

Budget Projections and Issues

2019 Budget Workshops



Property Tax System Basics

- The Rollback
 - Residential/agricultural property growth capped at 3%
 - Coupling provision for agricultural/residential
 - Commercial, Industrial, Railroad have separate rollback
 - Multi-Residential property on own rollback schedule
 - Everything built on property valuations!

Property Tax System Basics

- Commercial/Industrial/Railroad Rollback
 - 90% rollback
 - Not tied to property valuation growth or decline
- State backfill to replace lost revenues for commercial and industrial only

Property Tax System Basics

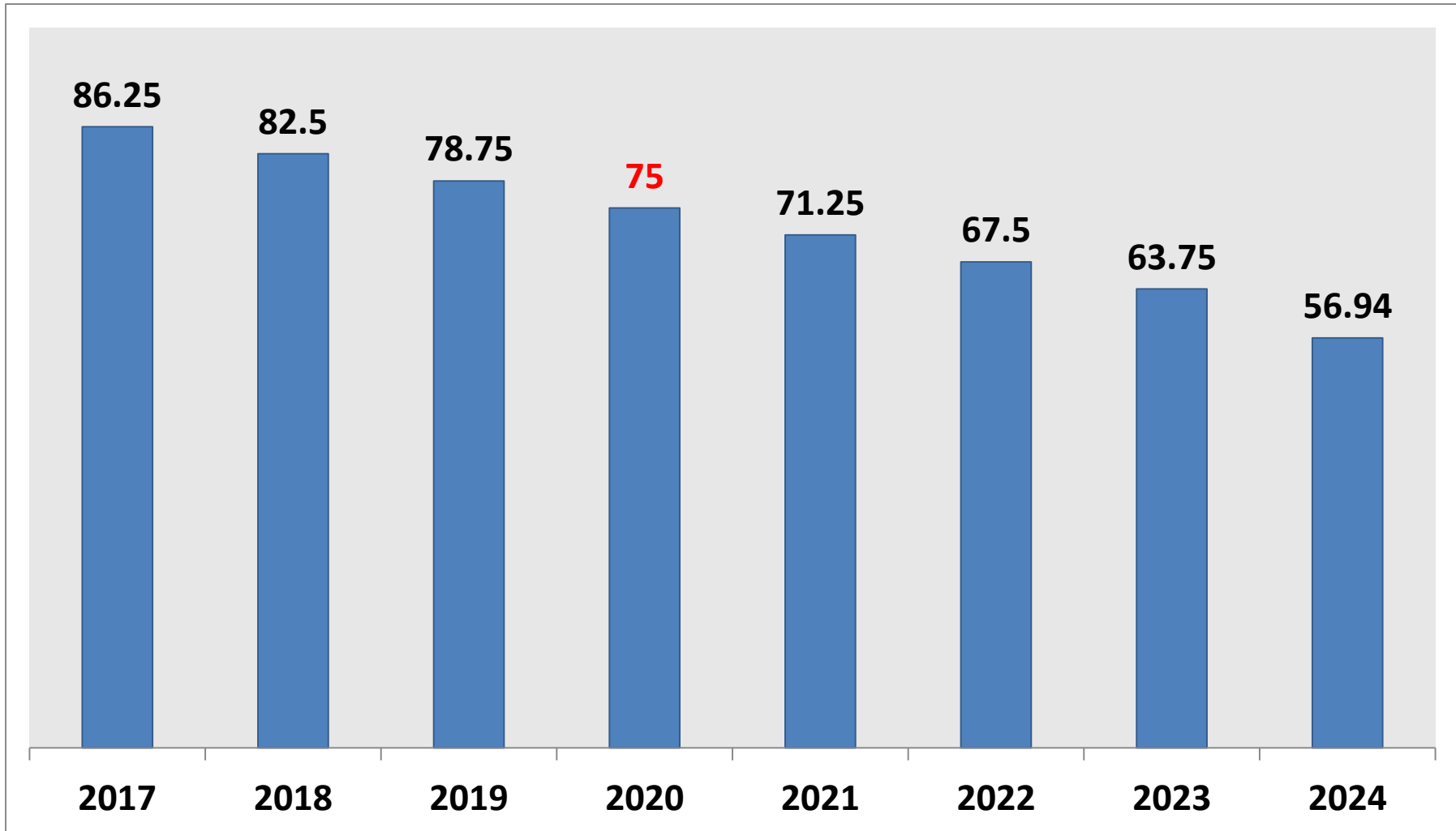
- The Backfill
 - Standing appropriation by state legislature
 - Funds disbursed by county
 - Capped at FY 2017 level
 - Info at IDOM:
<https://dom.iowa.gov/document/commercial-industrial-replacement-payments>

Property Tax System Basics

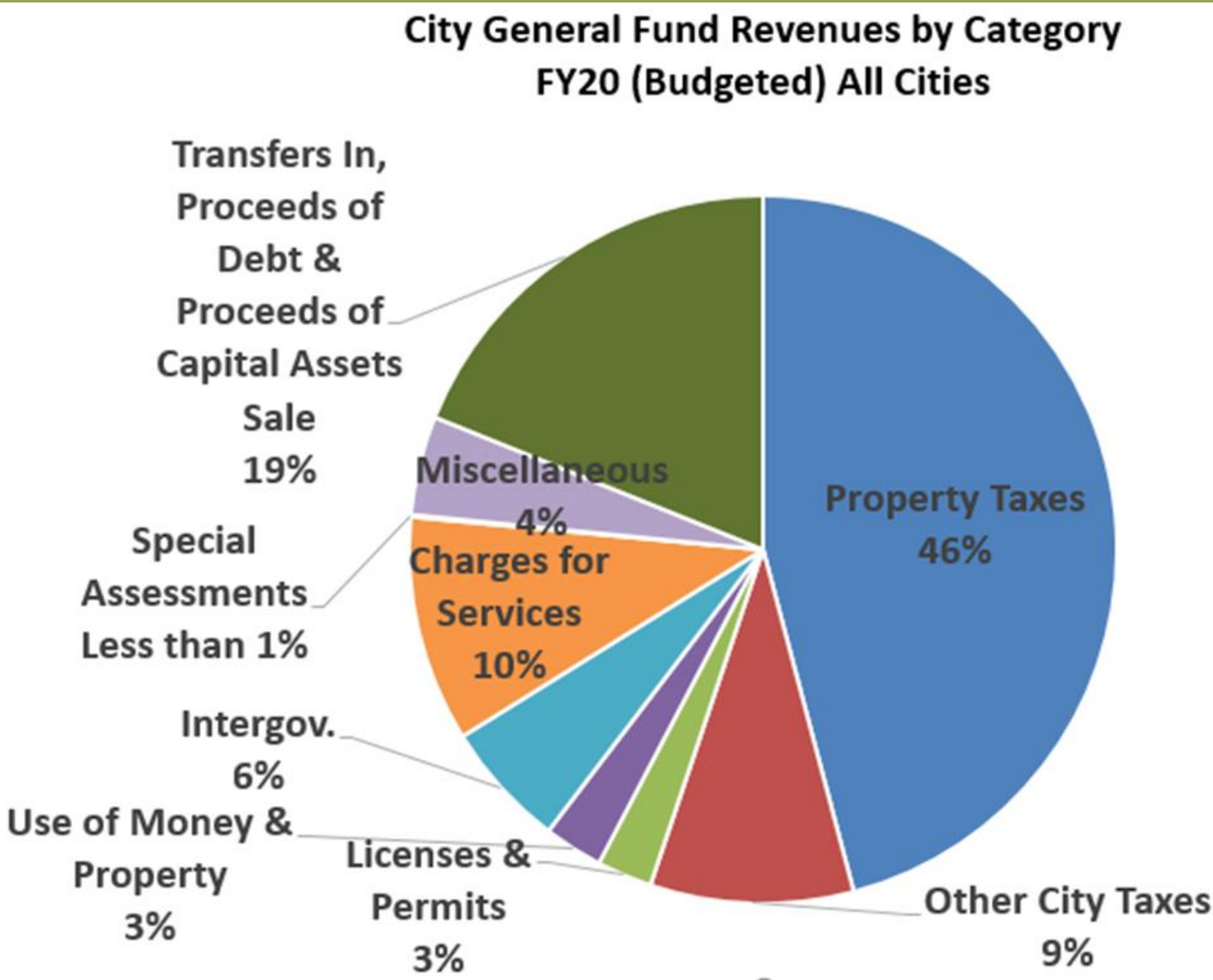
- Multi-Residential Property Class
 - First assessed in 2015 (affecting FY 2017 budgets)
 - 8 year rollback schedule
 - Assessors classify property (keep an eye on mixed-use buildings)
 - **NO BACKFILL**

Property Tax System Basics

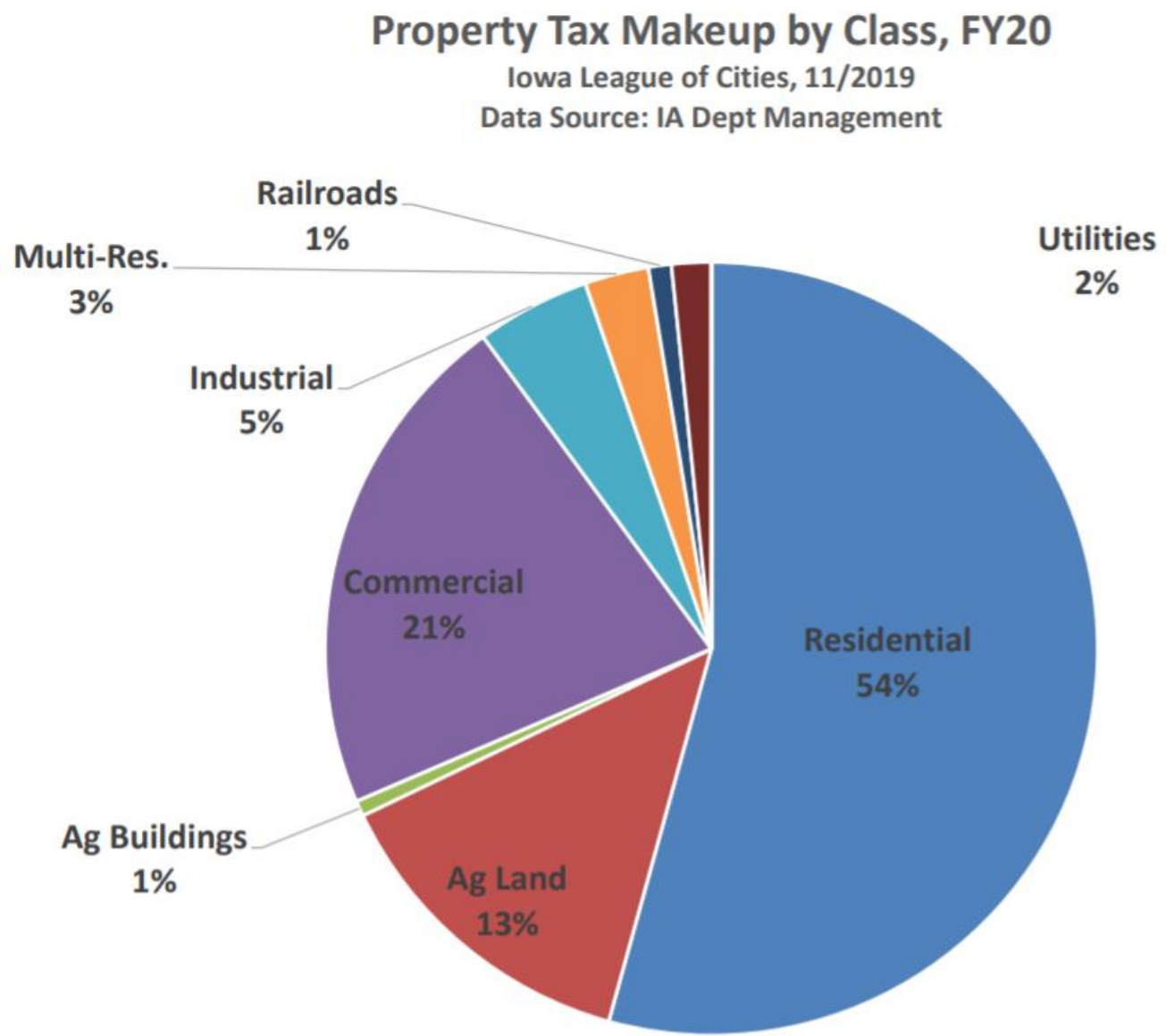
- Multi-Residential Rollback Schedule



Property Tax System Basics



Property Tax System Basics



Rollback Numbers – FY 2020

Agricultural – 56.1324%

Commercial – 90%

Industrial – 90%

Railroad – 90%

Residential – 56.9180%

Multi-Residential – 75%

Rollback Numbers – FY 2021

Agricultural – 81.4832%

Commercial – 90%

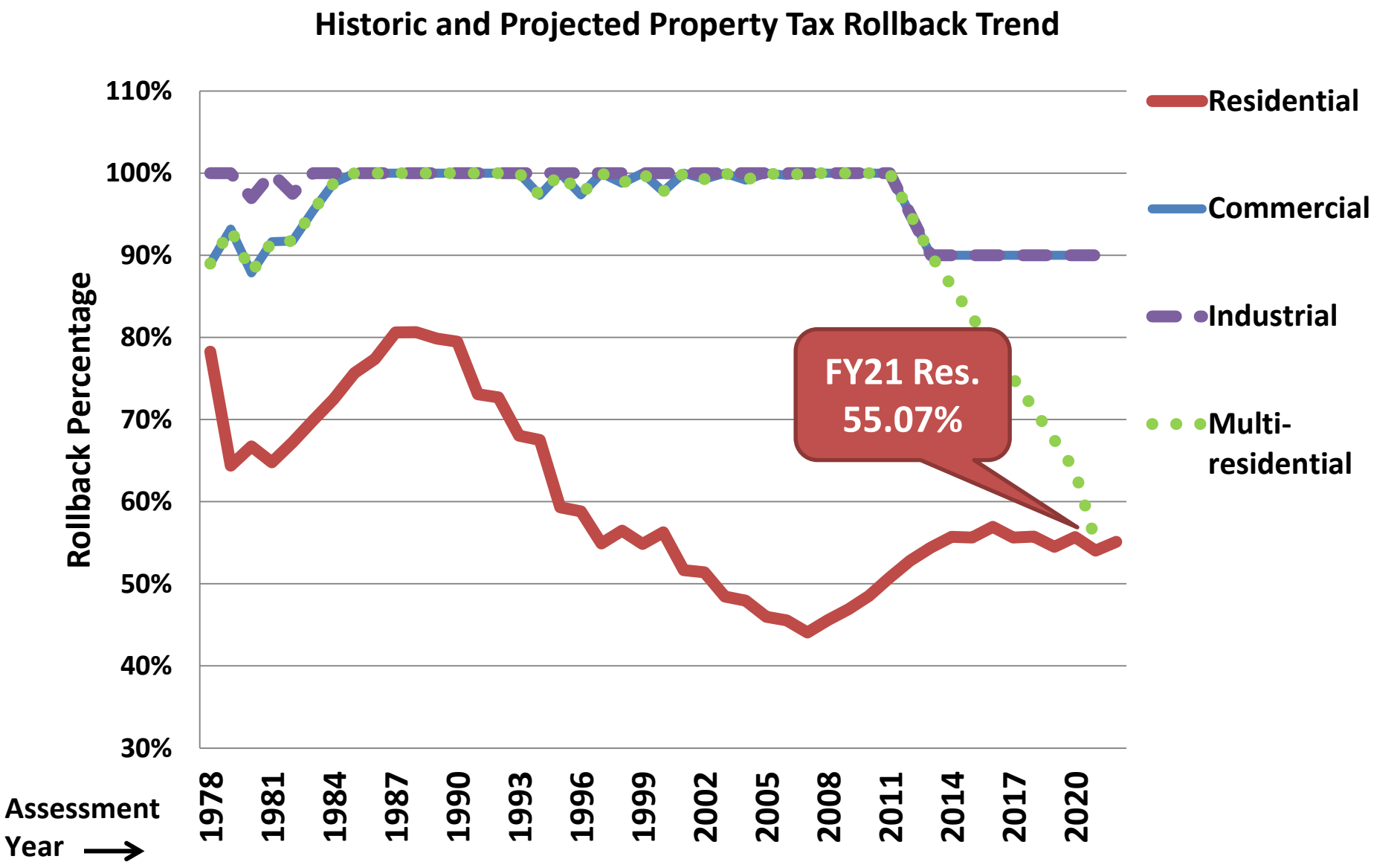
Industrial – 90%

Railroad – 90%

Residential – 55.0743%

Multi-Residential – 71.25%

Rollback – Historical and Projected



Rollback Numbers – Residential Projection

| Fiscal Year | Residential Rollback |
|-------------|----------------------|
| 2020 | 56.9180% |
| 2021 | 55.0743% |
| 2022 | 55.8084% |
| 2023 | 54.2289% |
| 2024 | 55.3027% |

- Source: Legislative Services Agency (2016)

Property Tax Examples

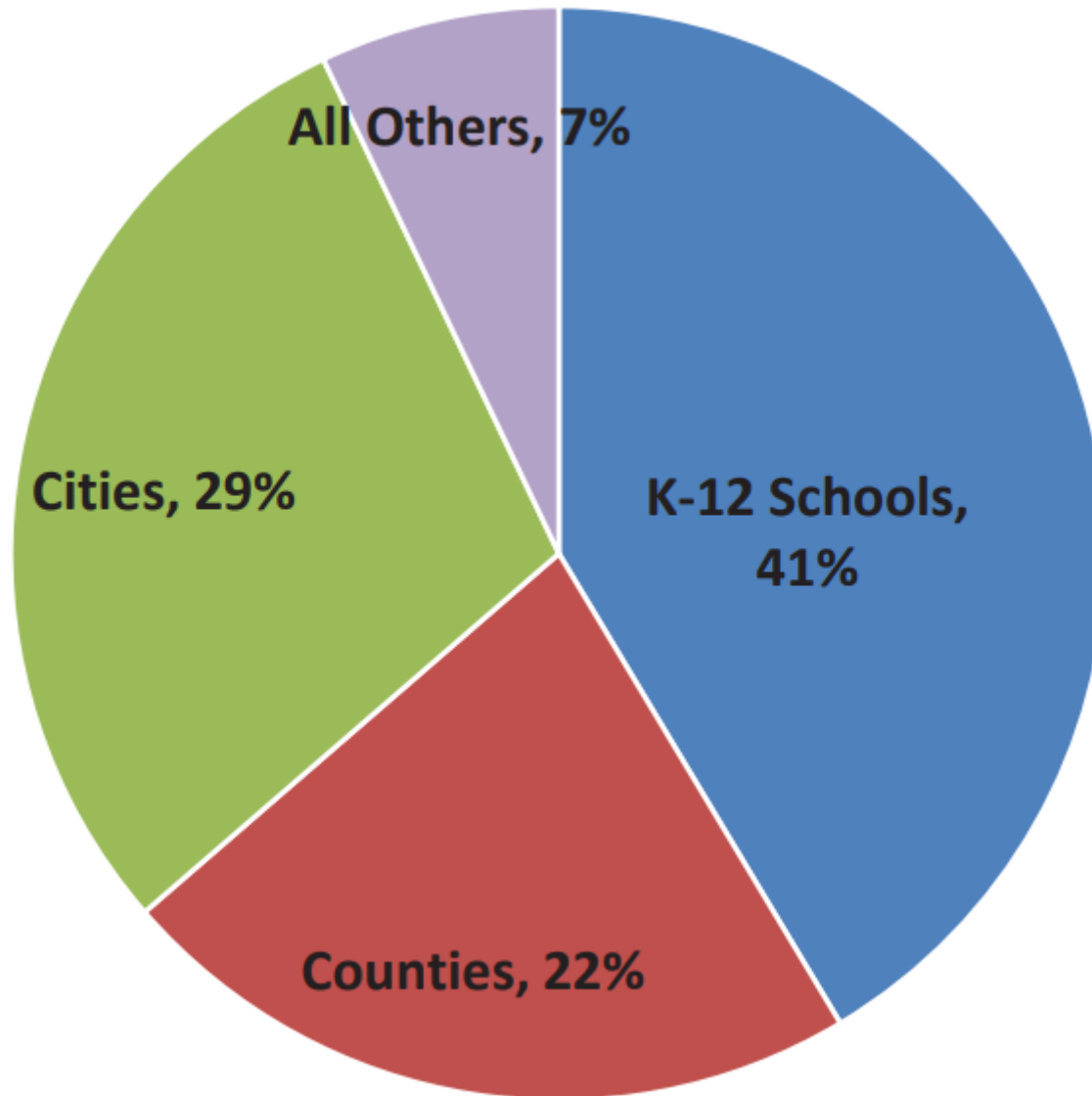
- Residential Property

| Assessed Value | Rollback | Taxable Value/ Calculation | Tax Obligation (<u>city only</u>) |
|----------------|----------|------------------------------------|--|
| \$100,000 | 56.9180% | (\$56,918/ \$1,000) x \$8.10 | \$461.04 |

- Commercial/Industrial Property

| Assessed Value | Rollback | Taxable Value/ Calculation | Tax Obligation (<u>city only</u>) |
|----------------|----------|---------------------------------|--|
| \$100,000 | 90% | (\$90,000/ \$1,000) x \$8.10 | \$729 |

Property Tax Revenue by Class



Property Tax Model

Property Tax Model Instructions

Updated November 2018

For additional information, contact:

Iowa League of Cities

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The League has developed this [property tax model](#) for cities to gauge the estimated impact of Division II and III of the property tax reform (SF295) law passed during the 2012-2013 legislative session. Each year, an updated model has been released. This update includes information related to Division III, which established the new multi-residential class of property as well as Backfill appropriations. This model does NOT include additional city impacts included within the law relative to Divisions I or IV.

Note that this model was created for estimation purposes only, and not intended for use in annual budget forms. Its forward projections are based upon the assumptions noted at the bottom of each tab in the model. The model is protected to avoid accidental changes. If you wish to customize the estimates to better align with your communities information, please contact the League.

Directions: [Download and open the excel file](#). Note that there are three tabs at the bottom, one for individual city modeling, and two for statewide modeling. On the city tab, begin with the drop-down box and select your city from the alphabetical list. Once selected, the semi-custom analysis using your city's specific FY19 city levy rate, will update with sections for residential, commercial, industrial and railroad, and multi-residential property classes. FY19 valuations for each class are from the Iowa Department of Management as of September 2018.

Road Use Tax Fund Distribution

| Fiscal Year | IDOT Per Capita Forecast |
|-------------|--------------------------|
| FY 2020 | \$126.00 |
| FY 2021 | \$127.00 |
| FY 2022 | \$128.00 |
| FY 2023 | \$128.50 |
| FY 2024 | \$129.50 |

Road Use Tax Fund Distribution

- Funded primarily by fuel taxes and vehicle registration fees
- 10 cent/gallon gas tax increase approved in 2015 legislative session for critical infrastructure needs
- Additional \$215 million for RUTF (track usage of new funds for IDOT)
- Distribution data:
www.iowatreasurer.gov/for-governments/roadusetax

Local Option Sales Tax

- Iowa Department of Revenue Statewide Estimate
 - FY 2020 = \$405,853,035 (23.8% increase)
- Must adopt revenue purpose statement (including amount used for property tax relief, if any)
- Sunset clause is optional
- Helpful tools available at www.tax.iowa.gov/local-option-tax-information-local-government

Hotel/Motel Tax

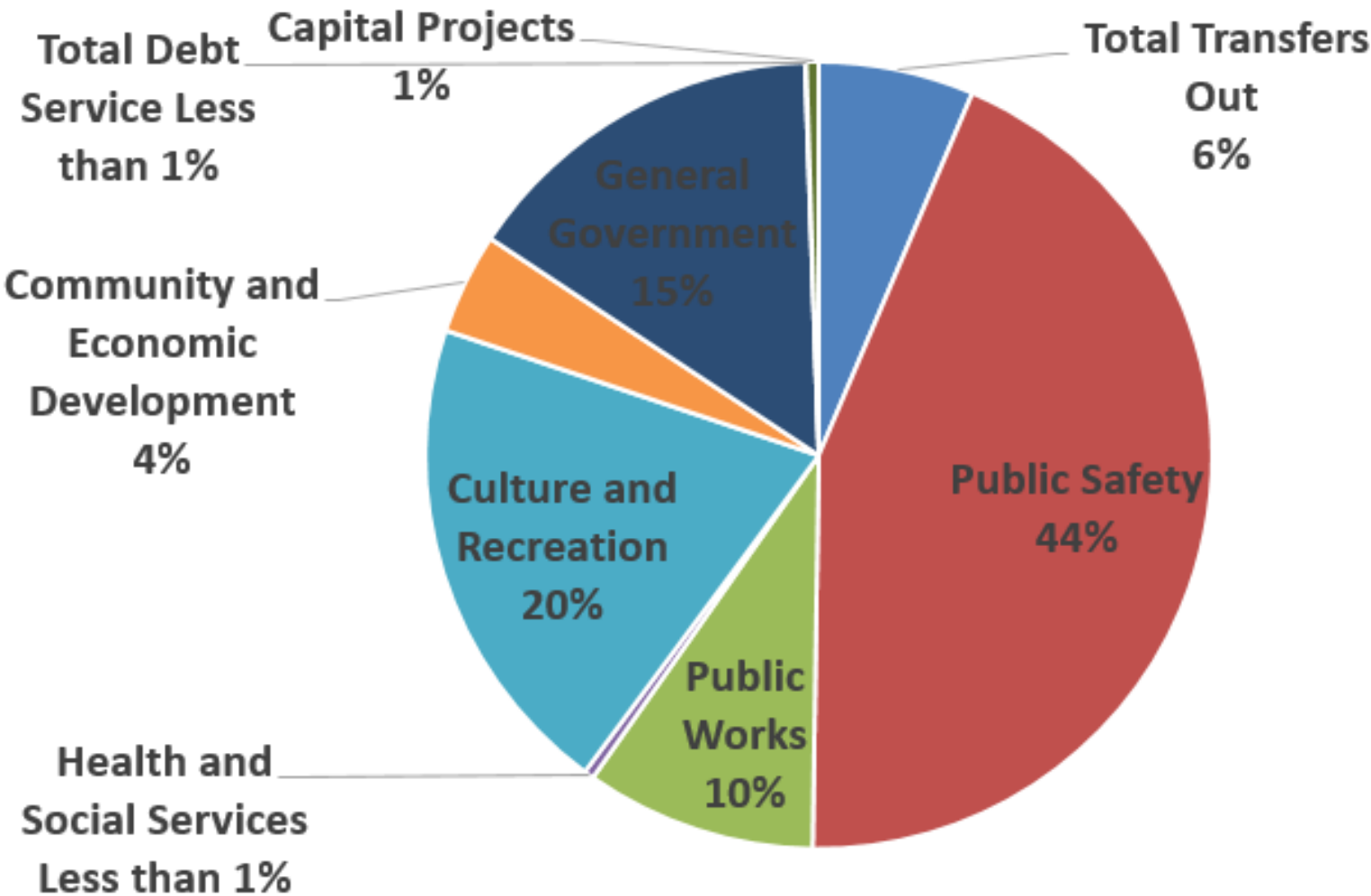
- 161 cities currently
- May charge up to 7% (if approved by voters)
 - 20 cities charge less than 7%
- 50% must be used for improving recreational, cultural or entertainment facilities **OR** for promotion of tourist/convention business

Franchise Fees

- ~165 cities currently
- May charge up to 5%
- Must hold public hearing prior to increasing or amending fee + must adopt and publish (or post) a revenue purpose statement
- Cannot charge both LOST and a franchise fee

Expenditures

City General Fund Expenditures by Category
FY20 (Budgeted) All Cities



Consumer Price Index

- Measures change in prices for goods and services
- U.S. CPI
 - Increased 1.7% (Sept '18 – Sept '19)
- Midwest CPI
 - Increased 1.4% (Sept '18 – Sept '19)
 - Medical care and housing

Employment Cost Index

- Measures change in cost of labor
- State and Local Government Workers (June '18 – June '19):
 - Total Compensation costs increased 3%
 - Wages and salaries increased 2.5%
 - Benefit costs increased 3.6%

IPERS

- Regular Class Members

| Fiscal Year | Employee | Employer | Total Rate |
|-------------|----------|----------|------------|
| 2019 | 6.29% | 9.44% | 15.73% |
| 2020 | 6.29% | 9.44% | 15.73% |
| 2021 | 6.29% | 9.44% | 15.73% |

IPERS

- Protection Class Members

| Fiscal Year | Employee | Employer | Total Rate |
|-------------|----------|----------|------------|
| 2019 | 6.81% | 10.21% | 17.02% |
| 2020 | 6.61% | 9.91% | 16.52% |
| 2021 | 6.41% | 9.61% | 16.02% |

MFPRSI

- Municipal Fire and Police Retirement System of Iowa

| Fiscal Year | Employee | Employer | Total Rate |
|-------------|----------|----------|------------|
| 2019 | 9.40% | 26.02% | 35.42% |
| 2020 | 9.40% | 24.41% | 33.81% |
| 2021 | 9.40% | 25.31% | 34.71% |

Budget Approval Process

- Certified budget **DUE MARCH 31**
- Must publish hearing notice on Maximum Property Tax Dollars
- Must post link to notice on any city websites/social media pages
- Council approves resolution on proposed Maximum Property Tax Dollars (note 2% threshold and possible 2/3 approval)

Budget Approval Process

- Must hold public hearing prior to adopting budget
- Must publish (or post) notice of hearing 10-20 days before meeting
- Certified budget **DUE MARCH 31**



SENATE FILE 634

SF 634

- Bill aimed to further notify public about property tax changes
- Requires new, additional public notice, public hearing, and resolution
 - Must have separate 10-20 day notice period
 - Requires that certain pieces of information be shown on notice and in resolution
 - Requires notice of hearing and resulting resolution also be posted to City social media & websites
- APPLIES TO ALL CITIES, EVERY YEAR

SF 634 – Public Notice

- Required information on new hearing notice:
 - Certified tax rate & requested dollars for certain specified levy rates
 - The rate and requested dollars as they would be for the budget year if the requested dollars were not increased
 - The proposed budget year property tax rate and requested dollars

| | | | | |
|---|--|---|--|--------------|
| The City Council will conduct a public hearing on the proposed Fiscal Year City property tax levy as follows: Meeting Date: (entered upon publish) Meeting Time: (entered upon publish) Meeting Location: (entered upon publish) At the public hearing any resident or taxpayer may present objections to, or arguments in favor of the proposed tax levy. After adoption of the proposed tax levy, the Board will publish notice and hold a hearing on the proposed county budget. | | | | |
| City Website (if available) | | City Telephone Number | | |
| <input type="text"/> | | <input type="text"/> | | |
| | Current Year Certified Property Tax 2019/2020 | Budget Year Effective Property Tax 2020/2021 | Budget Year Proposed Maximum Property Tax 2020/2021 | Annual % CHG |
| Regular Taxable Valuation | 139,490,397 | 147,524,959 | 147,524,959 | |
| Tax Levies: | | | | |
| Regular General | \$1,129,872 | \$1,129,872 | \$1,194,952 | |
| Contract for Use of Bridge | | | | |
| Opr & Maint Publicly Owned Transit | | | | |
| Rent, Ins. Maint. Of Non-Owned Civ. Ctr. | | | | |

PROPERTY TAX NOTIFICATION – SF634

- Levies included in new notice and 2% requirement

- Regular General (\$8.10)
- Non-voted General Levies
 - Except Av. Auth., Levee in special charter cities
- Emergency Levy
- Police & Fire Retirement (410/411)
- FICA/IPERS & Other Employee Benefits

FY2018 to FY2019 Growth

- 524 of 942 over 2%

| Code | Dollar | Purpose |
|--|----------|--|
| Sec. | Limit | |
| 384.1 | 8.10000 | Regular General levy |
| (384) | | Non-Voted Other Permissible Levies |
| 12(8) | 0.67500 | Contract for use of Bridge |
| 12(10) | 0.95000 | Opr & Maint publicly owned Transit |
| 12(11) | Amt Nec | Rent, Ins. Maint of Civic Center |
| 12(12) | 0.13500 | Opr & Maint of City owned Civic Center |
| 12(13) | 0.06750 | Planning a Sanitary Disposal Project |
| 12(14) | 0.27000 | Aviation Authority (under sec 230A.15) |
| 12(15) | 0.06750 | Levee Impr. fund in special charter city |
| 12(17) | Amt Nec | Liability, property & self insurance costs |
| 12(21) | Amt Nec | Support of a Local Emerg.Mgmt.Comm. |
| (384) | | Voted Other Permissible Levies |
| 12(1) | 0.13500 | Instrumental/Vocal Music Groups |
| 12(2) | 0.67500 | Memorial Building |
| 12(3) | 0.13500 | Symphony Orchestra |
| 12(4) | 0.27000 | Cultural & Scientific Facilities |
| 12(5) | As Voted | County Bridge |
| 12(6) | 1.35000 | Missouri Missouri River Bridge Const. |
| 12(9) | 0.03375 | Aid to a Transit Company |
| 12(16) | 0.20500 | Maintain Institution received by gift/devise |
| 12(18) | 1.00000 | City Emergency Medical District |
| 12(20) | 0.27000 | Support Public Library |
| 25+26 | 1.50000 | Unified Law Enforcement |
| Total General Fund Regular Levies (5 thru 24) | | |
| 384.1 | 3.00375 | Ag Land |
| Total General Fund Tax Levies (25 + 26) | | |
| Special Revenue Levies | | |
| 384.8 | 0.27000 | Emergency (if general fund at levy limit) |
| 384.6 | Amt Nec | Police & Fire Retirement |
| | Amt Nec | FICA & IPERS (if general fund at levy limit) |
| Rules | Amt Nec | Other Employee Benefits |
| Total Employee Benefit Levies (29,30,31) | | |
| Sub Total Special Revenue Levies (28+32) | | |

The City Council will conduct a public hearing on the proposed Fiscal Year City property tax levy as follows:
Meeting Date: (entered upon publish) Meeting Time: (entered upon publish) Meeting Location: (entered upon publish)

At the public hearing any resident or taxpayer may present objections to, or arguments in favor of the proposed tax levy. After adoption of the proposed tax levy, the Board will publish notice and hold a hearing on the proposed county budget.

County Website (if available)

County Telephone Number

| | Current Year Certified Property Tax 2019/2020 | Budget Year Effective Property Tax 2020/2021 | Budget Year Proposed Maximum Property Tax 2020/2021 | Annual % CHG |
|--|--|---|--|--------------|
| Regular Taxable Valuation | 25,037,621 | 147,524,959 | 147,524,959 | |
| Tax Levies: | | | | |
| Regular General | \$1,129,872 | \$1,129,872 | \$1,194,952 | |
| Contract for Use of Bridge | | | | |
| Opr & Maint Publicly Owned Transit | | | | |
| Rent, Ins. Maint. Of Non-Owned Civ. Ctr. | | | | |
| Opr & Maint of City-Owned Civic Center | | | | |
| Planning a Sanitary Disposal Project | | | | |
| Liability, Property & Self-Insurance Costs | \$102,873 | \$102,873 | \$108,000 | |
| Support of Local Emer. Mgmt. Commission | | | | |
| Emergency | | | | |
| Police & Fire Retirement | | | | |
| FICA & IPERS | \$129,726 | \$129,726 | \$137,198 | |
| Other Employee Benefits | \$82,827 | \$82,827 | \$87,175 | |
| Total Tax Levy | \$1,445,298 | \$1,445,298 | \$1,527,325 | 5.68% |
| Tax Rate | \$10.36127 | \$9.79697 | \$10.35299 | |

Explanation of significant increases in the budget:

Increase in cost of employee benefits and property/casualty insurance premium.

*Total city tax rate will also include voted general fund levy, debt service levy, and capital improvement reserve levy

**Budget year effective property tax rate is the rate that would be assessed for these levies if the dollars requested is not changed in the coming budget year



SF634 – Required Resolution

- After the hearing, a resolution must be adopted approving the maximum tax dollars that may be levied for the affected levies during the next fiscal year
 - If the total dollars of the affected levies is more than 102% of current year, resolution must pass by 2/3 vote of the governing body.
 - The adopted resolution must be posted on the city website and social media accounts
 - Resolution must be submitted to County Auditor
- DOM is currently drafting a model resolution for this new requirement – Should be available in early December with the budget forms

PROPERTY TAX NOTIFICATION-SF 634

- After adopting resolution, the city proceeds with the budget process as current law requires (public hearing, with a notice published/posted not less than 10 no more than 20 days from the hearing date.)
 - Requires the regular public hearing notice for the budget to include a statement regarding the process to protest a city/county budget.
 - The budget form will guide this process

PROPERTY TAX NOTIFICATION-SF 634

- Extends the budget submission deadline for cities and counties from March 15 to March 31. Adjusts the budget protest deadline to April 10 to accommodate the later budget submission deadline.

March 2019

| Sunday | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday |
|--------|--------|---------|-----------|----------|--------|----------|
| | | | | | 1 | 2 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | 27 | 28 | 29 | 30 |
| 31 | | | | | | |

PROPERTY TAX NOTIFICATION SF 634

- New Due Date: March 31st
- New Appeal/Protest Deadline: April 10th
 - DOM has been tasked with making budget appeal procedures more visible by adding language to hearing notice
 - <https://dom.iowa.gov/local-gov-appeals>
- New Debt Certification Date: April 15th
 - Must have new debts that are to be included in the debt levy for the budget year certified to the County Auditor no later than April 15th
 - Was April 1st previously

Process Flow

- Complete AFR online by December 1st
- Fill in Max Levy Hearing page and publish/posted notice in January / early February
- Hold Max Levy Hearing and Adopt resolution in February / early March
- Publish/Post budget adoption hearing notice after adoption of Max Levy
- Adopt budget before March 31st



Mission Statement

The City of Oelwein strives to provide services and opportunities that utilize old charm with new thinking to ensure success for future generations.

Values

Creative and Visionary –We believe that an openness to creative and visionary thinking will result in new opportunities, increased efficiencies, and excitement about the future.

Transparency–We believe that transparency, keeping the community informed through open, honest, and welcoming communication, is essential for an informed and involved citizenry.

Team Work –We believe that staying connected with each other and the community can build necessary support systems and help maintain trust.

Adaptability–We believe that adaptability and willingness to grow is essential in finding solutions to organizational and community related challenges.

Commitment–We believe in commitment to each other, to the community, and to following through in everything we do.

Oelwein Goals

Implement projects that enhance the community image and builds community identity with a focus on beautifying key destinations and public spaces while better marketing Oelwein.

Prioritize business and growth opportunities that increase development for the community.

Continue and expand measures to improve housing.

Expand and improve city parks, recreation, and the community trail system.

Maintain core service in local government ensuring sustainability.

Oelwein Goals

Implement projects for community improvement with focus on beautifying key destinations and public spaces

- Pursue visual enhancement projects to create an inviting community - ongoing
- Continue and expand community engagement/community events – ongoing
- Support Arts and culture improvements in the community – ongoing
- Identify projects for downtown improvement, with focus on connecting and beautifying key destinations and public spaces – next year
- Continue and expand community engagement/community events – ongoing
- Support arts and culture improvements in the community - ongoing
- Motivate people to want to live in here by improving the community's image and better marketing existing services & amenities. Re-brand the city. – next year
- Intensify outreach and marketing to promote existing amenities and services in Oelwein; take advantage of existing partnerships – ongoing
- Build an identity for the community (e.g. are we for retirement, or “up and coming,” etc.) – next year
- Support efforts to improve Oelwein's community image – next year
- Economic development efforts, including supporting those willing to work, working toward an overall increase in median income, and drawing more business establishments to meet local need and fill gaps (e.g. coffee shops, restaurants, etc.) – ongoing
- Participate in community outreach & collaborations to meet all goals - ongoing

Prioritize business and growth opportunities that increase development for the community

- Identify a community coordinator to facilitate partnerships, plans and projects for improvements over the long run – ongoing
- Support efforts to generate business growth or expansion. Target businesses that meet local needs (e.g. community college, grocery, etc.) and/or create jobs - ongoing
- Support economic development efforts with local partners, including OCAD, NICC, RAMS Center, the schools, businesses, and others (e.g. school-to-work collaborations) – ongoing
- Enhance business development opportunities on Hwy 150 & downtown. Work with state officials to look at expansion of Hwy 150

Continue and expand measures to improve housing

- Better enforce existing ordinance pertaining to housing and property maintenance – this year
- Continue and accelerate housing rehabilitation, demolition, and construction programs – next year
- Continue and accelerate housing clean-up, rehabilitation, & develop initiatives. Flexible housing options when possible to encourage re-development of lots – ongoing

- Continue housing improvement efforts, including rehabilitation or demolition of housing, increasing owner occupied housing, more housing incentives, and working to fill vacant/empty lots - ongoing

Expand and improve city parks, recreation, and the community trail system

- Work to create a health and safe community. Build off of existing progress in walkability, recreation and wellness. – ongoing
- To better serve and attract families, continue improvements to the recreation system, such as better organization of youth and adult programming, added amenities at the aquatics center, and consideration of an indoor pool - ongoing
- Expand and improve the trail system, including considering intracity connections (e.g. to Fayette-Manchester-Readlyn) – ongoing
- Expand and connect the sidewalk system in new and existing neighborhoods – ongoing
- Pursue measures to increase utilization of great public facilities – ongoing
- Recreation improvements, including a soccer field at the sports complex, and a professional director or designated staff to spearhead coordination of existing and expanded sports and recreation programs – next year
- Recreation improvements, including pre-emptive updates to aquatic center, and updates to sporting equipment – ongoing
- Expand and connect bike and pedestrian trails and ways – this year and ongoing

Maintain core service in local government ensuring sustainability

- Continue to maintain core services – ongoing
- Plan, budget for and implement regular updates to outdated water, sewer and street infrastructure and equipment – this year
- Implement updates to street infrastructure, including repair & replacement – ongoing
- Invest in infrastructure and resources that support a city's growth (e.g. water/stormwater, sewage, streets, internet) – ongoing
- Be more sustainable as a community (expanded recycling, alternative energy, etc.) – ongoing
- Expand city services, including incorporating city mulching/composting site (versus burning), and community gardens (i.e. in tree dump site) – this year

Goals for 2020

- Council is on board with all projects in 2020
- Council works to prioritize, and does not allow minor problems to interrupt existing goals
- Council is up to date on the workload of staff and what is being accomplished
- Staff works toward goals set by council
- The city sells itself to the community
- Facebook comments do not push city agenda