



FY2026 Budget Letter to Oelwein City Council

Honorable Mayor and Council,

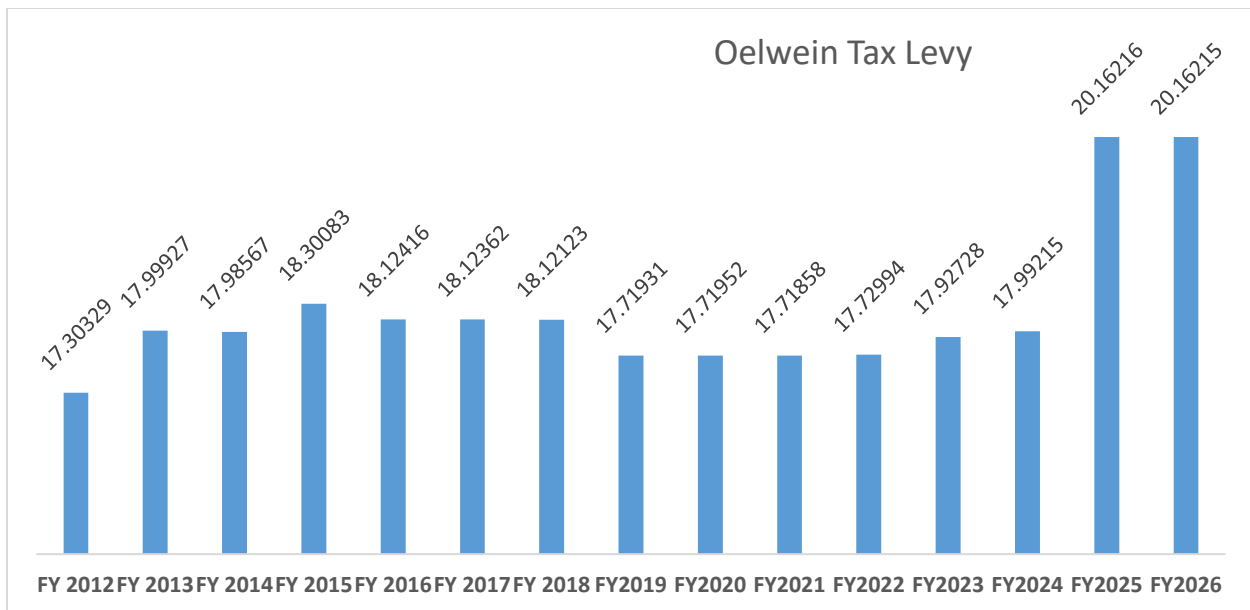
The Oelwein city council was strategic in the last two years to cut spending in anticipation of the property tax cuts the state has implemented. The city council will need to cut additional spending as FY2026 approaches. These cuts will not come easy, but they will come as a strategic recommendation from staff. It is critical city staff provide well researched solutions to the revenue shortfalls within the general fund.

The city will continue to see negative affects from the state legislature as the state reduces the city's ability to generate revenue from property tax. The following tax breaks have continued to hamper the city's ability to generate revenue:

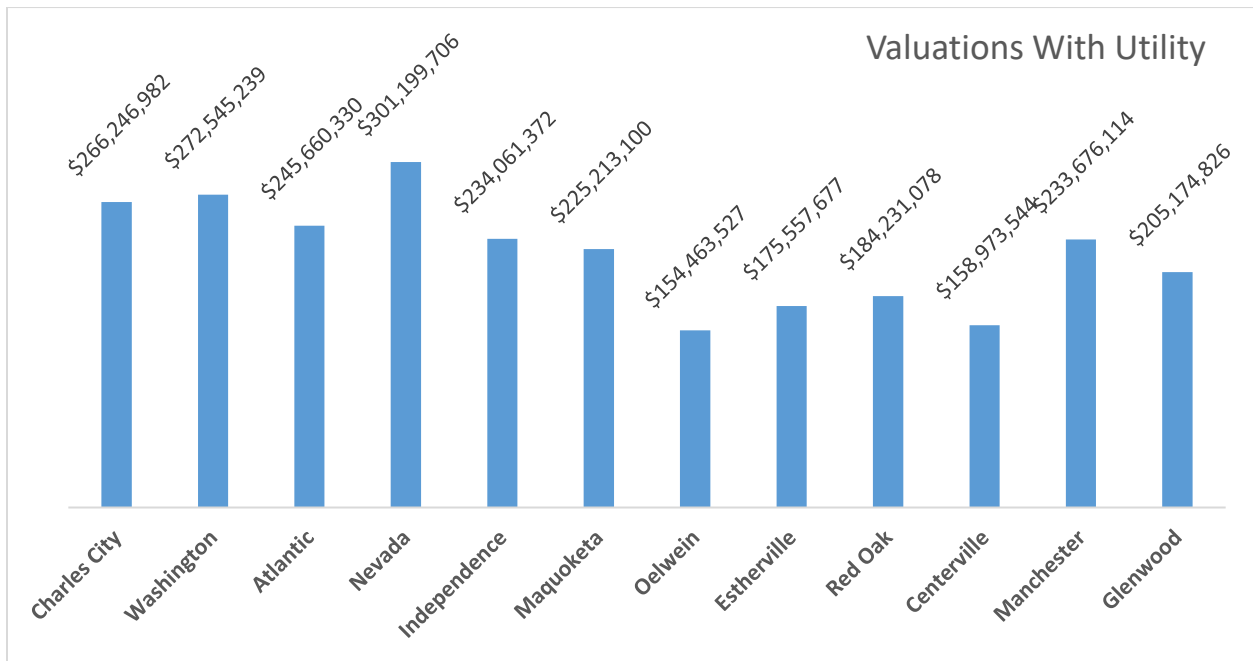
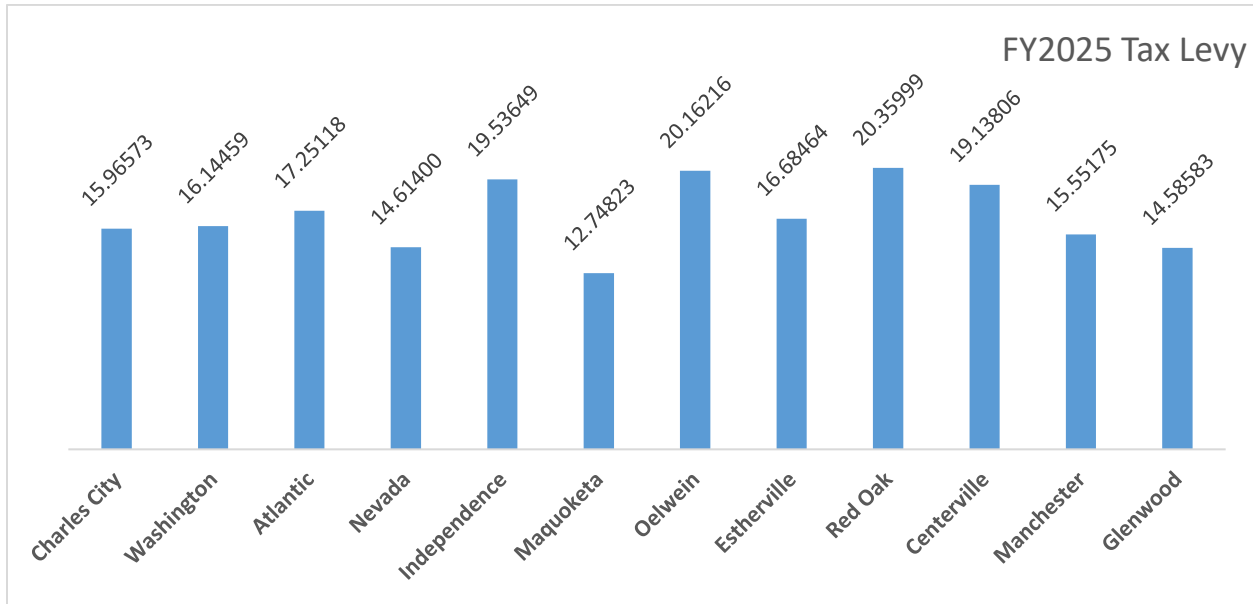
- Reclassification of multi-residential to residential rollback
- Removal of commercial and industrial rollback payment to cities
- HF178 which removed the emergency levy
- Aggressive rollbacks on residential properties

Tax Rate

The City Council adopted a tax rate of \$20.16216 for the year 2024-2025 (FY2025). The proposed tax rate is \$20.16215. The increase in the levy is being used for the bond which will construct the 10th Street Bridge.



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 Council is doing their due diligence and tasking staff with the need to be flexible and innovative when spending public dollars.

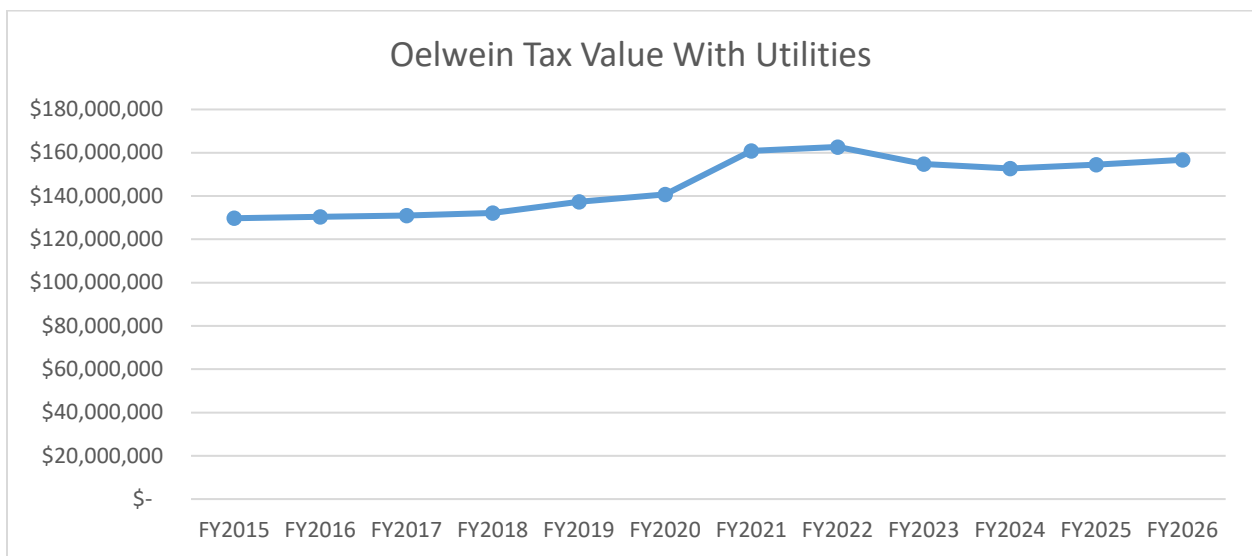


Oelwein has a high levy because 55 percent of the homes were built before 1940 and have an average assessed value of \$37,184. A house valued at \$37,184 pays just over \$350.00 in property tax annually. The \$350.00 of taxes is spread out among the city and other taxing entities, the school district, 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.

FY2024	Valuation	Roll Back	Taxable Valuation	Per 1000	City Levy	Property Taxes City Only
Residential	\$100,000	0.541302	\$54,130.20	\$54.13	20.16216	\$406.51
Commercial	\$100,000	0.9	\$90,000.00	\$90.00	20.16216	\$406.51
Industrial	\$1,000,000	0.9	\$900,000.00	\$900.00	20.16216	\$406.51

FY2025	Valuation	Roll Back	Taxable Valuation	Per 1000	City Levy	Tax Bill
Residential	\$100,000	0.463428	\$46,342.80	\$46.34	20.16216	\$934.31
Commercial	\$100,000	0.463428	\$46,342.80	\$46.34	20.16216	\$934.31
	\$0	0.9			20.16216	
Industrial	\$1,000,000	0.463428	\$69,514.20	\$69.51	20.16216	\$1,401.47
	\$850,000	0.9	\$765,000.00	\$765.00	20.16216	\$15,424.05

The city saw a minor increase in valuations this year. This is from the state lowering the rollback of residential homes and the multi-family home rate matching residential rollback. The state continues to restrict funding to local governments. Oelwein needs a greater commercial tax base and will need a significant deal of home improvements to boost the valuation. The community sees a large amount of services for their tax bill.



Loss of the State Backfill

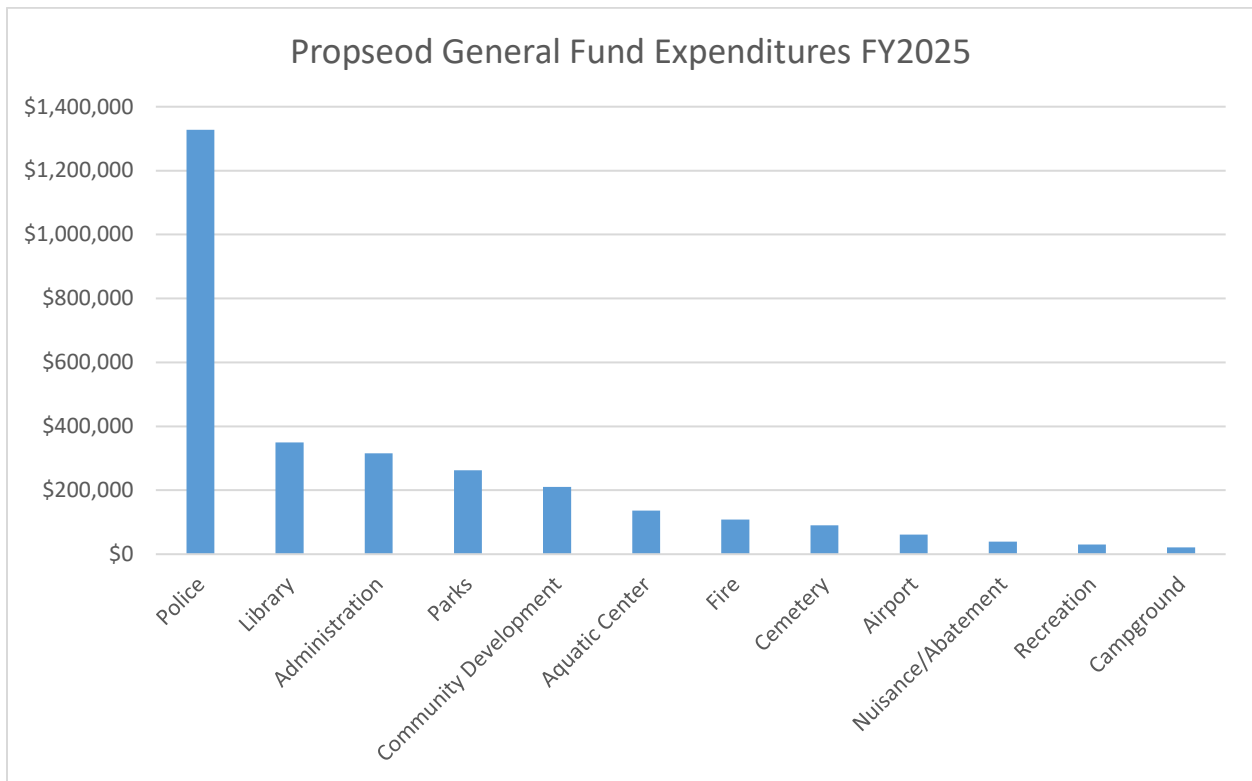
The state of Iowa has decided to no longer fund the local tax cuts they made in the 1980s. The state will be using those dollars in another format. The City of Oelwein now must work as state provided revenue will drop over the next five years. The city will lose just over \$100,000 spread-out over the next five years. Most cities will experience an eight-year period, but Oelwein was tagged at having an expedient amount of growth, so Oelwein was paced on the five-year schedule. The City Administrator will monitor revenues to ensure they align with expenses over the next five years.

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. The planned cuts for FY2025 and FY2026 will put the city in a better financial position. The cuts will affect the services the city provides to residents.



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	Difference
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

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 FY2024 is estimated at \$751,000. This revenue is dependent on weather and utility usage.

- FY 2026 (proposed)
 - \$825,000
 - Plan to spend
 - \$255,555 Police Station Loan
 - \$165,000 property tax relief (general fund)
 - \$325,000 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.

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 FY2026)

- \$734,000
 - \$514,000 economic development
 - \$220,000 property tax relief
- \$490,000
 - This money is used for multiple economic development activities:
 - \$100,000 Road Improvements
 - \$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 (will be used for downtown buildings)
 - \$65,000 Junk house removal (will be used for downtown buildings)
 - \$20,000 Fayette County Housing Trust Fund
 - \$15,000 CDBG Housing Grant
 - \$30,000 Wellness Center Loss
 - The City will need to continue to use its teardown funds to ensure houses which need removed are being removed.

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.

20% Reserve	Fund	FY2025 Start	FY2026 Start	FY2027 Start
\$661,426	General	\$1,239,467	\$853,006	\$377,481
\$188,175	Road User Tax	\$593,253	\$499,183	\$415,136
\$194,424	Franchise Fees	\$353,388	\$106,268	\$32,718
\$191,244	Economic Development	\$597,367	\$367,147	\$156,057
\$415,239	Water	\$866,141	\$759,177	\$743,247
	Water Infrastructure	\$34	\$420,034	\$840,034
\$500,576	Sewer/Waste	\$1,341,081	\$1,055,701	\$1,026,201
	Sewer/Waste Infrastructure	\$8	\$420,008	\$840,008

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

FY2026 and Beyond

Slow and steady wins the race when it comes to public budgeting. The city will begin to make significant cuts starting in FY2026. This will ensure the city has the funding to continue to operate. Prioritizing services will be critical as the city works to adjust those services. The public will need to understand the state of Iowa tax cuts have affected the ability for the city to provide services. The best thing for Oelwein is the superior administration which is provided daily.

Thank you for your time,

Dylan Mulfinger, City Administrator