



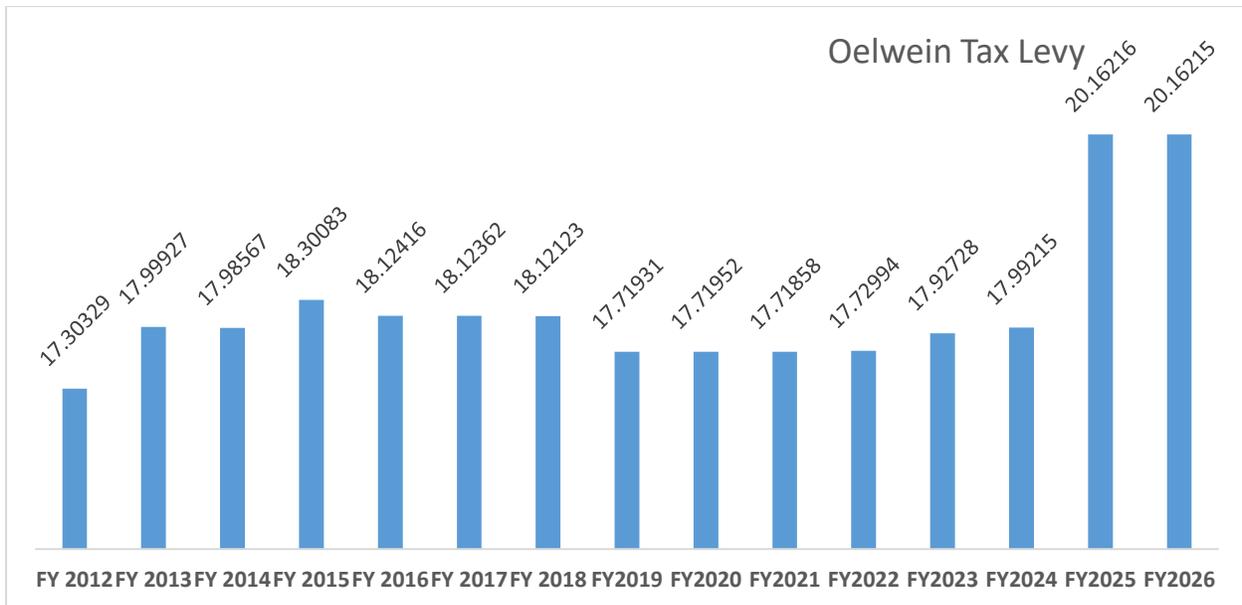
FY2027 Budget Letter to Oelwein City Council

Honorable Mayor and Council,

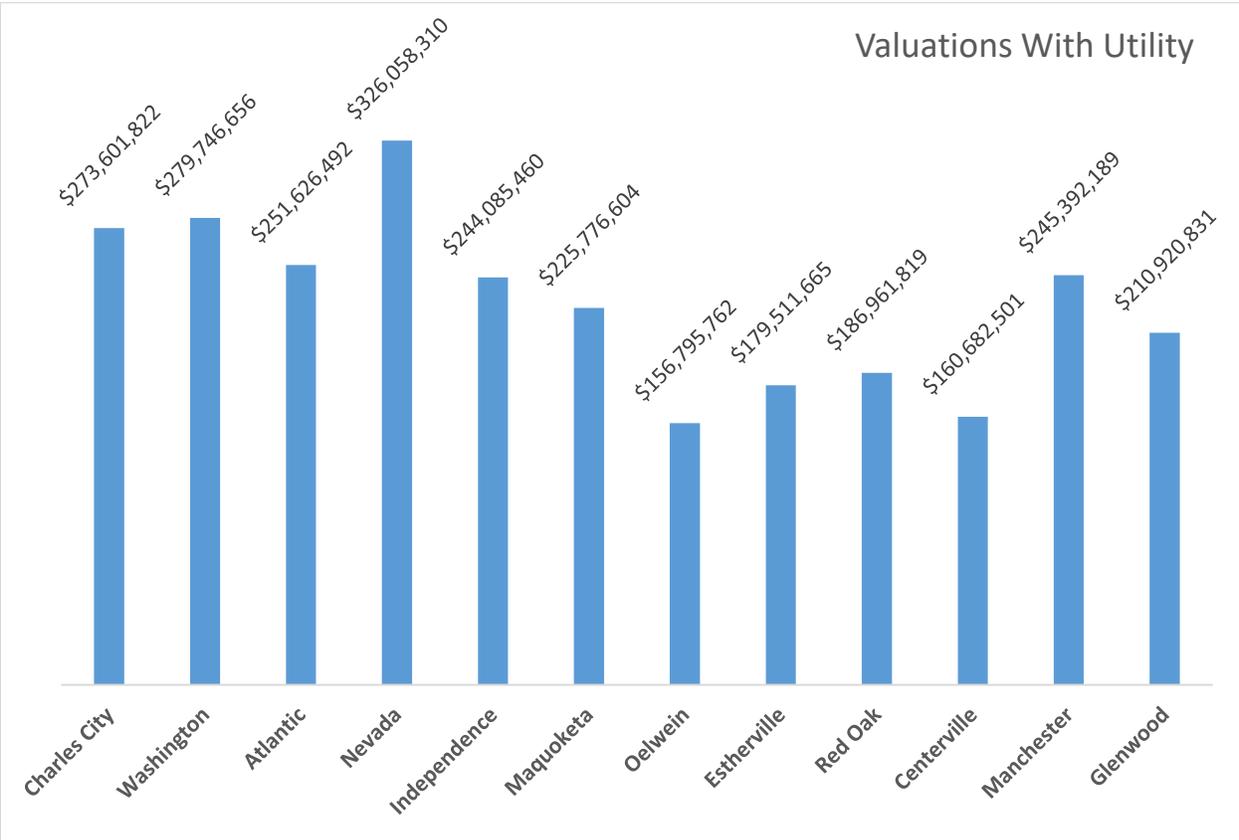
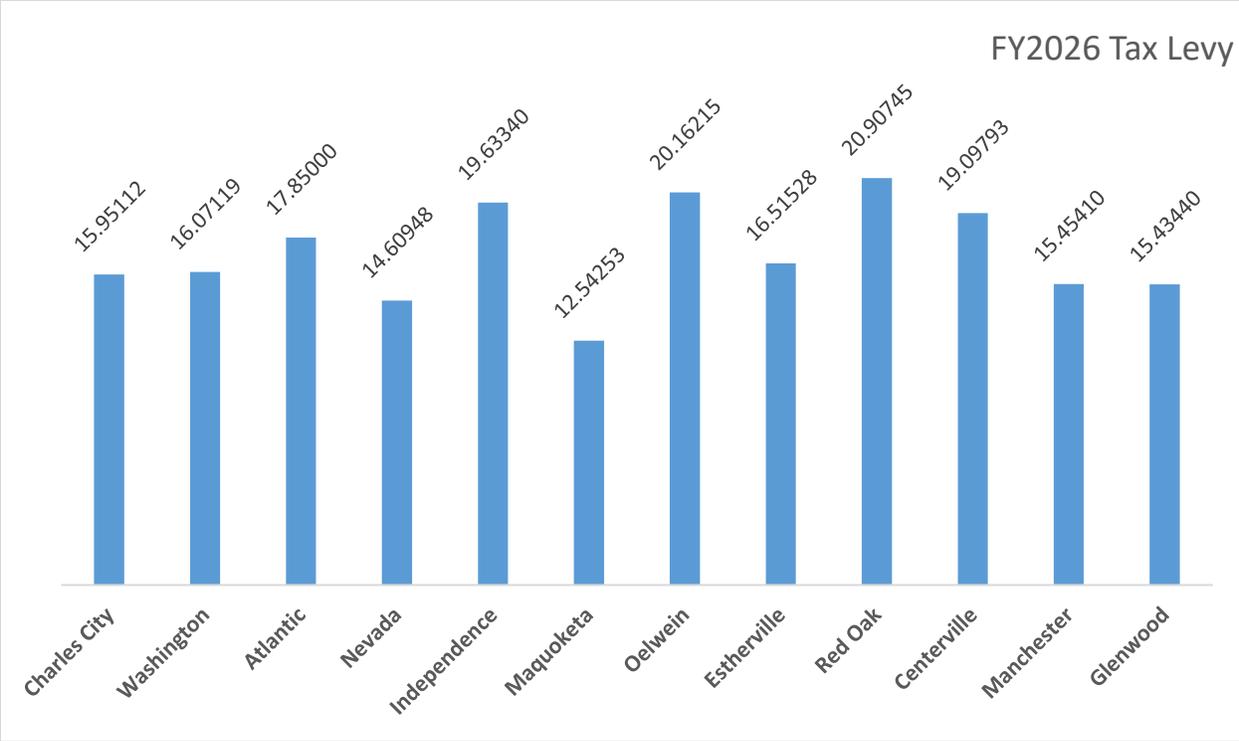
The city has started the FY2027 early as meeting commenced in May of 2025 to have serious discussions about budget reductions. The state of Iowa continues to limit the cities abilities to provide services locally. The mentality now for most departments is to increase salaries then expect no increases in any other fund. This is difficult as supplies and equipment are costly and rise each year. The city council made several decisions in 2025 that will limit some services previously provided by the city. With the potential of even more property tax cuts, the city council will need to direct staff to keep essential service functioning while evaluating any other services that ius not absolutely necessary for the organization.

Tax Rate

The City Council adopted a tax rate of \$20.16215 for the year 2025-2026 (FY2026). The proposed tax rate is \$20.16215. The decrease is minimal. The city was able to use high valuations and did not have to increase the levy.



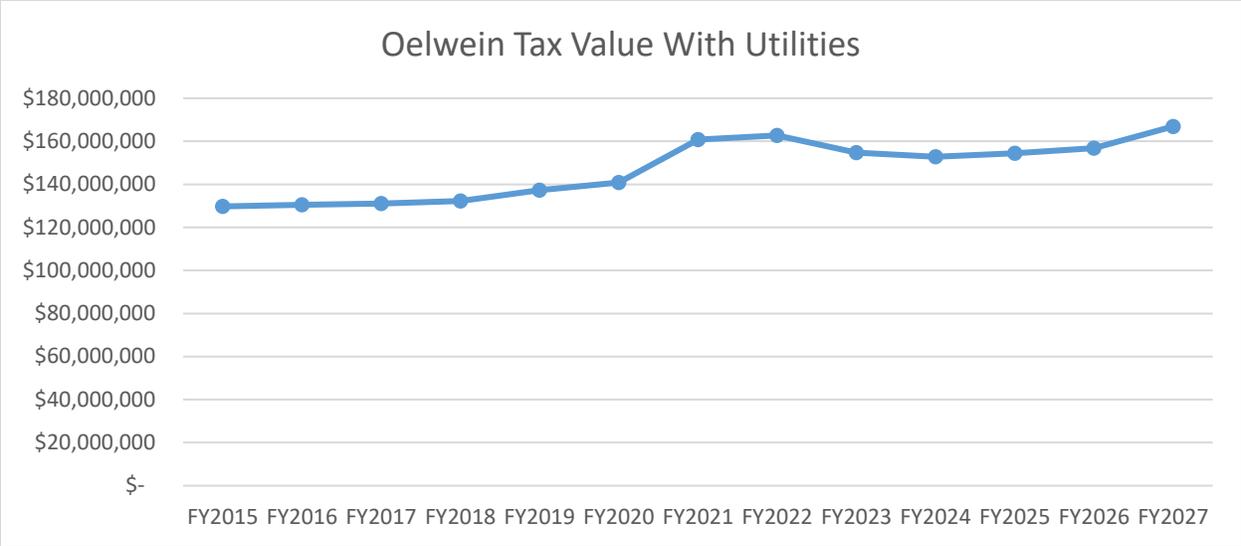
The Oelwein tax rate is high, because assessed values are low and require a high tax rate. The city council has done a great job ensuring spending has been conservative, and services are being delivered as expected from the public. This conservative spending shows the community that council is doing 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 valued at \$37,184 pays just over \$335.00 in property tax annually. The \$350.00 of taxes is spread out among the city and other taxing entities, the 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 which are already being offered. The following table shows how the city takes in revenue from property taxes.

FY2026	Assessed Value	Roll Back	Taxable Valuation	Per 1000	City Levy	Property Taxes City Only
Residential	\$35,000	47.4316%	\$16,601	\$17	20.16215	\$335
Residential	\$200,000	47.4316%	\$94,863	\$95	20.16215	\$407
Commercial	\$200,000	47.4316%	\$71,147	\$71	20.16215	\$407
		90%	\$45,000	\$45	20.16215	\$907
						\$1,314
Industrial	\$1,000,000	47.4316%	\$71,147	\$71	20.16216	\$407
		90%	\$765,000	\$765	20.16215	\$15,424
						\$15,831
FY2027						
Residential	\$35,000	44.5345%	\$15,587	\$16	20.16109	\$314
Residential	\$200,000	44.5345%	\$89,069	\$89	20.16109	\$406
Commercial	\$200,000	44.5345%	\$66,802	\$67	20.16109	\$406
		90%	\$45,000	\$45	20.16109	\$907
						\$1,314
Industrial	\$1,000,000	44.5345%	\$66,802	\$67	20.16109	\$406
		90%	\$765,000	\$765	20.16109	\$15,423
						\$15,830

The city saw the largest increase in valuations since 2021. The city could not use all that increase as the new state laws ratchet down the city to collect all the taxes. The increase in valuation is a good sign for the community and much needed after there to four years of decrease and stagnate valuations. The state continues to restrict funding to local governments. The new calculation for business is a large decrease for Oelwein as the commercial properties see fifty percent of their first \$150,000 in taxable value decreased. With new tax laws on the horizon, Oelwein will have to sit tight and see how the changes will affect future budgets.



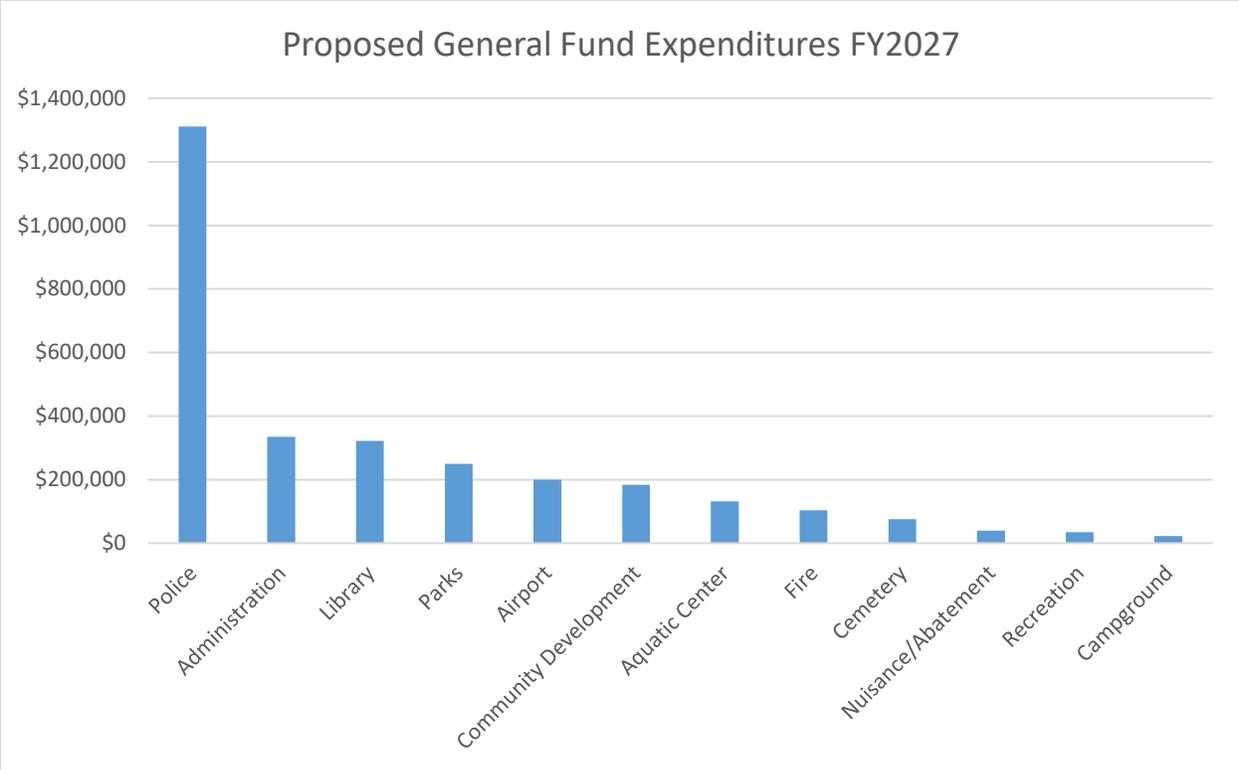
Loss of the State Backfill

The chart below shows how the city has lost revenue that was once guaranteed by the state. This revenue was used to provide general fund services. The city will receive no backfill in FY2027. The backfill was the state using their revenues to backfill state mandated property tax cuts.

Backfill History	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
	\$74,546	\$70,846	\$81,192	\$104,564	\$114,332	\$111,382
Future Backfill						
	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
	\$111,382	\$89,105	\$66,829	\$44,553	\$22,276	\$0

General Fund

The general fund is not on track as the expenditures are larger than revenue. While budget cuts have extended the ability to provide services, the city will still need to reduce in future budgets. The general fund provides multiples services to the community. Prioritizing these services is difficult and requires several meetings of the city council and public comment. Even with a budget crunch, a level of service will be delivered in



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.

If Oelwein received a stable three percent increase in property taxes, the city would be in a much better place financially.

Year	Property Taxes Received	If stable 3 percent	Loss
FY2015	\$1,050,937	\$1,082,465	
FY2016	\$1,056,557	\$1,114,939	\$58,382
FY2017	\$1,061,307	\$1,148,387	\$87,080
FY2018	\$1,071,057	\$1,182,839	\$111,782
FY2019	\$1,112,247	\$1,218,324	\$106,077
FY2020	\$1,140,689	\$1,254,874	\$114,185
FY2021	\$1,302,573	\$1,292,520	-\$10,053
FY2022	\$1,317,776	\$1,331,296	\$13,520
FY2023	\$1,217,916	\$1,371,234	\$153,318
FY2024	\$1,237,352	\$1,412,371	\$175,019
FY2025	\$1,267,511	\$1,454,743	\$187,232
FY2026	\$1,254,476	\$1,498,385	\$243,909
FY2027	\$1,329,756	\$1,543,336	\$213,580

Franchise Fees

Franchise Fees are the five percent taxes on natural gas and electric. They can be used for several purposes including public safety, public buildings, equipment, and economic development. The revenue for FY2027 is estimated at \$760,000. This revenue is dependent on weather and utility usage.

- FY 2027 (proposed)
 - \$825,000
 - Plan to spend
 - \$155,555 Police Station Loan
 - This has been reduced to help pay for CIP items
 - The city will use reserves in debt service for this payment.
 - \$152,000 property tax relief (general fund)
 - \$366,500 Capital Improvement Plan (CIP)
 - \$100,000 Road Improvements
 - \$30,000 public safety transfer

The city will be using franchise fees to fund road improvements. The franchise fee will be used to fund the final needed improvements to City Hall. The CIP program is balanced to meet the needs of each general funded department. The CIP items are voted on and approved by the city council when the budget is approved. Should the city continue to see reduced revenues from property taxes, franchise fees will need to be used for supporting the general fund in a larger capacity.

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 on housing. I have outlined the dollars and how the city can use them below:

Local Option Sales Tax Revenue (projected FY2027)

- \$750,000
 - \$525,000 economic development
 - \$225,000 property tax relief
- \$525,000
 - This money is used for multiple economic development activities:
 - \$100,000 Road Improvements
 - \$100,000 Event Center
 - This will be the 4th of 5 payments
 - \$50,000 Oelwein Chamber and Development
 - \$45,000 Abatement (Code enforcement officer)
 - \$35,000 Oelwein Regional Tech Complex (Tec Spec)
 - Last year
 - \$35,000 Library Accreditation
 - \$25,000 Residential tear down grant (will be used for downtown buildings)

- \$50,000 Junk house removal (will be used for downtown buildings)
 - Reduced to \$50,000 because of budget cuts
- \$20,000 Fayette County Housing Trust Fund
- \$30,000 Wellness Center Loss

Reserves

The City of Oelwein is working toward having strong accounts to 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 20 percent of expenses in reserves. This percentage can fluctuate based on availability and City Council determination. The following are reserves for the City of Oelwein in Fiscal Year 2026 and 2027.

The city council will need to make some hard decisions on expenditures in franchise fees and economic development. These funds are projected to continue to drop as road funding has put a strain on both funds. Tearing down two buildings in the downtown was a major expense with 27 south Frederick costing \$110,709 and 33 South Frederick costing \$96,000. Both projects were unexpected and set back residential demolition by five years. This is why residents are frustrated with the city, because even if we plan, we cannot plan for taking down two downtown buildings in two years.

20% Reserve	Fund	FY2025 Start	FY2026 Start	Projected FY2027 Start	Projected FY2028 Start
\$661,426	General	\$1,239,467	\$1,256,329	\$687,143	\$428,658
\$188,175	Road User Tax	\$593,253	\$577,647	\$487,647	\$493,547
\$194,424	Franchise Fees	\$353,388	\$76,955	\$103,405	\$55,905
\$191,244	Economic Development	\$597,367	\$232,480	\$15,217	\$5,252
\$415,239	Water	\$866,141	\$849,903	\$557,317	\$935,973
	Water Infrastructure	\$34	\$404,658	\$135,000	\$555,000
\$500,576	Sewer/Waste	\$1,341,081	\$1,518,951	\$1,026,201	\$1,323,767
	Sewer/Waste Infrastructure	\$8	\$417,236	\$837,236	\$100,265

Capital Improvement Program (CIP)

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

Comparable Cities

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

- Estherville
- Maquoketa
- Red Oak
- Centerville
- Nevada
- Atlantic
- Washington
- Charles City
- Glenwood
- Independence
- Manchester

FY2027 and Beyond

We will sit and wonder on the future of the city budget as we wait for the state to make decisions on the future of property taxes. Oelwein is value so low compared to other cities but has a high demand for services. The city council will need to continue to make difficult decisions with assistance from staff. Each year the discussion must center around what must be provided and what can be cut back. Unless a new tax is inventive or the state starts providing any dollars to local government, the future is rough for Oelwein.

Thank you for your time,

Dylan Mulfinger, City Administrator