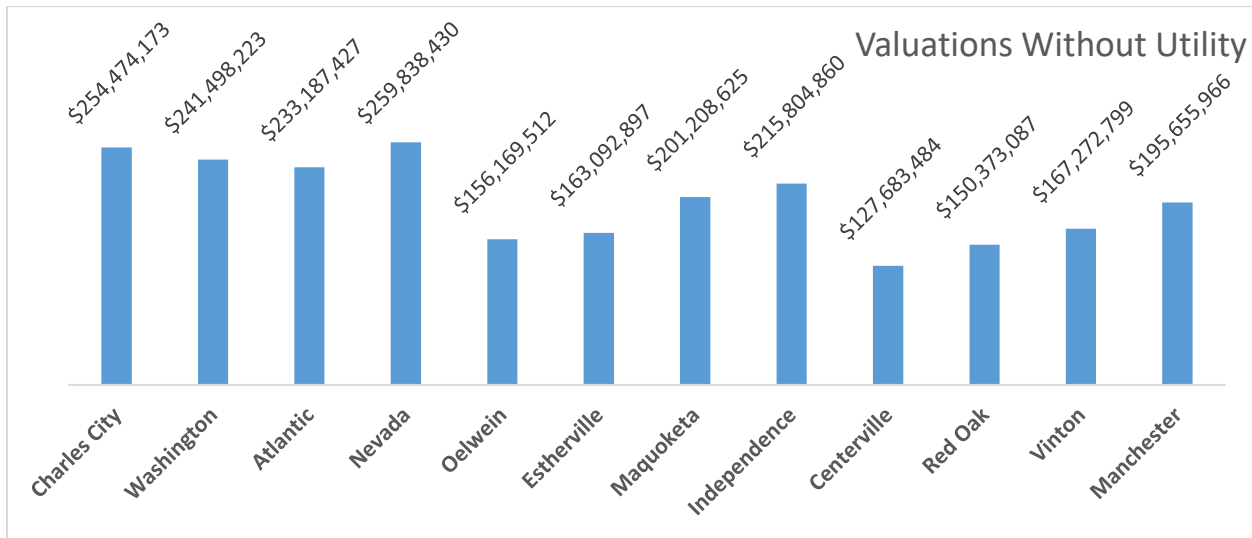
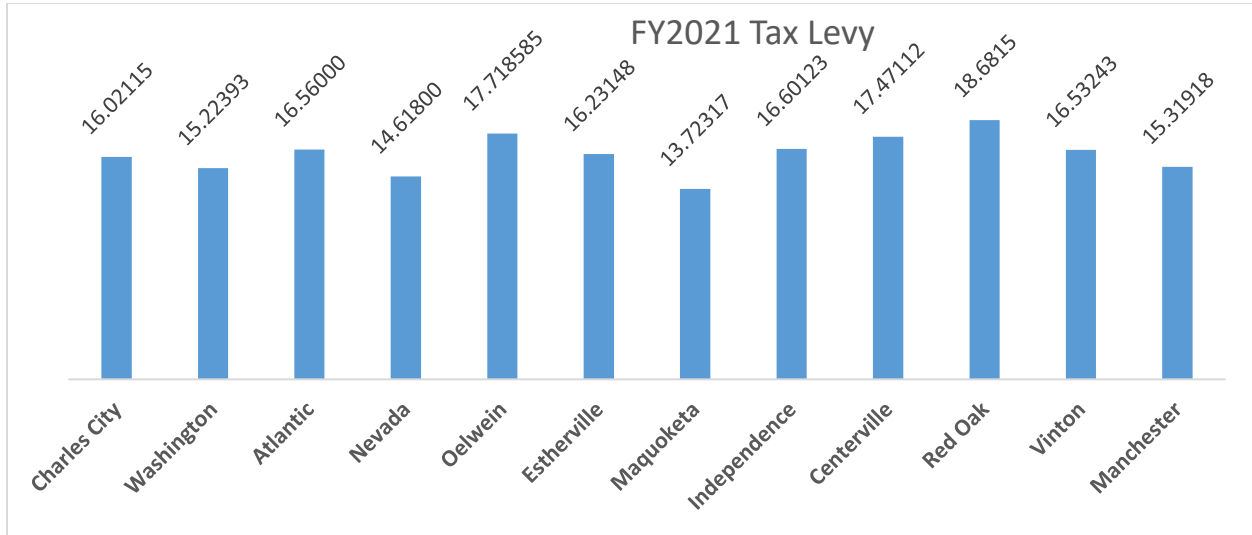
The year of the pandemic is passed, but the affects and lingering issues will be felt as the city works toward another budget. The City of Oelwein continues to struggle as valuations on properties are not in line with services needed to sufficiently serve the community. Although it will take years to raise valuations and increase the housing stock, Oelwein is on the right path. In the last 10 years, Oelwein has seen excellent growth in industry and commercial. The community has no empty big box stores and is working diligently to fill in commercial properties on Highway 150. Other cities across Iowa are looking at Oelwein and wanting to be as aggressive as we are in tearing down properties and remediating nuisances. The current city council has done a tremendous job of pushing the city and working with staff to accomplish goals. While the City will continue to not have enough revenue to meet demand, hard choices are being made to push Oelwein into the future.

**Tax Rate**

The City Council adopted a tax rate of \$17.71858 for the year 2020-2021 (FY 2021). The City Administrator continues to recommend raising the levy to open space in the debt service levy. Pushing for a higher debt service levy allows for Oelwein to tackle more general fund projects, street improvements, and trail improvements. While the city’s tax rate is high, it must be to continue the expected service from the community.



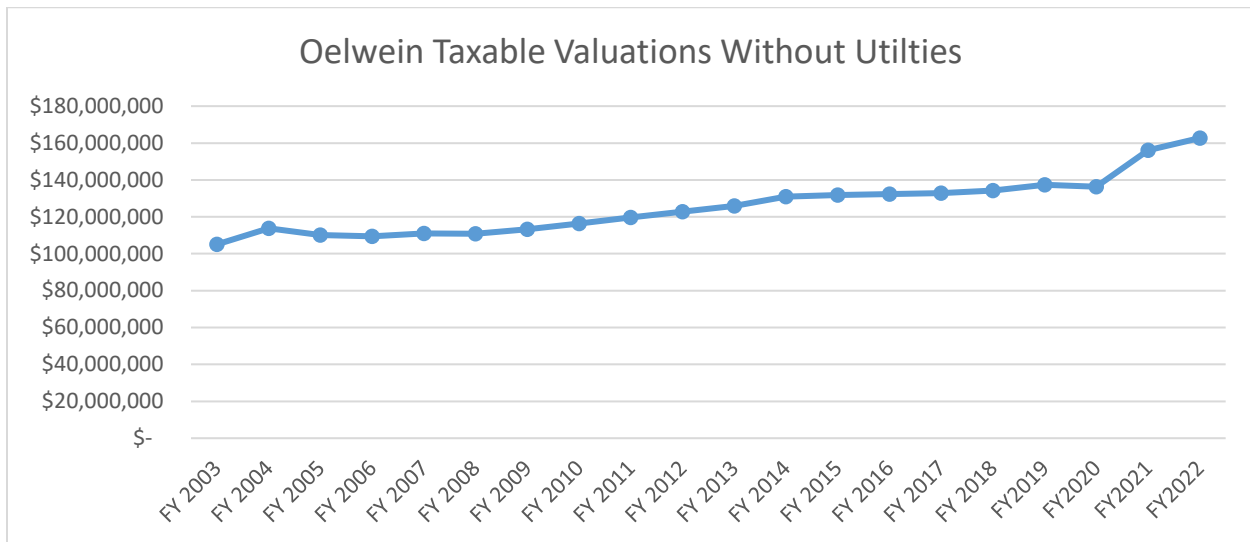
The Oelwein tax rate is high, because tax values are low and require a high tax rate. Council has done a great job ensuring that spending has been conservative, and that services are being delivered as expected from the public. This conservative spending shows the community that council is doing their due diligence and tasking staff with the need to be flexible and innovative when spending public dollars.



Oelwein has a high levy because 55 percent of the homes were built before 1940 and have an average assessed value of \$37,184. A house that is valued at \$37,184 pays \$369.84 in city property tax annually. This does not include other taxes such as school district, county, community college, and other smaller levies. This is a challenge for the city as low revenues from property tax will continue to restrict revenues and put a strain on city services that are already being offered. The following table shows how the city takes in revenue from property taxes.

Type	Valuation	Roll Back	Amount that is taxed	per 1000	Oelwein Rate per 1000	Oelwein FY2020 Levy	1-year taxes
Residential	\$100,000	56.1324%	\$56,132.40	56.1324	50.51916	17.71858	\$895.18
Commercial	\$100,000	90.0000%	\$90,000.00	90	81	17.71858	\$1,435.28
Industrial	\$1,000,000	90.0000%	\$900,000.00	900	505.1916	17.71858	\$8,951.75

The city saw its most significant jump in valuations during FY2020. This was a result of some commercial properties hitting the tax roll and an equalization order from the state. The equalization order increased residential and commercial for all of Oelwein. The projected increase for FY2021 is minimal as in the years passed. Staff remains encouraged as the county's complete assessment completed by VanGuard will start rolling onto the tax levy. The valuations and levy must be monitored to ensure that services can be met with the revenues provided.



### Multi-Residential Property Tax Class

Oelwein will also see a decrease in revenue as Multi-Residential properties will continue to drop. The state created a new tax classification in 2014. The Multi-Residential tax cut is the largest in the history of the state. Units once classified as commercial are now Multi-Residential. As Multi-Residential decreases, the state will not back fill the loss in revenue. Properties that qualify include mobile home parks, assisted living facilities, and upper story housing. Several businesses in the downtown will have a commercial classification for the first floor and Multi-Residential for the upper living space. Multi-Residential will go from 90 percent roll back to the same as residential in 2024. Below is a projected revenue loss the city of Oelwein as the tax continue to decrease.

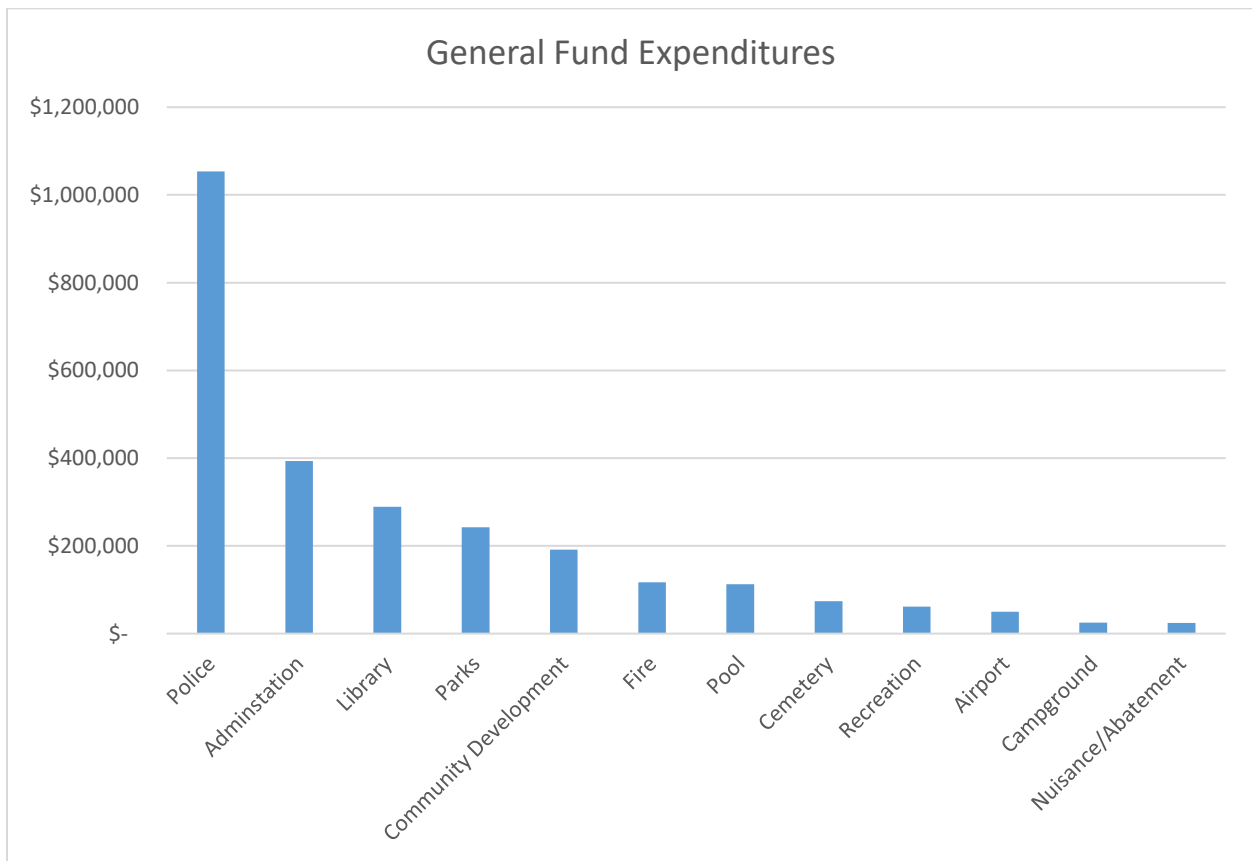
Multi Residential Roll Back Schedule	2021	2022	2023	2024
	<b>71.25%</b>	<b>67.5%</b>	<b>63.75%</b>	<b>55.7335</b>
Property Tax Revenue	\$72,224.72	\$68,423.42	\$64,622.12	\$56,495.95
Estimated annual Loss	\$3,801.30	\$3,801.30	\$3,801.30	\$8,126.17

The estimated total revenue loss for Oelwein over the life of the program is \$30,933.98. This projection does not consider an increase in property values because Oelwein has minimal increases starting in fiscal year 2014.

**General Fund**

The general fund saw its largest increase in revenue in the fiscal year 2020 that is has seen in the last 10 years. This increase was not immediately captured, but it will be used up this year by adding an additional code enforcement officer and police officer. These positions are a priority of council and have been placed in the budget. The general fund requires the most discussions each year as limited increases require hard decisions about service. The injection of funding from FEMA because of the Cares Act should help the general fund for three years. The reserves in the general fund continue to be strong.

City Council will need to focus a great deal of attention on the general fund over the next year. A focus will need to be made on attracting and retaining top talent. This will require increased wages and discussions on benefits. City’s around Oelwein are increasing their incentives to employees and future employees. Oelwein’s staff is the most important asset for the organization.



*The Community Development Department is funded through general fund and Local Option Sales Tax. Administration is split three ways between general fund, water, and wastewater. This chart shows only the general fund expenditures.*

**Franchise Fees**

Franchise Fees are the five percent taxes on gas and electric. They can be used for several purposes including public safety, public buildings, equipment, and economic development. The revenue for FY2022 is estimated at \$725,000. This revenue is dependent on weather and utility usage.

- FY 2021 (proposed)
  - \$492,469
    - Plan to spend
      - \$260,000 Police Station Loan
      - \$145,000 property tax relief (general fund)
      - \$302,000 Capital Improvement Plan (CIP)
      - \$30,000 public safety transfer

The City will not be using reserves this year in franchise fee. The CIP program is balanced to meet the needs of each general funded department. CIP items are voted on and approved by council when the budget is approved.

### **Economic Development**

The City of Oelwein uses local option sales tax for economic development and property tax relief. This funding is used to better the community and accomplish the goals set by council. A high priority of council is to improve housing. The City Council has the option this year to make a large impact in housing. I have outlined the dollars and how the city can use them below:

#### Local Option Sales Tax Revenue (projected FY2021)

- \$570,000
  - \$400,000 economic development
  - \$170,000 property tax relief
- \$400,000
  - This money is used for multiple economic development activities
    - \$50,000 Oelwein Chamber and Development
    - \$45,000 Abatement (Code enforcement officer)
    - \$35,000 Oelwein Regional Tech Complex (Tec Spec)
    - \$35,000 Library Accreditation
    - \$25,000 Residential tear down grant
    - \$65,000 Junk house removal
    - \$15,000 Fayette County Housing Trust Fund
    - \$15,000 CDBG Housing Grant
    - \$25,000 Wellness Center Loss
  - The City Administrator recommends increasing the city's junk house removal budget from \$35,000 to \$60,00
  - The City has \$350,000 to use for housing improvements. The first \$125,000 is being used for a local housing program where the city will partner with Upper Explorerland. The City has transferred the first two payments of \$125,000 and will have one remaining.
  - The City will need to continue to use its teardown funds to ensure houses that need removed are being removed

- City Council should consider funding a branding campaign with the chamber of commerce and school district.
- Discussions have begun with the school to include an incentive for moving to Oelwein and buying a home
- The City will continue to buy houses from Homes for Iowa and will take the risk in selling each home to mitigate risk away from local contractors who are not building homes

## Reserves

The City of Oelwein is working toward having strong accounts that help the city remain fiscally stable and prepare the city for future loans and emergency expenses. Having stable reserves saves the city money and prepares the city for emergency expenses. It is generally considered a best practice to have 25 percent of expenses in reserves. This percent can fluctuate based on availability and city council determination. The following are reserves for the city of Oelwein in Fiscal Year 2022. The City Administrator is working toward a formal policy.

Fund	Reserve Goal	Reserve
General Fund	\$632,230	\$717,943
Franchise Fee	\$246,531	\$619,489
Economic Development	\$88,740	\$549,771
Road User Tax	\$168,823	\$670,136
Water	\$291,839	\$413,059
Sewer	\$430,634	\$806,380

*Proposed Reserve goals for the City of Oelwein FY 2020.*

## Capital Improvement Program (CIP)

The Capital Improvement Program (CIP) is now in its fourth year for the City of Oelwein. Franchise fees will play a key role in purchasing equipment and infrastructure that are in the Capital Improvement Program. The complete CIP is included in the budget book. Additional funding sources for the CIP include Road User Tax, Utilities, Municipal Trust, Grants, and Economic Development.

## Comparables

The City uses several cities in Iowa to make comparable comparisons. This is based on population, location, income, and general characteristics. The city uses the following comparables:

- Estherville
- Maquoketa
- Red Oak
- Centerville
- Nevada
- Atlantic
- Washington
- Charles City
- Vinton

- Independence
- Manchester

### **FY2022 and Beyond**

While this year is positive for the City of Oelwein, the number of staff has reached its limits for the tax levy. The City will need to focus on services and improve current procedures. City Council has placed several programs in place and now it is time for staff to implement them and make them successful. While the city should continue to take on projects, new programs that require significant staff time are not viable. Current staffing levels will be able to accomplish the current city council goals. The motto for FY2022 should be “Keep good going, improve when needed”.

Thank you for your time,

Dylan Mulfinger, City Administrator